



Osseo City Council

AGENDA

WORK SESSION
Monday, September 30th, 2024
6:00 p.m., Council Chambers

MAYOR DUANE POPPE COUNCILMEMBERS: JULIANA HULTSTROM, JOHN HALL, MARK SCHULZ, MARK COOK

1. **Call to Order**
2. **Roll Call** (quorum is 3)
3. **Approval of Agenda** (requires unanimous additions)
4. **Discussion Items**
 - A. Presentation by Red Pine Group
 - B. Discuss Municipal Dispensary Management
 - C. Discuss Cannabis Regulatory Plans
5. **Adjournment**



City of Osseo City Council Work Session Meeting Item

Agenda Item: Presentation from Red Pine Group in reference to a Municipal Dispensary

Meeting Date: September 30th, 2023

Prepared by: Shane Mikkelson, City Administrator/Police Chief

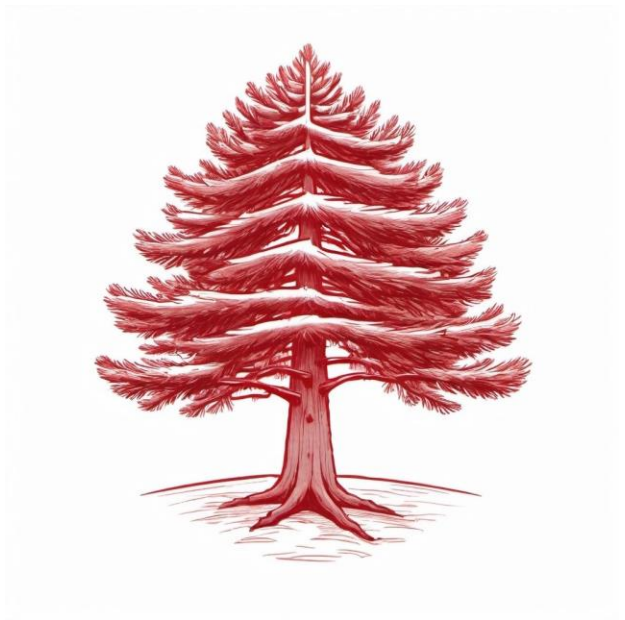
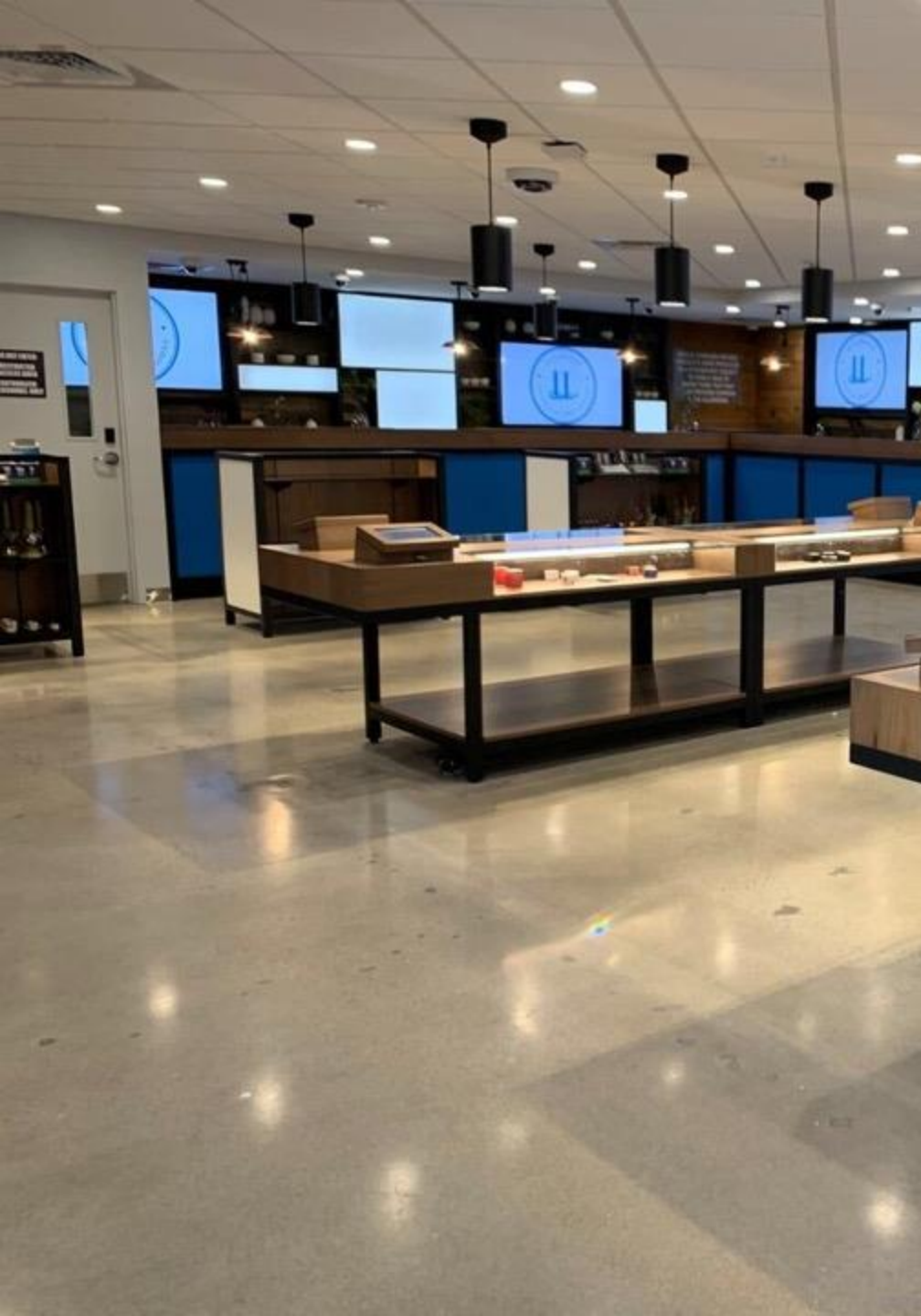
Attachments: Power Point Presentation

Background:

The Cannabis Committee has listened to the Red Pine Group's presentation on working with the City and our Municipal Dispensary. The Cannabis Committee believes that the council should hear this presentation. This would be a different strategy than it would be working with the Voyager group.

Recommendation/Action Requested:

Staff recommends the City Council discuss the item and direct Staff accordingly.



***Opportunity for
Local Municipalities***

***Red Pine Group (RPG)
Cannabis Operations***

Confidential

RPB Benefits

Opportunity

Instead of an open lottery system - participate in our program and take back control.

We provide a path to allow your community to profit and decide exactly how cannabis will be made available in your community.



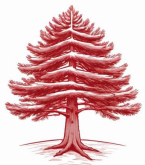
ABOUT US

With previous success in Venture Capital, Technology Startups, Law, Policy and Distribution, we turned our focus to the cannabis industry in 2016. Since then, our team has created the largest portfolio of owned dispensary real estate in the US.



