

RESOLUTION NO. 2022-68

A RESOLUTION OF THE CITY OF CLEARLAKE EXTENDING THE TERM OF ALL CURRENT COMMERCIAL CANNABIS DEVELOPMENT AGREEMENTS BY SEVEN YEARS AND TEMPORARILY REDUCING THE PRODUCTION FEE FROM 5% TO 1% FOR CY 2023

WHEREAS, the City has developed a process for regulating commercial cannabis operations. The City has modified its ordinances relative to commercial cannabis in order to adjust to best practices and changes in the industry and community needs.

WHEREAS, pursuant to Clearlake Municipal Code Section 5.25.030, before a cannabis business facility may operate, it must first obtain both a regulatory permit and a development agreement. The available types of cannabis businesses in the City include cultivation, manufacturing, distribution, dispensaries, testing laboratories, and micro-businesses.

WHEREAS, there are currently nine commercial cannabis businesses which have a regulatory permit and development agreement with the City, for a total of 27 permits in the City.

WHEREAS, those business are:

- Clearlake Harvest Company (5 permits), located at 2250 Ogulin Canyon Road
- Ogulin Holdings LLC (4 permits), located at 2185 Ogulin Canyon Road
- Gold Country Growers (2 permits), located at 14935 Olympic Drive
- Grass Valley Hydro Garden (1 permit), located at 2395 Ogulin Canyon Road
- Cannabis Hub (3 permits), located at 16520 Dam Road
- Clearlake Growth Fund 1, (3 permits), located at 2395 Ogulin Canyon Road
- Clearlake Ventures LLC (1 permit), located at 2395 Ogulin Canyon Road
- Green Grow Solutions (3 permits), located at 2560 Highway 53
- Fuego (5 permits), located at 14915 & 14935 Olympic Drive

WHEREAS, pursuant to Section 3.2 in each of the respective development agreements, the agreements are valid for a term of three years, and can be extended for seven additional years by resolution of the City Council provided there is a finding that the businesses are not in default of their agreement and the business are compatible with the community.

WHEREAS, the businesses listed above are not in default of their development agreements and are compatible with the community, and therefore are worthy of their extensions. The extension would be for seven years from the date the initial three-year term of the development agreement expires.

WHEREAS, a temporary reduction in the production fee, as outlined in Section 4.3 of the respective development agreements is appropriate. The production fee is currently set at 5% of gross sales of operations. The rate is high as compared to other jurisdictions and is pricing out cannabis businesses in light of other taxing requirements on the industry.

WHEREAS, this Resolution will temporarily reduce the production fee from 5% to 1% for Calendar Year 2023, at which point it will return to 5%, unless a new rate is approved. The City's facility fee as outlined in Section 4.5 of the development agreements will remain at \$2 per gross square foot of the project facility.

NOW THEREFORE BE IT RESOLVED that the City of Clearlake hereby extends the term of all current Development Agreements for the nine commercial cannabis listed in the whereas clause above for seven additional years from the date the Agreement expires, and the Council finds that all nine business are not in default of their Development Agreements and are compatible with the community. Moreover, there is a temporary reduction in the production fee in the development agreements from 5% to 1% for Calendar Year 2023 (January 1, 2023 – December 31, 2023), at which point it will return to 5%, unless a new rate is approved.

PASSED AND ADOPTED on this 1st day of December 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved:

Dirk Slooten, MAYOR

ATTEST:

Melissa Swanson, City Clerk