



**SENATE FINANCE COMMITTEE  
CAPITAL OUTLAY AND GENERAL  
GOVERNMENT SUBCOMMITTEE**

**VIRGINIA ABC WAREHOUSE AND  
ADMINISTRATIVE OFFICES LOCATION UPDATE**

**PRESENTED BY  
VIRGINIA DEPARTMENT OF  
GENERAL SERVICES (DGS)  
AND  
VIRGINIA ALCOHOLIC BEVERAGE  
CONTROL AUTHORITY (ABC)**

**FEBRUARY 1, 2018**



**“...constructed with future expansion in mind...”**

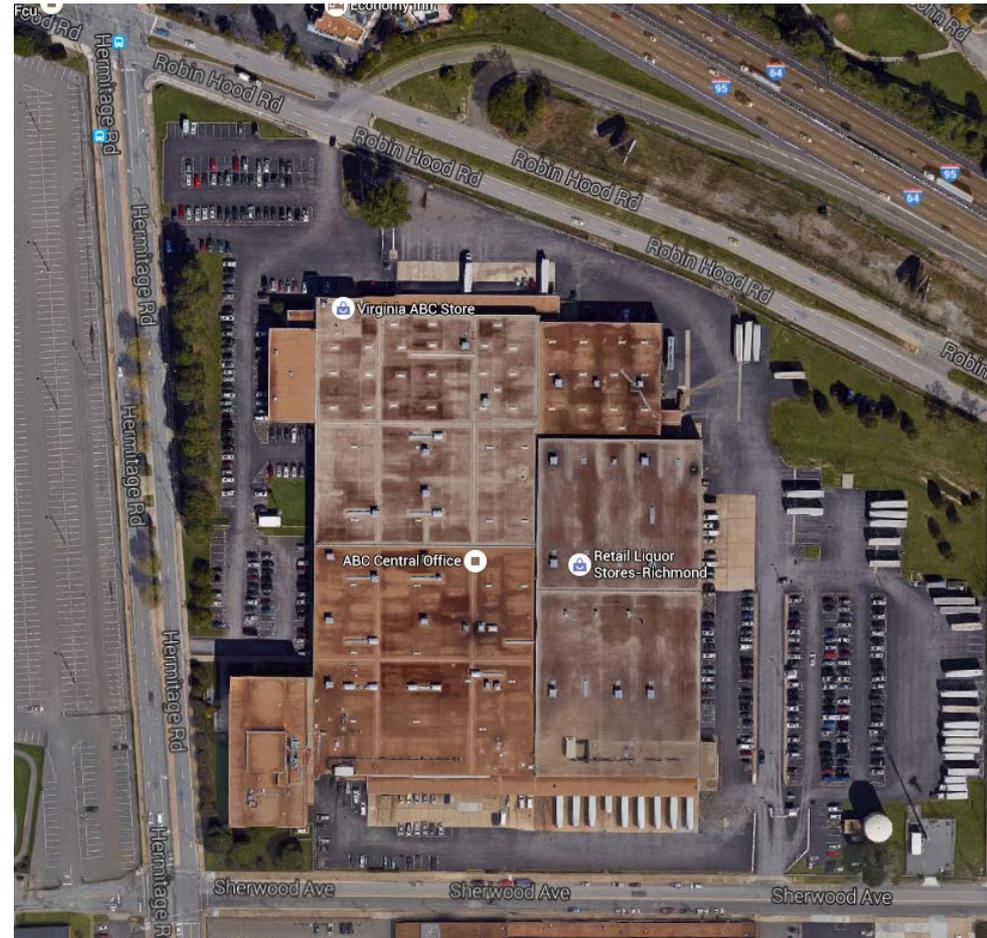
**Challenges – aging structure and systems, inadequate meeting and office space, and poorly organized layout.**



# Current Central Office Property Facts



- ABC relocated from a downtown facility in 1976
- Situated on 21.5 acres
  - 7.9 acres is paved parking lot
- Central Office = 85,000 square feet (SF)
- Warehouse = 292,285 SF
- Current Employees = 463





