



CITY COUNCIL MEETING

Tuesday, August 02, 2022

Regular Meeting - 6:00 PM

City Hall – City Council Chambers

425 Webster Street, Colusa, CA 95932

AGENDA

Public comments can be emailed to: cityclerk@cityofcolusa.com, or dropped off at City Hall by 3:00 PM, August 2, 2022. Council Chambers are open to the public.

Members of the public can view the regular meeting live through Zoom:

<https://us06web.zoom.us/j/86465138081>

Or, join from a phone: (346) 248-7799, (720) 707-2699, (646) 558-8656

Webinar ID: 864 6513 8081

Mayor – Thomas Reische

Mayor Pro Tem – Daniel Vaca

Council Member – Denise Conrado

Council Member – Greg Ponciano

Council Member – Joshua Hill

CALL TO ORDER

ROLL CALL

PUBLIC COMMENTS *(The public may comment on items scheduled to be heard during the Closed Session Meeting)*

CLOSED SESSION - 5:30 PM

1. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION (Section 54956.9)

REGULAR MEETING - 6:00 PM

REPORT ON CLOSED SESSION

ROLL CALL

PLEDGE OF ALLEGIANCE

APPROVAL OF THE AGENDA

PUBLIC COMMENTS *(The public to address any item of City business NOT appearing on this Agenda. Speakers must limit their comments to three (3) minutes each. Please note that per Government Code Section 54954.3(a), the City Council cannot take action or express a consensus of approval or disapproval on any public comments regarding matters which do not appear on the printed agenda)*

CONSENT CALENDAR - All items listed on the Consent Calendar are considered by the Council to be routine in nature and will be enacted by one motion unless an audience member or Council member requests otherwise, in which case, the item will be removed for separate consideration.

2. **Adopt** - Resolution increasing the sewer rates 9% starting September 1, 2022.
3. **Adopt** - Resolution to approve waiving Request for Proposals process and enter into a contract with SF Metalworks for construction of a stainless-steel insert for the UV Channel
4. **Adopt** - Resolution approving the City Manager to sign the water services agreement with Colusa Industrial Properties.
5. **Adopt** - Ordinance 553 adopting a military equipment policy of the City of Colusa governing the use of military equipment

COUNCIL MEMBER/CITY MANAGER REPORTS and STAFF COMMENTS

PUBLIC HEARINGS

6. Public Hearing for a proposed first reading of an Ordinance approving a Development Agreement, and a Resolution for a Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit in support of cannabis manufacturing uses at 2949 Niagara Avenue.

Recommendation: Council to Open the Public Hearing, and

Council to introduce and read by title only Ordinance ____ An Ordinance of the City Council approving a Development Agreement between the City of Colusa and Hunny Pot Farms relative to the operation of a Cannabis Manufacturing Facility located at 2949 Niagara Avenue in Colusa.

Council to adopt Resolution 22-__ approving a Special Use Permit and a Regulatory Use Permit relative to the establishment and operation of a Cannabis Manufacturing Business Facility located at 2949 Niagara Avenue in Colusa.

7. Public Hearing for a proposed first reading of an Ordinance approving a Development Agreement, and a Resolution for a Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit in support of cannabis manufacturing uses at 2876 Niagara Avenue.

Recommendation: Council to Open the Public Hearing, and continue the Public Hearing to August 16, 2022.

8. Public Hearing for the first reading of a proposed Ordinance approving a Development Agreement, and a Resolution for a Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit in support of cannabis manufacturing uses at 2881 Niagara Avenue.

Recommendation: Council to Open the public hearing, and continue the Public Hearing to August 16, 2022.

9. Consideration of the Resolution approving to Authorize placement of solid waste liens from Recology on the 2022-23 County Property Tax Roll.

Recommendation: Council to continue the Public Hearing and;

Council to adopt the Resolution authorizing delinquent solid waste liens on “Exhibit A” to be placed on the 2022-23 City Property Tax Roll with the County.

10. Consideration to approve the right of way exchange with Amargit Chema and Mandeep Cheema, aka owners on and adjacent to the property known as APN 002-011-004

Recommendation: Council to adopt Resolution No. 22-__ authorizing both the acquisition and simultaneous relinquishment of land related to a property located along the east side of Wescott Road having assessor parcel no. 002-011-004.

COUNCIL CONSIDERATION

11. Council to consider adopting Resolution 22-__ Grand Jury Council response

Recommendation: Council to review the response and provide comments and consider approving the Resolution.

DISCUSSION ITEMS

12. EVENTS UPDATE

13. PIRELLI UPDATE

FUTURE AGENDA ITEMS

ADJOURNMENT



SHELLY KITTLE, CITY CLERK

Notice of Meetings and Agendas

The Regular Colusa City Council meetings are held the first and third Tuesdays of each month at 6:00 pm in the Colusa City Council Chambers located at 425 Webster Street, Colusa California unless otherwise noted above. Copies of open session agenda packets, which are distributed to the City Council, are on file at the front desk of the City at 425 Webster Street, Colusa, California, and are available for public inspection beginning 72 hours in advance, during normal business hours (7:00 am – 5:00 pm., Monday through Thursday except for City holidays). Additionally, if any reports or documents, which are public records, are distributed to the City Council less than 72 hours before the meeting, those reports and documents will also be available for public inspection at the front desk of the City and on the day of the meeting in the Council Chambers.

Americans with Disabilities Act

In compliance with the Americans with Disabilities Act, persons requiring accommodations for a disability at a public meeting should notify the City Clerk at least 48 hours prior to the meeting at (530) 458-4740 in order to allow the City sufficient time to make reasonable arrangements to accommodate participation in this meeting.

"This institution is an equal opportunity employer and provider"



City of Colusa California

STAFF REPORT

DATE: August 2, 2022
TO: City of Colusa Mayor and Council Members
FROM: Jesse Cain, City Manager

AGENDA ITEM:

Subject: City of Colusa's sewer rate increase

Recommendation: Adopt resolution 22-____increasing the sewer rates 9% starting September 1, 2022.

BACKGROUND ANALYSIS:

The City of Colusa conducted a sewer rate analysis in May of 2018 and on July 17, 2018, the City of Colusa held a public hearing on the new proposed rate analysis. The City went through the required Prop 218 process and the new sewer rates was adopted.

In 2020, Covid-19 hit the world causing many things to shut down and many people were out of work. Accordingly, the City of Colusa reasonably chose not to implement the previously approved 9% sewer increase as the sewer budget was operating ok. We also did not increase the sewer rates in 2021 because I felt that the economy was still struggling, and people were still not back to work as they were pre-pandemic. Moreover, the Sewer budget was holding strong. If the city had increased the rates to what the public voted in, we would have seen a 15% increase over the last two years. Going through the budget and what is coming up in the next few years we need to raise the rates this year by 9% to be able to keep services intact. The currently adopted Prop 218 allows the City in increase the rates by 33.5% from the 2018-2019 rate structure without going through a new 218 process. I currently don't see the need to have to meet that kind of rate increase, but a reasonable 9% rate increase would keep the City in a good financial situation without significantly impacting rate payers.

BUDGET IMPACT: None

STAFF RECOMMENDATION. Adopt resolution 22-

ATTACHMENT: Resolution 22-

RESOLUTION NO. 22-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLUSA APPROVING THE
IMPLIMENTATION OF A 9% SEWER RATE INCREASE FOR 22-23 FISCAL YEAR

WHEREAS, on August 2, 2022, the City of Colusa City Council Approves the resolution authorizing to implement a 9% sewer rate increase starting September 1, 2022.

WHEREAS, the City went through a legally valid Prop 218 procedure related to this rate increase;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF COLUSA DOES HEREBY RESOLVE:

1. Recitals. The foregoing recitals are true and correct and made part of this Resolution.

.2 Effective Date. This Resolution shall be effective immediately.

The City Clerk shall certify the passage and adoption of this Resolution and enter it into the book of original resolutions.

Passed and adopted on this 2nd day of August 2022 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

THOMAS REISCHE, MAYOR

Shelly Kittle, City Clerk



City of Colusa California

STAFF REPORT

DATE: August 2, 2022
TO: City of Colusa Mayor and Council Members
FROM: Jesse Cain, City Manager

AGENDA ITEM:

Subject: City of Colusa wastewater state compliance project.

Recommendation: Council to consider adopting Resolution 22-____ Approving the contract with SF metalworks a local fabrication company.

BACKGROUND ANALYSIS:

The City of Colusa's wastewater treatment plant was built in 2008. It is now 14 years old. Since the plant was built, we have had to have the UV channel recoated with epoxy in the past and now it's time to look at doing that again. The City has been experiencing some total chloroform violations now for the last couple years. Working with the State for California and the on call City engineers we have come up with what the State of California calls a compliance project that will help solve the total chloroform violations. Total chloroform violations are minimum mandatory fines. The State allows jurisdictions to come up with plans to spend money on fixing the problems rather than paying them and that is what we intend to do here.

After looking into the costs of just re-epoxying the channel and looking at what new plants are installing, staff believes that installing a stainless-steel insert into the channel would be a better long-term solution. If installed correctly, we could get 20 years of service out of the stainless steel rather than just a few years out of the epoxy.

We immediately searched to find companies that could build and install the stainless-steel insert in the timeframe we needed to avoid penalties. After an extensive search, the only company that could meet our specifications was SF Metalworks.

I have other things that I will be upgrading at the wastewater treatment plant over the next year. Our filter system is no longer supported and if and when it fails they do not make any controls for that, so I am looking at changing out the control system to the new standards later this fall/winter. When you have a lot of computer operated equipment their life span is short so we have to stay on top of the replacement.

In light of the good faith review of available resources and there being only one company that can meet our required specification, I ask the City Council to waive the RFP process as a Soul Source Purchasing exception under the Purchasing Policy.

BUDGET IMPACT: \$87,302 out of the wastewater fund

STAFF RECOMMENDATION: Council to adopt Resolution 22-___ approving the Contract with SF metal works.

ATTACHMENTS: Resolution 22 -___
SF Metal work contract

RESOLUTION NO. 22-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLUSA APPROVING TO WAIVE THE RFP PROCESS AND ENTER INTO A CONTRACT WITH SF METALWORKS FOR THE CONSTRUCTION OF A STAINLESS-STEEL INSERT FOR THE UV CHANNEL

WHEREAS the City's wastewater treatment plant is in need of a stainless-steel insert to avoid penalties from the State;

WHEREAS, the City Manager conducted good faith efforts to find contractors able to perform this service under the City's specifications;

WHEREAS, with SF Metalworks as the only contractor that can provide this service within the City's timeframe, waiver of the RFP process for Sole Source Purchasing under the Purchasing Policy is permitted;

WHEREAS, on August 2, 2022, the City of Colusa City Council Approves Resolution 22-__ waiving the RFP process and enters into a contract for the construction of a stainless steel insert.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF COLUSA DOES HEREBY RESOLVE:

1. Recitals. The foregoing recitals are true and correct and made part of this Resolution.
2. Effective Date. This Resolution shall be effective immediately.

The City Clerk shall certify the passage and adoption of this Resolution and enter it into the book of original resolutions.

Passed and adopted this Second day of August 2022 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

THOMAS REISCHE, MAYOR

Shelly Kittle, City Clerk

BID: SS TROUGH

SF METALWORKS

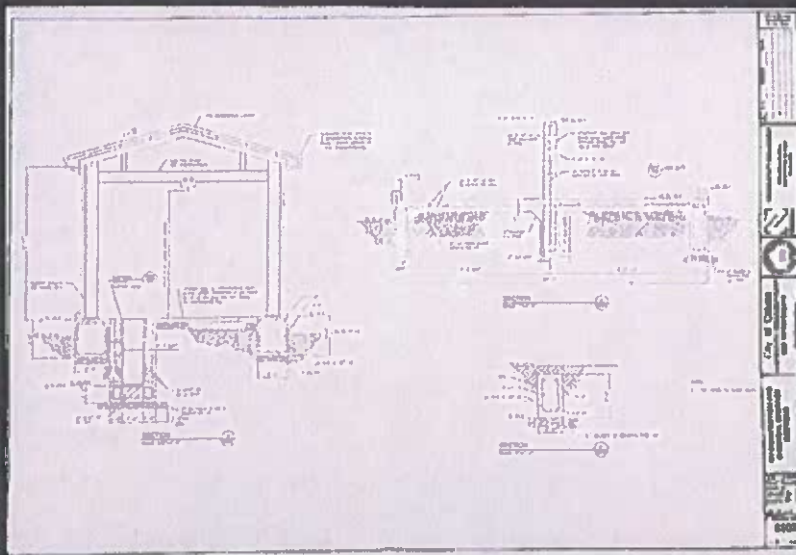
Prepared by:

SF Metalworks
matthew@sfmetalworks.com

Prepared for:

City of Colusa
citymanager@cityofcolusa.com

Submitted on: May 26, 2022



Project Summary

Scope of Work

Fabrication and installation of stainless steel trough for the final UV stage at the Waste Treatment Plant in Colusa CA .

- Approximately 58 LF (linear feet) x 29" tall x 19 5" U-shaped channel (no flanges) per client provided dimensions and details.

Material: 16 gauge, 316L Stainless Steel.

Finish: Mill finish (raw).

Included:

- Site Visit.
- Shop Drawings for Approval.

Excluded:

- Samples.
- Finish (other than smoothing weld joints).
- Electrical, Plumbing, Mechanical work, Engineering.

Description	Price
Fabrication	\$71,344
Delivery & Installation	\$15,958
Total Fixed Fee	\$87,302

SF METALWORKS: TERMS AND CONDITIONS

THESE SUBCONTRACT TERMS AND CONDITIONS (this "Subcontract"), dated Not yet accepted (the "Effective Date"), is entered into by and between City of Colusa ("Contractor"), and Front Row Builders, Inc. a California Corporation doing business as "SF Metalworks", CSLB license number 893834, with a business address of 7893 Hwy 20 Meridian CA 95957 ("Subcontractor"). Collectively the "Parties" and individually a "Party".

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. THE WORK

Subcontractor shall perform the work and/or supply the materials more fully specified on the "Scope of Work" attached hereto for the contract price as defined in fees section, payable in accordance with Section 2 hereof.

2. PRICING AND PAYMENTS

The Subcontractor hourly rates shall be good for thirty (30) days as of the Effective Date and may be modified during the term of any Scope of Work. Unless explicitly marked as a "fixed fee" within a Scope of Work, all quotes for labor, materials or taxes should be interpreted as an estimate and are subject to adjustment before the completion of any Scope of Work. Material pricing is contingent on approved samples (if applicable).

Bids (including material costs) are only good for 30 days. SFM reserves the right to make adjustments via change order. Material orders placed beyond 30 days (from delivery of proposal to point of ordering material) are subject to increase via change order.

Material: **please signify understanding and agreement** —  Jesse Cain

- Due to material pricing fluctuation in the market Subcontractor cannot confirm material costs until we have a signed proposal, deposit, and material prices have been re-quoted and guaranteed up to the point of material purchase date/s. Clients will be alerted if there are significant changes in pricing (either up or down).

Except for the initial deposit, which is due upon execution of this Subcontract, Subcontractor shall submit invoices for payment to Contractor under the terms of the Scope of Work (individually, an "Invoice" and collectively, "Invoices"), once per month, or in accordance to the payment scheduled agreed upon within a Scope of Work. Unless otherwise stipulated within the Scope of Work, Contractor agrees to pay Subcontractor in monthly progress payments for all work completed. Subcontractor shall submit monthly Invoices to Contractor reflecting payment due. If an Invoice is filled out incorrectly or incompletely or if there is any other defect or impropriety in an Invoice, Contractor shall so notify Subcontractor in writing, within five (5) business days of the receipt of such Invoice. In the event Contractor fails to pay any portion of the scheduled payments or an undisputed invoice to Subcontractor as contemplated hereunder, Subcontractor shall have the right to cease all services under any Scope of Work until such time Contractor makes such payment. Further, if payment is not received by the due date, Subcontractor reserves the right to assess interest on the overdue amount at a rate of four percent (10%) of the total amount due, to be charged monthly (and prorated if less than a month late), or terminate the Subcontract and all payments under the Subcontract will become immediately due.

Payment Terms

- 75% fabrication deposit to initiate work
- 25% fabrication balance due before delivery
- 100% of installation invoiced upon completion of installation (due upon receipt)
 - ✦ *Installation plan will be sent in advance of install, including preparation direction required of City of Colusa*
 - *Standby time will be billed at \$150/hr per person if job site is not prepared by City of Colusa for SF Metalworks install upon arrival.*
 - *Any workarounds that SF Metalworks participates in during install as a result of site not being prepped in advance will be billed as T&M at \$190/hr per person.*
- Balances past due 30 days will be assessed 10% interest on a monthly basis until paid.

NOTE: SF Metalworks may send a preliminary (prelim) notice Conditional/Unconditional waivers of releases will be signed by SFM if requested, after payment has been received.

3. SCHEDULE OF WORK AND ADJUSTMENTS

Subcontractor shall provide Contractor with any requested scheduling information regarding the Scope of Work. Creating a schedule is dependent on when this Subcontract is executed, and an initial deposit is received. Unless otherwise clearly marked fixed fee, all work shall be billed on a time and materials basis, and the Scope of Work should not be interpreted as a set price.

Whenever an adjustment in the Scope of Work price or schedule is required because of Contractor's request, differing site conditions, errors in the plans and specifications, or other circumstances beyond the control of Subcontractor (including lack of worksite access, weather, fires, floods, strikes, acts of God, natural disasters, or acts of third parties), Subcontractor shall submit to Contractor within a reasonable time a detailed estimate, with supporting calculations, pricing and adjustments in the schedule of the change to the Scope of Work price and schedule. Pricing of the adjustment shall be in general accordance with the pricing structure of this Subcontract.

4. EXCLUSIONS

Unless otherwise specified within a Scope of Work, the Subcontractor's services shall not include, waterproofing, engineering, structural calculations, permits, drawings, inspections, electrical, plumbing or mechanical work.

5. COMPLETION

When Subcontractor considers that the Scope of Work is complete, Subcontractor and Contractor shall review the work, and if necessary, prepare a list of the remaining items to be completed or corrected (the "Punch List"). When Contractor, on the basis of an inspection, determines that the Scope of Work and Punch List is complete, Contractor will pay the remaining balance due. When site work has been completed, SFM may ask to be connected with the homeowner for the purpose of photographing the work.

6. ESTIMATED TIMELINE

Assembly	Drawings Approved	Fabrication Completed	Installation
SS Trough	Week 3	Week 9	Week 12

Keep in mind:

- Estimated timelines can vary based on potential work that may land in SFM production schedule.
- Timeline for this project begins once SFM has both a signed proposal and deposit. Delivery/ installation dates can be locked in at that time.
- SFM assumes City of Colusa will be expedient in responding to communications, including approval of drawings.
- The above includes time to order/receive material required for fabrication and SFM vendor efforts, when applicable. *NOTE: Due to current supply chain challenges, some supplier lead times may fluctuate and cause delays to the timeline.*

A few of SF Metalworks' Past Projects



Copper awning



Steel bar counter.



Brass counter with round sink.



A solid stair structure to be clad in stone and wood for private residence in Hawaii. [Case Study >>](#)

Our Custom Metal Fabrication Process

Commitment

1. Client signs the proposal <-- we are here :))
2. SFM sends an invoice for deposit
3. Client pays invoice

Alignment

1. SFM initiates the work
2. SFM meets internally, confirms schedules and communicates updated timeline with Client (based on estimated timeline in proposal)
3. SFM sends someone to site measure (if needed)
4. SFM drafts drawings for approval (if needed)
5. Client approves drawings

Production

1. SFM proceeds to order materials and fabricate
2. SFM invoices for balance of fabrication
3. Client pays fabrication balance
4. SFM arranges install/delivery date with Client

Delivery

1. SFM delivers (or installs)
2. SFM invoices for balance of installation (if SFM is installing)
3. Client pays installation balance (if SFM is installing)

Sign-off

SF Metalworks proposes to City of Colusa outlined in this proposal for an all-inclusive fee of \$87,302.00. This includes project management, equipment, materials, labor, scheduling, supervision, and quality assurance.

Additional charges will be included if changes are made to the project scope once this document has been signed and/or differences between the allowance outlined above and the actual cost of these items varies

The next step is to agree to this quote (in addition to any changes that have been noted in the presentation of this document) and to sign the contractual agreement which references the document above.

SF Metalworks



Ron Moore

Ron Moore

Owner

Not yet accepted

City of Colusa



Jesse Cain

Jesse Cain

City Manager

Not yet accepted

Payment Method: Will you pay deposit by check, ACH bank transfer or credit card?

NOTE Credit card payments include a 3% fee Sending a check in the mail may delay the start of a project



City of Colusa California

STAFF REPORT

DATE: August 2 2022
TO: City of Colusa Mayor and Council Members
FROM: Jesse Cain, City Manager

AGENDA ITEM:

Colusa Industrial Properties Water Service Agreement

Recommendation: Council to consider approving Resolution Approving the City manager to sign the water services agreement with Colusa Industrial Properties.

BACKGROUND ANALYSIS:

In 2017 the City of Colusa and Colusa industrial properties installed and entered into an emergency water agreement so that if one of the City wells was to fail or if Colusa Industrial properties wells were to fail we both could serve water to each other. The City has applied for grants to install a new well, install treatment on the other wells in the City and after a few years waiting on funding it looks like we should be getting our funding in the next few months.

Well number 6 located at Memorial Park at 10th Street and Jay Street has been the city's most producing and best water quality production well for years now over the last couple years well 6 is showing signs that it is going to fail soon. The City has spent good money on trying to rehab the well just to see that it is continuing to decline. The well casing is rotting out we have patched holes in it and even installed a smaller casing. Earlier this year we swabbed and chemically cleaned the well to help production after the project was completed the well went back to its original production rate but over the last month I am starting to see the production drop off I believe that the reduction in the casing size along with the old casing we have some gravel pack issues once this happens there is not a lot that can be done to bring the well back to its original production. The grant that we applied for adds full treatment to well 6 I don't want to waste money on a well now that is going to fail so I have started the conversation with granting agency to include in the to move well 6 a few feet and drill a new one and then install treatment on it.

With Well 6 not producing its original flow of 1100 gpm to 1400 gpm there has been a few times that our water tank level has gotten down to where I am not comfortable with. In the water services agreement with Colusa Industrial properties, it only covers their operating costs for PGE and chlorine used. We only should be using the services agreement through the

summer months when the peak daily water demand is needed. I want to be clear we do not have ground water issues our ground water table is holding strong. Well 6 is too far gone to keep wasting money on it.

The City of Colusa and Colusa industrial property will be negotiating over the next few years on how and when the City takes over their water system and incorporates into the City water systems.

BUDGET IMPACT: Unknown at this time

STAFF RECOMMENDATION: Council to approve Resolution 22-__

ATTACHMENTS: Resolution 22-____
Water Service Agreement

RESOLUTION NO. 22 –

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLUSA TO ENTER INTO A WATER SERVICE AGREEMENT WITH COLUSA INDUSTRIAL PROPERTIES

WHEREAS, the City of Colusa City Council to enter into a Water Service Agreement with Colusa Industrial properties;

WHEREAS, this Agreement is beneficial to the community because it ensures that the City maintains enough water to serve the public

WHEREAS, the Agreement is attached as Exhibit A to this Resolution.

PASSED AND ADOPTED as a Resolution of the City Council of the City of Colusa, at its regular meeting duly held on the 2nd day of August 2022, by the following vote.

AYES:

NOES:

ABSENT:

ABSTAIN:

THOMAS REISCHE, MAYOR

Attest:

Shelly Kittle, City Clerk

WATER SERVICE CONNECTION AGREEMENT
between
CITY OF COLUSA
&
COLUSA INDUSTRIAL PROPERTIES

PURPOSE/OBJECTIVE:

Establish and define a daily rate for water service connection and deliveries from Colusa Industrial Properties (CIP) to the City of Colusa (City). This agreement is for the purpose of emergency connection ONLY, if it is determined that the City is experiencing difficulty in meeting its water production needs.

WATER DELIVERY DAILY RATE:

It has been determined that when the service connection valve between CIP and the City is opened and CIP is pumping at a constant volume of 600-650 GPM the increased daily volume production for CIP is 650,000 gallons per day in excess of normal CIP needs. This volume equates to **869 HCF** increased production for CIP's water system. The rate established by CIP in order to deliver this water to the City is **\$0.27 / HCF** or a daily rate of **\$235.00 per day**.

TERM:

This Agreement is on a "WILL CALL" basis and will remain in effect only when the City Manager has indicated a need for assistance requiring water deliveries from CIP. The City Manager will communicate with CIP and determine when water deliveries are no longer needed. The City Manager and CIP will document and record the number of days this agreement is in effect, billing will correspond to each period of service requested.

REPORTING REQUIREMENTS:

CIP will make available to the City, any water production, water quality or chlorination residual data for the periods of service if requested. If information is requested by The State Water Board, CIP and the City will work cooperatively to provide any information or data necessary.

City of Colusa

Colusa Industrial Properties

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

ORDINANCE NO. 553

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
COLUSA, CALIFORNIA, ADOPTING A MILITARY EQUIPMENT
POLICY OF THE CITY OF COLUSA, CALIFORNIA GOVERNING THE
USE OF MILITARY EQUIPMENT

THE CITY COUNCIL OF THE CITY OF COLUSA DOES HEREBY FIND AND RESOLVE AS FOLLOWS:

WHEREAS, on September 30, 2021, Governor Gavin Newsom signed into law Assembly Bill 481 (“AB 481”), adding Chapter 12.8, “Funding, Acquisition and Use of Military Equipment”, to Division 7 of Title 1 of the Government Code (sections 7070 – 7075), relating to the use of military equipment by California law enforcement agencies;

WHEREAS, AB 481 seeks to provide transparency, oversight, and an opportunity for meaningful public input on decisions regarding whether and how military equipment is funded, acquired, or used;

WHEREAS, the Colusa Police Department is in possession of certain items of equipment that qualify as “military equipment” under AB 481 and further intends to acquire other items of military equipment;

WHEREAS, AB 481 requires, inter alia, that a law enforcement agency possessing and using such qualifying equipment must prepare a publicly released, written, military equipment use policy document covering the inventory, description, quantity, purpose, capabilities, use, lifespan, acquisition, maintenance, authorized use, fiscal impacts, procedures, training, oversight, and complaint process, applicable to the Department’s use of such equipment;

WHEREAS, the policy must be approved by the City Council by ordinance, and reviewed annually thereafter; and

WHEREAS, the military equipment inventoried and presented to the City Council is necessary because there is no reasonable alternative that can achieve the same objective of officer and civilian safety;

WHEREAS, the proposed Military Equipment Use Policy (“Policy”) will safeguard the public’s health, welfare, safety, civil rights, and civil liberties;

WHEREAS, the equipment is reasonably cost effective compared to available alternatives that can achieve the same objective of officer and civilian safety;

WHEREAS, prior military equipment use complied with the applicable equipment use policy (which included equipment now defined as military equipment) that was in effect at the time, or if prior uses did not comply with the accompanying military equipment use policy, corrective action has been taken to remedy nonconforming uses and ensure future compliance;

WHEREAS, the Police Department has submitted the proposed Policy to the City Council and thereafter has made those documents available on the Police

Department's website for at least 30 days prior to the public hearing concerning the military equipment at issue;

WHEREAS, the Policy satisfies the requirements of Government Code Section 7070(d);

WHEREAS, the City Council of the City of Colusa, having received the information required under AB 481 regarding the Colusa Police Department's use of military equipment as defined in said law, deems it to be in the best interest of the City to and hereby does approve the Military Equipment Policy.

WHEREAS, all legal prerequisites prior to the adoption of this Ordinance have occurred.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF COLUSA HERBY ORDAINS AS FOLLOWS:

Section 1: Recitals. The City Council finds that all the recitals, facts, findings, and conclusions set forth above in the preamble of this Ordinance are true and correct.

SECTION 2: Approval of Military Equipment Policy.

Military Equipment Policy.

