

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

**October 27, 2004**

The regular meeting of the Washington State Liquor Control Board was called to order at 11:00 a.m., on Wednesday, October 27, 2004 in the Board conference room, 3000 Pacific Avenue SE, Olympia, Washington, by Chairman Merritt Long. Board Member Vera Ing and Board Member Roger Hoen were present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

**Retail Services Division – Contract Liquor Store Appointment, CLS #574, Everson**

Linda Lenz, Secretary Administrative

A panel consisting of District Managers Ronald Ball & Brian Johnson and Auditor Ernie Wilson have interviewed six applicants for the position of Contract Liquor Store Manager for the Everson Contract Store #574, and have recommended Mr. Harold Van Alsborg for the position.

Mr. Van Alsborg has been a resident of Whatcom County for 51 years and worked in Everson for 15 years. He is well known in the Everson Business Community. He lives in the nearby town of Lynden. He has been employed as a Manager for a Radio Shack outlet in Everson called "The Lectronic Shoppe" since 1989. He has both wholesale and retail experience. He is familiar with POS Systems; computerized sales, inventory management, ordering, etc. He will operate the Everson Liquor Store in the same location as it has been for many years. While he will be the primary Operator/Manager of this outlet, his wife Karen will also assist him as needed.

In contacting references provided by Mr. Van Alsborg, he was described as a very honest, very responsible, motivated, hard-working person who gets along well with people and who goes the extra mile to get the job done. Harold Van Alsborg will be a good fit for the position of Contract Store Manager in Everson.

Ms. Lenz recommended the appointment of Harold Van Alsborg as the new Contract Store Manager for the Everson Contract Store, effective December 1, 2004.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

**Retail Services Division – Lease Proposal, Store #048, Bellingham - South**

Suzanne Lewis, Property Specialist

The lease for Store No. 048, located in the Fairhaven area at 1212 – 13<sup>th</sup> Street, Bellingham, will expire on January 31, 2006.

## **BACKGROUND**

Store #048 has been in its current location on a hillside in Fairhaven since December 1968. The building is one block wide and houses 5 or 6 retail tenants. It is located almost 1 block above the main arterial through Fairhaven that is the route to the Alaska ferry terminal. Due to its small size (3,520 sq ft) and lack of ADA compliance, staff attempted to find a new site in 1995. At the time, there had been little or no new development so the lease was finally renewed for 10 years.

With its hillside location, the front parking lot slopes downward and there are 2 stairs from the lot to the sidewalk that runs the length of the building. In 1999, the large space next to the liquor store became available. Staff was able to negotiate an addition of 385 square feet of storage. At the same time, the loading ramp inside the backroom of the store was enlarged to 5' x 20' to meet ADA specifications. If the ADA entrance is needed, a customer must park behind the store, ring the back door bell, and the store staff lets them enter the store down the ramp through the backroom.

The current business owner next to the liquor store has talked with the landlord, Dolly Coleman, about redeveloping the building for a possible mixed use. However, Mrs. Coleman has indicated that she has no interest in redeveloping her property in the foreseeable future. Any redevelopment would undoubtedly involve demolishing the existing building, so the liquor store would have to be relocated at least on a temporary basis.

While there is currently some development of new condominiums and/or apartments taking place, there are no major shopping destinations in Fairhaven proper. There is a small grocery store approximately 2 blocks from the liquor store that was recently purchased by Haggen Foods. Their parking lot is quite small, however, and there is currently no room for expansion of the building or parking lot.

The primary grocery shopping for the Fairhaven area is near I-5. The closest supermarket is the Food Pavilion, owned by Brown & Cole which is headquartered in Bellingham. It is located at 3125 Old Fairhaven Parkway, about 1 block west of I-5, which is the main arterial into Fairhaven. The building was originally built by Albertson's but they pulled out after a couple of years. Brown & Cole were very careful to work with the neighborhood to address the concerns they expressed about Albertson's. According to Jim Anderson, CFO of Brown & Cole, sales at the store are ahead of their 3-year projections and they are very pleased with their progress. They have a space next to their supermarket where they intend to build a new retail building, preferably for the liquor store. Brown

& Cole has also constructed new retail spaces, with the liquor store closest to their supermarkets, in Ferndale and Moses Lake.

**PROPOSAL – Southside Food Pavilion**

The Lessor, Jim Anderson of Fidalgo Bay Investors LLC, has proposed a ten (10) year lease in a new 4,800 square foot space. The new rental rate will be \$8,300.00 per month, or \$21.20 per square foot per year, during the first 5 years, and \$8,750.00 per month, or \$22.35 per square foot per year, during the second 5 years of the lease term.

In addition to the standard lease termination provision in the event that the retail liquor business is privatized, Mr. Anderson has agreed that the liquor store lease can be terminated by the Board if , for some reason, the grocery store was closed.

The Lessor has agreed to construct the building per the Board’s “General Specifications...” and will include the new “acid-washed” floors to match those in Food Pavilion. The Lessor will provide a lighted, individually-lettered sign on the building as well as lighted panels on the monument sign located on Old Fairhaven Parkway. 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.

