Master Plan

Utah Department of Alcoholic Beverage Control

November 2016

ZIONS PUBLIC FINANCE, INC.

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Executive Summary

Background

Zions Public Finance, Inc. (ZPFI) was retained to conduct an objective, third-party evaluation of the need for additional liquor stores in the State of Utah, location of any such stores, impacts on local communities that host liquor stores, and advantages to leasing or owning liquor store properties.

Growth in Demand

Growth in demand for new liquor stores will come from two main components: 1) rapid population growth in Utah; and 2) increased per capita consumption. Utah law currently allows a maximum of 1 liquor store for 48,000 persons. Given the State's current population, the maximum allowable number of stores is 63. There are 44 stores at the present time, with legally allowable capacity for an additional 19 stores.

Table 1: Utah Population Growth and Allowable Liquor Stores

	2016	2020	2030	2040
Total State Population	3,046,900	3,309,234	3,914,982	4,570,434
Population per Store	48,000	48,000	48,000	48,000
Total Allowable Stores	63	68	81	95
Current Stores	44	44	44	44
Additional Allowable Stores	19	24	37	51

Average per capita consumption of alcoholic beverages in Utah has increased from 2.37 gallons per capita per year in 2010 to 2.75 gallons per capita in 2015. This is typical of national trends that also show increased consumption per capita.

Market Area Analysis

To better understand growth trends for each of the outlets, a sophisticated GIS analysis was conducted to determine the market area for each outlet, which calculated the nearest outlet, based on driving time, for the entire state. A wide variety of different factors were then used to determine which market areas should have priority for additional liquor stores. Of the more than 20 factors initially considered in the analysis, the factors deemed most important included:

- 2016 population
- 2030 population
- Absolute population growth 2016-2030
- Population density 2016
- Bottles per man hour
- Transactions per capita

Based on these factors (which were given different weights in the analysis and which are described in detail in the body of this report), the following market areas were prioritized for new liquor stores:

Table 2: Priority for New Store Locations

Priority	Store	Market Area
1	40	Riverton
2	30	Layton
3	44	Pleasant Grove
4	16	Sandy
5	26	Taylorsville

Priority	Store	Market Area
6	21	Harrisville
7	23	Roy
8	03	West Valley City
9	08	Bountiful
10	31	Draper
11	24	Ogden
12	15	Cottonwood Heights

A sensitivity analysis that weights different factors is included in Appendix A.

In addition to the prioritization of new liquor stores, consideration should be given to either relocating or expanding stores 1 and 2, both located in Salt Lake City, as well as adding a club stores to the Ogden market area and the potential for an additional club store in Salt Lake County.

Fiscal Impacts to Local Communities from Liquor Stores

Sales per square foot for liquor stores is considerably higher than the average sales per square foot in other types of retail stores. Average sales per square foot for all liquor stores in Utah combined are $1,082 per square foot, considerably higher than the average for most types of retail stores. Higher sales per square foot results in increased sales tax revenues for a local community (on a per square foot basis) from liquor stores than from grocery stores, specialty stores, and most other types of retail stores. The average sales per square foot in liquor stores is similar to the national average for Costco ($1,100) – a highly sought-after retail chain. However, there is a wide range in average sales per square foot in Utah liquor stores – from a high of $2,203 per square foot to a low of $330 per square foot.

In addition to local sales tax revenues, sales tax revenues are also generated for the State of Utah, the local county, mass transit (in areas which have enacted these taxes), transportation infrastructure and botanical, cultural, zoo taxes (ZAP or RAP) taxes. Individual cities and counties have specific taxes that apply in addition to these major taxes listed.

The analysis also evaluated the impacts of liquor stores on surrounding property values. Based on the results of this analysis, no discernible impacts were noted.

Lease v. Own Liquor Store Properties

For each of the existing leased stores, it appears that purchasing the properties would be superior financially than continued leasing. While initial equity will be required, the net present value of the annual savings is superior to that cost amount for all of the stores. Additionally, considering the stability of the Utah real estate market, and the relatively desirable location of the noted stores, there is some notable security in owning the properties. The ability to control future decisions (not having rental rate increases, lease negotiations, potential turnover issues) is also a benefit, as is building equity as opposed to rental payments. While the current lease situations are all at or close to estimated market levels (indicating that no excess rent (or minimal) is being paid at any of the stores), the currently achievable loan rates and strength of the market suggests multiple benefits to purchasing.

For future stores, leasing will make sense if flexibility is desired. If a location is unproven, or the potential occupant wants a few years to test the market, then leasing remains a viable option. If favorable lease negotiations can occur where the lessor provides below market rent, or an initial period of free or reduced

rent, then leasing should be pursued. Conversely, if long-term stability is desired, as well as capital accumulation, then purchasing should be studied.

Best Practices in Control States

Research was conducted regarding lease v. own, store location, and store sizes in control states. The following are key findings from this research:

- In privatized states, most alcohol stores are leased. Control states, however, have the majority of their stores owned.
- Where purchasing is not possible, control states indicate a desire to have a minimum of ten-year leases, with multiple renewal options, or five-year lease agreements that continue at the existing rents for future option periods that are activated by the occupant.
- An important feature is proximity to major transportation corridors, particularly freeways. For control states, stores become destination locations (meaning that customers know where they are going ahead of time, and are rarely brought into the store by chance). As a result, stores are the most productive when they are situated at well accessed intersections, with freeways and major thoroughfares in the immediate area.
- Several control states indicated locations are preferred as stand-alone buildings, and not part of larger, multi-tenant facilities. Some multi-tenant developments restrict alcohol sales, and the uncertainty of future, unknown tenants in a facility creates scenarios that most stores prefer to avoid. Also, issues have arisen in numerous states about parking sharing and reciprocal rights agreements when in a combined facility.
- Most control states show minimum store sizes of 4,000 square feet, with averages closer to 6,000 to 8,000 square feet.

Demographic Trends and Growth Patterns

The purpose of the tasks in this section is to evaluate growth in demand for retail outlets. The tasks focus on population growth, geographic location of future growth, and changing demographics and the resulting impacts to demand for retail outlets for alcoholic beverages.

Statewide Growth Trends

Population

The 2010 US Census estimated the total population for the State of Utah to be over 2.5 million. The Governor's Office of Management and Budget (GOMB) projects the total population to increase to over 3 million by 2020 and 3.6 million by 2030. The majority of growth is projected to occur in communities located along the Wasatch Front, primarily in Utah, Salt Lake, Washington, and Davis Counties.

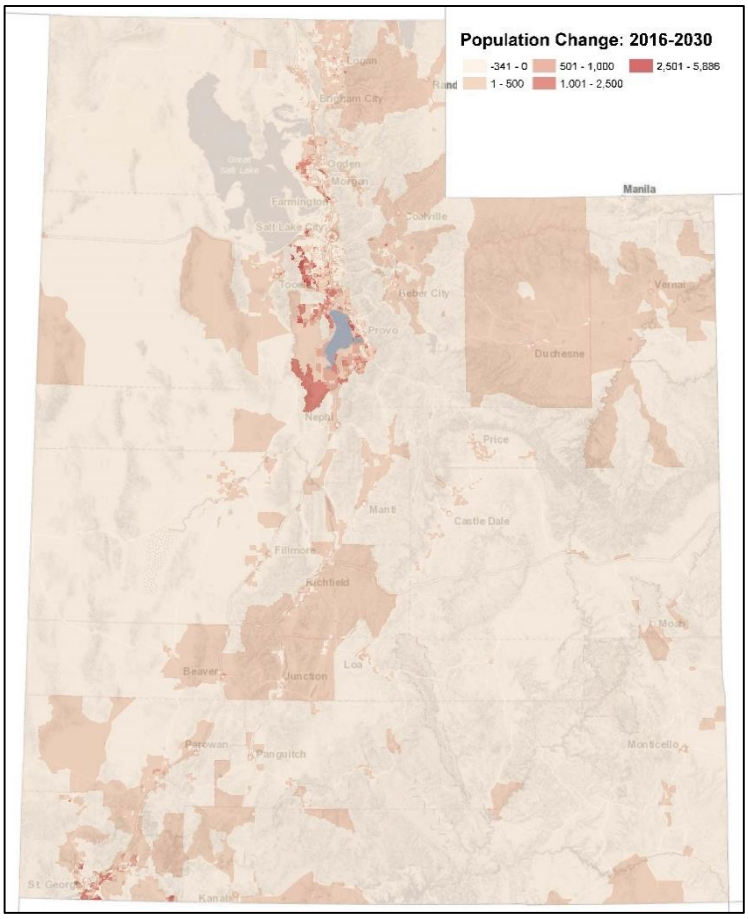
Table 3: Population Estimates by County

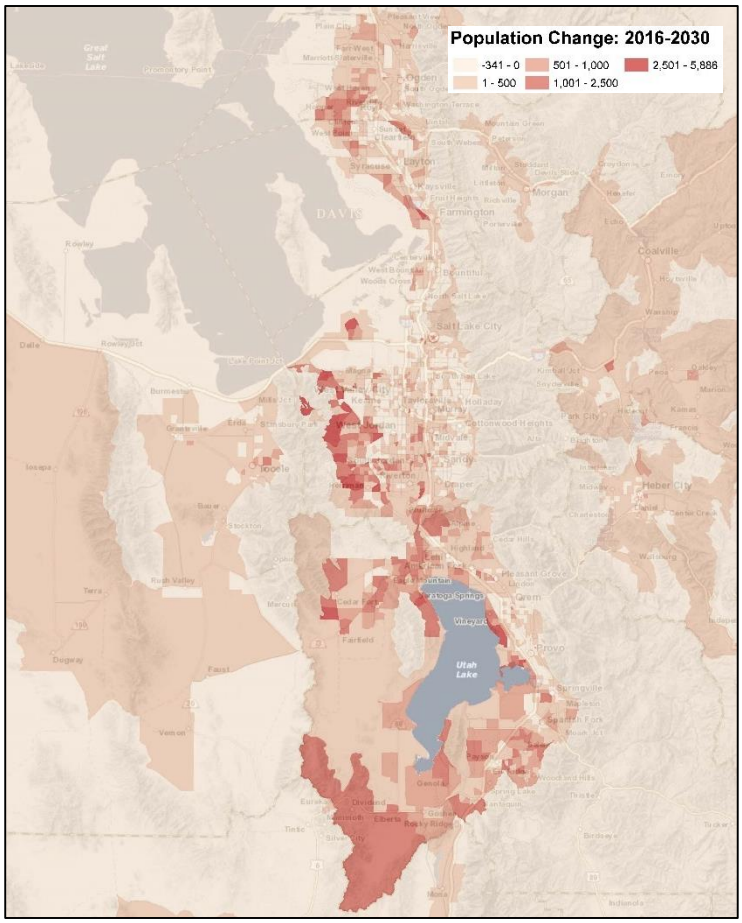
County	2010	2020	2030	Growth 2010-2020	Growth 2020-2030
Utah County	516,564	668,564	833,101	152,000	164,536
Salt Lake County	1,029,655	1,180,859	1,340,665	151,204	159,806
Washington County	138,115	196,762	280,558	58,647	83,796
Davis County	306,479	356,968	391,933	50,489	34,965
Weber County	231,236	258,423	300,477	27,187	42,054
Cache County	112,656	139,228	168,136	26,572	28,909
Tooele County	58,218	74,877	99,664	16,659	24,787
Iron County	46,163	57,055	71,687	10,892	14,632
Wasatch County	23,530	32,741	44,549	9,211	11,808
Summit County	36,324	45,491	56,890	9,167	11,399
Uintah County	32,588	38,982	41,099	6,394	2,117
Box Elder County	49,975	54,571	59,437	4,596	4,866
Duchesne County	18,607	22,797	24,836	4,190	2,039
Sanpete County	27,822	31,637	35,279	3,815	3,642
Juab County	10,246	13,750	17,203	3,504	3,453
Morgan County	9,469	11,945	15,013	2,476	3,068
Sevier County	20,802	22,380	24,329	1,578	1,949
Kane County	7,125	8,357	10,259	1,232	1,902
Beaver County	6,629	7,766	9,225	1,137	1,459
Grand County	9,225	10,300	11,300	1,075	1,000
San Juan County	14,746	15,644	15,486	898	(158)
Garfield County	5,172	6,063	6,821	891	758
Daggett County	1,059	1,444	1,377	385	(67)
Millard County	12,503	12,787	13,384	284	597
Rich County	2,264	2,532	2,843	268	311
Emery County	10,976	11,230	11,930	254	700
Carbon County	21,403	21,602	22,092	199	490
Piute County	1,556	1,635	1,902	79	267
Wayne County	2,778	2,845	3,508	67	663

County	2010	2020	2030	Growth 2010-2020	Growth 2020-2030
State of Utah Total	**2,763,885**	**3,309,234**	**3,914,982**	**545,349**	**605,748**

Source: Governor's Office of Management and Budget (GOMB)

The following maps display the projected population growth throughout the State between 2016 and 2030 for individual Traffic Analysis Zones (TAZ).[1] TAZ population projections are based on the GOMB projections, and therefore reflect the same trends shown in the table above. Along the Wasatch Front, major growth centers are found primarily on the west side of Utah, Salt Lake, and Davis Counties.





Utah law states that the State "may not estanlish a total number of state [liquor] stores that at any time exceeds the number determined by dividing the population of the state by 48,000."[2] Currently there are 44 state liquor stores. Based on an estimated 2016 population of 3,046,900,[3] the State could have up to 63 liquor stores statewide, as shown in the table below. Therefore, State law would permit up to 19 additional liquor stores throughout the State. Sections included later in this report will include analysis indicating potential locations for additional liquor stores.

[1] Sources: Governor's Office of Management and Budget (GOMB)
[2] Source: Utah Code 32B-2-501-2
[3] Source: GOMB; ZPFI

Table 4: Allowable Liquor Stores

	2010	2016	2020	2030	2040
Total State Population	2,763,885	3,046,900	3,309,234	3,914,982	4,570,434
Population per Store	48,000	48,000	48,000	48,000	48,000
Total Allowable Stores	57	63	68	81	95
Actual Stores	44	44	44	44	44
Additional Allowable Stores	13	19	24	37	51

Alcoholic Beverage Consumption

While not required by State law to determine the demand for additional liquor stores, alcoholic beverage consumption rates can help to illustrate the demand for additional outlets. Liquor sales in the State of Utah have grown by 7.1 percent annually from 1998 to 2015, while the State's population grew by only 2.0 percent annually during the same period.

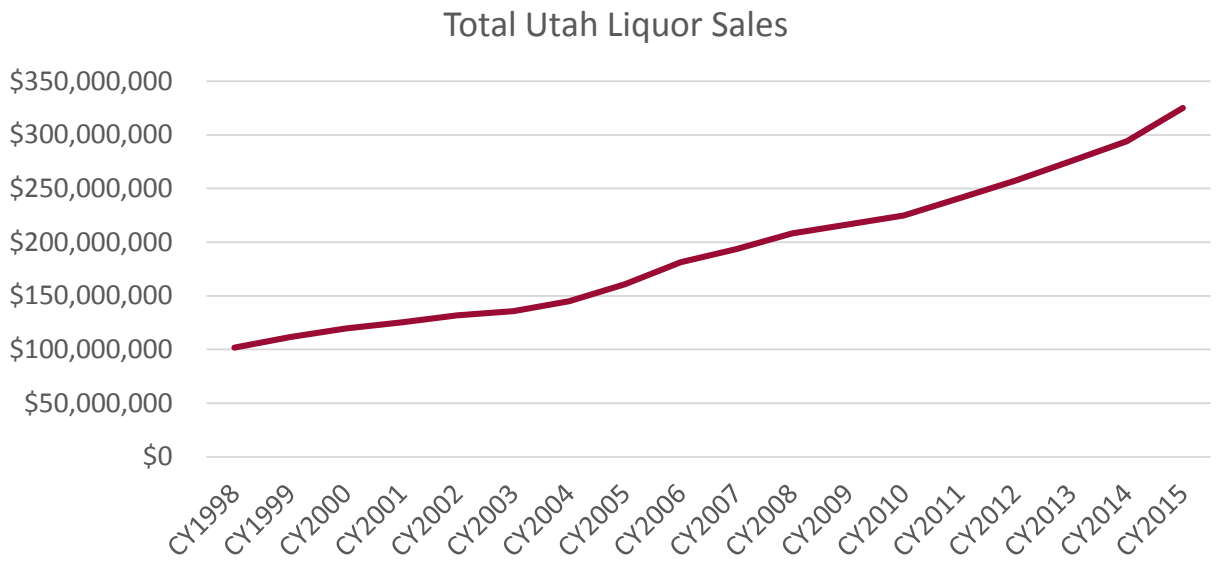


Table 5: Liquor Store Sales in Utah by Year

Year	Total Sales
CY1998	$101,870,288
CY1999	$111,652,616
CY2000	$119,677,303
CY2001	$125,337,065
CY2002	$131,880,675
CY2003	$135,699,214
CY2004	$144,890,507

Year	Total Sales
CY2005	$160,759,754
CY2006	$181,537,962
CY2007	$193,750,408
CY2008	$208,352,495
CY2009	$216,525,555
CY2010	$224,799,233
CY2011	$240,977,180
CY2012	$257,397,074
CY2013	$275,742,826
CY2014	$294,042,995
CY2015	$324,988,005

Source: Utah Department of Alcohol Beverage Control

Similarly, total alcohol consumption has also increased statewide. Between 2010 and 2016, total alcohol consumption in Utah increased annually by nearly 5 percent.

Table 6: Total Gallons Consumed by Alcohol Type

Alcohol Type	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	AAGR 2010-2015
Wine	2,777,208	2,895,167	3,040,115	3,155,881	3,244,739	3,372,217	4.0%
Spirits	2,363,527	2,464,136	2,606,159	2,684,246	2,753,706	2,874,165	4.0%
Heavy Beer	1,300,064	1,344,505	1,465,813	1,507,185	1,595,286	1,745,908	6.1%
Flavored Malt Beverages	100,854	118,133	147,974	182,856	225,042	252,454	20.1%
Total Consumption	6,541,653	6,821,941	7,260,061	7,530,168	7,818,773	8,244,744	4.7%

Source: Utah Department of Alcohol Beverage Control

During the same time, the number of gallons consumed per capita has consistently increased, starting at 2.37 gallons in 2010 and reaching 2.75 gallons in 2015.

Table 7: Average Utah Consumption per Capita (in Gallons)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Utah Population	2,763,888	2,808,810	2,854,462	2,900,856	2,948,004	2,995,919
Gallons consumption per capita	2.37	2.43	2.54	2.60	2.65	2.75

Source: Utah Department of Alcohol Beverage Control

National trends are similar to those seen in Utah. Population growth and increased alcohol consumption throughout the United States indicate increased demand for alcoholic beverages, and therefore, for additional liquor stores.

Total spirits sales volume in the United States has increased from an average of 565.90 9-liter cases per 1,000 population in 2004 to 671.75 cases in 2014.

Table 8: Growth in Total Spirit Sales in the United States, 2004 - 2014

	Spirits - Millions of 9-Liter Cases	US Population	Cases per 1000 population
2004	165.7	292,810,000	565.90
2005	170.3	295,520,000	576.27
2006	176.7	298,380,000	592.20
2007	181.7	301,230,000	603.19
2008	185.6	304,090,000	610.35
2009	188.6	306,770,000	614.79
2010	192.1	308,110,000	623.48
2011	198.7	310,500,000	639.94
2012	205.6	312,860,000	657.16
2013	210.6	315,180,000	668.19
2014	213.4	317,680,000	671.75

Source: https://www.shipcompliant.com/wp-content/uploads/2015/11/JohnBeaudette_BACS.pdf

Wine sales have also increased significantly in the United States, increaseing from 915.61 million 9-liter cases per 1,000 population in 2004 to 1,031.23 cases in 2014.

Table 9: Growth in Total Wine Sales in the United States, 2004 - 2014

Year	Millions of 9-Liter Cases	US Population	Cases per 1,000 Population
2004	268.1	292,810,000	915.61

Year	Millions of 9-Liter Cases	US Population	Cases per 1,000 Population
2005	273.7	295,520,000	926.16
2006	283.0	298,380,000	948.45
2007	292.1	301,230,000	969.69
2008	294.7	304,090,000	969.12
2009	297.0	306,770,000	968.15
2010	303.1	308,110,000	983.74
2011	312.4	310,500,000	1,006.12
2012	318.9	312,860,000	1,019.31
2013	325.8	315,180,000	1,033.70
2014	327.6	317,680,000	1,031.23

Source: https://www.shipcompliant.com/wp-content/uploads/2015/11/JohnBeaudette_BACS.pdf

Significant growth has also occurred in distilleries, breweries and wineries in the United States between 2004 and 2014.

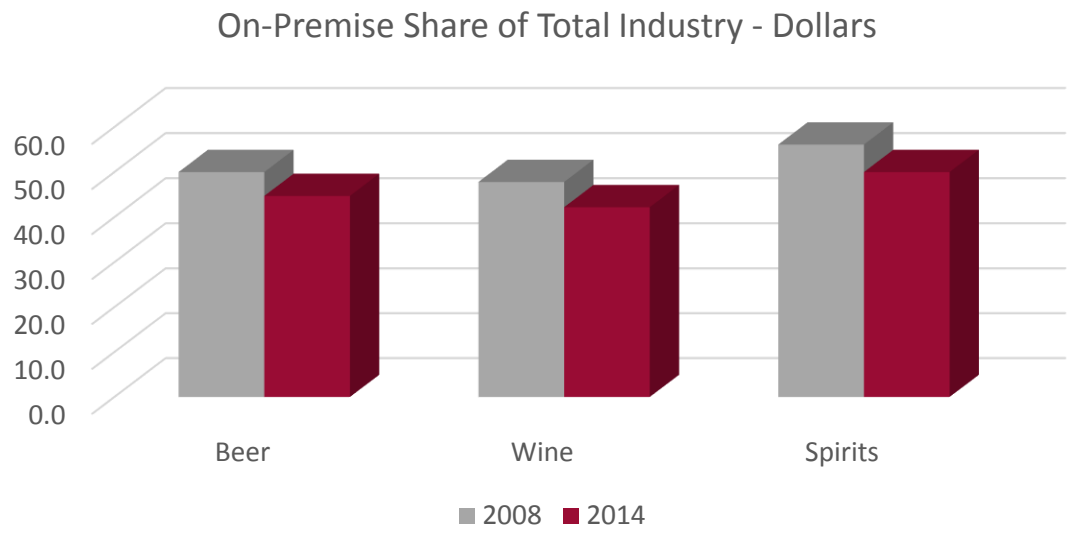
Table 10: Growth in Distilleries, Breweries and Wineries in the United States, 2004 - 2014

Year	Distilleries	Breweries	Wineries
2004	50	1,463	2,400
2014	600	2,774	8,391

Source: https://www.shipcompliant.com/wp-content/uploads/2015/11/JohnBeaudette_BACS.pdf

The above information suggests that demand for additional liquor stores in Utah will come not only from population growth, but also growth in demand from increased per capita consumption. And, off-premise

demand has been gaining market share in comparison to on-premise demand,[4] again increasing demand for liquor stores.



Population growth and increased alcohol consumption throughout the State indicate increased demand for alcoholic beverages, and therefore, for additional liquor stores.

Market Area Analysis

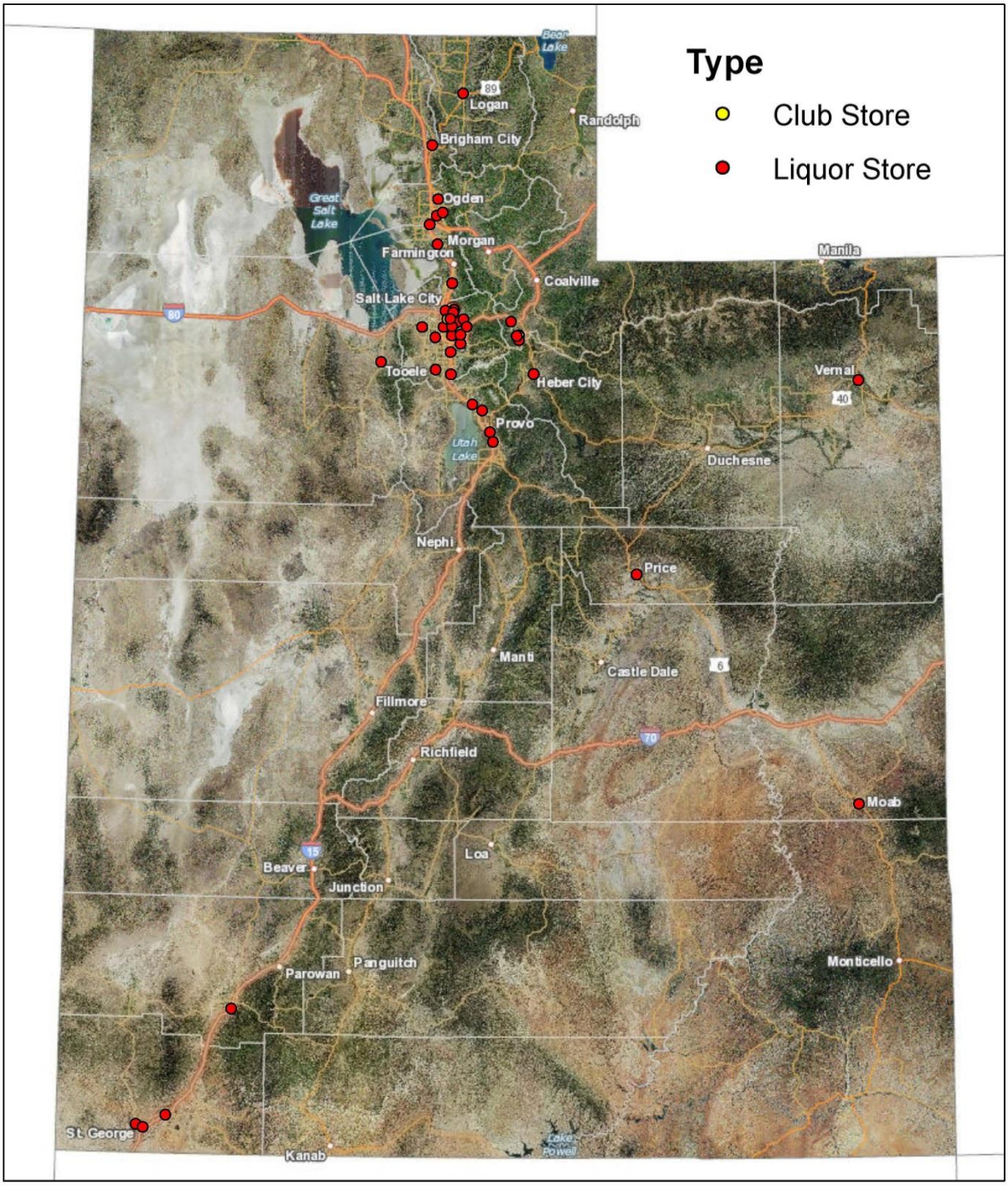
The State of Utah currently has 44 liquor stores, 2 of which are defined as club stores, which serve primarily, but not exclusively, restaurants and other establishments licensed to sell alcoholic beverages. Salt Lake County has the most liquor stores, with 19, followed by Weber and Summit Counties, each with 4, and Washington County with 3. Thirty of the forty-four liquor stores are located along the Wasatch Front between Brigham City and Nephi.

