



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.

CITY COUNCIL WORKSHOP MEETING AGENDA 100% Virtual – Via Zoom

Tuesday, September 7, 2021 at 6:00 p.m.

<https://us02web.zoom.us/j/89171978740>

or call in at (253) 215-8782

Meeting ID: 891 7197 8740

- Amendment to Interlocal Agreement with City of Marysville Regarding Development and Improvements to Powerline Trail – Russ/Jill
- Revised Ordinance 1119 – Amendments to LSCM 14.44.097 Marijuana Facilities - Russ
- Ordinance 1117 Cannabis Business License Fees - Russ

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: September 7, 2021

Subject: Amendment to Interlocal Agreement Between City of Marysville and City of Lake Stevens Regarding Development and Improvements to Powerline Trail

Contact	Jill Meis, Parks Planning & Development Coordinator	Budget	N/A
Person/Department:	<u>Russ Wright, Community Development Director</u>	Impact:	

RECOMMENDATION(S)/ACTION REQUESTED OF COUNCIL: **Discuss first amendment to ILA with City of Marysville to extend time period and expand radius of trailhead location and take action at the meeting on September 14, 2021.**

SUMMARY/BACKGROUND:

The City of Lake Stevens and City of Marysville entered into an interlocal agreement in July 2019 to partner in efforts of trail design, development and location of a multi-use, non-motorized trail and amenities that connect both communities.

The Covid-19 crisis has resulted in delays in the planning and development of the Powerline Trail and more time has been requested to facilitate the project planning and construction. An increase in preliminary design timeline from two years to four years and an increase in final design timeline from three to six years is included in this amendment. Also included is a trail completion date of ten years instead of seven years.

The original agreement outlined the location of parking and restroom facilities to be within one half mile of the intersection of Soper Hill Rd. Marysville owns property suited for this use within one mile of the Soper Hill Rd intersection and has requested a change to allow siting the facility within one mile of the original intersection.

BUDGET IMPACT: N/A

ATTACHMENTS:

- Exhibit A: Draft amendment to ILA

FIRST AMENDMENT TO THE INTERLOCAL AGREEMENT BETWEEN THE CITY OF MARYSVILLE AND THE CITY OF LAKE STEVENS REGARDING DEVELOPMENT AND IMPROVEMENTS TO POWERLINE TRAIL

THIS FIRST AMENDMENT (“First Amendment”) is made and entered into as of the date of the last signature below, by and between the City of Marysville, a Washington State municipal corporation (“Marysville”) and the City of Lake Stevens, a Washington State municipal corporation (“Lake Stevens”).

WHEREAS, the parties hereto have previously entered into an interlocal agreement regarding the planning, construction, and maintenance of a recreational trail (the “Original Agreement”), said Original Agreement being dated July 9, 2019, and attached hereto as **Exhibit A**; and

WHEREAS, the recreational trail contemplated by the Original Agreements is known as the “Powerline Trail”, however the parties may ultimately choose an alternative name for the trail; and

WHEREAS, the Covid-19 crisis has resulted in delays in the planning and development of the Powerline Trail; and

WHEREAS, both parties desire to supplement the Original Agreement, by extending the term of the Original Agreement and modifying certain provisions;

NOW THEREFORE, in consideration of the terms, conditions, covenants, and performances contained herein or attached and incorporated, and made a part hereof, the parties hereto agree as follows:

1. Section 3 of the Original Agreement, “Powerline Trail Project Design”, is amended as follows:

Powerline Trail Project Design.

- a. Design. The Powerline Trail would be an important north-south recreational and transportation corridor. Each city will commit to funding design and construction of the project for the segments of the Powerline Trail located within their jurisdiction, to be built in phases. The city of Marysville will plan, locate and provide a neighborhood park with parking and restroom facilities along their segment of the trail within ~~½ mile~~ **one (1) mile** of the intersection of Soper Hill Road. The cities will coordinate planning of the trail and cooperate on design to ensure consistency throughout the project and each will be the lead agency for design and future construction within their jurisdiction, unless otherwise agreed. It is intended for this trail to be completed within ~~seven (7)~~ **ten (10)** years of the execution date of this document,

but this time period for trail design, property or easement acquisition and construction may be extended by mutual agreement consistent with paragraph 4. Below.

- b. Design Option. Upon written consent of both parties, Marysville may, in lieu of Lake Stevens, also design the segments of the Powerline Trail that are located in Lake Stevens, and Lake Stevens will reimburse Marysville for the cost of designing those segments.
- c. Preliminary Design will be completed within ~~two (2)~~ **four (4)** years of the effective date of this agreement. Final design will be completed within ~~three (3)~~ **six (6)** years of the effective date of this agreement.

