



## ***City of Lake Stevens Vision Statement***

*By 2030, we are a sustainable community around the lake with a vibrant economy, unsurpassed infrastructure and exceptional quality of life.*

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### **CITY COUNCIL WORKSHOP MEETING AGENDA** 100% Virtual – Via Zoom

**Tuesday, July 6, 2021 at 6:00 p.m.**

**<https://us02web.zoom.us/j/82060481325>**

**or call in at (253) 215-8782**

**Meeting ID: 820 6048 1325**

- Cannabis Business License Fee
- Council Retreat Topics Discussion

***THE PUBLIC IS INVITED TO ATTEND BUT WILL NOT BE ALLOWED TO COMMENT***

#### ***Special Needs***

*The City of Lake Stevens strives to provide accessible opportunities for individuals with disabilities. Please contact Human Resources, City of Lake Stevens ADA Coordinator, (425) 622-9400, at least five business days prior to any City meeting or event if any accommodations are needed. For TDD users, please use the state's toll-free relay service, (800) 833-6384, and ask the operator to dial the City of Lake Stevens City Hall number.*

***NOTICE: All proceedings of this meeting are recorded, except Executive Sessions.***



LAKE STEVENS CITY COUNCIL  
**STAFF REPORT**

**Council Agenda Date:** July 6, 2021

**Subject:** Discuss Ordinance 1117 Cannabis Business License Fees

<b>Contact Person/Department:</b>	Russ Wright, Comm. Dev. Director Ord. reviewed by City Attorney	<b>Budget Impact:</b>	Increased Revenues
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**RECOMMENDATION(S)/ACTION REQUESTED OF COUNCIL:**

Discuss adopting Ordinance 1117 to allow business license fees for cannabis related business at next meeting by consent.

**SUMMARY/BACKGROUND:**

At its March 16 and March 30 meetings, the Mayor and staff briefed City Council on proposed changes to the City's business license code to create a business license fee for cannabis (marijuana) businesses based on gross square footage (**Ordinance 1117 – Attachment 1**). Council wanted to complete other cannabis related amendments and review fees from other communities before acting on this ordinance. City Council approved new caps and restrictions on production and processing facilities at its June 8, 2021 meeting. Cannabis facilities are capped at 17,000 square foot for processors; and 54,000 square foot for producers.

The proposed business license fee would start at \$6.00 in 2021 and escalate annually up to \$9.00 in 2024. At \$6.00 a square foot, this fee would generate \$406,476 for current facilities (53,546 square feet producers and 14,200 square feet processors). At buildout this fee would approach \$639,000 (71,000 @ \$9.00). Attachment 2, prepared by Toyer Strategic Advisors, shows license fees imposed in different cities in California. No Washington examples are available. These fees vary greatly but most exceed the proposed license fees anticipated in Ordinance 1117.

This fee would apply to producers and processors. A special business license fee is proposed for several reasons.

1. Since cannabis production was legalized in Washington State, local communities have not received proportionate compensation from these businesses to address public health and safety issues such as increased nuisance complaints, police calls and code enforcement issues disproportionate to other business classifications licensed in the City.
2. Cannabis processing facilities are land intensive but add fewer jobs than other types of industrial uses, which limits the City's ability to meet growth targets for job production – land intensive uses are discouraged in the Comprehensive Plan.
3. Cannabis facilities in Lake Stevens are in proximity to the Centennial Trail, a regional tourist draw for the City and County, which has the potential to discourage trail users from visiting and shopping in Lake Stevens and may affect economic development and investment in these industrial areas.

The City proposes to collect local fees and set these aside for costs and expenditures associated with complaints concerning nuisance odors, code violations and the safety of persons using the Centennial Trail. In addition, this fund could be used for infrastructure improvements that promote economic development and diversification of uses in the City's industrial areas.

Staff is looking for final direction from Council on the proposed ordinance and draft fees before returning Ordinance 1117 to Council for its action.

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**APPLICABLE CITY POLICIES:**

Title 4 - Business Licenses and Regulations

Chapter 2 – Land Use Element of the Comprehensive Plan

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**BUDGET IMPACT:** Increased revenues as described above

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**ATTACHMENTS:**

Attachment 1: Ordinance 1117

Attachment 2: Comparison Table

**Attachment 1**

**CITY OF LAKE STEVENS  
LAKE STEVENS, WASHINGTON**

**ORDINANCE NO. 1117**

**AN ORDINANCE OF THE CITY OF LAKE STEVENS, WASHINGTON,  
ESTABLISHING FINDINGS OF FACT; AMENDING SECTION 4.04.030 OF  
THE LAKE STEVENS MUNICIPAL CODE (“LSMC”) REQUIRING  
BUSINESSES LICENSES; ADOPTING NEW CHAPTER 4.80 CONCERNING  
BUSINESS LICENSING FOR MARIJUANA PRODUCTION AND  
PROCESSING RELATED BUSINESS ACTIVITIES AND IMPOSING A  
REGULATORY BUSINESS LICENSE FEE FOR STATE LICENSED  
MARIJUANA PRODUCTION AND PROCESSING BUSINESSES;  
PROVIDING FOR SEVERABILITY, APPLICABILITY, PUBLICATION BY  
ORDINANCE TITLE ONLY, AND ESTABLISHING AN EFFECTIVE DATE**