FOCUS

- RPG supplies needed operational expertise and growth capital to cities and townships to own and operate retail cannabis dispensaries throughout the state of Minnesota
- RPG will take blighted buildings in your municipality and rehabilitate them to the highest building standards
- RPG provides the municipality the ability to control where and how the dispensary operates while also leveraging the store to increase municipal income

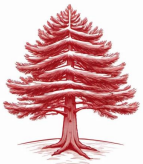


RPB Benefits

Opportunity

With our program, your community will have

- **Control:** Decide where the dispensary is located (also choose branding, public safety needs, hours of operation, traffic, on-site security guard, etc.)
- **Profit:** From the operation from regular distributions of store profits
- **No risk:** RPG provides the start-up costs and therefore no risk to the community
- **Remove blight:** Rehabilitation of municipality owned eye-sore
- **Job growth:** Hire local workers with above average retail wages – About 10-30 employees per dispensary, plus the ability to use local contractors and suppliers for the construction work



Koach Capital Cannabis Industry Overview

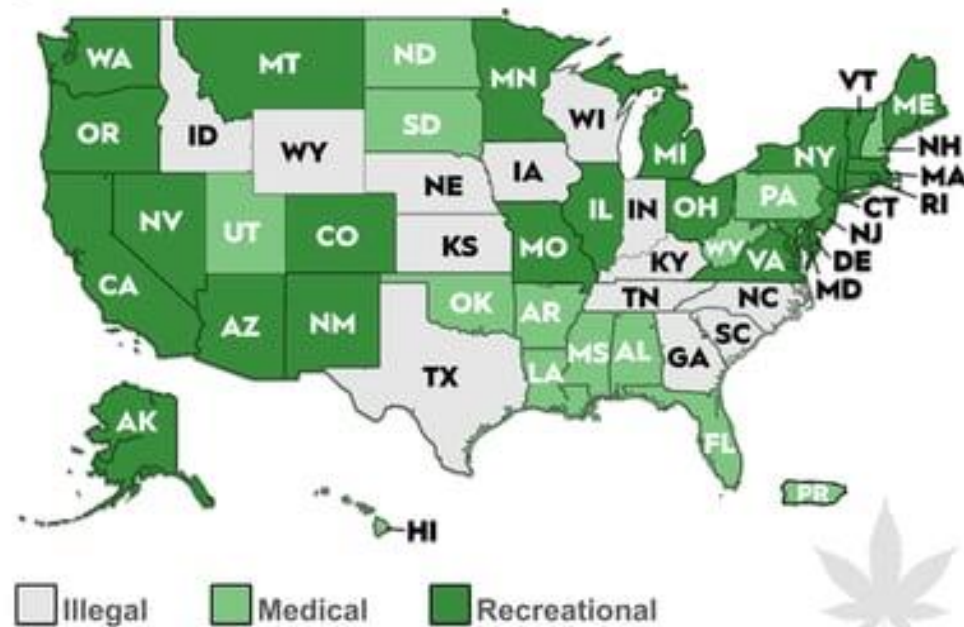
ADOPTION IS INCREASING

Forty states and the District of Columbia currently have passed laws broadly legalizing cannabis in some form.

- 24 states and the District of Columbia have laws legalizing cannabis for recreational use.
- The global legal cannabis industry is predicted to be at \$58 Billion by 2028*
- More states will vote on legalization of medical or adult-use marijuana in 2024, including Florida

Marijuana Legalization by State

As of 2024



*Source: BDS Analytics, 2024

Strength in Experience

RPG is a collaboration between industry leaders to address the problems other states experienced that we aim to help you avoid.



How will that look in Minnesota?

Limited Private Licensure Allowed

- In the initial round of applications, the state will approve 50-70 privately held retail licenses
- These licensees are given per state regulation wide latitude to operate where and how *they* choose

Municipalities May Own/Operate Dispensaries

- Each municipality also may elect to own and/or partner on a dispensary themselves
- This is separate from the statewide lottery system for private dispensaries

Time to Market is Critical

- RPG expects a huge influx of sophisticated, well-capitalized private licensees to enter the market quickly
- Once these private stores are open, they will become quickly entrenched and it will be difficult to wrestle market share from them
- If cities want to retain any control over the operations and cashflow from stores within their borders, the time to act is now



Cannabis Difficulties

Cannabis Presents Unique Challenges

- Due to the federal illegality of cannabis, this new industry is very difficult to navigate, with particular difficulties revolving around excessive taxation, access to capital, and compliance
- Many groups- even large, well-funded operators- (as seen in the attached headlines) have been unable to deal with these challenges, leading to their failure

RPG Offers a One-Stop Solution

- RPG will fund and operate the store, and has helped to open more than 50 stores in the past
- Not only does this mitigate the risk for the municipality, but our expertise will allow us to operate in a way that is sustainable in the long-term

Curaleaf Announces Closure of Operations in California, Colorado and Oregon

NEWS PROVIDED BY
Curaleaf Holdings, Inc. →
Jan 26, 2023, 08:00 ET

FINANCE- CANNABIS

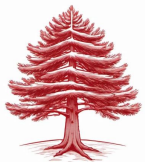
MedMen's spectacular collapse is complete: Just six years after earning a whopping \$3 billion valuation, the onetime legal cannabis darling has declared bankruptcy

m LIVE Michigan ▾
CANNABIS

BY DYLAN SLOAN
April 29, 2024 at 3:26 PM EDT

Skymint cannabis taken to court over \$127M debt, enters receivership

Published: Mar. 23, 2023, 2:23 p.m.



RPG Experience

Experience Needed to Operate a Successful Dispensary

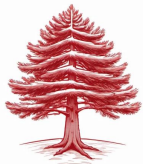
- RPG will provide the \$1M+ in funding to provide for building rehabilitation, inventory, and other start-up costs
- RPG has a proven platform to create a successful revenue stream in retail cannabis

Cultivation operations

- RPG partners with cultivation operations to ensure most effective use of capital and ensures long-term supply stability.

Proper management

- RPG team trains staff to the highest standards.
- RPG has expertise in accounting and legal to ensure that we are fully compliant with all regulations



RPG Case Study

Abingdon, VA



Before



After

Example RPG Property

- RPG worked closely with a multi-state cannabis operator to open a dispensary in Virginia
- The subject property was previously an untenanted warehouse in disrepair
- RPG funded \$750k in property purchase price and an additional \$4.25M for other start-up costs to completely rehabilitate and beautify the building
- This is just one of the 50+ deals that the RPG team has done in the cannabis industry



RPG Example

We project that the dispensary will have more than \$8M per year in revenue

Model Methodology

- Built based on RPG experience operating and underwriting 100+ dispensaries
- Projects 200 customers/day at \$120/purchase
- Customers per day increases over time as adoption will tick up, whereas price compresses as more supply comes online

Bottom-Line

- Tax implications to city need to be understood- as municipality, will have special treatment that may be tax-free (meaning huge savings)

