

**OFFICE OF THE WASHINGTON STATE
LIQUOR CONTROL BOARD MEETING**

September 1, 2004

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, September 1, 2004 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Chairman Merritt Long. Board Member Roger Hoen was present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

Policy, Legislative and Media Relations Division – Public Hearing – Proposed Rule Change to the Certificate of Approval (COA) Rules

Teresa Berntsen, Rules Coordinator

Robert Maxwell, President National Association of Beverage Importers asked for technical change to clarify a portion of the bill that the rule implements that could cause confusion. The bill defines what an authorized representative is, and says the person must be the exclusive representative for the product in the United States. Mr. Maxwell also thanked Randy Reynolds, Rick Garza, and Teresa Berntsen for their assistance.

Purchasing Services Division – Potential Wine Listings/Delistings

Steve Burnell, Wine Program Manager

The Wine Advisory committee has reviewed the following wines. Criteria for selections made by this panel include outstanding taste, good value, consumer interest and other factors. From blind tastings, the following selections and recommendations were made by the Committee and the Purchasing Division.

Mr. Burnell recommended the Board approve the following listing actions.

Wine	Region	Vintage	Retail	Recommendation
Kabai Plum	California	NV	\$ 5.99	List as M
The Little Penguin Chardonnay	Australia	2003	\$ 5.99	List as M
The Little Penguin Shiraz	Australia	2003	\$ 5.99	List as M
The Little Penguin Merlot	Australia	2003	\$ 5.99	List as M

The following wines are offered as a One-Time-Only purchase. The purchasing department and Mr. Burnell recommended the Board approve the following One-Time-Only listings.

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Retail</u>	<u># of Cases</u>
Buffalo Ridge Chardonnay		California	2000	\$ 3.49 331 Cases
Barnard Griffin Syrah Port	500ml	Washington	2003	\$13.99 336 12 pks
Kestrel "Drop Dead" Red		Washington	NV	\$15.21 56 Cases
Mutt Lynch "Portrait" Zinf/Car.		California	2002	\$11.47 56 Cases

The following wines are offered to the Board in limited case quantities. The purchasing department and Mr. Burnell recommended the Board approve the following wines for "U" code listing.

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Retail</u>	<u># of Cases</u>
Whitman Syrah		Washington	2002	\$ 25.50 14 Cases
Caymus Special Selection Cabernet Sauvignon		California	2001	\$124.99 7 6pks
Silver Oak Alexander Valley Cabernet Sauvignon		California	2000	\$ 57.99 14 Cases
Goose Ridge Chardonnay		Washington	2001	\$ 12.20 28 Cases
Goose Ridge Cabernet Sauvignon		Washington	2001	\$ 24.76 14 Cases
Goose Ridge Viero		Washington	2001	\$ 24.76 14 Cases

<u>Wine</u>	<u>Region</u>	<u>Vintage</u>	<u>Retail</u>	<u># of Cases</u>
L'Ecole #41 Cabernet Sauvignon		Washington	2001	\$ 29.20 14 Cases
L'Ecole #41 Chardonnay		Washington	2003	\$19.56 14 Cases

The Board currently lists the following wines. Based on the blind tasting OR other criteria Mr. Burnell recommended the Board DELIST the following items:

<u>Wine</u>	<u>Region</u>	<u>Brand Code</u>	<u>Reason</u>
Heritage Road Chardonnay	Australia	901102	Discontinued by Supplier
L.A. Cetto Petite Syrah	Mexico	415185	Poor Sales
Hyatt Fume Blanc	Washington	901038	Discontinued by Supplier
Hoodspout Lemberger-Cab	Washington	900493	Poor Sales
Forest Glen Merlot	California	466960	Poor Sales
Forest Glen Cabernet Sauv.	California	466950	Poor Sales
Taylor Cal. Burgundy 3.0L	California	514135	Poor Sales
Estate Cellars Chardonnay 1.5L	California	577170	Poor Sales
Paul Masson Chablis 1.0 L	California	598388	Poor Sales

Board Member Hoen moved for approval. Chairman Long seconded the motion, and it was carried.

