



CITY OF CANYON LAKE

City Hall

31516 Railroad Canyon Road
Canyon Lake, CA 92587

Website: www.canyonlakeca.gov

Mayor Jeremy Smith
Mayor Pro Tem Larry Greene
Council Member Kasey Castillo
Council Member Jennifer Dain
Council Member Dale Welty

City Manager Chris Mann
City Attorney Steven Graham
City Clerk Ana V. Sauseda, CMC

AGENDA

Special Meeting of the Canyon Lake City Council

Thursday, September 29, 2022

Open Session 5:00 P.M. – City Hall Council Chamber

OPEN SESSION - 5:00 P.M.

OPEN SESSION CALLED TO ORDER

FLAG SALUTE

ROLL CALL

APPROVAL OF CITY COUNCIL AGENDA

PUBLIC COMMENT

Limit 3 Minutes

Any person wishing to address the City Council on any matter on this agenda, is asked to complete a "Speaker Request Form" available on the back counter. The completed form is to be submitted to the City Clerk prior to an individual being heard by the City Council. The City Council has adopted a time limitation of three (3) minutes per person. Comments on any items not on this agenda will not be taken at this special meeting.

BUSINESS ITEMS

- (1) Report – Application Process and Selection for Issuance of Commercial Cannabis Permits
- (2) Presentation – SoCal Therapeutics DBA The Syndicate Canyon Lake

ANNOUNCEMENTS

The next regular meeting will be **Wednesday, October 12, 2022, at 5:00 for Closed Session & 6:30 p.m. for Open Session**

ADJOURNMENT

VISION STATEMENT

The vision of the City of Canyon Lake is to be a City that provides a quality of life that makes Canyon Lake the premier place to live in Southern California.

ATTENTION RESIDENTS:

Supporting documents, including staff reports, are available for review at City Hall in the City Clerk's Office or on the City's website at www.canyonlakeca.gov once the agenda has been publicly posted. Any written materials relating to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting. It is the intention of the City of Canyon Lake to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or participant at this meeting, you will need special assistance beyond what is normally provided, the City of Canyon Lake will attempt to accommodate you in every reasonable manner. Please contact Ana V. Sauseda, City Clerk, at least 48 hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis.

September 29, 2022 Special City Council Meeting

STATE OF CALIFORNIA }
COUNTY OF RIVERSIDE } SS. AFFIDAVIT OF POSTING
CITY OF CANYON LAKE }

I, Ana V. Sauseda, CMC, City Clerk of the City of Canyon Lake, California, do hereby declare that the foregoing agenda was posted on September 28, 2022, at least twenty-four (24) hours prior to the meeting per Government Code 54954.2, and as required by Resolution 2019-42 of the Canyon Lake City Council.

**Ana V. Sauseda, CMC
City Clerk**



STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Chris Mann, City Manager *CM*

DATE: September 29, 2022

SUBJECT: Report Regarding the Application Process and Selection for Issuance of Commercial Cannabis Business Permits

Recommendation

That the City Council receive and file a report regarding the application process and selection for issuance of Commercial Cannabis Business Permits.

Background

Canyon Lake Municipal Code Section 4.20.110 (h) requires that the City Manager present a report to the City Council regarding the application process and selection for issuance of commercial cannabis business permits. This staff report and presentation shall serve as that report.

In September of 2021, the City Council adopted Ordinance 215, allowing for commercial cannabis uses in the City of Canyon Lake. The Council then adopted Resolution 2021-57, setting the maximum number of retail commercial cannabis business permits at one (1), and Resolution 2021-59, establishing review criteria for commercial cannabis businesses and adopting application procedures and guidelines for retail commercial cannabis business permits.

Following the procedures and guidelines adopted by Resolution 2021-59, the City Manager's office, along with the City Attorney, City Planner, and our consultants with HdL, diligently executed all phases of the established application process:

Phase I – Determination of Eligibility

The application period opened January 18, 2022, and closed March 3, 2022, at 4:00 p.m. Five complete applications that met the minimum requirements were submitted. An additional sixth application was rejected as it failed to be submitted within the allotted timeframe. The five companies that submitted valid applications were: Culture Cannabis Club of Canyon Lake, Element 7, I.E. Gardens, Sipkoi, and The Syndicate Canyon Lake.

Prior to submitting an application, potential applicants were required to obtain a Zoning Verification Letter from the City's Planning Department, confirming that their proposed location falls within appropriate zoning and land use designations. Once a Zoning

Verification Letter was issued to a potential applicant, their proposed location was considered acceptable to the City.