	2025	2026	2027	2028
Net Revenue	\$ 8,760,000	\$ 9,460,800	\$ 10,217,664	\$ 11,035,077
Cost of Goods Sold	\$ 4,380,000	\$ 4,730,400	\$ 5,108,832	\$ 5,517,539
Gross Margin	\$4,380,000	\$4,730,400	\$5,108,832	\$5,517,539
<i>Gross Margin %</i>	50.0%	50.0%	50.0%	50.0%
RETAIL EXPENSES				
Employees	\$ 1,132,330	\$ 1,222,916	\$ 1,320,749	\$ 1,426,409
Marketing	\$ 44,328	\$ 47,874	\$ 51,704	\$ 55,841
SG&A	\$ 220,738	\$ 238,397	\$ 257,469	\$ 278,067
Professional Fees	\$ 26,855	\$ 29,003	\$ 31,323	\$ 33,829
Buildings	\$ 200,470	\$ 216,508	\$ 233,829	\$ 252,535
Other Expenses	\$ 176,690	\$ 190,825	\$ 206,091	\$ 222,578
Total Expenses	\$1,801,411	\$1,945,524	\$2,101,166	\$2,269,259
EBITDA	\$2,578,589	\$2,784,876	\$3,007,666	\$3,248,279
<i>EBITDA Margin %</i>	29.4%	29.4%	29.4%	29.4%

At typical retail cannabis margins, this would generate more than \$2.5M of EBITDA annually

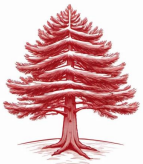


RPG

Joint Venture Model

JOINT OWNERSHIP

RPG is offering a **25% share of equity** in the retail location in their municipality and the associated proceeds / distributions. **RPG will fund the start-up costs** and operate the dispensary, while the municipality will retain control over key aspects of the operation to ensure minimal impact to the community. Based on RPG's projections, the annual revenue to the municipality **may exceed \$500k per year.**



Our Process

Introduction

Letter of Intent

Add to agenda for City Council Meeting

Negotiation

Municipal Review

Due Diligence Docs

City Council Vote



Koach Capital Example Portfolio Properties



Springfield, IL

Funding	\$3.75M
---------	---------



West Palm Beach, FL

Funding	\$2.675M
---------	----------



Springfield, MO

Funding	\$1.3M
---------	--------



Lakehurst, NJ

Funding	\$2.9M
---------	--------



Canton, CT

Funding	\$2.5M
---------	--------



Huntington, WV

Funding	\$1.1M
---------	--------



Los Angeles, CA

Funding	\$5.5M
---------	--------



Ferndale, MI

Funding	\$5.05M
---------	---------





Sandy Kronenberg, Managing Partner

Sandy is a founder and Managing Partner of Koach Capital. He has gained intrinsic knowledge of Cannabis Operators and their capital needs by working with more than half of the largest operators. Sandy's entrepreneurial success began by founding Netarx – a network integration and services provider to large enterprises. In 2009, Netarx acquired the VAR business of Analysts International (including Sequoia and Entree Solutions). In 2011 Netarx was acquired by Logicalis (a division of Datatec - Symbol LSE: DTC) and Sandy joined as its Chief Technology Officer. He continued his entrepreneurial success by founding Verge.io, Service.com, and most recently, Koach Capital. Sandy also served as a General Partner of Ludlow Ventures, a venture capital fund focused on early-stage tech companies. Sandy contributes to the community via lectures, publications and developing new technologies - he currently holds six U.S. Patents.



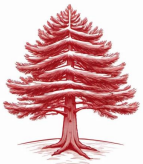
Robert Feldman, Managing Partner

Rob is a cannabis real estate expert and a Founder and Managing Partner of Koach Capital. Rob has owned and operated numerous businesses in his career. Focusing on operations, a competitive advantage when looking for qualified areas to invest, Rob started Impact Steel in 2003. ISC had locations in the United States and Canada specializing in flat rolled-coils, sheets, and blanks, in a variety of coated and non-coated products in assorted gauges, tempers, and widths. He grew the business to one of the top 200 privately held companies headquartered in Michigan. Most recently Rob was part of the founding team, and acted as COO of Service.com.



Kieran Baack, Partner

Kieran began his career as a management consultant, helping to complete dozens of client engagements by doing transaction support, financial modeling, and corporate strategy. He pivoted from consulting to cannabis in 2020 when he became an analyst for Koach Capital. In that role, he supports the fund in identifying, analyzing, and modeling real estate deals. Kieran graduated *magna cum laude* with an Industrial and Operations Engineering degree from the University of Michigan, Ann Arbor.





Zander Abrams, Partner

Zander joined the cannabis industry since 2019 and works with operators, technology companies, and investors to build expansion strategies. Zander sits on the LPAC of Altmore Capital, and is the Senior Advisor for Global Policy and Strategy to Genetica. Zander founded the Cannabis Policy Forum, the first independent analysis source for cannabis politics, policy and regulation. Zander previously served as an Area Director for the American Israel Public Affairs Committee. Zander received his J.D. from the University of Iowa: College of Law, and graduated with honors from the University of Minnesota.



Marvin Karana

Marvin Karana is a Michigan attorney and owner of Karana Law, managing and owning multiple commercial properties and retail businesses in Michigan, California and Ohio. Karana's interest in marijuana began in 2009. He has experience in administrative and compliance law and transitioned into the Michigan cannabis industry, earning recognition for his dispensary operations. Karana is METRC certified and has successfully managed dispensaries with high ratings and compliance. Karana has owned highly regulated businesses selling liquor, tobacco, and lottery, during his tenure as owner of these businesses, there was not one single violation for liquor, tobacco or lottery.



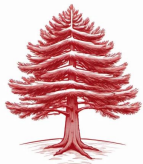
Darren Naimi

Darren Naimi is a Michigan resident with extensive experience in retail management and real estate development. He has managed various retail businesses and commercial properties, gaining substantial business knowledge. Naimi operated a commercial gas station/truck stop selling liquor, tobacco, and lottery, gaining knowledge of state-regulated businesses. Since 2016, Naimi has been involved in California, Oregon and Michigan's marijuana industry, successfully operating dispensaries. Naimi has consistently secured approvals for dispensary sites and has developed multiple locations. Additionally, he has acquired commercial properties for national tenants and completed over 300,000 sq ft of new developments and remodels.



Aaron Goldstein

Aaron has hands-on experience rehabilitating residential properties, managing Landlord projects for commercial development, leasing commercial space and syndicating real estate partnerships, all of which allows him to bring a breadth of knowledge to the table for his clients. Prior to becoming a licensed Realtor and Broker, Aaron served as the Chief Financial Officer of a Minneapolis based, \$250 million Private Equity Fund. In 2007, Aaron earned a B.A. in Accounting from the University of Wisconsin-Madison and in 2012, an MBA in Finance from DePaul University in Chicago, Illinois. Aaron is a member of Co-Star, MN (MN Commercial Association of Realtors), MAAR (Minneapolis Association of Realtors), and Northstar MLS.