2. Section 9 of the Original Agreement, “Duration”, is amended as follows:

Duration. This Agreement shall continue in force and effect until the earliest occurrence of:

- a. Completion of trail construction.
- b. ~~Ten~~ **Twelve (12)** years from the date this Agreement is effective, or as mutually extended by the parties.

3. Each and every provision of the Original Agreement dated July 9, 2019, shall remain in full force and effect, except as modified herein.

CITY OF MARYSVILLE

CITY OF LAKE STEVENS

By: _____

Jon Nehring, Mayor

Attested/Authenticated:

Tina Brock, Deputy City Clerk

By: _____

Brett Gailey, Mayor

Attested/Authenticated:

Barb Stevens, City Clerk

Approved as to form:

Approved as to form:

Jon Walker, City Attorney

Grant Weed, City Attorney



LAKE STEVENS CITY COUNCIL
STAFF REPORT

Council Agenda Date: September 07, 2021

Subject: Revised Ordinance 1119 – Amendments to LSMC 14.44.097 Marijuana Facilities

Contact Person/Department:	Russ Wright, Comm. Dev. Director <u>Ord. 1119 reviewed by City Attorney</u>	Budget Impact: NA
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RECOMMENDATION(S)/ACTION REQUESTED OF COUNCIL:

1. Discuss proposed changes to cannabis facility citywide allotments. Future action would be by consent.

SUMMARY/BACKGROUND:

On June 8, 2021 the City Council held a public hearing on proposed changes to the city's marijuana (cannabis) regulations codified in LSMC 14.44.097 related to changes in buffers and overall industry caps. This followed a complete review by the Planning Commission. At its July 6, 2021 meetings, City Council requested staff revisit the square footage allocation producers/processors under the adopted cap of 70,000 square feet for marijuana (cannabis) businesses per Ordinance 1119. The City Attorney opined that the Council could revise the Ordinance without additional Planning Commission review as the topic had been discussed previously. As adopted, cannabis facilities are capped at 17,000 square foot for stand-alone processors and 54,000 square foot for producer/processors. City Council indicated that they would like to have the cap more flexible to encourage a transition from producers to processors as the latter has a greater potential for job production. Staff recommended the following change to the language at the meeting:

(f) Size and Number.

- (1) State-licensed marijuana producers will be limited in size to Tier 2 production facilities, pursuant to WAC 314-55-075.
- (2) The maximum amount of space allotted for State-licensed marijuana production and processing facilities will be limited to 5470,000 square feet citywide, with production facilities not to exceed 54,000 square feet.
- (3) A marijuana retailer will be limited in size to 1,000 total square feet or less including sales, storage, office and other incidental spaces.
- (4) The total number of marijuana retailers shall be one.
- (5) The maximum amount of space allotted for State licensed standalone marijuana processing will be limited to 17,000 square feet Citywide.

Staff is looking for final direction from Council on the proposed amendments before returning Ordinance 1119 to Council for its action.

APPLICABLE CITY POLICIES:

LSMC 14.44.097 Marijuana Facilities

BUDGET IMPACT: NA



LAKE STEVENS CITY COUNCIL
STAFF REPORT

Council Agenda Date: September 7, 2021

Subject: Ordinance 1117 Cannabis Business License Fees

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

1. **No Action Required** – If there is consensus about the marijuana fee structure, **Ordinance 1117** will be placed on the consent agenda at the next regular meeting.

SUMMARY/BACKGROUND:

At its March 16, March 30 and July 6 meetings, the Mayor and staff briefed City Council on proposed changes to the city's business license code to create a license fee for cannabis (marijuana) businesses based on gross square footage (**Ordinance 1117 – Attachment 1**). The proposed business license fee for cannabis producers and processors 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).

The 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.

At its July 6 meeting Council reviewed the data prepared by Toyer Strategic Advisors that detailed license fees imposed in different California cities (**Attachment 2**). In general, most Councilmembers were comfortable with the proposed fee, as they believed it would not overly burden small businesses and was proportionate to the identified needs. Before making a decision, Council wanted more information about the variation in fees as they exceed the license fees proposed in Ordinance 1117. Based on the updated research (**Attachment 3**) provided by Toyer Strategic Advisors, price variations relate to the evolving tax structure for cannabis businesses and the distinction between non-profits, medical and recreational producer/processors. Their research also indicates that many cities in Northern California have adjusted their rates to be around \$8.00 per square foot and the industry prefers this structure as it is more predictable and equitable. Based on this information, the proposed Lake Stevens fee would be proportionate to the \$8.00 per square foot as Washington State collects state taxes for this industry that would be in addition to the proposed license fee to augment local needs. As pointed out by Council previously, these fees can be adjusted in the future if needed or increased at the inception of the program.