Phase II – Application Evaluation and Review

The five valid applications were then reviewed and scored by the City’s consultant, HdL, using a merit-based system. All applicants who scored a minimum of 90% (2,250 points) were invited to move on to Phase III. The total number of available points was 2,500, which broke down as follows:

- Section A: Business Plan (400 points)
- Section B: Labor, Equity, Diversity, and Inclusion Plan (400 points)
- Section C: Safety Plan (300 points)
- Section D: Security Plan (300 points)
- Section E: Qualifications of Owners (400 points)
- Section F: Neighborhood Compatibility Plan (400 points)
- Section G: Proposed Location (300 points)

The applications were scored as follows:

- Culture Cannabis Club of Canyon Lake: 2,500 points; 100%
- Element 7: 2,500 points; 100%
- The Syndicate Canyon Lake: 2,500 points; 100%
- I.E. Gardens: 2,470 points; 98.80%
- Sipkoi: 2,500 points; 91.20%

As all five applications scored above the 90% threshold, all five applicants were invited to move on to Phase III.

Phase III – Public Meeting

A public meeting was held on May 25, 2022, conducted pursuant to Canyon Lake Municipal Code Section 4.20.110 (d), at which each applicant presented their applications. Residents, businesses and community organizations were given the opportunity to voice concerns and ask questions. Each applicant then had a chance to address those concerns and questions. All five applicants participated fully in the public meeting, and all five moved forward to Phase IV.

Phase IV – City Manager’s Interviews, Negotiations, and Final Decision

In the interest of transparency and fairness, the City Manager opted to conduct negotiations via an objective evaluation and ranking of community benefits proposals. A Community Benefits Proposal Form was created, along with the objective criteria for evaluating proposed community benefits. The criteria were provided in advance to all applicants. Each applicant was required to complete the Community Benefits Proposal Form and return it to the City no later than June 16, 2022, at 4:00 p.m.

The weights assigned to each type of community benefit were designed to demonstrate the relative priorities of the City. For each of the four categories of Community Benefits (One-Time Initial Payment, Gross Revenue Percentage, Minimum Quarterly Payment, and Civic/Nonprofit Contributions), City staff determined which applicant had proposed the highest amount in that category. The highest ranked applicant in that category received the

full points allocated to the category. All other applicants received a proportional number of points as a ration to the amount proposed by the highest-ranked applicant.

For example, for the One-Time Initial Payment category, if the highest ranked applicant offered \$100,000 upon issuance of the Commercial Cannabis Business Permit, they would be awarded the full 100 points. If the second-ranked applicant offered \$80,000 upon issuance, they would receive 80% of the 100 points, or 80 points.

Aa another example, for the Gross Revenue Percentage category, the City awarded points based purely on the percentage offered (not based on a total projected dollar amount, as such amounts are uncertain). So, for example, if the highest ranked applicant offered 12% of gross revenues, they would receive the full 500 points allocated to Section 2. If the second highest ranked applicant offered 9%, then they would receive 75% of the total points, or 375 points.

The points allocated to each section of the Community Benefits Proposal were as follows:

- | | |
|----------------------------------|------------|
| 1) One-Time Initial Payment | 100 points |
| 2) Gross Revenue Percentage | 500 points |
| 3) Minimum Quarterly Payment | 250 points |
| 4) Civic/Nonprofit Contributions | 150 points |

The Community Benefits Rankings document, which includes each applicant’s proposed community benefits amounts, percent allocated and points for each category, is included as Attachment 1 to this report. The final rankings were as follows:

<u>Applicant</u>	<u>Total Points (1,000 Possible)</u>
Culture Cannabis Club	953.06
The Syndicate	784.80
IE Gardens	677.46
Element 7	613.02
Sipkoi	509.42

Based on these final rankings, Culture Cannabis Club of Canyon Lake offered the highest and best community benefits. As such, the City has entered into negotiations with Culture Cannabis Club of Canyon Lake on a Community Benefits and Neighborhood Compatibility Agreement, which will address operational concerns of the City as well as those raised by the public at the May 25, 2022, public meeting. While staff does not anticipate any issues, if an agreement cannot be reached on operational conditions, the next highest ranked applicant will be offered the commercial cannabis business permit, and so on. Staff anticipates this process will be concluded by October 31, 2022, with a commercial cannabis business opening sometime in the summer of 2023.