**SALES HISTORY FOR BELLINGHAM STORES:**

STORE #048 – Fairhaven:

3 year average retail sales increase = 5.5%

Sales/sq ft: FY03 = \$544 (average for all state liquor stores was \$607 for FY03)

Profitability:FY02 = 4.2% while the average profit for all state stores was 8.8%.

NOTE: While retail sales increased 4.6% in FY2003 and another 7% in FY 2004,  
licensee sales now account for over 50% of gross sales.

STORE #130 - Lakeway:

	<u>Retail</u>	<u>Licensees</u>	<u>Gross Sales</u>
FY 2004	\$3,852,066	\$1,337,632	\$5,189,698
FY 2003	\$3,529,759	\$1,258,452	\$4,788,211
FY 2002	\$3,254,755	\$1,151,312	\$4,406,067

3 year average retail sales increase = 8.1%

**STORE #123 – Meridian Plaza:**

	<u>Retail</u>	<u>Licensees</u>	<u>Gross Sales</u>
FY 2004	\$2,954,370	\$631,050	\$3,585,420
FY 2003	\$2,573,934	\$578,829	\$3,152,763
FY 2002	\$2,310,702	\$548,758	\$2,859,460

3 year average retail sales increase = 10.8%  
(FY 2004 retail sales increase = 14.8%)

**ADDITIONAL DATA:**

Current rental rates for new construction in most areas of the state are over \$20.00 per square foot + triple net charges ranging from \$3.00 to \$5.00 per square foot.

Lease rates in area:

#130 Bellingham-Lakeway – 4,720 sq ft @  
\$3,914.00/mo, or \$9.95/sq ft/yr.

Store #130 is in a grocery-anchored center (Cost Cutter, also owned by Brown & Cole), along with many other neighborhood services, and is surrounded by several motels. All retail space other than the supermarket is owned by Ennen Brothers. The lease expires on 3/31/05 and the rent is expected to increase by 50 to 70% due to the extensive improvements requested.

#123 Bellingham-North – 4,855 sq ft @  
\$4,788.90/mo, or \$11.84/sq ft/yr, in Yrs 1-5  
\$5,305.35/mo, or \$13.11/sq ft/yr, in Yrs 6-10

Store #123 is in a non-anchored shopping center in a growing area. Plans are to relocate this store when the lease expires in May 2006 to a larger, more viable retail center, preferably with a grocery anchor. It is anticipated that rents will be at least \$20.00 per square foot based on current market rates.

**SUMMARY**

Summary of the lease proposals for Store #048:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
\$3,677.00	\$8,300.00 Yrs 1-5	+125%
\$11.30/sq ft/yr	\$21.20/sq ft/yr	
	\$8,750.00 Yrs 6-10	+5%
	\$22.35/sq ft/yr	

Ms. Lewis recommended approval of Lease Proposal to relocate Liquor Store #048 to a new building at 3125 Old Fairhaven Parkway in Bellingham.

Board Member Ing moved for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

Board Member Ing thanked Ms. Lewis for her hard work.

**RELOCATION OF LIQUOR STORE #048**

**BELLINGHAM - SOUTH**

NOTE: Store #048 serves all of the south Bellingham area, not just the Fairhaven community. While there is more development currently in process than ever before in Fairhaven, off-street parking is practically nil. Some of the condominium/apartment projects will have underground parking for their residents. There are currently 243 new living units under construction.

Conversations with Fairhaven landowners/developers/real estate agents:

- KEN IMUS, JACARANDA DEVELOPMENT CORPORATION –

Mr. Imus is a major landowner in the Fairhaven area. He is currently building mixed-use projects with all of the condominiums sold out. Retail space is very limited and has no off-street parking. He would like to keep the liquor store in the area to offer the greatest number of services to the residents of Fairhaven, but it would “not be the end of the world” if the liquor store relocated.

- WAYNE WEED, EBANOL GENERAL -

Most of Ebanol's work is in central Fairhaven and has no off-street parking. Has nothing available that meets Liquor Board needs. He understands our need to meet the demands of our customers with parking, larger selection, etc.

- SARATOGA COMMERCIAL MANAGEMENT -

Spoke with Joey who told me about a new building north of Sehome Village (anchored by Haggen's). This is too far away from our target area and too close to Store #130. Joey also mentioned a proposed building next to Food Pavilion on Old Fairhaven Parkway that she feels is going to be a "hot spot". She also suggested that I take a look at 12<sup>th</sup> Street Village that is now under construction.

- MIKE BRADBURN, 12<sup>TH</sup> STREET VILLAGE –

Met with Mr. Bradburn and his partner to discuss details of their planned 7 building development. Most will be condominiums and there is a waiting list for final details. There are 3 commercial buildings on the corner of Old Fairhaven Parkway and 12<sup>th</sup> Street. Windermere Real Estate will be in one building with a deli and drive-thru coffee shop in the smallest building. Largest building has great exposure but is less than 4,000 square feet. Additional basement storage is available and could add a freight elevator. There is no parking immediately adjacent to the building. They originally envisioned small, intimate shops. Base lease rates are \$22-23 per square foot plus triple nets estimated at \$4.00/sq ft.

#### **Board – Approval of Minutes**

Board Member Ing reviewed the minutes of October 20 for approval. Board Member Hoen seconded the motion, and it was passed unanimously.

**The Meeting was adjourned at 10:20 A.M.**