

**CITY OF LAKE STEVENS  
CITY COUNCIL WORKSHOP MEETING MINUTES**

Tuesday, September 7, 2021  
By Remote Participation via Zoom

CALL TO ORDER: 6:00 p.m. by Mayor Brett Gailey

ELECTED OFFICIALS PRESENT: Mayor Brett Gailey, Councilmembers Kim Daughtry, Gary Petershagen, Shawn Frederick, Mary Dickinson and Anji Jorstad

ELECTED OFFICIALS ABSENT: Marcus Tageant (Joined at 6:07 p.m.) and Steve Ewing

STAFF MEMBERS PRESENT: City Administrator Gene Brazel, Finance Director Barb Stevens, Community Development Director Russ Wright, Public Works Director Eric Durpos, Police Chief Jeff Beazizo, Human Resources Director Anya Warrington and City Clerk Kelly Chelin

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**Discussion Items:**

**Amendment to Interlocal Agreement with City of Marysville Regarding Development and Improvements to Powerline Trail – Russ/Jill**

Director Wright explained that 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.

After discussion, the Council will bring this back to a future meeting after Director Wright collects more information.

**Revised Ordinance 1119 – Amendments to LSMC 14.44.097 Marijuana Facilities – Russ**

Director Wright explained that 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.

Ordinance 1119 will come back to a future meeting for action.

#### Ordinance 1117 Cannabis Business License Fees – Russ

Director Wright explained that 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. 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. 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 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.

After lengthy discussion, this item will come back to a future meeting for further discussion.

**Adjourn:**

Hearing no further business, the meeting was adjourned at 7:01 p.m.

  
Brett Gailey, Mayor

  
Kelly M. Chelin, City Clerk