Table 11: Number of Liquor Stores by County

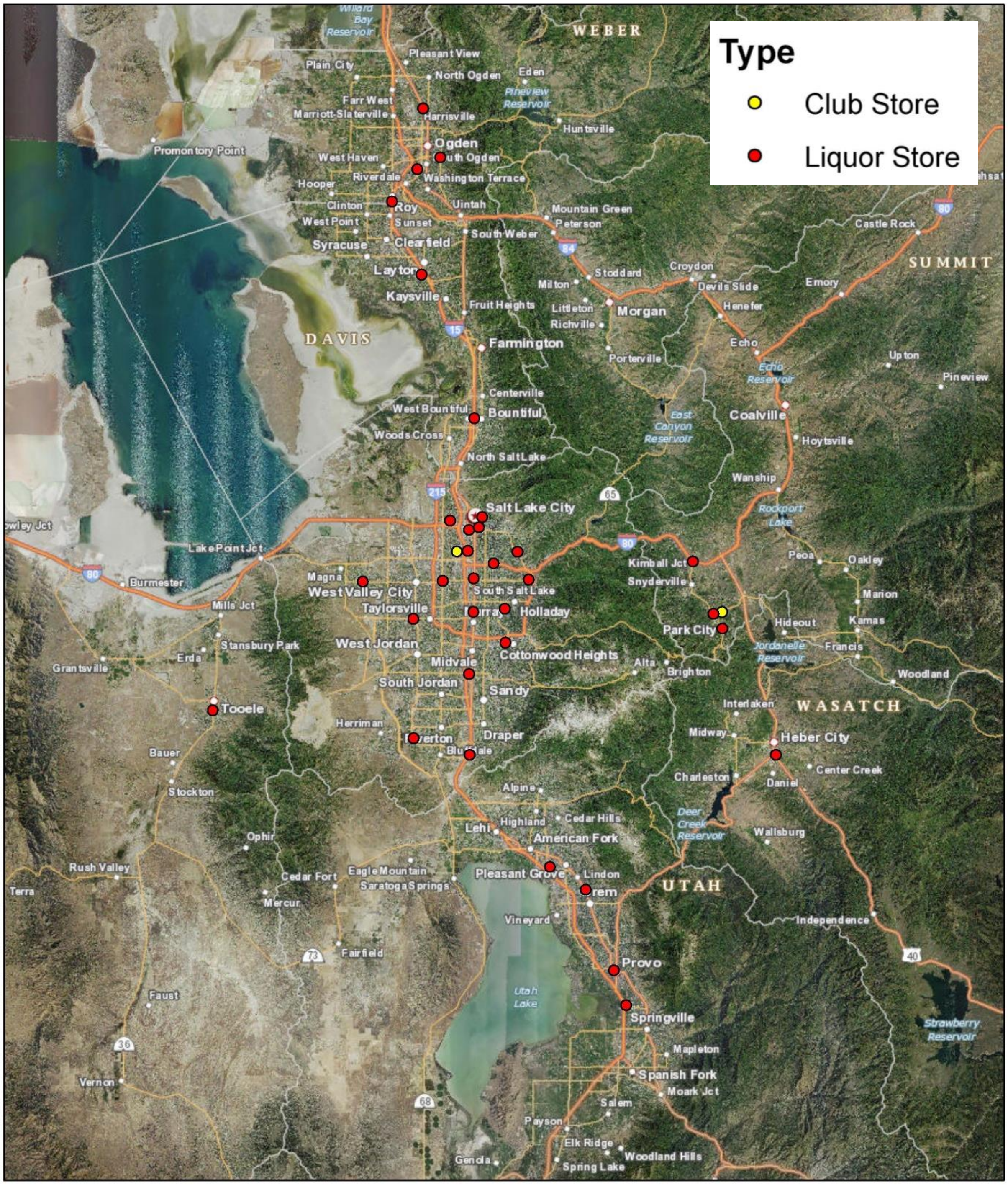
County	Liquor Stores	Club Stores	Grand Total
Box Elder County	1		**1**
Cache County	1		**1**
Carbon County	1		**1**
Davis County	2		**2**
Grand County	1		**1**
Iron County	1		**1**
Salt Lake County	18	1	**19**
Summit County	3	1	**4**
Tooele County	1		**1**
Uintah County	1		**1**
Utah County	4		**4**
Wasatch County	1		**1**
Washington County	3		**3**

[4] Source: https://www.shipcompliant.com/wp-content/uploads/2015/11/JohnBeaudette_BACS.pdf

County	Liquor Stores	Club Stores	Grand Total
Weber County	4		**4**
Grand Total	**42**	**2**	**44**



State Liquor Store Locations



State Liquor Store Locations

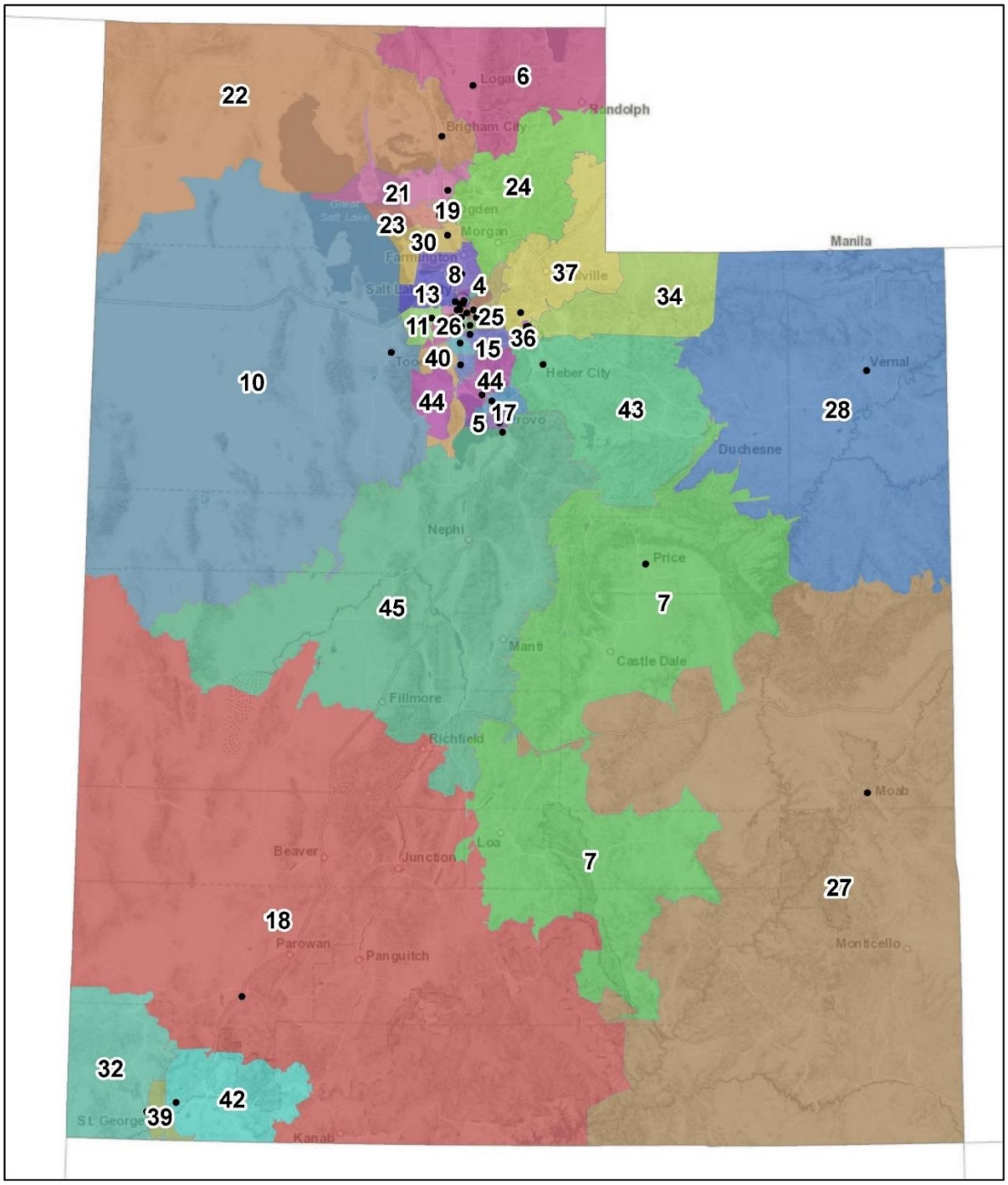
To better understand growth trends for each of the outlets, a sophisticated GIS analysis was conducted to determine the market area for each outlet, which calculated the nearest outlet, based on driving time, for the entire state.

The market area for each outlet varies significantly, with some as small as 3.65 square miles (store 41 in Salt Lake City), or as large as 17,802 square miles (store 18 in Cedar City), while the driving times range from a few minutes to more than 2 hours in more rural areas.

The following table lists the top 12 stores with the largest market areas. The largest market areas generally cover more rural areas.

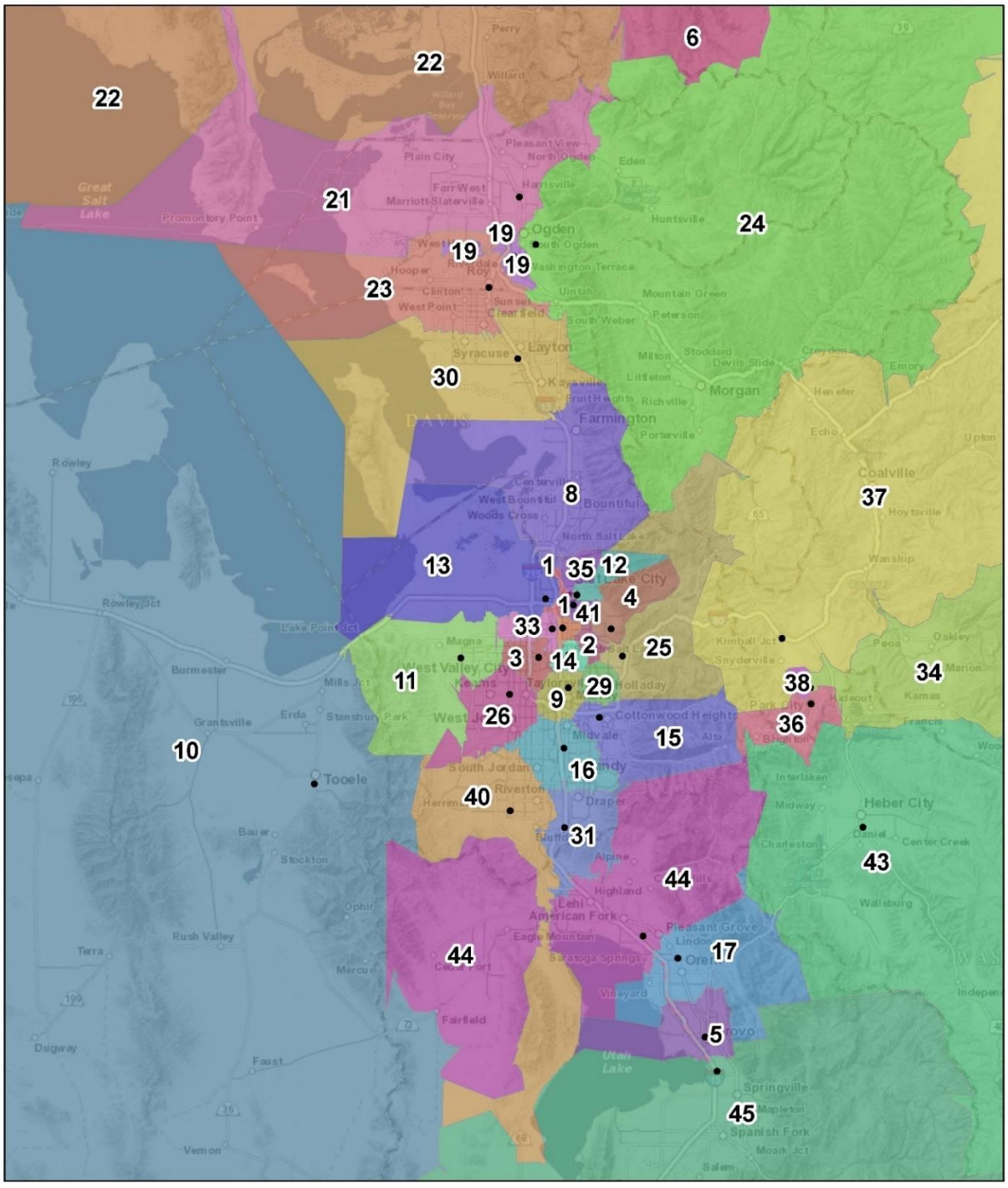
Table 12: Market Area by Square Miles

Store	Street Address	City	Market Area (square miles)
18	1580 S Providence Center Dr.	Cedar City	17,802
27	55 West 200 South	Moab	16,021
10	433 North Main	Tooele	11,032
07	50 North 100 West	Price	8,336
45	1551 North 1750 West	Springville	7,115
28	675 East Main	Vernal	7,049
22	43 South 100 West	Brigham City	5,246
43	262 East Gateway Dr.	Heber City	2,179
06	75 West 400 North	Logan	1,761
24	1156 Patterson Ave.	Ogden	1,343
32	929 West Sunset Blvd.	St. George	1,264
42	202 North Foothill Canyon Dr.	Hurricane	1,021
		Average – All Stores	1,995
		Average – Top 12 Stores	6,681



Market Area by State Liquor Store

- State Liquor Store



State Liquor Store Market Area - Wasatch Front

- State Liquor Store

These market areas were then used to analyze different factors to determine which markets should have priority for additional liquor stores. Each of the stores were ranked from highest to lowest for each of the following factors:

- Market area
- Store square feet
- 2016 population
- 2030 population
- Absolute population growth 2016-2030
- 2016 population density
- Population density absolute growth 2016-2030
- Household incomes
- Per capita incomes
- Median age
- 2016 employment
- 2030 employment
- 2016 employment density
- FY 2016 gross revenues
- Bottles per man hour
- Bottles sold
- Bottles sold per capita
- Bottles sold per square foot
- Bottles sold per transaction
- Transactions
- Transactions per capita
- Sales per square foot
- Sales per capita

Of all the factors that were analyzed, the consultants, in consultation with ABC, determined that there were six primary factors that would determine the priority for adding additional stores in certain markets. The factors selected include:

- 2016 population
- 2030 population
- Absolute population growth 2016-2030
- Population density 2016
- Bottles per man hour
- Transactions per capita

Population estimates and projections used in the market analysis are based on estimates collected from the various AOGs (Association of Governments) and UDOT (Utah Department of Transportation) because they provide data that is more granular than what is available through the Governor's Office of Management and Budget (GOMB).

The following sections review the findings for each of these six primary factors. Only the top 12 stores for each factor are listed in each section. Highlighted rows indicate stores that were in the top 12 for multiple primary factors. Club stores are excluded from this portion of the analysis because, although any customer can shop at a club store, club stores are significantly higher than regular stores in terms of revenues, number of transactions, and number of bottles sold. The potential for additional club stores is analyzed in a later section of this report.

2016 Population

Stores with large populations are all located along the Wasatch Front. The largest populations served are in the Springville, Pleasant Grove, and Riverton market areas, with Sandy close behind. The average population for the 12 stores with the largest populations is over 150,000, with the average population for all stores was less than half of that, at 72,366.

Table 13: Top Stores by 2016 Population

Store	City	2016 Population	Current Allowable Stores in Market Area
45	Springville	226,996	4.73
44	Pleasant Grove	193,038	4.02
40	Riverton	176,369	3.67

Store	City	2016 Population	Current Allowable Stores in Market Area
16	Sandy	174,548	3.64
30	Layton	161,270	3.36
26	Taylorsville	159,109	3.31
23	Roy	133,173	2.77
06	Logan	131,310	2.74
05	Provo	127,182	2.65
08	Bountiful	118,945	2.48
17	Orem	111,290	2.32
11	Magna	98,172	2.05
	Average – All Stores	72,366	
	Average – Top 12 Stores	150,950	

2030 Population

The list of stores with projected large populations in 2030 is very similar to stores with large populations in 2016, with the same stores listed in the top 12 for each. Springville, Riverton, Pleasant Grove, and Sandy all remain in the top four, with only minor changes in the remaining eight.

Table 14: Top Stores by 2030 Population

Store	Street Address	City	2030 Population	Allowable Stores
45	1551 North 1750 West	Springville	335,434	6.99
40	13332 So. Market Center Dr.	Riverton	304,808	6.35
44	671 Pleasant Grove Blvd	Pleasant Grove	272,784	5.68
16	125 West 9000 South	Sandy	205,934	4.29
26	3905 West 5400 South	Taylorsville	180,320	3.76
30	625 West 600 North	Layton	175,339	3.65
06	75 West 400 North	Logan	172,464	3.59
23	5948 South 1900 West	Roy	167,445	3.49
11	7278 West 3500 South	Magna	154,442	3.22
05	166 S. Freedom Blvd.	Provo	139,618	2.91
08	520 North 500 West	Bountiful	127,516	2.66
17	1688 North State Street	Orem	124,428	2.59
		Average – All Stores	72,366	
		Average – Top 12 Stores	96,022	

Absolute Population Growth, 2016-2030

The list of top stores based on projected population growth between 2016 and 2030 is very similar to the list of top stores based on current population, with Riverton, Springville, and Pleasant Grove listed in the top 3 for both factors. Unlike the current population factor, many of the stores with higher projected population growth are found outside of the Wasatch Front, including St. George, Hurricane, Tooele, and

Cedar City. The average projected population growth for all stores is approximately 20,000, while the market areas with the greatest growth will have growth of about 55,000 persons.

Table 15: Top Stores by Absolute Population Growth, 2016-2030

Store	Street Address	City	Absolute Pop. Growth 2016-2030	Additional Allowable Stores by Pop. Growth 2016-2030
40	13332 So. Market Center Dr.	Riverton	128,440	2.68
45	1551 North 1750 West	Springville	108,438	2.26
44	671 Pleasant Grove Blvd	Pleasant Grove	79,745	1.66
11	7278 West 3500 South	Magna	56,270	1.17
39	161 North 900 East	St. George	41,728	0.87
6	75 West 400 South	Logan	41,154	0.86
42	202 North Foothill Canyon Dr.	Hurricane	38,553	0.80
32	929 West Sunset Blvd.	St. George	35,419	0.74
23	5948 South 1900 West	Roy	34,271	0.71
16	125 West 9000 South	Sandy	31,386	0.65
10	433 North Main	Tooele	31,082	0.65
18	1580 S Providence Center Dr.	Cedar City	27,484	0.57
		Average – All Stores	20,124	
		Average – Top 12 Stores	54,498	

Population Density, 2016

Stores with the greatest population density are all located along the Wasatch Front, with most of them located in Salt Lake City. These areas generally have much larger populations in much smaller areas than the average store's market area.

Table 16: Top Stores by Population Density, 2016

Store	Street Address	City	2016 Population	Square Miles	Population Density (per Square Mile)
02	1154 Ashton Avenue	Salt Lake City	39,631	5.66	7,002
14	63 E. Miller Avenue	Salt Lake City	35,238	6.27	5,624
03	3381 S. Redwood Road	West Valley City	63,451	12.35	5,137
41	280 West Harris Ave.	Salt Lake City	18,148	3.65	4,975
29	1814 E Murray Holladay Road	Holladay	49,430	10.05	4,920
09	5056 South State	Murray	67,239	13.71	4,903
16	125 West 9000 South	Sandy	174,548	37.32	4,677

Store	Street Address	City	2016 Population	Square Miles	Population Density (per Square Mile)
01	205 West 400 South	Salt Lake City	17,337	3.91	4,429
26	3905 West 5400 South	Taylorsville	159,109	42.62	3,733
35	255 South 300 East	Salt Lake City	42,578	13.29	3,204
19	3802 Pacific Ave.	Ogden	30,658	11.42	2,686
05	166 S. Freedom Blvd.	Provo	127,182	49.24	2,583
		Average – All Stores	75,101	1,995.00	1,576
		Average – Top 12 Stores	68,712	17.46	4,489

Bottles per Man Hour

Bottles per man hour is the key metric used by ABC to gauge store performance. The highest performing stores generally sell between 70 and 79 bottles per man hour.

Table 17: Top Stores by Bottles per Man Hour, FY2016

Store	Street Address	City	Bottles per Man Hour
30	625 West 600 North	Layton	78.8
44	671 Pleasant Grove Blvd	Pleasant Grove	76.3
25	3255 East 3300 South	Millcreek	74.9
21	484 North Wall Ave.	Harrisville	74.8
40	13332 So. Market Center Dr.	Riverton	74.5
23	5948 South 1900 West	Roy	73.0
24	1156 Patterson Ave.	Ogden	72.7
08	520 North 500 West	Bountiful	72.2
37	1612 Ute Blvd.	Park City	72.2
03	3381 S. Redwood Road	West Valley City	72.0
29	1814 E Murray Holladay Road	Holladay	70.2
13	1255 West North Temple	Salt Lake City	69.7
		Average – Top 12 Stores	73.4

Transactions per Capita

Likewise, transactions per capita is a good indicator of store performance. Stores with the most transactions per capita are generally located in more urban areas with smaller populations, indicating that the average person in these areas has more transactions than the average person in another market area.

Table 18: Top Stores by Transactions per Capita, FY2016

Store	Street Address	City	2016 Population	Transactions per Capita
38	1550 Snow Creek	Park City	2,798	89.8
1	205 West 400 South	Salt Lake City	17,337	28.2
36	460 Swede Aly St. 100	Park City	2,058	28.2
12	416 East 6th Ave.	Salt Lake City	10,464	19.5
2	1154 Ashton Avenue	Salt Lake City	39,631	13.4
37	1612 Ute Blvd.	Park City	24,815	11.5
19	3802 Pacific Ave.	Ogden	30,658	9.7
25	3255 East 3300 South	Millcreek	27,791	9.5
41	280 West Harris Ave.	Salt Lake City	18,148	7.8
29	1814 E Murray Holladay Road	Holladay	49,430	7.5
3	3381 S. Redwood Road	West Valley City	63,451	6.7
9	5056 South State	Murray	67,239	6.4
		Average – All Stores	75,101	7.9
		Average – Top 12 Stores	29,485	19.8

Potential for New Outlets

The potential for new outlets was determined by a creating a weighted average rank for each of the stores. This process included:

Step 1: Each store was ranked from highest to lowest on each of the primary factors previously listed;

Step 2: Weights based on priority were assigned to each of the factors. We determined that each of the primary six factors fell under one of two categories: population and store performance, and that population and store performance were equally as important when determining which market areas to consider for additional stores. The six factors were then assigned a weight based on their priority, relative to the other factors, when determining market areas for expansion. The weights for each of the factors are listed in the table below.

Table 19: Analysis Factors by Weight

Factor	Weight
Population	**50%**
Population – 2016	20%
Population – 2030	10%
Absolute Population Growth 2016-2030	10%
Population Density – 2016	10%
Store Performance	**50%**
Bottles per Man Hour	30%
Transactions per Capita	20%

Step 3: The weights above were multiplied by the rankings from Step 1 to determine the weighted average rank for each of the stores. The weighted rank for all stores is listed in the table below.

Appendix A includes a sensitivity analysis for the weighted factors with alternative weight scenarios.

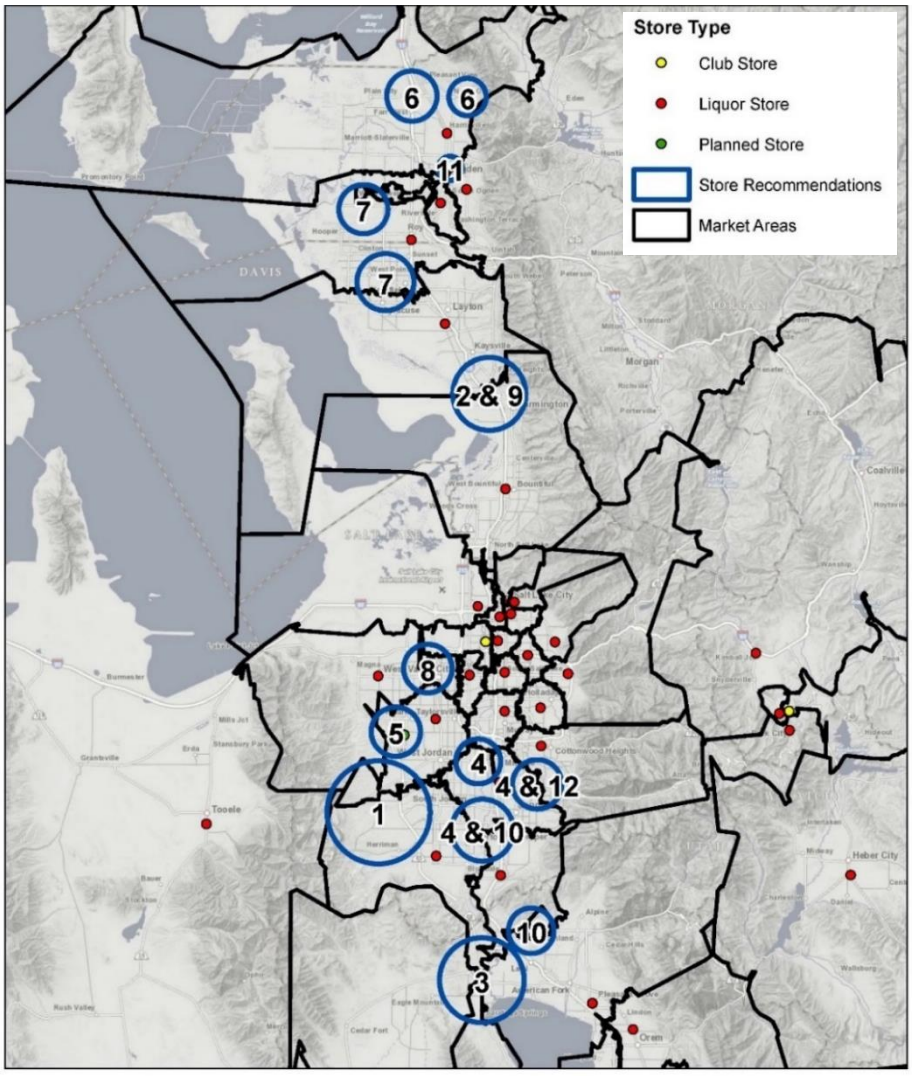
Table 20: New Store Priorities based on Weighted Ranks

Priority	Store	City	Weighted Rank
1	40	Riverton	11.4
2	30	Layton	11.6
3	44	Pleasant Grove	11.9
4	16	Sandy	12.6
5	26	Taylorsville	12.7
6	21	Harrisville	13.7
7	23	Roy	14.0
8	03	West Valley City	14.4
9	08	Bountiful	16.6
10	31	Draper	16.9
11	24	Ogden	17.0
12	15	Cottonwood Heights	17.0
13	02	Salt Lake City	17.2
14	29	Holladay	17.2
15	06	Logan	17.4
16	09	Murray	17.5
17	45	Springville	18.4
18	13	Salt Lake City	19.3
19	39	St. George	19.5
20	25	Millcreek	20.1
21	11	Magna	20.1
22	37	Park City	20.6
23	01	Salt Lake City	21.1
24	19	Ogden	21.6
25	17	Orem	23.9
26	10	Tooele	25.1
27	18	Cedar City	25.5
28	05	Provo	25.7
29	12	Salt Lake City	26.0
30	14	Salt Lake City	26.4
31	38	Park City	26.4
32	27	Moab	26.7
33	41	Salt Lake City	26.8
34	43	Heber City	26.9
35	32	St. George	27.0
36	42	Hurricane	27.9
37	35	Salt Lake City	28.2
38	04	Salt Lake City	28.7
39	28	Vernal	30.9

Priority	Store	City	Weighted Rank
40	36	Park City	32.7
41	22	Brigham City	33.3
42	07	Price	35.2

The results in the prioritization list do not necessarily mean that a new store should be placed in Riverton, for example; rather, that the market area covered by store 40, which is in Riverton, should be prioritized when considering locations for new stores.

