

**OSSEO CITY COUNCIL  
WORK SESSION MINUTES  
September 30, 2024**

1. CALL TO ORDER

Acting Mayor Juliana Hultstrom called the work session of the Osseo City Council to order at 6:00 p.m. on Monday, September 30, 2024.

2. ROLL CALL

Members present: Councilmembers Mark Cook, John Hall, Juliana Hultstrom, and Mark Schulz and Mayor Duane Poppe (arrived at 6:10 p.m.).

Members absent: None.

Staff present: City Administrator Shane Mikkelson and City Attorney Mary Tietjen.

Others present:

3. AGENDA

Council agreed to discuss the work session items.

4. DISCUSSION ITEMS

A. PRESENTATION BY RED PINE GROUP

Mikkelson stated 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.

Xander Abrams, Red Pine Group, introduced himself to the Council and discussed how a municipal partnership would work with the City of Osseo. He reported he got his start in politics and public service in 1988 when his dad was elected to office. He noted he made a pivot into the cannabis industry in 2018 after cannabis was legalized in California. He indicated he was very excited to see cannabis coming to Minnesota and appreciated the fact municipalities would be able to hold a license. He explained the Red Pine Group has successfully operated retail cannabis shops in Michigan, Oregon and California. He stated his organization could provide Osseo with a path to allow the community to profit and decide exactly how cannabis will be made available. He indicated the Red Pine Group was proposing to put up 100% of the money for the real estate, building infrastructure and operations. He stated the Red Pine Group also wants to run the day to day operations of the dispensary.

Mr. Abrams explained he views this opportunity as a partnership with the City of Osseo and not a consultation. He reported the City would still have control over deciding where the dispensary is located, would receive 25% of the profits from the dispensary,

would remove blight or rehabilitate a property in Osseo, and would create job growth in the community. He stated he would provide the City a no risk opportunity which may be ideal for Osseo. He discussed how cannabis was new to Minnesota but was not a new industry in the country. He stated cannabis has been available recreationally since 2013 and has been available medicinally since 1996 in California. He commented on how out of state companies would be applying for the lottery licenses. He noted the Red Pine Group would be offering something different through the municipal cannabis license while also providing speed to market and years of experience to mitigate risk. He indicated the Red Pine Group has financing in place for this opportunity. He discussed how time to market was critical for this industry. He commented further on the projected revenues for the municipal dispensary.

Mr. Abrams encouraged the City Council to consider a joint ownership venture with the Red Pine Group noting he would be offering the City 25% in profits. He reviewed the proposed timeline for this project and noted he would love to explore a municipal cannabis retail shop with the City of Osseo.

Cook asked if the City were to move on this, a property were purchased and then the Red Pine Group bailed on the City. He questioned what assurances the City had that this scenario would not play out. He inquired what would happen if the Red Pine Group bailed on the City in two or three years if profits were not coming in as projected. He wanted to be assured the City would have the first right to purchase in this scenario. Mr. Abrams stated in the most sincere terms, the Red Pine Group was all in on this venture. He reported he was financially invested in this project, noting he anticipated the Red Pine Group would be one of the largest investors in retail cannabis in Minnesota. He imagined because of the class of the licensure, he would not be able to eject the City from the license. He reported he would want to have several years to perform on the license and stated if there was an unwinding discussions would have to be held with the City.

Hall questioned if the Red Pine Group operated retail shops in Ann Arbor, Michigan. Mr. Abrams stated he did not.

Hall commented on the retail cannabis shops he has visited around the country and described the processes that were in place to ensure safety within the cannabis shops. Mr. Abrams discussed the process he would like to have in place, noting he would be working with law enforcement and would want to have armed guards in the shop. He stated he does not have a defined customer journey in mind just yet for Minnesota because he was waiting to see what regulations come forward from the State. It was noted all cannabis sold in Minnesota has to be grown in Minnesota.

Further discussion ensued regarding State and federal cannabis regulations.

Hall inquired what the hours of operation would be for the cannabis shop. Mr. Abrams stated he would want the most hours of operation allowed by law.

Hall asked what kind of products the Red Pine Group would be selling in this market. Mr. Abrams stated he would be selling all cannabis products allowed, noting 50% of the market share was flower, 20% is edibles, 25% is cartridges and 2% is beverages. He

commented on how there were now more daily users of cannabis than consumers of alcohol.

Hall questioned how long of an agreement would the Red Pine Group be pursuing with the City of Osseo. Mr. Abrams explained he would be pursuing a long term agreement, such as a five year agreement with a five year renewal.

Hall inquired where the Red Pine Group could see a municipal cannabis shop in Osseo. Mr. Abrams stated ideally he would need a property with ample parking, which meant the shop may not be located on Central Avenue.

Hall commented of the retail cannabis shops he has visited parking around the country, parking was key.