WHEREAS, RCW 35A.82.020 gives the City the authority to license and revoke the same for cause, to regulate, make inspections and to impose excises for regulation or revenue regarding all places and kinds of business, production, commerce, entertainment, exhibition, and upon all occupations, trades and professions and any other lawful activity; and

WHEREAS, the City of Lake Stevens finds that businesses engaged in the production, processing of marijuana are a distinct class of business that can be reasonably and justly differentiated from other production, processing and wholesale businesses as this class of business is specifically engaged in the cultivation and transformation of marijuana from which activities nuisance complaints and code enforcement issues have arisen disproportionate to other business classifications licensed in the City; and

WHEREAS, the City of Lake Stevens has adopted zoning regulations that conditionally allow state licensed marijuana facilities in the City’s Hartford and Machias industrial areas, which regulations have permitted a cluster of state licensed marijuana facilities engaged in the production, and processing of marijuana; and

WHEREAS, the state licensed marijuana businesses in the Hartford and Machias industrial areas are bordered on the west and south by residential areas; and

WHEREAS, the Centennial Trail, a regional draw for recreational tourism, and one of its trail head parking areas are located between and adjacent to state licensed marijuana facilities that have located in the Hartford and Machias industrial areas; and

WHEREAS, the City of Lake Stevens has lacked resources to effectively address the code enforcement, public health and safety concerns of nearby residents, businesses, and recreational tourists; promote greater economic development of the Hartford and Machias industrial areas; and encourage expanded recreational tourism that benefits the City’s downtown retail area; and

WHEREAS, the City of Lake Stevens recognizes that nuisance complaints from residents, businesses, and recreational tourists concerned about odor emanating from state licensed marijuana

businesses in the Hartford and Machias industrial areas bear a relationship to the health, safety, and general public welfare of the citizens of Lake Stevens and its businesses; and

WHEREAS, adoption of a regulatory business license and regulatory business license fee for state licensed marijuana businesses would appropriately fund reasonable enforcement, neighborhood and economic development programs, and public infrastructure needed to maintain the public's health, safety, and welfare.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF LAKE STEVENS DO HEREBY ORDAIN ASFOLLOW:

**SECTION 1. Recitals.** The City Council hereby adopts the recitals as findings and additionally makes the following findings of fact:

- A. RCW 35A.82.020 grants the City the authority to license and revoke the same for cause, to regulate, make inspections and to impose excises for regulation or revenue regarding all places and kinds of business, production, commerce, entertainment, exhibition, and upon all occupations, trades and professions and any other lawful activity.
- B. The City finds that businesses engaged in the production and processing of marijuana are a distinct class of business that can be reasonably and justly differentiated from other production, processing and wholesale businesses that do not specialize in producing or processing marijuana from which activities nuisance complaints and code enforcement issues have arisen disproportionate to other business classifications licensed in the City.
- C. The Hartford and Machias industrial areas are bordered to the west and south by residential areas, which the nuisance odors emanating from marijuana businesses could impact the health, safety, and general welfare of those residents.
- D. The Centennial Trail is a regional recreational facility that attracts tourist and other visitors to the City of Lake Stevens and contributes to retail activity in the City's downtown. Nuisance odors emanating from adjacent marijuana businesses could impact the health, safety, and general welfare of the trail's users; discourage visitors from shopping in Lake Stevens; and discourage additional economic development investment opportunities in these industrial areas.
- E. Additional funds need to be collected and set aside in a separate fund for the payment of costs and expenditure by the City related to complaints concerning nuisance odors, code violations, the safety of persons using the centennial trail or the promotion of economic development in the City's Hartford and Machias industrial areas.

**SECTION 2. Chapter Amended.** Chapter 4.04.030 LSMC, is hereby amended to read as follows:

**4.04.030 License Required.**

It is unlawful for any person to conduct, operate, engage in, or practice any business within the City without first obtaining or maintaining a valid business license issued under the provisions of this chapter.

- (a) Single Business - Multiple Locations. If a business actively operates from more than one location in the City, a separate license shall be required for each location; provided, however, warehouses, distributing plants and/or storage yards used in connection with and incidental to a business licensed under the provisions of this chapter shall not be deemed to be a separate place of

business. Location of such warehouse, distributing plants and/or storage yard shall be provided to the Planning and Community Development Department, and must comply with the provisions of all City codes.