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

APPLICABLE CITY POLICIES:

Title 4 - Business Licenses and Regulations

Chapter 2 – Land Use Element of the Comprehensive Plan

BUDGET IMPACT: Increased revenues as described above

ATTACHMENTS:

Attachment 1: Ordinance 1117

Attachment 2: Comparison Table

Attachment 3: Fee explanation memo

**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 ASFOLLOWS:

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 anyother 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 inwhich 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:

<u>YEAR</u>	<u>PER GROSS SQUARE FOOT</u>
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 marijuananbusinesses 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 publishedin the official newspaper of the City. This ordinance shall take effective five (5) days after the date of the publication.

PASSED by the City Council of the City of Lake Stevens this 13th day of April 2021.

Brett Gailey, Mayor

ATTEST/AUTHENTICATION:

Kelly Chelin, City Clerk

APPROVED AS TO FORM:

Greg Rubstello, City Attorney

First and Final Reading:

Published: _____

Effective Date: _____

City	Tax Rate	Per	Notes
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	Square 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.
California City California	\$ 1.00	Square Foot	Facility that uses no artificial lighting
Carson City California	\$ 25.00	Square Foot	
Catherdral City California	\$ 25.00	Square Foot	
Coachella California	\$ 15.00	Square Foot	
Coalinga California	\$ 25.00	Square Foot	Up to 3,000 Square feet, anything over is \$10 per square foot
Desert Hot Springs California	\$ 25.00	Square Foot	Up to 3,000 Square feet, anything over is \$10 per square foot
Fillmore California	\$ 30.00	Square Foot	Up to 3,000 Square feet, anything over is \$15 per square foot
Gonzales California	\$ 15.00	Square Foot	
Greenfield California	\$ 25.00	Square Foot	
Grover Beach California	\$ 25.00	Square Foot	Up to 5,000 Square feet, anything over is \$10 per square foot
King City California	\$ 25.00	Square Foot	Up to 5,000 Square 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	Square Foot	Rises yearly to a cap of \$25 per square foot
San Jacinto California	\$ 10.00	Square 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	
Lakewood Colorado	UNDER REVIEW	UNDER REVIEW	



September 1st, 2021

Russ Wright
City of Lake Stevens
1812 Main Street
Lake Stevens, WA, 98258

Russ,

Last month, in response to requests from city council members, our firm began doing research on the marijuana tax structures of many jurisdictions, primarily in California and Colorado, that have per square foot marijuana facility taxes. Our firm's initial research produced a chart of all cities in both states with this form of tax that showed a much higher per square foot rate than is currently being proposed by the city of Lake Stevens. In addition to this, it is important to keep in mind that majority of cities in these states do not have this type of tax, and many jurisdictions are still in the process of developing it. Over the last few weeks, we have had conversations with city and county officials in California and Colorado. Below are our findings, and the context Lake Stevens should consider when evaluating per square foot tax rates as comparable to the current proposal.

1. California non-profit marijuana shops are an important factor:

One of the main reasons for California's varying and sometimes higher per square foot tax is that many local shops are registered as non-profits by the state. This is in large part due to the sporadic change from legal "medical marijuana" shops to the "recreational shops" once voters legalized marijuana in California. The results are many shops do not pay other taxes, so many cities in California have imposed higher per square foot taxes as it is the only marijuana tax revenue for which they benefit.

2. Many cities and counties have lowered, and continue to review their rates:

Northern California research indicates that many counties and cities in the state have lowered their rate as they have developed out the per square foot tax program. In conversations with JoAnn Iwamoto, Marijuana Program Manager for Monterey County California we learned that peer jurisdictions across Northern California have adjusted their rates to what they believe the market can handle. For Monterey County, and other counties in North California, that number has landed in the \$8 a square foot range. JoAnn reported that this is a number jurisdictions, and the shop owners generally agree works.

3. Jurisdictions prefer the per square foot tax to gross receipts:

Many jurisdictions we engaged with remarked that they prefer a per square foot tax to a traditional tax on gross receipts. First, because it is a consistent number. Second is jurisdictions have found shop owners to be dishonest in reporting the amount they made to avoid paying taxes in some cases. In fact, one jurisdiction went as far as to audit receipts. This practice was not sustainable, and they found the per square foot tax to be more reliable. This was a practice that was shared by many of the Marijuana Managers in the Northern California group that JoAnn connected us with.

What seems to be the conclusion from our interactions with city and county staff in other states is that comparing Lake Stevens to their circumstances is like comparing apples to oranges. Washington State does not have any system for marijuana shops to be considered non-profits, so for them to adjust for other tax exemptions would not be appropriate, may even lead to loss of business within the city. Additionally, most jurisdictions that we interacted with shared positive experiences with the per square foot tax method. This practice is commonplace in California now, and is quickly becoming popular in Colorado, where many jurisdictions we talked to did not have a structure in place, but like Lake Stevens, they are actively designing one.

If you would like us to do any further research, or have further questions, please let us know.

Peter Condyles