On July 7, 2022, The Syndicate Canyon Lake filed an appeal, pursuant to Sections 4.20.160 through 4.20.180 of the Canyon Lake Municipal Code. An appeal hearing before a Hearing Officer was held on August 22, 2022. Subsequent to the hearing, but prior to a decision being issued by the Hearing Officer, the City and The Syndicate came to terms on a settlement agreement (Attachment 2). Per this agreement, the City shall

maintain the current final Ranking List until June 30, 2027, or until The Syndicate has been offered a commercial cannabis business permit, whichever comes first. The City will also allow The Syndicate to make a presentation before the City Council for the purpose of proposing that the City Council increase the maximum number of commercial cannabis business permits. In return, The Syndicate will dismiss their appeal, allowing the City to proceed with the issuance of a commercial cannabis business permit to Culture Cannabis Club of Canyon Lake.

Fiscal Impact

None

Attachments

1. Community Benefits Rankings
2. Settlement Agreement and Mutual Release

ATTACHMENT 1



COMMUNITY BENEFITS RANKINGS

Category 1. One-Time Payment (100 Points Possible)

Applicant	Proposal	Percent Allocated	Points
The Syndicate	\$355,000	100%	100
Element 7	\$250,000	70.42%	70.42
Culture Club	\$205,000	57.75%	57.75
SIPKOI	\$200,000	56.34%	56.34
IE Gardens	\$106,000	29.86%	29.85

Category 2. Percentage of Gross Revenues (500 Points Possible)

Applicant	Proposal	Percent Allocated	Points
Culture Club	15.1%	100%	500
The Syndicate	13.5%	89.40%	447.02
IE Gardens	12.5%	82.78%	413.91
SIPKOI	10.5%	69.54%	347.68
Element 7	10%	66.23%	331.13

Category 3. Quarterly Minimum Payment (250 Points Possible)

Applicant	Proposal	Percent Allocated	Points
Culture Club	\$305,000	100%	250
IE Gardens	\$225,000	73.77%	184.43
The Syndicate	\$170,000	55.74%	139.34
SIPKOI	\$100,000	32.79%	81.97
Element 7	\$75,000	24.59%	61.48

Category 4. Annual Civic & Nonprofit Contributions (150 Points Possible)

Applicant	Proposal	Percent Allocated	Points
Element 7	\$160,000	100%	150
Culture Club	\$155,000	96.88%	145.31
The Syndicate	\$105,000	65.63%	98.44
IE Gardens	\$52,555	32.85%	49.27
SIPKOI	\$25,000	15.63%	23.31

FINAL RANKINGS

Applicant	Total Points (1000 Possible)
Culture Club	953.06
The Syndicate	784.80
IE Gardens	677.46
Element 7	613.02
SIPKOI	509.42

ATTACHMENT 2

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (“Agreement”) is entered into by and between SoCal Therapeutics, Inc. DBA The Syndicate Canyon Lake (“Appellant”) and the City of Canyon Lake (“Canyon Lake”). Appellant and Canyon Lake shall be referred to collectively in this Agreement as the “Parties.”

RECITALS

WHEREAS, In September 2021, the Canyon Lake City Council adopted Ordinance No. 215, allowing for commercial Cannabis uses in the City of Canyon Lake.

WHEREAS, Canyon Lake developed a process for issuing commercial cannabis business permits in the city. Specifically, Canyon Lake passed: (i) Resolution 2021-57 setting the maximum number retail commercial cannabis business permits at one (1); and (ii) Resolution 2021-59 establishing review criteria for commercial cannabis businesses and adopting Application Procedures & Guidelines For A Retail Commercial Cannabis Business Permit;

WHEREAS, Appellant is a commercial cannabis business that filed an application for a retail commercial cannabis business permit in the City of Canyon Lake;

WHEREAS, City of Canyon Lake evaluated Appellant’s Community Benefits Proposal in Phase IV of the application process and ranked Appellant second place in the final rankings;

WHEREAS, a dispute has arisen between the Parties regarding Canyon Lake’s evaluation and final rankings of the permit applications;

WHEREAS, Appellant initiated an administrative appeal against the City of Canyon Lake under Cannabis Appeal No. 2022-01 (the “Appeal”) challenging Canyon Lake’s evaluation and ranking of its Phase IV Community Benefits Proposal;

WHEREAS, Appellant and Canyon Lake agree that it is in their mutual interest to settle all of the disputes which have arisen out of that Appeal to avoid the expense and uncertainty of further litigation;

NOW, THEREFORE, in consideration of the foregoing, the promises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENTS

1. Effective Date

The Effective Date of this Agreement shall be the date on which it becomes fully executed by all Parties (the “Effective Date”).