Board – Approval of Minutes

Board Member Hoen reviewed the minutes of July 20, July 21, August 3, and August 4 for approval. Chairman Long seconded the motion, and it was carried.

Retail Services Division – Lease Proposal, Liquor Store #187, Seattle (Ballard)

Suzanne Lewis, Property Specialist

The former Ballard liquor store #022 closed in February 2004 due to non-renewal of the lease by the landlord. Retail Services staff, with assistance from the Department of General Administration, has searched for a new space for nearly 2 years. A proposal has been received for a new building to be constructed at 2840 NW Market Street in Seattle.

BACKGROUND

The Ballard liquor store was a busy category 2 store on NW Market Street for many years. Our former landlord chose not to renew the lease and we were forced to close the store when a new site could not be found. The closest liquor store is the Crown Hill store at the north edge of Ballard. Due to the closure of Store #022, retail sales at Crown Hill increased by 48.5% in fiscal year 2004. This has put a strain on the limited parking and storage space of this store. Retail sales at both the Wallingford store and the Greenwood store also increased by a larger percentage in fiscal year 2004.

Ed Robinson owns much of the commercial property in the west end of Ballard. He currently owns and operates Ballard Firehouse Coffee Company, next to Limback Lumber. He sold the property west of his business to Windermere Real Estate who built a beautiful new building there. Several of the old warehouses on the south side of NW Market Street will be demolished for the new Nordic Heritage Museum. The rest will be redeveloped for new retail space at some future date. These properties were recently sold for \$70.00 per square foot. The former railroad right-of-way behind these warehouses will become the west end of the Burke-Gilman bicycle trail, creating a strain on the already-tight parking in the area.

The property on which Mr. Robinson proposes to build a new liquor store building is currently occupied by a taxi company with no permanent structure. Jim Abbott of SGA Corporation, who is our landlord for Store #062 in Edmonds and the new Store #097 in Shoreline, is assisting Mr. Robinson with the building design and will oversee the construction of the new building.

PROPOSAL – 2840 NW Market Street

The Lessor, Ed Robinson of West Ballard, LLC, has proposed a ten (10) year lease in a 6,290 square foot space. The rental rate will be \$14,650.46 per month, or \$27.95 per square foot per year, during Years 1-3, \$16,222.96 per month, or \$30.95 per square foot per year, during Years 4-6, \$18,319.63 per month, or \$34.95 per square foot per year, during Years 7-9, and \$19,630.04 per month, or \$37.45 per square foot per year, Year 10. Due to the permitting process in the City of Seattle, it is anticipated that the new store will not be ready for occupancy until Summer 2005.

The Lease may not be terminated during the initial ten (10) year lease term, except pursuant to Paragraph 2, if applicable, or if Lessor(s) is in default under this agreement and fails to cure such default within 30 days after receipt of written notice of the default.

The Lessor has agreed to construct the premises per the Board's "General Specifications for Self-Service Stores" (Revised 10/02), including fire sprinklers and automatic doors. He has also agreed to the provisions of Appendix A, "Areas of Responsibility", with no exceptions.

The Board will pay its pro rata share of any property tax increases over the reassessed base year which is anticipated to 2006.

SALES HISTORY OF NEARBY STORES

Recent sales history for Stores No. 136, 045, 047 and the former No. 022 are as follows:

Former Store #022: Seattle-Ballard: (closed February 2004)

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$2,400,058	\$ 895,331	\$3,295,389
FY2003	\$3,435,231	\$1,366,092	\$4,801,323
FY2002	\$3,255,370	\$1,339,334	\$4,594,704

Store #136: Seattle-Crown Hill (2 miles NE):

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$2,339,508	\$1,044,869	\$3,384,327
FY2003	\$1,575,284	\$ 937,084	\$2,512,368
FY2002	\$1,531,054	\$ 812,575	\$2,343,629

Store #045: Seattle-Wallingford (2.9 miles east):

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$2,811,464	\$1,826,429	\$4,637,893
FY2003	\$2,518,070	\$1,388,386	\$3,906,456
FY2002	\$2,441,827	\$1,350,986	\$3,792,813

Store #047: Seattle-Greenwood (3.7 miles NE):

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$3,118,152	\$1,335,269	\$4,453,421
FY2003	\$2,931,509	\$1,203,537	\$4,135,046
FY2002	\$2,925,722	\$1,090,651	\$4,016,373

ADDITIONAL DATA:

Sales for the first full year of operation are projected at \$4.5 million.
 Projected Sales/sq ft: \$715 (average for all state liquor stores was \$607 for FY03)
 Profitability: 9.5% while the average profit for all state stores was 8.8% in FY02.