Important Disclosures and Key Risk Factors

THE PRESENTATION CONTAINS HIGHLY CONFIDENTIAL INFORMATION. IN ACCEPTING THE PRESENTATION, EACH RECIPIENT AGREES THAT IT WILL (I) NOT COPY, REPRODUCE OR DISTRIBUTE THE PRESENTATION, IN WHOLE OR IN PART, TO ANY PERSON OR PARTY (INCLUDING ANY EMPLOYEE OF THE RECIPIENT OTHER THAN AN EMPLOYEE OR OTHER REPRESENTATIVE DIRECTLY INVOLVED IN EVALUATING THE FUND) WITHOUT THE PRIOR WRITTEN CONSENT OF RED PINE GROUP LLC, AND (II) KEEP PERMANENTLY CONFIDENTIAL ALL INFORMATION NOT ALREADY PUBLIC CONTAINED HEREIN.

This is not an offering to acquire any property and is meant only to provide an illustrative representation of past transactions. Each operator and properties will be evaluated on its own.

The numbers and financial figures presented in this document are projections and forward-looking statements. These projections are based on current assumptions and expectations, and actual results may differ significantly due to a variety of factors. The information provided is not guaranteed to be accurate and should not be relied upon as such. We do not undertake any obligation to update or revise these projections in light of new information or future events. Please consider this information with caution and consult with a financial advisor or conduct your own research before making any decisions based on these projections.





City of Osseo City Council Work Session Meeting Item

Agenda Item: Discuss Municipal Dispensary Management

Meeting Date: September 30th, 2023

Prepared by: Shane Mikkelson, City Administrator/Police Chief

Attachments: Voyager Contract

Background:

The City Council has now heard from two different groups on how they would assist Osseo with our Municipal Dispensary. Staff has attached the finale contract for Voyager for your reference.

Each group has a different way to handle our dispensary. Voyager would be a dispensary manager with more up front costs to the city. Red Pine Group would put up monies up front with the city getting a percent of the sales. City Council should discuss what they see as a best practice for us to move forward with our Dispensary.

Recommendation/Action Requested:

Staff recommends the City Council discuss the item and direct Staff accordingly.



Voyageur Cannabis
Services 515 N Washington Ave,
Minneapolis MN 55401
(218) 341-3246
Voyageurcannabisservices.com

SERVICE CONTRACT

1. The Parties. This Service Contract (“Agreement”) made September ____ 2024, is by and between:

Service Provider: Voyageur Cannabis Services with a mailing address of 515 N Washington Ave, Minneapolis MN 55401 (“Service Provider”), and

Client : City of Osseo with a mailing address of 415 Central Avenue, Osseo, MN 55369 (“Client”).

Service Provider and Client are each referred to herein as a “Party” and, collectively, as the “Parties.”

NOW, THEREFORE, FOR AND IN CONSIDERATION of the mutual promises and agreements contained herein, the Client hires the Service Provider to work under the terms and conditions hereby agreed upon by the Parties:

2. Scope of Work. The Service Provider agrees to provide the following:

1. Licensing Assistance:
 - Guide and support the process of obtaining all necessary licenses and other necessary regulatory approvals for opening a municipal dispensary.
2. Build-Out Consulting:
 - Provide expert advice on the build-out process, ensuring compliance with regulation standards and adherence to dispensary best practices.
 - Assist in the evaluation and selection of building and location options, focusing on optimal site suitability and regulatory requirements.
3. Business Plan Development:
 - Develop a comprehensive business plan, incorporating detailed financial models, revenue projections, and cost-benefit analysis for various scenarios. The business plan must also include operational components, including using different financial institutions and cash management. This business plan will be updated as more information becomes available from the State of Minnesota.
4. Implementation Timeline:
 - Provide a detailed timeline for project implementation, including key milestones and deliverables. This business plan will be updated as more information becomes available from the State of Minnesota
 - Include a phased approach to ensure smooth execution and scalability.

5. General Consulting Services and Availability:

- Serve as a continuous resource and provide general consulting services throughout the engagement period, offering expert advice and support on all aspects related to the establishment and operation of the dispensary.
- Ensure availability to address any concerns or questions from the Client, offering guidance on industry best practices, regulatory compliance, strategic planning, and other relevant areas as needed.

3. Deliverables

Voyageur will deliver the following:

1. A detailed business case presentation, implementation timeline, and business plan and updates as necessary responding to federal, state, and, if applicable, local regulatory changes.
2. Regular progress reports submitted monthly on the 15th day of the month or per an agreed upon timeline.
3. Final comprehensive business strategy report to be submitted within 30 days of the Client making a request for the final comprehensive business strategy report.

4. Fees and Payment Terms

The Client agrees to pay Voyageur \$3,000 per month for the services outlined above. Payments are due on the first of each month and such payment will be for the services provided in the previous month.

5. Payment Method

The Client shall pay the Payment Amount as specified in Section 4. Payments shall be made by bank transfer, check, credit card or online payment platform.

6. Confidentiality

Both parties agree to keep all confidential information disclosed during the term of this Contract confidential. Confidential information may include financial records, client lists, and any other proprietary information. Service Provider acknowledges and understands that the Client is subject to the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13 (the "Act") and information submitted to the Client is governed by the Act. Any data the Service Provider believes to be nonpublic under the Act must be identified as "nonpublic". Service Provider understands that the Act ultimately governs the classification of data regardless of how the parties classify certain data.

7. Term and Termination

This agreement is effective as of the date both parties have executed the agreement until the municipal dispensary opens or this agreement is terminated as provided in this section. Either party may terminate this Contract with 14 days written notice. In the event of termination, the Client agrees to pay for all services rendered up to the termination date.

8. Ownership of Work Product.

All work product, including work product that is finished or unfinished, created as part of this Agreement shall become the property of the Client upon delivery of the work product or termination of this Agreement. Service Provider may retain copies of such documents as records of the services provided.

9. Data Practices Compliance.

As required by Minnesota Statutes, section 13.05, subd. 11, this Agreement is subject to the Act. All government data, as defined in the Act, Section 13.02, subd. 7, which is created, collected, received, stored, used, maintained, or disseminated by Service Provider in performing any of the functions of the City, during performance of this Agreement, is subject to the requirements of the Act. Service Provider shall comply with those requirements as if it were a government entity.

10. Audit

The Service Provider must allow, pursuant to Minnesota Statutes, section 16C.05, subd. 5 the Client,

or its duly authorized agents, and the state auditor or legislative auditor reasonable access to the Service Provider's books, records, documents, and accounting procedures and practices that are pertinent to all services provided under this Agreement for a minimum of six years from the termination of this Agreement.

11. Indemnification.

To the fullest extent permitted by law, the Service Provider, and the Service Provider's successors or assigns, agrees to defend and hold harmless the Client, its officials, agents, and employees from all claims, suits or actions of any kind, nature or character, and the costs, disbursements, and expenses of defending the same, including but not limited to, attorney's fees, resulting from or arising out of the performance under this Agreement. Nothing in this Agreement shall constitute a waiver or limitation of any immunity or limitation on liability to which the City is entitled.

13. Insurance.

The Service Provider shall maintain a policy of commercial general liability (CGL) insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 annual aggregate. The following coverages must be included: premises and operations bodily injury and property damages; personal and advertising injury; blanket contractual liability; products and completed operations liability. The City, including its elected and appointed officials, employees, and agents, must be endorsed as an additional insured. The CGL policy shall be endorsed with a waiver of subrogation in favor of the City, including its elected and appointed officials, employees, and agents for losses arising from activities under this Agreement.