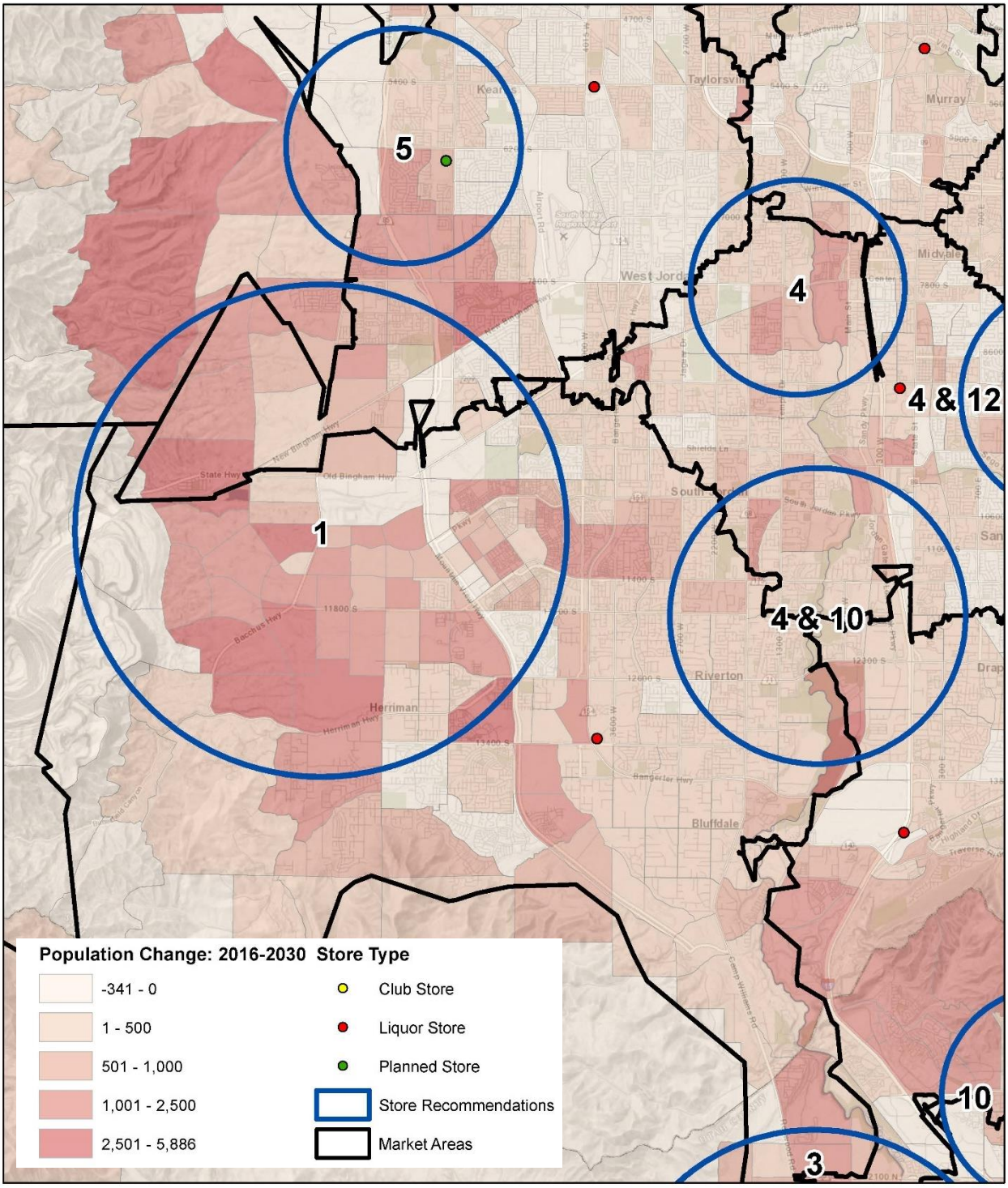
The map below shows recommended store locations for additional stores in the top 12 market areas. The general site recommendations, which are indicated by blue circles, are based on projected population growth within the market area of each store and are only general recommendations for new store locations. Actual store locations may vary based on real estate availability and the closest municipalities for the needed geographic area. Note that some recommendations cover multiple market areas, for example in Layton and Bountiful. This is used to show how strategically placed stores have the potential to serve the needs of multiple market areas. The following sections include additional information regarding general site recommendations for the top 12 stores.



The time frame for adding additional stores will vary. Department officials will need to regularly monitor store performance and demographic changes when determining the timing for new stores.

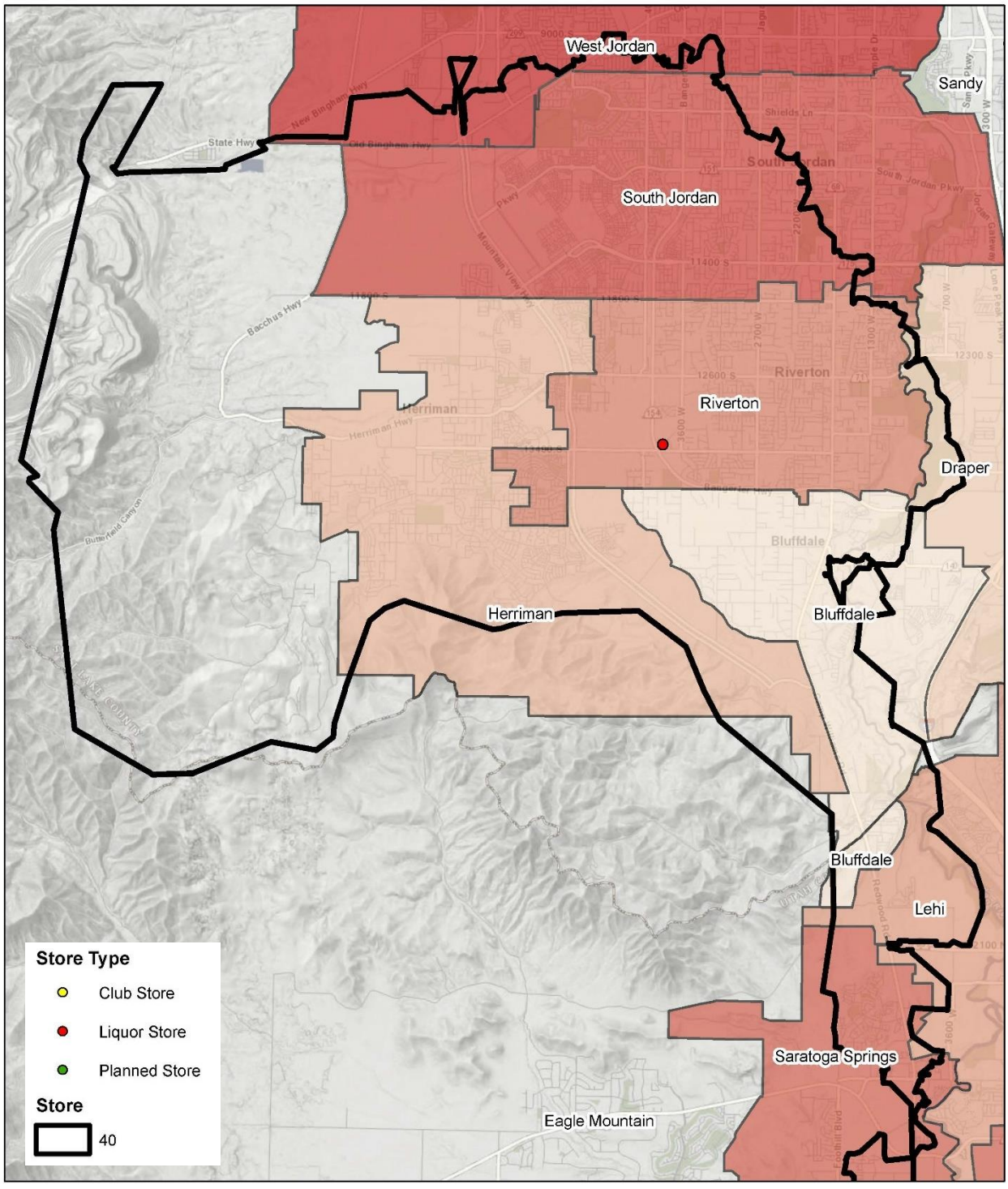
1. Store 40 – Riverton

The southwest area of Salt Lake County has had and will continue to have significant population growth. The location of an additional store in this area can serve multiple market areas, including stores 26 (Taylorsville) and 11 (Magna).



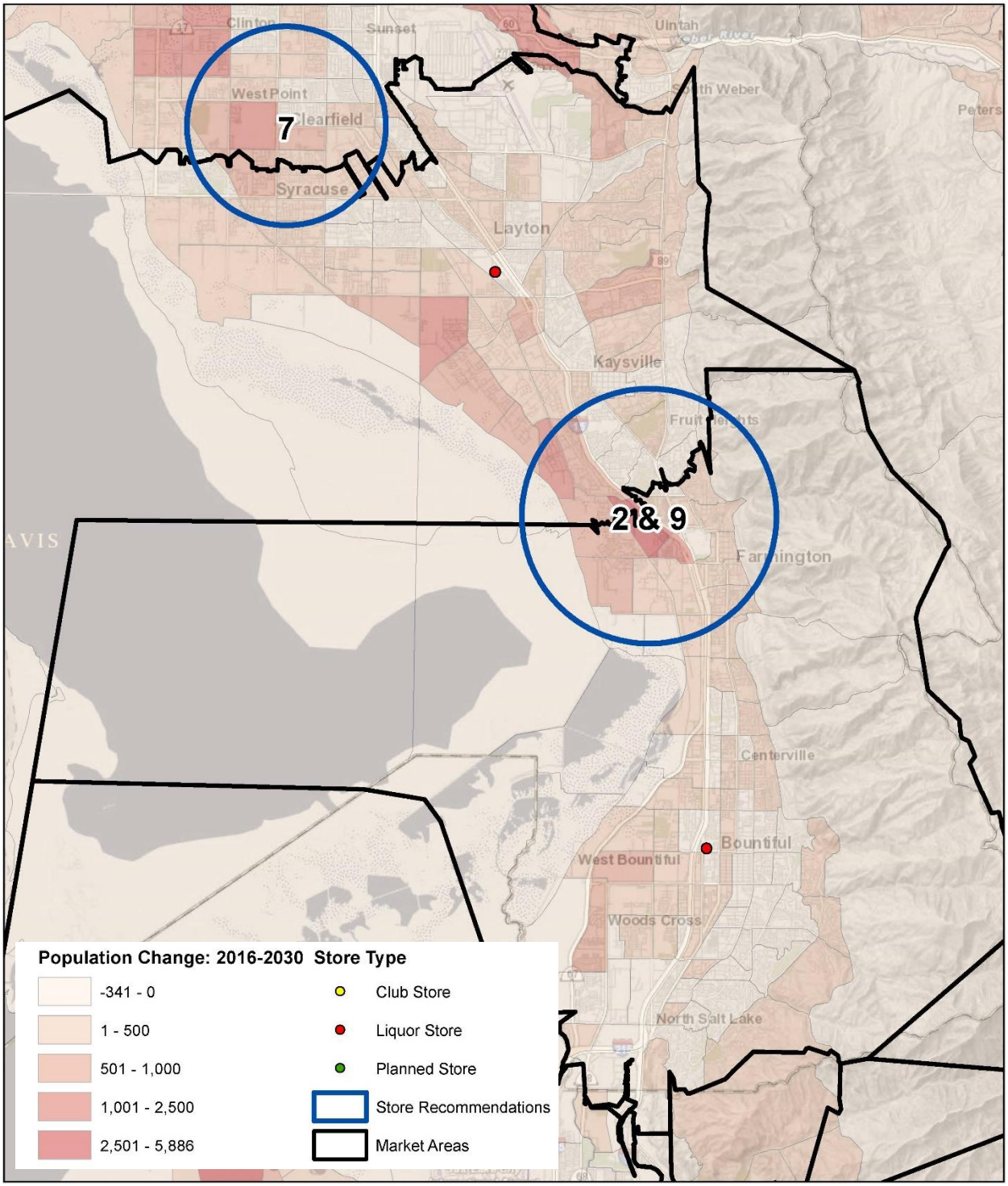
Municipalities located in the market area include:

- Bluffdale
- Draper
- Herriman
- Lehi
- Riverton
- Saratoga Springs
- South Jordan
- West Jordan



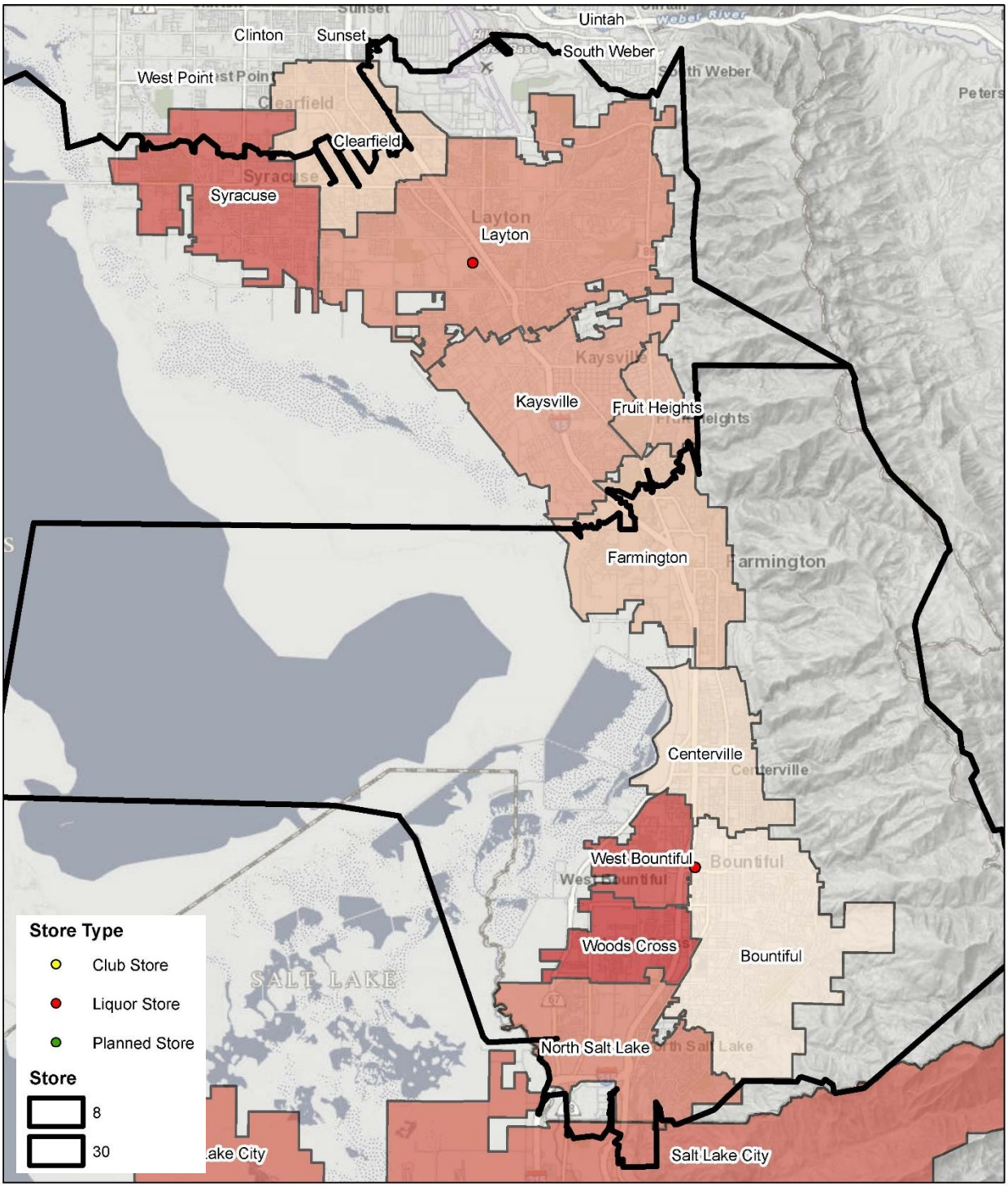
2. Store 30 – Layton & 9. Store 8 – Bountiful

The Layton and Bountiful market areas are both listed in the recommended priority list. A strategically located store in this area, perhaps near Farmington or Kaysville, could serve both markets. Furthermore, an additional store in the Roy area could also serve the Layton market area, as discussed later.



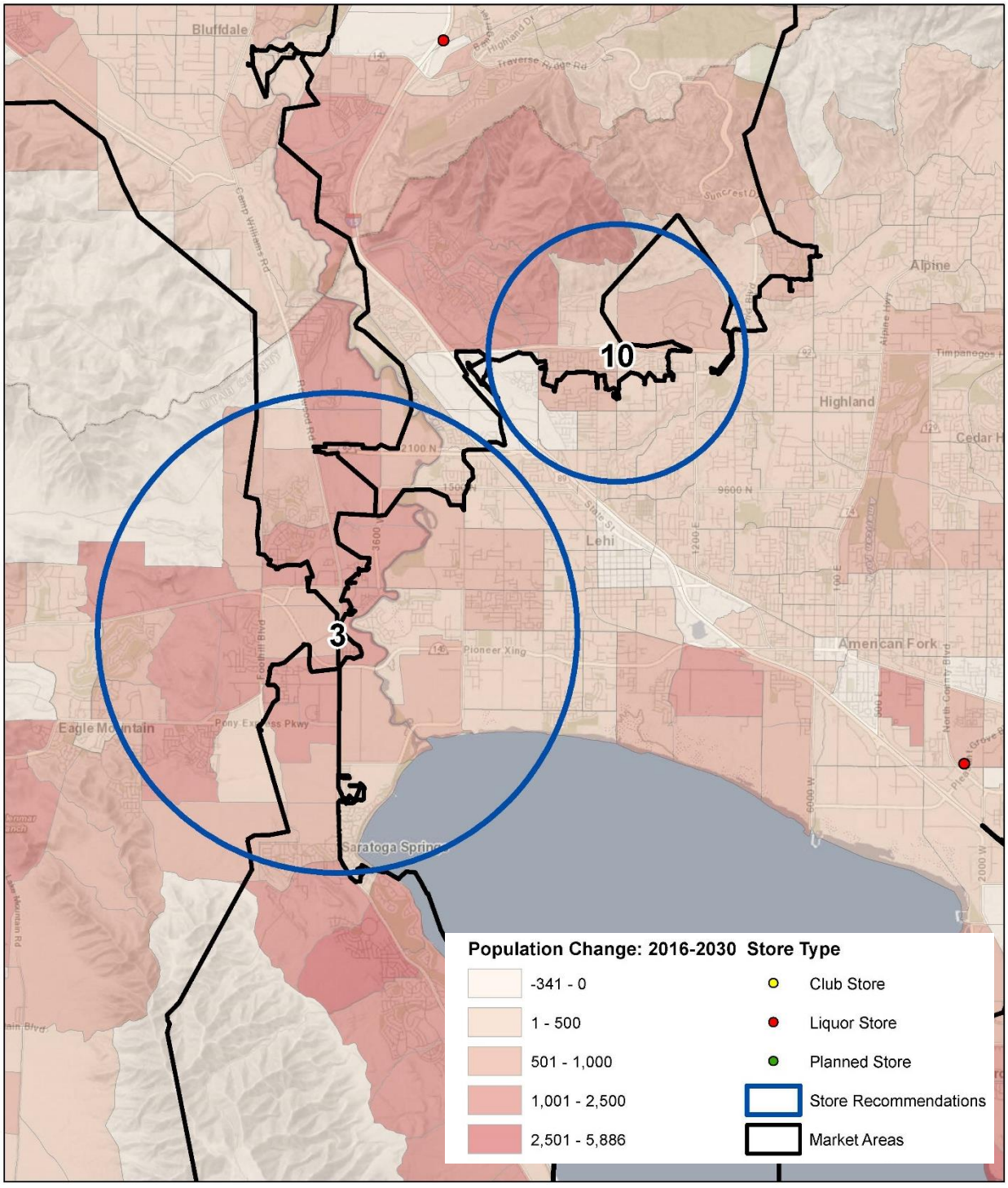
Municipalities located in these market areas include:

- Bountiful
- Centerville
- Clearfield
- Farmington
- Fruit Heights
- Kaysville
- Layton
- North Salt Lake
- Salt Lake City
- Syracuse
- West Bountiful
- Woods Cross



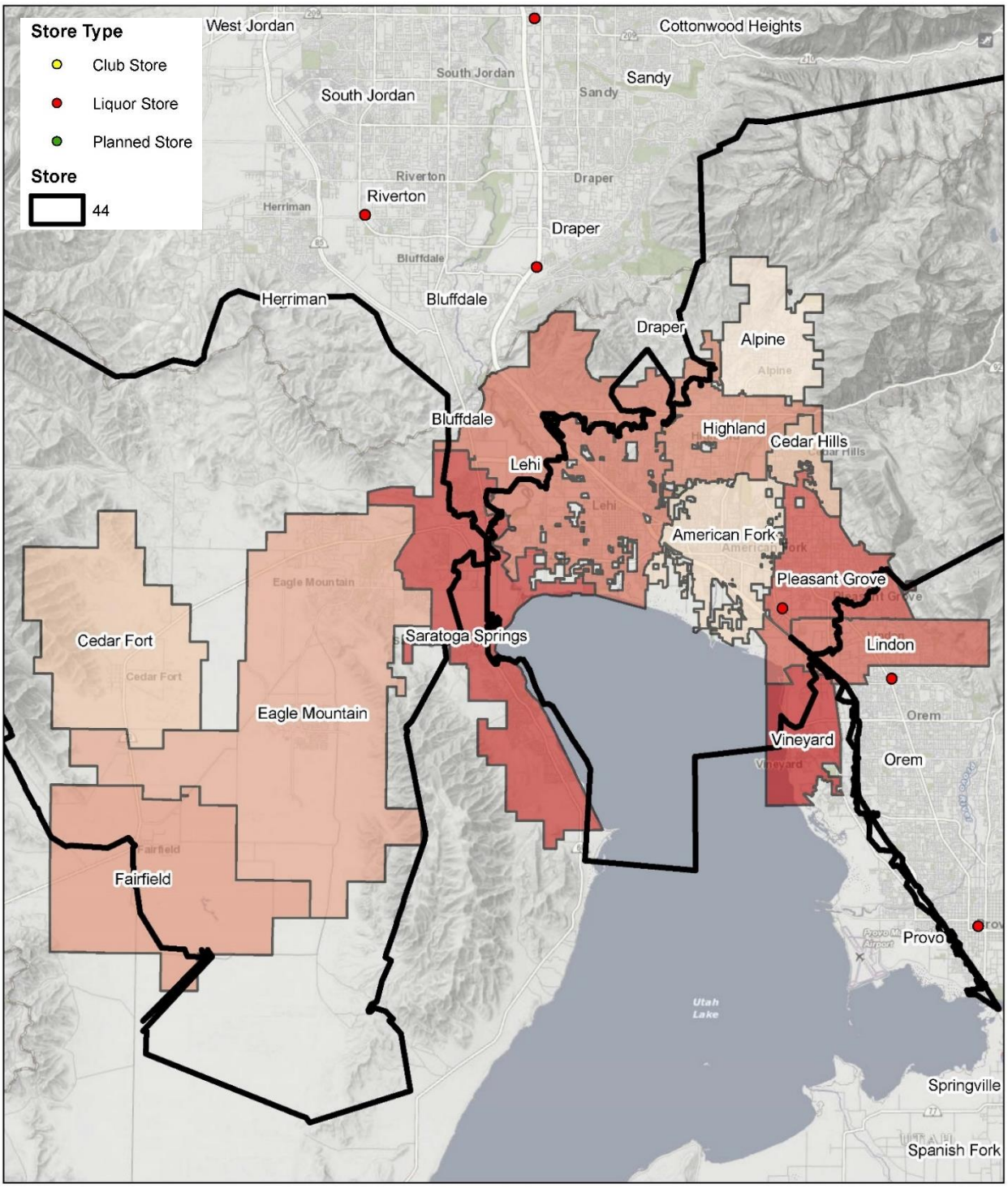
3. Store 44 – Pleasant Grove

Adding a store on the northwest side of Utah lake could serve the market areas currently served by stores 44 (Pleasant Grove), 40 (Riverton), and 31 (Draper). This area is expected to have significant population growth through 2030 and beyond.



