Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Consumer Protection & Business Committee

HB 1701

Brief Description: Authorizing multiple liquor licensees to have licensed premises within a facility owned and leased out by another liquor licensee or person.

Sponsors: Representative Steele.

Brief Summary of Bill

- Authorizes a liquor licensee to operate out of a premises located on the property of a facility that includes separate premises of other liquor licensees.
- Authorizes, but does not require, the facility to be owned and leased out by one of the liquor licensees.
- Authorizes the Liquor and Cannabis Board to require submission of leases or other agreements between licensees, and exempts certain information from disclosure under the Public Records Act.
- Specifies that the authorized arrangements do not violate provisions of the tied-house laws that otherwise restrict business practices and financial arrangements in the liquor industry.

Hearing Date: 1/21/26

Staff: Peter Clodfelter (786-7127).

Background:

During the liquor license application process, under the Liquor and Cannabis Board's (LCB's)

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current rules, among other requirements, the LCB will conduct an investigation to establish the applicant's exclusive right to the real and personal property and to verify the true party or parties of interest.

Business practices and financial interests of liquor industry businesses are restricted under the so-called tied-house laws. The tied-house laws generally prohibit an industry member from advancing and a retailer from receiving moneys or moneys' worth under an agreement, written or unwritten, or by means of any other business practice or arrangement.

The tied-house laws also generally prohibit one industry member from having a direct or indirect financial interest in another industry member or retailer, except for specific exceptions. The term "industry member" is defined as a licensed manufacturer, producer, supplier, importer, wholesaler, distributor, authorized representative, certificate-of-approval holder, warehouse, and any affiliates, subsidiaries, officers, directors, partners, agents, employees, and representatives of any industry member.

Distilleries, craft distilleries, and wineries may operate a limited number of off-site tasting rooms, and these licensees may jointly occupy and cooperate up to two off-site locations. Additionally, certain liquor licensees that sell alcohol for consumption on the premises are authorized to use shared spaces for outdoor service of alcohol. The LCB may adopt requirements providing for clear accountability at locations where multiple licensees use a shared space for serving customers.

Summary of Bill:

It is specified that nothing in Washington liquor laws prohibits an applicant for a liquor license from becoming licensed to operate out of a premises located on the property of a facility that includes separate premises of other liquor licensees.

The owner of the facility may be, but is not required to be, one of the licensees operating out of a premises at the facility. A licensee who owns real property, or real and personal property, may lease that property to another licensee or licensees and multiple licensees may operate their own premises at the facility.

The LCB may not consider the existence of this type of arrangement alone to impact a licensee's ownership and control of their premises or otherwise prevent licensure. Each licensee must operate out of their own premises on the facility property, except as otherwise authorized in current law for shared use of a consumption space.

The LCB may require submission of any lease agreement, operating agreement, and other contract in existence between licensees and the owner of the facility, and between the different licensees at the facility, to ensure each licensee retains ownership and control over their licensed premises on the facility property.

Proprietary information and financial considerations contained in any agreements or contracts, entered into by a liquor licensee and submitted to or obtained by the LCB, are exempt from disclosure under the Public Records Act.

It is provided that nothing in the bill: (1) authorizes a licensee to engage in privileges not authorized under the terms of their license; (2) requires a licensee to obtain a liquor license for a type of activity conducted by another licensee from that other licensee's separate premises on the facility property; or (3) may be construed to violate the prohibition on money advances by industry members to retailers or other provisions of Washington liquor laws.

It is also specified that nothing in the prohibitions on direct or indirect financial interests between industry members, affiliates, and retailers prohibits a person holding a domestic brewery license, microbrewery license, domestic winery license, distillery license, craft distillery license, or manufacturer's license, from operating a premises in a facility at which a person holding a retail liquor license also operates in a separate space. The facility may be owned by any of the licensees and space may be leased to other licensees.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.