Service Provider shall maintain a professional liability insurance policy with limits of not less than \$2,000,000 each occurrence and \$2,000,000 annual aggregate. The retroactive or prior acts date of such coverage shall not be after the effective date of the Agreement and the Service Provider shall maintain such coverage for a period of at least two (2) years following completion of the work performed.

The Service Provider shall provide the Client with a current Certificate of Insurance demonstrating compliance with the above. The required policies and Certificate of Insurance must contain a provision that coverages afforded shall not be cancelled without at least thirty (30) days' advanced written notice to the City, or ten (10) days' written notice for nonpayment of premium.

Service Provider shall obtain insurance policies from insurance companies having an "AM BEST" rating of A- (minus); Financial Size Category (FSC) VII or better and authorized to do business in the State of Minnesota, or as approved by the City.

14. Independent Contractor.

The Service Provider shall be deemed an independent contractor and not an employee of the Client for any purpose, including but not limited to income tax withholding, workers' compensation, unemployment compensation, FICA taxes, liability for torts, and eligibility for employee benefits. The Service Provider has no authority to make any binding commitments or obligations on behalf of the Client except to the extent expressly provided herein.

15. Use of Name and Marks.

Service Provider agrees that it will not use the name, logo, trademarks, or other identifying marks of the Client, including the "City of Osseo", "Osseo", and the Client's logo, and derivatives, without the Client's prior written consent. This includes that the Service Provider will not include the Client on a client list that is distributed to other clients, used as part of marketing materials, posted/published on the internet, or otherwise made publicly available.

16. Governing Law

This Contract shall be governed by and construed in accordance with the laws of the State of Minnesota.

17. No Assignment.

This Agreement may not be assigned by either party without the express written consent of the other party.

18. Entire Agreement.

This Agreement shall constitute the entire agreement between the parties and supersedes any other written or oral agreement between the Client and Service Provider.

19. Acceptance/Amendment

By signing below, the parties agree to the terms and conditions outlined in this Agreement.
This Agreement may only be amended in writing and signed by both parties.

Client's Signatures

Mayor _____

Date: _____

City Administrator/Deputy Clerk

Date: _____

Service Provide Signature

Authorized Representative:

By: _____

Its: _____

Date: _____



City of Osseo City Council Work Session Meeting Item

Agenda Item:	Discuss Cannabis Regulatory Plans
Meeting Date:	September 30 th , 2024
Prepared by:	Shane Mikkelson, City Administrator/Police Chief
Attachments:	Memo from City Attorneys Tietjen and Sathe/ Maps of Buffers

Policy Consideration:

Discuss Cannabis regulations within the City of Osseo

Background:

In September 2023, the City of Osseo adopted an ordinance which included a moratorium on Cannabis Businesses operating in Osseo. This moratorium is in effect until January 1st 2025. During the last year, the Office of Cannabis Management has outlined its licensing and operations procedure for a Cannabis Business in Minnesota. In late August, our City Attorneys provided the attached memo outlining the initial decisions and input needed by the city in relation to cannabis sales.

On 09-16-2024 the Planning Commission met and agreed upon zoning recommendations for the council related to location of Cannabis businesses. They are recommending that the City establish buffers between cannabis businesses and schools (500 feet), parks (250 feet), and daycares (250 feet). The Planning Commission is also recommending that the City rely on underlying uses within current zoning districts to determine where cannabis businesses may be located (e.g., retailers in commercial zones), rather than amending the zoning code to specifically identify particular districts for each cannabis business type.

The City Council should discuss the questions below, as outlined in the City Attorneys' memo the questions include the zoning issues already addressed by the Planning Commission (which the Council may or may not agree with), as well as several questions that are solely within the Council's purview.

Question 1: Does the City want to designate zoning districts where cannabis businesses can be located or rely on each business's underlying use? **The Planning Commission is recommending that the City rely on the current zoning definitions and each business's underlying use.**

Question 2: Is the City interested in adopting buffers for cannabis businesses? **The Planning Commission is recommending the buffers mentioned above between cannabis businesses and schools, parks, and daycares. "Parks" will be measured from park features that are attractive to minors, and the city can define what is included in the definition of day care and schools.**

Question 3: Is the City interested in adopting buffers for hemp businesses? **The Planning Commission is recommending that the proposed buffers also apply to hemp and medical businesses.**

Question 4: Is the City interested in adopting buffers between cannabis businesses? **The Planning Commission did not recommend buffers between cannabis businesses.**

Question 5: Does the City wish to issue registrations or ask the county to do it? The entity issuing the registration is responsible for annual compliance checks.

Registration Fees by Business Type

The following shows the maximum amount the city could charge for an initial registration fee and renewal registration fee for retail businesses and includes the amount the state charges for a license, for reference.

The city's initial registration cannot exceed \$500 or half of the license fee (whichever is less) and the renewal registration fee cannot exceed \$1,000 or half of the license fee (whichever is less)

The initial registration fee shall include the fee for initial registration and the first annual renewal. Any renewal fee imposed by the local unit of government shall be charged at the time of the second renewal and each subsequent annual renewal thereafter.

<u>Business</u>	<u>Initial</u>	<u>Renewal</u>
<i>Cannabis Retailer</i>	City (Optional) - \$500; State - \$2,500	City (Optional) - \$1,000; State - \$5,000
<i>Lower Potency Hemp Retailer</i>	City (Optional) - \$125; State - \$250	City (Optional) - \$125; State - \$250
<i>Medical Cannabis Combination Business</i>	City (Optional) - \$500; State - \$20,000	City (Optional) - \$1,000; State - \$70,000
<i>Cannabis Mezzobusiness</i>	City (Optional) - \$500; State - \$5,000	City (Optional) - \$1,000; State - \$10,000
<i>Cannabis Microbusiness</i>	City (Optional) - \$0; State - \$0	City (Optional) - \$500; State - \$1000

Question 6: Does the City want to impose a registration fee?

Question 7: Does the City wish to limit the number of retailers to 1 per 12,500 city residents? Does the City wish to not register retailers if there is already 1 registration per 12,500 county residents? **A municipal cannabis business would not count toward this limit, if adopted by the Council.**

The Cannabis Act says that retail cannabis businesses may operate from 8:00 am-2:00 am Monday-Saturday and 10:00 am-2:00 am on Sunday. The City can limit the hours of operation to between 10:00 am-9:00 pm, seven days a week.

Question 8: Does the City want to impose additional hours of operation limits?

Question 9: Does the City want to consider additional standards for temporary cannabis events?

Recommendation/Action Requested:

Give some directions for staff on the Cannabis Regulations.



Mary D. Tietjen
Fifth Street Towers
150 South Fifth Street, Suite 700
Minneapolis, MN 55402

(612) 337-9255 direct
email: jsathe@kennedy-graven.com

MEMORANDUM

TO: Mayor and City Council, City of Osseo
Planning Commission, City of Osseo
Shane Mikkelson, Interim City Administrator

FROM: Mary Tietjen, City Attorney
Joseph L. Sathe, Assistant City Attorney

DATE: August 22, 2024

RE: **Initial Cannabis Regulatory Decisions**

The purpose of this memo is to provide a high-level overview of the regulatory options cities have regarding adult-use cannabis and to obtain preliminary input from the Council and Planning Commission on these issues. The Planning Commission's role will be primarily related to the zoning issues.