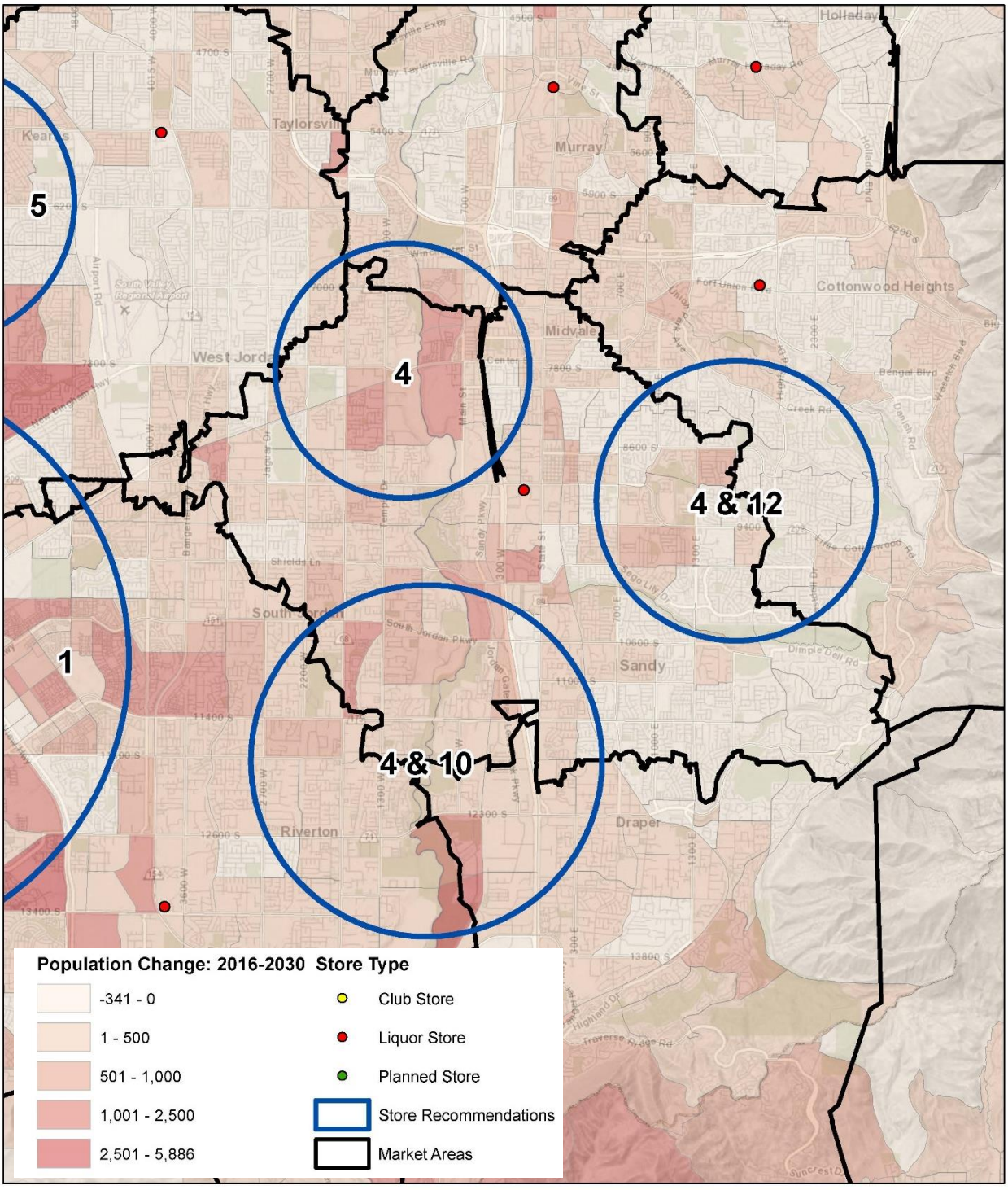
Municipalities located in this market area include:

- Alpine
- American Fork
- Cedar Fort
- Cedar Hills
- Eagle Mountain
- Fairfield
- Highland
- Lehi
- Lindon
- Pleasant Grove
- Saratoga Springs
- Vineyard



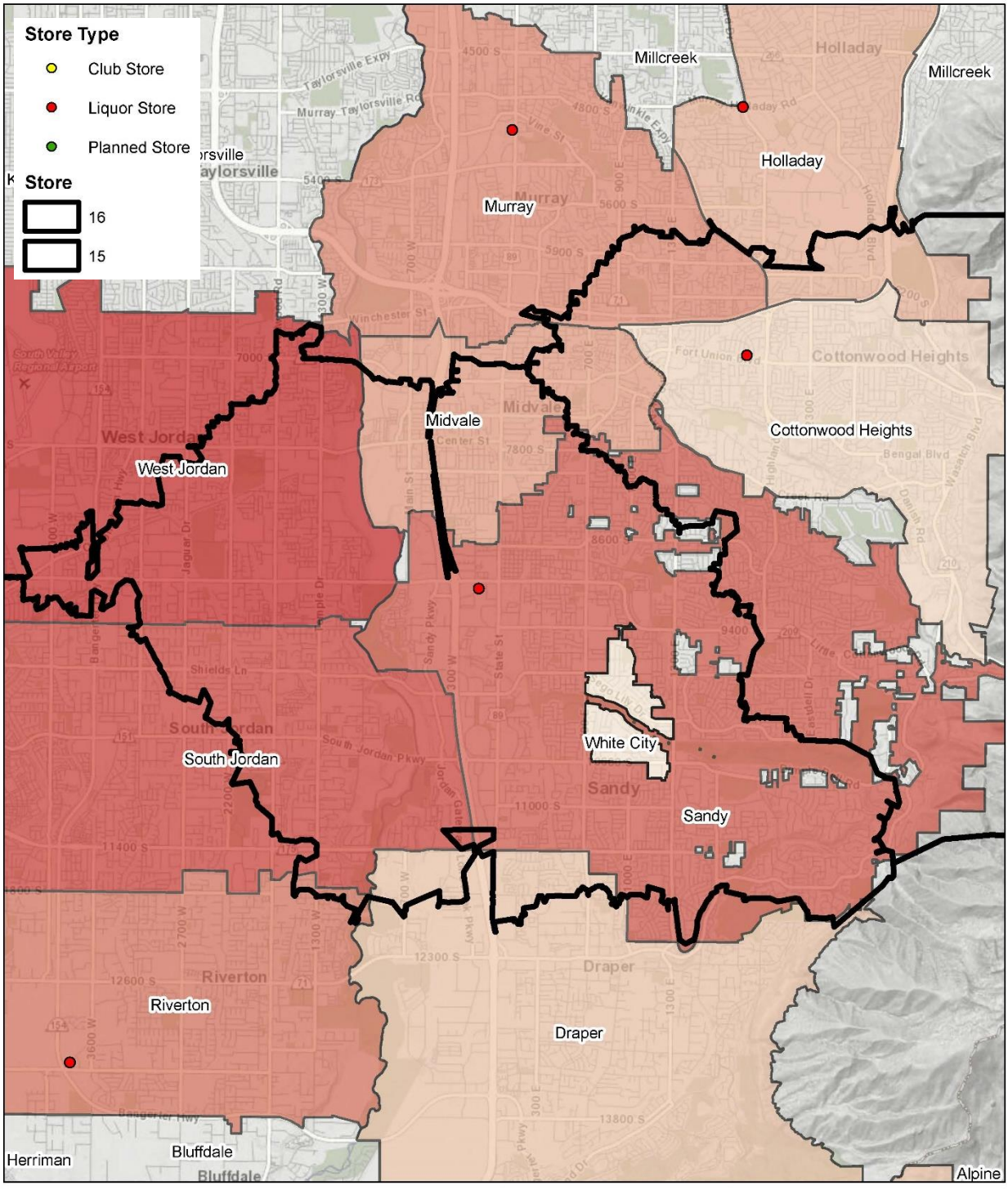
4. Store 16 – Sandy & Store 15 – Cottonwood Heights

A store strategically placed in this area could serve multiple market areas. If placed further west, it could serve stores 9 (Murray), 26 (Taylorsville), or 40 (Riverton), while a store placed further east could also serve store 15 in Cottonwood Heights, which is 12th in the priority list, and potentially store 31 in Draper. Considering that the Riverton market area has the highest recommended priority, and the Taylorsville market area is already set to receive an additional store, it is recommended to place an additional store in east Sandy.



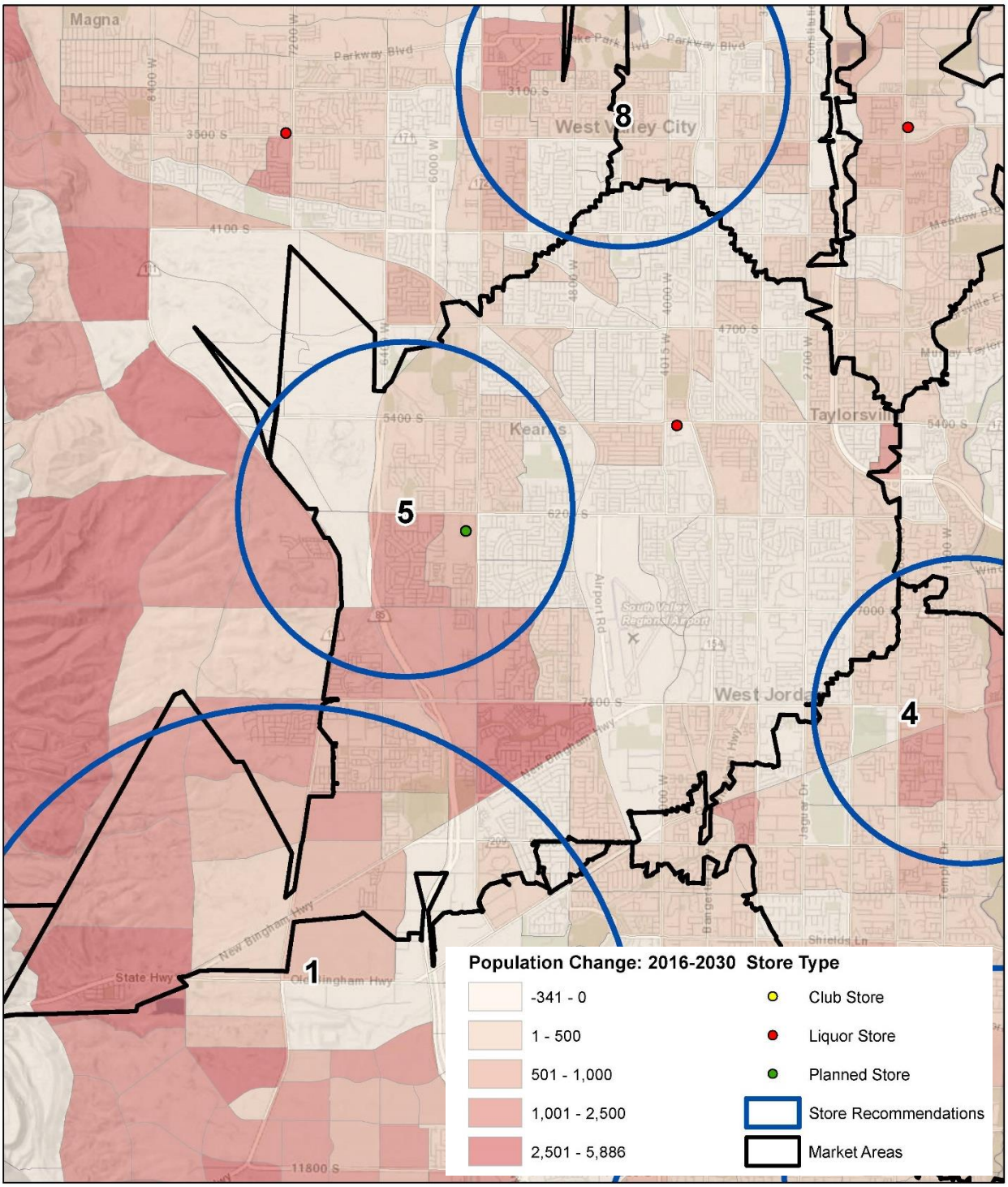
Municipalities included in these market areas include:

- Alta
- Cottonwood Heights
- Draper
- Holladay
- Midvale
- Murray
- Riverton
- Sandy
- South Jordan
- West Jordan



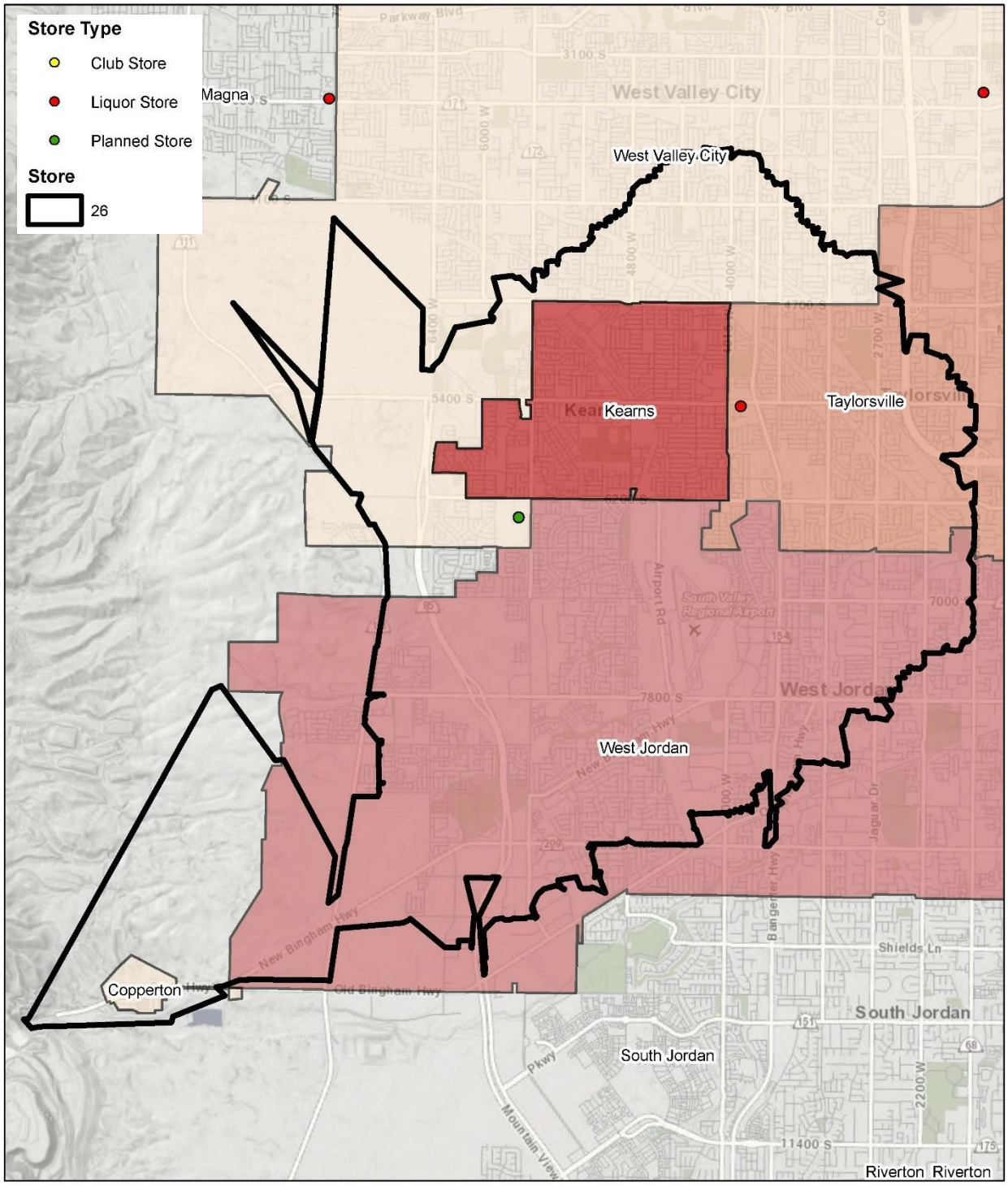
5. Store 26 – Taylorsville

The construction of a new store in this market area has already begun. The new store, which will be located at 5675 W. 6200 South, is anticipated to open in 2017. Not only will this store serve the market area currently covered by store 26, it may also help to serve other market areas included in the southern portion of store 11 (Magna) and the northern portions of store 40 (Riverton).



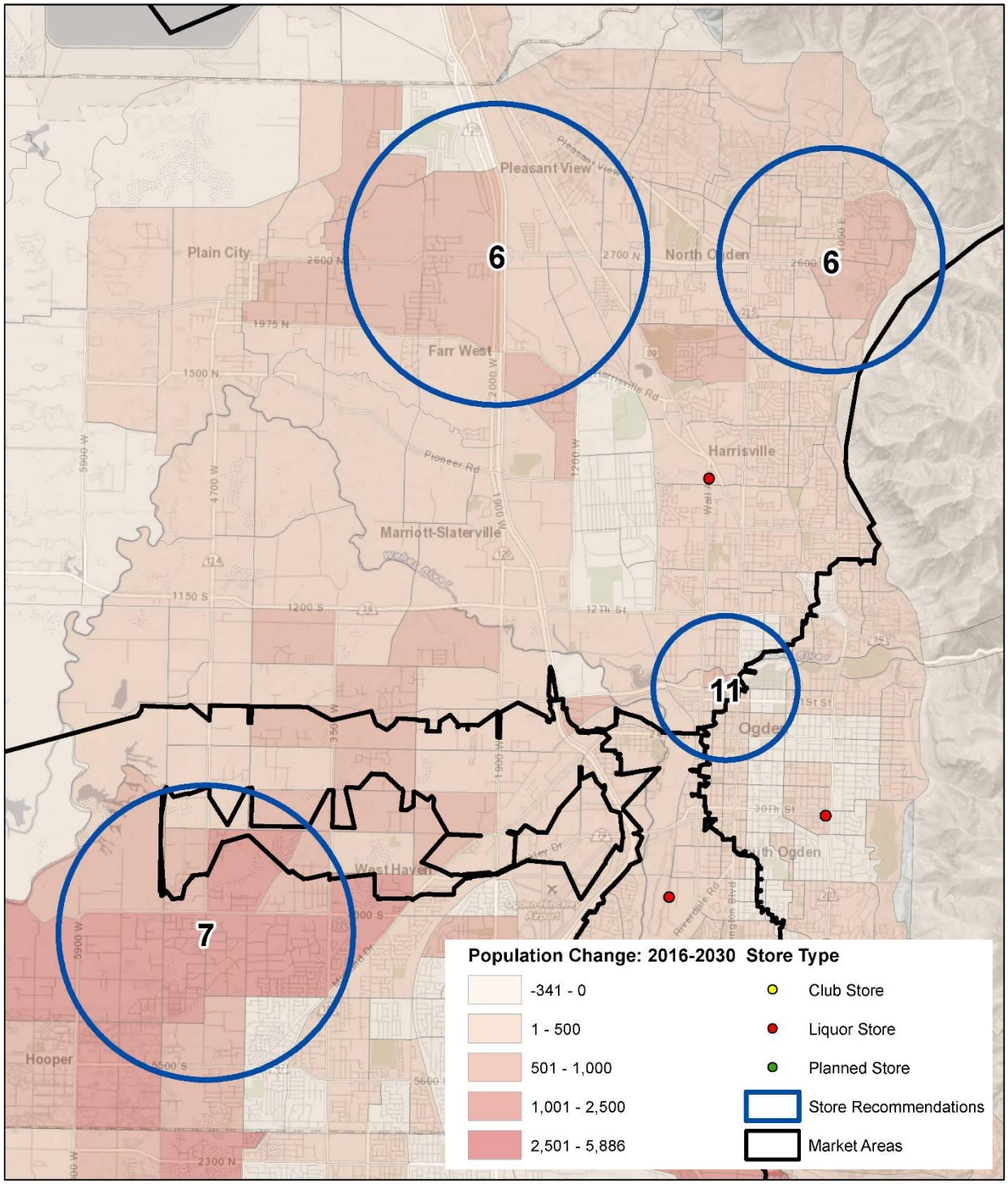
Municipalities located in this market area include:

- Copperton
- Kearns
- Taylorsville
- West Jordan
- West Valley City



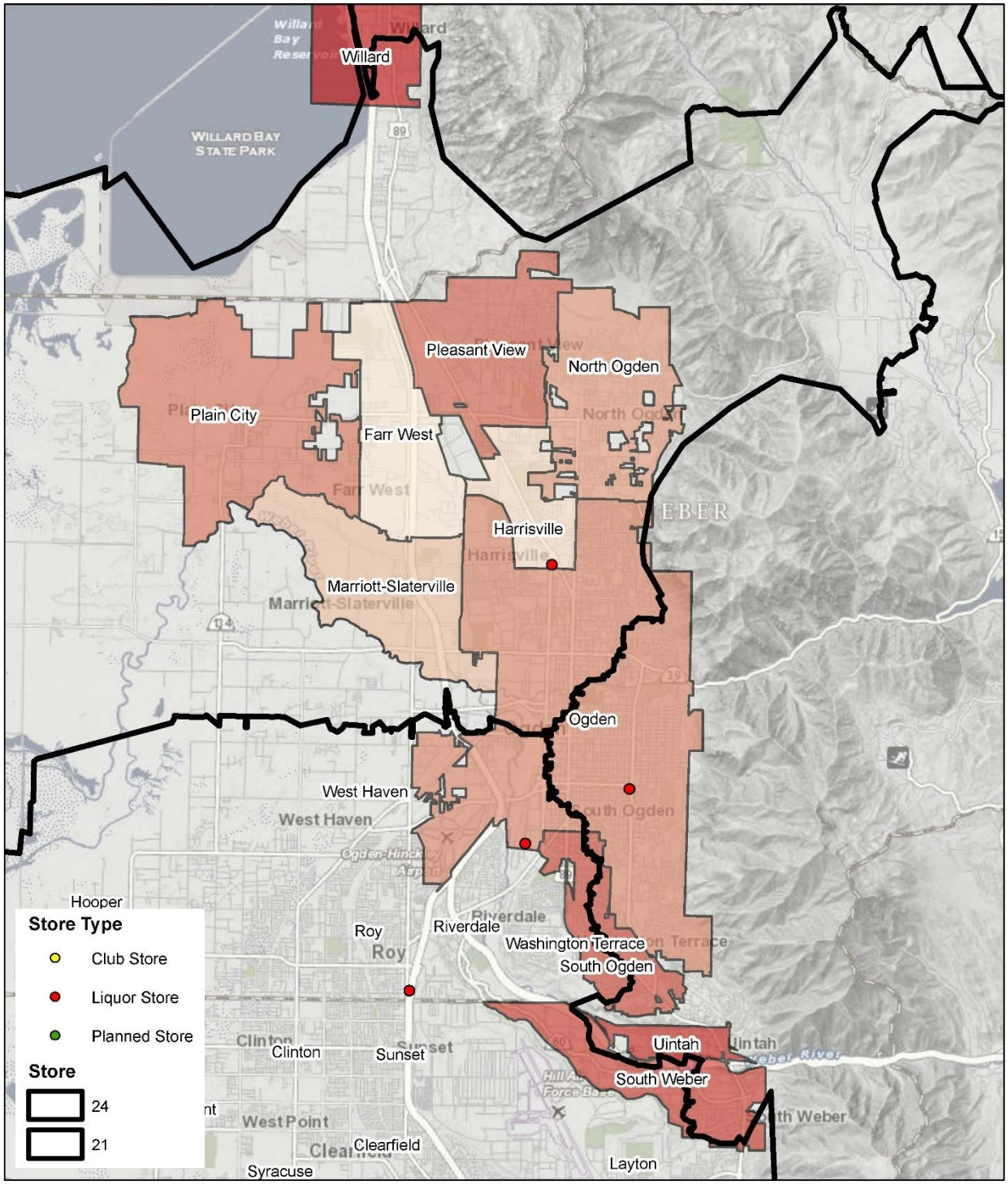
10. Store 21 – Harrisville & 11. Store 24 – Ogden

Growth in northern Weber County could warrant an additional store in the Harrisville market area. Potential locations for an additional store could include near Farr West, Pleasant View or North Ogden, as well as in Ogden.



