

# **BEMIDJI CITY COUNCIL**

## ***Work Session Agenda***

**Monday, November 30, 2015**

**City Hall  
Conference Room  
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL
  
2. DISCUSS LIQUOR STORE EXPANSION
  
3. ADJOURNMENT

***NOTE: All cellular telephones, pagers and BlackBerry devices to be switched to a non-audible function during Council and Committee meetings.***

# COUNCIL AGENDA ITEM



**Meeting Date:** November 30, 2015

**Action Requested:** Consider liquor store expansion

**Prepared By:** Ron Eischens, Finance Director 

**Reviewed By:** Nate Mathews, City Manager 

---

---

## BACKGROUND

City liquor stores were established as a means to control alcohol sales. While control remains the primary reason for its existence, liquor profits have been utilized to subsidize property taxes and pay for special projects including the library, Depot improvements, parks and streets. There are currently two City liquor locations (Discount and Lakeview) with annual revenue exceeding \$5 million.

Bemidji's liquor success is attributable to location, customer service, product selection and staff experience. Historical results will not continue if the City does not evaluate long term growth, traffic patterns and locations balanced against the required financial investment to maintain market share and profit levels.

Over the last 15 years the City considered liquor expansion on several occasions, with the most recent Council discussion in April 2013. These evaluations were conducted internally by City staff.

The Discount Liquor building is over 40 years old and in need of major improvements including coolers, flooring, entrance doors, parking and interior furnishings. In addition to building issues, floor space is not adequate to handle the amount of new products including craft beer, wine and liquor. Sales volume is near maximum levels per square foot which limits future growth. Based on these issues, Council authorized a market study be conducted in July 2015.

Since the two City liquor stores were originally constructed, much has changed in Bemidji. Traffic and retail patterns shifted to the west side near the Highway 71/Highway 2 intersections. Future retail growth, which increases traffic counts, are likely to occur in this area.

## **OBJECTIVE**

The remaining narrative provides Council preliminary information to assist in preparing for long term success of the City's liquor operations. The Council should consider the options and provide direction to staff regarding liquor expansion alternatives.

If there is no interest in expansion, then regardless of terms or locations, consideration should end at this point.

## **MARKETING STUDY – (not completed)**

The study initially considered two expansion options, Westridge Mall area and expansion of current Discount Liquor facility. The study has not been finalized at this time. Based on recently obtained new information, Council may want additional alternatives evaluated.

City staff had discussions and/or met with several parties regarding liquor expansion opportunities including:

**Luekens** – They have limited interest in leasing space at their south store but only if the City is more specific about what square footage and terms it wants.

**PACE Development** – Staff met with PACE to discuss a new stand-alone building lease opportunity in the Westridge Mall parking lot area, south of current Burger King adjacent to Hannah Avenue.

**Northern Liquor** – City Manager approached owners this fall to inquire about selling their operation. Initially owners were not interested but recently expressed being open to discuss a “lease with option to buy” scenario.

**Orton's Gas Station/Smoke Shop** – Both property owners were approached about their interest in selling or strategically partnering with the City on a potential store expansion project. Orton's indicated selling is not preferred at this time while we are still waiting to discuss further with the Smoke Shop. Without additional space, expansion of Discount liquor is not feasible.

**Ground Round** – Owner expressed interest in selling and will be providing the City an offer price shortly.

City staff want the Council to consider in this evaluation the risk/possibility of Sunday liquor sales receiving legislative approval, which would cause personnel and operational costs to increase. Another risk to consider is grocery stores gaining the ability to sell wine, liquor and strong beer.

**OPTIONS:**

The following alternatives are available for further analysis:

1. **Westridge Mall** – a new leased store at this location. PACE is unable to create a separate parcel to sell due to the airport landing zone. If the City is unable to own the land on which a building sits, staff believe leasing the building is the best option for this location.
2. **Northern Liquor** – owners have expressed an interest in a lease to buy scenario. They requested the City provide an “offer”, which has not been done until Council direction is received.
3. **Ground Round** – owners will provide the City an offer price for their property.
4. **Discount Liquor expansion** – through acquisition or partnering with adjacent property owner(s)

Before additional staff time is allocated to this project, council direction is needed.