Schulz stated he was approached by the Red Pine Group and when he first spoke with Mr. Abrams, he was very impressed by their investment group. He appreciated the model they were proposing and that the City would not have to upfront any of the building and infrastructure costs. He indicated it appears this scenario was almost too good to be true, but noted he appreciated this model over the consulting model. He was of the opinion this was a viable option for the community so long as the right property was found for a retail shop with adequate parking. He reported the Red Pine Group was willing to invest a significant amount of capital and he appreciated the expertise they would be bringing to this venture. He wanted to ensure the City was protected going forward, but he believed this was an incredible opportunity for Osseo. He commented further on how the revenues from a retail cannabis shop would greatly assist the taxpayers in the community. He explained there was tremendous value with being the first to market, noting he anticipated the social equity individuals would not have enough capital to get to market.

Schulz asked if the Red Pine Group would be covering the taxes. Mr. Abrams stated he would be prepared to pay the 10% tax. He discussed how more information would have to come from the State regarding how municipalities will be taxed, noting at this time municipalities and tribes were tax-exempt.

Hall stated after hearing both presentations, he appreciated the fact this model would be providing the City with a steady stream of revenue. He indicated the Council had to look out for the City.

Schulz discussed how the two proposals the City Council heard were apples and oranges. He anticipated both organizations (Voyageur Group and Red Pine Group) would come forward with retail cannabis shops that were similar. However, he was interested in how the City's upfront costs were covered and how revenues were shared. He appreciated how the Red Pine Group would be managing fines, regulatory infractions, and reporting. He understood this proposal may sound too good to be true, but also understood the City Attorney would be reviewing this matter in detail on behalf of the City to ensure both parties were comfortable moving forward. He stated based on the two proposals, he supported the Council moving forward with the Red Pine Group.

Mr. Abrams supported having more conversations with the City Council in order to pursue a cannabis retail shop in Osseo.

Hultstrom stated she appreciated how the City's risk would be much lower with the Red Pine Group. She indicated if the City were to pursue retail cannabis, she wanted it to be done right. She reported she could support the Council moving forward with an agreement with this organization for retail cannabis. Mr. Abrams thanked Councilmember Hultstrom for her support.

City Attorney Tietjen commented she had a lot of questions, noting for the City Council's benefit, there were issues she would need to discuss with the Red Pine Group. She was of the opinion the LOI was written with a private group in mind and not a municipality, which meant there were some issues that had to be discussed and worked through. She asked if the Red Pine Group has worked with any other municipalities in the country. Mr. Abrams reported no other municipalities in the United States can own and operate a dispensary.

Hultstrom inquired if the Red Pine Group was working with any other municipalities in the metro area. Mr. Abrams explained he was in conversations with other municipalities, noting his vision would be to work with 15 to 20 cities with coverage on the borders and in select communities in the metro area.

Mr. Abrams stated he would love to get to the point where Red Pine Group can negotiate with the City and indicated he looked forward to hearing from the City Attorney and City Council.

Poppe asked what size store was Red Pine Group looking for in Osseo. Mr. Abrams explained he would like to have 4,500 square feet.

Hall inquired if delivery services were being considered. Mr. Abrams indicated he would consider providing this service, but noted there were hidden restrictions for cannabis deliveries.

Hall commented he supported the City moving forward with Red Pine Group.

#### B. DISCUSS MUNICIPAL DISPENSARY MANAGEMENT

Mikkelson stated 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. He indicated he had concerns about working with a large private entity on this matter. City Council should discuss what they see as a best practice for us to move forward with a municipal dispensary. Staff requested the Council discuss the options available to the City and direct staff accordingly.

City Attorney Tietjen explained the Red Pine Group has proposed their option as no risk to the City, but noted there may be other risks that would have to be assumed by Red Pine Group, especially given how this is a private entity group/partnership that would be working with the City. She reported the proposal may be totally copasetic, but because

the rules are not final, staff would need time to further evaluate the LOI to ensure all risks and unknowns are covered.

Schulz agreed with this recommendation. He stated he did not want the City put at risk or the City's finances for that matter. He explained he appreciated staff voicing their concerns. He indicated this was a difficult matter for him because he knew how much work the principles of Voyageur put into the City, but in the end he had to make the best decision for the City of Osseo, when it comes to mitigating risk and upfront costs. He was of the opinion the City Attorney and her legal team will do everything possible to ensure the City was protected. He understood if the City were to move forward with the Red Pine Group, there were details that would have to be worked out and he hoped staff could be provided direction so the Council could take action at their next meeting.

Hultstrom asked how Councilmember Schulz wanted to proceed.

Schulz explained the Council could not make decisions at worksession meetings. However, the Council could direct staff to bring this item back to a future Council meeting for consideration and this would allow staff time to negotiate and further review the LOI. He anticipated there would be additional decisions that would have to be made along the way. City Attorney Tietjen advised if there was Council consensus, she would envision talking with the Red Pine Group to work through the core questions she has with the LOI.

Cook believed it made sense to direct staff to move forward with conversations with the Red Pine Group and to get her questions answered. After these conversations were held, staff could report back with information on how to move forward.

Poppe stated he understood the City Council was tasked with looking out for the best interests for Osseo and its residents. He indicated he supported staff further investigating the contract/LOI with the Red Pine Group to see if staff can work through the initial issues and questions.