(b) Single Location - Multiple Nature of Business. If more than one separate business is conducted on a single premise within the City, a separate license shall be required for each business.

(c) Applicability to Subcontractors. All subcontractors shall be subject to this chapter and shall obtain a separate license as provided in this chapter, and they are not privileged to operate under the prime contractor's license.

(d) Firms with Two or More Licensed Members. Whenever a firm is established in any of the various professions in which two more members of the firm are licensed under State law to practice such profession, a separate license shall be required for each member

(e) Businesses Located Outside the City Limits. As to any businesses located outside the City and furnishing and performing services within the City, a business license shall be required, provided one or more employees of said business perform any part or all their duties within the City.

(f) Neither the filing of an application for a license or the renewal thereof, nor payment of any application or renewal fee, shall authorize a person to engage in or conduct a business until such license has been granted or renewed.

(g) Marijuana producers, processors and retail facilities are subject to licensing in accordance with the provisions of this Chapter, and as provided in Chapter 4.80, the provisions of which shall prevail in the event of any conflict between the two chapters; and to fees and building permit requirements otherwise required by the provisions of this code.

**SECTION 3. New Chapter.** A new Chapter 4.80 of the Lake Stevens Municipal Code, is hereby adopted to read as follows:

**Chapter 4.08**  
**MARIJUANA BUSINESS LICENSE**

- 4.08.010      Purpose
- 4.08.020      License - Required.
- 4.08.030      Fees - Required.
- 4.08.040      License – Term
- 4.08.050      License – Nontransferable
- 4.08.060      License – Qualification of license
- 4.08.070      License fee in addition to other fees or taxes
- 4.08.080      License Fees – Special Fund and Usage
- 4.08.090      Severability.

**4.80.010 Purpose**

The purpose of this section is to adopt a regulatory business license fee to protect the health, safety, and welfare of the citizens, businesses, and visitors of Lake Stevens, wherein such fee will be used to support enforcement of criminal and nuisance laws, promote recreational tourism, and encourage new economic investment in the Hartford and Machias industrial areas. This license fee is in addition to any general business license that may be required under Chapter 4.04 LSCMC or license that may be required by the State.

#### **4.80.020 License Required.**

Any person, firm or corporation desiring to maintain, keep or operate any place of business on which a state licensed marijuana facility is operated, shall make written application for a license with the Planning and Community Development Department per Chapter 4.04 LSMC. Such application shall state the name of the applicant and address and place of the business at which any state licensed marijuana facility is applied for, and the gross square feet of the business to be covered by the license.

#### **4.80.030 Fees Required.**

(a) No state licensed marijuana facility shall be allowed to operate except upon city license approval and payment of a license fee as herein provided.

(b) The license fees shall be paid annually on the per gross square foot occupied as follows:

YEAR	PER GROSS SQUARE FOOT
2021	\$6.00
2022	\$7.00
2023	\$8.00
2024 & BEYOND	\$9.00

(c) The license fees are nonrefundable.

#### **4.80.040 License – Term.**

All licenses issued under this chapter shall expire annually on the date determined by the Washington State Department of Licensing Services, in coordination with the City. The City license may be prorated to coordinate with the expiration date assigned by the License Service. Licensees shall submit application renewal fees within date assigned by the Washington State Business Licensing Services.

#### **4.80.050 License – Nontransferable.**

The license issued under this chapter shall be personal, nontransferable, and shall always be conspicuously posted in the place of business for which it is issued. When the location of the business of the taxpayer is changed, the taxpayer shall return the license to the city clerk and a new license shall be issued for the new location of business without charge. No person to whom a license has been issued pursuant to this chapter shall permit or allow any other person to operate any business or display his/her license, nor shall such other person operate under or display such license.

#### **4.80.060 License – Qualification of licensee**

In addition to the general qualification of licensee set forth in this chapter, the licensee shall be responsible for obtaining all other required licenses and approvals including paying those permitting and review fees as may be prescribed by Chapter 4.04 LSMC or City resolution and complying with any supplementary use regulations in Chapter 14.44.097 LSMC.

#### **4.80.070 License fee in addition to other taxes**

The license fees imposed by this chapter shall be in addition to any other taxes or fees imposed by the city.

#### **4.80.080 License Fees – Fund and Usage**

There is hereby authorized and directed to be created a special fund known as the “Special Licensing Fund - 113” to account for license fees collected under this chapter to be used by the City solely for any lawful purpose relating to the costs and expenses arising out of the licensing of businesses under the provisions of this Chapter, including but not limited to the support of nuisance code enforcement, public safety, neighborhood improvements, recreational tourism, and the economic diversification of the Hartford/Machias Industrial Area.

