

"Placerville, a unique historical past forging into a golden future."



City Manager's Report
January 11, 2022, City Council Meeting
Prepared by: Cleve Morris, City Manager
Item #: 12.7

Subject: Consider request by JSCR Management (Reserve House) for an extension of the one year deadline to open a cannabis business in the City of Placerville.

Purpose: To provide information to the Council regarding the third Cannabis Business License Permit and consideration for granting an extension to the one-year period to open the business.

Background: On September 16, 2020, the City Council awarded three Cannabis Business License Permits to applicants interested in operating a cannabis business in the City of Placerville. At that time licenses were awarded to the following:

1. PvilleCA, LLC, DBA "Sacred Roots"
2. Conscious Consulting and Yoga, Inc., DBA "Chuck's Cannabis Collective"
3. JSCR Management, LLC, DBA "Reserve House"

The resolution approving the licenses also included a provision stating that:

In the event any of the above selected applicants are unwilling or unable to receive a permit or to begin operating within twelve (12) months of issuance, the following applicants shall be deemed eligible alternates for purposes of issuing a permit, ranked in order of first priority as follows: 1) Cannatopia & Partners, Inc.; 2) CN Holdings, Inc., DBA "Cannabis Nation"; and 3) Three Habitat Consulting Placerville, LLC, DBA "One Plant Placerville."

At that time, the City was still finalizing some provisions for issuance of the license, this included the permit fee (adopted November 16, 2020) and final completion of the background check process and application done through HDL. This process was completed in December of 2020. Based on this information, and final notification to applicants, we allowed until January 15, 2022 for each of the three businesses to open. Chuck's Cannabis Collective opened on June 10, 2021. Sacred Roots opened on October 21, 2021.

Over the past few months, City staff has had correspondence and a few meetings with representatives of Reserve House, including November 3 and December 20, 2021. At each of these meetings we reiterated the January 15, 2022 deadline. At both the November and the December meetings, owner Jeremy Dlabaj, Reserve House Applicant, stated his request for an extension. Staff stated the request must be in writing and must be received prior to the deadline for items for the January 11 meeting. On January 3, 2022, the attached letter was delivered to staff. Over the past year, there have been other meetings with representatives of Reserve House in which they were

committed to move forward. However following the meetings, we did not receive further correspondence for some time. On at least one occasion, staff met with representatives on site to review their plans.

Discussion: The attached letter from Reserve House outlines the reasons for the request for an extension. The number one reason is due to the lawsuit. Although the applicants were allowed to proceed as of January 15, 2021 or even earlier, the lawsuit challenging the award of licenses was not completed until June 16, 2021. Reserve House states that due to the lawsuit, their investor eventually withdrew from the project. It is staff's understanding that the new investor was not secured until late 2021, November or December.

The reasons for the extension request listed in the attached letter include the following:

1. **Lawsuit:** As stated above, this could be a reasonable request for an extension based on Reserve House participation in the lawsuit and payment of their fair share of costs for the lawsuit. However, it should also be noted that both of the other applicants had the same issue to deal with and were able to open within the prescribed time frame.
2. **New Investors:** Although we understand this concern, we are not sure it alone justifies the extension. However, coupled with the lawsuit and the fact that the Investor pulled out, it may be a reasonable allowance for an extension.
3. **Covid 19 Pandemic:** Although the Pandemic has been a significant issue to deal with over the past two years, each of the licensees had to deal with this issue. The other two licensees were able to open well within the prescribed deadline. Based on this, staff does not believe this issue warrants an extension.
4. **Architectural Delays:** Supply chain issues and other construction delays have been noted on projects over the past year. However, given that this project has not yet gone to construction and only recently did the City receive new site plans, staff does not feel this reasoning warrants an extension request.
5. **State Licensing:** State licensing is a fairly extensive process and in 2021 provisional licenses were granted which were granted on a shorter time frame. Chuck's Cannabis Collective started on a provisional license and later received their permanent license. However, if Reserve House had applied for their license at the conclusion of the lawsuit in June of 2021, they should have had their license by December. Based on this information, staff does not feel this warrants an extension.
6. **Micro License:** The licensee states that a Micro Business requires a longer licensing process. This may be true as the review is more extensive. However, if it is true, the application should be into the state immediately to meet the requested timeline extension. To staff's knowledge the application to the state has not yet been made. Normally when a cannabis business applies to the state, the City receives notice from the state and a request for the status of the applicants with the City. This notice has not been received for Reserve House. Although we understand the licensing process may have delayed the project, we are not sure it warrants an extension, as the other applicants met the timeline. In addition, if the application for a Micro License takes longer than a retail license, Reserve House may not be able to obtain State licensing by their proposed extension timeline.

7. **Building Purchase:** Licensee states that negotiations with the current building owner were difficult and delayed the project. Although this may be true, each applicant for a license was required to provide proof of owner approval of the proposed location. Which should have included a commitment to sell. Applicant's original application included a notarized Letter of Intent in which Buyer intends to purchase the property for one million dollars. Recently submitted documents show the current purchase price at one million dollars, the same as indicated in the original application. Therefore it appears this issue did not change from the original plan and should not have caused a delay.

Reserve House has requested an extension to the required opening date to July 16, 2022 an increase of 6 months. The delay due to the lawsuit was 5 months. Based on all of the information, staff feels the request for the extension should be granted, primarily based on the delay due to the lawsuit. However, it should be stated that extensions will not be granted beyond that date.

Options:

1. Grant the extension through July 16, 2022 with no opportunity for additional extensions.
2. Grant the extension to a different date, either a longer or shorter time period.
3. Do not grant the extension and direct staff to notify the first alternate applicant to determine their interest in opening a cannabis business in Placerville.
4. Other options at Council discretion.

Cost: All costs of the licensing process are borne by the applicant.

Budget Impact: None. Because of uncertainty, no cannabis business revenues were budgeted in this fiscal year budget. However, with this request, there will be a delay in revenues that could have been received had the business opened prior to the January 15, 2022 deadline.

Recommendation: Consider request by JSCR Management (Reserve House) for an extension of the one year deadline to open a cannabis business in the City of Placerville.



M. Cleve Morris, City Manager

Attachments:

Attachment A: Letter for Extension Request