#### C. DISCUSS CANNABIS REGULATORY PLANS

Mikkelson stated 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.

Mikkelson reported on September 16 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.

City Attorney Tietjen reviewed several questions with the Council and requested direction on how to proceed with the City's cannabis regulatory plans.

Hultstrom stated he did not want to see a lot of zoning restrictions in place when it came to cannabis businesses because she wanted to see them succeed.

Poppe asked if retail should occur in retail areas and manufacturing in manufacturing areas.

Hultstrom supported this recommendation and noted she did not want to see the City zone itself out of certain opportunities.

Schulz supported retail occurring in retail areas and manufacturing occurring in manufacturing areas. He recommended that any uses that will create an odor be further considered when it comes to location in order to minimize impact on surrounding properties. He commended the Planning Commission for their thorough review and recommendations on the cannabis regulatory plans. He stated he supported the recommendations on Page 29 and 30 within the packet. The Council was in agreement.

City Attorney Tietjen questioned how the Council wanted to address buffers between cannabis businesses and schools, parks and daycares. She noted the Planning Commission discussed smaller buffers than what was allowed by State Statute.

Schulz stated he supported the Planning Commissions recommendation regarding buffers. He recommended local ordinance ban the use of high potency cannabis for those under the age of 21, unless the individual has a medical prescription. Mikkelson stated this is something he can look into.

Poppe asked if the Council supported the recommendations as outlined by the Planning Commission on Page 35 and 36 within the packet.

Schulz explained he believed these recommendations provide adequate coverage while keeping the Central Business District open. He anticipated parking would be a concern for a cannabis business if it were to be located on Central Avenue.

Poppe questioned if Boerboom Park was included in the buffer list. Mikkelson stated Boerboom Park was not included because this park has no playground equipment and was not regularly visited by youth.

Cook stated he supported the map on Page 35 as well. He reported a buffer zone at 1,000 feet would really limit sales in a city the size of Osseo.

Schulz agreed and commented further on how the existing businesses in Osseo were competing for business in the community. He discussed how important it would be for the municipal cannabis business to be visible and accessible. He was of the opinion

there would not be seven cannabis businesses along Central Avenue because this area did not have adequate parking. He reported at max the City would have two cannabis retail shops, if the City were to pursue a municipal dispensary license.

City Attorney Tietjen asked what the City would like to charge for cannabis business licenses.

Schulz commented on the staff time that would be required for compliance checks and other administrative work for cannabis licenses. He supported the City managing the licenses and not turning this over to the County.

Council consensus was to keep the licensing process with the City.

Poppe questioned what the City should charge for a cannabis retail license. City Attorney Tietjen reviewed the minimum and maximum amounts the City could charge for a cannabis license with the Council.

Schulz supported the City charging \$500 in order to cover staff time. Mikkelson supported this amount as well, noting the proposed fee would assist with covering cannabis inspections and compliance checks. The Council was in agreement with the \$500 license fee.

City Attorney inquired if the Council wanted to limit the number of cannabis retail license holders to one per 12,500 residents. She noted if a municipal dispensary were to open, this would not count against the one license in the City.

Hultstrom stated she initially was interested in limiting the number of cannabis retail shops in the community, but now she understood there were two shops interested in locating in Osseo. She recommended the number be limited to no more than two.

Mikkelson commented one thing to keep in mind is that the businesses interested in Osseo may not both receive licenses from the State. He reported as the Police Chief, he would like to keep the number of retail shops in the community at one.

Hultstrom asked what would happen if both businesses received a license from the State. City Attorney Tietjen stated this would be a first come, first served situation. She indicated the City would not be choosing which business would make and which would not, but rather the State would decide.

Poppe indicated he would support the City allowing for one cannabis retail shop.

Schulz stated he could go either way on this.

Hultstrom explained she would now like to go back to her original decision, and recommended the City just have one retail cannabis shop.

Hall agreed the City should have one retail cannabis shop.

Cook believed this made the most sense.

City Attorney Tietjen inquired how the Council wanted to address hours of operation.

Cook supported the City allowing the maximum hours of operation per law and then allowing businesses to choose their hours of operation.

Hultstrom agreed.

Schulz stated businesses could choose their own hours of operation and would not have to be open until 2AM.

City Attorney Tietjen questioned how the City wanted to address temporary cannabis events in the community. She noted she could take a closer look at the City's special events ordinance, but wanted to gain feedback on this topic if the Council had any concerns.

Schulz stated odor from the smoking of cannabis would be a concern for him. He explained he would like to see restrictions put in place when it came to the smoking of cannabis.

Poppe agreed noting smoking was currently not allowed in any City park.

Further discussion ensued regarding sampling.

City Attorney Tietjen reported sampling was a separate issue from cannabis events.

Mikkelson stated if cannabis events were going to be held, the City may want to require a police officer to be present. The Council supported this recommendation.

5. ADJOURNMENT

The Work Session adjourned at 8:03 p.m.

Respectfully submitted,

Heidi Guenther  
*Minute Maker Secretarial*