- (a) The Military Equipment Policy shall govern the use of military equipment by the Colusa Police Department.
- (b) The Policy shall be made publicly available on the Police Department's website for as long as the military equipment is available for use or as otherwise ordained by the City Council.
- (c) The Police Department shall submit an annual military equipment report to the City Council containing the information required by Government Code Section 7072 and the City Council shall thereafter determine whether each type of military equipment identified therein complied with the standards for approval set forth in Government Code Section 7071(d).
- (d) The City Council shall on an annual basis and at a regular meeting thereof review this ordinance and vote on whether to renew it pursuant to Government Code Section 7071(e)(2).
- (e) The definitions set forth in Government Code section 7070 shall apply to this ordinance. Any provision of state law referred to herein shall mean and include any amended or successor provision thereof.

Section 3: Compliance with CEQA. Adoption of this Ordinance is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061 (b)(3) (General Rule) of the CEQA Guidelines because it is not a "project" and because it can be seen with certainty that there is no possibility that the passage of this Ordinance will have a significant effect on the environment.

Section 4: Inconsistencies. Any provision of the Colusa Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, is hereby repealed or modified to that extent necessary to affect the provisions of this Ordinance.

Section 5: Uncodified Ordinance. This Ordinance shall not be codified in the Colusa Municipal Code unless and until the City Council so ordains.

Section 6: Severability. If any chapter, article, section, subsection, subdivision, sentence, clause, phrase, word, or portion of this Ordinance, or the application thereof to any person, is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portion of this Ordinance or its application to other persons. The City Council hereby declares that it would have adopted this Ordinance and each chapter, article, section, subsection, subdivision, sentence, clause, phrase, word, or portion thereof, irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses, phrases, or portions of the application thereof to any person, be declared invalid or unconstitutional. No portion of this Ordinance shall supersede any local, state, or federal law, regulation, or codes dealing with life safety factors.

Section 7: Effective Date. This Ordinance shall become effective thirty (30) days following from its adoption.

Section 8: Certification. The City Clerk shall certify the adoption of this Ordinance and shall cause the same to be posted or published in the manner as required by law.

APPROVED AND ADOPTED on this ___ day of ____, 2022.

AYES:

NOES:

ABSENT:

ABSTAIN:

THOMAS REISCHE, MAYOR

ATTEST:

Shelly Kittle, City Clerk



City of Colusa California

STAFF REPORT

DATE: August 2, 2022
TO: Mayor Reische and members of the City Council
FROM: Jesse Cain City Manager

AGENDA ITEM:

Subject: Public Hearing for a proposed first reading of an Ordinance approving a development agreement, and a Resolution for a Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit in support of cannabis manufacturing uses at 2949 Niagara Avenue.

Recommendation: Council to Open the public hearing, and introduce, read by title only, and waive the full first reading of the proposed Ordinance:

FIRST READING BY TITLE ONLY AND SET FOR SECOND READING AN ORDINANCE OF THE CITY COUNCIL APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLUSA AND HUNNY POT FARMS RELATIVE TO THE OPERATION OF A CANNABIS MANUFACTURING FACILITY LOCATED AT 2949 NIAGARA AVENUE IN COLUSA

Recommendation: Council to adopt the following Resolution:

A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2949 NIAGARA AVE. IN COLUSA

BACKGROUND ANALYSIS:

The subject property (the "Site") is located on 5 acres within the southern portion of the Colusa Industrial Park (CIP) at 2881 Niagara Avenue and surrounded by existing industrial land uses to the north, west and south. Agricultural land and undeveloped industrial properties are located to the west of the Site.

Hunny Pot Farms (the "Owner") proposes to establish a cannabis cultivation facility on an approximate 5.94 acre site in the Colusa Industrial Park. As shown on the attached site plan, full build-out of the project would include up to eight 10,800-square-foot metal industrial buildings totaling 86,400 square feet and one - 6,000-square-foot metal building (Exhibit "B"). Actual construction of the project would occur in phases with the first phase involving cultivation in Building #1 and #2 totaling 21,600 square feet located at the southeast corner of the site; and dry

storage in Building #9 totaling 6,000 square feet located at the northeast corner of the site.

The use of the buildings would involve the cultivation (planting and growing) of cannabis plants and the harvesting, drying, trimming, and storage of cannabis flowers. The hours of operation would be from 7:00 am to 6:00 pm daily with a total of 3 employees in the first phase and adding 2 additional employees per building for a total of approximately 15 employees on the site at build-out. Pursuant to State law, a separately licensed firm would be contracted with to test, package and transport the product to a another separately State licensed retail outlet. Truck traffic would be limited with an average of 2 to 3 trips on a daily basis at build-out.

Hunny Pot Farms requests development agreement ("DA"), Cannabis Business Regulatory Permit, and Cannabis Business Special Use Permit approval as required by City Code to operate their cannabis business.

Development Agreement

As drafted, the term of the DA would last ten years. The DA contains mutually agreeable terms and provisions defining the obligations and contributions applicable to the City and the Owner. The DA establishes performance requirements, reporting and audition procedures, monetary compensation to the City (in the form of Production Fees), regulations, "City Covenants," and specific development criteria of the project.

Use Permits

The cultivation of cannabis products is considered "manufacturing," and one of many permitted uses, within the City's cannabis regulations, following approval of a DA, special use permit, and regulatory permit by the City Council. The scope of the Owner's Project is limited to how it is described above in compliance with State and City regulations including the Zoning Ordinance. Multiple conditions of any use permit approval would apply to the project (if approved) and are included within the draft resolution. These include requiring detailed plans for security and safety, odor control, premises layout, and parking.

Staff considers the proposed use of the site, DA, special use permit and regulatory permit to be consistent with the City Code, Zoning Ordinance and General Plan.

ENVIRONMENTAL REVIEW:

All procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied as development of the Project Site (with agricultural cultivation, processing and manufacturing land uses) is considered an anticipated use that is consistent with the analysis of such uses that have already undergone extensive environmental documentation within the *County of Colusa 2030 General Plan Update Environmental Impact Report* certified by Colusa County in 2012.

PUBLIC COMMENT:

Staff received no comments on the proposed Project.

PLANNING COMMISSION ACTION:

During their meeting of April 13, 2022, the Planning Commission considered a Planning Department staff report and public testimony in support of the Project. Following the public hearing, the Planning Commission voted 5-0 to pass a Resolution recommending City Council approval of the proposed DA. Under the City Code, the Planning Commission does not review cannabis-related use permits.

BUDGET IMPACT:

If adopted, this ordinance and DA may facilitate new sources of revenue (over a longer period of time) to the City of Colusa from future cannabis cultivation/manufacturing activities associated with this Project.

STAFF RECOMMENDATION:

Staff recommends that the City Council consider the analysis, project staff report, and public testimony. Should the City Council support such analysis and the proposed project, staff recommends that the City Council approve the following:

1. FIRST READING BY TITLE ONLY AND SET FOR SECOND READING AN ORDINANCE OF THE CITY COUNCIL APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLUSA AND HUNNY POT FARMS RELATIVE TO THE OPERATION OF A CANNABIS MANUFACTURING FACILITY LOCATED AT 2949 NIAGARA AVENUE IN COLUSA
2. A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2949 NIAGARA AVE. IN COLUSA

ATTACHMENT:

Ordinance No ____ approving Development Agreement

Resolution No ____ for Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL APPROVING A DEVELOPMENT
AGREEMENT BETWEEN THE CITY OF COLUSA AND HUNNY POT FARMS RELATIVE
TO THE OPERATION OF A CANNABIS MANUFACTURING FACILITY LOCATED AT
2949 NIAGARA AVENUE IN COLUSA

The City Council of the City of Colusa does ordain as follows:

Section 1. The City Council of the City of Colusa finds and determines that:

A. All procedures of the California Environmental Quality Act (“CEQA”), California Public Resources Code §21000 *et seq.*, and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 *et seq.* have been satisfied because the Project is exempt from further environmental review under CEQA. City of Colusa Planning Staff have concluded with certainty that the Project would have no significant effect on the environment, pursuant to Guidelines Section 15061 (b) (3), because there is no development associated with the proposed draft Ordinance.

B. The development agreement is consistent with and implements the policies of the City of Colusa's General Plan, including the Housing Element.

C. The development agreement is compatible with the land uses and development regulations prescribed by the zoning for the property located at 2949 Niagara Avenue (“Site”).

D. The development agreement will not be detrimental to the health, safety, and welfare of persons residing in the immediate area nor be detrimental or injurious to property or persons in the general neighborhood or to the general welfare of residents of the city as a whole.

E. The development agreement will not adversely affect the orderly development of property or the preservation of property, on or off the project Site.

F. The agreement is consistent with the provisions of Government Code Sections 65864 through 65869.5.

Section 2. The Planning Commission, during a duly noticed public hearing held on April 13, 2022, passed a resolution by a vote of 5-0 recommending City Council approval of this Ordinance for the Development Agreement.

Section 3. The City Council of the City of Colusa hereby approves the Ordinance for the Development Agreement, attached hereto and incorporated by reference herein, by and between the City of Colusa and Hunny Pot Farms relative to the manufacturing of cannabis products.

Section 4. The City Council of the City of Colusa hereby directs the Mayor to sign the Development Agreement by and between the City of Colusa and Hunny Pot Farms relative to cannabis manufacturing on behalf of the City of Colusa and directs the City Clerk to record said document with the Colusa County Recorder.

Section 5. Within fifteen days of passage of this ordinance, the City Clerk shall cause the full text of the ordinance, with the names of those City Council members voting for and against the ordinance, to be published in a newspaper of general circulation circulated in the City. In lieu of publishing the full text of the ordinance, the City Clerk, if so directed by the City Attorney and within fifteen days, shall cause a summary of the ordinance, prepared by the City Attorney and with the names of the City Council members voting for and against the ordinance, to be published in a newspaper of general circulation circulated in the City, and shall post in the office of the City Clerk a certified copy of the City Council members voting for and against the ordinance. The publication of a summary of the ordinance in lieu of the full text of the ordinance is authorized only where the requirements of Government Code section 36993 (c) (1) are met.

INTRODUCED at a regular meeting of the City Council of the City of Colusa held on _____, 2022, by the following vote:

AYES: Councilmembers:
 NOES: Councilmembers:
 ABSENT: Councilmembers:
 ABSTAIN: Councilmembers:

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Colusa held on _____, 2022, by the following vote:

AYES: Councilmembers:
 NOES: Councilmembers:
 ABSENT: Councilmembers:
 ABSTAIN: Councilmembers:

 TOM REISCHE, Mayor

ATTEST:

 SHELLY KITTLE, City Clerk

First Reading:

Second Reading:

Effective Date:

ATTACHED:

DEVELOPMENT AGREEMENT BY AND BETWEEN THE CITY OF COLUSA AND
 HUNNY POT FARMS

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

City of Colusa
425 Webster Street
Colusa, CA 95932

Attention: City Clerk

SPACE ABOVE THIS LINE FOR RECORDER'S USE
Recording Fee Exempt per Government Code §6103

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 2022 (the "Execution Date"), by and between the **CITY OF COLUSA, a California municipal corporation** ("City") and **Hunny Pot Farms, Inc.** ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement.

RECITALS

- A. The State of California enacted California Government Code Sections 65864 *et seq.* ("Development Agreement Statutes") to authorize municipalities to enter into development agreements with those having an interest in real property to strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development in connection with the development of real property within their jurisdiction.
- B. The purpose of the Development Agreement Statutes is to authorize municipalities, in their discretion, to establish certain development rights in real property for a period of years regardless of intervening changes in land use regulations, to vest certain rights in the developer, and to meet certain public purposes of the local government.
- C. Owner intends to develop, in phases, multiple buildings totaling 92,400 square feet on 5.94 acres of a currently vacant industrial lot (APN: 017-130-028-000) for the purposes of cannabis cultivation. Owner may expand operations in future phases to include other cannabis uses. The site is more fully described in Exhibit A and shown on the map in Exhibit B.
- D. Owner intends to operate a Cannabis Manufacturing Facility as defined in the City of Colusa City Code. Such Cannabis Manufacturing Facilities shall operate in accordance with the California State cannabis laws, creating a unified regulatory structure for adult use and medical cannabis. Prior to operating a cannabis facility,

Tenants shall be required to obtain a special use permit and regulatory permit from City. Owner and Tenants (if any) shall collectively be referred to in this Agreement as Developers.

- E. Ultimately, Developer intends to obtain all necessary state licenses issued pursuant to MAUCRSA to operate the Cannabis Manufacturing Facility at the Site once such licenses are being issued.
- F. Developers presently intend to develop and open a Cannabis Manufacturing Facility on the Site (featuring up to 92 employees) consistent with the California Marijuana Laws and Project Approvals (known as the “Project” as further described below).
- G. On July 18, 2017, City adopted Ordinance 519 permitting Cannabis Manufacturing Facilities in strict compliance with the applicable California laws regulating cannabis cultivation, manufacturing, processing, and distribution under certain conditions and provisions. Currently, City is updating the City Code to comply with new State cannabis regulations that are in effect as of the date of this Agreement.
- H. City and Owner have agreed that, as a condition of allowing the Project, as defined herein, and due to the unique circumstances of the proposed Project, Owner shall pay to the City quarterly fees based on the gross revenue of the Cannabis Manufacturing operations as hereinafter defined, which fees shall abate if and when the City adopts a tax on Cannabis Manufacturing Facilities.
- I. The City of Colusa, as “Lead Agency,” has determined that —based upon CEQA Guidelines Section 15061 (b) (3)— the Project is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.
- J. City has given public notice of its intention to adopt this Agreement and has conducted public hearings thereon pursuant to California Government Code §65867. City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in the City’s General Plan, zoning code and municipal ordinances.
- K. City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date.

The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement; *i.e.*, assuring Owner that it will enjoy the development rights.

- L. The City agrees that Owner's land use entitlements for the Project shall vest for the term of this Agreement as described below.
- M. After conducting a duly noticed hearing on April 13, 2022, the Planning Commission of the City reviewed, considered and voted 5-0, passed a resolution recommending City Council approval of an Ordinance approving this Agreement.
- N. After conducting a duly noticed hearing on, August 2, 2022 and after independent review and consideration, the City Council approved the execution of this Agreement. The City Council found the Project: consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the zoning code; is in conformity with good land use practices; will not be detrimental to the health, safety and general welfare of the City; and is in the best interest of the City of Colusa and its residents.
- O. Production Fee. "Production Fee" shall mean any cannabis cultivation, processing, testing, distribution, and transportation of cannabis and cannabis products.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. Binding Effect of Agreement. The Parties agree that the Recitals above are true and correct and intend to be bound by same; the Parties further agree to the incorporation by reference herein of said Recitals, together with all definitions provided and exhibits referenced therein. Except as otherwise provided in Section 15 of this Agreement, the burdens of this Agreement are binding upon, and the benefits of this Agreement inure to, all successors-in-interest of the Parties and constitute covenants which run with the Site. In order to provide continued notice thereof, the Parties will record this Agreement with the Colusa County Recorder. The word "Owner" as previously defined and used herein shall include successor owners, apart from government or quasi-public agencies, of any portion of the Site. Should the size or orientation of any Site component specified above be changed in minor respects, *e.g.*, changed by a lot line adjustment, this Agreement shall not thereby be deemed to have been affected or invalidated, but the rights and obligations of the Parties and their successors shall remain as provided herein.

2. Relationship of the Parties. It is hereby specifically understood and acknowledged that the Project is a private project and that neither City nor Developers will be deemed to be the agent of the other for any purpose whatsoever. City and Developers hereby renounce the existence of any form of joint venture or partnership between or among them and agree that nothing contained herein or in any document executed in connection herewith shall be construed as making City and Developers joint venturers or partners.

3. Term. Except as otherwise specified herein, the term of this Agreement (the "Term") is 10 years from the date the Owner begins commercial operation at the Project Site ("Operation Date"). The Operation Date shall be no later than 12 months following the Execution Date. The Term shall generally be subject to earlier termination or extension as hereinafter provided.

3.1 Term Extension – Third Party Issues. Notwithstanding the Parties' expectation that there will be no limit or moratorium upon the Project's development or the issuance of building or other development related permits (a "Development Limitation") during the Term, the Parties understand and agree that various third parties may take action causing a *de facto* Development Limitation. Consequently, the Term shall be extended for any delay arising from or related to any of the potential Development Limitations that follow in the subsections below for a time equal to the duration of that delay occurring during the Term. No Development Limitation may arise or result from an action or omission by Developers.

3.1.1 Litigation. Any third party-initiated litigation that arises from or is related to any City action or omission with respect to this Agreement or any subsequent City approval required in connection with the Project's development, or third-party initiated litigation having the actual effect of delaying the Project's development. This extension period related hereto shall include any time during which appeals may be filed or are pending.

3.1.2 Government Agencies. Any delay arising from or related to the act(s) or omission(s) any third-party governmental agency, quasi-public entity or public utility, and beyond the reasonable control of Developers.

3.1.3 Force Majeure. Any delay resulting from riot, war, acts of terrorism, an event during the Term creating radioactive or toxic/hazardous contamination, a catastrophic earthquake, flood, fire or other physical natural disaster, excluding weather conditions regardless of severity, strikes or industrial disputes at national level effecting development involved personnel not employed by Developers, their subcontractors or suppliers and effecting an essential portion of the Project's development, excluding any industrial dispute that is specific to development taking place as a part of the Project.

3.2 Term Extensions. The Term of this Agreement will be extended for seven additional years upon a determination of the City Council, by way of resolution of the City Council acted on at a regularly scheduled meeting, that both of the conditions listed in subparts 3.2.1 and 3.2.2 below have been fully satisfied are the Owner is in full compliance:

3.2.1. No Default by Owner. Owner shall not be in default with respect to any provision of this Agreement or any subsequent agreement or understanding between the Parties arising from or related to this Agreement, having received notice from City of said default per this Agreement, or if Owner did in fact default as to this Agreement, upon notice from City, that Owner did cure said default during the period to cure provided herein to City's satisfaction.

3.2.2. Finding of Community Compatibility. The City Council shall review the operations of Owner prior to granting an extension of the term of this Agreement and make a finding that the Cannabis Manufacturing, notwithstanding that the Cannabis Manufacturing may not be in precise technical compliance with the issued regulatory permit and special use permit, continue to be compatible with surrounding land uses and are not detrimental to the public health, safety and general welfare.

3.2.3. Mutual Agreement of Parties. In addition to the process listed above for a seven-year term extension, this Agreement's Term may be extended by mutual agreement of the Parties and formal amendment of this Agreement.

3.3. Termination of Agreement. Upon the termination of this Agreement, either by expiration or otherwise, Developers shall have no right to engage in Cannabis Manufacturing at the Project Site, except as may otherwise be allowed by City ordinance, law or separate development agreement.

4. Defined Terms. As used in this Agreement, the following terms shall have the meanings hereinafter set forth:

4.1. Certified Report. "Certified Report" shall mean a detailed document prepared by Developers on a form acceptable to the City's Director of Finance to report to the City of the Cannabis Manufacturing distribution and sales, as defined herein, in the Project during each Operational Quarter, as defined herein. Each Certified Report shall be certified as true and correct by a duly authorized officer of Owner.

4.2. Production Fee. "Production Fee" shall mean a quarterly fee remitted to the City by Owner based on the gross wholesale receipts of its operations, as defined below, in the amount of 3% of gross sales from operations to begin after 8 months of commencement of operation.

4.3. Certification of Non-Income Tax Exemption. Owner certifies that Owner is not income tax exempt under State or Federal Law and that Owner will not file for such an exemption from the Internal Revenue Service or the Franchise Tax Board. Owner will also require all Tenant(s) to certify that Tenant(s) are not income tax exempt under State or Federal Law and will not file for such an exemption.

4.4. Land Use Regulations. "Land Use Regulations" shall mean all ordinances, resolutions, codes, rules, regulations and official policies of the City governing the development and use of land, including, without limitation, the permitted use of land, the density or intensity of use, subdivision requirements, timing and phasing of development, the maximum height and size of buildings, the provisions for reservation

or dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Project. "Land Use Regulations" do not include any City ordinance, resolution, code, rule, regulation or official policy governing:

4.4.1. The conduct or taxation of businesses, professions, and occupations applicable to all businesses, professions, and occupations in the City;

4.4.2. Other than as provided in this Agreement, taxes and assessments of general application upon all residents of the City, provided that the taxes and assessments are not imposed for the purpose of taxing the right, power or privilege of developing or improving land (e.g., excise tax) or to directly finance the acquisition or dedication of open space or any other public improvement in respect of which the Developer is paying any fee or providing any improvement pursuant to this Agreement;

4.4.3. The control and abatement of nuisances.

4.4.4. The granting of encroachment permits and the conveyance of rights and interests which provides for the use of, access to or the entry upon public property, as may be approved by mutual agreement between Developer and City; and

4.4.5. The exercise of the power of eminent domain.

4.5. "Existing Land Use Regulations" means all Land Use Regulations in effect as of the approval date of this Agreement, including the Project Approvals.

4.6. Operational Quarter. "Operational Quarter" shall mean any calendar quarter during which any gross revenue of the Project is produced.

5. Fee Payments by Owner. In consideration of City's entering into this Agreement and authorizing the development and operation of the Project, the requirements for City services created by the Project, the City insuring Developers compliance with this Agreement, California medical marijuana laws and the City's municipal ordinances, throughout the Term of this Agreement, Owner shall make the following payments to City:

5.1. Production Fee Payments by Owner. Quarterly payments of the Production Fee by Owner to the City as specified in Section 6 herein. The obligations of Owner under this Section shall survive the expiration or any earlier termination, as applicable, of this Agreement, but the Production Fee under this Agreement shall cease if any City-wide tax is imposed specifically on Cannabis Manufacturing operations.

6. Payment Procedures. The following payment procedures shall apply during the operation of the Project:

6.1. Remittance of Fees; Certified Reports. Within thirty (30) calendar days following the end of each quarterly period during the Term of this Agreement, Owner shall submit the Certified Report to the City's Finance Director and a payment for the Production and Manufacturing, Cultivation and Distribution Fees for that Operational Period as identified in the Certified Report. Owner shall pay Fees to the City on a quarterly basis without exception. Any material misstatement or misrepresentation in the Certified

Report and any failure to pay Fees when due shall constitute events of default by Developers subject to the default provisions of this Agreement.

6.2. Maintenance of Records. Developers shall maintain complete records of their operations to substantiate and document the content of each Certified Report. Such records shall include, without limitation, invoices and payments taken by Tenants and/or any operator of the facility. Developers shall maintain such records in a form and location reasonably accessible to the City, following reasonable notice to Developers and/or any operator, for a period of at least five (5) calendar years following Owner's submission of the Certified Report to which the records apply.

6.3. Audit. Within ninety (90) calendar days following the end of each Operational Quarter, the City may conduct an audit or arrange for a third-party independent audit, at Developers' expense, of Developers records regarding Certified Reports and the Fees. The City's Finance Director shall provide at least seven (7) business days written notice of the commencement of such audit to Developers, and shall reasonably attempt to schedule the audit so as to reduce the impact on Tenants' operations as much as is feasible. Developers shall cooperate with the City in completing the audit. If the audit reveals that Owner has underpaid the Fees, Owner shall pay such underpaid amounts to the City within thirty (30) calendar days of receipt of written notice from the City's Director of Finance in addition to all costs of the audit, including city staff time and outside consultants. If the audit reveals that the Owner has overpaid any amount of the Production or Nursery Fees, City shall provide written notification to Owner and shall credit such amount against Owner's subsequent quarterly payment of Fees.

7. Covenants of Owner. During the Term of this Agreement, Owner hereby covenants and agrees with the City as follows:

7.1. Implementation. Owner shall use commercial reasonable efforts to pursue the implementation of the Project as expeditiously as feasible, in the form approved by the City, subject to all applicable laws, this Agreement, the Project Approvals and the Municipal Code.

7.1.1. Developer shall comply with all applicable state regulations governing its manufacturing operations. If permanent regulations are not in place at the time operations commence, Developer shall comply with whatever temporary, interim, or urgency regulations that are in effect pending the State's consideration and adoption of permanent regulations.

7.2. Enhanced Design Requirement. Owner shall submit a design plan for the building and site, for review and approval by the Planning Director, which shall incorporate at a minimum, security fencing and landscaping improvements consistent with the policies in the City's General Plan.

7.3. Maintain & Operate Project. Owner and Tenants shall maintain and operate the Project on the Site, once constructed, throughout the Term of this Agreement, in accordance with the Project Approvals and all City, and State laws.

7.4. Hold Harmless. Owner shall defend (with counsel reasonably acceptable to City), indemnify and hold City and its councilpersons, officers, attorneys, agents, contractors, and employees (collectively, the “Indemnified Parties”) harmless from and against all losses, costs and expenses (including, without limitation, reasonable attorneys’ fees and costs), damages (including, without limitation, consequential damages), claims and liabilities arising from the Project, this Agreement, the approval of the Project, and the activities of Developers, their members, officers, employees, agents, contractors, invitees and any third parties on the Site, from and against any challenges to the validity of this Agreement or other Project Approvals. The obligations of Owner under this Section shall survive the expiration or any earlier termination, as applicable, of this Agreement.

8. Covenants of City. During the Term of this Agreement, City hereby covenants and agrees with Owner as follows:

8.1. Expeditious Services. City shall process applications and address questions and concerns raised by Developers representatives at the “counter” at City Hall as expeditiously as reasonably possible. Upon Owner’s request, or if, in an exercise of City’s own discretion, City staff determines that it cannot comply with this section, City shall expeditiously engage the services of private contract planners, plan checkers or inspectors (“Private Contractors”) to perform such services as may be necessary to assist in processing the project plans as described herein. Compensation of such Private Contractors shall be at Owner’s sole cost and expense, inclusive of any administrative cost to City of integrating services by Private Contractors into the project’s development processing. Owner shall pay such costs and expenses of Private Contractors via reimbursement to City, per City’s applicable policies and procedures. City shall have absolute discretion in the selection of such Private Contractors.

8.2 Vested Rights. During the Term of this Agreement, Owner shall have the vested right and entitlement to develop and operate the Project in accordance with the Existing Land Use Ordinances, in addition to any Cannabis Manufacturing Operating Standards adopted by the City Council, which may be amended at the City’s discretion. Parties acknowledge that neither the City nor the Owner can at this time predict when or the rate at which or the order in which parts of the Project will be developed. Owner shall have the vested right to develop the Project in such order and at such rate and at such times as Owner deems appropriate in the exercise of its business judgment, provided that Owner is in compliance with the Project Approvals.

8.3 Building Permits and Other Approvals and Permits. Subject to (a) Owner’s compliance with this Agreement, the Project Approvals the Existing Land Use Ordinances, the Building Ordinances, and Operating Standards; and (b) payment of the usual and customary fees and charges of general application charged for the processing of such applications, permits and certificates and for any utility connection, or similar fees and charges of general application, the City shall process and issue to Developers promptly upon application therefore all necessary use permits, building permits, occupancy certificates, regulatory permits, licenses and other required permits for the construction, use and occupancy of the Project, or any portion thereof, as applied for,

including connection to all utility systems under the City's jurisdiction and control (to the extent that such connections are physically feasible and that such utility systems are capable of adequately servicing the Project).

8.4 Procedures and Standards. The standards for granting or withholding permits or approvals required hereunder in connection with the development of the Project shall be governed as provided herein by the standards, terms and conditions of this Agreement and the Project Approvals, and to the extent not inconsistent therewith, the Existing Land Use Ordinances, but the procedures for processing applications for such permits or approvals (including the usual and customary fees of general application charged for such processing) shall be governed by such ordinances and regulations as may then be applicable.

9. Effect of Agreement.

9.1 Grant of Right. This Agreement shall constitute a part of the Enacting Ordinance, as if incorporated by reference therein in full. The Parties acknowledge that this Agreement grants Owner the right and entitlement to develop the Project and use the land pursuant to specified and known criteria and rules as set forth in the Project Approvals and Existing Land Use Ordinances, and to grant the City and the residents of the City certain benefits which they otherwise would not receive.