#### **4.40.090 Severability**

The provisions of this chapter are declared separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this chapter or the invalidity of the application thereof to any person or circumstance shall not affect the validity of the remainder of the chapter, or the validity of its application to other persons or circumstances.

**SECTION 4. Severability.** If any section, subsection, sentence, clause, phrase, or word of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality thereof shall not affect the validity or constitutionality of any other section, subsection, sentence, clause, phrase, or word of this ordinance.

**SECTION 5. Applicability.** The business license fee enacted by this ordinance shall be paid by all new marijuana businesses seeking a business license or existing marijuana businesses renewing their business license application.

**SECTION 6. Effective Date and Publication.** A summary of this ordinance consisting of its title shall be published in the official newspaper of the City. This ordinance shall take effect five (5) days after the date of the publication.

PASSED by the City Council of the City of Lake Stevens this \_\_\_\_\_ day of July, 2021.

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Brett Gailey, Mayor

ATTEST/AUTHENTICATION:

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Kelly Chelin, City Clerk

APPROVED AS TO FORM:

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Greg Rubstello, City Attorney

First and Final Reading:

Published: \_\_\_\_\_

Effective Date: \_\_\_\_\_

Attachment 2

Comparison Table

<u>City</u>	<u>Tax Rate</u>	<u>Per</u>	<u>Notes</u>
Albany California	\$ 25.00	Square Foot	ONLY APPLIES TO NON-PROFIT STORES
Bellflower California	\$ 15.00	Square Foot	Increases \$2.50 a year capped at \$25
California City California	\$ 7.00	Sqaure Foot	Facility that uses exclusively artificial lighting
California City California	\$ 5.00	Square Foot	Facility that uses a combination of natural and supplemental artificial lighting.
Carson City California	\$ 25.00	Sqaure Foot	
Catherdral City California	\$ 25.00	Sqaure Foot	
Coachella California	\$ 15.00	Sqaure Foot	
Coalinga California	\$ 25.00	Square Foot	Up to 3,000 Sqaure feet, anything over is \$10 per sqaure foot
Desert Hot Springs California	\$ 25.00	Sqaure Foot	Up to 3,000 Sqaure feet, anything over is \$10 per sqaure foot
Fillmore California	\$ 30.00	Square Foot	Up to 3,000 Sqaure feet, anything over is \$15 per sqaure foot
Gonzales California	\$ 15.00	Square Foot	
Greenfield California	\$ 25.00	Square Foot	
Grover Beach California	\$ 25.00	Square Foot	Up to 5,000 Sqaure feet, anything over is \$10 per square foot
King City California	\$ 25.00	Square Foot	Up to 5,000 Sqaure feet, anything over is \$10 per square foot
Long Beach California	\$ 12.00	Square Foot	
Marysville California	\$ 25.00	Square Foot	
Perris California	\$ 25.00	Square Foot	
Rancho Cordova California	\$ 100.00	Square Foot	NON PROFIT ONLY
Salinas California	\$ 15.00	Sqaure Foot	Rises yearly to a cap of \$25 per square foot
San Jacinto California	\$ 10.00	Sqaure Foot	Distribution, transport, and other commercial activity
San Jacinto California	\$ 15.00	Square Foot	Outdoor cultivation of cannabis
San Jacinto California	\$ 15.00	Square Foot	Testing of any type of marijuana
San Jacinto California	\$ 25.00	Square Foot	Indoor cultivation of cannabis
San Jacinto California	\$ 25.00	Square Foot	Manufacturing of marijuana of any type
Watsonville California	\$ 20.00	Square Foot	



LAKE STEVENS CITY COUNCIL  
**STAFF REPORT**

**Council Agenda** July 6, 2021  
**Date:** \_\_\_\_\_

**Subject:** Council Retreat Topics Discussion

**Contact**

**Person/Department:** Gene Brazel, City Administrator

**Budget Impact:** n/a

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**RECOMMENDATION(S)/ACTION REQUESTED OF COUNCIL:** Discuss Potential Topics for the City Council Retreat August 27<sup>th</sup>

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**SUMMARY/BACKGROUND:**

Potential Retreat Topics:

1. Civic Center Funding
2. 2022 Capital Priorities
3. Senior Center
4. Future Growth
5. Next steps for Library/Civic Center
6. Staffing Plan Update
7. Lean Six Sigma Update
8. Hartford Industrial Area
9. Parks brief on moving forward with new amenities in the City
10. Parks Department – Building One
11. Park Benefit District

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**APPLICABLE CITY POLICIES:**

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**BUDGET IMPACT:** \$

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**ATTACHMENTS:**