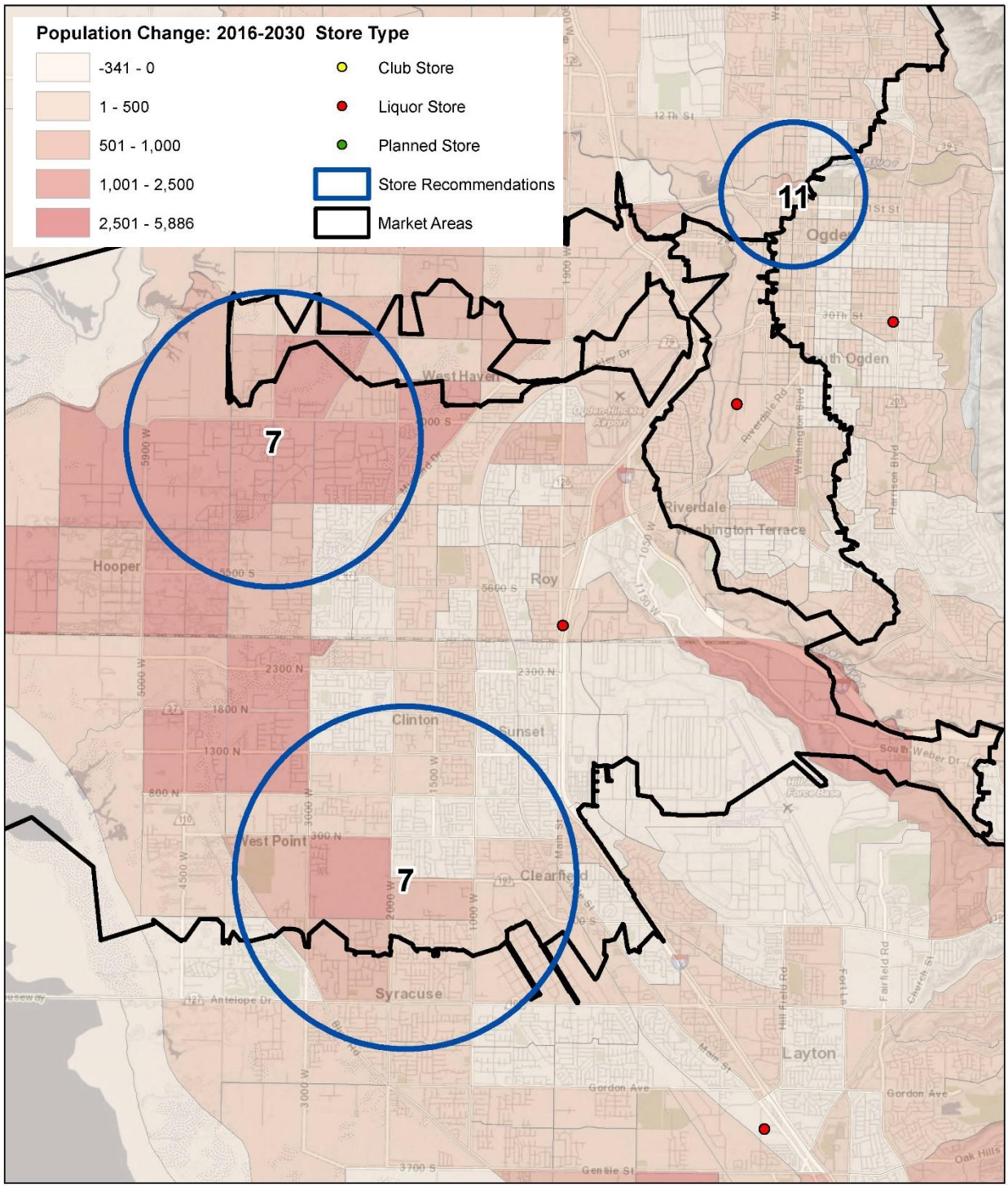
Municipalities located in these market areas include:

- Farr West
- Harrisville
- Huntsville
- Marriott-Slaterville
- Morgan
- North Ogden
- Ogden
- Plain City
- Pleasant View
- South Ogden
- South Weber
- Uintah
- Willard



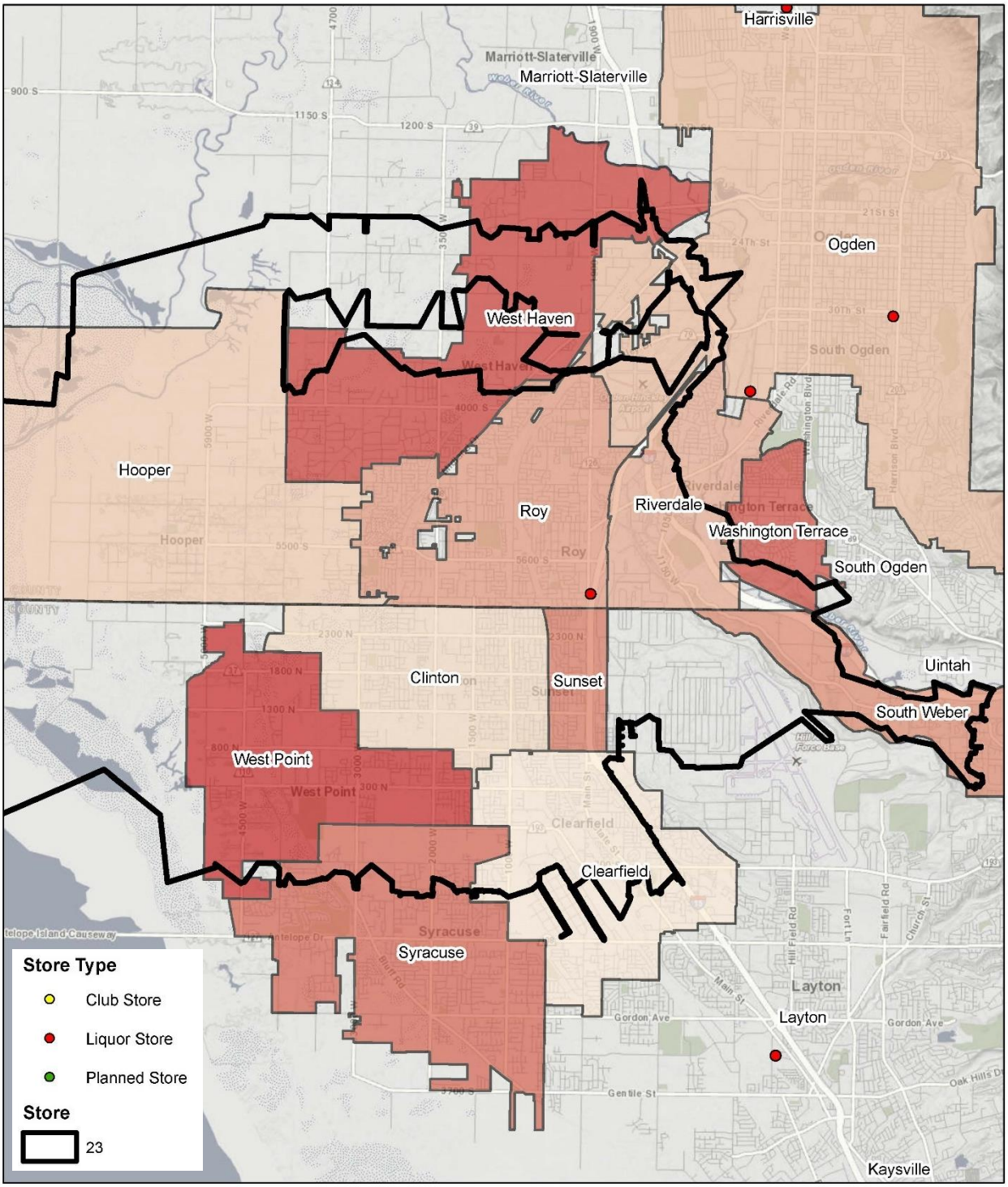
11. Store 23 – Roy

The State has approved funding for a liquor store in Syracuse, which would primarily help serve the Roy and Layton market areas. Significant future growth in this area in to the future could warrant an additional store, perhaps further west near Hooper or West Haven.



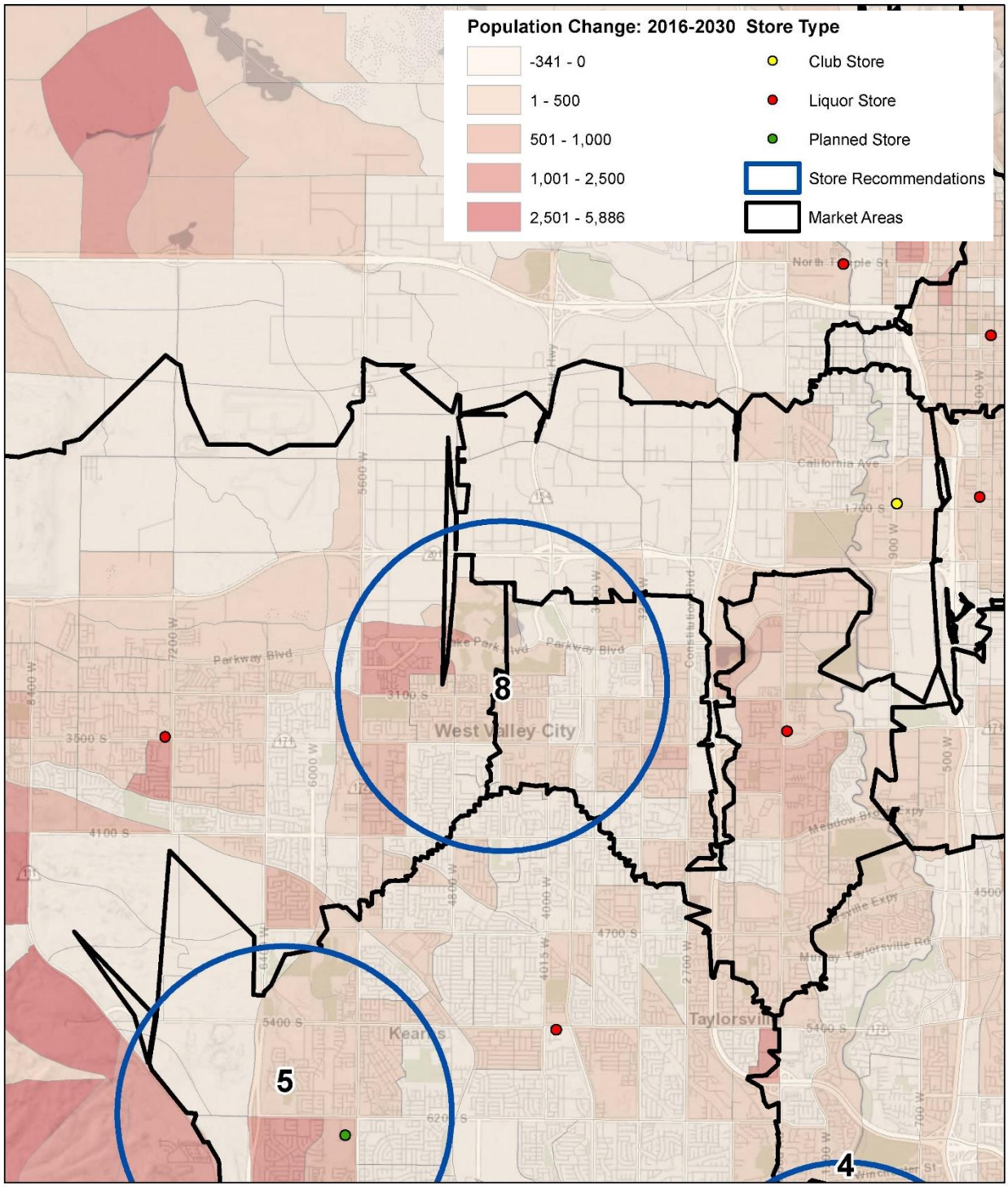
Municipalities located in this market area include:

- Clearfield
- Clinton
- Hooper
- Ogden
- Riverdale
- Roy
- South Weber
- Sunset
- Syracuse
- Washington Terrace
- West Haven
- West Point



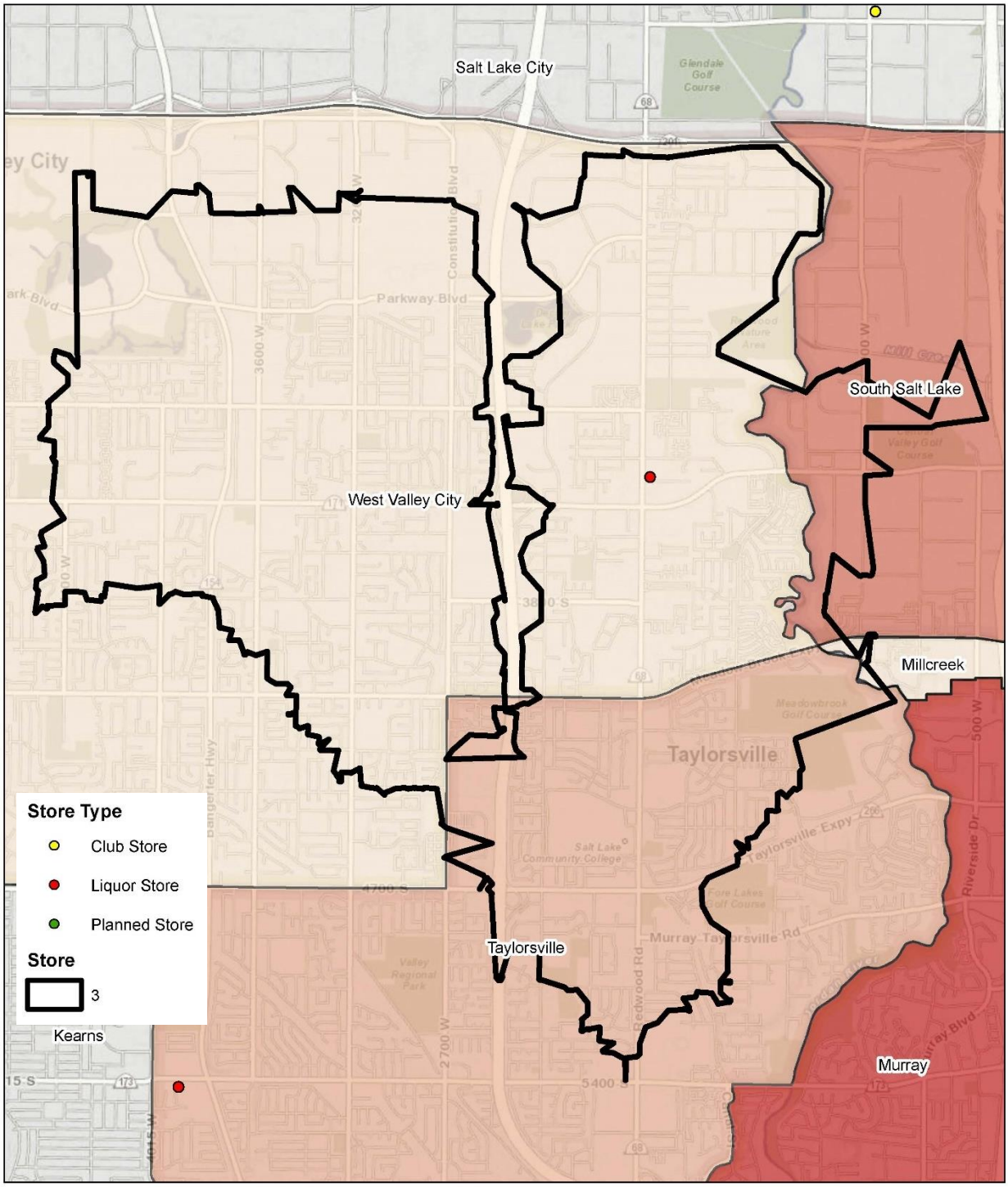
Store 03 – West Valley City

Another store located in the market area of store 3 could serve several market areas, including 33 (Salt Lake City Club Store), 11 (Magna), and 26 (Taylorsville).



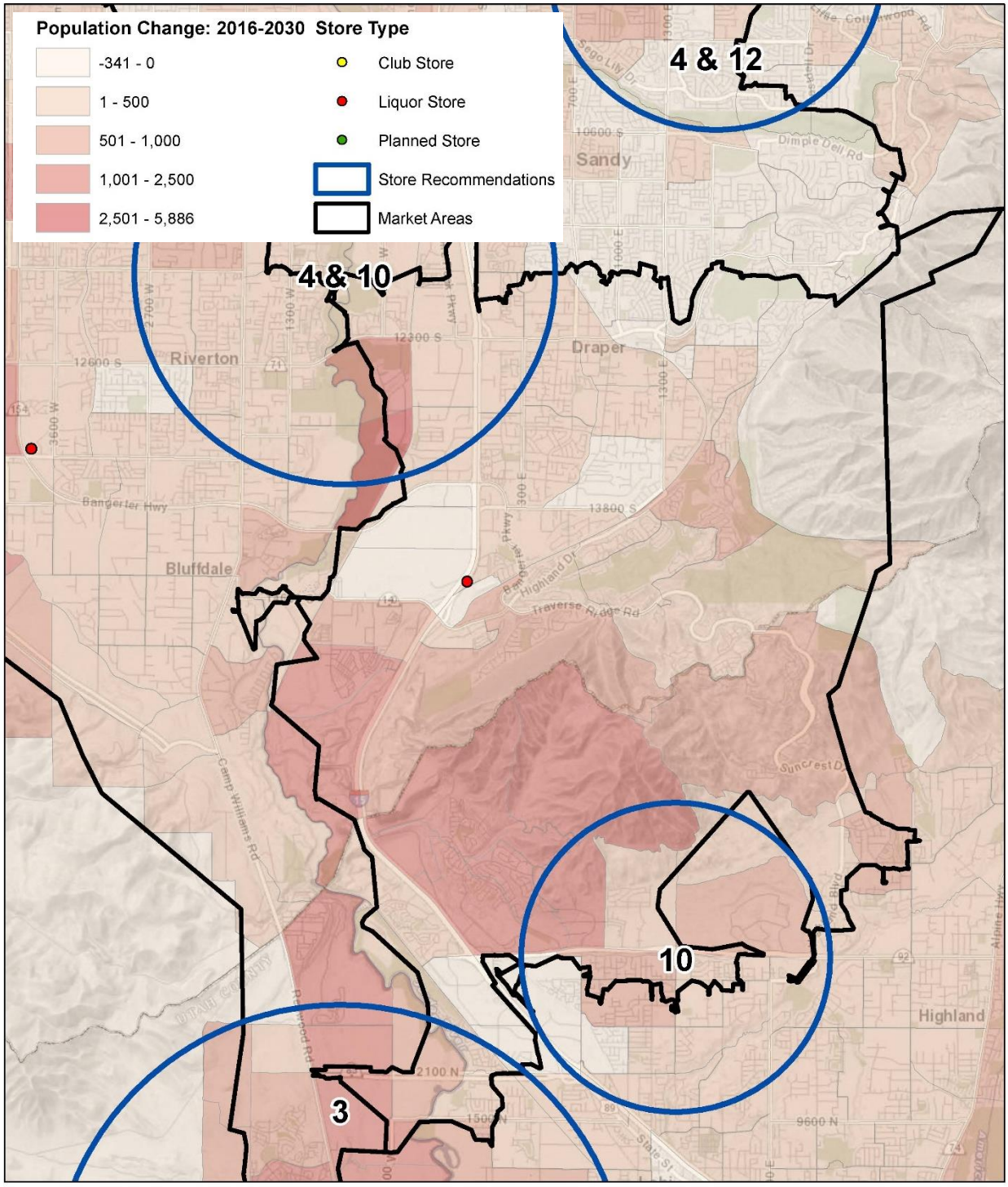
Municipalities located in this market area include:

- Murray
- Millcreek
- South Salt Lake
- Taylorsville
- West Valley City



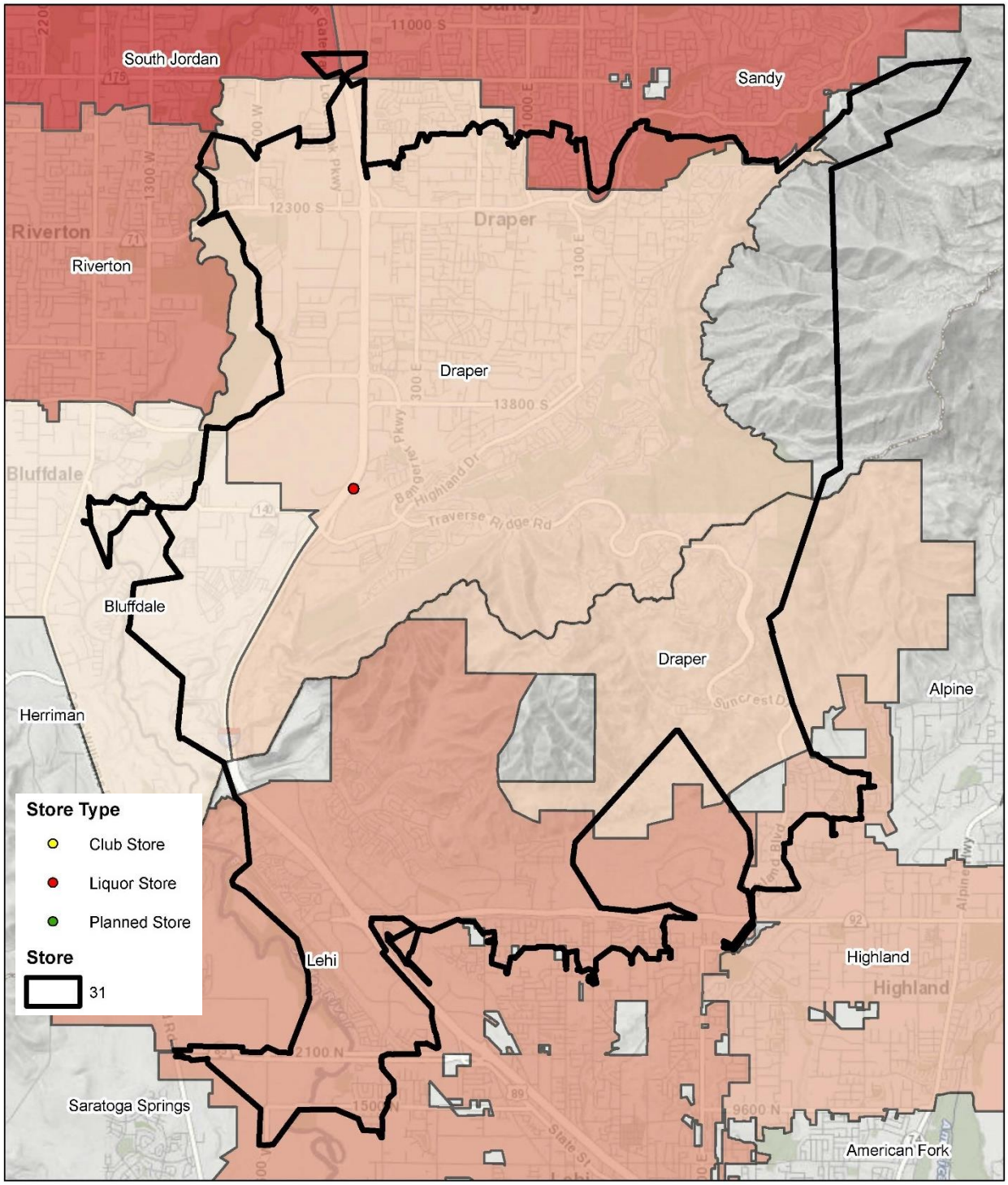
12. Store 31 – Draper

Another store located in the market area of store 31 could serve the market areas covered by stores 16 (Sandy) and 40 (Riverton).



Municipalities located in this market area include:

- Bluffdale
- Draper
- Highland
- Lehi
- Riverton
- Sandy
- South Jordan



Summary of U of U Findings

A recent study by the University of Utah David Eccles School of Business analyzed the potential for new liquor stores in Utah and made recommendations for the location of 12 additional outlets. The approach for the needs assessment for this study was based on the current population of each city along the Wasatch Front, divided by the statutory limitation of 48,000 persons per store and subtracted by the number of existing stores in the city.[5] The study also included sales data from 2012 to eliminate recommendations for areas in which lower sales were recorded, namely Provo and Orem. Furthermore, research regarding new residential developments was conducted to inform the analysis of future growth in each of the cities and the impact it would have on the demand for liquor stores. The analysis concluded with recommendations for 12 additional liquor stores, all of which were located along the Wasatch Front. The table below lists the recommended stores, according to the University of Utah study, in the order in which they were listed in the report.

The rankings for this study are compared to the recommendations of the University of Utah study. While the University of Utah study did not prioritize the 12 expansion sites, the table below prioritizes them based on the number of stores needed, as indicated in the University of Utah study. The recommendations in this study do not necessarily mean that a new store should be placed in Riverton, for example; rather, that the market area covered by store 40, which is in Riverton, should be prioritized when considering locations for new stores. Considering this, the recommendations in this study are similar to those of the U of U study, with several of the site recommendations listed each in both studies.

Table 21: Site Recommendation Comparison

Rank	Recommendation (Market Area)	U of U Recommendation (City)
1	Riverton	West Jordan
2	Layton	Syracuse, Clearfield, Layton
3	Pleasant Grove	West Valley City, South Salt Lake
4	Sandy	Lehi, Eagle Mountain
5	Taylorsville	Spanish Fork, Payson, Springville
6	Harrisville	Highland, American Fork, Alpine, Saratoga Springs
7	Roy	Farmington, Fruit Heights, Kaysville
8	West Valley City	South Jordan
9	Bountiful	Taylorsville, West Valley
10	Draper	Herriman
11	Ogden	Draper, Sandy
12	Cottonwood Heights	Kearns

Potential for Store Relocation or Expansion

While some markets have need for additional stores, other markets could benefit either from store relocation or store expansion, in order to better handle the demands placed on the store. Four factors were selected to determine which stores could benefit from store relocation or expansion. The factors used were sales per square foot, sales per capita, total transactions, and transactions per capita, all of which were equally weighted in this analysis.

The table below lists all of the stores and their priority for relocation or expansion based on the criteria listed above. There is a significant drop off from the top two stores, which have average ranks of 3.5 and

[5] # of stores required = (city population/48,000) - # of existing stores in city

3.8 respectively, to the third highest store, with an average rank of 8.5. This reflects the high productivity and subsequent stress on stores 1 and 2.

Table 22: Priority for Store Relocation or Expansion Priorities

Priority	Store	City	Address	Rank
1	01	Salt Lake City	205 West 400 South	3.5
2	02	Salt Lake City	1154 Ashton Avenue	3.8
3	37	Park City	1612 Ute Blvd.	8.5
4	38	Park City	1550 Snow Creek	9.0
5	15	Cottonwood Heights	1863 East 7000 South	9.5
6	09	Murray	5056 South State	10.0
7	19	Ogden	3802 Pacific Ave.	10.5
8	29	Holladay	1814 E Murray Holladay Road	11.5
9	25	Millcreek	3255 East 3300 South	13.3
10	16	Sandy	125 West 9000 South	13.5
11	12	Salt Lake City	416 East 6th Ave.	14.0
12	03	West Valley City	3381 S. Redwood Road	14.8
13	26	Taylorsville	3905 West 5400 South	16.0
14	30	Layton	625 West 600 North	17.0
15	31	Draper	14445 South Minuteman Drive	17.0
16	27	Moab	55 West 200 South	17.3
17	21	Harrisville	484 North Wall Ave.	17.8
18	14	Salt Lake City	63 E. Miller Avenue	18.3
19	36	Park City	460 Swede Aly St. 100	18.8
20	41	Salt Lake City	280 West Harris Ave.	19.5
21	39	St. George	161 North 900 East	20.8
22	35	Salt Lake City	255 South 300 East	20.8
23	06	Logan	75 West 400 North	21.3
24	04	Salt Lake City	1615 Foothill Blvd	23.5
25	23	Roy	5948 South 1900 West	24.3
26	13	Salt Lake City	1255 West North Temple	24.5
27	40	Riverton	13332 So. Market Center Dr.	25.0
28	24	Ogden	1156 Patterson Ave.	25.3
29	08	Bountiful	520 North 500 West	26.8
30	43	Heber City	262 East Gateway Dr.	27.3
31	11	Magna	7278 West 3500 South	28.8
32	28	Vernal	675 East Main	29.8
33	10	Tooele	433 North Main	30.3
34	44	Pleasant Grove	671 Pleasant Grove Blvd	31.0
35	32	St. George	929 West Sunset Blvd.	31.5
36	42	Hurricane	202 North Foothill Canyon Dr.	32.0
37	45	Springville	1551 North 1750 West	34.8
38	17	Orem	1688 North State Street	35.5
39	18	Cedar City	1580 S Providence Center Dr.	36.0
40	07	Price	50 North 100 West	36.3
41	22	Brigham City	43 South 100 West	36.8

Priority	Store	City	Address	Rank
42	05	Provo	166 S. Freedom Blvd.	38.0

The following sections include additional information regarding the top five stores for each of these factors. The stores listed in the overall top five for relocation or expansion are highlighted in the following tables.

Sales per Square Foot

The stores with the highest sales per square foot generally do $800 more in sales per square foot than the average store. Furthermore, the stores with the highest sales per square foot are on average 1,000 square feet smaller than the typical store. Higher sales in a smaller store creates a greater burden on these stores.

Table 23: Top Stores by Sales per Square Foot

Store	Address	City	Sales per SF	Store Size
2	1154 Ashton Avenue	Salt Lake City	$2,204	7,263
30	625 West 600 North	Layton	$1,966	5,782
23	5948 South 1900 West	Roy	$1,784	3,843
1	205 West 400 South	Salt Lake City	$1,745	8,129
37	1612 Ute Blvd.	Park City	$1,679	8,177
		Average – All Stores	$1,069	6,639
		Average – Top 5 Stores	$1,876	7,844

Sales per Capita

The top five sales per capita stores are located in Park City and Salt Lake City, areas which are more urban and dense. The sales per capita for the top five stores is more than five times that of the average store.

Table 24: Top Stores by Sales per Capita

Store	Address	City	Sales per Capita
38	1550 Snow Creek	Park City	$5,655
36	460 Swede Aly St. 100	Park City	$1,013
1	205 West 400 South	Salt Lake City	$818
12	614 East 6th Ave.	Salt Lake City	$626
41	280 West Harris Ave.	Salt Lake City	$555
		Average – All Stores	$331
		Average – Top 5 Stores	$1,537

Total Transactions

The top producing stores by total transactions have nearly double the number of transactions than the average store, with an average of 523,611 total transactions compared to 264,149 for all stores.