9.2 Binding on City/Vested Right of Owner. This Agreement shall be binding upon the City and its successors in accordance with and subject to its terms and conditions notwithstanding any subsequent action of the City, whether taken by ordinance or resolution of the City Council, by referendum, initiative, or otherwise. The Parties acknowledge and agree that by entering into this Agreement and relying thereupon, the Owner has obtained, subject to the terms and conditions of this Agreement, a vested right to proceed with its development of the Project as set forth in the Project Approvals and the Existing Land Use Ordinances, and the timing provisions of Section 3, and the City has entered into this in order to secure the public benefits conferred upon it hereunder which are essential to alleviate current and potential problems in the City and to protect the public health, safety and welfare of the City and its residents, and this Agreement is an essential element in the achievement of those goals.

9.3 Future Conflicting Local Laws. If any City law, including ordinances, resolutions, rules, regulations, standards, policies, conditions and specifications (collectively "City Laws") are enacted or imposed by a citizen-sponsored initiative or referendum, or by the City Council directly or indirectly in connection with any proposed initiative or referendum, which City Law would conflict with this Agreement, such City Law shall not apply to the Project Site or Project. The Parties, however, acknowledge that the City's approval of this Agreement and the City Approvals are legislative actions subject to referendum.

9.3.1 Without limiting the generality of the foregoing, no moratorium or other limitation whether relating to the rate, timing, phasing or sequencing of development affecting subdivision maps, building permits, or other Subsequent Approvals shall apply to the Project. Owner agrees and understands that the City does not have authority or jurisdiction over another public agency's authority to grant a

moratorium or to impose any other limitation that may affect the Project.

10. Specific Criteria Applicable to Development of the Project.

10.1 Applicable Ordinances. Except as set forth in the Project Approvals and subject to the provisions of Section 10.2 below, the Existing Land Use Ordinances shall govern the development of the Site hereunder and the granting or withholding of all permits or approvals required to develop the Site; provided, however, that (a) Owner shall be subject to all changes in processing, inspection and plan-check fees and charges imposed by City in connection with the processing of applications for development and construction upon the Site so long as such fees and charges are of general application and are not imposed solely with respect to the Project Site, (b) Owner shall abide by the Building Ordinances in effect at the time of such applications, (c) Development Impact Fees to be paid by Owner shall be those in effect at the time permits are issued subject to those fees, and (d) development shall be consistent with current Operating Standards.

10.2 Amendment to Applicable Ordinances. Any change to the Existing Land Use Ordinances that conflicts with the Project Approvals shall nonetheless apply to the Project if, and only if (i) it is consented to in writing by Owner in Owner's sole and absolute discretion; (ii) it is determined by City and evidenced through findings adopted by the City Council that the change or provision is reasonably required in order to prevent a condition dangerous to the public health or safety; (iii) it is required by changes in State or Federal law; (iv) it consists of changes in, or new fees permitted by, Section 4.1; or (v) it is otherwise expressly permitted by this Agreement. The Parties anticipate that the City shall subsequently adopt Operating Standards that govern this type of use, which Regulations, and any amendments thereto, shall apply to the Project.

10.3 Applicability of Zoning Amendments. In the event that the City zoning ordinance is amended by the City in a manner which provides more favorable site development standards for the Project Site or any part thereof than those in effect as of the Effective Date, Owner shall have the right to notify the City in writing of its desire to be subject to all or any such new standards for the remaining term of this Agreement. If City agrees, by resolution of the City Council, such new standards shall become applicable to the Project. Should City thereafter amend such new standards, upon the effective date of such amendment, the original new standards shall continue to apply to the Project as provided above, but Owner may notify City in writing of its desire to be subject to all or any such amended new standards and City shall agree in the manner above provided to apply such amended new standards to the Project.

11. Permitted Delays; Supersedure by Subsequent Laws.

11.1 Permitted Delays. In addition to any other provisions of this Agreement with respect to delay, Owner and City shall be excused from performance of their obligations hereunder during any period of delay caused by acts of mother nature, civil commotion, riots, strikes, picketing, or other labor disputes, shortage of materials or supplies, or damage to or prevention of work in process by reason of fire, floods, earthquake, or other casualties, litigation, acts or neglect of the other party, any referendum elections held on the Enacting Ordinance, or the Land Use Ordinances, or

any other ordinance effecting the Project or the approvals, permits or other entitlements related thereto, or restrictions imposed or mandated by governmental or quasi-governmental entities, enactment of conflicting provisions of the Constitution or laws of the United States of America or the State of California or any codes, statutes, regulations or executive mandates promulgated thereunder (collectively, "Laws"), orders of courts of competent jurisdiction, or any other cause similar or dissimilar to the foregoing beyond the reasonable control of City or Owner, as applicable. Each Party shall promptly notify the other Party of any delay hereunder as soon as possible after the same has been ascertained. The time of performance of such obligations shall be extended by the period of any delay hereunder.

11.2 Supersedure of Subsequent Laws or Judicial Action.

11.2.1 The provisions of this Agreement shall, to the extent feasible, be modified or suspended as may be necessary to comply with any new Law or decision issued by a court of competent jurisdiction (a "Decision"), enacted or made after the Effective Date which prevents or precludes compliance with one or more provisions of this Agreement. Promptly after enactment of any such new Law, or issuance of such Decision, the Parties shall meet and confer in good faith to determine the feasibility of any such modification or suspension based on the effect such modification or suspension would have on the purposes and intent of this Agreement. In addition, Owner and City shall have the right to challenge the new Law or the Decision preventing compliance with the terms of this Agreement. In the event that such challenge is successful, this Agreement shall remain unmodified and in full force and effect, except that the Term shall be extended, in accordance with Section 2.1 above, for a period of time equal to the length of time the challenge was pursued, to extent such challenge delayed the implementation of the project.

12. Operating Memoranda. The provisions of this Agreement require a close degree of cooperation between the City and the Developers. It is anticipated due to the term of this Agreement that refinements to the approvals may be appropriate with respect to the details of performance of the City and the Developers. To the extent allowable by law, the Developers shall retain a certain degree of flexibility as provided herein with respect to all matters, items and provisions covered in general under this Agreement. When and if the Developers finds it necessary or appropriate to make changes, adjustments or clarifications, the Parties shall enter into memoranda ("Operating Memoranda") approved by the Parties in writing, which reference this Section of the Agreement. Operating Memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, public notices and hearings shall not be required. The City Attorney shall be authorized upon consultation with the Developers, to determine whether a requested clarification may be effectuated pursuant to this Section or whether the requested clarification is of such character to constitute an amendment to the Agreement which requires compliance with the provisions of this Agreement pertaining to amendments. The authority to enter into such Operating Memoranda is hereby delegated to the City Manager, and the City Manager is hereby

authorized to execute any operating Memoranda hereunder without further City Council action.

13. CEQA. All procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 *et seq.*, and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 *et seq.* have been satisfied.

14. Building Permits. Nothing set forth herein shall impair or interfere with the right of City to require the processing of building permits as required by law relating to any specific improvements proposed for the Project pursuant to the applicable provisions of the City's municipal code, inclusive of such California and International Codes as have been adopted in accord therewith, that are in effect at the time such permits are applied for; provided, however, no such permit processing shall authorize or permit City to impose any condition on and/or withhold approval of any proposed improvement the result of which would be inconsistent with this Agreement.

15. Assignment and Transfer of Rights. Except as otherwise provided in this Section, the burdens of this Agreement are binding upon, and the benefits of this Agreement inure to, all successors-in-interest of the Parties and constitute covenants that run with the Site. Owner, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, shall not, at any time during the Term, assign, convey, lease, sell or otherwise transfer all or any portion of its rights under this Agreement ("Assignable Rights") to a third party, a subordinate entity, or a related entity (make an "Assignment") without the prior written consent of City in each instance, which consent which consent will not be unreasonably withheld, provided the entity receiving the Assignment is qualified to conduct business under all City codes and ordinances, and obtains all required state and City permits. Any assignment in violation of this Section will be void. No permitted assignee of this Agreement may further assign this Agreement without City's prior written consent.

16. Review for Compliance.

16.1 Periodic Review. Pursuant to CGC §65865.1, City shall engage in an annual review this Agreement, on or before the anniversary of the date of execution, in order to ascertain Owner's good faith compliance with its terms (the "Periodic Review"). In the event City fails to formally conduct such annual review, Owner shall be deemed to be in full compliance with the Agreement.

17. Amendment or Cancellation. This Agreement may be amended or canceled in whole or in part only by mutual consent of the Parties or in the manner provided in CGC §65865.1 or CGC §65868 and subsection 3.2 above.

17.1 Provide Notice. Provide the other Party with written notice of such State or Federal law or regulation, a copy of such law or regulation and a statement identifying how such law regulation conflicts with the provisions of this Agreement.

17.2 Meet and Confer. Upon notice by one Party to another as to preemption or frustration of this Agreement by law or regulation, the Parties shall promptly meet and confer in good faith and make a reasonable attempt to modify or suspend this Agreement to comply with such applicable Federal or State law or regulation. If the Parties cannot agree on a manner or method to comply with such Federal or State law or regulation, the Parties may, but shall not be required to, engage in alternative dispute resolution.

18. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be either personally delivered (which shall include delivery by means of professional overnight courier service which confirms receipt in writing [such as Federal Express or UPS]), sent by telecopier or facsimile ("Fax") machine capable of confirming transmission and receipt, or sent by certified or registered mail, return receipt requested, postage prepaid to the following parties at the following addresses or numbers:

If to City: City of Colusa
425 Webster Street
Colusa CA 95932
Attention: City Manager

With copy to: Jones & Mayer, City Attorney

8150 Sierra College Blvd., Suite 190
Roseville California 95661
Attention: Ryan R. Jones, Esq.

If to Owner: Hunny Pot Farms, Inc.
2949 Niagara Ave
Colusa, CA 95932

Notices sent in accordance with this Section shall be deemed delivered upon the: **(a)** date of delivery as indicated on the written confirmation of delivery (if sent by overnight courier service); **(b)** date of actual receipt (if personally delivered by other means); **(c)** date of transmission (if sent by email or telecopier, so long as sender receives actual confirmation that the transmission was received); or **(d)** date of delivery as indicated on the return receipt (if sent by certified or registered mail, return receipt requested). Notice of change of address shall be given by written notice in the manner detailed in this Section.

19. Breach and Remedies. Notwithstanding any provision of this Agreement to the contrary, Developers shall not be deemed to be in default under this Agreement with respect to any obligation owed solely to City, and City may not terminate or modify Developers' rights under this Agreement, unless City shall have first delivered a written notice of any alleged default to Owner that specifies the nature of such default. If such default is not cured by Owner within sixty (60) days after receipt of such notice of default, or with respect to defaults that cannot be cured within such period, Owner fails to commence to cure the default within thirty (30) days after receipt of the notice of default, or thereafter fails to diligently pursue the cure of such default, City may terminate Owner's rights under this Agreement. Default by any Assignee or Owner's successor in interest shall affect only that portion of the Site owned by such Assignee or successor, and shall not cancel or diminish in any way Owner's rights with respect to any portion of the Site not owned by such Assignee or successor. In the event that a breach of this Agreement occurs, irreparable harm is likely to occur to the non-breaching Party and damages will be an inadequate remedy. To the extent permitted by law, therefore, it is expressly recognized that injunctive relief and specific enforcement of this Agreement are proper and desirable remedies, and it is agreed that any claim by Owner against City for an alleged breach of this Agreement shall be remedied by injunctive relief or an appropriate action for specific enforcement of this Agreement and not by a claim or action for monetary damages.

20. Entire Agreement. This Agreement and the Exhibits herein contain the entire integrated agreement among the Parties. The Parties intend that this Agreement state their agreement in full to each and every one of its provisions. Any prior agreements, understandings, promises, negotiations or representations respecting the matters dealt with herein or the duties of any Party in relation thereto, not expressly set forth in this Agreement, are agreed by all Parties to be null and void.

21. Severability. If any term, provision, condition, or covenant of this Agreement, or the application thereof to any Party or circumstance, shall to any extent be held invalid or unenforceable, the remainder of the instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

22. Attorneys' Fees. If the services of any attorney are required by any party to secure the performance of this Agreement or otherwise upon the breach or default of another party, or if any judicial remedy or arbitration is necessary to enforce or interpret any provisions of this Agreement or the rights and duties of any person in relation to this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and other expenses, in addition to any other relief to which such party may be entitled. Prevailing party includes (a) a party who dismisses an action in exchange for sums allegedly due; (b) the party that receives performance from the other party of an alleged breach of covenant or a desired remedy, if it is substantially equal to the relief sought in an action; or (c) the party determined to be prevailing by a court of law.

Whenever provision is made in this Agreement for the payment of attorney's fees, such fees shall be payable whether the legal services are rendered by a salaried employee for the party or by independent counsel and shall include such fees as are incurred in connection with any pretrial proceeding, trial or appeal of the action. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which constitute one and the same instrument.

24. Execution of Agreement. The Parties shall sign this Agreement on or within five (5) business days of approval.

25. Estoppel Certificate. City shall, at any time and from time to time within ten (10) days after receipt of written notice from Owner so requesting, execute, acknowledge and deliver to Owner a statement in writing: **(a)** certifying that this Agreement is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Agreement, as so modified, is in full force and effect); and **(b)** acknowledging that there are no uncured defaults on the part of Owner hereunder or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Site. Upon Owner's written request, City shall issue a certificate of performance evidencing completion of any of Owner's obligation(s) under this Agreement.

26. Encumbrances on Real Property.

26.1 Discretion to Encumber. The Parties hereto agree that this Agreement shall not prevent or limit Owner, in any manner, at Owner's sole discretion, from encumbering the Site or any portion thereof or any improvements thereon then owned by such person with any mortgage, deed of trust or other security device ("Mortgage") securing financing with respect to the Site or such portion. City acknowledges that the lenders providing such financing may require certain modifications, and City agrees, upon request, from time to time, to meet with Owner and/or representatives of such lenders to negotiate in good faith any such request for modification. City further agrees that it will not unreasonably withhold its consent to any such requested modification. Any mortgagee or trust deed beneficiary of the Site or any portion thereof or any improvements thereon and its successors and assigns ("Mortgagee") shall be entitled to the following rights and privileges.

26.2 Lender Requested Modification/Interpretation. City acknowledges that the lenders providing financing to Developers may request certain interpretations and modifications of this Agreement. City therefore agrees upon request, from time to time, to meet with the Developers and representatives of such lenders to negotiate in good faith any such request for interpretation or modification. The City will not unreasonably withhold its consent to any such requested interpretation or modification provided such interpretation or modification is consistent with the intent and purposes of this Agreement, provided, further, that any modifications of this Agreement are subject to the provisions of this Agreement relative to modifications or amendments.

26.3 Mortgage Protection. This Agreement shall be superior and senior to the lien of any Mortgage. Notwithstanding the foregoing, no breach of this Agreement shall defeat, render invalid, diminish or impair the lien of any Mortgage made in good faith and for value, and any acquisition or acceptance of title or any right or interest in or with respect to the Site or any portion thereof by a Mortgagee (whether pursuant to a Mortgage, foreclosure, trustee's sale, deed in lieu of foreclosure or otherwise) shall be subject to all of the terms and conditions of this Agreement.

26.4 Mortgagee Not Obligated. Notwithstanding the provisions of Section 26.2, no Mortgagee will have any obligation or duty under this Agreement to perform the

obligations of Owner or other affirmative covenants of Owner hereunder, or to guarantee such performance, except that to the extent that Mortgagee opts to receive the benefits of the Agreement, including the right to operate, any covenant to be performed by Owner is a condition to the performance of a covenant by City, the performance thereof shall continue to be a condition precedent to City's performance hereunder. No Mortgagee will be liable for any monetary defaults arising prior to its acquisition of title to the Site or any portion thereof. Uncured monetary defaults will terminate the Agreement and Mortgagee's right to operate.

26.5 Written Notice of Default. Each Mortgagee shall be entitled to receive written notice from City of any default by Owner under this Agreement, if such default is not cured within thirty (30) days, provided such Mortgagee has delivered a written request to City for such notice. Each Mortgagee shall have a further right, but not the obligation, to cure such default for a period of thirty (30) days after receipt of such notice of default. Any non-curable defaults of Owner of any obligation owed solely to City arising prior to Mortgagee's acquisition of title to the Site or any portion thereof shall be waived; provided, however, the non-payment of money shall not be deemed a non-curable default.

27. Binding Effect. This Agreement shall be binding on and inure to the benefit of the Parties to this Agreement and, subject to City's written consent, their heirs, personal representatives, successors, and assigns, except as otherwise provided in this Agreement.

28. Governing Law and Venue. This Agreement and the legal relations between the Parties shall be governed by and construed in accordance with the laws of the State of California. Furthermore, the Parties agree to venue in the Superior Court of Colusa County, California.

29. Mutual Covenants. The covenants contained herein, including those contained in the Recitals herein, are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the party benefited thereby of the covenants to be performed hereunder by such benefited party.

30. Successors in Interest. The burdens of this Agreement shall be binding upon, and the benefits of this Agreement shall inure to, all successors in interest to the Parties to this Agreement ("Successors"). Furthermore, the rights and remedies, together with the benefits and burdens of this Agreement of each Party to this Agreement shall be coextensive with those of its Successors. All provisions of this Agreement shall be enforceable as equitable servitude's and constitute covenants running with the land. Each covenant to do or refrain from doing some act hereunder with regard to development of the Site: (a) is for the benefit of and is a burden upon every portion of the Site; (b) runs with the Site and each portion thereof; and, (c) is binding upon each Party and each Successor during ownership of the Site or any portion thereof. From and after recordation

of this Agreement, the Agreement shall impute notice to all persons and entities in accord with the recording laws of this State.

31. No Third-Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the Parties and their Successors and Assignees. No other person or entity shall have any right of action based upon any provision of this Agreement.

32. Waiver. Failure by a Party to insist upon the strict performance of any of this Agreement's provisions by the other party, or the failure by a Party to exercise its rights upon the default of the other Party, shall not constitute a waiver of such Party's right to insist and demand strict compliance by the other Party with the terms of this Agreement thereafter.

33. Time of Essence. Time is of the essence in the performance of the provisions of this Agreement as to which time is an element.

34. Recordation of Agreement. This Agreement and any amendment or cancellation thereof shall be recorded with the County Recorder by the City Clerk within the period required by Government Code Section 65868.5.

35. Headings. The headings in this Agreement are inserted for convenience only. They do not constitute part of this Agreement and shall not be used in its construction.

36. Waiver. The waiver by any party to this Agreement of a breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach of that or any other provision of this Agreement.

37. Jointly Drafted. It is agreed among the parties that this Agreement was jointly negotiated and jointly drafted by the Parties and their respective counsel, and that it shall not be interpreted or construed in favor of or against any party solely on the ground that it drafted the Agreement. It is also agreed and represented by all Parties that said Parties were of equal or relatively equal bargaining power and that in no way whatsoever shall this Agreement be deemed to be a contract of adhesion, or unreasonable or unconscionable.

38. Independent Legal Counsel. Each party acknowledges that it has been represented by independent legal counsel of its own choice throughout all of the negotiations that preceded the execution of this Agreement or has knowingly and voluntarily declined to consult legal counsel, and that each Party has executed this Agreement with the consent and on the advice of such independent legal counsel.

39. Further Cooperation. The parties herein agree to execute any and all agreements, documents or instruments as may be reasonably necessary in order to fully effectuate the agreements and covenants of the Parties contained in this Agreement, or to evidence this Agreement as a matter of public record, if required to fulfill the purposes of this Agreement. The Parties further agree to mutually cooperate with one another in carrying out the purposes of this Agreement.

40. Enforceability. This Agreement shall not become binding and shall have no force and effect whatsoever until such time as it has been fully executed by and delivered to all of the parties hereto.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Execution Date.

Signatures on Next Page

“CITY”

CITY OF COLUSA, CA
a California Municipal Corporation

Date: _____, 2022

By: _____

Mayor

Attest:

By: _____

City Clerk

Approved as to form:

Jones & Mayer

By: _____

Ryan R. Jones, Esq.
City Attorney

“Authorized Agent”

Ray Davis

By: _____

Date: _____, 2022

By: _____

By: _____

Approved as to form:

By: _____
Attorney for Owner

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ }

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ }

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

EXHIBIT “A”

Item 6.

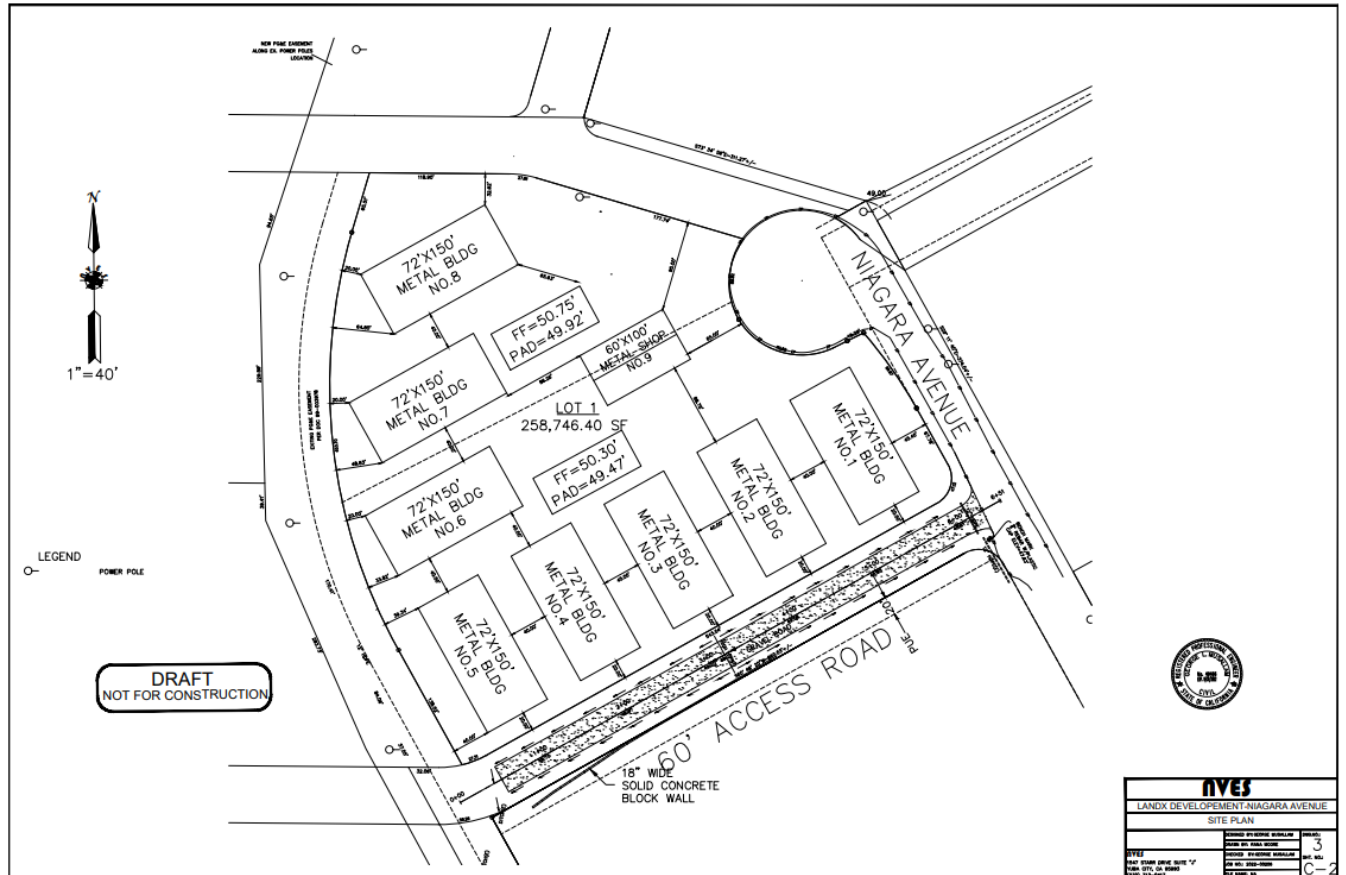
Legal Description

pending

EXHIBIT "B"

Item 6.

Boundary Map



HUNNY POT FARMS, INC. / CITY OF COLUSA DEVELOPMENT AGREEMENT

Page 24 of 24

RESOLUTION NO. 22-__

A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2949 NIAGARA AVE. IN COLUSA

Whereas, Hunny Pot Farms (the “Owner”) has applied to the City to develop and open a cannabis manufacturing facility at 2949 Niagara Ave, Colusa, CA consistent with California laws regulating cannabis manufacturing (the “Project”); and

Whereas, the Project will include cultivation, drying and processing and related cannabis manufacturing activities in compliance with state and local law, but would not include the dispensing or sale to individual qualified persons at the facility.

Whereas, the City of Colusa has adopted City Code Article 21-5, and added Section 33.03 to the City of Colusa Zoning Code, setting forth requirements for cannabis manufacturing regulations and a requirement to obtain a Cannabis Special Use Permit respectively; and

Whereas, the City of Colusa also added a new Chapter 12F to the City of Colusa Municipal Code setting forth requirements for a Cannabis Regulatory Permit; and

Whereas, the Owner must be granted both a Cannabis Special Use Permit and a Cannabis Regulatory Permit by the City of Colusa City Council.

Now therefore, the City Council of the City of Colusa does resolve as follows:

Section 1. The City Council finds that the establishment, maintenance and operation of the Project applied for is consistent with the City’s General Plan and zoning for the site.

Section 2. The City Council finds that the establishment, maintenance, and operation of the Project applied for will not be detrimental to the health, safety, peace, morals, comfort and general welfare of persons residing or working in the neighborhood of such proposed use, or to be detrimental or injurious to property and improvements in the neighborhood or to the general welfare of the city.

Section 3. All procedures of the California Environmental Quality Act (“CEQA”), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied as development of the Project Site with agricultural cultivation, processing and manufacturing land uses was anticipated within past and current Colusa County General Plans. As a result, the proposed Project is considered an anticipated use that is consistent with the analysis of such uses that have already undergone extensive environmental documentation within the *County of Colusa 2030 General Plan Update Environmental Impact Report certified by Colusa County in 2012*.

Section 4. The City Council hereby approves a cannabis special use permit for the Project,

1. A diagram and floor plan of the entire Premises, denoting all the use of areas proposed for Cannabis Operations, including, but necessarily limited to, cultivation, processing, manufacturing, testing, transportation, deliveries, and storage. The diagram and floor plan need not be prepared by a licensed design professional, but must be drawn to a designated scale or drawn with marked dimensions of the interior of the Premises to an accuracy of plus or minus six (6) inches.
2. A Security and Safety Plan for insuring the safety of persons and to protect the Premises from theft meeting all of the requirements of Article 21-5.06 subsections (q) and (r) to be reviewed and approved by the City of Colusa Police Chief.
3. Odor Control Plan. Cannabis Operations shall provide sufficient odor absorbing ventilation and exhaust system so that odor generated inside the facility that is distinctive to its operation is not detected outside the Premises, outside the building housing the Cannabis Operations, or anywhere on adjacent property or public rights-of-way. As such, Cannabis Operations must install and maintain the following equipment or any other equipment which the City's Building Official determines has the same or better effectiveness:
 - a. An exhaust air filtration system with odor control that prevents internal odors and pollen from being emitted externally; or
 - b. An air system that creates negative air pressure between the cannabis facility's interior and exterior so that the odors generated inside the cannabis facility are not detectable outside the cannabis facility.
4. Hazardous Materials Safety Plan. Butane and other flammable materials are permitted to be used for extraction and processing provided the Operator complies with all applicable fire and building codes, and any other laws and regulations relating to the use of those products, to ensure the safety of that operation. Submit a hazardous materials safety plan depicting the location and safety measures to be used for review and approval by the City of Colusa Fire Chief.
5. Proof of Insurance meeting the requirements of Colusa Municipal Code Article 21.5. Section 14.
6. A facility parking plan shall be submitted to, and approved by, the Planning Department prior to occupancy of the project site.

Section 5. The City Council hereby approves a cannabis manufacturing regulatory permit for the Project.