2. Holding of the Ranking and City Meeting

A. Ranking List Maintained. Pursuant to Canyon Lake Municipal Code Section 4.20.110(f), the City Manager has ranked the qualified applicants for commercial cannabis business permits, as reflected in the final rankings established by the City Manager on June 27, 2022, and as described in the notice attached hereto as Exhibit A (“Ranking List”). The City Manager agrees to maintain the Ranking List until the earlier of: (i) June 30, 2027, or (ii) Appellant has been offered a commercial cannabis business permit pursuant to Section 2(B) below. The foregoing shall not be interpreted to prevent the City Manager from maintaining the Ranking List beyond the time period specified.

B. Use of Ranking List. Pursuant to Canyon Lake Municipal Code Section 4.20.090, “[a]t any time in the City Council’s discretion the City Council may reassess the number of commercial cannabis business permits which are authorized for issuance.” In the event the City Council exercises its discretion to authorize additional commercial cannabis business permits during the time period the Ranking List is maintained pursuant to Section 2(A) above, the City Manager shall utilize the Ranking List when deciding on the issuance of commercial cannabis business permits to qualified applicants, beginning with offering the highest ranked qualified applicant which has not received a commercial cannabis business permit, and continuing down the ranked list until the maximum number of permits authorized by the City Council has been issued.

C. Change of Location: In the event one or more commercial cannabis permits become available during the time period described in Section 2(A) above, Appellant may file for a change in location pursuant to Canyon Lake Municipal Code Section 4.20.190. If Appellant’s retail location specified in the commercial cannabis business permit application is proposed to be changed, Appellant shall file an application with the City Manager or his/her designee(s). The process and the fees for the change of location application shall be as required by Canyon Lake Municipal Code Section 4.20.190, but the City agrees to refund to Appellant any amount in excess of the actual costs of reviewing the application.

D. Issuance of Confirmation Letter: Within five (5) days of the Effective Date, the City Manager shall issue to Appellant a letter memorializing the provisions of Section 2(A)-(C) above.

E. Issuance of Dismissal. Within five (5) days of receipt of the letter provided for in Section 2(D) above, Appellant shall issue to the Appellant’s Counsel a letter authorizing the dismissal of the Appeal (the “Dismissal”) in substantially the same form as Exhibit B, attached hereto and incorporated herein. Appellant’s Counsel shall file the Dismissal with the hearing officer and City Clerk immediately following the City Council meeting, which must include Appellant’s presentation, described below in Section 2(G).

F. Stay Lifted. The Appellant agrees that the stay imposed by the Appeal shall be lifted immediately upon the Effective Date of this Agreement. In particular, Appellant agrees that the City shall not be prohibited from proceeding with the issuance of a commercial cannabis business permit to Real Party in Interest to the Appeal.

G. Public Meeting: Pursuant to Canyon Lake Municipal Code Section 4.20.110(h), the City Manager is required to present a report to the City Council regarding the application process and selection for issuance of commercial cannabis business permits. The City Manager shall present such a report to the City Council within 45 days of the Effective Date of this Agreement. As a separate item on the agenda at the City Council meeting, Appellant will be provided an opportunity to make a presentation to the City Council regarding Appellant's proposal to increase the maximum number of commercial cannabis business permits for storefront retail locations. Appellant shall be provided as much time as deemed appropriate by the City Council, but shall be provided at least 45 minutes to make the presentation. The presentation shall focus on the public benefits to the proposed increase in authorized permits and shall not be considered a part of the Appeal. To that end, Appellant agrees that Appellant shall not reference the Appeal or any of the factual or legal arguments supporting the Appeal in the presentation or any other communication to the City Council or its members at any point between the Effective Date and the end of the City Council meeting contemplated above.

3. Mutual Release and Waiver of Claims

Except for those rights specifically created by this Agreement and except as may be herein specifically reserved in writing, with respect to the subject of all matters pertaining to, in any way relating to and/or arising out of the within litigation, petitions and/or proceedings or the facts, circumstances or events alleged therein, the parties and each of them, on their behalf and on behalf of all of their successors and assigns and all those now or later acting on his, her or their behalf, hereby mutually release and forever discharge the other parties to this Agreement (including their agents, servants, successors, heirs, executors, administrators and all other such persons, firms, corporations, associations or partnerships associated with them) from and against any and all claims, demands, causes of action, obligations as well as any and all damages, liabilities, losses, costs and/or expenses, including attorney's fees, of any kind or nature whatsoever, past or present, ascertained or unascertained, whether or not known, suspected, or now claimed. Each party hereto therefore expressly waives any such rights or benefits available under §1542 of the Civil Code of the State of California which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

The parties further covenant and agree that except as may be necessary to enforce this Agreement, they shall not institute against the other any further petitions, claims, demands, actions, litigation or proceedings relating to or arising out of the subject matter hereof. The parties understand and acknowledge the significance and consequence of the specific waiver of §1542 described above and hereby assume full responsibility for any injury, loss, damage, or liability that may hereafter be incurred by reason of, or related to, the matters released herein

4. Nature of Agreement

Each Party understands, acknowledges and agrees that this Agreement does not constitute an admission of liability or wrongdoing on the part of either Party. Further, this Agreement shall

not be used as evidence of any liability or wrongdoing for any purpose whatsoever except as may be necessary to enforce the terms and conditions of this Agreement.

