

**OFFICE OF THE  
WASHINGTON STATE LIQUOR CONTROL BOARD  
Board Meeting /October 4, 2006**

The regular meeting of the Washington State Liquor Control Board was called to order at 10:00 a.m., on Wednesday, October 4, 2006 in the board room, 3000 Pacific Avenue S.E., Olympia, Washington, by Board Member Vera Ing. Board Member Roger Hoen was present. Tony Kim, Administrative Assistant to the Board summarized the minutes.

**Retail Services Division – Liquor Store Relocation, Store No. 092, Tacoma Outlet**

Suzanne Lewis, Store Leasing Manager

The lease for Store No. 092, located in Evergreen Plaza shopping center at 5225 Tacoma Mall Boulevard, Suite D, Tacoma, expired on September 30, 1994 and has been on a month-to-month extension since then.

**BACKGROUND**

Although the current Store #092 has great visibility from I-5, retail sales have always been low due to poor ingress/egress with the busy traffic near Tacoma Mall. Licensee sales account for nearly 50% of gross sales. With the proliferation of licensee accounts and the closure of Store #004 near downtown Tacoma, which also had a large licensee business, many of the liquor stores in the Tacoma area are overburdened and have difficulty providing excellent customer service to both retail and wholesale customers.

An Issue Paper was presented to the Board several months ago regarding the need for “licensee only” liquor stores in the larger metropolitan areas. Store #046 in Seattle and Store #125 in Everett have been very successful at providing excellent customer service to the licensees while providing relief for the inventory storage issues at surrounding stores.

A “licensee only” store can be obtained for less rent due to its warehouse format and normally requires approximately half the staffing of a retail liquor store of the same size. This format also results in better inventory turns due to more standardized purchasing by licensees. Most warehouse locations provide an opportunity to establish the depot store concept in the future utilizing pallet deliveries.

A 10,000 square foot space is available on the back side of Michael’s Plaza at 38<sup>th</sup> Street West and South Pine Street in Tacoma. (Tacoma Police Headquarters is located across Pine Street.) The licensee store would use 7,120 square feet, leaving 2,880 square feet for Store Development’s storage of fixtures needed for new and relocated stores. Approximately 143 licensees ordering 4 cases or more per week from 10 retail stores have been identified as potential customers of the new licensee store. This would result in over \$9.9 million in annual sales, based on FY2005 figures. There are many other smaller licensees who can also be

transferred. In FY2005, Store #125 in Everett had 80 licensee accounts with sales of \$2.4 million in a 5,000 square foot warehouse.

**STORE DEVELOPMENT:**

At present, the Store Development space adjacent to Store #101 in Seattle is at maximum capacity with fixtures, materials and work space. Additional fixtures are stored in various stores in the area when space is available. When the lease for Store #101 is renewed, Store Development will lose approximately 1,000 square feet to the retail store and the lease rate for the entire building will increase dramatically. A dedicated storage area in Tacoma at warehouse rates will provide better inventory control for fixtures and deliveries from Correctional Industries will be easier.

**PROPOSAL – MICHAEL’S PLAZA**

The Lessor, Art Redford of Cascade Plaza Partnership, represented by Ray Velkers of Colliers International, has proposed a ten (10) year lease in a 10,000 square foot space. The new rental rate for the liquor store will be \$9,108.00 per month, or \$15.35 per square foot per year, during Years 1-5 and \$9,701.00 per month, or \$16.35 per square foot per year, during Years 6-10. It is anticipated that the space can be ready by early December 2006.

The Lease may not be terminated during the initial five (5) years of the lease term, except pursuant to Paragraph 3, 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. During Years 6 through 10, the Lease may be terminated by either party with a six (6) month written notice from the first of the month following. If the Board terminates the lease, the remaining portion of the then unamortized improvement costs, based on an initial amount of \$160,000.00, will be due the Lessor. If the Lessor terminates the lease, a payment of \$15,000.00 to help defray moving expenses will be due the Board.

The Lessor has agreed to all requested repairs and improvements, including air conditioning and power openers on the rollup freight 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 2006 base year.

**SALES HISTORY**

Recent sales history for Store No. 092 is as follows:

	<u>Retail Sales</u>	<u>Class H Sales</u>	<u>Gross Sales</u>
FY2006	\$1,263,793	\$1,089,104	\$2,352,897
FY2005	\$1,150,435	\$ 988,703	\$2,139,138
FY2004	\$1,128,872	\$ 950,707	\$2,079,579

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Sales/sq ft: FY06 = \$505 (average for all state liquor stores was \$743 for FY06)

Profitability: FY05 = 7.72% while the average profit for all state stores was 11.3%.

### SUMMARY

Summary of the lease proposal for Store #092:

	<u>Current Rent</u>	<u>Proposed Rent</u>	<u>Change</u>
STORE:	\$4,242.41	\$9,108.00 Yrs 1-5	+115%
	\$10.92/sq ft/yr	\$15.35/sq ft/yr	
		\$9701.00 Yrs 6-10	+6.5%
		\$16.35/sq ft/yr	
STORE DEVELOPMENT:		\$3,684.00 Yrs 1-5	
		\$15.35/sq ft/yr	
		\$3,924.00 Yrs 7-10	
		\$16.35/sq ft/yr	

Ms. Lewis recommended approval of Lease Proposal for reallocation of Store #092 to a Licensee Only store.