PASSED AND ADOPTED this _____ day of August 2022 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

TOM REISCHE, MAYOR

ATTEST:

Shelly Kittle, City Clerk



City of Colusa California

STAFF REPORT

DATE: August 2, 2022
TO: Mayor Reische and member of the City Council
FROM: Jesse Cain, City Manager

AGENDA ITEM:

Subject: Public Hearing for a proposed first reading of an Ordinance approving a Development Agreement, and a Resolution for a Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit in support of cannabis manufacturing uses at 2876 Niagara Avenue.

Recommendation: Council to Open the Public Hearing, and introduce, read by title only, and waive the full first reading of the proposed Ordinance:

FIRST READING BY TITLE ONLY AND SET FOR SECOND READING AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COLUSA APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLUSA AND GENESIS EXTRACTS CA RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2876 NIAGARA AVE. IN COLUSA

Recommendation: Council to adopt the following Resolution:

A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2876 NIAGARA AVE. IN COLUSA

BACKGROUND ANALYSIS:

The subject property (the "Site") is located on 1.6 acres within the southern portion of the Colusa Industrial Park (CIP) at 2876 Niagara Avenue and surrounded by existing industrial land uses to the north, west and south. The Colusa County Airport is located immediately east of the Site.

There is an existing 4800-square-foot, single-story building, within which the Owner plans to install equipment for, and perform, "Type 7" volatile extraction cannabis operations at the Site (the "Project"). Sufficient paved parking space is available to accommodate the Project's 15 employees projected to work at the site after the first year of operation. Limited extracted cannabis products would be transported to and from the site from time to time as available.

Genesis Extracts CA (the "Owner") requests development agreement ("DA"), Cannabis Business Regulatory Permit, and Cannabis Business Special Use Permit approval as required by City Code to operate their cannabis business.

Development Agreement

As drafted, the term of the DA would last ten years. The DA contains mutually agreeable terms and provisions defining the obligations and contributions applicable to the City and the Owner. The DA establishes performance requirements, reporting and audition procedures, monetary compensation to the City (in the form of Production Fees), regulations, "City Covenants," and specific development criteria of the project.

Use Permits

The extraction of cannabis products is considered "manufacturing," and one of many permitted uses, within the City's cannabis regulations, following approval of a DA, special use permit, and regulatory permit by the City Council. The scope of the Owner's Project is limited to how it is described above in compliance with State and City regulations including the Zoning Ordinance. Multiple conditions of any use permit approval would apply to the project (if approved) and are included within the draft resolution. These include requiring detailed plans for security and safety, odor control, premises layout, and parking.

Staff considers the proposed use of the site, DA, special use permit and regulatory permit to be consistent with the City Code, Zoning Ordinance and General Plan

ENVIRONMENTAL REVIEW:

City Staff considers approval of this Development Agreement to be exempt from California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15332, which reads as follows:

Class 32 consists of projects characterized as in-fill development meeting the conditions described in this section.

(a) The project is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations.

(b) The proposed development occurs within city limits on a project site of no more than five acres substantially surrounded by urban uses.

(c) The project site has no value, as habitat for endangered, rare or threatened species.

(d) Approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality.

(e) The site can be adequately served by all required utilities and public services.

Staff considers the development of the Project to be exempt as provided above since for the following reasons: It is consistent with the general plan designation & policies as well as with applicable zoning designation and regulations; The Project Site, as previously developed, has no value, as habitat for endangered, rare or threatened species; The limited, 4,800-square-foot building with conditions would generate negligible traffic, noise, air quality, or water quality, impacts; and all utilities and public services are already at the Site.

PUBLIC COMMENT:

Staff received comments on the proposed Project.

PLANNING COMMISSION ACTION:

During their meeting of April 13, 2022, the Planning Commission considered a Planning Department staff report and public testimony in support of the project. Following the public hearing, the Planning Commission voted 5-0 to pass a Resolution recommending City Council approval of the proposed DA. Under the City Code, the Planning Commission does not review cannabis-related use permits.

BUDGET IMPACT:

If adopted, this ordinance and DA may facilitate new sources of revenue (over a longer period of time) to the City of Colusa from future cannabis manufacturing activities associated with this Project.

STAFF RECOMMENDATION:

Staff recommends that the City Council consider the analysis, project staff report, and public testimony. Should the City Council support such analysis and the proposed project, staff recommends that the City Council approve the following:

1. FIRST READING BY TITLE ONLY AND SET FOR SECOND READING AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COLUSA APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLUSA AND GENESIS EXTRACTS CA RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2876 NIAGARA AVE. IN COLUSA
2. A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2876 NIAGARA AVE. IN COLUSA

ATTACHMENT:

Ordinance No ____ approving Development Agreement

Resolution No ____ for Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL APPROVING A DEVELOPMENT
AGREEMENT BETWEEN THE CITY OF COLUSA AND GENESIS EXTRACTS CA
RELATIVE TO THE OPERATION OF A CANNABIS MANUFACTURING (“TYPE 7”
VOLATILE EXTRACTION) FACILITY LOCATED AT 2876 NIAGARA AVENUE IN
COLUSA

The City Council of the City of Colusa does ordain as follows:

Section 1. The City Council of the City of Colusa finds and determines that:

A. All procedures of the California Environmental Quality Act (“CEQA”), California Public Resources Code §21000 *et seq.*, and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 *et seq.* have been satisfied because the Project is exempt from further environmental review under CEQA. City of Colusa Planning Staff have concluded with certainty that the Project would have no significant effect on the environment, pursuant to Guidelines Section 15061 (b) (3), because there is no development associated with the proposed draft Ordinance.

B. The development agreement is consistent with and implements the policies of the City of Colusa’s General Plan, including the Housing Element.

C. The development agreement is compatible with the land uses and development regulations prescribed by the zoning for the property located at 2876 Niagara Avenue (“Site”).

D. The development agreement will not be detrimental to the health, safety, and welfare of persons residing in the immediate area nor be detrimental or injurious to property or persons in the general neighborhood or to the general welfare of residents of the city as a whole.

E. The development agreement will not adversely affect the orderly development of property or the preservation of property, on or off the project Site.

F. The agreement is consistent with the provisions of Government Code Sections 65864 through 65869.5.

Section 2. The Planning Commission, during a duly noticed public hearing held on April 13, 2022, passed a resolution by a vote of 5-0 recommending City Council approval of this Ordinance for the Development Agreement.

Section 3. The City Council of the City of Colusa hereby approves the Ordinance for the Development Agreement, attached hereto and incorporated by reference herein, by and between the City of Colusa and Genesis Extracts CA relative to the manufacturing of cannabis products.

Section 4. The City Council of the City of Colusa hereby directs the Mayor to sign the Development Agreement by and between the City of Colusa and Genesis Extracts CA relative to only Type 7 (Volatile Extraction) on behalf of the City of Colusa and directs the City Clerk to record said document with the Colusa County Recorder.

Section 5. Within fifteen days of passage of this ordinance, the City Clerk shall cause the full text of the ordinance, with the names of those City Council members voting for and against the ordinance, to be published in a newspaper of general circulation circulated in the City. In lieu of publishing the full text of the ordinance, the City Clerk, if so directed by the City Attorney and within fifteen days, shall cause a summary of the ordinance, prepared by the City Attorney and with the names of the City Council members voting for and against the ordinance, to be published in a newspaper of general circulation circulated in the City, and shall post in the office of the City Clerk a certified copy of the City Council members voting for and against the ordinance. The publication of a summary of the ordinance in lieu of the full text of the ordinance is authorized only where the requirements of Government Code section 36993 (c) (1) are met.

INTRODUCED at a regular meeting of the City Council of the City of Colusa held on _____, 2022, by the following vote:

AYES: Councilmembers:
 NOES: Councilmembers:
 ABSENT: Councilmembers:
 ABSTAIN: Councilmembers:

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Colusa held on _____, 2022, by the following vote:

AYES: Councilmembers:
 NOES: Councilmembers:
 ABSENT: Councilmembers:
 ABSTAIN: Councilmembers:

 TOM REISCHE, Mayor

ATTEST:

 SHELLY KITTLE, City Clerk

First Reading:

Second Reading:

Effective Date:

ATTACHED:

DEVELOPMENT AGREEMENT BY AND BETWEEN THE CITY OF COLUSA AND
 GENESIS EXTRACTS CA

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

City of Colusa
425 Webster Street
Colusa, CA 95932

Attention: City Clerk

SPACE ABOVE THIS LINE FOR RECORDER'S USE
Recording Fee Exempt per Government Code §6103

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 2022 (the "Execution Date"), by and between the **CITY OF COLUSA, a California municipal corporation** ("City") and **Genesis Extracts CA** ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement.

RECITALS

- A. The State of California enacted California Government Code Sections 65864 *et seq.* ("Development Agreement Statutes") to authorize municipalities to enter into development agreements with those having an interest in real property to strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development in connection with the development of real property within their jurisdiction.
- B. The purpose of the Development Agreement Statutes is to authorize municipalities, in their discretion, to establish certain development rights in real property for a period of years regardless of intervening changes in land use regulations, to vest certain rights in the developer, and to meet certain public purposes of the local government.
- C. Owner intends to remodel up to 4,800 square feet of existing interior building space on 1.6 acres of currently developed property (APN: 017-130-084) for the purposes of cannabis extraction, under a Type 7 (Volatile Extraction) California License. The site is more fully described in Exhibit A and shown on the map in Exhibit B.
- D. Owner intends to operate a Cannabis Manufacturing Facility as defined in the City of Colusa City Code. Such Cannabis Manufacturing Facilities shall operate in accordance with the California State cannabis laws, creating a unified regulatory structure for adult use and medical cannabis. Prior to operating a cannabis facility, Owner shall be required to obtain a special use permit and regulatory permit from City.

Owner and Tenants (if any) shall collectively be referred to in this Agreement as Developers.

- E. Ultimately, Developer intends to obtain all necessary state licenses issued pursuant to MAUCRSA to operate the Cannabis Manufacturing Facility at the Site once such licenses are being issued.
- F. Developers presently intend to develop and open a Cannabis Manufacturing Facility on the Site (featuring 15 employees after the first year) consistent with the California Marijuana Laws and Project Approvals (known as the “Project” as further described below).
- G. On July 18, 2017, City adopted Ordinance 519 permitting Cannabis Manufacturing Facilities in strict compliance with the applicable California laws regulating cannabis cultivation, manufacturing, processing, and distribution under certain conditions and provisions. Currently, City is updating the City Code to comply with new State cannabis regulations that are in effect as of the date of this Agreement.
- H. City and Owner have agreed that, as a condition of allowing the Project, as defined herein, and due to the unique circumstances of the proposed Project, Owner shall pay to the City quarterly fees based on the gross revenue of the Cannabis Manufacturing operations as hereinafter defined, which fees shall abate if and when the City adopts a tax on Cannabis Manufacturing Facilities.
- I. The City of Colusa, as “Lead Agency,” has determined that —based upon CEQA Guidelines Section 15061 (b) (3)— the Project is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.
- J. City has given public notice of its intention to adopt this Agreement and has conducted public hearings thereon pursuant to California Government Code §65867. City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in the City’s General Plan, zoning code and municipal ordinances.
- K. City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date.

The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement; *i.e.*, assuring Owner that it will enjoy the development rights.

- L. The City agrees that Owner's land use entitlements for the Project shall vest for the term of this Agreement as described below.
- M. After conducting a duly noticed hearing on April 13, 2022, the Planning Commission of the City reviewed, considered and voted 5-0, passed a resolution recommending City Council approval of an Ordinance approving this Agreement.
- N. After conducting a duly noticed hearing on, August 2, 2022, and after independent review and consideration, the City Council approved the execution of this Agreement. The City Council found the Project: consistent with the objectives, policies, general land uses, and programs specified in the general plan; compatible with the uses authorized in the zoning code; is in conformity with good land use practices; will not be detrimental to the health, safety and general welfare of the City; and is in the best interest of the City of Colusa and its residents.
- O. Production Fee. "Production Fee" shall mean any cannabis cultivation, processing, testing, distribution, and transportation of cannabis and cannabis products.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. Binding Effect of Agreement. The Parties agree that the Recitals above are true and correct and intend to be bound by same; the Parties further agree to the incorporation by reference herein of said Recitals, together with all definitions provided and exhibits referenced therein. Except as otherwise provided in Section 15 of this Agreement, the burdens of this Agreement are binding upon, and the benefits of this Agreement inure to, all successors-in-interest of the Parties and constitute covenants which run with the Site. In order to provide continued notice thereof, the Parties will record this Agreement with the Colusa County Recorder. The word "Owner" as previously defined and used herein shall include successor owners, apart from government or quasi-public agencies, of any portion of the Site. Should the size or orientation of any Site component specified above be changed in minor respects, *e.g.*, changed by a lot line adjustment, this Agreement shall not thereby be deemed to have been affected or invalidated, but the rights and obligations of the Parties and their successors shall remain as provided herein.

2. Relationship of the Parties. It is hereby specifically understood and acknowledged that the Project is a private project and that neither City nor Developers will be deemed to be the agent of the other for any purpose whatsoever. City and Developers hereby renounce the existence of any form of joint venture or partnership between or among them and agree that nothing contained herein or in any document executed in connection herewith shall be construed as making City and Developers joint venturers or partners.

3. Term. Except as otherwise specified herein, the term of this Agreement (the "Term") is 10 years from the date the Owner begins commercial operation at the Project Site ("Operation Date"). The Operation Date shall be no later than 12 months following the Execution Date. The Term shall generally be subject to earlier termination or extension as hereinafter provided.

3.1 Term Extension – Third Party Issues. Notwithstanding the Parties' expectation that there will be no limit or moratorium upon the Project's development or the issuance of building or other development related permits (a "Development Limitation") during the Term, the Parties understand and agree that various third parties may take action causing a *de facto* Development Limitation. Consequently, the Term shall be extended for any delay arising from or related to any of the potential Development Limitations that follow in the subsections below for a time equal to the duration of that delay occurring during the Term. No Development Limitation may arise or result from an action or omission by Developers.

3.1.1 Litigation. Any third party-initiated litigation that arises from or is related to any City action or omission with respect to this Agreement or any subsequent City approval required in connection with the Project's development, or third party initiated litigation having the actual effect of delaying the Project's development. This extension period related hereto shall include any time during which appeals may be filed or are pending.

3.1.2 Government Agencies. Any delay arising from or related to the act(s) or omission(s) any third-party governmental agency, quasi-public entity or public utility, and beyond the reasonable control of Developers.

3.1.3 Force Majeure. Any delay resulting from riot, war, acts of terrorism, an event during the Term creating radioactive or toxic/hazardous contamination, a catastrophic earthquake, flood, fire or other physical natural disaster, excluding weather conditions regardless of severity, strikes or industrial disputes at national level effecting development involved personnel not employed by Developers, their subcontractors or suppliers and effecting an essential portion of the Project's development, excluding any industrial dispute that is specific to development taking place as a part of the Project.

3.2 Term Extensions. The Term of this Agreement will be extended for seven additional years upon a determination of the City Council, by way of resolution of the City Council acted on at a regularly scheduled meeting, that both of the conditions listed in subparts 3.2.1 and 3.2.2 below have been fully satisfied are the Owner is in full compliance:

3.2.1. No Default by Owner. Owner shall not be in default with respect to any provision of this Agreement or any subsequent agreement or understanding between the Parties arising from or related to this Agreement, having received notice from City of said default per this Agreement, or if Owner did in fact default as to this Agreement, upon notice from City, that Owner did cure said default during the period to cure provided herein to City's satisfaction.

3.2.2 Finding of Community Compatibility. The City Council shall review the operations of Owner prior to granting an extension of the term of this Agreement and make a finding that the Cannabis Manufacturing, notwithstanding that the Cannabis Manufacturing may not be in precise technical compliance with the issued regulatory permit and special use permit, continue to be compatible with surrounding land uses and are not detrimental to the public health, safety and general welfare.

3.2.3. Mutual Agreement of Parties. In addition to the process listed above for a seven-year term extension, this Agreement's Term may be extended by mutual agreement of the Parties and formal amendment of this Agreement.

3.3 Termination of Agreement. Upon the termination of this Agreement, either by expiration or otherwise, Developers shall have no right to engage in Cannabis Manufacturing at the Project Site, except as may otherwise be allowed by City ordinance, law or separate development agreement.

4. Defined Terms. As used in this Agreement, the following terms shall have the meanings hereinafter set forth:

4.1. Certified Report. "Certified Report" shall mean a detailed document prepared by Developers on a form acceptable to the City's Director of Finance to report to the City of the Cannabis Manufacturing distribution and sales, as defined herein, in the Project during each Operational Quarter, as defined herein. Each Certified Report shall be certified as true and correct by a duly authorized officer of Owner.

4.2. Production Fee. "Production Fee" shall mean a quarterly fee remitted to the City by Owner based on the gross wholesale receipts of its operations, as defined below, in the amount of 3% of gross sales from operations to begin after 8 months of commencement of operation.

4.3. Certification of Non-Income Tax Exemption. Owner certifies that Owner is not income tax exempt under State or Federal Law and that Owner will not file for such an exemption from the Internal Revenue Service or the Franchise Tax Board. Owner will also require all Tenant(s) to certify that Tenant(s) are not income tax exempt under State or Federal Law and will not file for such an exemption.

4.4. Land Use Regulations. "Land Use Regulations" shall mean all ordinances, resolutions, codes, rules, regulations and official policies of the City governing the development and use of land, including, without limitation, the permitted use of land, the density or intensity of use, subdivision requirements, timing and phasing of development, the maximum height and size of buildings, the provisions for reservation

or dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Project. "Land Use Regulations" do not include any City ordinance, resolution, code, rule, regulation or official policy governing:

4.4.1. The conduct or taxation of businesses, professions, and occupations applicable to all businesses, professions, and occupations in the City;

4.4.2. Other than as provided in this Agreement, taxes and assessments of general application upon all residents of the City, provided that the taxes and assessments are not imposed for the purpose of taxing the right, power or privilege of developing or improving land (e.g., excise tax) or to directly finance the acquisition or dedication of open space or any other public improvement in respect of which the Developer is paying any fee or providing any improvement pursuant to this Agreement;

4.4.3. The control and abatement of nuisances.

4.4.4. The granting of encroachment permits and the conveyance of rights and interests which provides for the use of, access to or the entry upon public property, as may be approved by mutual agreement between Developer and City; and

4.4.5. The exercise of the power of eminent domain.

4.5. "Existing Land Use Regulations" means all Land Use Regulations in effect as of the approval date of this Agreement, including the Project Approvals.

4.6. Operational Quarter. "Operational Quarter" shall mean any calendar quarter during which any gross revenue of the Project is produced.

5. Fee Payments by Owner. In consideration of City's entering into this Agreement and authorizing the development and operation of the Project, the requirements for City services created by the Project, the City insuring Developers compliance with this Agreement, California medical marijuana laws and the City's municipal ordinances, throughout the Term of this Agreement, Owner shall make the following payments to City:

5.1. Production Fee Payments by Owner. Quarterly payments of the Production Fee by Owner to the City as specified in Section 6 herein. The obligations of Owner under this Section shall survive the expiration or any earlier termination, as applicable, of this Agreement, but the Production Fee under this Agreement shall cease if any City-wide tax is imposed specifically on Cannabis Manufacturing operations.

6. Payment Procedures. The following payment procedures shall apply during the operation of the Project:

6.1. Remittance of Fees; Certified Reports. Within thirty (30) calendar days following the end of each quarterly period during the Term of this Agreement, Owner shall submit the Certified Report to the City's Finance Director and a payment for the Production and Manufacturing, Cultivation and Distribution Fees for that Operational Period as identified in the Certified Report. Owner shall pay Fees to the City on a quarterly basis without exception. Any material misstatement or misrepresentation in the Certified

Report and any failure to pay Fees when due shall constitute events of default by Developers subject to the default provisions of this Agreement.

6.2. Maintenance of Records. Developers shall maintain complete records of their operations to substantiate and document the content of each Certified Report. Such records shall include, without limitation, invoices and payments taken by Tenants and/or any operator of the facility. Developers shall maintain such records in a form and location reasonably accessible to the City, following reasonable notice to Developers and/or any operator, for a period of at least five (5) calendar years following Owner's submission of the Certified Report to which the records apply.

6.3. Audit. Within ninety (90) calendar days following the end of each Operational Quarter, the City may conduct an audit or arrange for a third-party independent audit, at Developers' expense, of Developers records regarding Certified Reports and the Fees. The City's Finance Director shall provide at least seven (7) business days written notice of the commencement of such audit to Developers, and shall reasonably attempt to schedule the audit so as to reduce the impact on Tenants' operations as much as is feasible. Developers shall cooperate with the City in completing the audit. If the audit reveals that Owner has underpaid the Fees, Owner shall pay such underpaid amounts to the City within thirty (30) calendar days of receipt of written notice from the City's Director of Finance in addition to all costs of the audit, including city staff time and outside consultants. If the audit reveals that the Owner has overpaid any amount of the Production or Nursery Fees, City shall provide written notification to Owner and shall credit such amount against Owner's subsequent quarterly payment of Fees.

7. Covenants of Owner. During the Term of this Agreement, Owner hereby covenants and agrees with the City as follows:

7.1. Implementation. Owner shall use commercial reasonable efforts to pursue the implementation of the Project as expeditiously as feasible, in the form approved by the City, subject to all applicable laws, this Agreement, the Project Approvals and the Municipal Code.

7.1.1. Developer shall comply with all applicable state regulations governing its manufacturing operations. If permanent regulations are not in place at the time operations commence, Developer shall comply with whatever temporary, interim, or urgency regulations that are in effect pending the State's consideration and adoption of permanent regulations.

7.2. Enhanced Design Requirement. Owner shall submit a design plan for the building and site, for review and approval by the Planning Director, which shall incorporate at a minimum, security fencing and landscaping improvements consistent with the policies in the City's General Plan.

7.3. Maintain & Operate Project. Owner and Tenants shall maintain and operate the Project on the Site, once constructed, throughout the Term of this Agreement, in accordance with the Project Approvals and all City, and State laws.

7.4. Hold Harmless. Owner shall defend (with counsel reasonably acceptable to City), indemnify and hold City and its councilpersons, officers, attorneys, agents, contractors, and employees (collectively, the “Indemnified Parties”) harmless from and against all losses, costs and expenses (including, without limitation, reasonable attorneys’ fees and costs), damages (including, without limitation, consequential damages), claims and liabilities arising from the Project, this Agreement, the approval of the Project, and the activities of Developers, their members, officers, employees, agents, contractors, invitees and any third parties on the Site, from and against any challenges to the validity of this Agreement or other Project Approvals. The obligations of Owner under this Section shall survive the expiration or any earlier termination, as applicable, of this Agreement.

8. Covenants of City. During the Term of this Agreement, City hereby covenants and agrees with Owner as follows:

8.1. Expeditious Services. City shall process applications and address questions and concerns raised by Developers representatives at the “counter” at City Hall as expeditiously as reasonably possible. Upon Owner’s request, or if, in an exercise of City’s own discretion, City staff determines that it cannot comply with this section, City shall expeditiously engage the services of private contract planners, plan checkers or inspectors (“Private Contractors”) to perform such services as may be necessary to assist in processing the project plans as described herein. Compensation of such Private Contractors shall be at Owner’s sole cost and expense, inclusive of any administrative cost to City of integrating services by Private Contractors into the project’s development processing. Owner shall pay such costs and expenses of Private Contractors via reimbursement to City, per City’s applicable policies and procedures. City shall have absolute discretion in the selection of such Private Contractors.

8.2 Vested Rights. During the Term of this Agreement, Owner shall have the vested right and entitlement to develop and operate the Project in accordance with the Existing Land Use Ordinances, in addition to any Cannabis Manufacturing Operating Standards adopted by the City Council, which may be amended at the City’s discretion. Parties acknowledge that neither the City nor the Owner can at this time predict when or the rate at which or the order in which parts of the Project will be developed. Owner shall have the vested right to develop the Project in such order and at such rate and at such times as Owner deems appropriate in the exercise of its business judgment, provided that Owner is in compliance with the Project Approvals.

8.3 Building Permits and Other Approvals and Permits. Subject to (a) Owner’s compliance with this Agreement, the Project Approvals the Existing Land Use Ordinances, the Building Ordinances, and Operating Standards; and (b) payment of the usual and customary fees and charges of general application charged for the processing of such applications, permits and certificates and for any utility connection, or similar fees and charges of general application, the City shall process and issue to Developers promptly upon application therefore all necessary use permits, building permits, occupancy certificates, regulatory permits, licenses and other required permits for the construction, use and occupancy of the Project, or any portion thereof, as applied for,

including connection to all utility systems under the City's jurisdiction and control (to the extent that such connections are physically feasible and that such utility systems are capable of adequately servicing the Project).

8.4 Procedures and Standards. The standards for granting or withholding permits or approvals required hereunder in connection with the development of the Project shall be governed as provided herein by the standards, terms and conditions of this Agreement and the Project Approvals, and to the extent not inconsistent therewith, the Existing Land Use Ordinances, but the procedures for processing applications for such permits or approvals (including the usual and customary fees of general application charged for such processing) shall be governed by such ordinances and regulations as may then be applicable.

9. Effect of Agreement.

9.1 Grant of Right. This Agreement shall constitute a part of the Enacting Ordinance, as if incorporated by reference therein in full. The Parties acknowledge that this Agreement grants Owner the right and entitlement to develop the Project and use the land pursuant to specified and known criteria and rules as set forth in the Project Approvals and Existing Land Use Ordinances, and to grant the City and the residents of the City certain benefits which they otherwise would not receive.

9.2 Binding on City/Vested Right of Owner. This Agreement shall be binding upon the City and its successors in accordance with and subject to its terms and conditions notwithstanding any subsequent action of the City, whether taken by ordinance or resolution of the City Council, by referendum, initiative, or otherwise. The Parties acknowledge and agree that by entering into this Agreement and relying thereupon, the Owner has obtained, subject to the terms and conditions of this Agreement, a vested right to proceed with its development of the Project as set forth in the Project Approvals and the Existing Land Use Ordinances, and the timing provisions of Section 3, and the City has entered into this in order to secure the public benefits conferred upon it hereunder which are essential to alleviate current and potential problems in the City and to protect the public health, safety and welfare of the City and its residents, and this Agreement is an essential element in the achievement of those goals.

9.3 Future Conflicting Local Laws. If any City law, including ordinances, resolutions, rules, regulations, standards, policies, conditions and specifications (collectively "City Laws") are enacted or imposed by a citizen-sponsored initiative or referendum, or by the City Council directly or indirectly in connection with any proposed initiative or referendum, which City Law would conflict with this Agreement, such City Law shall not apply to the Project Site or Project. The Parties, however, acknowledge that the City's approval of this Agreement and the City Approvals are legislative actions subject to referendum.

9.3.1 Without limiting the generality of the foregoing, no moratorium or other limitation whether relating to the rate, timing, phasing or sequencing of development affecting subdivision maps, building permits, or other Subsequent Approvals shall apply to the Project. Owner agrees and understands that the City does not have authority or jurisdiction over another public agency's authority to grant a

moratorium or to impose any other limitation that may affect the Project.

10. Specific Criteria Applicable to Development of the Project.

10.1 Applicable Ordinances. Except as set forth in the Project Approvals and subject to the provisions of Section 10.2 below, the Existing Land Use Ordinances shall govern the development of the Site hereunder and the granting or withholding of all permits or approvals required to develop the Site; provided, however, that (a) Owner shall be subject to all changes in processing, inspection and plan-check fees and charges imposed by City in connection with the processing of applications for development and construction upon the Site so long as such fees and charges are of general application and are not imposed solely with respect to the Project Site, (b) Owner shall abide by the Building Ordinances in effect at the time of such applications, (c) Development Impact Fees to be paid by Owner shall be those in effect at the time permits are issued subject to those fees, and (d) development shall be consistent with current Operating Standards.