Table 25: Top Stores by Total Transactions

Store	Address	City	Transactions
16	125 West 9000 South	Sandy	556,176
2	1154 Ashton Avenue	Salt Lake City	530,645
26	3905 West 5400 South	Taylorsville	524,447
15	1863 East 7000 South	Cottonwood Heights	518,366
1	205 West 400 South	Salt Lake City	488,421

Average – All Stores	264,149
Average – Top 5 Stores	523,611

Transactions per Capita

Likewise, transactions per capita is a good indicator of store performance. Stores with the most transactions per capita are generally located in more urban areas with smaller populations, indicating that the average person in these areas has more transactions than the average person in another market area.

Table 26: Top Stores by Transactions per Capita, FY2016

Store	Street Address	City	Transactions per Capita
38	1550 Snow Creek	Park City	89.8
1	205 West 400 South	Salt Lake City	28.2
36	460 Swede Aly St. 100	Park City	28.2
12	416 East 6th Ave.	Salt Lake City	19.5
2	1154 Ashton Avenue	Salt Lake City	13.4

Average – All Stores	7.9
Average – Top 5 Stores	35.8

Population Density

Although not included as a factor in determining current expansion or relocation needs, increasing population densities in the future should be considered when reviewing potential store expansions or relocations. Increasing densities in urban areas, primarily in Salt Lake City, will increase demand in the respective markets. In these cases, store relocation or expansion may be a more feasible option, rather than opening an additional store in the market area.

Potential for New Club Store Outlets

In addition to the potential for new liquor stores in the State of Utah, there is potential for additional club stores in the State. Club stores are liquor stores that serve primarily, but not exclusively, restaurants and other establishments licensed to sell alcoholic beverages, referred to in this report at licensees. The table below summarizes the total licensee sales and bottles sold by market area. Cities with multiple liquor stores (i.e., Salt Lake City, St. George, and Park City) are grouped together.

Table 27: Licensee Sales and Bottles Sold by Market Area

Stores	Market Area - City	Store Type	Licensee Sales FY2016	Licensee Bottles FY2016
33	Salt Lake City	Club Store	$24,247,760	2,831,239
34	Park City	Club Store	$13,609,983	1,188,061
01	Salt Lake City	Liquor Store	$8,343,894	953,562
29	Holladay	Liquor Store	$2,242,702	267,026
16	Ogden	Liquor Store	$2,034,484	260,323
27	Sandy	Liquor Store	$1,340,995	183,383
24	Moab	Liquor Store	$1,234,200	183,029
35	St. George	Liquor Store	$1,434,032	171,630
39	Hurricane	Liquor Store	$1,161,965	105,483
42	Park City	Liquor Store	$1,183,014	100,775
41	Cottonwood Heights	Liquor Store	$765,571	92,735
13	Cedar City	Liquor Store	$590,834	88,603
15	Draper	Liquor Store	$591,554	72,391
19	Layton	Liquor Store	$600,304	70,914
18	Taylorsville	Liquor Store	$603,025	70,599
31	West Valley City	Liquor Store	$450,412	67,279
30	Riverton	Liquor Store	$471,920	65,373
26	Logan	Liquor Store	$480,852	58,197
03	Provo	Liquor Store	$461,682	58,110
40	Heber City	Liquor Store	$534,061	54,115
14	Bountiful	Liquor Store	$447,538	51,885
02	Millcreek	Liquor Store	$315,247	49,359
06	Murray	Liquor Store	$364,862	47,843
05	Harrisville	Liquor Store	$399,304	45,801
43	Pleasant Grove	Liquor Store	$348,935	41,234
08	Orem	Liquor Store	$327,873	40,172
38	Springville	Liquor Store	$177,580	31,680
25	Vernal	Liquor Store	$264,202	28,560
09	Tooele	Liquor Store	$251,683	25,060
21	Magna	Liquor Store	$179,184	12,559
37	Roy	Liquor Store	$131,058	10,623
44	Price	Liquor Store	$52,555	8,274
17	Brigham City	Liquor Store	$77,213	5,087
	Grand Total	Liquor Store	**$27,862,738**	**3,321,664**

Salt Lake City, which already has a club store, still has the highest amount of licensee sales at the other liquor stores in the City than any other market area. Other market areas with high licensee sales and bottles sold include Holladay and Ogden. Holladay generally has higher licensee sales due to the larger wine selection available at the Holladay store. The addition of clubs stores in these markets can take pressure off of the typical liquor stores.

The table below aggregates the licensee sales and bottles sold in clustered market areas. While none of these areas have the same level of licensee sales as the Salt Lake City club store, the remaining licensee

sales in Salt Lake City, Holladay, Sandy, and Cottonwood Heights are comparable to those in Park City. Consideration should be made in adding another club store in Salt Lake County.

Other areas with larger licensee sales include St. George, Hurricane, and Cedar City, as well as Ogden, Harrisville, and Roy. While no recommendations are made for adding a new liquor store in the St. George area, recommendations in this report include additional stores in the Ogden, Harrisville, and Roy market areas. The addition of a club store, rather than typical liquor stores, in this area could serve both the needs of licensees and regular customers.

Table 28: Licensee Sales and Bottles Sold for Clustered Market Areas

Location	Licensee Sales FY2016	Licensee Bottles FY2016
Salt Lake City, Holladay, Sandy, & Cottonwood Heights		
Salt Lake City	$8,343,894	953,562
Holladay	$2,242,702	267,026
Sandy	$1,340,995	183,383
Cottonwood Heights	$765,571	92,735
Total	**$12,693,163**	**1,496,706**
St. George, Hurricane, & Cedar City		
St. George	$1,434,032	171,630
Hurricane	$1,161,965	105,483
Cedar City	$590,834	88,603
Total	**$3,186,831**	**365,716**
Ogden, Harrisville, & Roy		
Ogden	$2,034,484	260,323
Harrisville	$399,304	45,801
Roy	$131,058	10,623
Total	**$2,564,846**	**316,747**

Evaluation of Retail Sales and Economic Impacts

The purpose of the tasks in this section is to compare performance between existing retail outlets in order to better forecast future needs and factors influencing profitability.

Sales per Square Foot Analysis

Stores with greater sales per square foot (top 12 stores) average $600 more per square foot than the average store. A number of factors were compared with sales per square foot to identify possible correlations, including store size, market area, population, and incomes. Stores with higher sales per square foot are generally smaller than the average store, typically serve a smaller market and a slightly smaller population. Furthermore, the stores with higher sales per square foot have both greater household and per capita incomes than the average store, and generally serve a more densely populated area.

Table 29: Top Stores by Sales per Square Foot

Store	City	Sales per SF	Store Size	Market Area (Sq Miles)	Population (per square mile)	Employment (per square mile)	HH Income	Per Capita Income	Median Age
2	Salt Lake City	$2,204	7,263	6	7,002	3,199	$58,939	$30,656	34.3
30	Layton	$1,966	5,782	229	706	336	$74,531	$26,661	30.4
23	Roy	$1,784	3,843	167	795	381	$63,254	$22,595	30.7
1	Salt Lake City	$1,745	8,129	4	4,429	9,809	$44,715	$24,647	33.4
37	Park City	$1,679	8,177	1,020	24	17	$104,480	$52,512	40.2
9	Murray	$1,634	7,000	14	4,903	4,471	$51,877	$24,708	33.7
16	Sandy	$1,618	11,918	37	4,677	2,380	$75,367	$27,397	34.1
14	Salt Lake City	$1,461	2,768	6	5,624	5,837	$39,343	$20,221	32.6
15	Cottonwood Heights	$1,404	14,592	80	1,096	520	$89,434	$39,626	39.4
35	Salt Lake City	$1,371	6,275	13	3,204	5,447	$58,174	$36,756	34.3
19	Ogden	$1,359	6,300	11	2,686	2,000	$50,256	$22,419	34.9
38	Park City	$1,310	12,081	4	739	1,249	$113,963	$71,961	42.1
Average – All Stores		$1,069	8,527	1,995	1,576	1,445	$64,841	$28,595	33.9
Average – Top 12		**$1,628**	**7,844**	**133**	**2,990**	**2,971**	**$68,695**	**$33,346**	**35.0**

On the other hand, stores with lower sales per square foot generally are larger stores, which serve a large population and market area, and have a much smaller population density. Furthermore, these stores have slightly lower incomes and median ages.

Table 30: Bottom Stores by Sales per Square Foot

Store	City	Sales per SF	Store Size	Market Area (Sq Miles)	Population (per square mile)	Employment (per square mile)	HH Income	Per Capita Income	Median Age
42	Hurricane	$330	12,517	1,021	34	13	$48,300	$22,010	40.7
18	Cedar City	$365	13,960	17,802	5	3	$44,448	$19,757	35.8
43	Heber City	$423	12,362	2,179	14	6	$72,512	$31,814	36.7

Store	City	Sales per SF	Store Size	Market Area (Sq Miles)	Population (per square mile)	Employment (per square mile)	HH Income	Per Capita Income	Median Age
10	Tooele	$434	11,375	11,032	6	2	$59,450	$22,900	31.3
45	Springville	$601	12,586	7,115	32	11	$60,459	$20,521	30.1
7	Price	$613	3,516	8,336	4	2	$50,147	$22,633	36.2
5	Provo	$615	6,004	49	2,583	1,875	$45,658	$18,686	26.5
22	Brigham City	$635	3,517	5,246	9	5	$59,828	$23,260	35.0
13	Salt Lake City	$657	8,558	169	275	353	$39,286	$19,377	30.3
44	Pleasant Grove	$716	12,980	433	445	159	$77,121	$24,434	26.1
8	Bountiful	$743	13,139	175	680	341	$73,642	$29,236	33.8
17	Orem	$749	5,800	110	1,013	668	$65,988	$23,082	28.4
Average – All Stores		$1,069	8,527	1,995	1,576	1,445	$64,841	$28,595	33.9
Average – Bottom 12		**$573**	**9,693**	**4,472**	**425**	**287**	**$58,070**	**$23,142**	**32.6**

Sales per Capita Analysis

The table below lists the top 12 stores by sales per capita. Stores with high sales per capita generally fall into one of two categories: areas of high population or employment density, or areas with higher household or per capita incomes. Based on these results, it appears that the more successful stores, on a sales per capita basis, are generally located in more urban areas, specifically Salt Lake City, or in areas with higher incomes, and generally have higher median ages than other areas.

Table 31: Top Stores by Sales per Capita

Store	City	Population (per square mile)	Employment (per square mile)	HH Income	Per Capita Income	Median Age
38	Park City	739	1,249	$113,963	$71,961	42.1
36	Park City	66	200	$104,607	$53,109	41.3
1	Salt Lake City	4,429	9,809	$44,715	$24,647	33.4
12	Salt Lake City	771	892	$81,038	$46,794	35.9
41	Salt Lake City	4,975	9,797	$41,071	$20,894	32.9
37	Park City	24	17	$104,480	$52,512	40.2
2	Salt Lake City	7,002	3,199	$58,939	$30,656	34.3
25	Millcreek	241	67	$95,305	$44,839	39.9
29	Holladay	4,920	2,207	$67,598	$35,593	38.5
19	Ogden	2,686	2,000	$50,256	$22,419	34.9
15	Cottonwood Heights	1,096	520	$89,434	$39,626	39.4
31	Draper	1,274	1,004	$94,871	$30,239	28.3
Average – All Stores		1,576	1,445	$64,841	$28,595	33.9
Average – Top 12		2,352	2,580	$78,857	$39,441	36.7

Revenue and Expenses Analysis

It is difficult to compare revenues and expenses on a store-by-store basis, as the Division of Facilities and Construction Management (DFCM) currently only tracks expenses for the entire system of liquor stores, not on an individual store basis. An average operations & maintenance cost of $4.25 per building square foot is used for all stores. Clearly, some stores will be higher, and others will be lower, than this amount but individual store informa1385tion is not available. However, one expense metric that can be tracked by individual store is that of sales per man hour. The following table lists, in descending order, the sales per man hour. Higher sales per man hour provide greater efficiency and profitability to those stores.

Table 32: Sales per Man Hour

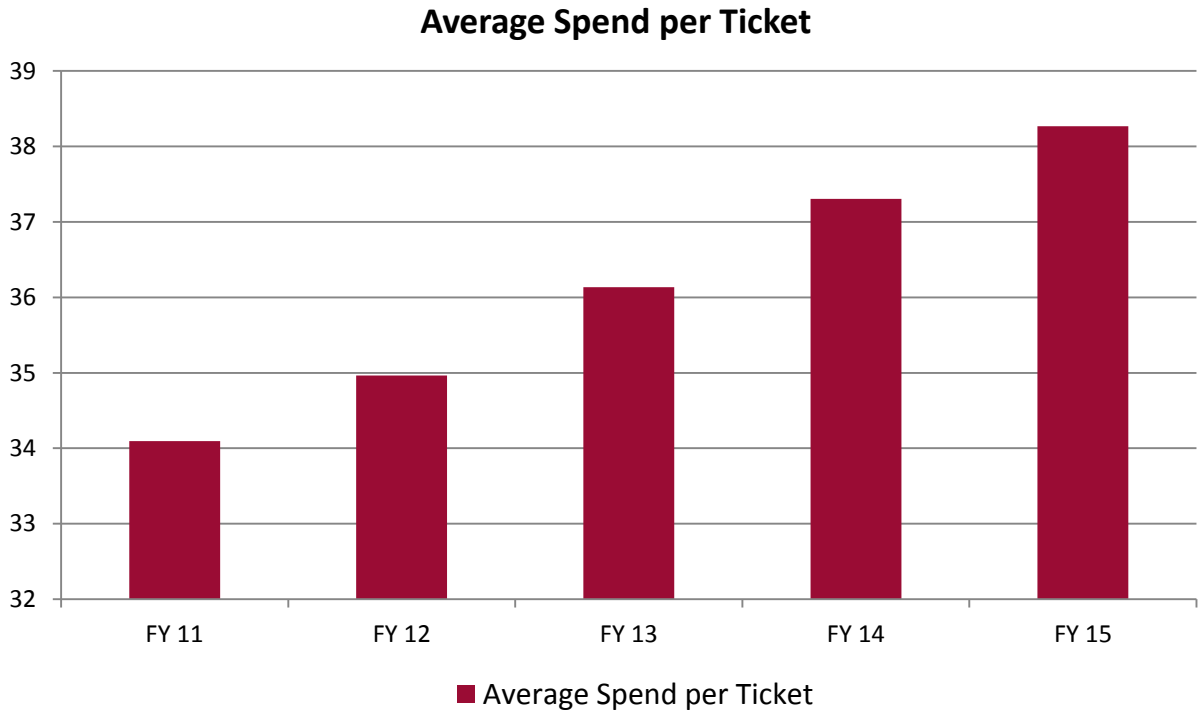
Store	Address	City	Square Feet	Gross Revenue FY 2016	Man Hours	Sales per Man Hour
37	1612 Ute Blvd.	Park City	8,177	$13,729,547.21	18,320	$749.44
30	625 West 600 North	Layton	5,782	$11,369,143.39	15,350	$740.67
40	13332 So. Market Center Dr.	Riverton	10,065	$11,833,202.59	16,423	$720.54
38	1550 Snow Creek	Park City	12,081	$15,825,270.48	22,078	$716.78
23	5948 South 1900 West	Roy	3,843	$6,854,198.40	9,901	$692.30
44	671 Pleasant Grove Blvd	Pleasant Grove	12,980	$9,295,012.93	13,570	$684.98
08	520 North 500 West	Bountiful	13,139	$9,759,339.69	14,251	$684.83
29	1814 E Murray Holladay Road	Holladay	12,895	$15,287,680.92	22,340	$684.31
15	1863 East 7000 South	Cottonwood Heights	14,592	$20,483,187.95	30,081	$680.93
31	14445 South Minuteman Drive	Draper	13,183	$11,513,004.76	17,246	$667.59
26	3905 West 5400 South	Taylorsville	11,670	$14,594,265.45	21,991	$663.66
25	3255 East 3300 South	Millcreek	8,490	$10,087,342.99	15,259	$661.09
16	125 West 9000 South	Sandy	11,918	$19,283,350.25	29,230	$659.71
41	280 West Harris Ave.	Salt Lake City	12,600	$10,069,774.68	15,278	$659.10
21	484 North Wall Ave.	Harrisville	8,000	$9,728,985.94	14,862	$654.62
03	3381 S. Redwood Road	West Valley City	11,782	$10,707,111.00	16,472	$650.02
02	1154 Ashton Avenue	Salt Lake City	7,263	$16,007,397.00	25,903	$617.98
24	1156 Patterson Ave.	Ogden	9,000	$8,106,452.55	13,155	$616.21
06	75 West 400 North	Logan	7,282	$9,061,928.89	14,871	$609.35
13	1255 West North Temple	Salt Lake City	8,558	$5,622,776.25	9,238	$608.68
35	255 South 300 East	Salt Lake City	6,275	$8,603,205.64	14,414	$596.85
39	161 North 900 East	St. George	10,000	$8,610,631.83	14,603	$589.63
09	5056 South State	Murray	7,000	$11,440,847.63	19,441	$588.50
01	205 West 400 South	Salt Lake City	8,129	$14,189,109.88	24,206	$586.17
19	3802 Pacific Ave.	Ogden	6,300	$8,560,661.38	14,646	$584.52
11	7278 West 3500 South	Magna	6,242	$5,801,309.79	9,992	$580.57
12	416 East 6th Ave.	Salt Lake City	7,068	$6,552,005.34	11,444	$572.54
45	1551 North 1750 West	Springville	12,586	$7,562,493.29	13,416	$563.68
43	262 East Gateway Dr.	Heber City	12,362	$5,234,489.37	9,705	$539.36
10	433 North Main	Tooele	11,375	$4,938,065.97	9,630	$512.77
18	1580 S Providence Center Dr	Cedar City	13,960	$5,093,177.07	10,239	$497.41
42	202 North Foothill Canyon Dr.	Hurricane	12,517	$4,134,805.51	8,429	$490.57
17	1688 North State Street	Orem	5,800	$4,343,426.64	8,893	$488.38

Store	Address	City	Square Feet	Gross Revenue FY 2016	Man Hours	Sales per Man Hour
27	55 West 200 South	Moab	4,214	$5,434,933.16	11,473	$473.71
04	1615 Foothill Blvd	Salt Lake City	4,239	$4,643,922.00	9,823	$472.75
14	63 E. Miller Avenue	Salt Lake City	2,768	$4,043,002.69	8,964	$451.04
32	929 West Sunset Blvd.	St. George	4,740	$3,871,741.46	9,020	$429.22
05	166 S. Freedom Blvd.	Provo	6,004	$3,692,324.53	9,597	$384.74
28	675 East Main	Vernal	3,738	$3,670,031.46	9,821	$373.68
22	43 South 100 West	Brigham City	3,517	$2,231,904.28	7,154	$311.96
07	50 North 100 West	Price	3,516	$2,155,798.77	6,989	$308.47
36	460 Swede Aly St. 100	Park City	2,500	$2,085,187.44	7,295	$285.84

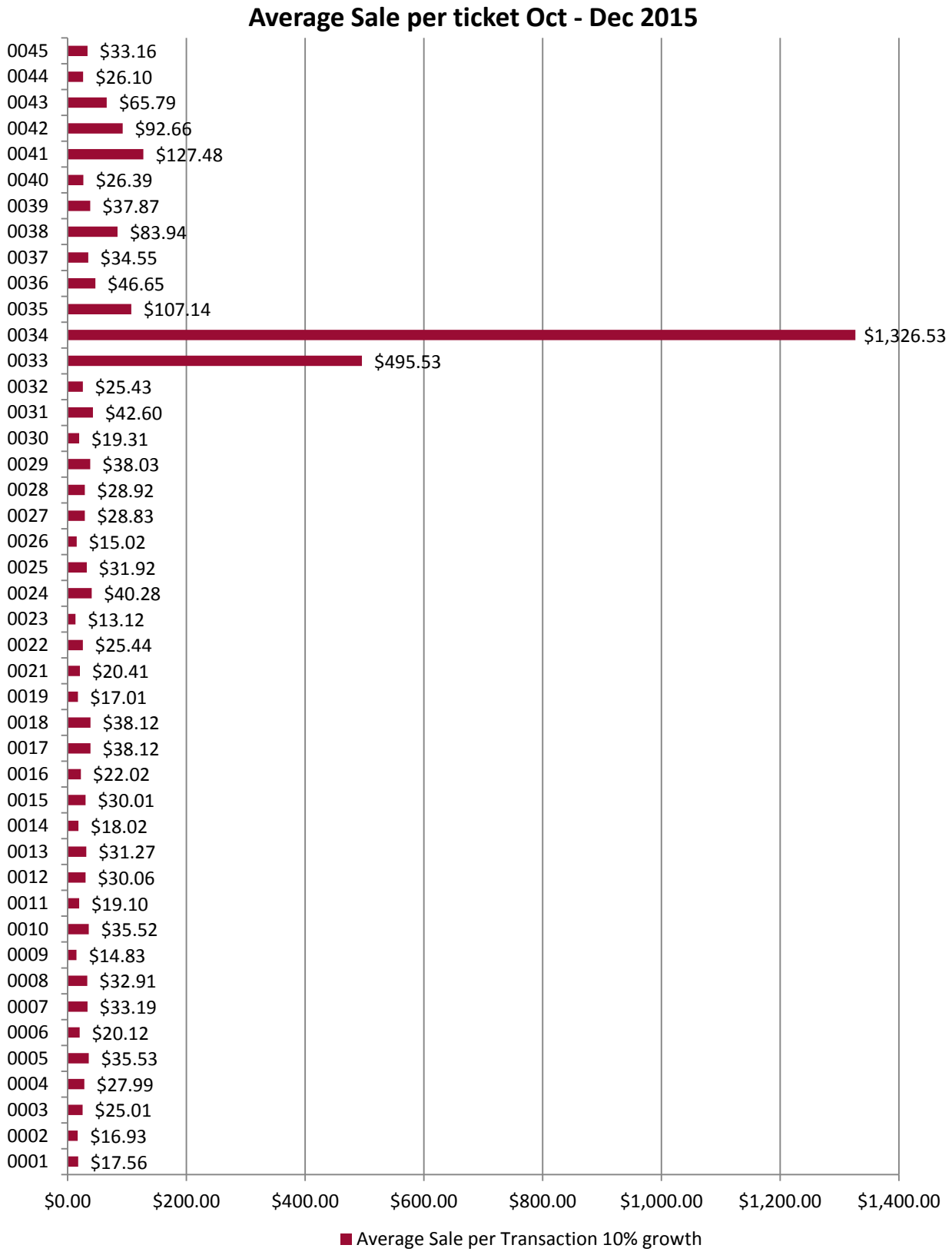
Data also shows that, overall, the Department of Alcohol and Beverage Control is becoming more efficient in its transactions. The average spend per ticket, and the product sold per transaction, are increasing.

Table 33: Efficiency Measures – Product Sold per Transaction

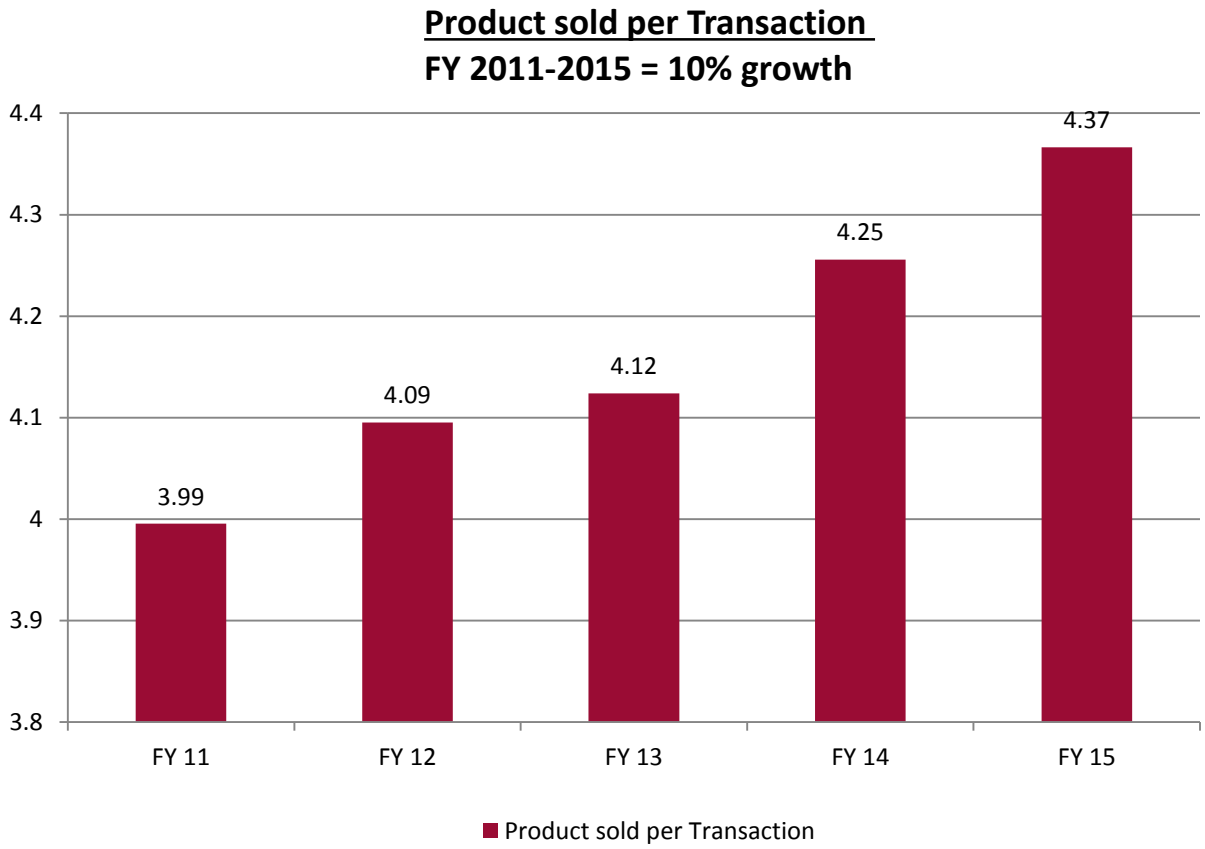
	FY 11	FY 12	FY 13	FY 14	FY 15
Total Dollars Sales	$308,535,362	$334,394,494	$359,422,192	$385,434,960	$413,506,112
Total Number of Bottles sold	36,156,775	39,168,201	41,019,096	43,968,735	47,180,580
Total Tickets	9,049,255	9,564,048	9,946,269	10,331,492	10,805,716
Average Spend per Ticket	$34.10	$34.96	$36.14	$37.31	$38.27
Number of Items per Transaction	4.00	4.10	4.12	4.26	4.37



However, the average sale per ticket varies widely per store as shown in the following table:

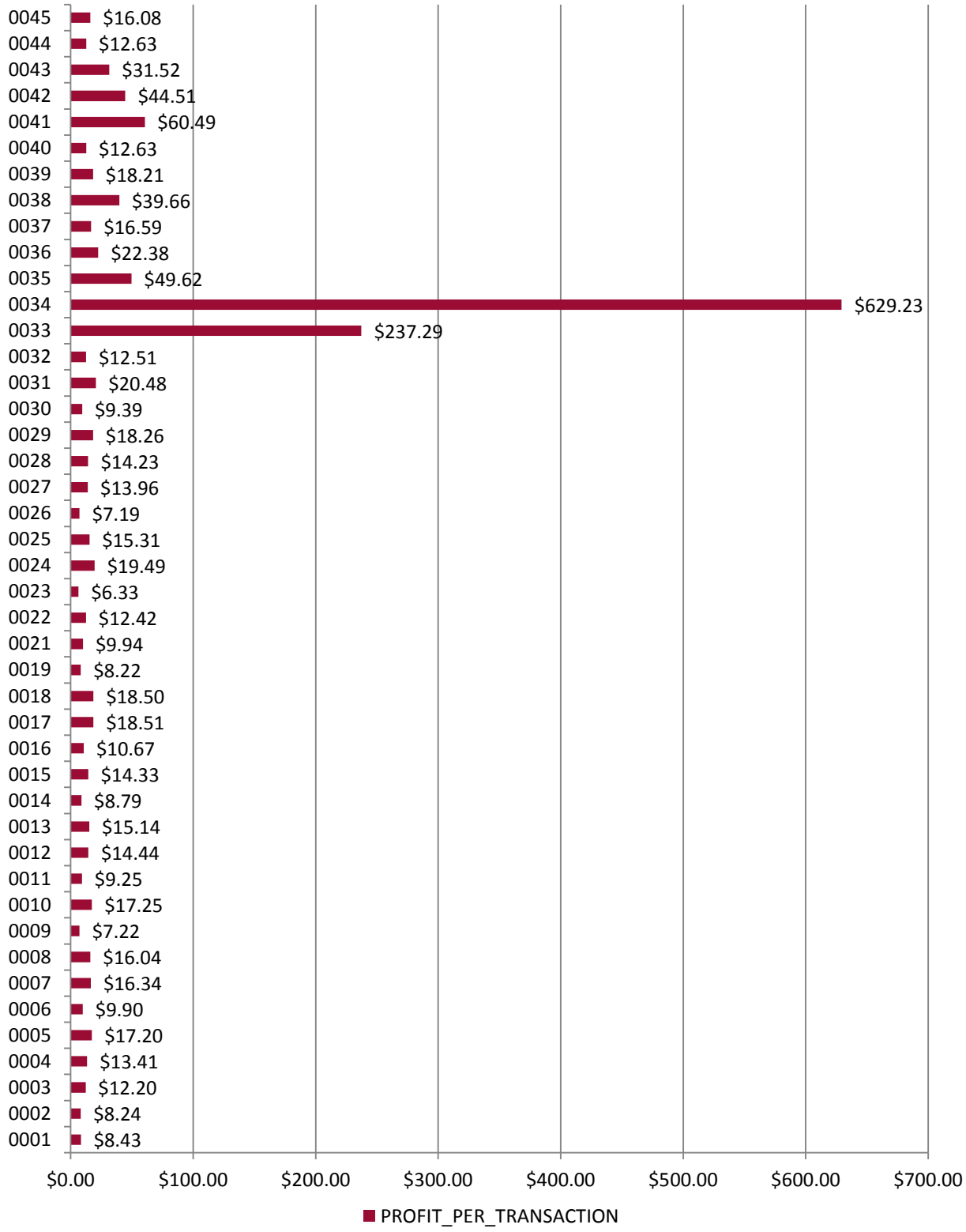


The product sold per transaction has also been consistently increasing over the past five years, again increasing profitability.