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

### **Retail Services Division – Liquor Store Lease Extension, #179 North Bend**

Suzanne Lewis, Store Leasing Manager

The lease for Store No. 179, located in North Bend Retail Center at 470 East North Bend Way, North Bend WA, expired on July 31, 2006.

The Lessor, North Mountain View LLC, represented by Mike Simons of Glacier Management, Inc., has agreed to a one (1) year extension of our current lease, effective August 1, 2006. During this extension period, the rental rate will be \$5,250.00 per month, or \$15.00 per square foot per year, a 7.9% increase. All other terms and conditions of the current lease shall remain the same.

We currently pay \$4,865.00 per month, or \$13.90 per square foot per year, for a 4,200 square foot space. Gross sales for FY 2006 were \$2,593,392.00 with Class H Sales of \$600,663.00, or 23%.

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

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**Retail Services Division – Liquor Store Lease Extension, #120 Bellevue-Ross Plaza**  
Suzanne Lewis, Store Leasing Manager

The lease for Store No. 120, located in Ross Plaza at 14315 NE 20<sup>th</sup> Street, Suite B, Bellevue WA, will expire on September 30, 2006.

The Lessors, Donald Jasper and Lawrence Hebner of F-MAC Ross Plaza, LLC, represented by Sheri Cass of Murray Franklyn, have agreed to a six (6) month extension of our current lease, effective October 1, 2006. During this extension period, the rental rate will be \$8,910.00 per month, or \$19.80 per square foot per year, a 10% increase. All other terms and conditions of the current lease shall remain the same.

We currently pay \$8,100.00 per month, or \$18.00 per square foot per year, for a 5,400 square foot space. Gross sales for FY 2006 were \$4,002,583.00 with Class H Sales of \$806,172.00, or 20%.

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

**Purchasing Services Division – Potential New Listings/Rejections**  
Steve Burnell, Acting Director

Based on presentations made by supplier representatives on September 28, 2006, discussions with members of the listing committee, tasting reports on product samples and other factors, Mr. Burnell recommended that the Board approve the following listing/rejection actions.

**Listing Symbol Codes: R-Regular Listing; L-Limited Distribution; M-Mini Distribution; S-Warehouse Stock; U-Unlisted**

<u>Description</u>	<u>Recommendations</u>
Cruzan Citrus Flavored Rum, 750 ml (\$14.95)	List as L
Effen Black Cherry Vanilla Vodka, 750 ml (\$30.95)	List as M
Wasabe Vodka with Sake, 750 ml (\$31.95)	List as M
Hendrix Electric Vodka, 750 ml (\$31.95)	List as M
Pama Pomegranate Liqueur, 750 ml (\$24.95)	List as M
DeKuyper Berry Fusion Schnapps, 750 ml (\$13.95)	Reject
Effen Vodka, 750 ml (\$30.95)	Reject
Xellent Swiss Vodka, 750 ml (\$32.95)	Reject
Chum-Churum Soju, 375 ml (\$5.85)	Reject
Gankutsuoh Honkaku Shochu, 750 ml (\$27.55)	Reject
Ikkomon Honkaku Shochu, 750 ml (\$30.35)	Reject
Towari Honkaku Shochu, 750 ml (\$27.55)	Reject
Rogue Spirits Hazelnut Spice Rum, 750 ml (\$27.40)	Reject

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Gran Centenario Anejo Tequila, 750 ml (\$56.95)  
 Tullamore Dew 12 Year Irish Whiskey, 750 ml (\$38.95)

Reject  
 Reject

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

**Purchasing Services Division – Potential Wine Listings and Delistings**

Steve Burnell, Acting Director

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.

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.

<b>Wine</b>	<b>Region</b>	<b>Vintage</b>	<b>Retail</b>	<b>Number of Cases</b>
Stomp Cabernet Sauvignon	Washington	2003	\$14.99	56 Cases
Ficklin Chocolate Port 500ml	California	NV	\$ 9.99	42 Cases
Ficklin Raspberry Port 500ml	California	NV	\$ 9.99	42 Cases
Jacob’s Creek Sparkling Chard/Pinot	Australia	NV	\$8.99	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

<b>Wine</b>	<b>Region</b>	<b>Vintage</b>	<b>Retail</b>	<b>Number of Cases</b>
Boschendal Shiraz	S. Africa	2004	\$15.99	14 Cases
King Estate Pinot Gris	Oregon	2004	\$14.99	28 Cases
Burgess Cabernet Sauvignon	California	2004	\$33.74	14 Cases

*Note: All listings are 750ml size unless noted otherwise.*

Listing Symbol Codes:

No Code	Regular Listing
L	Limited Distribution
M	Mini Distribution
S	Warehouse Stock
U	Unlisted

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

**Board – Approval of Minutes**

Board Member Vera Ing reviewed the minutes of August 1, August 2, August 8, August 15, August 16, and moved for approval. Board Member Roger Hoen seconded the motion, and it was passed.

**The Meeting was adjourned at 10:30 a.m.**

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Merritt D. Long  
Chairman

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Vera Ing  
Board Member

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Roger Hoen  
Board Member