

April 8, 2020

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**VIA ELECTRONIC MAIL**

William Pattison  
City Manager  
City of Coachella  
53-990 Enterprise Way  
Coachella, CA 92236

Re: Conditional Use Permit No. 312  
84-160 Avenue 48, Coachella, CA

Dear Mr. Pattison:

This firm represents The Coachella Lighthouse, LLC (“The Coachella Lighthouse”). Over the past several weeks, our clients have been in touch with you and several other City of Coachella (“City”) staff members and public officials to discuss compliance under the existing Glenroy Resort Hotel Development Agreement (the “Development Agreement”) and Conditional Use Permit No. 312 (the “CUP”). Based on those conversations, our clients are hopeful an agreement in principal will be reached, and I write today to memorialize our understanding of the material terms of such agreement, as well as to formally request upon the City’s receipt of the TOT Payment (as hereinafter defined) the cancellation of a proposed CUP revocation hearing currently tentatively scheduled for April 15, 2020.

We understand the City’s strong desire to see the Glenroy Resort Hotel (the “Resort”) up and running as soon as possible, and to begin receiving transient occupancy tax (“TOT”) revenue from the Resort, as is contemplated under the Development Agreement and the Coachella Municipal Code. As you are likely aware, a variety of issues have delayed completion of the Resort past the compliance deadline laid out in the Development Agreement. In the spirit of cooperation and the hopes of continuing a mutually beneficial partnership, and recognizing the loss the City faces based on this delay, our client proposes an annual payment to the City in the amount of Three Hundred Thousand Dollars and 00/100 (\$300,000.00) (the “TOT Payment”) to cover the TOT the City believes it is owed under the Development Agreement until such time as the Resort is open and operational. At that point, Glenroy Coachella will timely remit TOT as required under the Coachella Municipal Code, alongside all other hotel developments in the City.

In order to provide an injection of revenue to the City immediately, our clients propose a first payment in the amount of Fifty Thousand Dollars and 00/100 (\$50,000) to be paid upon the City’s written acceptance of the terms herein. Thereafter, our clients propose a monthly payment of Twenty Two Thousand Seven Hundred and Twenty Seven Dollars and 27/100 (\$22,727.27) until the Resort is open and operational, such that the City will receive the full TOT Payment over the course of the next twelve months.

William Pattison

April 8, 2020

Page 2

The TOT Payment constitutes revenue the City would not receive should the proposed revocation proceedings move forward. This is also a proposal that involves Glenroy Coachella paying the City TOT at a time where the City is unlikely to receive TOT from any other establishment, due to Governor Newsom's stay-at-home order. The hotel industry is shuttered nationwide for an indefinite period, and it is impossible to say at present when revenues will return. Even if hotels were permitted to reopen tomorrow, it is highly unlikely they would have any customers to serve, given the current travel restrictions.

In recognition of the unimaginable circumstances currently facing the hotel industry, and Glenroy Coachella's proposed injection of TOT revenue to the City at a time where it is likely receiving no such revenue from other businesses, we respectfully request that the City ***respond in writing accepting the present offer and confirm it is rescinding its threat of proceeding with a CUP revocation hearing.*** Recognizing this offer is proposed to settle any dispute over the Development Agreement or the CUP, we additionally request that the City ***confirm in writing that no revocation proceedings will be contemplated before May 1, 2021.***

We understand the City has also raised the issue of outstanding property taxes due on April 10, 2020. Due to the ongoing crisis and the economic harm our clients have already suffered, a formal deferral of those property taxes has already been requested. Attached you will find the deferral request for all relevant parcels. Should this request be granted, our clients intend to timely pay all outstanding property taxes as required by any deferral. We respectfully request that the City defer to Riverside County's determination here, and not separately threaten The Coachella Lighthouse based on property tax payments which are likely to be lawfully deferred in the coming days.

Separately, we request that the City promptly institute proceedings to decouple the CUP from the Development Agreement, allowing The Coachella Lighthouse to operate independently of the Resort. This request comes not from a desire to change the original terms of the agreement between Glenroy Coachella and the City, but rather out of recognition that a successful commercial cannabis business generating community benefits and substantial tax revenue to the City should not be under continuous existential threat based on the status of the Resort's development.

Throughout its history, The Coachella Lighthouse has been a model commercial cannabis business, providing critical services to the community and substantial tax revenue to the City. As you are likely aware, Governor Newsom has declared commercial cannabis businesses "essential" during the state-wide COVID-19 stay-at-home order, emphasizing that access to legal, regulated and safe cannabis is vital, especially for Californians who utilize cannabis for medical purposes.

This would make the City's timing on any compliance review unfortunate to say the least. We understand the City is well within its rights to conduct a 12-month compliance review, and to demand The Coachella Lighthouse operate within the conditions of approval laid out in the CUP; the Coachella Lighthouse has every intention of complying with those conditions. However, threatening the closure of an essential business during a global pandemic does not serve the best interests of the City or the community served by the Coachella Lighthouse. Any cessation of business would leave The Coachella Lighthouse's loyal customers and patients without access to cannabis during a period of widespread illness and growing mental health concerns based on the

William Pattison

April 8, 2020

Page 3

stresses imposed by social isolation. This would by no means serve the public good, and in fact could result in direct harms to the citizens of the City and to the community as a whole.


Beyond that, shuttering one of the City's highest performing taxpayers during an economic recession that potentially rivals the Great Depression cannot possibly be in the best interests of the City at a time when the City is starved for reliable tax revenue.

Furthermore, the Coachella Lighthouse is a freestanding business, operating independently from the Resort. While its revenues will likely increase (alongside its tax payments to the City) when the Resort is open and operating, over the past several years, The Coachella Lighthouse has proven that it more than capably serves the community even in the absence of seasonal tourist traffic associated with a nearby resort hotel. It is fundamentally unfair for the City to continue to leverage the existence of The Coachella Lighthouse against the completion of the Resort, the construction and operation of which are handled by a different corporation with different investors and ownership.

We respectfully request that the City accept Glenroy Coachella's offer and respond in writing cancelling the proposed compliance hearing scheduled for April 15, 2020. We additionally entreat the City to recognize the independent value provided by The Coachella Lighthouse and to begin the process of decoupling the CUP from the Development Agreement, so that both businesses may continue to operate regardless of the legal status of the other.

If you have any questions about the proposed terms herein, or wish to discuss this matter further, please feel free to contact me directly at [jferguson@venable.com](mailto:jferguson@venable.com) or at (310) 229-0326. Thank you in advance for your time and careful consideration of this matter.

Sincerely,



Jordan E. A. Ferguson

Cc: Luis Lopez, Development Services Director (via email)  
Carlos Campos, City Attorney (via email)  
Stuart Rubin (via email)  
Joseph Rubin (via email)  
Matthew Portnoff, Venable LLP (via email)