This memo is based on the information available currently. The State's Office of Cannabis Management ("OCM") has released a draft of its administrative rules which will go through a comment period and are subject to change over the next few months.

The OCM has issued a Guide for Local Government on Adult-Use Cannabis. It can be found on the OCM's website. The Guide includes information on local regulation of cannabis businesses and a model ordinance. Our office is working with city clients to develop ordinances that include many of the same concepts as the model but are drafted in a style like a city alcohol or tobacco ordinance and separates zoning and non-zoning provisions. This memo addresses both zoning and non-zoning topics.

Getting input from the Council and Planning Commission on the questions outlined below will guide staff in drafting language for city ordinances related to cannabis and hemp. Staff may have recommendations on some or all these questions.

I. ZONING DECISIONS – GENERALLY

Under the Cannabis Act, cities generally maintain their ability to enact zoning regulations with two primary limitations: (1) the City may not prohibit the establishment or operation of a cannabis

or hemp business licensed by the OCM; and (2) the Legislature has established a maximum buffer from certain uses. Cities will retain the ability to enact zoning ordinances even if it consents to have the county issue registrations, as discussed in Section IV.

II. ZONING DECISIONS – DESIGNATING ZONING DISTRICTS

The City can amend its zoning code to specifically allow each business type in a particular district or it can choose to simply allow cannabis businesses in zones with similar uses (e.g., retailers in commercial zones with other retail). The following table includes each type of licensed cannabis business, a high-level description of the business’s operations, and an example zoning use designation.

Question 1: Does the City want to designate zoning districts where cannabis businesses can be located or rely on each businesses underlying use?

<u>License Type</u>	<u>Main Function</u>	<u>Use Type(s)</u>
<i>Cannabis Retailer</i>	Sales to the customers	Commercial
<i>Medical Cannabis Retailer</i>	Sales to registered patients	Commercial
<i>Cannabis Delivery Service</i>	Delivery of products directly to customers	Commercial
<i>Lower Potency Hemp Retailer</i>	Sale of hemp products directly to customers	Commercial
<i>Cannabis Cultivator</i>	Growing and tending to cannabis and hemp plants	Indoor: Industrial, Commercial, Production Outdoor: Agricultural
<i>Medical Cannabis Cultivator</i>	Growing cannabis plants	Industrial/Agricultural/ Commercial
<i>Cannabis Event Organizer</i>	Coordinate cannabis events	Office/Commercial
<i>Cannabis Manufacturer</i>	Create cannabis products that are sold to retailers	Industrial
<i>Medical Cannabis Manufacturer</i>	Creating cannabis products that are sold to medical retailers	Industrial
<i>Lower-Potency Hemp Edible Manufacturer</i>	Creating lower-potency hemp products that are sold to retailers	Industrial
<i>Cannabis Testing</i>	Testing cannabis and hemp products	Industrial
<i>Cannabis Wholesaler</i>	Warehousing and Storage	Industrial

<i>Cannabis Transporter</i>	Transport products from one license type to another.	Industrial/Commercial
<i>Medical Cannabis Combination Business</i>	Cultivation, Manufacturing, and Retail to both the public and medical patients.	Cultivation, Manufacturing, & limited Retail
<i>Cannabis Mezzobusiness</i>	Cultivation, Manufacturing, and Retail	Cultivation, Manufacturing, and Retail
<i>Cannabis Microbusiness</i>	Cultivation, Manufacturing, and Retail	Cultivation, Manufacturing, and Retail

III. ZONING DECISIONS – BUFFERS

A. Cannabis Business Buffers from Certain Uses

A local unit of government may prohibit the operation of a cannabis business within:

- 1) 1,000 feet of a school; or
- 2) 500 feet of a day care, residential treatment facility, or an attraction within a public park that is regularly used by minors, including a playground or athletic field.

The terms school, day care, residential treatment facility, and attraction within a public park that is regularly used by minors, including a playground or athletic field are not further defined in statute or administrative rule, so the city has some discretion in defining these terms. The OCM Guide includes some definitions that were drafted for the OCM’s model ordinance (which is different than the administrative rules).

Question 2: Is the City interested in adopting buffers for cannabis businesses?

The City can also impose distance requirements for hemp businesses. State law does not impose the same limits on buffers for hemp businesses. Cities can differentiate between hemp businesses selling for on-site consumption and those selling products for off-site consumption.

Question 3: Is the City interested in adopting buffers for hemp businesses?

B. Buffers from Other Cannabis Businesses

While not explicitly listed in statute, the OCM proposes that cities could adopt requirements that cannabis businesses must be located a certain distance from each other.

Question 4: Is the City interested in adopting buffers between cannabis businesses?

IV. REGISTRATION, COMPLIANCE CHECKS, & SOME OPERATIONS

The OCM reviews, approves, and issues cannabis business licenses. However, each retail business must also register with the city in which it will operate, unless the city has consented to the county issuing registrations on its behalf. A registration fee can be imposed in addition to the state license fee.

A. Registrations

The registration process involves issuing a registration to a retail business that: (1) has a valid license issued by the OCM; (2) has paid the registration fee or renewal fee (if applicable); (3) is found to be in compliance with the requirements of the Cannabis Act at any preliminary compliance check; and (4) if applicable, is current on all property taxes and assessments.

Question 5: Does the City wish to issue registrations or ask the county to do it?

B. Registration Fee

Registration Fees by Business Type

The following shows the maximum amount the city could charge for an initial registration fee and renewal registration fee for retail businesses and includes the amount the state charges for a license, for reference.

The city's initial registration cannot exceed \$500 or half of the license fee (whichever is less) and the renewal registration fee cannot exceed \$1,000 or half of the license fee (whichever is less)

The initial registration fee shall include the fee for initial registration and the first annual renewal. Any renewal fee imposed by the local unit of government shall be charged at the time of the second renewal and each subsequent annual renewal thereafter.

<u>Business</u>	<u>Initial</u>	<u>Renewal</u>
<i>Cannabis Retailer</i>	City (Optional) - \$500; State - \$2,500	City (Optional) - \$1,000; State - \$5,000
<i>Lower Potency Hemp Retailer</i>	City (Optional) - \$125; State - \$250	City (Optional) - \$125; State - \$250
<i>Medical Cannabis Combination Business</i>	City (Optional) - \$500; State - \$20,000	City (Optional) - \$1,000; State - \$70,000
<i>Cannabis Mezzobusiness</i>	City (Optional) - \$500; State - \$5,000	City (Optional) - \$1,000; State - \$10,000

Cannabis Microbusiness	City (Optional) - \$0; State - \$0	City (Optional) - \$500; State - \$1000
-----------------------------------	------------------------------------	---

Question 6: Does the City want to impose a registration fee?