10.2 Amendment to Applicable Ordinances. Any change to the Existing Land Use Ordinances that conflicts with the Project Approvals shall nonetheless apply to the Project if, and only if (i) it is consented to in writing by Owner in Owner's sole and absolute discretion; (ii) it is determined by City and evidenced through findings adopted by the City Council that the change or provision is reasonably required in order to prevent a condition dangerous to the public health or safety; (iii) it is required by changes in State or Federal law; (iv) it consists of changes in, or new fees permitted by, Section 4.1; or (v) it is otherwise expressly permitted by this Agreement. The Parties anticipate that the City shall subsequently adopt Operating Standards that govern this type of use, which Regulations, and any amendments thereto, shall apply to the Project.

10.3 Applicability of Zoning Amendments. In the event that the City zoning ordinance is amended by the City in a manner which provides more favorable site development standards for the Project Site or any part thereof than those in effect as of the Effective Date, Owner shall have the right to notify the City in writing of its desire to be subject to all or any such new standards for the remaining term of this Agreement. If City agrees, by resolution of the City Council, such new standards shall become applicable to the Project. Should City thereafter amend such new standards, upon the effective date of such amendment, the original new standards shall continue to apply to the Project as provided above, but Owner may notify City in writing of its desire to be subject to all or any such amended new standards and City shall agree in the manner above provided to apply such amended new standards to the Project.

11. Permitted Delays; Supersedure by Subsequent Laws.

11.1 Permitted Delays. In addition to any other provisions of this Agreement with respect to delay, Owner and City shall be excused from performance of their obligations hereunder during any period of delay caused by acts of mother nature, civil commotion, riots, strikes, picketing, or other labor disputes, shortage of materials or supplies, or damage to or prevention of work in process by reason of fire, floods, earthquake, or other casualties, litigation, acts or neglect of the other party, any referendum elections held on the Enacting Ordinance, or the Land Use Ordinances, or

any other ordinance effecting the Project or the approvals, permits or other entitlements related thereto, or restrictions imposed or mandated by governmental or quasi-governmental entities, enactment of conflicting provisions of the Constitution or laws of the United States of America or the State of California or any codes, statutes, regulations or executive mandates promulgated thereunder (collectively, "Laws"), orders of courts of competent jurisdiction, or any other cause similar or dissimilar to the foregoing beyond the reasonable control of City or Owner, as applicable. Each Party shall promptly notify the other Party of any delay hereunder as soon as possible after the same has been ascertained. The time of performance of such obligations shall be extended by the period of any delay hereunder.

11.2 Supersedure of Subsequent Laws or Judicial Action.

11.2.1 The provisions of this Agreement shall, to the extent feasible, be modified or suspended as may be necessary to comply with any new Law or decision issued by a court of competent jurisdiction (a "Decision"), enacted or made after the Effective Date which prevents or precludes compliance with one or more provisions of this Agreement. Promptly after enactment of any such new Law, or issuance of such Decision, the Parties shall meet and confer in good faith to determine the feasibility of any such modification or suspension based on the effect such modification or suspension would have on the purposes and intent of this Agreement. In addition, Owner and City shall have the right to challenge the new Law or the Decision preventing compliance with the terms of this Agreement. In the event that such challenge is successful, this Agreement shall remain unmodified and in full force and effect, except that the Term shall be extended, in accordance with Section 2.1 above, for a period of time equal to the length of time the challenge was pursued, to extent such challenge delayed the implementation of the project.

12. Operating Memoranda. The provisions of this Agreement require a close degree of cooperation between the City and the Developers. It is anticipated due to the term of this Agreement that refinements to the approvals may be appropriate with respect to the details of performance of the City and the Developers. To the extent allowable by law, the Developers shall retain a certain degree of flexibility as provided herein with respect to all matters, items and provisions covered in general under this Agreement. When and if the Developers finds it necessary or appropriate to make changes, adjustments or clarifications, the Parties shall enter into memoranda ("Operating Memoranda") approved by the Parties in writing, which reference this Section of the Agreement. Operating Memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, public notices and hearings shall not be required. The City Attorney shall be authorized upon consultation with the Developers, to determine whether a requested clarification may be effectuated pursuant to this Section or whether the requested clarification is of such character to constitute an amendment to the Agreement which requires compliance with the provisions of this Agreement pertaining to amendments. The authority to enter into such Operating Memoranda is hereby delegated to the City Manager, and the City Manager is hereby

authorized to execute any operating Memoranda hereunder without further City Council action.

13. CEQA. All procedures of the California Environmental Quality Act (“CEQA”), California Public Resources Code §21000 *et seq.*, and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 *et seq.* have been satisfied.

14. Building Permits. Nothing set forth herein shall impair or interfere with the right of City to require the processing of building permits as required by law relating to any specific improvements proposed for the Project pursuant to the applicable provisions of the City’s municipal code, inclusive of such California and International Codes as have been adopted in accord therewith, that are in effect at the time such permits are applied for; provided, however, no such permit processing shall authorize or permit City to impose any condition on and/or withhold approval of any proposed improvement the result of which would be inconsistent with this Agreement.

15. Assignment and Transfer of Rights. Except as otherwise provided in this Section, the burdens of this Agreement are binding upon, and the benefits of this Agreement inure to, all successors-in-interest of the Parties and constitute covenants that run with the Site. Owner, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, shall not, at any time during the Term, assign, convey, lease, sell or otherwise transfer all or any portion of its rights under this Agreement (“Assignable Rights”) to a third party, a subordinate entity, or a related entity (make an “Assignment”) without the prior written consent of City in each instance, which consent which consent will not be unreasonably withheld, provided the entity receiving the Assignment is qualified to conduct business under all City codes and ordinances, and obtains all required state and City permits. Any assignment in violation of this Section will be void. No permitted assignee of this Agreement may further assign this Agreement without City’s prior written consent.

16. Review for Compliance.

16.1 Periodic Review. Pursuant to CGC §65865.1, City shall engage in an annual review this Agreement, on or before the anniversary of the date of execution, in order to ascertain Owner’s good faith compliance with its terms (the “Periodic Review”). In the event City fails to formally conduct such annual review, Owner shall be deemed to be in full compliance with the Agreement.

17. Amendment or Cancellation. This Agreement may be amended or canceled in whole or in part only by mutual consent of the Parties or in the manner provided in CGC §65865.1 or CGC §65868 and subsection 3.2 above.

17.1 Provide Notice. Provide the other Party with written notice of such State or Federal law or regulation, a copy of such law or regulation and a statement identifying how such law regulation conflicts with the provisions of this Agreement.

17.2 Meet and Confer. Upon notice by one Party to another as to preemption or frustration of this Agreement by law or regulation, the Parties shall promptly meet and confer in good faith and make a reasonable attempt to modify or suspend this Agreement to comply with such applicable Federal or State law or regulation. If the Parties cannot agree on a manner or method to comply with such Federal or State law or regulation, the Parties may, but shall not be required to, engage in alternative dispute resolution.

18. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be either personally delivered (which shall include delivery by means of professional overnight courier service which confirms receipt in writing [such as Federal Express or UPS]), sent by telecopier or facsimile ("Fax") machine capable of confirming transmission and receipt, or sent by certified or registered mail, return receipt requested, postage prepaid to the following parties at the following addresses or numbers:

If to City: City of Colusa
425 Webster Street
Colusa CA 95932
Attention: City Manager

With copy to: Jones & Mayer, City Attorney

8150 Sierra College Blvd., Suite 190
Roseville California 95661
Attention: Ryan R. Jones, Esq.

If to Owner: Genesis Extracts CA
C/O Joel Gonzalez
2876 Niagara Ave.
Colusa, CA 95932

Notices sent in accordance with this Section shall be deemed delivered upon the: **(a)** date of delivery as indicated on the written confirmation of delivery (if sent by overnight courier service); **(b)** date of actual receipt (if personally delivered by other means); **(c)** date of transmission (if sent by email or telecopier, so long as sender receives actual confirmation that the transmission was received); or **(d)** date of delivery as indicated on the return receipt (if sent by certified or registered mail, return receipt requested). Notice of change of address shall be given by written notice in the manner detailed in this Section.

19. Breach and Remedies. Notwithstanding any provision of this Agreement to the contrary, Developers shall not be deemed to be in default under this Agreement with respect to any obligation owed solely to City, and City may not terminate or modify Developers' rights under this Agreement, unless City shall have first delivered a written notice of any alleged default to Owner that specifies the nature of such default. If such default is not cured by Owner within sixty (60) days after receipt of such notice of default, or with respect to defaults that cannot be cured within such period, Owner fails to commence to cure the default within thirty (30) days after receipt of the notice of default, or thereafter fails to diligently pursue the cure of such default, City may terminate Owner's rights under this Agreement. Default by any Assignee or Owner's successor in interest shall affect only that portion of the Site owned by such Assignee or successor, and shall not cancel or diminish in any way Owner's rights with respect to any portion of the Site not owned by such Assignee or successor. In the event that a breach of this Agreement occurs, irreparable harm is likely to occur to the non-breaching Party and damages will be an inadequate remedy. To the extent permitted by law, therefore, it is expressly recognized that injunctive relief and specific enforcement of this Agreement are proper and desirable remedies, and it is agreed that any claim by Owner against City for an alleged breach of this Agreement shall be remedied by injunctive relief or an appropriate

action for specific enforcement of this Agreement and not by a claim or action for monetary damages.

20. Entire Agreement. This Agreement and the Exhibits herein contain the entire integrated agreement among the Parties. The Parties intend that this Agreement state their agreement in full to each and every one of its provisions. Any prior agreements, understandings, promises, negotiations or representations respecting the matters dealt with herein or the duties of any Party in relation thereto, not expressly set forth in this Agreement, are agreed by all Parties to be null and void.

21. Severability. If any term, provision, condition, or covenant of this Agreement, or the application thereof to any Party or circumstance, shall to any extent be held invalid or unenforceable, the remainder of the instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

22. Attorneys' Fees. If the services of any attorney are required by any party to secure the performance of this Agreement or otherwise upon the breach or default of another party, or if any judicial remedy or arbitration is necessary to enforce or interpret any provisions of this Agreement or the rights and duties of any person in relation to this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and other expenses, in addition to any other relief to which such party may be entitled. Prevailing party includes (a) a party who dismisses an action in exchange for sums allegedly due; (b) the party that receives performance from the other party of an alleged breach of covenant or a desired remedy, if it is substantially equal to the relief sought in an action; or (c) the party determined to be prevailing by a court of law.

Whenever provision is made in this Agreement for the payment of attorney's fees, such fees shall be payable whether the legal services are rendered by a salaried employee for the party or by independent counsel and shall include such fees as are incurred in connection with any pretrial proceeding, trial or appeal of the action. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which constitute one and the same instrument.

24. Execution of Agreement. The Parties shall sign this Agreement on or within five (5) business days of approval.

25. Estoppel Certificate. City shall, at any time and from time to time within ten (10) days after receipt of written notice from Owner so requesting, execute, acknowledge and deliver to Owner a statement in writing: **(a)** certifying that this Agreement is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Agreement, as so modified, is in full force and effect); and **(b)** acknowledging that there are no uncured defaults on the part of Owner hereunder or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Site. Upon Owner's written request, City shall issue a certificate of performance evidencing completion of any of Owner's obligation(s) under this Agreement.

26. Encumbrances on Real Property.

26.1 Discretion to Encumber. The Parties hereto agree that this Agreement shall not prevent or limit Owner, in any manner, at Owner's sole discretion, from encumbering the Site or any portion thereof or any improvements thereon then owned by such person with any mortgage, deed of trust or other security device ("Mortgage") securing financing with respect to the Site or such portion. City acknowledges that the lenders providing such financing may require certain modifications, and City agrees, upon request, from time to time, to meet with Owner and/or representatives of such lenders to negotiate in good faith any such request for modification. City further agrees that it will not unreasonably withhold its consent to any such requested modification. Any mortgagee or trust deed beneficiary of the Site or any portion thereof or any improvements thereon and its successors and assigns ("Mortgagee") shall be entitled to the following rights and privileges.

26.2 Lender Requested Modification/Interpretation. City acknowledges that the lenders providing financing to Developers may request certain interpretations and modifications of this Agreement. City therefore agrees upon request, from time to time, to meet with the Developers and representatives of such lenders to negotiate in good faith any such request for interpretation or modification. The City will not unreasonably withhold its consent to any such requested interpretation or modification provided such interpretation or modification is consistent with the intent and purposes of this Agreement, provided, further, that any modifications of this Agreement are subject to the provisions of this Agreement relative to modifications or amendments.

26.3 Mortgage Protection. This Agreement shall be superior and senior to the lien of any Mortgage. Notwithstanding the foregoing, no breach of this Agreement shall defeat, render invalid, diminish or impair the lien of any Mortgage made in good faith and for value, and any acquisition or acceptance of title or any right or interest in or with respect to the Site or any portion thereof by a Mortgagee (whether pursuant to a Mortgage, foreclosure, trustee's sale, deed in lieu of foreclosure or otherwise) shall be subject to all of the terms and conditions of this Agreement.

26.4 Mortgagee Not Obligated. Notwithstanding the provisions of Section 26.2, no Mortgagee will have any obligation or duty under this Agreement to perform the obligations of Owner or other affirmative covenants of Owner hereunder, or to guarantee such performance, except that to the extent that Mortgagee opts to receive the benefits of the Agreement, including the right to operate, any covenant to be performed by Owner is a condition to the performance of a covenant by City, the performance thereof shall continue to be a condition precedent to City's performance hereunder. No Mortgagee will be liable for any monetary defaults arising prior to its acquisition of title to the Site or any portion thereof. Uncured monetary defaults will terminate the Agreement and Mortgagee's right to operate.

26.5 Written Notice of Default. Each Mortgagee shall be entitled to receive written notice from City of any default by Owner under this Agreement, if such default is not cured within thirty (30) days, provided such Mortgagee has delivered a written request to City for such notice. Each Mortgagee shall have a further right, but not the obligation, to cure such default for a period of thirty (30) days after receipt of such notice of default. Any non-curable defaults of Owner of any obligation owed solely to City arising prior to Mortgagee's acquisition of title to the Site or any portion thereof shall be waived; provided, however, the non-payment of money shall not be deemed a non-curable default.

27. Binding Effect. This Agreement shall be binding on and inure to the benefit of the Parties to this Agreement and, subject to City's written consent, their heirs, personal representatives, successors, and assigns, except as otherwise provided in this Agreement.

28. Governing Law and Venue. This Agreement and the legal relations between the Parties shall be governed by and construed in accordance with the laws of the State of California. Furthermore, the Parties agree to venue in the Superior Court of Colusa County, California.

29. Mutual Covenants. The covenants contained herein, including those contained in the Recitals herein, are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the party benefited thereby of the covenants to be performed hereunder by such benefited party.

30. Successors in Interest. The burdens of this Agreement shall be binding upon, and the benefits of this Agreement shall inure to, all successors in interest to the Parties to this Agreement ("Successors"). Furthermore, the rights and remedies, together with the benefits and burdens of this Agreement of each Party to this Agreement shall be coextensive with those of its Successors. All provisions of this Agreement shall be enforceable as equitable servitude's and constitute covenants running with the land. Each covenant to do or refrain from doing some act hereunder with regard to development of the Site: (a) is for the benefit of and is a burden upon every portion of the Site; (b) runs with the Site and each portion thereof; and, (c) is binding upon each Party and each

Successor during ownership of the Site or any portion thereof. From and after recordation of this Agreement, the Agreement shall impute notice to all persons and entities in accord with the recording laws of this State.

31. No Third-Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the Parties and their Successors and Assignees. No other person or entity shall have any right of action based upon any provision of this Agreement.

32. Waiver. Failure by a Party to insist upon the strict performance of any of this Agreement's provisions by the other party, or the failure by a Party to exercise its rights upon the default of the other Party, shall not constitute a waiver of such Party's right to insist and demand strict compliance by the other Party with the terms of this Agreement thereafter.

33. Time of Essence. Time is of the essence in the performance of the provisions of this Agreement as to which time is an element.

34. Recordation of Agreement. This Agreement and any amendment or cancellation thereof shall be recorded with the County Recorder by the City Clerk within the period required by Government Code Section 65868.5.

35. Headings. The headings in this Agreement are inserted for convenience only. They do not constitute part of this Agreement and shall not be used in its construction.

36. Waiver. The waiver by any party to this Agreement of a breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach of that or any other provision of this Agreement.

37. Jointly Drafted. It is agreed among the parties that this Agreement was jointly negotiated and jointly drafted by the Parties and their respective counsel, and that it shall not be interpreted or construed in favor of or against any party solely on the ground that it drafted the Agreement. It is also agreed and represented by all Parties that said Parties were of equal or relatively equal bargaining power and that in no way whatsoever shall this Agreement be deemed to be a contract of adhesion, or unreasonable or unconscionable.

38. Independent Legal Counsel. Each party acknowledges that it has been represented by independent legal counsel of its own choice throughout all of the negotiations that preceded the execution of this Agreement or has knowingly and voluntarily declined to consult legal counsel, and that each Party has executed this Agreement with the consent and on the advice of such independent legal counsel.

39. Further Cooperation. The parties herein agree to execute any and all agreements, documents or instruments as may be reasonably necessary in order to fully effectuate the agreements and covenants of the Parties contained in this Agreement, or to evidence this Agreement as a matter of public record, if required to fulfill the purposes of this Agreement. The Parties further agree to mutually cooperate with one another in carrying out the purposes of this Agreement.

40. Enforceability. This Agreement shall not become binding and shall have no force and effect whatsoever until such time as it has been fully executed by and delivered to all of the parties hereto.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Execution Date.

Signatures on Next Page

“CITY”

CITY OF COLUSA, CA
a California Municipal Corporation

Date: _____, 2022

By: _____

Mayor

Attest:

By: _____

City Clerk

Approved as to form:

Jones & Mayer

By: _____

Ryan R. Jones, Esq.
City Attorney

“Authorized Agent”

Joel Gonzalez

By: _____

Date: _____, 2022

By: _____

By: _____

Approved as to form:

By: _____
Attorney for Owner

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ }

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ }

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

EXHIBIT "A"

Item 7.

Legal Description

A PORTION OF PARCEL 2 AS SHOWN ON THAT CERTAIN MAP RECORDED IN BOOK 4 OF PARCEL MAPS AT PAGE 37 ON FILE IN THE OFFICE OF RECORDER, COUNTY OF COLUSA, STATE OF CALIFORNIA , AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

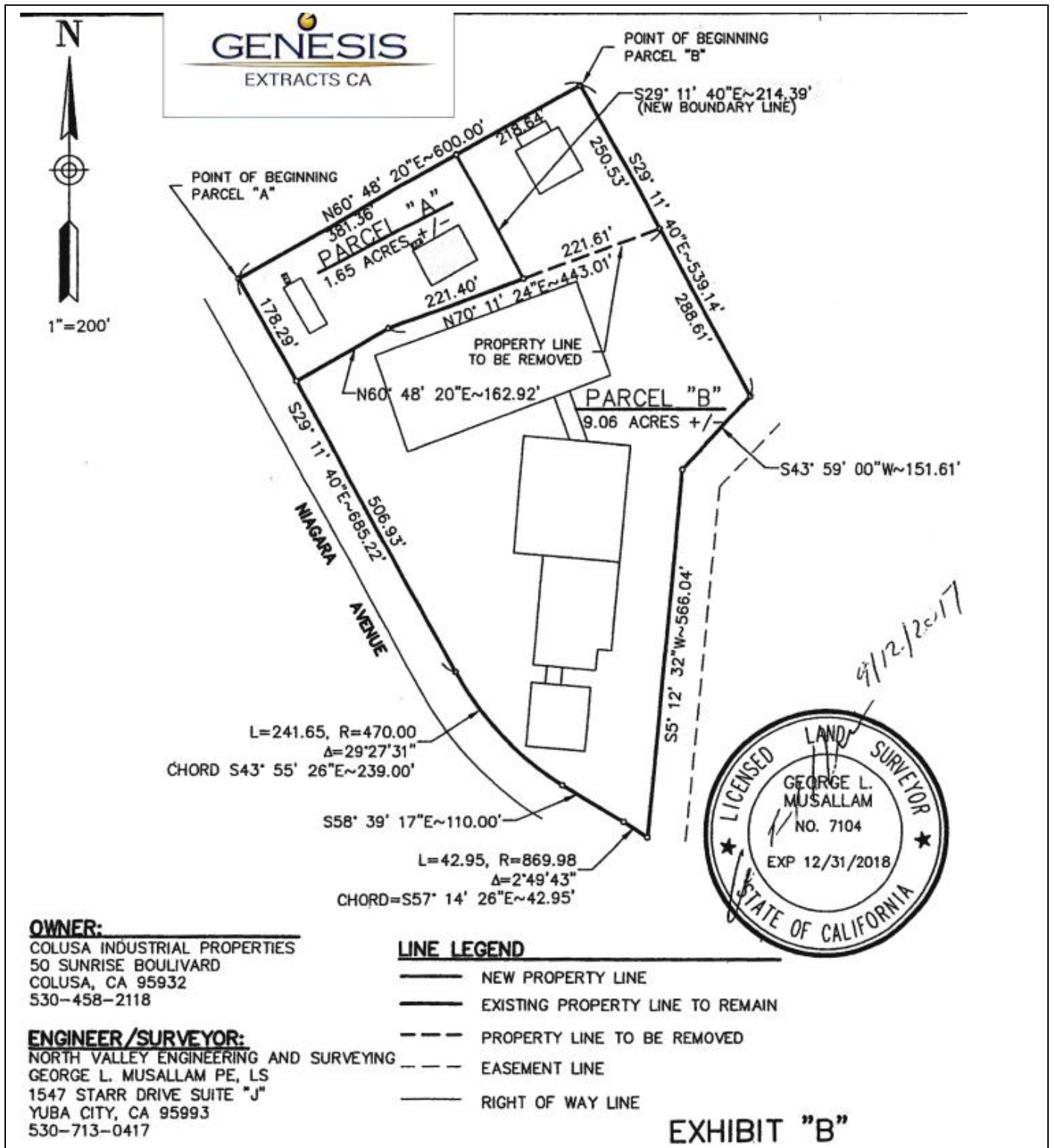
BEGINNING AT THE NORTHWESTERLY CORNER OF SAID PARCEL 2; THENCE NORTH 60° 48' 20" EAST ALONG THE NORTHERLY PROPERTY LINE OF SAID PARCEL 2 A DISTANCE OF 381.36 FEET; THENCE SOUTH 29° 11' 40" EAST A DISTANCE OF 214.39 FEET; THENCE SOUTH 70° 11' 24" WEST A DISTANCE OF 221.40 FEET; THENCE SOUTH 60° 48' 20" WEST A DISTANCE OF 162.92 FEET TO A POINT ON THE EASTERLY RIGHT OF WAY LINE OF NIAGARA AVENUE; THENCE NORTH 29° 11' 40" WEST ALONG SAID RIGHT OF WAY LINE, A DISTANCE OF 178.29 FEET TO THE POINT OF BEGINNING.

CONTAINING 1.65 ACRES +/-.

EXHIBIT "B"

Item 7.

Site & Boundary Map



GENESIS EXTRACTS CA / CITY OF COLUSA DEVELOPMENT AGREEMENT

Page 24 of 24

RESOLUTION NO. 22-

A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2876 NIAGARA AVE. IN COLUSA

Whereas, Genesis Extracts CA (the “Owner”) has applied to the City to develop and open a cannabis manufacturing facility at 2876 Niagara Ave, Colusa, CA consistent with California laws regulating cannabis manufacturing (the “Project”); and

Whereas, the Project will include extracting and related cannabis manufacturing activities in compliance with state and local law, but would not include the dispensing or sale to individual qualified persons at the facility.

Whereas, the City of Colusa has adopted City Code Article 21-5, and added Section 33.03 to the City of Colusa Zoning Code, setting forth requirements for cannabis manufacturing regulations and a requirement to obtain a Cannabis Special Use Permit respectively; and

Whereas, the City of Colusa also added a new Chapter 12F to the City of Colusa Municipal Code setting forth requirements for a Cannabis Regulatory Permit; and

Whereas, the Owner must be granted both a Cannabis Special Use Permit and a Cannabis Regulatory Permit by the City of Colusa City Council.

Now therefore, the City Council of the City of Colusa does resolve as follows:

Section 1. The City Council finds that the establishment, maintenance and operation of the Project applied for is consistent with the City’s General Plan and zoning for the site.

Section 2. The City Council finds that the establishment, maintenance and operation of the Project applied for will not be detrimental to the health, safety, peace, morals, comfort and general welfare of persons residing or working in the neighborhood of such proposed use, or to be detrimental or injurious to property and improvements in the neighborhood or to the general welfare of the city.

Section 3. All procedures of the California Environmental Quality Act (“CEQA”), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied as the project is categorically exempt under CEQA guidelines sec. City Staff considers approval of this Development Agreement to be exempt from California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15332, because staff considers the development of the Project

to be exempt as provided above since for the following reasons: It is consistent with the general plan designation & policies as well as with applicable zoning designation and regulations; The Project Site, as previously developed, has no value, as habitat for endangered, rare or threatened species; The limited, 4,800-square-foot building with conditions would generate negligible traffic, noise, air quality, or water quality, impacts; and all utilities and public services are already at the Site.

Section 4. The City Council hereby approves a cannabis special use permit for the Project,

1. A diagram and floor plan of the entire Premises, denoting all the use of areas proposed for Cannabis Operations, including, but necessarily limited to, cultivation, processing, manufacturing, testing, transportation, deliveries, and storage. The diagram and floor plan need not be prepared by a licensed design professional, but must be drawn to a designated scale or drawn with marked dimensions of the interior of the Premises to an accuracy of plus or minus six (6) inches.
2. A Security and Safety Plan for insuring the safety of persons and to protect the Premises from theft meeting all of the requirements of Article 21-5.06 subsections (q) and (r) to be reviewed and approved by the City of Colusa Police Chief.
3. Odor Control Plan. Cannabis Operations shall provide sufficient odor absorbing ventilation and exhaust system so that odor generated inside the facility that is distinctive to its operation is not detected outside the Premises, outside the building housing the Cannabis Operations, or anywhere on adjacent property or public rights-of-way. As such, Cannabis Operations must install and maintain the following equipment or any other equipment which the City's Building Official determines has the same or better effectiveness:
 - a. An exhaust air filtration system with odor control that prevents internal odors and pollen from being emitted externally; or
 - b. An air system that creates negative air pressure between the cannabis facility's interior and exterior so that the odors generated inside the cannabis facility are not detectable outside the cannabis facility.
4. Hazardous Materials Safety Plan. Butane and other flammable materials are permitted to be used for extraction and processing provided the Operator complies with all applicable fire and building codes, and any other laws and regulations relating to the use of those products, to ensure the safety of that operation. Submit a hazardous materials safety plan depicting the location and safety measures to be used for review and approval by the City of Colusa Fire Chief.
5. Proof of Insurance meeting the requirements of Colusa Municipal Code Article 21.5. Section 14.
6. A facility parking and landscaping plan shall be submitted to, and approved by, the Planning Department prior to occupancy of the project site.

Section 5. The City Council hereby approves a cannabis manufacturing regulatory permit for the Project.

PASSED AND ADOPTED this _____ day of August 2022 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

THOMAS REISCHE, MAYOR

ATTEST:

Shelly Kittle, City Clerk



BUSINESS PLAN

SUMMARY

Joel Gonzalez Extracts is a business that will perform a service of extraction. Producing different concentrates for licensed cannabis businesses. Our facility will be located in the Colusa Industrial Park area. This location is perfect for our business to operate enabling us to easily provide our services to the local farms and other licensed cannabis businesses of Colusa and throughout Northern California.

THE PRODUCT AND PROCESS

Joel Gonzalez Extracts will be an owner/operated business. The focus of Joel Gonzalez Extracts will be production, at significant and increasing volumes. For more than five years Owner/Founder, Joel Gonzalez has trained with experienced cannabis extractors, studied and researched extraction techniques and manufacturing practices, aligned with a knowledgeable and competent advisory committee, and learned the disciplines involved in the management of an efficient manufacturing facility. Joel also has approximately three years of experience in operating the **Precision PX10 Extraction System** that will be the closed-loop system used at this facility, and he provides an extensive background in the cannabis industry, his training, and knowledge in volatile-extraction technologies make him acutely aware of both the advantages of hydrocarbon solvents as well as the safety risks.