The profit per transaction also varies widely per store.

PROFIT PER TRANSACTION Oct -Dec 2015



Analysis of Economic and Fiscal Impacts to Local Communities

The major purpose of the tasks in this section is to identify the benefits to local communities that host liquor outlets in terms of property and sales tax revenues. Tourism impacts will also be considered.

Sales Tax Impacts

Sales per square foot for liquor stores is considerably higher than the average sales per square foot in other types of retail stores. Average sales reach $1,082 per square foot, considerably higher than the averages for the following well-known retail stores that are in high demand in communities:

Wal-Mart	$423[6]
Costco	$1,100[7]
Sam's Club	$680[8]

Sales at liquor stores in Utah range between a high of $2,203 and a low of $330 per square foot as shown in the table below.

Table 34: Store Sales per Square Foot

Store	Street Address	City	Square Feet	Gross Revenue FY 2016	Sales per Sq Ft
16	125 West 9000 South	Sandy	11,918	$19,283,350	$1,618
01	205 West 400 South	Salt Lake City	8,129	$14,189,109	$1,745
40	13332 So. Market Center Dr.	Riverton	10,065	$11,833,202	$1,175
02	1154 Ashton Avenue	Salt Lake City	7,263	$16,007,397	$2,203
09	5056 South State	Murray	7,000	$11,440,847	$1,634
15	1863 East 7000 South	Cottonwood Heights	14,592	$20,483,187	$1,403
19	3802 Pacific Ave.	Ogden	6,300	$8,560,661	$1,358
26	3905 West 5400 South	Taylorsville	11,670	$14,594,265	$1,250
30	625 West 600 North	Layton	5,782	$11,369,143	$1,966
31	14445 South Minuteman Drive	Draper	13,183	$11,513,004	$873
37	1612 Ute Blvd.	Park City	8,177	$13,729,547	$1,679
38	1550 Snow Creek	Park City	12,081	$15,825,270	$1,309
06	75 West 400 North	Logan	7,282	$9,061,928.89	$1,244
11	7278 West 3500 South	Magna	6,242	$5,801,309	$929
23	5948 South 1900 West	Roy	3,843	$6,854,198	$1,783
29	1814 E Murray Holladay Road	Holladay	12,895	$15,287,680	$1,185
35	255 South 300 East	Salt Lake City	6,275	$8,603,205	$1,371
41	280 West Harris Ave.	Salt Lake City	12,600	$10,069,774	$799
44	671 Pleasant Grove Blvd	Pleasant Grove	12,980	$9,295,012	$716
45	1551 North 1750 West	Springville	12,586	$7,562,493	$600
03	3381 S. Redwood Road	West Valley City	11,782	$10,707,111	$908

[6] http://www.fool.com/investing/general/2015/05/12/the-largest-retailer-in-history-how-walmart-sales.aspx
[7] http://www.huffingtonpost.com/2014/05/29/costco-earnings_n_5412588.html
[8] http://www.huffingtonpost.com/2014/05/29/costco-earnings_n_5412588.html

Store	Street Address	City	Square Feet	Gross Revenue FY 2016	Sales per Sq Ft
05	166 S. Freedom Blvd.	Provo	6,004	$3,692,324	$614
10	433 North Main	Tooele	11,375	$4,938,065	$434
14	63 E. Miller Avenue	Salt Lake City	2,768	$4,043,002	$1,460
18	1580 S Providence Center Dr	Cedar City	13,960	$5,093,177	$364
32	929 West Sunset Blvd.	St. George	4,740	$3,871,741	$816
39	161 North 900 East	St. George	10,000	$8,610,631	$861
07	50 North 100 West	Price	3,516	$2,155,798	$613
08	520 North 500 West	Bountiful	13,139	$9,759,339	$742
12	416 East 6th Ave.	Salt Lake City	7,068	$6,552,005	$927
17	1688 North State Street	Orem	5,800	$4,343,426	$748
22	43 South 100 West	Brigham City	3,517	$2,231,904	$634
24	1156 Patterson Ave.	Ogden	9,000	$8,106,452	$900
25	3255 East 3300 South	Millcreek	8,490	$10,087,342	$1,188
27	55 West 200 South	Moab	4,214	$5,434,933	$1,289
28	675 East Main	Vernal	3,738	$3,670,031	$981
34	1901 Sidewinder	Park City	10,607	$13,677,857	$1,289
36	460 Swede Aly St. 100	Park City	2,500	$2,085,187	$834
42	202 North Foothill Canyon Dr.	Hurricane	12,517	$4,134,805	$330
43	262 East Gateway Dr.	Heber City	12,362	$5,234,489	$423
13	1255 West North Temple	Salt Lake City	8,558	$5,622,776	$657
21	484 North Wall Ave.	Harrisville	8,000	$9,728,985	$1,216
33	1675 S 900 West	Salt Lake City	16,723	$23,537,919	$1,407
		MEDIAN	8,334	$8,606,919	$1,039
		AVERAGE	8,761	$9,166,541	$1,082

These higher sales per square foot create positive fiscal impacts for the communities in which they are located. In Utah, communities receive one-half of one percent (0.50%) of total sales generated, based on local option point-of-sale distribution to cities. In addition, counties can receive one-eighth of one percent (0.125%) based on the local option point-of-sale distribution.

With a total of $366 million in liquor store sales in FY 2016 (not including club stores), the total point-of-sale distribution to cities reach over $1.83 million. Counties, if they have enacted the local option sales tax, were eligible for nearly $500,000 in sales tax revenues in FY 2016.

A sample of individual store impacts is shown in the tables below for stores with relatively high, medium and low sales.

Table 35: Sample Sales Tax Revenue Impacts – Store with High Sales

1863 East 7000 South, Cottonwood Heights		
Total Sales	$20,483,188	
	Sales Tax Revenues	**Tax Percentage**
State	$962,710	4.70%
Salt Lake County*	$51,208	0.25%
Cottonwood Heights*	$204,832	1.00%

1863 East 7000 South, Cottonwood Heights		
Mass Transit	$61,450	0.30%
Additional Mass Transit	$51,208	0.25%
County Option Transportation	$51,208	0.25%
Botanical, Cultural, Zoo Tax (County)	$20,483	0.10%
Total Tax Revenues	**$1,403,098**	**6.85%**
***While Cottonwood Heights generates one percent through its local option rate, only one-half of that amount is returned to the City based on point of sale. The same is true for counties who receive only one-half of the amount generated by their sales tax rate based on point of sale.		

Table 36: Sample Sales Tax Revenue Impacts - Store with Medium-Level Sales

Medium Sales Store – 625 West 600 North, Layton		
Total Sales	$11,369,143	
	Sales Tax Revenues	**Tax Percentage**
State	$534,350	4.70%
Davis County*	$28,423	0.25%
Layton City*	$113,691	1.00%
Mass Transit	$28,423	0.25%
Additional Mass Transit	$28,423	0.25%
Transportation Infrastructure	$28,423	0.25%
Supplemental State Sales & Use Tax	$5,685	0.05%
Botanical, Cultural, Zoo Tax (Municipal)	$11,369	0.10%
Total Tax Revenues	**$778,786**	**6.85%**
***While Layton generates one percent through its local option rate, only one-half of that amount is returned to the City based on point of sale. The same is true for counties who receive only one-half of the amount generated by their sales tax rate based on point of sale.		

And, finally, a store with low sales when compared to other stores:

Table 37: Sample Sales Tax Revenue Impacts - Store with Medium-Level Sales

Lower Sales Store – 929 West Sunset Blvd., St. George		
Total Sales	$3,871,741	
	Sales Tax Revenues	**Tax Percentage**
State	$181,972	4.70%
Washington County	$9,679	0.25%
St. George City	$38,717	1.00%
Highway Tax	$11,615	0.30%
Botanical, Cultural, Zoo Tax (Municipal)	$3,872	0.10%
Total Tax Revenues	**$245,856**	**6.35%**
***While St. George generates one percent through its local option rate, only one-half of that amount is returned to the City based on point of sale. The same is true for counties who receive only one-half of the amount generated by their sales tax rate based on point of sale.		

Property Impacts

The market value per acre of parcels neighboring liquor stores were analyzed to identify whether or not liquor stores help or hurt property values. The table below is a sample of the liquor stores, including the market value per acre of the store and the parcels neighboring the store. Highlighted rows are those in which the store has a higher property value than neighboring parcels. Holladay has the largest positive gap between the value of the liquor store and neighboring parcels. The Holladay store opened in 2010, with most of the surrounding parcels having older structures. Therefore, this difference in Holladay is likely a due to the young age of that particular store, compared to surrounding parcels.

Table 38: Property Value Comparison with Neighboring Parcels

Store	Address	City	Market Value per Acre - Liquor Store	Market Value per Acre - Surrounding Parcels	Difference
1	205 West 400 South	Salt Lake City	$2,391,190	$3,704,123	-$1,312,932
2	1154 Ashton Avenue	Salt Lake City	$1,142,090	$2,040,817	-$898,728
9	5056 South State	Murray	$1,598,395	$1,803,397	-$205,002
11	7250 West 3500 South	Magna	$707,356	$859,603	-$152,247
14	63 East Miller Street	Salt Lake City	$848,261	$918,795	-$70,534
16	125 West 9000 South	Sandy	$1,993,667	$1,007,436	$986,230
29	1814 E Murray Holladay Road	Holladay	$1,973,077	$738,991	$1,234,086
35	255 South 300 East	Salt Lake City	$1,316,585	$4,852,537	-$3,535,952
40	13332 S Market Center Dr.	Riverton	$1,446,727	$1,326,811	$119,916

Additionally, each of the sample sites were also compared to comparable sites in their respective cities to further anaylze the impacts liquor stores have on property values. Comparion sites were selected from comparable commercial centers within relative proximity to the liquor store, but not immeditaly adjacent to the store. The table below lists the market value per acre for each of the sample stores and their respecitve comparison sites. In the areas in which the liquor store has a higher value than the comparison site, the difference is not very large, ranging between $13,567 and $149,135, with the outlier of Holladay at $937,592. Furthermore, three of the comparison sites have siqnficantly greater property value per acre compared. Therefore, it does not seem that liquor stores have any impact on property values in the area.

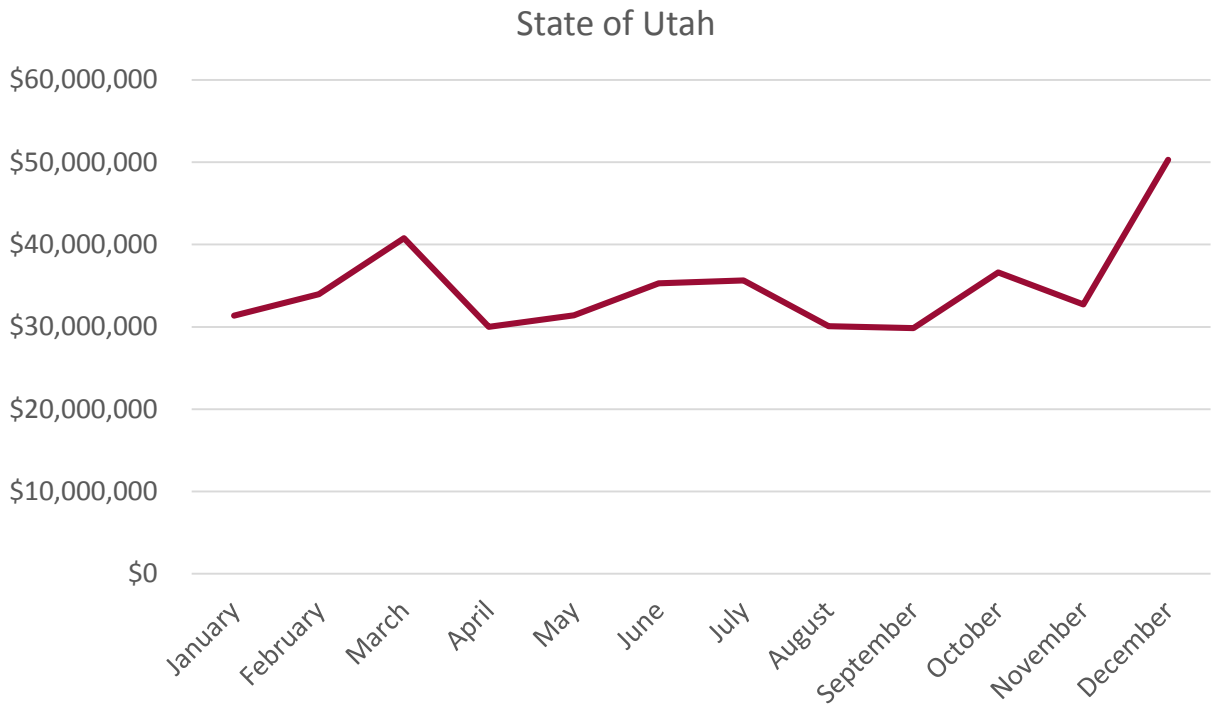
Table 39: Property Value Comparison with Comparison Site

Store	Address	City	Market Value per Acre - Liquor Store	Market Value per Acre – Comp Site	Difference
1	205 West 400 South	Salt Lake City	$2,391,190	$5,027,518	-$2,636,327
2	1154 Ashton Avenue	Salt Lake City	$1,142,090	$7,091,582	-$5,949,493
9	5056 South State	Murray	$1,598,395	$1,449,260	$149,135
11	7250 West 3500 South	Magna	$707,356	$693,789	$13,567

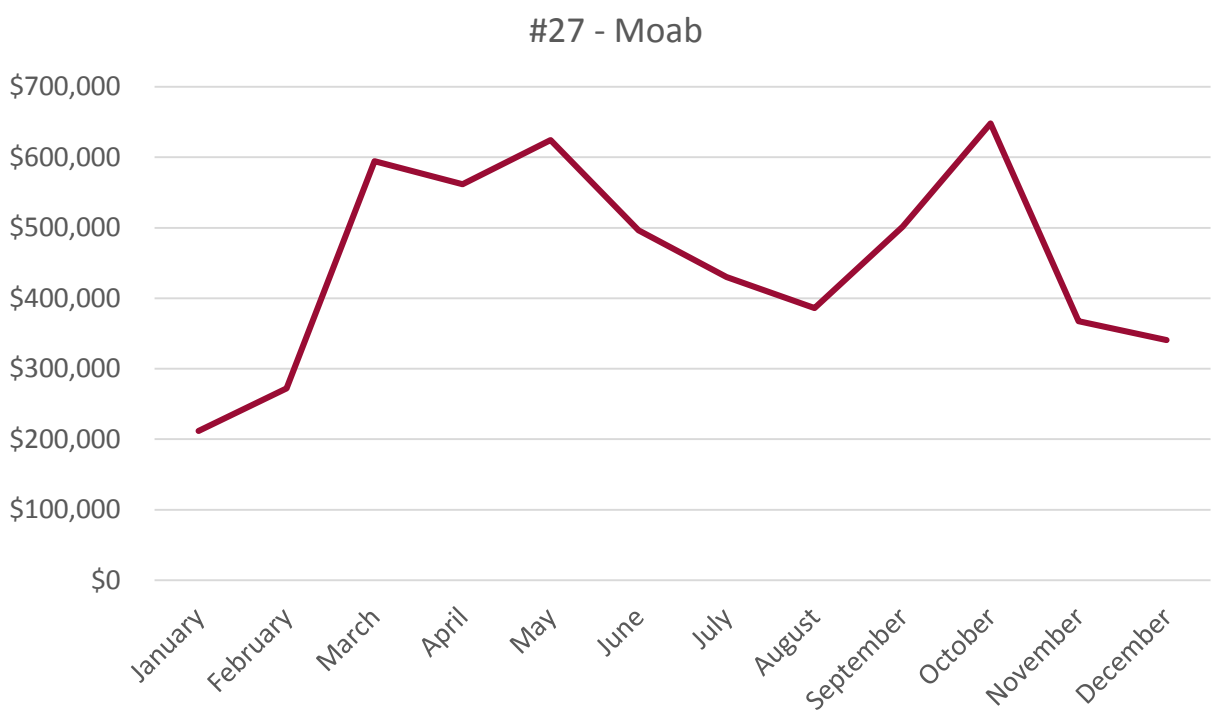
Store	Address	City	Market Value per Acre - Liquor Store	Market Value per Acre – Comp Site	Difference
14	63 East Miller Street	Salt Lake City	$848,261	$830,786	$17,475
16	125 West 9000 South	Sandy	$1,993,667	$1,862,648	$131,019
29	1814 E Murray Holladay Road	Holladay	$1,973,077	$1,035,484	$937,592
35	255 South 300 East	Salt Lake City	$1,316,585	$3,289,287	-$1,972,702
40	13332 S Market Center Dr.	Riverton	$1,446,727	$815,304	$631,423

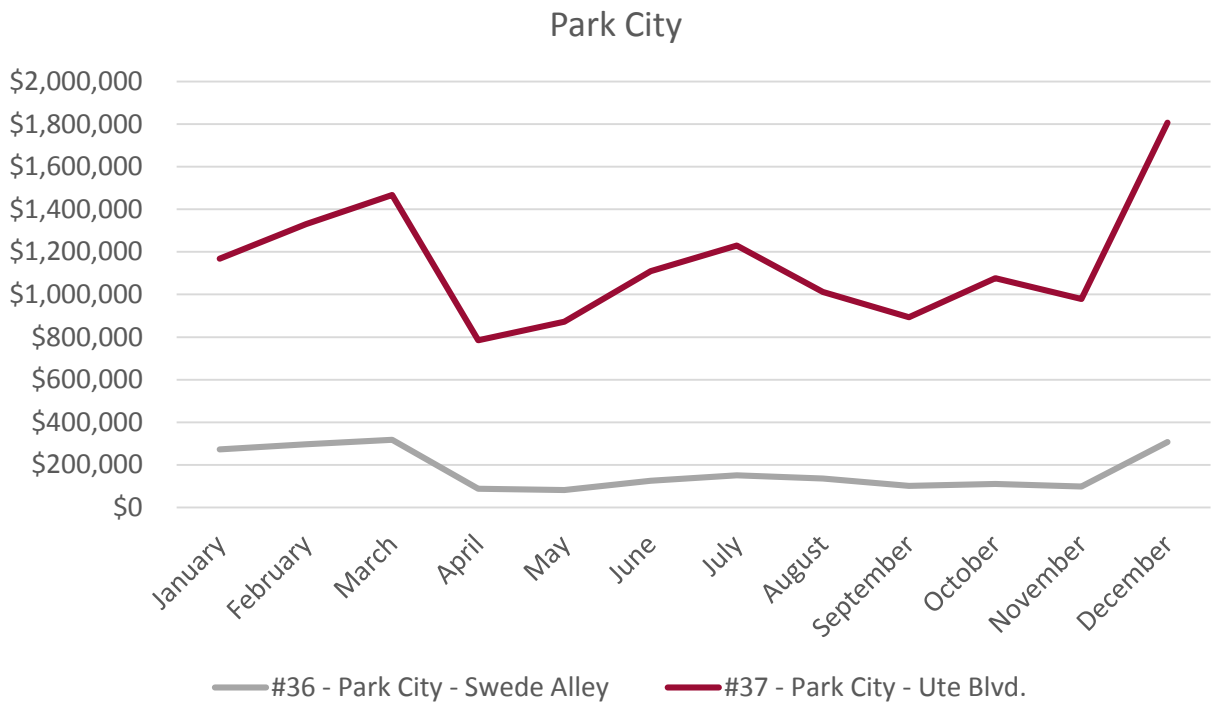
Seasonality and Tourism Impacts

Liquor store sales statewide show some seasonality, with increased sales during the holiday season.



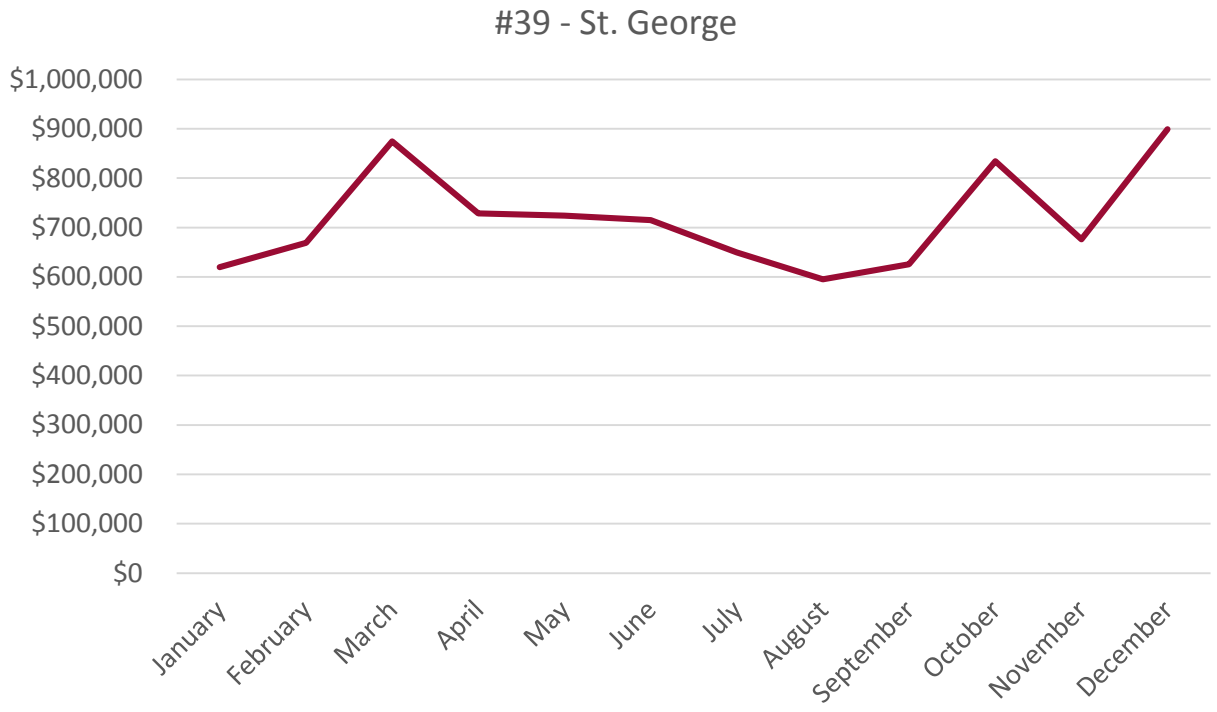
In comparison, stores in tourist communities show increased sales during their peak visitor periods. Moab has strong spring and fall visitation, and this is reflected in the spikes in sales in the Moab store during the spring and fall months.