C. Compliance Checks

Once the registration is issued, the entity issuing the registration must conduct annual compliance checks that include assessing compliance with age verification requirements (using underage purchasers), the applicable operational requirements, and the applicable limits on the types of products being sold.

D. Limiting Number of Retailers

The Cannabis Act allows (but does not require) a limitation on the number of retailers in the City. The Act states: “[a] local unit of government that issues cannabis retailer registration...may, by ordinance, limit the number of licensed cannabis retailers, cannabis mezzo businesses with retail endorsements, and cannabis mezzo businesses with retail endorsements to no fewer than one registration for every 12,500 residents.”

The City is not required to issue a municipal registration if other cities/the county have issued 1 registration per 12,5000 residents in the county. Consenting to have the county issue registrations could mean that the county then can limit the number of retailers, not cities.

Question 7: Does the City wish to limit the number of retailers to 1 per 12,500 city residents? Does the City wish to not register retailers if there is already 1 registration per 12,500 county residents?

Note: Cities will receive a portion of the taxes imposed by the state as part of “local government cannabis aid”. This aid will be distributed to cities based on the number of cannabis businesses (not just retailers) in the City.

E. Limiting Hours of Operation

The Cannabis Act says that retail cannabis businesses may operate from 8:00 am-2:00 am Monday-Saturday and 10:00 am-2:00 am on Sunday. The City can limit the hours of operation to between 10:00 am-9:00 pm. seven days a week.

Question 8: Does the City want to impose additional hours of operation limits?

F. Cannabis Events

A temporary cannabis event is a gathering organized by a licensed cannabis event organizer that may last for no more than four days.

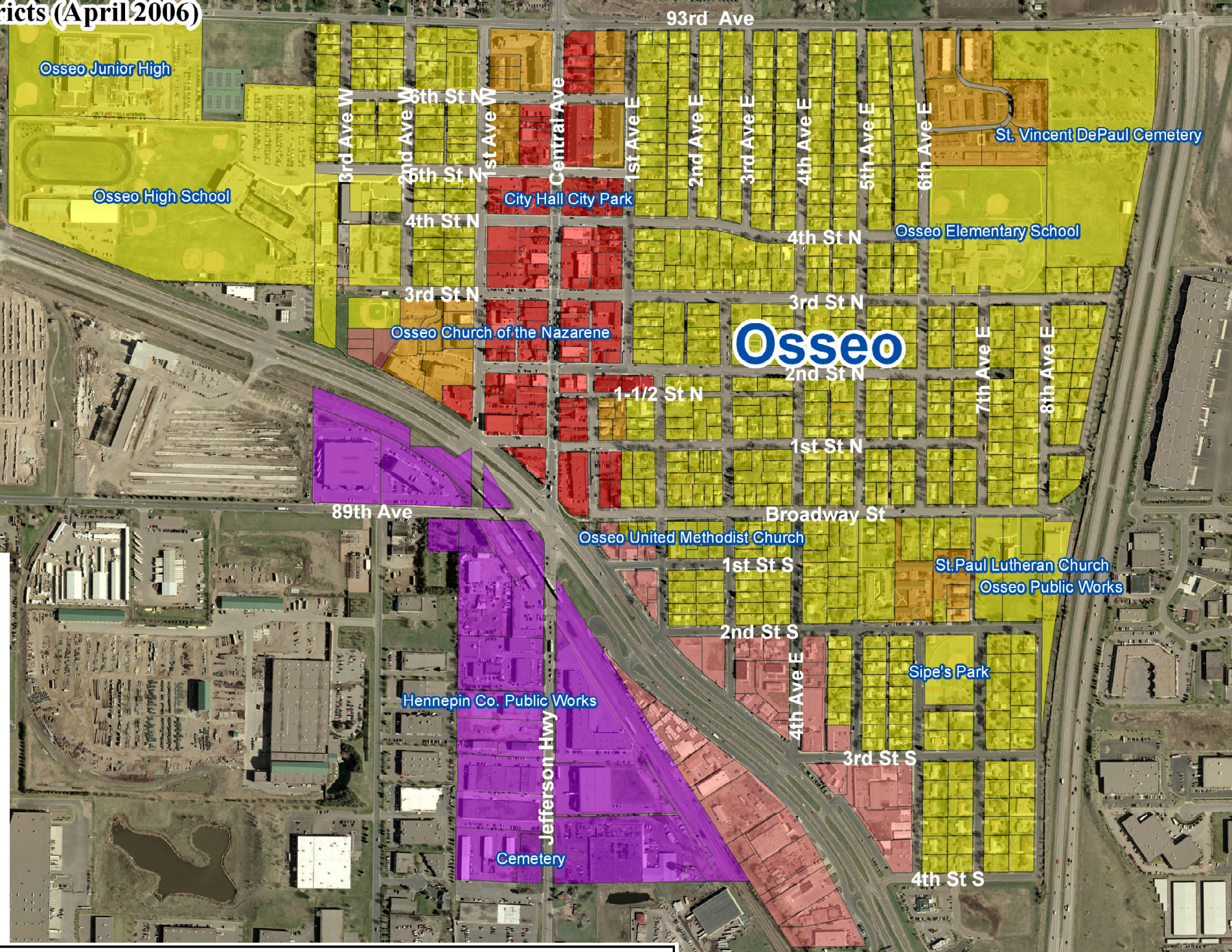
The process for these events should generally follow the normal process for handling similar special events, but the City could choose to require additional standards for temporary cannabis events, such as prohibiting on-site consumption, limiting the hours or the events, etc.






Question 9: Does the City want to consider additional standards for temporary cannabis events?