MAIN OBJECTIVE

- To obtain a license to manufacture cannabis in California.
- To meet our goal of Owning and Operating our facility.
- To be fully compliant with all local and state municipalities.
- To become the preferred cannabis manufacturer in Northern California.

OUR MISSION

Our mission is to become the best-of-the-best in cannabis extraction and set higher efficiency, ethics, and safety standards.

To achieve our goal of successfully serving businesses across the state of California, building our knowledge of the ever-changing industry, and eventually expanding nationwide with the passing of federal cannabis reform.

KEY TO SUCCESS

- Joel Gonzalez Extracts has obtained a Precision® X10 Extraction closed-loop system, that will be operated in a compliant C1D1 extraction room. As well as post-extraction ovens and other equipment used for this process.
- Our extraction procedures and post-extraction processes will produce safe, consistent, high-quality products.
- Provide California cannabis companies with our extraction services. We do not sell to the consumer directly, so we will not compete with the clients we serve.
- We are committed to and looking forward to getting local approval from the City of Colusa and our California State Annual license. We plan on providing preferred service to our neighbors in the Colusa Industrial Park, providing them with consistent, compliant, products, with a maximum yield end product.

OPERATIONS

Joel Gonzalez Extracts will remain focused on always exceeding the expected safety and health standards. Continuing to research methods, processes, and benefits of use, along the journey, as we believe cannabis concentrates are the most accessible way to consume some of the most beneficial aspects of the cannabis plant.

CHIEF EXECUTIVE OFFICER – JOEL GONZALEZ

- Represents the company in all aspects of the business and will be running the daily operations for Joel Gonzalez Extracts.
- Will provide direction for the business.
- Creates, and implements the operations, vision, mission, and overall direction.
- Ensures that the company meets our goal and exceeds the expected safety and health standards at all times.

Founder Joel Gonzalez has been an advocate for the use of cannabis for both medical and adult use. He is passionate about being part of the legal cannabis industry, he has been part of the cannabis culture for over 20 years. It was in 2008 when his cousin was diagnosed with stage 4 pancreatic cancer that Joel saw firsthand the benefits that medical cannabis can offer someone. Since then, he has been researching, training, consulting with skilled cultivators, and extractors, and aligning himself with a knowledgeable Board of Advisors to help keep him up to date with the technologies and techniques. Joel started with cultivating and has fully embraced the change and direction of the industry with concentrates.

FACILITY ADMINISTRATOR MANAGER

- Responsible for overseeing the smooth running of administrative tasks for the organization.
- Carries out onboarding and training of any new team members.
- Responsible for ensuring training is completed.
- Oversees the smooth running of the daily business activities.

Todd Talley, Ph.D.
Chief Scientific Officer

After his years of research in Toxicology, Crystallography and Neuropharmacology, Dr. Talley consults and oversees scientific operations for private companies.

University of California, San Diego, La Jolla, CA, US Postdoctoral training in Molecular Pharmacology, 2006
Advisor: Professor and Dean Palmer Taylor.
University of Montana, Missoula, MT, US Ph.D. in Organic/Medicinal Chemistry Thesis advisor: Professor Charles M. Thompson, 2001.
The University of Utah, Salt Lake City, UT, US B.S. in Chemistry (Professional Interdisciplinary), 1995.

Tim Bancroft, P.E.
Chemical Engineering

Consultant, review, and inspection services as well as providing Hazardous Materials program management.

B.S. Chemical Engineering San Jose State University B.S. Chemistry California State University, Chico.
Mr. Bancroft has over twenty years of Environmental, Hazardous Materials, and related Chemical Engineering experience, including an extensive regulatory background focusing on hazardous materials handling, waste treatment, and code compliance.

Dan Elder, BS
Consultant / Advisor

Bachelor of Science degree in Industrial Technologies from Western Washington University, focus was on production processing.
Provides consulting services, and provides information/training to improve productivity, profitability, and safety.

Steve Tarr
Consultant / Advisor
Very knowledgeable in cannabis compliance, extraction equipment, and training.

Steve provides advisory and consulting services for public and privately held companies.
Former Chief Operating Officer of Precision Extraction Systems, the world's leading provider of cannabis and hemp extraction technology.

WORK FORCE AFTER YEAR ONE (OR SOONER AS BUSINESS ALLOWS)

EXTRACTION OPERATOR ASSISTANT

- Assist the owner with the extraction process.
- In charge of operating machines that are used in the extraction of cannabis by using a solvent.
- Responsible for taking care, maintaining the machines and equipment in the extraction facility, and setting up service for regular maintenance when needed.

SALES AND MARKETING

- Will meet and market to cannabis cultivators and distributors.
- Manages external research and coordinates all the internal sources of information to retain the organization's best customers and attract new ones.
- Reach out to new partners, and business opportunities.

LOCATION

Our extraction facility will be located in the Colusa Industrial Park at 2876 Niagara Ave. Colusa, CA This location is ideal for our business, we are not open to the public, and we are not a retail facility.

OUR HOURS OF OPERATION:

8:00 pm – 8:00 am 7 days per week. We will operate during PGE's "Off Peak" hours.

SERVICES

Joel Gonzalez Extracts will provide extraction services to licensed cannabis cultivators. This provides them an avenue to increase their gross revenue and allows them to obtain a high-quality product, for a low cost to increase their revenue with bigger margins.

CHECK LIST AND MILESTONES

- Business Name Availability Check: **Completed and Secured**
- Securing Point of Sales (POS) Machines: **As Per Regulation, After Approval**
- Application and Obtaining Taxpayer's ID: **In Progress**
- Application for business license and permit: **In Progress**
- Leasing of facility and construction of the processing plant: **Completed**
- Generating capital from family members and friends: **Completed**
- Writing of Business Plan: **Completed**
- Drafting of Contract Documents and other relevant Legal Documents: **In Progress**
- Design of The Company's Logo: **Completed**
- Recruitment of employees: **Will be completed as business allows**
- Purchase of Extraction & post-extraction equipment needed to operate: **Completed**
- Creating Official Website for the Company: **In Progress**
- Creating Awareness for the business both online and around the community: **In progress, pending Approval to Operate**
- Establishing business relationship with vendors – wholesale suppliers/merchants: **In Process with Vendors Currently – Network of companies ready to do business with us, once we obtain our license**
- Joel Gonzalez Extracts will be Owner Operated; The Primary operator will be the founder, Joel Gonzalez. Joel has spent the past 5 years dedicated to education, research, and networking within the world of cannabis extraction and has formed an

advisory board team of experts to work with, consult, and train under. Joel is committed to operating a fully compliant extraction facility that will provide extraction services to other cannabis businesses throughout the state of California.

ANALYSIS

We have projected our break-even point to be in year two, as in the first 15 Months all money made will be going back into the business for daily operations, and to eliminate any acquired debt from start-up. We are looking forward to opening and building relationships with the local businesses and providing our service to the cannabis farms of Colusa. We are in this long-term and one of our goals is to be the preferred extractor in Northern California. We have met many people in this industry over the years from San Jose, all the way to Colusa, from Vendors, fellow cannabis entrepreneurs, property owners, and managers. We have formed some long-lasting friendships and great business relationships along the way. Until we came to the City of Colusa, we haven't felt like we'd found the right space to start this venture.

We are very pleased with our decision to open our extraction business in Colusa, California and we look forward to operating here for many years to come.

JOEL GONZALEZ EXTRACTS Business Plan

CONFIDENTIALITY STATEMENT

This document (the "Business Plan") contains confidential information proprietary to

Joel Gonzalez Extracts from now on referred to as "JGC" ("JGC"). This information and related conversations are submitted solely to introduce selected parties to JGC's Business Plan. JGC's disclosure of information contained herein and in related conversations does not constitute authorization for the recipient of the Business Plan to use the information, ideas, or concepts contained herein for any other than the evaluation of JGC, or to disclose any information to any other parties. JGC retains ownership of this Business Plan, including any concepts and ideas described herein. Each recipient of this document agrees to treat the information in a strictly confidential manner. The recipient may not disclose, directly or indirectly, or permit any agent or affiliate to disclose any information contained herein, or reproduce this document in whole or part without the prior written consent of JGC, unless otherwise required by applicable law.



City of Colusa California

STAFF REPORT

DATE: August 2, 2022
TO: Mayor Reische and member of the City Council
FROM: Jesse Cain, City Manager

AGENDA ITEM:

Public Hearing for the first reading of a proposed Ordinance approving a Development Agreement, and a Resolution for a Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit in support of cannabis manufacturing uses at 2881 Niagara Avenue.

Recommendation: Council to Open the public hearing, and introduce, read by title only, and waive the full first reading of the proposed Ordinance:

FIRST READING BY TITLE ONLY AND SET FOR SECOND READING AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COLUSA APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLUSA AND RHF PARTNERS, LLC RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2881 NIAGARA AVE. IN COLUSA

Recommendation: Council to adopt the following Resolution:

A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2881 NIAGARA AVE. IN COLUSA

BACKGROUND ANALYSIS:

The subject property (the "Site") is located on 5 acres within the southern portion of the Colusa Industrial Park (CIP) at 2881 Niagara Avenue and surrounded by existing industrial land uses to the north, west and south. Agricultural land and undeveloped industrial properties are located to the west of the Site.

There are two existing buildings on the Site. One is approximately 50,000 square feet and not a part of this proposal. The other, Project building totals approximately 11,200 square feet within which the Owner plans to remodel, install equipment for, and operate a cannabis nursery at the Site (the "Project"). Sufficient paved parking space is available to accommodate the Project's 15 employees projected to work at the site. With approval of the Project, cannabis would be

cultivated, dried and processed within the facility as described within their detailed business plan (attached). Finished cannabis products would be transported from the site from time to time.

RHF Partnership LLC (the "Owner") requests development agreement ("DA"), Cannabis Business Regulatory Permit, and Cannabis Business Special Use Permit approval as required by City Code to operate their cannabis business.

Development Agreement

As drafted, the term of the DA would last ten years. The DA contains mutually agreeable terms and provisions defining the obligations and contributions applicable to the City and the Owner. The DA establishes performance requirements, reporting and audition procedures, monetary compensation to the City (in the form of Production Fees), regulations, "City Covenants," and specific development criteria of the project.

Use Permits

The extraction of cannabis products is considered "manufacturing," and one of many permitted uses, within the City's cannabis regulations, following approval of a DA, special use permit, and regulatory permit by the City Council. The scope of the Owner's Project is limited to how it is described above in compliance with State and City regulations including the Zoning Ordinance. Multiple conditions of any use permit approval would apply to the project (if approved) and are included within the draft resolution. These include requiring detailed plans for security and safety, odor control, premises layout, and parking.

Staff considers the proposed use of the site, DA, special use permit and regulatory permit to be consistent with the City Code, Zoning Ordinance and General Plan

ENVIRONMENTAL REVIEW:

City Staff considers approval of this Development Agreement to be exempt from California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15332, which reads as follows:

Class 32 consists of projects characterized as in-fill development meeting the conditions described in this section.

(a) The project is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations.

(b) The proposed development occurs within city limits on a project site of no more than five acres substantially surrounded by urban uses.

(c) The project site has no value, as habitat for endangered, rare or threatened species.

(d) Approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality.

(e) The site can be adequately served by all required utilities and public services.

Staff considers the development of the Project to be exempt as provided above since for the following reasons: It is consistent with the general plan designation & policies as well as with applicable zoning designation and regulations; The Project Site, as previously developed, has

no value, as habitat for endangered, rare or threatened species; Operations within the limited, 11,200-square-foot building with conditions would generate negligible traffic, noise, air quality, or water quality, impacts; and all utilities and public services are already at the Site.

PUBLIC COMMENT:

Staff received comments on the proposed Project.

PLANNING COMMISSION ACTION:

During their meeting of April 13, 2022, the Planning Commission considered a Planning Department staff report and public testimony in support of the Project. Following the public hearing, the Planning Commission voted 5-0 to pass a Resolution recommending City Council approval of the proposed DA. Under the City Code, the Planning Commission does not review cannabis-related use permits.

BUDGET IMPACT:

If adopted, this ordinance and DA may facilitate new sources of revenue (over a longer period of time) to the City of Colusa from future cannabis cultivation/manufacturing activities associated with this Project.

STAFF RECOMMENDATION:

Staff recommends that the City Council consider the analysis, project staff report, and public testimony. Should the City Council support such analysis and the proposed project, staff recommends that the City Council approve the following:

1. FIRST READING BY TITLE ONLY AND SET FOR SECOND READING AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COLUSA APPROVING A DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLUSA AND RHF PARTNERS, LLC RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2881 NIAGARA AVE. IN COLUSA
2. A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2881 NIAGARA AVE. IN COLUSA

ATTACHMENT:

Ordinance No ____ approving Development Agreement

Resolution No ____ for Cannabis Business Regulatory Permit and a Cannabis Business Special Use Permit

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL APPROVING A DEVELOPMENT
AGREEMENT BETWEEN THE CITY OF COLUSA AND RHF PARTNERSHIP, LLC
RELATIVE TO THE OPERATION OF A CANNABIS MANUFACTURING FACILITY
LOCATED AT 2881 NIAGARA AVENUE IN COLUSA

The City Council of the City of Colusa does ordain as follows:

Section 1. The City Council of the City of Colusa finds and determines that:

A. All procedures of the California Environmental Quality Act (“CEQA”), California Public Resources Code §21000 *et seq.*, and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 *et seq.* have been satisfied because the Project is exempt from further environmental review under CEQA. City of Colusa Planning Staff have concluded with certainty that the Project would have no significant effect on the environment, pursuant to Guidelines Section 15061 (b) (3), because there is no development associated with the proposed draft Ordinance.

B. The development agreement is consistent with and implements the policies of the City of Colusa's General Plan, including the Housing Element.

C. The development agreement is compatible with the land uses and development regulations prescribed by the zoning for the property located at 2881 Niagara Avenue (“Site”).

D. The development agreement will not be detrimental to the health, safety, and welfare of persons residing in the immediate area nor be detrimental or injurious to property or persons in the general neighborhood or to the general welfare of residents of the city as a whole.

E. The development agreement will not adversely affect the orderly development of property or the preservation of property, on or off the project Site.

F. The agreement is consistent with the provisions of Government Code Sections 65864 through 65869.5.

Section 2. The Planning Commission, during a duly noticed public hearing held on April 13, 2022, passed a resolution by a vote of 5-0 recommending City Council approval of this Ordinance for the Development Agreement.

Section 3. The City Council of the City of Colusa hereby approves the Ordinance for the Development Agreement, attached hereto and incorporated by reference herein, by and between the City of Colusa and RHF Partnership, LLC relative to the manufacturing of cannabis products.

Section 4. The City Council of the City of Colusa hereby directs the Mayor to sign the Development Agreement by and between the City of Colusa and RHF Partnership, LLC relative to cannabis manufacturing on behalf of the City of Colusa and directs the City Clerk to record said document with the Colusa County Recorder.

Section 5. Within fifteen days of passage of this ordinance, the City Clerk shall cause the full text of the ordinance, with the names of those City Council members voting for and against the ordinance, to be published in a newspaper of general circulation circulated in the City. In lieu of publishing the full text of the ordinance, the City Clerk, if so directed by the City Attorney and within fifteen days, shall cause a summary of the ordinance, prepared by the City Attorney and with the names of the City Council members voting for and against the ordinance, to be published in a newspaper of general circulation circulated in the City, and shall post in the office of the City Clerk a certified copy of the City Council members voting for and against the ordinance. The publication of a summary of the ordinance in lieu of the full text of the ordinance is authorized only where the requirements of Government Code section 36993 (c) (1) are met.

INTRODUCED at a regular meeting of the City Council of the City of Colusa held on _____, 2022, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Colusa held on _____, 2022, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

THOMAS REISCHE, MAYOR

ATTEST:

SHELLY KITTLE, City Clerk

First Reading:

Second Reading:

Effective Date:

ATTACHED:

DEVELOPMENT AGREEMENT BY AND BETWEEN THE CITY OF COLUSA AND RHF PARTNERSHIP, LLC

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

City of Colusa
425 Webster Street
Colusa, CA 95932

Attention: City Clerk

SPACE ABOVE THIS LINE FOR RECORDER'S USE
Recording Fee Exempt per Government Code §6103

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 2022 (the "Execution Date"), by and between the **CITY OF COLUSA, a California municipal corporation** ("City") and **RHF Partnership LLC.** ("Owner"). City and Owner are sometimes referenced together herein as the "Parties." In instances when a provision hereof applies to each of the Parties individually, either may be referenced as a "Party." The Parties hereby jointly render the following statement as to the background facts and circumstances underlying this Agreement.

RECITALS

- A. The State of California enacted California Government Code Sections 65864 *et seq.* ("Development Agreement Statutes") to authorize municipalities to enter into development agreements with those having an interest in real property to strengthen the public planning process, encourage private participation in comprehensive planning, and reduce the economic risk of development in connection with the development of real property within their jurisdiction.
- B. The purpose of the Development Agreement Statutes is to authorize municipalities, in their discretion, to establish certain development rights in real property for a period of years regardless of intervening changes in land use regulations, to vest certain rights in the developer, and to meet certain public purposes of the local government.
- C. Owner intends to convert, through the course of two phases, an existing 11,200-square-foot industrial building at 2881 Niagara Avenue (APN: 017-130-012-000) into a cannabis manufacturing facility for the purposes of cannabis cultivation. Owner may expand operations in future phases to include other cannabis uses. The site is more fully described in Exhibit A and shown on the map in Exhibit B.
- D. Owner intends to operate a Cannabis Manufacturing Facility as defined in the City of Colusa City Code. Such Cannabis Manufacturing Facilities shall operate in accordance with the California State cannabis laws, creating a unified regulatory structure for adult use and medical cannabis. Prior to operating a cannabis facility,

RHF PARTNERSHIP, LLC. / CITY OF COLUSA DEVELOPMENT AGREEMENT

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Tenants shall be required to obtain a special use permit and regulatory permit from City. Owner and Tenants (if any) shall collectively be referred to in this Agreement as Developers.

- E. Ultimately, Developer intends to obtain all necessary state licenses issued pursuant to MAUCRSA to operate the Cannabis Manufacturing Facility at the Site once such licenses are being issued.
- F. Developers presently intend to develop and open a Cannabis Manufacturing Facility on the Site (featuring up to 15 employees) consistent with the California Marijuana Laws and Project Approvals (known as the “Project” as further described below).
- G. On July 18, 2017, City adopted Ordinance 519 permitting Cannabis Manufacturing Facilities in strict compliance with the applicable California laws regulating cannabis cultivation, manufacturing, processing, and distribution under certain conditions and provisions. Currently, City is updating the City Code to comply with new State cannabis regulations that are in effect as of the date of this Agreement.
- H. City and Owner have agreed that, as a condition of allowing the Project, as defined herein, and due to the unique circumstances of the proposed Project, Owner shall pay to the City quarterly fees based on the gross revenue of the Cannabis Manufacturing operations as hereinafter defined, which fees shall abate if and when the City adopts a tax on Cannabis Manufacturing Facilities.
- I. The City of Colusa, as “Lead Agency,” has determined that —based upon CEQA Guidelines Section 15061 (b) (3)— the Project is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.
- J. City has given public notice of its intention to adopt this Agreement and has conducted public hearings thereon pursuant to California Government Code §65867. City has found that the provisions of this Agreement and its purposes are consistent with the objectives, policies, general land uses and programs specified in the City’s General Plan, zoning code and municipal ordinances.
- K. City, in entering into this Agreement, acknowledges that certain City obligations hereby assumed shall survive beyond the terms of the present Council members, that this Agreement will serve to bind City and future Councils to the obligations hereby undertaken, and that this Agreement shall limit the future exercise of certain governmental and proprietary powers of City. By approving this Agreement, the Council has elected to exercise certain governmental powers at the time of entering into this Agreement rather than defer its actions to some undetermined future date.

The terms and conditions of this Agreement have undergone extensive review by City and the Council and have been found to be fair, just and reasonable. City has concluded that the pursuit of the Project will serve the best interests of its citizens and that the public health, safety and welfare are best served by entering into this obligation. Owner has represented to City that it would not consider or engage in the Project absent City approving this Agreement; *i.e.*, assuring Owner that it will enjoy the development rights.

- L. The City agrees that Owner's land use entitlements for the Project shall vest for the term of this Agreement as described below.
- M. After conducting a duly noticed hearing on April 13, 2022, the Planning Commission of the City reviewed, considered and voted 5-0, passed a resolution recommending City Council approval of an Ordinance approving this Agreement.
- N. After conducting a duly noticed hearing on, May 17, 2022 and after independent review and consideration, the City Council approved the execution of this Agreement. The City Council found the Project: consistent with the objectives, policies, general land uses and programs specified in the general plan; compatible with the uses authorized in the zoning code; is in conformity with good land use practices; will not be detrimental to the health, safety and general welfare of the City; and is in the best interest of the City of Colusa and its residents.
- O. Production Fee. "Production Fee" shall mean any cannabis cultivation, processing, testing, distribution, and transportation of cannabis and cannabis products.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the Parties do hereby agree as follows:

1. Binding Effect of Agreement. The Parties agree that the Recitals above are true and correct and intend to be bound by same; the Parties further agree to the incorporation by reference herein of said Recitals, together with all definitions provided and exhibits referenced therein. Except as otherwise provided in Section 15 of this Agreement, the burdens of this Agreement are binding upon, and the benefits of this Agreement inure to, all successors-in-interest of the Parties and constitute covenants which run with the Site. In order to provide continued notice thereof, the Parties will record this Agreement with the Colusa County Recorder. The word "Owner" as previously defined and used herein shall include successor owners, apart from government or quasi-public agencies, of any portion of the Site. Should the size or orientation of any Site component specified above be changed in minor respects, *e.g.*, changed by a lot line adjustment, this Agreement shall not thereby be deemed to have been affected or invalidated, but the rights and obligations of the Parties and their successors shall remain as provided herein.

2. Relationship of the Parties. It is hereby specifically understood and acknowledged that the Project is a private project and that neither City nor Developers will be deemed to be the agent of the other for any purpose whatsoever. City and Developers hereby renounce the existence of any form of joint venture or partnership between or among them and agree that nothing contained herein or in any document executed in connection herewith shall be construed as making City and Developers joint venturers or partners.

3. Term. Except as otherwise specified herein, the term of this Agreement (the "Term") is 10 years from the date the Owner begins commercial operation at the Project Site ("Operation Date"). The Operation Date shall be no later than 12 months following the Execution Date. The Term shall generally be subject to earlier termination or extension as hereinafter provided.

3.1 Term Extension – Third Party Issues. Notwithstanding the Parties' expectation that there will be no limit or moratorium upon the Project's development or the issuance of building or other development related permits (a "Development Limitation") during the Term, the Parties understand and agree that various third parties may take action causing a *de facto* Development Limitation. Consequently, the Term shall be extended for any delay arising from or related to any of the potential Development Limitations that follow in the subsections below for a time equal to the duration of that delay occurring during the Term. No Development Limitation may arise or result from an action or omission by Developers.

3.1.1 Litigation. Any third party-initiated litigation that arises from or is related to any City action or omission with respect to this Agreement or any subsequent City approval required in connection with the Project's development, or third party initiated litigation having the actual effect of delaying the Project's development. This extension period related hereto shall include any time during which appeals may be filed or are pending.

3.1.2 Government Agencies. Any delay arising from or related to the act(s) or omission(s) any third-party governmental agency, quasi-public entity or public utility, and beyond the reasonable control of Developers.

3.1.3 Force Majeure. Any delay resulting from riot, war, acts of terrorism, an event during the Term creating radioactive or toxic/hazardous contamination, a catastrophic earthquake, flood, fire or other physical natural disaster, excluding weather conditions regardless of severity, strikes or industrial disputes at national level effecting development involved personnel not employed by Developers, their subcontractors or suppliers and effecting an essential portion of the Project's development, excluding any industrial dispute that is specific to development taking place as a part of the Project.

3.2 Term Extensions. The Term of this Agreement will be extended for seven additional years upon a determination of the City Council, by way of resolution of the City Council acted on at a regularly scheduled meeting, that both of the conditions listed in subparts 3.2.1 and 3.2.2 below have been fully satisfied are the Owner is in full compliance:

3.2.1. No Default by Owner. Owner shall not be in default with respect to any provision of this Agreement or any subsequent agreement or understanding between the Parties arising from or related to this Agreement, having received notice from City of said default per this Agreement, or if Owner did in fact default as to this Agreement, upon notice from City, that Owner did cure said default during the period to cure provided herein to City's satisfaction.

3.2.2 Finding of Community Compatibility. The City Council shall review the operations of Owner prior to granting an extension of the term of this Agreement and make a finding that the Cannabis Manufacturing, notwithstanding that the Cannabis Manufacturing may not be in precise technical compliance with the issued regulatory permit and special use permit, continue to be compatible with surrounding land uses and are not detrimental to the public health, safety and general welfare.

3.2.3. Mutual Agreement of Parties. In addition to the process listed above for a seven-year term extension, this Agreement's Term may be extended by mutual agreement of the Parties and formal amendment of this Agreement.

3.3 Termination of Agreement. Upon the termination of this Agreement, either by expiration or otherwise, Developers shall have no right to engage in Cannabis Manufacturing at the Project Site, except as may otherwise be allowed by City ordinance, law or separate development agreement.

4. Defined Terms. As used in this Agreement, the following terms shall have the meanings hereinafter set forth:

4.1. Certified Report. "Certified Report" shall mean a detailed document prepared by Developers on a form acceptable to the City's Director of Finance to report to the City of the Cannabis Manufacturing distribution and sales, as defined herein, in the Project during each Operational Quarter, as defined herein. Each Certified Report shall be certified as true and correct by a duly authorized officer of Owner.

4.2. Production Fee. "Production Fee" shall mean a quarterly fee remitted to the City by Owner based on the gross wholesale receipts of its operations, as defined below, in the amount of 3% of gross sales from operations to begin after 8 months of commencement of operation.

4.3. Certification of Non-Income Tax Exemption. Owner certifies that Owner is not income tax exempt under State or Federal Law and that Owner will not file for such an exemption from the Internal Revenue Service or the Franchise Tax Board. Owner will also require all Tenant(s) to certify that Tenant(s) are not income tax exempt under State or Federal Law and will not file for such an exemption.

4.4. Land Use Regulations. "Land Use Regulations" shall mean all ordinances, resolutions, codes, rules, regulations and official policies of the City governing the development and use of land, including, without limitation, the permitted use of land, the density or intensity of use, subdivision requirements, timing and phasing of development, the maximum height and size of buildings, the provisions for reservation

or dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Project. "Land Use Regulations" do not include any City ordinance, resolution, code, rule, regulation or official policy governing:

4.4.1. The conduct or taxation of businesses, professions, and occupations applicable to all businesses, professions, and occupations in the City;

4.4.2. Other than as provided in this Agreement, taxes and assessments of general application upon all residents of the City, provided that the taxes and assessments are not imposed for the purpose of taxing the right, power or privilege of developing or improving land (e.g., excise tax) or to directly finance the acquisition or dedication of open space or any other public improvement in respect of which the Developer is paying any fee or providing any improvement pursuant to this Agreement;

4.4.3. The control and abatement of nuisances.

4.4.4. The granting of encroachment permits and the conveyance of rights and interests which provides for the use of, access to or the entry upon public property, as may be approved by mutual agreement between Developer and City; and

4.4.5. The exercise of the power of eminent domain.

4.5. "Existing Land Use Regulations" means all Land Use Regulations in effect as of the approval date of this Agreement, including the Project Approvals.

4.6. Operational Quarter. "Operational Quarter" shall mean any calendar quarter during which any gross revenue of the Project is produced.

5. Fee Payments by Owner. In consideration of City's entering into this Agreement and authorizing the development and operation of the Project, the requirements for City services created by the Project, the City insuring Developers compliance with this Agreement, California medical marijuana laws and the City's municipal ordinances, throughout the Term of this Agreement, Owner shall make the following payments to City:

5.1. Production Fee Payments by Owner. Quarterly payments of the Production Fee by Owner to the City as specified in Section 6 herein. The obligations of Owner under this Section shall survive the expiration or any earlier termination, as applicable, of this Agreement, but the Production Fee under this Agreement shall cease if any City-wide tax is imposed specifically on Cannabis Manufacturing operations.