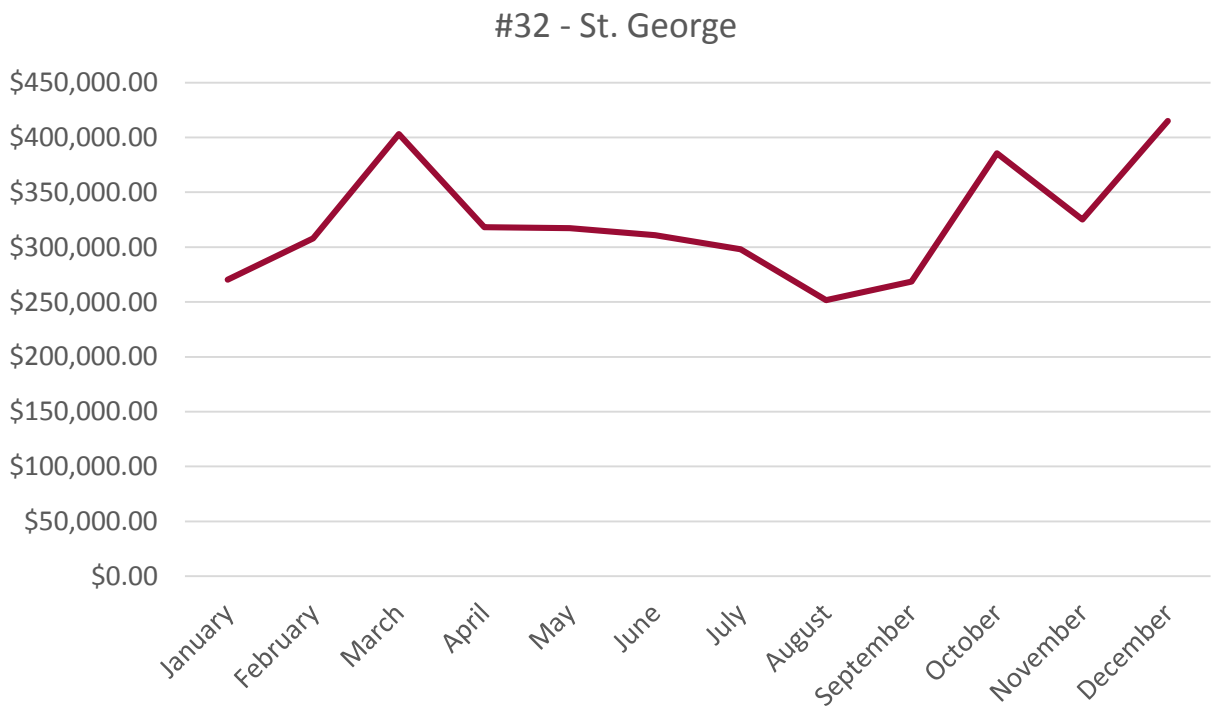




Park City shows increased sales during the winter months, including the holiday season. The highest visitation period for Park City is the week between Christmas and New Years.

The two St. George stores also reflect tourism trends with the highest sales occurring during the months of Spring Break and UEA. The usual increase in sales during the holiday season is also apparent.





Evaluation of Leasing vs. Owning Retail Outlets

The purpose of this section is to evaluate the benefits to ABC from leasing or owning retail outlets. Additionally, consideration is made for when leasing or owning is advantageous.

Presently, the majority of the ABC stores are owned, with only a few comprising lease situations. Following tables will show lease details for the affected stores, per contracts provided by ABC for this assignment.

Consideration is first given for lease specifics. Each lease is analyzed to address its relevance and comparability to market standards. The leases are also evaluated for their impact on their specific stores. Focus is placed upon rent per square foot indications. These amounts are ultimately compared to recently signed contracts and active listings in the immediate, surrounding neighborhoods. Following a series of comparative adjustments, market rent is estimated for the store. The relationship between market and contract rent is evaluated, as differences in these two metrics will impact overall value.

Market rent is estimated for each of the varying locations by employing comparative analysis. Rents are determined by a variety of factors, including general and specific location, size, quality and condition of the premises, amenities (such as parking and common areas), and the type of lease. The ABC leases appear to all be signed on a triple net (NNN) premise. This requires the tenant to pay all operating costs, including taxes and insurance, maintenance and repair, utilities, janitorial, and others. For retail properties, the triple net lease structure is common.

A property that shows above market rent in place typically exhibits a greater degree of risk, due to the potential of the tenant leaving for a better lease situation. It does have some appeal to an investor, however, due to the potential of generating increased income until the end of the lease period. Conversely, a below market lease presents security to an owner for the tenant likely staying at the premises. It does, however, represent reduced income as to what could be achieved if leased at market.

All of the ABC leases are evaluated as to their relationship with estimated market rent. Rents from the surrounding neighborhoods were gathered, with input from active brokers. Considering the specific site characteristics of the various store locations, parking amenities, and quality and age characteristics (with assumptions for interior buildouts), estimated market rents are shown on the lease summaries. Overall, differences in contract and estimated market rent are limited, with all contracts being within ten percent of market rent.

In evaluating the benefits of lease versus own, it is necessary to consider what value could be achieved in a market transaction scenario. With an estimated value, loan payments can be determined, and compared to existing rent payments. The required equity is also studied for a loan scenario. Value considers estimated market rent, appropriate triple net expenses, and a capitalization rate (or first-year rate of return) for the property. Additional detail is provided below for each of the leased ABC buildings.

Store 1 – 205 West 400 South, Salt Lake City

Size	Annual Rent	Rent Per Sq.Ft.	Estimated Market Rent	Difference Market/ Contract	Estimated Market Value	Estimated Annual Loan Payments	Estimated Required Equity	Difference in Rent vs. Loan
8,129	$136,242	$16.76	$18.00	7.4%	$1,890,000	$99,400	$660,000	$36,842

For Store 1, contract rent is noted to be approximately 7.4 percent below estimated market rent. This difference is not significant enough to notably impact value, but the lease does extend until mid-2022. Market value is estimated by taking market rent and applying it to the overall building square footage. Deductions for appropriate ownership expenses (just management and reserves) are necessary, as well as a market-supported, stabilized vacancy rate (5%). Net operating income is then capitalized by an appropriate rate of return (a capitalization rate, or first-year rate of return). A capitalization rate is reflective of the risk associated with receiving the income for a property. It is influenced by location, quality of the improvements, the leased status of the building, the credit-strength of the occupant, and several other factors. A lower overall rate reflects limited risk, and consequently results in higher values (Net Operating Income/Capitalization Rate = Value). Conversely, a higher capitalization rate suggests risk, and represents lower values (on a price per square foot basis).

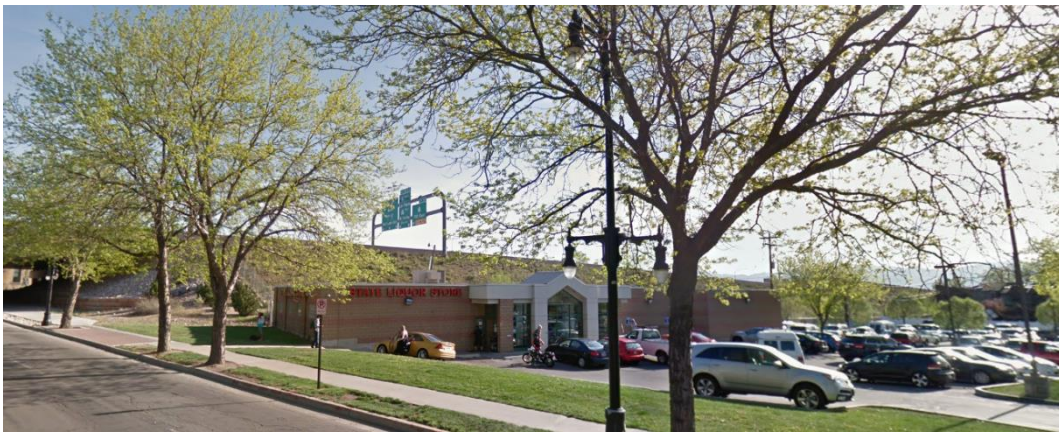
For example, an apartment building that is well leased, with limited near-term deferred maintenance will generally receive significant demand from buyers. Consequently, the price will be pushed to levels that ultimately reflect a relatively low rate of return. Investors will accept the lower rate due to the limited risk in apartments, and sellers will gladly dispose of properties at low rates, as that equals higher values. On the other hand, a large retail building with a single tenant suite with near-term vacancy exposure will show a high overall rate of return. It will likely attract limited buyers, or, those who do bid, will price the vacancy risk.

For Store 1, an overall rate of return is estimated at 7.0 percent. This is in-line with retail properties in the area, and considers the relatively long-term lease in place to a credit tenant. Applying the 7.0 percent rate of return results in a value indication of $1,890,000.

With an estimated market value, potential loan payments can be determined. Current lending rates show interest rates for retail buildings, in the Salt Lake metropolitan area, near 6.5 percent. Terms are typically 25 years, with balloon payments in ten years. Loan-to-value ratios are most supported at 65 percent, suggesting that Store 1 would require a down payment (required equity) of $660,000. Estimated loan payments are shown on the associated table, at approximately $99,400 per year. As compared to current rental rates of $136,242, potential loan payments are significantly lower, or, $36,842 per year. If the ABC desires to reduce annual rental payments, then it is advised to purchase Store 1. If funding the estimated required equity is a concern, then renting should be continued.

However, as will be detailed in the analysis of Store 2, the net present value of the savings from the loan payments versus leasing is shown to offset the required equity costs. This also says nothing regarding the ability to make decisions regarding the store (in a for-own situation), and to accrue equity in the property. Consequently, in the analysis of leasing versus owning, Store 1 strongly suggests an “ownership” scenario.

Store 2 – 1154 Ashton Avenue, Salt Lake City

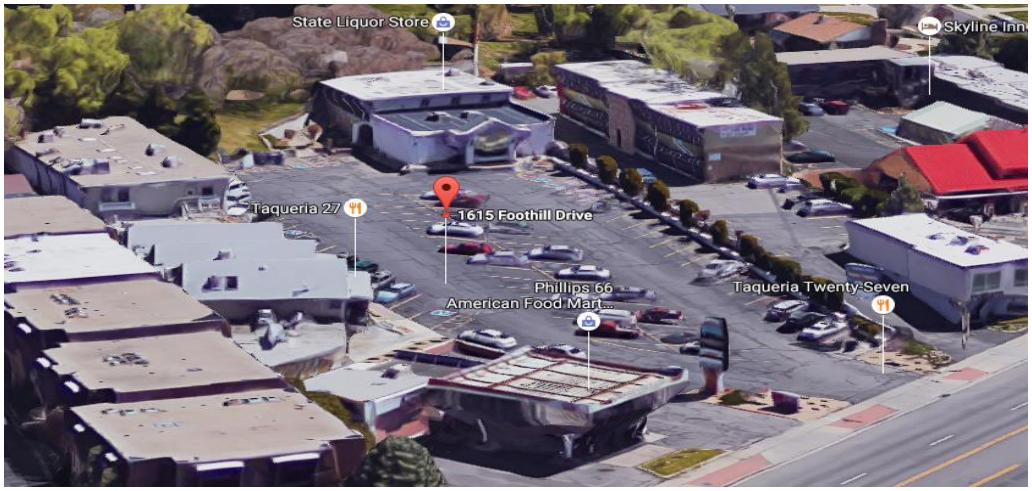


Size	Annual Rent	Rent Per Sq.Ft.	Estimated Market Rent	Difference Market/ Contract	Estimated Market Value	Estimated Annual Loan Payments	Estimated Required Equity	Difference in Rent vs. Loan
7,263	$130,740	$18.00	$18.00	0%	$1,685,000	$88,800	$590,000	$41,940

Store 2 benefits from a desirable location in Salt Lake City. It is presently leased at $18.00 per square foot, with a term that ends in mid-2019. Estimated market rent is equivalent to current contract rent. A look at investment requirements for similar type buildings suggests that a capitalization rate of 7.0 percent is supportable. If net operating income (which is estimated by deducting appropriate stabilized vacancy and minimal triple net expense from estimated market rent) is capitalized at a 7.0 percent rate, a value of $1,685,000 is shown.

If typical loan characteristics are secured, then estimated annual payments are reflected at $88,800. Required equity, at a loan-to-value ratio of 65 percent, is shown at $590,000. Ultimately, loan payments would result in annual savings of $41,940, versus existing rental rates. If the net present value of 25 years of the loan savings is considered (the length of the loan payments), at a discount rate that is commensurate with the low risk associated with receiving the payments (and furthermore not considering that rental rates will increase over the 25-year term, thereby widening the gap between rent and loan payments), a net present value is shown similar to the required equity investment. Consequently, the net present value of the annual savings from buying versus leasing is enough to offset the costs of required equity. This presents a current benefit, with no regard to the benefit from being able to control the property, control annual payments (no risk with rent escalations), and having a property clear and free of debt at the end of the loan period. For Store 2, loan payments appear to present a financial benefit versus leasing.

Store 4 – 1615 Foothill Boulevard, Salt Lake City



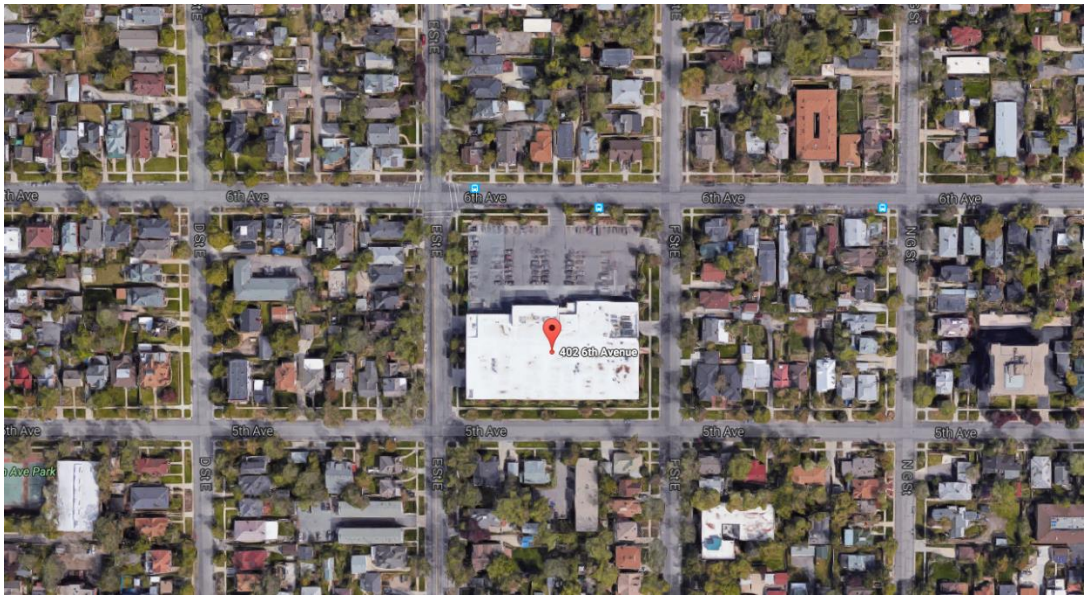
Size	Annual Rent	Rent Per Sq.Ft.	Estimated Market Rent	Difference Market/ Contract	Estimated Market Value	Estimated Annual Loan Payments	Estimated Required Equity	Difference in Rent vs. Loan
4,239	$87,960	$20.75	$22.00	6.0%	$1,120,000	$59,100	$392,700	$28,860

Store 4 has a moderately appealing location in a residential and commercial neighborhood in east Salt Lake City. The lease for the relatively smaller store (in comparison to some of other ABC stores), expires in January 2020. Current contract rent sums to $87,960 per year, or, approximately $20.75 per square foot, triple net. A survey of leases in the area shows that estimated market rent is likely closer to $22.00 per square foot, indicating that the property is leased at approximately 6.0 percent below market. This is not significant.

Market value for Store 4 is based on applying estimated market rent to the entirety of the space, and deducting for stabilized vacancy and appropriate operating expenses. Due to the somewhat secondary location that is set back from the main right-of-way, and somewhat less desirable parking characteristics than other operations, a capitalization rate of 7.5 percent is considered supportable. As applied to net operating income, a value indication of a rounded $1,120,000 results.

Loan payments, assuming again market rates for interest, term, and loan-to-value ratios, show required equity at $392,700. Loan payments are estimated at $59,100 per year, resulting in an annual savings of $28,860. Again, an analysis of the time value of money shows an ultimate savings that is greater than the required equity. Furthermore, similar to the other analyzed stores, there exists a significant benefit in being able to control the use of the property, build equity, and pay reduced annual amounts by purchasing the property.

Store 12 – 402 East 6th Avenue, Salt Lake City



Size	Annual Rent	Rent Per Sq.Ft.	Estimated Market Rent	Difference Market/ Contract	Estimated Market Value	Estimated Annual Loan Payments	Estimated Required Equity	Difference in Rent vs. Loan
7,068	$140,580	$19.89	$20.00	0.6%	$1,820,000	$96,000	$637,900	$44,580

Store 12 also has a lease in place, and comprises approximately 7,068 square feet. Documents provided for this assignment show annual rent payments of $140,580, with a remaining term until the end of 2018. Rent equals $19.89 per square foot per year, which is noted to be very similar to estimated market rent of $20.00 per square foot. Consequently, the property is leased at market rent and terms.

Market value for Store 12 is estimated by capitalizing net income by an appropriate rate of return. Net income considers income in place, with minimal deductions for stabilized vacancy and triple net operating expenses that are the responsibility of ownership. A market value estimate, using a 7.0 percent first year rate of return (capitalization rate), is reflected at $1,820,000. Loan payments, based on market conditions, are shown at a rounded $96,000. Overall, a savings of $44,580 per year is shown in an ownership scenario. On a net present value basis, the savings is moderately more than the estimated required equity. The additional benefits of ownership explained in the other analyses also apply to Store 12.

Store 15 – 1863 East 7000 South, Cottonwood Heights

Size	Annual Rent	Rent Per Sq.Ft.	Estimated Market Rent	Difference Market/ Contract	Estimated Market Value	Estimated Annual Loan Payments	Estimated Required Equity	Difference in Rent vs. Loan
14,592	$310,175	$21.26	$20.00	-5.9%	$3,510,000	$185,000	$1,229,000	$125,175

Store 15 is situated in a desirable portion of Cottonwood Heights, and is considered to be large for typical retail standards. Its lease requires annual payments of $310,175, or, approximately $21.26 per square foot. The lease extends until mid-2020, per information supplied for this assignment. Estimated market rent, based on comparable data points in the neighborhood, is reflected at $20.00 per square foot per year, triple net. As a result, contract rent is noted to be 5.9 percent above estimated market rent. This is not considered to be significant.

Value is estimated by deducting stabilized vacancy and triple net ownership expenses from potential gross income. Net operating income results are then divided by a first year rate of return of 7.5 percent (considering the large size and required capital investment). An overall market value of $3,510,000 is shown.

Estimated loan payments on the market value indication are shown at $185,000 per year, with required equity of $1,229,000. Rent is therefore shown to be approximately $125,000 higher per year than the loan payments. The net present value of the annual savings is substantially higher than the required equity. This, along with the aforementioned benefits to ownership, suggest that purchasing Store 15 would be a wise investment.

Summary of Rent vs. Own Scenarios

For each of the existing leased stores, it appears that purchasing the properties would be superior financially than continued leasing. While initial equity will be required, the net present value of the annual savings is superior to that cost amount for all of the stores. Additionally, considering the stability of the Utah real estate market, and the relatively desirable location of the noted stores, there is some notable security in owning the properties. The ability to control future decisions (not having rental rate increases, lease negotiations, potential turnover issues) is also a benefit, as is building equity as opposed to rental payments. While the current lease situations are all at or close to estimated market levels (indicating that no excess rent (or minimal) is being paid at any of the stores), the currently achievable loan rates and strength of the market suggests multiple benefits to purchasing.

For future stores, leasing will make sense if flexibility is desired. If a location is unproven, or the potential occupant wants a few years to test the market, then leasing remains a viable option. If favorable lease negotiations can occur where the lessor provides below market rent, or an initial period of free or reduced rent, then leasing should be pursued. Conversely, if long-term stability is desired, as well as capital accumulation, then purchasing should be studied. If loan rates remain below 7.0 to 8.0 percent, then it appears that purchasing will remain beneficial.

Best Practices and Lessons Learned in Control States

Presently, there are 16 control states (as well as one county in Maryland), with varying levels of governmental control amongst them. Some of the states essentially operate retail businesses, including Utah, New Hampshire, Pennsylvania, and others. States such as Ohio and Vermont appoint private businesses to run stores, with the states thereby acting essentially as wholesalers.

Best Practices – Lease Versus Own

In privatized states, most alcohol stores are leased. Control states, however, have the majority of their stores owned. Typically, in control states, there is more long-term security in selecting store locations. Consequently, the typical practice is to purchase the buildings. For privatized states, operators often have less security for risk, and thereby need flexibility that is associated with lease agreements.

Most control states prefer ownership situations versus leasing. The financial benefits are typically notable, and the ability to control the store's future is important to operators (NABCA).

Purchase opportunities often work best when total annual loan payments are less than estimated annual rental amounts. Additionally, when loans can be secured at rates below 7.0 percent, then buyers will typically engage. The ability to build equity, coupled with the flexibility of controlling decisions regarding the property, are significant benefits in ownership. The uncertainty of lease negotiations, potential rollover periods, and fluctuations in achievable rents can lead to notable financial losses, as well as disruptions in operations.

Where purchasing is not possible, control states indicate a desire to have a minimum of ten-year leases, with multiple renewal options, or five-year lease agreements that continue at the existing rents for future option periods that are activated by the occupant. A few control states have dealt with appraisal issues regarding rental rate escalations, and caution that leases should clearly state how option period rents are determined.

Best Practices – Store Locations

Other control states have historically utilized several criteria in looking for store locations. An important feature is proximity to major transportation corridors, particularly freeways. For control states, stores become destination locations (meaning that customers know where they are going ahead of time, and are rarely brought into the store by chance). As a result, stores are the most productive when they are situated at well accessed intersections, with freeways and major thoroughfares in the immediate area.

Another consideration for control states in store selection criteria is the density of population within a five-mile radius. The density requirements vary for states, but are important in helping to forecast sales and activity. Population densities must be robust, and show the potential for future growth within five to ten-year time periods. Stores do not want to locate in areas that show minimal potential for increasing population, whether that is through new construction or redevelopment of existing product. Also considered is the age characteristics of the population in the five-mile radii. Successful stores, in both private and control states, will locate in areas that do not have a concentration of one age group (i.e., seniors, or students, etc.). Ideal markets in reported control states show a concentration of people in the 40 to 60-year age range, but with a variety of ages spread throughout.

Store locations that have appeal in control states (and largely in privatized states) typically offer parking at ratios of 5.0 per thousand square feet or better. The relatively quick nature of most consumers requires parking close to storefronts, and at ratios that allow for open, available stalls. Stores that have shown parking ratios below 5.0 per thousand square feet have typically suffered from lower achievable rents, as well as lower sales. In some states, stores require upwards of 6.0 spaces per thousand rentable square feet.

Parking is a significant consideration for all retail stores, including alcohol-related operations. Stores will suffer in suburban environments (with no alternative transportation options than automobiles) with parking lots that do not provide 5.0 spaces per thousand rentable square feet (Brokers active in control states from Marcus & Millichap, Coldwell Banker, and the Appraisal Institute)

Finally, for store locations, several control states indicated locations are preferred as stand-alone buildings, and not part of larger, multi-tenant facilities. Some multi-tenant developments restrict alcohol sales, and the uncertainty of future, unknown tenants in a facility creates scenarios that most stores prefer to avoid. Also, issues have arisen in numerous states about parking sharing and reciprocal rights agreements when in a combined facility.

Best Practices – Store Sizes

Store size varies in control states, with larger stores in areas that have strong population densities and appealing age and median income characteristics. Most control states show minimum store sizes of 4,000 square feet, with averages closer to 6,000 to 8,000 square feet (*Lum Library, Appraisal Institute*). Often, stores that are in excess of 10,000 square feet are providing some warehousing area, as floor room spaces do not often exceed this amount in control states.

Appendix A: Sensitivity Analysis

The following are additional scenarios that were calculated using different weights for the priority factors.

Final Weights

Population 2016	Population 2030	Population Growth 2016-2030	Pop Density 2016	Bottles per Man Hour	Transactions per Capita
20%	10%	10%	10%	30%	20%

Alternate 1

Population 2016	Population 2030	Population Growth 2016-2030	Pop Density 2016	Bottles per Man Hour	Transactions per Capita
15%	15%	10%	10%	25%	25%

Alternate 2

Population 2016	Population 2030	Population Growth 2016-2030	Pop Density 2016	Bottles per Man Hour	Transactions per Capita
15%	15%	10%	10%	25%	25%

	Final Weight		Alternate 1		Alternate 2	
Rank	Store	City	Store	City	Store	City
1	40	Riverton	16	Sandy	16	Sandy
2	30	Layton	40	Riverton	40	Riverton
3	44	Pleasant Grove	30	Layton	30	Layton
4	16	Sandy	26	Taylorsville	26	Taylorsville
5	26	Taylorsville	44	Pleasant Grove	44	Pleasant Grove
6	21	Harrisville	21	Harrisville	03	West Valley City
7	23	Roy	03	West Valley City	21	Harrisville
8	03	West Valley City	23	Roy	23	Roy
9	08	Bountiful	31	Draper	02	Salt Lake City
10	31	Draper	02	Salt Lake City	31	Draper
11	24	Ogden	15	Cottonwood Heights	09	Murray
12	15	Cottonwood Heights	09	Murray	15	Cottonwood Heights
13	02	Salt Lake City	29	Holladay	29	Holladay
14	29	Holladay	06	Logan	08	Bountiful

	Final Weight		Alternate 1		Alternate 2	
Rank	**Store**	**City**	**Store**	**City**	**Store**	**City**
15	06	Logan	08	Bountiful	06	Logan
16	09	Murray	24	Ogden	24	Ogden
17	45	Springville	39	St. George	39	St. George
18	13	Salt Lake City	45	Springville	45	Springville
19	39	St. George	13	Salt Lake City	13	Salt Lake City
20	25	Millcreek	01	Salt Lake City	01	Salt Lake City
21	11	Magna	37	Park City	25	Millcreek
22	37	Park City	11	Magna	37	Park City
23	01	Salt Lake City	25	Millcreek	11	Magna
24	19	Ogden	19	Ogden	19	Ogden
25	17	Orem	17	Orem	17	Orem
26	10	Tooele	10	Tooele	10	Tooele
27	18	Cedar City	12	Salt Lake City	12	Salt Lake City
28	05	Provo	38	Park City	38	Park City
29	12	Salt Lake City	14	Salt Lake City	14	Salt Lake City
30	14	Salt Lake City	41	Salt Lake City	41	Salt Lake City
31	38	Park City	18	Cedar City	05	Provo
32	27	Moab	05	Provo	18	Cedar City
33	41	Salt Lake City	43	Heber City	43	Heber City
34	43	Heber City	27	Moab	27	Moab
35	32	St. George	32	St. George	32	St. George
36	42	Hurricane	42	Hurricane	42	Hurricane
37	35	Salt Lake City	35	Salt Lake City	35	Salt Lake City
38	04	Salt Lake City	04	Salt Lake City	04	Salt Lake City
39	28	Vernal	28	Vernal	28	Vernal
40	36	Park City	36	Park City	36	Park City
41	22	Brigham City	22	Brigham City	22	Brigham City
42	07	Price	07	Price	07	Price