

MINUTES
SPECIAL JOINT MUNICIPAL OFF-SALE RETAIL LIQUOR BOARD &
BUDGET & FINANCE COMMITTEE MEETING

MAY 8, 2014

The meeting was called to order by Chairperson, Jean Soine at 6:30 p.m. Members present were Bill Ludwig, Liquor Store Manager; Jennifer Welling, Administrative Assistant/Zoning Specialist; Reed Ringstad, Sue Hecht, Kay McDaniel, Belinda Ludwig, Finance Specialist; and Elliot LaBeau. Also presented were Jeff Thompson (observing only), John Derichs, Nathan Derichs, Corey Gerads, Dave Currens, Eric Peterson and another representative from Derichs Properties, Inc.

LIQUOR STORE LOCATION

Derichs Properties, Inc. presented a proposal and outlined the following:

- Derichs Properties, Inc. would lease to Paynesville Liquor and Jack's C Store
- Three part proposal
 - Building layout
 - Lease
 - Why it makes sense and why it would work
- Building to be built on two lots
- Two signs – one being digital and one pylon
- 5 fuel islands
- Underground fuel tanks
- Odd shaped lot
- Trash enclosure
- Loading dock with a shared space
- Beer cave
- Reach-in cooler
- Stained concrete floor
- Ceiling – vaulted rafter, painted black grid, no tile, with lights
- Maintenance room
- Janitorial room
- Exits
- Storage room
- Bathrooms
- Office
- This is not a truck stop
- Lease:
 - Total square footage is 12,445
 - 46% of the building is the Liquor Store
 - Want long term lease at \$22.00 per square foot for a turn-key building
 - Triple net lease with each responsible for taxes, utilities, and insurance
 - Common area and expenses – loading dock, snow removal, lawn mowing, and perimeter lighting
 - No subletting is allowed
 - Price

- Signage – no banners or clutter
- Any changes to current layout would be at the City's cost
- Hours of operation
- The cost is significantly different due to the amount of money the City will receive for the land, which will help in future land sales
- Why will this work:
 - Built to suit both parties
 - Optimal building for odd shaped lot
 - Continue development in the area
 - Larger cooler
 - New
 - Partners
 - Loading dock
 - Storage
 - Location
 - Increase traffic
 - Jack's is committed
- Financial – land price, odd shaped lot, privately funded, privately developed, and would continue development in the area
- Environmental – energy efficient building, LED lighting, and state of the art
- History of Jack's Oil
- Would like to build yet this summer and be open before winter
- The City has a lot going for it and this would be a good fit

The following questions were raised:

- How big is the cooler? The beer cave is 25 x 15 and the cooler has 10 doors (26x15).
- Is there a need for 2 restrooms? Yes, 2 are needed, according to the building code.
- What are the major costs? The cooler is the most expensive.
- Is the cooler expandable? Yes.
- Will the cooler need a safety padded floor? No.
 - The coolers are insulated and have heated doors to decrease frost and the sweating of doors. The Liquor Store is self-contained/self-controlled. All drawings are engineered.
- How much more square footage is this compared to the current location? More than double.
- With the possibility of Sunday liquor and liquor in grocery stores, could the City get out of the lease?
- It was asked how the City could make the payments?
- Does the store need this big of cooler? Yes, it is the store's biggest need.
- Can the cooler at the existing location be expanded?
- Can the existing cooler be moved? No, cost about \$7,000.00 to move. Litchfield's new cooler cost them \$117,000.00

The Board and Committee discussed the following:

- The Liquor Store now pays \$7.04 per square foot
- The store currently does not pay for lawn mowing, snow removal, taxes, or insurance
- Next year's lease goes to \$7.93 per square foot
- Rent would be \$10,500.00 per month

- Last year the Liquor Store made \$67,516.00 in profit and was able to give the City \$42,500.00
- Last year the City paid \$19,572.00 in rent
- Gross margins were compared:
 - McDonalds – 65%
 - Subway – 72%
 - C-Stores – 35%
 - Liquor industry – 22-24%

LaBeau expressed that this was a high risk endeavor, negative City investment, un-wise, and he opposed the proposal.

(LaBeau left at 7:30 p.m.)

Further questions were raised:

- Why is the cost \$22.00 per square foot?
- Can the cooler size be decreased?
- Is a security system included?
- Is the lease negotiable?
- Can the City review the construction bids?
- Would Jack's still come if the City was not a partner?
- Snow removal and lawn moving, could this be done by the City's Public Works Department?
- Does the City pay property taxes?
- What number would make this partnership work?

On sale, off sale, and Sunday sales were discussed.

Ludwig was directed to research the plans and discuss with Teals about expanding.

Meeting dates were set for:

- Liquor Board – Monday, June 2, 2014
- Special City Council Working Session – June 3, 2014
- The May 12, 2014 meeting will also be posted as a Special Liquor Store meeting

There being no further business, the meeting was adjourned at 9:47 p.m.