

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

December 1, 2004

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, December 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.

Board – Approval of Minutes

Board Member Ing reviewed the minutes of November 9, November 10, and November 16 for approval. Board Member Hoen seconded the motion, and it was carried unanimously.

Licensing and Regulation Division – Proposed Rule Making Regarding License Applications and Renewal Rules; Karen McCall, Licensing Division Manager

Ms. McCall recommended that the Board proceed with the second stage of rule making to revise rules which relate to liquor license applications and renewals (proposed new Chapter 314-07 and proposed Revised chapter 314-09). If approved, PLMR staff will send the proposed rules to stakeholders, and we will set a date for one or more public hearings.

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

Retail Services Division – Space Addition, Store #028, Seattle, 12th & E. Pine

Suzanne Lewis, Store Leasing Manager

The lease for Store No. 028, located at 1605 – 12th Avenue East, Seattle, was renewed for 10 years, effective May 1, 2002.

HISTORY

Store #028 has been in this location since May, 1982. With the burgeoning population and resulting increase in licensees, sales have increased at a rapid rate. The store size was reduced by more than 1,400 square feet in 1992. We were able to reacquire 485 square feet in November, 2000 to alleviate some of the overcrowding in this store. An additional 900 square feet has now become available and staff is recommending that the Board take this opportunity to increase the store size.

PROPOSAL

The Lessor, The Richmark Corporation, has proposed to lease an additional 900 square feet of space for \$1,334.96 per month. The new combined rental rate for the 6,440 square foot space will be \$8,490.79 per month, or \$15.82 per square foot per year, during the remainder of the first 5 years, and \$9,529.54 per month, or \$17.76 per square foot per year, during the second 5 years, effective when the space improvements are completed. This is anticipated as of January 1, 2005. All other terms and conditions of the current lease would remain the same.

SALES HISTORY

Recent sales history for Store No. 028 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2004	\$3,117,687	\$4,525,952	\$7,643,639
FY2003	\$2,899,475	\$4,148,695	\$7,048,170
FY2002	\$2,854,479	\$4,266,618	\$7,121,097

SUMMARY

Summary of the lease renewal for Store #028:

<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
\$5,135.12	\$7,155.83 Yrs 1 - 5	+39%
\$11.12/sq ft/yr	\$15.50/sq ft/yr	
	\$8,194.58 Yrs 6 - 10	+15%
	\$17.75/sq ft/yr	

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

Purchasing Services Division – Implementation of Wine Pricing Strategy

Heidi Whisman, Acting Director

Ms. Whisman gave the status update on the Wine Implementation Plan Strategy 7.

The Board approved the Wine Strategy Implementation Plan in July 2004. This five-year plan encompasses seven different strategies to improve the wine program in WSLCB retail outlets, including the following short and long term elements which make up strategy seven, Retail Pricing:

Short Term

Complete a pricing analysis on the top 100 selling LCB wines by August 27, 2004 to determine which items are below the market price.

For those items below the market price the LCB will increase the markup formula on those items to have the LCB retail price reflect the market price.

Long Term

Use the LCB market share to determine future consideration for markup increases. If the LCB share rises to over 10% as compared with the private sector a markup price increase will take place.

The Board will take action on this issue at the December 8th Board Meeting.

Public Testimony:

Katie Jacoy, Washington Wine Institute expressed her concern about using ACNielsen averages prices.

Jan Gee (on behalf of Clif Finch, Washington Food Industry) stated that a one time adjustment without future review of market shifts is not enough and also stated that 10 % markup doesn't equal price parity from their perspective.

The Meeting was adjourned at 10:40 A.M.