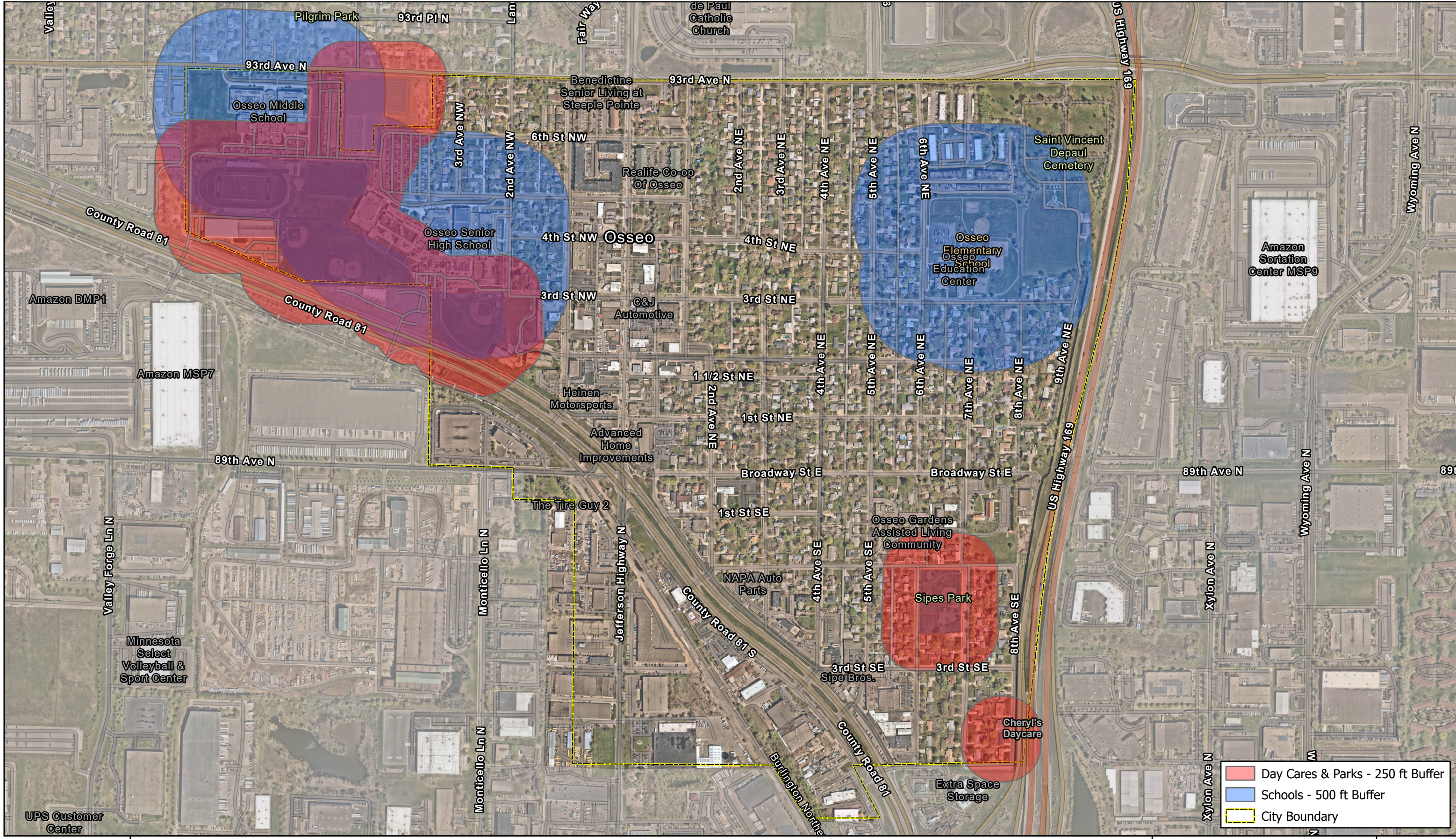
V. NEXT STEPS

Any Council and Commission input will be used to draft ordinances related to cannabis and hemp businesses. Zoning changes must go through the zoning amendment process (Planning Commission/public hearing), while the registration and operational ordinances will follow the general ordinance amendment process (Council only). If the OCM updates its draft administrative rules, we will update the City with any additional decision points.

Planning Districts (April 2006)

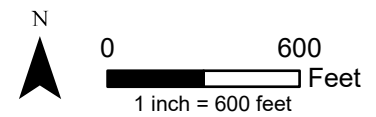


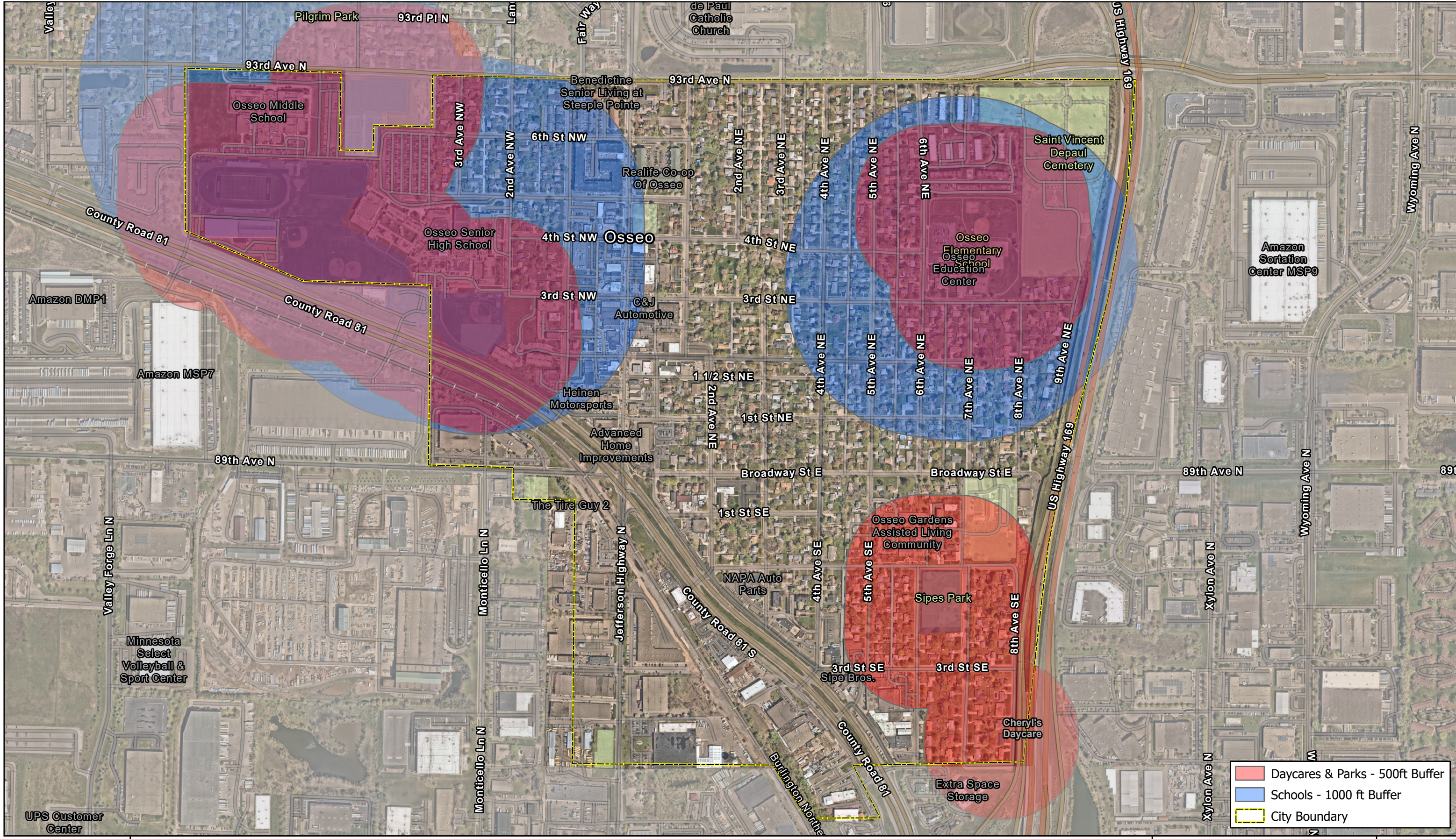
 One and Two Family Residential District	 Central Business District	 Manufacturing and Industrial District
 Multi-Family Residential District	 Highway Commercial District	



Schools & Parks

Buffered Distances from Schools, Parks, and Daycares
Osseo, MN





Schools & Parks

Buffered Distances from Schools, Parks, and Daycares
Osseo, MN