6. Payment Procedures. The following payment procedures shall apply during the operation of the Project:

6.1. Remittance of Fees; Certified Reports. Within thirty (30) calendar days following the end of each quarterly period during the Term of this Agreement, Owner shall submit the Certified Report to the City's Finance Director and a payment for the Production and Manufacturing, Cultivation and Distribution Fees for that Operational Period as identified in the Certified Report. Owner shall pay Fees to the City on a quarterly basis without exception. Any material misstatement or misrepresentation in the Certified

Report and any failure to pay Fees when due shall constitute events of default by Developers subject to the default provisions of this Agreement.

6.2. Maintenance of Records. Developers shall maintain complete records of their operations to substantiate and document the content of each Certified Report. Such records shall include, without limitation, invoices and payments taken by Tenants and/or any operator of the facility. Developers shall maintain such records in a form and location reasonably accessible to the City, following reasonable notice to Developers and/or any operator, for a period of at least five (5) calendar years following Owner's submission of the Certified Report to which the records apply.

6.3. Audit. Within ninety (90) calendar days following the end of each Operational Quarter, the City may conduct an audit or arrange for a third-party independent audit, at Developers' expense, of Developers records regarding Certified Reports and the Fees. The City's Finance Director shall provide at least seven (7) business days written notice of the commencement of such audit to Developers, and shall reasonably attempt to schedule the audit so as to reduce the impact on Tenants' operations as much as is feasible. Developers shall cooperate with the City in completing the audit. If the audit reveals that Owner has underpaid the Fees, Owner shall pay such underpaid amounts to the City within thirty (30) calendar days of receipt of written notice from the City's Director of Finance in addition to all costs of the audit, including city staff time and outside consultants. If the audit reveals that the Owner has overpaid any amount of the Production or Nursery Fees, City shall provide written notification to Owner and shall credit such amount against Owner's subsequent quarterly payment of Fees.

7. Covenants of Owner. During the Term of this Agreement, Owner hereby covenants and agrees with the City as follows:

7.1. Implementation. Owner shall use commercial reasonable efforts to pursue the implementation of the Project as expeditiously as feasible, in the form approved by the City, subject to all applicable laws, this Agreement, the Project Approvals and the Municipal Code.

7.1.1. Developer shall comply with all applicable state regulations governing its manufacturing operations. If permanent regulations are not in place at the time operations commence, Developer shall comply with whatever temporary, interim, or urgency regulations that are in effect pending the State's consideration and adoption of permanent regulations.

7.2. Enhanced Design Requirement. Owner shall submit a design plan for the building and site, for review and approval by the Planning Director, which shall incorporate at a minimum, security fencing and landscaping improvements consistent with the policies in the City's General Plan.

7.3. Maintain & Operate Project. Owner and Tenants shall maintain and operate the Project on the Site, once constructed, throughout the Term of this Agreement, in accordance with the Project Approvals and all City, and State laws.

7.4. Hold Harmless. Owner shall defend (with counsel reasonably acceptable to City), indemnify and hold City and its councilpersons, officers, attorneys, agents, contractors, and employees (collectively, the “Indemnified Parties”) harmless from and against all losses, costs and expenses (including, without limitation, reasonable attorneys’ fees and costs), damages (including, without limitation, consequential damages), claims and liabilities arising from the Project, this Agreement, the approval of the Project, and the activities of Developers, their members, officers, employees, agents, contractors, invitees and any third parties on the Site, from and against any challenges to the validity of this Agreement or other Project Approvals. The obligations of Owner under this Section shall survive the expiration or any earlier termination, as applicable, of this Agreement.

8. Covenants of City. During the Term of this Agreement, City hereby covenants and agrees with Owner as follows:

8.1. Expeditious Services. City shall process applications and address questions and concerns raised by Developers representatives at the “counter” at City Hall as expeditiously as reasonably possible. Upon Owner’s request, or if, in an exercise of City’s own discretion, City staff determines that it cannot comply with this section, City shall expeditiously engage the services of private contract planners, plan checkers or inspectors (“Private Contractors”) to perform such services as may be necessary to assist in processing the project plans as described herein. Compensation of such Private Contractors shall be at Owner’s sole cost and expense, inclusive of any administrative cost to City of integrating services by Private Contractors into the project’s development processing. Owner shall pay such costs and expenses of Private Contractors via reimbursement to City, per City’s applicable policies and procedures. City shall have absolute discretion in the selection of such Private Contractors.

8.2 Vested Rights. During the Term of this Agreement, Owner shall have the vested right and entitlement to develop and operate the Project in accordance with the Existing Land Use Ordinances, in addition to any Cannabis Manufacturing Operating Standards adopted by the City Council, which may be amended at the City’s discretion. Parties acknowledge that neither the City nor the Owner can at this time predict when or the rate at which or the order in which parts of the Project will be developed. Owner shall have the vested right to develop the Project in such order and at such rate and at such times as Owner deems appropriate in the exercise of its business judgment, provided that Owner is in compliance with the Project Approvals.

8.3 Building Permits and Other Approvals and Permits. Subject to (a) Owner’s compliance with this Agreement, the Project Approvals the Existing Land Use Ordinances, the Building Ordinances, and Operating Standards; and (b) payment of the usual and customary fees and charges of general application charged for the processing of such applications, permits and certificates and for any utility connection, or similar fees and charges of general application, the City shall process and issue to Developers promptly upon application therefore all necessary use permits, building permits, occupancy certificates, regulatory permits, licenses and other required permits for the construction, use and occupancy of the Project, or any portion thereof, as applied for,

including connection to all utility systems under the City's jurisdiction and control (to the extent that such connections are physically feasible and that such utility systems are capable of adequately servicing the Project).

8.4 Procedures and Standards. The standards for granting or withholding permits or approvals required hereunder in connection with the development of the Project shall be governed as provided herein by the standards, terms and conditions of this Agreement and the Project Approvals, and to the extent not inconsistent therewith, the Existing Land Use Ordinances, but the procedures for processing applications for such permits or approvals (including the usual and customary fees of general application charged for such processing) shall be governed by such ordinances and regulations as may then be applicable.

9. Effect of Agreement.

9.1 Grant of Right. This Agreement shall constitute a part of the Enacting Ordinance, as if incorporated by reference therein in full. The Parties acknowledge that this Agreement grants Owner the right and entitlement to develop the Project and use the land pursuant to specified and known criteria and rules as set forth in the Project Approvals and Existing Land Use Ordinances, and to grant the City and the residents of the City certain benefits which they otherwise would not receive.

9.2 Binding on City/Vested Right of Owner. This Agreement shall be binding upon the City and its successors in accordance with and subject to its terms and conditions notwithstanding any subsequent action of the City, whether taken by ordinance or resolution of the City Council, by referendum, initiative, or otherwise. The Parties acknowledge and agree that by entering into this Agreement and relying thereupon, the Owner has obtained, subject to the terms and conditions of this Agreement, a vested right to proceed with its development of the Project as set forth in the Project Approvals and the Existing Land Use Ordinances, and the timing provisions of Section 3, and the City has entered into this in order to secure the public benefits conferred upon it hereunder which are essential to alleviate current and potential problems in the City and to protect the public health, safety and welfare of the City and its residents, and this Agreement is an essential element in the achievement of those goals.

9.3 Future Conflicting Local Laws. If any City law, including ordinances, resolutions, rules, regulations, standards, policies, conditions and specifications (collectively "City Laws") are enacted or imposed by a citizen-sponsored initiative or referendum, or by the City Council directly or indirectly in connection with any proposed initiative or referendum, which City Law would conflict with this Agreement, such City Law shall not apply to the Project Site or Project. The Parties, however, acknowledge that the City's approval of this Agreement and the City Approvals are legislative actions subject to referendum.

9.3.1 Without limiting the generality of the foregoing, no moratorium or other limitation whether relating to the rate, timing, phasing or sequencing of development affecting subdivision maps, building permits, or other Subsequent Approvals shall apply to the Project. Owner agrees and understands that the City does not have authority or jurisdiction over another public agency's authority to grant a

moratorium or to impose any other limitation that may affect the Project.

10. Specific Criteria Applicable to Development of the Project.

10.1 Applicable Ordinances. Except as set forth in the Project Approvals and subject to the provisions of Section 10.2 below, the Existing Land Use Ordinances shall govern the development of the Site hereunder and the granting or withholding of all permits or approvals required to develop the Site; provided, however, that (a) Owner shall be subject to all changes in processing, inspection and plan-check fees and charges imposed by City in connection with the processing of applications for development and construction upon the Site so long as such fees and charges are of general application and are not imposed solely with respect to the Project Site, (b) Owner shall abide by the Building Ordinances in effect at the time of such applications, (c) Development Impact Fees to be paid by Owner shall be those in effect at the time permits are issued subject to those fees, and (d) development shall be consistent with current Operating Standards.

10.2 Amendment to Applicable Ordinances. Any change to the Existing Land Use Ordinances that conflicts with the Project Approvals shall nonetheless apply to the Project if, and only if (i) it is consented to in writing by Owner in Owner's sole and absolute discretion; (ii) it is determined by City and evidenced through findings adopted by the City Council that the change or provision is reasonably required in order to prevent a condition dangerous to the public health or safety; (iii) it is required by changes in State or Federal law; (iv) it consists of changes in, or new fees permitted by, Section 4.1; or (v) it is otherwise expressly permitted by this Agreement. The Parties anticipate that the City shall subsequently adopt Operating Standards that govern this type of use, which Regulations, and any amendments thereto, shall apply to the Project.

10.3 Applicability of Zoning Amendments. In the event that the City zoning ordinance is amended by the City in a manner which provides more favorable site development standards for the Project Site or any part thereof than those in effect as of the Effective Date, Owner shall have the right to notify the City in writing of its desire to be subject to all or any such new standards for the remaining term of this Agreement. If City agrees, by resolution of the City Council, such new standards shall become applicable to the Project. Should City thereafter amend such new standards, upon the effective date of such amendment, the original new standards shall continue to apply to the Project as provided above, but Owner may notify City in writing of its desire to be subject to all or any such amended new standards and City shall agree in the manner above provided to apply such amended new standards to the Project.

11. Permitted Delays; Supersedure by Subsequent Laws.

11.1 Permitted Delays. In addition to any other provisions of this Agreement with respect to delay, Owner and City shall be excused from performance of their obligations hereunder during any period of delay caused by acts of mother nature, civil commotion, riots, strikes, picketing, or other labor disputes, shortage of materials or supplies, or damage to or prevention of work in process by reason of fire, floods, earthquake, or other casualties, litigation, acts or neglect of the other party, any referendum elections held on the Enacting Ordinance, or the Land Use Ordinances, or

any other ordinance effecting the Project or the approvals, permits or other entitlements related thereto, or restrictions imposed or mandated by governmental or quasi-governmental entities, enactment of conflicting provisions of the Constitution or laws of the United States of America or the State of California or any codes, statutes, regulations or executive mandates promulgated thereunder (collectively, "Laws"), orders of courts of competent jurisdiction, or any other cause similar or dissimilar to the foregoing beyond the reasonable control of City or Owner, as applicable. Each Party shall promptly notify the other Party of any delay hereunder as soon as possible after the same has been ascertained. The time of performance of such obligations shall be extended by the period of any delay hereunder.

11.2 Supersedure of Subsequent Laws or Judicial Action.

11.2.1 The provisions of this Agreement shall, to the extent feasible, be modified or suspended as may be necessary to comply with any new Law or decision issued by a court of competent jurisdiction (a "Decision"), enacted or made after the Effective Date which prevents or precludes compliance with one or more provisions of this Agreement. Promptly after enactment of any such new Law, or issuance of such Decision, the Parties shall meet and confer in good faith to determine the feasibility of any such modification or suspension based on the effect such modification or suspension would have on the purposes and intent of this Agreement. In addition, Owner and City shall have the right to challenge the new Law or the Decision preventing compliance with the terms of this Agreement. In the event that such challenge is successful, this Agreement shall remain unmodified and in full force and effect, except that the Term shall be extended, in accordance with Section 2.1 above, for a period of time equal to the length of time the challenge was pursued, to extent such challenge delayed the implementation of the project.

12. Operating Memoranda. The provisions of this Agreement require a close degree of cooperation between the City and the Developers. It is anticipated due to the term of this Agreement that refinements to the approvals may be appropriate with respect to the details of performance of the City and the Developers. To the extent allowable by law, the Developers shall retain a certain degree of flexibility as provided herein with respect to all matters, items and provisions covered in general under this Agreement. When and if the Developers finds it necessary or appropriate to make changes, adjustments or clarifications, the Parties shall enter into memoranda ("Operating Memoranda") approved by the Parties in writing, which reference this Section of the Agreement. Operating Memoranda are not intended to constitute an amendment to this Agreement but mere ministerial clarifications; therefore, public notices and hearings shall not be required. The City Attorney shall be authorized upon consultation with the Developers, to determine whether a requested clarification may be effectuated pursuant to this Section or whether the requested clarification is of such character to constitute an amendment to the Agreement which requires compliance with the provisions of this Agreement pertaining to amendments. The authority to enter into such Operating Memoranda is hereby delegated to the City Manager, and the City Manager is hereby

authorized to execute any operating Memoranda hereunder without further City Council action.

13. CEQA. All procedures of the California Environmental Quality Act ("CEQA"), California Public Resources Code §21000 *et seq.*, and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 *et seq.* have been satisfied.

14. Building Permits. Nothing set forth herein shall impair or interfere with the right of City to require the processing of building permits as required by law relating to any specific improvements proposed for the Project pursuant to the applicable provisions of the City's municipal code, inclusive of such California and International Codes as have been adopted in accord therewith, that are in effect at the time such permits are applied for; provided, however, no such permit processing shall authorize or permit City to impose any condition on and/or withhold approval of any proposed improvement the result of which would be inconsistent with this Agreement.

15. Assignment and Transfer of Rights. Except as otherwise provided in this Section, the burdens of this Agreement are binding upon, and the benefits of this Agreement inure to, all successors-in-interest of the Parties and constitute covenants that run with the Site. Owner, for itself, its heirs, distributees, executors, administrators, legal representatives, successors and assigns, shall not, at any time during the Term, assign, convey, lease, sell or otherwise transfer all or any portion of its rights under this Agreement ("Assignable Rights") to a third party, a subordinate entity, or a related entity (make an "Assignment") without the prior written consent of City in each instance, which consent which consent will not be unreasonably withheld, provided the entity receiving the Assignment is qualified to conduct business under all City codes and ordinances, and obtains all required state and City permits. Any assignment in violation of this Section will be void. No permitted assignee of this Agreement may further assign this Agreement without City's prior written consent.

16. Review for Compliance.

16.1 Periodic Review. Pursuant to CGC §65865.1, City shall engage in an annual review this Agreement, on or before the anniversary of the date of execution, in order to ascertain Owner's good faith compliance with its terms (the "Periodic Review"). In the event City fails to formally conduct such annual review, Owner shall be deemed to be in full compliance with the Agreement.

17. Amendment or Cancellation. This Agreement may be amended or canceled in whole or in part only by mutual consent of the Parties or in the manner provided in CGC §65865.1 or CGC §65868 and subsection 3.2 above.

17.1 Provide Notice. Provide the other Party with written notice of such State or Federal law or regulation, a copy of such law or regulation and a statement identifying how such law regulation conflicts with the provisions of this Agreement.

17.2 Meet and Confer. Upon notice by one Party to another as to preemption or frustration of this Agreement by law or regulation, the Parties shall promptly meet and confer in good faith and make a reasonable attempt to modify or suspend this Agreement to comply with such applicable Federal or State law or regulation. If the Parties cannot agree on a manner or method to comply with such Federal or State law or regulation, the Parties may, but shall not be required to, engage in alternative dispute resolution.

18. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be either personally delivered (which shall include delivery by means of professional overnight courier service which confirms receipt in writing [such as Federal Express or UPS]), sent by telecopier or facsimile ("Fax") machine capable of confirming transmission and receipt, or sent by certified or registered mail, return receipt requested, postage prepaid to the following parties at the following addresses or numbers:

If to City: City of Colusa
425 Webster Street
Colusa CA 95932
Attention: City Manager

With copy to: Jones & Mayer, City Attorney

8150 Sierra College Blvd., Suite 190
Roseville California 95661
Attention: Ryan R. Jones, Esq.

If to Owner: RHF Partnership, LLC.
2881 Niagara Ave
Colusa, CA 95932

Notices sent in accordance with this Section shall be deemed delivered upon the: **(a)** date of delivery as indicated on the written confirmation of delivery (if sent by overnight courier service); **(b)** date of actual receipt (if personally delivered by other means); **(c)** date of transmission (if sent by email or telecopier, so long as sender receives actual confirmation that the transmission was received); or **(d)** date of delivery as indicated on the return receipt (if sent by certified or registered mail, return receipt requested). Notice of change of address shall be given by written notice in the manner detailed in this Section.

19. Breach and Remedies. Notwithstanding any provision of this Agreement to the contrary, Developers shall not be deemed to be in default under this Agreement with respect to any obligation owed solely to City, and City may not terminate or modify Developers' rights under this Agreement, unless City shall have first delivered a written notice of any alleged default to Owner that specifies the nature of such default. If such default is not cured by Owner within sixty (60) days after receipt of such notice of default, or with respect to defaults that cannot be cured within such period, Owner fails to commence to cure the default within thirty (30) days after receipt of the notice of default, or thereafter fails to diligently pursue the cure of such default, City may terminate Owner's rights under this Agreement. Default by any Assignee or Owner's successor in interest shall affect only that portion of the Site owned by such Assignee or successor, and shall not cancel or diminish in any way Owner's rights with respect to any portion of the Site not owned by such Assignee or successor. In the event that a breach of this Agreement occurs, irreparable harm is likely to occur to the non-breaching Party and damages will be an inadequate remedy. To the extent permitted by law, therefore, it is expressly recognized that injunctive relief and specific enforcement of this Agreement are proper and desirable remedies, and it is agreed that any claim by Owner against City for an alleged breach of this Agreement shall be remedied by injunctive relief or an appropriate action for specific enforcement of this Agreement and not by a claim or action for monetary damages.

20. Entire Agreement. This Agreement and the Exhibits herein contain the entire integrated agreement among the Parties. The Parties intend that this Agreement state their agreement in full to each and every one of its provisions. Any prior agreements, understandings, promises, negotiations or representations respecting the matters dealt with herein or the duties of any Party in relation thereto, not expressly set forth in this Agreement, are agreed by all Parties to be null and void.

21. Severability. If any term, provision, condition, or covenant of this Agreement, or the application thereof to any Party or circumstance, shall to any extent be held invalid or unenforceable, the remainder of the instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

22. Attorneys' Fees. If the services of any attorney are required by any party to secure the performance of this Agreement or otherwise upon the breach or default of another party, or if any judicial remedy or arbitration is necessary to enforce or interpret any provisions of this Agreement or the rights and duties of any person in relation to this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and other expenses, in addition to any other relief to which such party may be entitled. Prevailing party includes (a) a party who dismisses an action in exchange for sums allegedly due; (b) the party that receives performance from the other party of an alleged breach of covenant or a desired remedy, if it is substantially equal to the relief sought in an action; or (c) the party determined to be prevailing by a court of law.

Whenever provision is made in this Agreement for the payment of attorney's fees, such fees shall be payable whether the legal services are rendered by a salaried employee for the party or by independent counsel and shall include such fees as are incurred in connection with any pretrial proceeding, trial or appeal of the action. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which constitute one and the same instrument.

24. Execution of Agreement. The Parties shall sign this Agreement on or within five (5) business days of approval.

25. Estoppel Certificate. City shall, at any time and from time to time within ten (10) days after receipt of written notice from Owner so requesting, execute, acknowledge and deliver to Owner a statement in writing: **(a)** certifying that this Agreement is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Agreement, as so modified, is in full force and effect); and **(b)** acknowledging that there are no uncured defaults on the part of Owner hereunder or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Site. Upon Owner's written request, City shall issue a certificate of performance evidencing completion of any of Owner's obligation(s) under this Agreement.

26. Encumbrances on Real Property.

26.1 Discretion to Encumber. The Parties hereto agree that this Agreement shall not prevent or limit Owner, in any manner, at Owner's sole discretion, from encumbering the Site or any portion thereof or any improvements thereon then owned by such person with any mortgage, deed of trust or other security device ("Mortgage") securing financing with respect to the Site or such portion. City acknowledges that the lenders providing such financing may require certain modifications, and City agrees, upon request, from time to time, to meet with Owner and/or representatives of such lenders to negotiate in good faith any such request for modification. City further agrees that it will not unreasonably withhold its consent to any such requested modification. Any mortgagee or trust deed beneficiary of the Site or any portion thereof or any improvements thereon and its successors and assigns ("Mortgagee") shall be entitled to the following rights and privileges.

26.2 Lender Requested Modification/Interpretation. City acknowledges that the lenders providing financing to Developers may request certain interpretations and modifications of this Agreement. City therefore agrees upon request, from time to time, to meet with the Developers and representatives of such lenders to negotiate in good faith any such request for interpretation or modification. The City will not unreasonably withhold its consent to any such requested interpretation or modification provided such interpretation or modification is consistent with the intent and purposes of this Agreement, provided, further, that any modifications of this Agreement are subject to the provisions of this Agreement relative to modifications or amendments.

26.3 Mortgage Protection. This Agreement shall be superior and senior to the lien of any Mortgage. Notwithstanding the foregoing, no breach of this Agreement shall defeat, render invalid, diminish or impair the lien of any Mortgage made in good faith and for value, and any acquisition or acceptance of title or any right or interest in or with respect to the Site or any portion thereof by a Mortgagee (whether pursuant to a Mortgage, foreclosure, trustee's sale, deed in lieu of foreclosure or otherwise) shall be subject to all of the terms and conditions of this Agreement.

26.4 Mortgagee Not Obligated. Notwithstanding the provisions of Section 26.2, no Mortgagee will have any obligation or duty under this Agreement to perform the

obligations of Owner or other affirmative covenants of Owner hereunder, or to guarantee such performance, except that to the extent that Mortgagee opts to receive the benefits of the Agreement, including the right to operate, any covenant to be performed by Owner is a condition to the performance of a covenant by City, the performance thereof shall continue to be a condition precedent to City's performance hereunder. No Mortgagee will be liable for any monetary defaults arising prior to its acquisition of title to the Site or any portion thereof. Uncured monetary defaults will terminate the Agreement and Mortgagee's right to operate.

26.5 Written Notice of Default. Each Mortgagee shall be entitled to receive written notice from City of any default by Owner under this Agreement, if such default is not cured within thirty (30) days, provided such Mortgagee has delivered a written request to City for such notice. Each Mortgagee shall have a further right, but not the obligation, to cure such default for a period of thirty (30) days after receipt of such notice of default. Any non-curable defaults of Owner of any obligation owed solely to City arising prior to Mortgagee's acquisition of title to the Site or any portion thereof shall be waived; provided, however, the non-payment of money shall not be deemed a non-curable default.

27. Binding Effect. This Agreement shall be binding on and inure to the benefit of the Parties to this Agreement and, subject to City's written consent, their heirs, personal representatives, successors, and assigns, except as otherwise provided in this Agreement.

28. Governing Law and Venue. This Agreement and the legal relations between the Parties shall be governed by and construed in accordance with the laws of the State of California. Furthermore, the Parties agree to venue in the Superior Court of Colusa County, California.

29. Mutual Covenants. The covenants contained herein, including those contained in the Recitals herein, are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the party benefited thereby of the covenants to be performed hereunder by such benefited party.

30. Successors in Interest. The burdens of this Agreement shall be binding upon, and the benefits of this Agreement shall inure to, all successors in interest to the Parties to this Agreement ("Successors"). Furthermore, the rights and remedies, together with the benefits and burdens of this Agreement of each Party to this Agreement shall be coextensive with those of its Successors. All provisions of this Agreement shall be enforceable as equitable servitude's and constitute covenants running with the land. Each covenant to do or refrain from doing some act hereunder with regard to development of the Site: (a) is for the benefit of and is a burden upon every portion of the Site; (b) runs with the Site and each portion thereof; and, (c) is binding upon each Party and each Successor during ownership of the Site or any portion thereof. From and after recordation

of this Agreement, the Agreement shall impute notice to all persons and entities in accord with the recording laws of this State.

31. No Third-Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the Parties and their Successors and Assignees. No other person or entity shall have any right of action based upon any provision of this Agreement.

32. Waiver. Failure by a Party to insist upon the strict performance of any of this Agreement's provisions by the other party, or the failure by a Party to exercise its rights upon the default of the other Party, shall not constitute a waiver of such Party's right to insist and demand strict compliance by the other Party with the terms of this Agreement thereafter.

33. Time of Essence. Time is of the essence in the performance of the provisions of this Agreement as to which time is an element.

34. Recordation of Agreement. This Agreement and any amendment or cancellation thereof shall be recorded with the County Recorder by the City Clerk within the period required by Government Code Section 65868.5.

35. Headings. The headings in this Agreement are inserted for convenience only. They do not constitute part of this Agreement and shall not be used in its construction.

36. Waiver. The waiver by any party to this Agreement of a breach of any provision of this Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach of that or any other provision of this Agreement.

37. Jointly Drafted. It is agreed among the parties that this Agreement was jointly negotiated and jointly drafted by the Parties and their respective counsel, and that it shall not be interpreted or construed in favor of or against any party solely on the ground that it drafted the Agreement. It is also agreed and represented by all Parties that said Parties were of equal or relatively equal bargaining power and that in no way whatsoever shall this Agreement be deemed to be a contract of adhesion, or unreasonable or unconscionable.

38. Independent Legal Counsel. Each party acknowledges that it has been represented by independent legal counsel of its own choice throughout all of the negotiations that preceded the execution of this Agreement or has knowingly and voluntarily declined to consult legal counsel, and that each Party has executed this Agreement with the consent and on the advice of such independent legal counsel.

39. Further Cooperation. The parties herein agree to execute any and all agreements, documents or instruments as may be reasonably necessary in order to fully effectuate the agreements and covenants of the Parties contained in this Agreement, or to evidence this Agreement as a matter of public record, if required to fulfill the purposes of this Agreement. The Parties further agree to mutually cooperate with one another in carrying out the purposes of this Agreement.

40. Enforceability. This Agreement shall not become binding and shall have no force and effect whatsoever until such time as it has been fully executed by and delivered to all of the parties hereto.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Execution Date.

Signatures on Next Page

“CITY”

CITY OF COLUSA, CA
a California Municipal Corporation

Date: _____, 2022

By: _____

Mayor

Attest:

By: _____

City Clerk

Approved as to form:

Jones & Mayer

By: _____

Ryan R. Jones, Esq.
City Attorney

“Authorized Agent”

Brad Ravin

By: _____

Date: _____, 2022

Paul Hand

By: _____

Approved as to form:

By: _____
Attorney for Owner

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ }

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }
COUNTY OF _____ }

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary

EXHIBIT “A”
Legal Description

pending

EXHIBIT "B"

Item 8.

Boundary Map



RESOLUTION NO. 22-

A RESOLUTION OF THE CITY COUNCIL APPROVING A SPECIAL USE PERMIT AND A REGULATORY USE PERMIT, RELATIVE TO THE ESTABLISHMENT AND OPERATION OF A CANNABIS MANUFACTURING / BUSINESS FACILITY LOCATED AT 2881 NIAGARA AVE. IN COLUSA

Whereas, RHF Partners (the “Owner”) has applied to the City to develop and open a cannabis manufacturing facility at 2881 Niagara Ave, Colusa, CA consistent with California laws regulating cannabis manufacturing (the “Project”); and

Whereas, the Project will include cultivation, drying and processing and related cannabis manufacturing activities in compliance with state and local law, but would not include the dispensing or sale to individual qualified persons at the facility.

