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TO: Eileen Donoghue, City Manager *EMD*

FROM: R. Eric Slagle, Director of Development Services

DATE: February 20, 2020

RE: Motion by C. Elliott - Req. City Mgr. Provide an Update Regarding Host Community Agreements along with Potential Sources of Revenue Generated from Them.

As the Council is aware, the City in December of 2019 authorized the negotiation of Host Community Agreements (HCAs) with four entities for retail locations within the City. The businesses that currently have or are negotiating HCAs for retail locations are as follows:

- Patriot Care – 70 Industrial Ave. E.
- Mayflower Medicinals - 470 Chelmsford St. #7
- Full Harvest Moonz - 1201 Westford St.
- Pure Industries - 671-683 Rogers St.
- Fresh Fields - 1148 Bridge St.

Patriot Care has been open for retail sales since March of 2019. We do not anticipate that any of the remaining businesses will be open for retail until late 2020 at the earliest, more likely in 2021.

Additionally, the City has executed several agreements for marijuana cultivation and manufacturing. These entities are in various stages of licensing and build-out, and the businesses and locations are as follows:

- BeWell Organic Medicine – 92 Bolt St.
- Four Twenty Industries – 3 Foundry St.
- Grow One, Inc. – 60 Dix St.
- Grow Team Gardens – 705 Dutton St.
- Patriot Care – 170 Lincoln St.
- Platinum Hydrolab – 740 Dutton St.
- Pure Industries – 181 Stedman St.
- Wellman Farms – 26 Wellman Ave.

Additionally, this report will provide the Council with an update on the Marijuana revenue received to date. The first source of revenue authorized under the statute is a 3% local tax on all recreational marijuana sales. This local tax requires adoption by a vote of the City Council, which the Council took on May 15, 2018. This local tax is unrestricted revenue deposited into the General Fund which the City may appropriate and spend as it sees fit, as it does with any other General Fund revenue.

On January 29th, 2019, the Council voted to dedicate 25% of this local tax revenue to repair and maintain municipal buildings. The legislation does not contain a sunset provision on this local tax, so there is no end date for the collection of this revenue.

The second source of revenue contemplated in the regulations is the community impact fee which a municipality is allowed to negotiate in a Host Community Agreement (HCA) with a marijuana business. The regulations specifically cap this fee at 3% of the gross sales of the marijuana business. In each HCA that has been negotiated and executed by the City Manager for a recreational marijuana business in the City, we have required the maximum community impact fee of 3%. Unlike the local tax option described above, the community impact fee can only be used to offset specific community impacts of a marijuana business. Those expenditures must be documented and maintained as a public record. In the HCAs that the City has negotiated thus far, we have added a clause which spells out a list of items that the parties agree are eligible expenses for the community impact fees, which include, but are not limited to, the following:

- A. First responder programs (including, but not limited to law enforcement, fire response, EMS, hospitals and clinics);
- B. Lowell Board of Health initiatives;
- C. Drug abuse prevention/treatment/counseling/education program(s);
- D. Primary and secondary drug education programs;
- E. Traffic mitigation and infrastructure improvement;
- F. Increased police patrols;
- G. Costs associated with Secret Shopper program;
- H. Drug recognition expert funding;
- I. City purchase, use, and training associated with administering Narcan;
- J. City planning and inspectional staff, including overhead.

At the current time, the statute and regulations limit the collection community impact fee to five years. Thus, under the current setup, this revenue source will cease after five years.

To sum up, for five years, the City will collect a total of 6% of gross marijuana sales from recreational marijuana facilities, divided evenly between 3% unrestricted local tax revenue and 3% community impact fees which must be used for a specific purpose. After five years, the City will only collect the 3% unrestricted local tax revenue.

To date, the City has collected the following revenue from marijuana businesses:

Marijuana Excise Revenue:

FY2019 (Q4) - \$41,047.56
FY2020 (YTD) - \$160,194.80
TOTAL: \$201,242.36

Municipal Facility Stabilization Fund

Balance: \$63,835.85

HOST Community Revenue:

FY2016 - \$20,000
FY2017 - \$75,000
FY2018 - \$62,500
FY2019 - \$93,750
FY2020 (YTD) - \$344,740.34

TOTAL: \$595,990.34

02/20/2020