5. Governing Law

The Parties agree that the Agreement shall be interpreted according to the laws of the State of California without regard to conflict of laws principles. Any suit or legal action arising out of or pursuant to this Agreement shall be brought in California.

6. Dispute Resolution

Any claim, controversy, or dispute arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Riverside.

7. Authorized Representative

Each of the Parties represents and warrants that the individual who executes this Agreement on behalf of such Party has full capacity, right, power and authority to execute and deliver this Agreement and to bind such Party to the terms and conditions of this Agreement. Each Party further represents and warrants that all actions or other acts or proceedings required to be taken to authorize the execution, delivery and performance of this Agreement have been duly and validly taken.

8. Future Agreements

Nothing in this Agreement shall be deemed to preclude the Parties from entering into future agreements.

9. Notices

Any notices required hereunder shall be sent in writing by e-mail, with a copy by regular mail to:

If to Appellant:

Aaron Lachant
Nelson Hardiman, LLP
1100 Glendon Ave., 14th Floor
Los Angeles, CA 90025
alachant@nelsonhardiman.com

If to Canyon Lake:

Steven Graham
Cole Huber LLP
2855 East Guasti Road, Suite 402
Ontario, CA 91761
sgraham@colehuber.com

10. Headings

The captions and headings in this Agreement are for convenient reference only and shall not in any way affect the meaning or interpretation of this Agreement.

11. Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but that together constitute one and the same instrument.

12. Fees

Each Party will pay its own attorneys' fees, costs, and expenses incurred in connection with the negotiation and execution of this Agreement, and in connection with the Appeal.

13. Entire Agreement

This Agreement constitutes the entire agreement between the Parties with respect to its subject matter and supersedes any prior agreement or understanding, whether oral or written, that any party may claim exists. This Agreement may not be amended or modified except by a writing signed by both parties.

14. Ambiguity

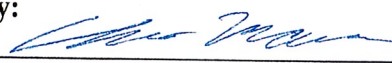
Any ambiguity in or dispute regarding the interpretation of this Settlement Agreement shall not be resolved by any rule of interpretation providing for interpretation against the party that causes the uncertainty to exist or against the drafting party.


15. Severability

If any provision of this Agreement is held to be illegal, invalid, or unenforceable by any court and/or under any present or future law, (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance herefrom; and (d) in lieu of such illegal, invalid, or unenforceable provision, the Parties will in good faith attempt to negotiate a legal, valid, and enforceable provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible, to be added as a part of this Agreement.

CITY OF CANYON LAKE

**SOCAL THERAPEUTICS, INC. DBA
THE SYNDICATE CANYON LAKE**

By: 

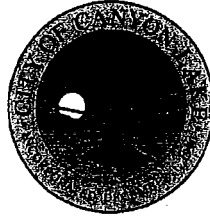
By: 

Title: CITY Manager

Title: PRESIDENT

Date: 9-8-22

Date: 9-8-2022



COMMUNITY BENEFITS RANKINGS

Category 1. One-Time Payment (100 Points Possible)

Applicant	Proposal	Percent Allocated	Points
The Syndicate	\$355,000	100%	100
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FINAL RANKINGS

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Element 7	613.02
SIPKOI	509.42

September 2, 2022

VIA E-MAIL

Ana V. Sauseda, CMC, City Clerk
City of Canyon Lake
31516 Railroad Canyon Road
Canyon Lake, CA 92587
asauseda@canyonlakeca.gov

**Re: Request For Dismissal
Cannabis Appeal No. 2022-01**

Dear Ms. Sauseda:

Please dismiss the above referenced appeal. Please do not hesitate to contact us if you have any questions in this matter.

Very truly yours,

NELSON HARDIMAN, LLP

By: Aaron Lachant

SOCAL THERAPEUTICS, INC

By: Rich Moline
Its: President

cc: Jamaar M. Boyd-Weatherby, Hearing Officer
Steven Graham, Attorney for City of Canyon Lake