Lease rates in the Ballard area are in the upper \$20s per square foot. There has been little commercial development in recent years. At present there are a couple of mixed-use developments in the planning stages. In addition to high lease rates, these projects feature underground parking and residential units on the upper floors. This creates problems getting freight deliveries and pressure on limited parking for any retail spaces.

Comparable liquor store lease rates in the Seattle area:

#097 Shoreline – 6,002 sq ft @ (new construction)
 \$12,505.00/mo, or \$25.00/sq ft/yr, in Yrs 1-3
 \$13,255.00/mo, or \$26.50/sq ft/yr, in Yrs 4-6
 \$14,005.00/mo, or \$28.00/sq ft/yr, in Yrs 7-10

#042 Seattle (Broadway) – 3,400 sq ft @
 \$8,500.00/mo, or \$30.00/sq ft/yr, in Yrs 1-2
 \$8,925.00/mo, or \$31.50/sq ft/yr, in Yrs 3-4
 \$9,350.00/mo, or \$33.00/sq ft/yr, in Yrs 5-6
 \$9,634.00/mo, or \$34.00/sq ft/yr, in Yrs 7-8
 \$9,917.00/mo, or \$35.00/sq ft/yr, in Yrs 9-10

NOTE: Store #097 will be in a new Bartell's-anchored center and feature many neighborhood services. Store #042 is in a typical city neighborhood on Capital Hill.

SUMMARY

Summary of the lease proposal for Store #187:

Proposed Rent
 \$14,650.46 Yrs 1-3 \$27.95/sq ft/yr

 \$16,222.96 Yrs 4-6 \$30.95/sq ft/yr

 \$18,319.63 Yrs 7-9 \$34.95/sq ft/yr

 \$19,630.04 Yr 10 \$37.45/sq ft/yr

Ms. Lewis recommended approval of Lease Proposal for new Ballard liquor store.

Board Member Hoen moved for approval. Chairman Long seconded the motion, and it was carried.

Retail Services Division – Contract Liquor Store Relocation, Store #550, Union Gap

Linda Lenz, Secretary Administrative

District Manager, Brian Johnson was approached by Contract Manager, Richard Paddock, regarding a proposal to move the Union Gap Contract Liquor Store No. 550.

The current location has proven inadequate to provide customer service to the community due partly to limited parking (9 spaces). This store has sales of over \$900,000, which requires more parking. The section of Main Street where the CLS is currently located is experiencing declining traffic patterns due to the opening of Valley Mall Boulevard and is too far from the Valley Mall exit into Union Gap.

The proposed new site is at 2526 Main Street, which has excellent visibility due to being located directly across from the Valley Mall. The CLS Manager, Richard Paddock, is forecasting sales that could reach 1.2 million within three years at this new site.

This new site has increased parking, 22 spaces of which 4 are in front of the building. The new site will have two entrances to the building. The space will be the same as the old location, 4,000 square feet, and it is a counter store.

The CLS Manager has combined the liquor store with a check cashing business and video rentals. He is planning to discontinue the video rental business to allow for expansion of the liquor display.

The proposed location has been approved by the Mayor and the City Planner's Office. This new location is accessible for liquor shipments, and meets ADA requirements.

This is a highly desirable location and Ms. Lenz (on behalf of Brian Johnson, DM) recommended that the Board approve this relocation of the Contract Liquor Store #550 in Union Gap to 2526 Main Street, Union Gap, effective October 1, 2004.

The Meeting was adjourned at 10:45 A.M.