## **Warehouse Bailment Storage - 90% Capacity**

### **Facility's Pick Section - 96% Capacity**

***80 – 85% considered capacity from  
an efficiency perspective***

- Bailment pallet locations – expect to exceed current 7,490 by FY 2019
  - Warehouse picks and ships 60-70 of ABC's 370 stores per day
    - Total shipments exceeded 4.8 million cases in FY 2017



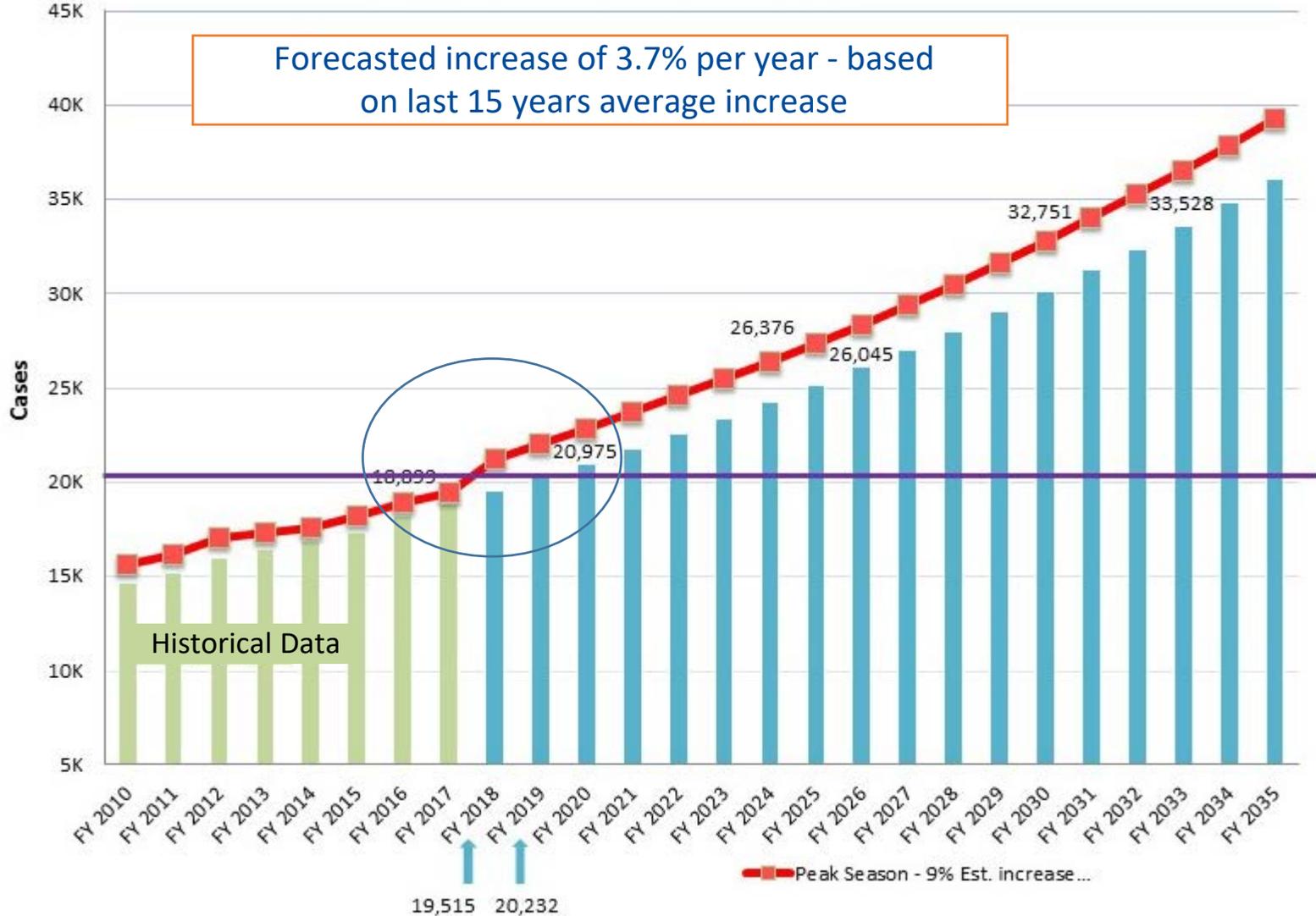
- Retail locations continue to increase - 370 stores
  - Over the past six years, Virginia ABC has opened 40 stores, expanded 12 stores, modernized 44 stores and relocated 47 stores
  - 14 additional VA ABC stores are in the development phase
    - *Per week, each new ABC store, once fully in operation, adds 200 cases to the warehouse capacity needs*
  - New stores are a major factor in revenue growth
    - 1/3 of sales growth in current fiscal year is attributable to the new stores
- New products
  - 2% average increase per year in the last 15 years
  - VA ABC faces challenges in listing new products, including VA products



# Average Case Shipping Per Year



Warehouse maximum average per day with 8 hour shifts = 21,500 cases





- 2014 - Report on ABC operations prepared by interim COO Rick Holcomb
  - *“ABC will soon run out of warehouse space (which will dramatically reduce options for further store expansion) and its headquarters facility is in need of renovations and is ill-suited to promoting the agency mission.”*
- 2015 - Internal study conducted by a cross divisional team of ABC employees
  - Recommendation to relocate to new facility
- 2016 - ABC initiated an in-depth property analysis with F. Curtis Barry and Company and Wiley Wilson
  - Study performed by Warehouse and Inventory Control consultants with 38 years of experience and an Architectural and Engineering firm familiar with ABC’s facilities
  - Examined ABC’s current operations and 5-year and 20-year growth plans
  - Study recommended construction of a new warehouse and central office on one site
- 2017 – Budget language instructs DGS and ABC to work together to identify options for a ABC Warehouse and ABC Administrative Offices



- Language called for a comprehensive plan for a new ABC Warehouse and ABC Administrative Offices
  - *operationally ready, “turn-key”, cost effective and efficient solutions*
  - *include, but not be limited to, lease or construction of new facilities, acquiring existing facilities through lease or purchase, a combination of new construction and existing facilities*
  - *must include at least one option for using the existing location for the new or retrofitted warehouse and administrative office building*
- *Private sector developer options to be included in the plan*
  - *DGS tasked and authorized to publicly solicit proposals*



## The process:

- ABC and DGS solicited proposals for the developer community to offer solutions for a new ABC Warehouse and ABC Administrative Offices
  - Warehouse requirements developed with logistics consultants
  - Office requirements according to DGS standards
- Solicitations required a “turnkey” solution including:
  - Site
  - Building Design and Construction
  - Material Handling Equipment
  - Warehouse Management System
  - Financing



## The response:

- There was a high level of interest by the private sector developer community:
  - Mandatory facility tour attended by 109
  - 15 companies submitted proposals
  - 6 companies down-selected for interviews
  - 3 companies moved from the interview stage – pricing came into play later



## The Commonwealth property response:

- No private sector development proposals were made for utilizing the current site
  - ABC/DGS did analyze a “stay” option as well as using a multi-DC approach but determined that neither scenario provided a viable long-term solution
- State owned surplus land was reviewed and offered to developers for development locations:
  - Locations increased freight costs
  - Specific parcels were not suited for locating a distribution center



## The financial and timing impact:

- There were various financing options considered.
- With the help of Public Financial Management, VA ABC evaluated the anticipated financial impact on the Profit and Loss Statement and determined that VA ABC should be able to meet future anticipated profit transfers to the General Fund.
- Approval in 2018, funding authorization beginning July 1, 2018, likely means that the new ABC Warehouse and Administrative Offices will be operational in the 2Q/3Q of CY2021



## The report findings:

- Virginia ABC and DGS determined that:
  - the best course of action for Virginia ABC operations is to pursue the private sector developer options
  - the project scope, cost, and financing information provided in the report require more refinement and more detail to make a final decision
  - proceed with the next steps in the private sector developer option, including engaging in negotiations with developers and further short-listing the developer options



## Post Report Submission - Status Update



- One developer has been selected from short-listed developers
- Discussions with the single selected developer in progress:
  - Warehouse and Office schematic design
  - Site location
  - Project cost and schedule
- Driving towards a refined project scope, timeline and budget in the coming weeks