Whereas, the City of Colusa has adopted City Code Article 21-5, and added Section 33.03 to the City of Colusa Zoning Code, setting forth requirements for cannabis manufacturing regulations and a requirement to obtain a Cannabis Special Use Permit respectively; and

Whereas, the City of Colusa also added a new Chapter 12F to the City of Colusa Municipal Code setting forth requirements for a Cannabis Regulatory Permit; and

Whereas, the Owner must be granted both a Cannabis Special Use Permit and a Cannabis Regulatory Permit by the City of Colusa City Council.

Now therefore, the City Council of the City of Colusa does resolve as follows:

Section 1. The City Council finds that the establishment, maintenance, and operation of the Project applied for is consistent with the City’s General Plan and zoning for the site.

Section 2. The City Council finds that the establishment, maintenance, and operation of the Project applied for will not be detrimental to the health, safety, peace, morals, comfort and general welfare of persons residing or working in the neighborhood of such proposed use, or to be detrimental or injurious to property and improvements in the neighborhood or to the general welfare of the city.

Section 3. All procedures of the California Environmental Quality Act (“CEQA”), California Public Resources Code §21000 et seq., and the CEQA guidelines, title 14 of the California Code of Regulations, chapter 3, §15000 et seq. have been satisfied as the project is categorically exempt under CEQA guidelines sec. City Staff considers approval of this Development Agreement to be exempt from California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15332, because staff considers the development of the Project

to be exempt as provided above since for the following reasons: It is consistent with the general plan designation & policies as well as with applicable zoning designation and regulations; The Project Site, as previously developed, has no value, as habitat for endangered, rare or threatened species; The limited, 11,200-square-foot building with conditions would generate negligible traffic, noise, air quality, or water quality, impacts; and all utilities and public services are already at the Site.

Section 4. The City Council hereby approves a cannabis special use permit for the Project, subject to the following conditions:

1. A diagram and floor plan of the entire Premises, denoting all the use of areas proposed for Cannabis Operations, including, but necessarily limited to, cultivation, processing, manufacturing, testing, transportation, deliveries, and storage. The diagram and floor plan need not be prepared by a licensed design professional but must be drawn to a designated scale or drawn with marked dimensions of the interior of the Premises to an accuracy of plus or minus six (6) inches.
2. A Security and Safety Plan for ensuring the safety of persons and to protect the Premises from theft meeting all of the requirements of Article 21-5.06 subsections (q) and (r) to be reviewed and approved by the City of Colusa Police Chief.
3. Odor Control Plan. Cannabis Operations shall provide sufficient odor-absorbing ventilation and exhaust system so that odor generated inside the facility that is distinctive to its operation is not detected outside the Premises, outside the building housing the Cannabis Operations, or anywhere on adjacent property or public rights-of-way. As such, Cannabis Operations must install and maintain the following equipment or any other equipment which the City's Building Official determines has the same or better effectiveness:
 - a. An exhaust air filtration system with odor control that prevents internal odors and pollen from being emitted externally; or
 - b. An air system that creates negative air pressure between the cannabis facility's interior and exterior so that the odors generated inside the cannabis facility are not detectable outside the cannabis facility.
4. Hazardous Materials Safety Plan. Butane and other flammable materials are permitted to be used for extraction and processing provided the Operator complies with all applicable fire and building codes, and any other laws and regulations relating to the use of those products, to ensure the safety of that operation. Submit a hazardous materials safety plan depicting the location and safety measures to be used for review and approval by the City of Colusa Fire Chief.
5. Proof of Insurance meeting the requirements of Colusa Municipal Code Article 21.5. Section 14.
6. A facility parking plan shall be submitted to, and approved by, the Planning Department prior to occupancy of the project site.

Section 5. The City Council hereby approves a cannabis manufacturing regulatory permit for the Project.

PASSED AND ADOPTED this _____ day of August 2022 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

THOMAS REISCHE, MAYOR

ATTEST:

Shelly Kittle, City Clerk

BUSINESS PLAN

Prepared by:

RHF Partnership, LLC
2881 Niagara Avenue
City of Colusa, California 95932

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1.0 INTRODUCTION

RHF Partnership, LLC (RHF), a California Corporation, was established in 2020 with the objective of operating a cannabis cultivation facility that adheres to strict industry standards and uses best available control technology to supply high quality cannabis products to California's cannabis market. RHF aims to meet this objective through the application of scientific knowledge, cannabis industry best practices, and legal compliance.

RHF has prepared this Business Plan to obtain a Special Use Permit for indoor cannabis cultivation facility located at 2881 Niagara Avenue, Colusa, California 95932 (Project Site). RHF's cultivation facility will provide jobs and tax revenue to the City of Colusa (City), which will contribute to the City's strong financial foundation and long-term financial stability.

The purpose of this Business Plan is to demonstrate RHF's ability to meet our objective while complying with the City's cannabis facilities requirements. This Business Plan discusses the proposed project and operation, organizational structure, cultivation operations, odor management, security measures, waste management, inventory tracking, and recordkeeping.

1.1 REGULATORY COMPLIANCE

The Business Plan is intended to comply with the following agency permit requirements and regulations:

- City of Colusa Cannabis Facilities Regulatory Permit and other relevant City Codes.
- Department of Cannabis Control Specialty or Small Indoor Cultivation License. California Code of Regulations, Title 3, Division 8 Sections 5000-5814.

Any changes to this Business Plan will be submitted to the City for review and approval prior to implementation.

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2.0 PROJECT DESCRIPTION

The project description provides an overview of the existing conditions and proposed project.

2.1 EXISTING CONDITIONS

The Assessor Parcel Number is 017-130-012-000. The Project Site is nearly level, approximately 5 acres, and consists of two buildings that were used for storage of agricultural products. RHF's proposed operations will be conducted in the smaller structure located on the northwest portion of the property as shown in Figure 1 below. The proposed building is approximately 11,200 square feet, and there are no shared uses or common areas within the building. The other building on the property is approximately 50,000 square feet.

This property was strategically identified and selected to provide safe operations. Access to the Project Site is provided by Niagara Avenue and West Niagara Avenue, which connect to State Highway 20. The Project Site is zoned industrial and is located adjacent to industrial, warehousing, and agricultural uses. The proposed building is located approximately 1,140 feet away from a small airstrip and 1,800 feet from State Highway 20. Figure 1 below shows the Project Site in relationship to the surrounding area.

The Project Site is not located near any sensitive receptors or schools. The nearest school is Colusa High School, which is approximately 1.74 miles to the northwest of the Project Site (measured from the nearest property lines). A depiction of the distance to Colusa High School is shown in Figure 2.

The Project Site has existing heating, ventilation and air conditioning (HVAC) systems located outside the building. Additionally, there are existing exhaust fans and ventilation ports located on the roof. The exterior of the building also has existing lighting.

Electricity is provided by Pacific Gas and Electric Company and includes an existing 400-amp meter supplied by a three-phase 480-volt connection. Additionally, there is an existing solar photovoltaic array on the roof of the building.

Water and sewer are provided by the City of Colusa, and the building already has an existing restroom. Trash and recycling are serviced by Recology or other local waste provider.

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Figure 1. Aerial view of 2881 Niagara Avenue (Google Earth, 2021).

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Figure 2. Distance of Project Site to Colusa High School (Google Earth, 2021).

2.2 PROPOSED PROJECT AND OPERATIONS

RHF proposes to cultivate a total of approximately 4,896 square feet of mature flowering cannabis canopy in two phases. Phasing the project allows RHF time to structure their operations in a manner that promotes operational efficiency and financial stability in an evolving cannabis industry.

Phase 1 construction will be implemented following project approval. RHF anticipates that the buildout and operation of Phase 1 will occur within 6 to 9 months following approval of the Development Agreement and Special Use Permit. Phase 1 improvements will include the following:

1. Construction of two 1,482 square foot cultivation rooms, for a total floor space of 2,964 square feet. Each cultivation room will have approximately 1,040 square feet of flowering canopy, for a total canopy of approximately 2,080 square feet.
2. Construction of a 780 square foot supportive (ancillary) nursery.
3. Construction of a 260 square foot drying room.

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4. Construction of a 260 square foot processing room for trimming, curing, storage, and processing of non-manufactured cannabis products.
5. Construction of a 260 square foot office space and secure product storage.
6. Additional improvements include:
 - a. a delivery loading/unloading area;
 - b. access (e.g., parking and walkways);
 - c. installation of security equipment, fencing, and lighting;
 - d. installation of cultivation equipment (e.g., irrigation equipment, lights, fans/filters, etc.); and
 - e. installation of mechanical equipment for heating, ventilation, and air conditioning (HVAC).
7. The building has an existing restroom that is approximately 130 square feet and will be used for the project.

Phase 2 construction will be implemented approximately one year from the start of operations associated with Phase 1. RHF anticipates that the buildout and operation of Phase 2 will occur within 2 years following approval of the Development Agreement and Special Use Permit. Phase 2 improvements will include the following:

1. Construction of two 1,950 square foot cultivation rooms, for a total floor space of 3,900 square feet. Each cultivation room will have approximately 1,408 square feet of flowering canopy, for a total canopy of approximately 2,816 square feet.
2. Additional improvements include:
 - a. installation of additional cultivation equipment (e.g., irrigation equipment, lights, fans/filters, etc.);
 - b. installation of additional HVAC equipment; and
 - c. additional power upgrade, as necessary

2.2.1 CULTIVATION AND HARVESTING

At full buildout, there will be a total of four rooms to cultivate flowering plants, for a total of approximately 4,896 square feet of canopy.

During Phase 1, two cultivation rooms will be constructed, for a total of approximately 2,080 square feet of mature cannabis canopy. Each room is expected to have approximately 65 lights, for a total of 130 lights, and each light covers 16 square feet of canopy (or 4 X 4-foot area).

During Phase 2, two additional cultivation rooms will be constructed for a total of approximately 2,816 square feet of mature cannabis canopy. Each room is expected to have approximately 88 lights, for a total of 176 lights, and each light covers 16 square feet of canopy (or 4 X 4-foot area).

Additional information on RHF's cultivation operations is discussed further below in Section 4.0.

RHF's minimum production goal is to harvest each room 4 times per year and produce a 1.5 pounds per light. Overall annual harvest production is based on the canopy size, cannabis strain being cultivated (which is typically based on market demand), proper plant management, and number of harvests per year.

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Based on the number of lights in each room and minimum production goals, RHF anticipates producing the 1,836 pounds per year at full buildout. This estimate is based on the following calculations:

Phase 1: 130 lights X 1.5 pounds per light X 4 harvests per year = **780 pounds per year**.

Phase 2: 176 lights X 1.5 pounds per light X 4 harvests per year = **1,056 pounds per year**.

Total: 780 pounds + 1,056 pounds = **1,836 pounds**.

A discussion on the projected annual gross revenue is discussed further below in Section 2.2.17.

2.2.2 DRYING AND PROCESSING

As part of Phase 1, there will be a 260-square foot room for drying the cannabis plants once they are harvested. Additionally, there will be a 260-square foot room for processing to trim, cure, store, and process non-manufactured cannabis products once the cannabis plants are dried. Having a separate drying and processing room will ensure efficient operations and allow RHF to maximize the number of harvests per year.

2.2.3 ANCILLARY NURSERY

As part of Phase 1, there will be a 760 square foot nursery room to support the ongoing cultivation operations. The nursery room be used to cultivate mother plants, clones, and teens. All nursery plants will remain in a vegetative state and will not be used for flower production. Having a nursery room will ensure efficient operations and allow RHF to maximize the number of harvests per year.

Additional information on RHF's cultivation operations is discussed further below in Section 4.0.

2.2.4 OFFICE AND STORAGE

As part of Phase 1, there will be a 260-square foot room for general office use, storage of video surveillance recordings and equipment, and secure storage of cannabis products.

Video surveillance secure storage of cannabis products is discussed further below in Section 7.0.

2.2.5 HOURS OF OPERATION

Hours of operation will be from 8 a.m. to 6 p.m., Monday through Sunday, for all activities occurring onsite. However, there may be job specific requirements and general maintenance duties that require employees to work outside these hours.

All visitors entering and exiting the site will occur between the hours of 9 a.m. to 5 p.m., Monday through Friday.

2.2.6 DELIVERIES

Deliveries of non-cannabis goods (e.g., cultivation equipment and office supplies) will occur during operating business hours. All vehicles making deliveries of non-cannabis products will make deliveries to the designated loading and unloading area. All deliveries will be coordinated with the General Manager or their authorized designee.

Deliveries of cannabis products to and from the Project Site will occur during operating business hours. All vehicles making deliveries of cannabis products will make deliveries to the designated loading and unloading area. Only authorized employees will be present when cannabis products are being delivered. Deliveries of cannabis products will be accompanied by a transportation manifest and will be tracked and traced according to state requirements.

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2.2.7 DOORS, GATE, ENTRY, AND EXIT

The facility premise will be secured by fencing and a rolling gate, which will only allow authorized personnel to enter the premise. The building will have one main entry/exit door for all employees and visitors. The building will also have one roll-up door for deliveries. All interior doors will be accessible to authorized employees.

Security and authorized access areas are discussed further below in Section 7.0.

2.2.8 WASTE STORAGE

Trash and recycling dumpsters will be placed in receptacles located inside and outside the building. Cannabis waste will be stored inside the building and disposed in accordance with federal, state, and local waste regulations.

Waste management is discussed further below in Section 6.0.

2.2.9 PARKING, CIRCULATION, AND EMERGENCY ACCESS

There will be a total of a minimum of 11 designated parking spaces. This is consistent with the City's parking standards for industrial/warehousing uses, which requires one parking space every 1,000 feet of gross floor area. Additionally, the Project Site has adequate space for additional parking if needed. Parking is for RHF managers, employees, contractors, and agency inspectors. Public parking will not be available unless a visit has been approved by the General Manager.

Access to the Project Site will be from Niagara Avenue. The Project Site driveway provides a turnaround to allow for emergency vehicle ingress and egress. A Knox Box will be located the driveway gates to allow for emergency access. RHF will coordinate with emergency services for Knox Box location and emergency access.

2.2.10 LIGHTING

Exterior lighting will be used for security purposes and normal business operations. All exterior lighting will be and shielded downward in compliance with City requirements to minimize offsite lighting and glare.

Interior lighting for cultivation will consist of light emitting diode (LED) technology, which are more efficient and reduce energy consumption. Cultivation operations are discussed further below in Section 4.0.

2.2.11 LANDSCAPING AND SIGNAGE

RHF does not propose landscaping or signage.

2.2.12 ENERGY USE AND CONSERVATION MEASURES

The Project Site currently has an existing 480-volt service and 400-amp electrical meter that will supply power to the building. Electrical improvements will be installed to provide power for lighting, ancillary equipment (e.g., HVAC, fans, security equipment, etc.), and normal business operations. It is anticipated that an electrical service upgrade will be needed for implementation of Phase 2.

RHF is dedicated to minimizing energy use as part of operations. To minimize energy use, and to the maximum amount feasible, RHF will implement the following:

1. Use energy efficient lighting fixtures for normal business operations.

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2. Use LED lighting fixtures for cultivation operations.
3. Utilize best available environmental control systems to minimize use of heating and cooling.
4. Use energy efficient mechanical equipment.
5. Utilize the existing solar power.

Additionally, RHF proposes to install a backup generator in the event of a power outage. The backup generator will not be used for normal operations.

2.2.13 WATER USE AND CONSERVATION MEASURES

The Project Site has existing water service to serve the project. RHF will use a reverse osmosis system to purify the water for irrigation activities. Irrigation water will be stored in tanks located inside the building, and fertilizers will be added to the tanks prior to watering the plants.

The amount of water used for irrigation is dependent on the canopy size, size of the plant, life cycle of the plant (i.e., vegetative, or flowering stage), and environmental factors (i.e., temperature and humidity).

In order to minimize water use, RHF will implement the following:

1. Install water fixtures that minimize water consumption, such as low-flow toilets and sink aerators in compliance with the California Building Code.
2. Irrigate cultivation areas using drip irrigation, to the maximum extent feasible.
3. Monitor water usage and adjust as necessary to ensure plants are not overwatered.
4. Utilize best available environmental control systems to control temperature and humidity.
5. Recycle and reuse irrigation water, to the maximum extent feasible.
6. Develop procedures for inspecting and maintaining all irrigation equipment.

2.2.14 WASTEWATER, RUNOFF, AND STORMWATER

Wastewater from restroom activities will be managed through an existing sewer connection.

Plants will be irrigated using a drip system, and runoff will be minimal. Any excess runoff will drain into portable buckets and will either be reused or disposed of in accordance with agency regulations.

RHF does not propose any substantial grading, the creation of impervious surfaces, or changes to the Project Site that will create additional stormwater runoff from current existing site conditions.

2.2.15 PROPERTY MAINTENANCE

RHF will keep the Project Site in a clean and safe condition by, at a minimum, performing all of the following tasks:

1. Cleanup and dispose of all trash, litter, and debris at the end of each business day.
2. Provide security lighting at the Project Site to ensure the safety of the public and the employees.
3. Perform facility and equipment inspections and maintenance on a regularly scheduled basis.
4. Otherwise operate in a manner that does not create or result in any significant adverse impacts at the Project Site or its adjacent areas.

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2.2.16 SUPPLY CHAIN

RHF has been in contact with existing licensed distributors to purchase their cannabis flowers and non-manufactured cannabis products once they are ready for market. All shipments of cannabis products will be entered into the state's track and trace system (i.e., Metrc System). Inventory Management is discussed further below in Section 8.0.

2.2.17 GROSS REVENUE

RHF's projected gross revenues are based on the current market price of cannabis flower, which is dictated by market demand and the quality of the cannabis product, and the total output of cannabis flowers calculated in Section 2.2.1 above. Currently, and based on discussions with existing licensed distributors, the current market price of cannabis flower is \$2,000 a pound. Based on RHF's projected flower production output and the current market price for a pound of cannabis, RHF estimates annual gross revenues of \$1,560,000 following implementation of Phase 1, and \$3,672,000 following the implementation of Phase 2. These numbers are based on the following calculations:

Phase 1 – 780 pounds X \$2,000 a pound = **\$1,560,000**

Phase 2 – 1,056 pounds X \$2,000 a pound = **\$2,112,000**

Total – \$1,560,000 + \$2,112,000 = **\$3,672,000**

It should be noted that the estimated annual gross revenues are subject to change with any changes in the market price or flower production output.

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3.0 ORGANIZATIONAL STRUCTURE

RHF has developed a team of industry leaders in cannabis cultivation, business management, and regulatory compliance. RHF's organizational structure is set up to ensure operations meet the highest standard for quality, safety, and professionalism, and regulatory compliance.

3.1 COMMUNITY RELATIONS LIAISON

RHF understands the need for open communication with regulatory agencies and the public. RHF will have a dedicated on-call Community Relations Liaison in the event there are problems, concerns, or complaints associated with the operations. In addition, RHF will have a secondary liaison in the event the primary liaison is unavailable.

RHF's liaison contact information will be provided to the City, neighbors within 100 feet of the Project Site (as measured in a straight line without regard to intervening structures, between the front doors of each establishment), and any member of the public that needs to contact RHF on matters regarding their operations. The two current Community Relations Liaisons are:

Primary Liaison

Brad Ravin – Chief Executive Officer
Tel: (925) 785-4869
Email: wbravin925@gmail.com

Secondary Liaison

Paul Hand – Chief Operations Officer / General Manager
Tel: (209) 217-6756
Email: paul9hand@yahoo.com

Any changes to the above Community Relations Liaisons will be provided to the City and neighbors within 100 feet of the Project Site.

3.2 RESPONSIBILITY OF MANAGERS

General Managers are those individuals who, directly or indirectly, are engaged in the management or oversight of RHF's activities. RHF's General Manager will be responsible for overseeing the daily activities, including cultivation operations, inventory control, employee hiring and training, security, and compliance and recordkeeping. The General manager may elect to authorize another person or persons to act in the various management capacities as discussed below.

3.2.1 CULTIVATION MANAGER

The Cultivation Manager oversees the day-to-day cultivation operations at the facility, including but not limited to, management of the staff, scheduling, planting, harvesting, maintenance, fertilizer and pesticide application, and cannabis waste.

3.2.2 INVENTORY CONTROL MANAGER

The Inventory Control Manager is responsible for ensuring inventory is entered into the California track and trace system. The Inventory Control Manager will be responsible for coordinating and tracking the

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delivery of cannabis products. The Inventory Control Manager will also be responsible quality assurance, diversion prevention, and disposal of expired, deteriorated, or damaged cannabis products.

3.2.3 EMPLOYEE TRAINING MANAGER

The Employee Training Manager is responsible for ensuring that employees authorized to track and trace cannabis products using the track and trace system are trained per state guidelines. They will also be responsible for ensuring that employees are trained on their roles and responsibilities, compliance, security, and record keeping.

3.2.1 SECURITY MANAGER

The Security Manager is responsible for ensuring that security measures are up to date and systems are functioning properly. The Security Manager will be responsible for notifying state and local agencies of any security breaches.

3.2.2 COMPLIANCE OFFICER

The Compliance Officer is responsible for regulatory compliance, reporting, agency notifications, and recordkeeping. In the event of a regulatory audit, the Compliance Officer will be responsible for providing agencies with the requested documents.

3.3 STAFFING

At full buildout, RHF proposes to have up to 15 employees composed of a varying number of full-time and part-time staff. The General Manager will assign responsibilities to employees, including which areas employees are authorized to work.

RHF employees will be 21 years of age or older. All employees will be required to go through an employment review process that includes being interviewed by the General Manager, providing employment references, and providing a government issued identification card.

RHF will maintain a current register of the names of persons required to have employee permits. The register will always be available to the City Manager or designee immediately upon request.

In accordance with state and local law, RHF will enter into a labor peace agreement if the organization employs at least twenty people. RHF will follow all federal, state, and local labor and wage laws.

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3.5 TRAINING

Once hired, employees will receive training pertaining to their authorized job duties. Training will follow regulatory agency requirements, as required. Training will include, but is not limited to, the following:

1. Laws and regulations regarding cannabis cultivation and activities.
2. Job specific procedures for cultivation and transportation.
3. Inventory tracking.
4. Security and emergency procedures.
5. Use and application of pesticides and fertilizers.
6. Personal protective equipment, as needed.
7. Compliance.
8. Waste management.
9. Record keeping.
10. Quality assurance and control.

Training requirements for the above-mentioned topics are also discussed further below.

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4.0 CULTIVATION OPERATIONS

RHF is committed to designing a cultivation process that uses best-available control technology, industry best practices, is environmentally friendly, and produces the highest quality cannabis possible. To do this, RHF will implement cultivation activities consistent with this section and will comply with the applicable laws and regulations pertaining to the proposed cultivation facility.

4.1 VEGETATIVE PHASE

RHF's 780-square foot ancillary nursery will be used to support the ongoing flowering operations at the site. Nursery plants will be maintained in a vegetative state. Plants in the vegetative phase will receive 18-24 hours of light and 0-6 hours of darkness until they are ready to be flowered. Nursery plants will consist of mother plants, clones, and teens.

Mother plants that are female plants used in the cloning process. Mother plants are grown in the vegetative state to a point where they are large enough to allow cuttings, or clones, to be taken off the plant. Clones are then dipped into a solution that promotes root development. The dipped clones are then put into a propagation media, such as rockwool, to allow root development to occur. Another option is to propagate the clones via aeroponics using machines developed specifically for cloning, such as an EZCloner.

Once clones have developed roots, they are ready to be transplanted to another soilless growing media such as rockwool, coco coir, or soilless media mix. Once these plants grow taller, they are considered teens. Once the teens have reached the desired height, they will be transferred to one of the four flowering rooms.

4.2 FLOWERING PHASE

Once both phases are complete, RHF will cultivate approximately 4,896 square feet of mature flowering cannabis canopy in four rooms. Plants are in the flowering phase for approximately 7-9 weeks depending on the strain of cannabis. During the flowering phase plants will receive 12 hours of light and 12 hours of darkness. Flowering plants will be harvested once they reach their maturation point.

4.3 HARVESTING

Upon completion of Phase 2, RHF anticipates harvesting each flower room in a cycle so that one of the four flowering rooms is harvested approximately every 20 days, and each room is harvested approximately once every three months. Harvested plants will be transferred to the drying room and then the trim room for further processing (i.e., drying, trimming, curing, storage, etc.).

Once the product is ready for market, it will be packaged and stored in the secure storage office.

4.4 PRUNING

Pruning is a process that is required on a regular basis to maintain healthy plants. The lower region of the plant will be pruned of all leaves and smaller branches, which in turn promotes upward growth. Additionally, leaves are removed from the upper and lower portions of the plant to allow for maximum light penetration. Pruning allows the plant to utilize its resources and energy toward growing healthy flowers.

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4.5 EQUIPMENT

RHF is committed to using equipment that minimizes inputs, reduces energy and water demand, and meets the objective of cultivating the highest quality cannabis on the market.

4.5.1 LIGHTING SYSTEMS

RHF will cultivate both nursery plants and flowering plants using LED light fixtures. LED lights use less energy than traditional high pressure sodium light fixtures because they require less amperage to operate, and because they produce less heat and require less air conditioning to keep the rooms cool.

LEDs for the ancillary nursery will utilize 18-watt fixtures for clones and 645-watt fixtures for mother plants and teens. LEDs for flowering plants will utilize 720-watt lights.

4.5.2 FERTIGATION AND GROW MEDIA

Fertigation equipment will be installed and operated in accordance with the manufacturer's guidelines and comply with federal, state, and local agency regulations. Fertigation equipment will include, but is not limited to, the following:

1. Water storage tanks.
2. Drip irrigation tubing.
3. Fertilizers.
4. Sensors, gauges, pumps, and other ancillary equipment necessary to measure fertilizers and maintain pressure and flow for irrigation lines.

Plants will be grown in pots containing soil or other soilless medium such as coco or rockwool.

4.5.3 EQUIPMENT CLEANING AND MAINTENANCE

RHF will need to clean equipment and cultivation areas to maintain a clean, healthy, and contaminant-free environment. Cleaning agents can include, but are not limited to, biodegradable soaps, citric acid, hydrogen peroxide, chlorine dioxide, or other chemicals approved by federal and state regulations.

All equipment used will be cleaned and maintained in compliance with the manufacturer's recommendations, or as needed. Employees responsible for inspecting and cleaning equipment will be trained prior to working. RHF will contract with qualified persons for maintenance requiring a licensed professional.

RHF will maintain facility and equipment maintenance logs as part of its quality assurance program. Inspection records will be kept as part of the RHF's record keeping process discussed herein.

4.6 FERTIGATION

Fertigation activities include the mixing of water and fertilizers and delivering the mixture to the plants. Water is supplied to the water purification filters prior to entering the clean water storage tanks. Water is then pumped from the storage tanks to a separate tank where it is mixed with fertilizers. This mix is then distributed to cultivated plants using pumps, irrigation lines, and drip nozzles. This process allows for precise control over the amount of nutrients and water used to irrigate plants and minimizes waste.

Any runoff or discharge of irrigation water will be collected and reused or disposed of in accordance with local and state regulations.

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4.7 FERTILIZER STORAGE

Fertilizers will be stored in a designated area. Fertilizers will be stored in their original containers within locked cabinets. This will provide secondary containment and minimize the potential for spills and accidental exposure. Fertilizer will be properly labeled and stored in compliance with the manufacturer's guidelines. Only authorized personnel have access to fertilizers.

4.8 ENVIRONMENTAL CONDITIONS

RHF will use HVAC equipment, dehumidifiers, sensors, monitoring equipment, and related hardware and software to maintain ambient air conditions suitable for plant growth. This includes maintaining and monitoring the amount of light, temperature, relative humidity, and air movement. Ambient air conditions will be adjusted based on preferred conditions for plant growth.

4.9 PESTICIDE MANAGEMENT

RHF will not use pesticides, insecticides, herbicides, fungicides, and rodenticides (collectively referred to as "pesticides") prohibited by federal, state, or local agency regulations, or in a manner that is inconsistent with the manufacturer's recommendations.

Pesticides will be applied to control pests and plant disease, as necessary. RHF will use pesticides with ingredients that are approved by the California Department of Food and Agriculture (CDFA) as being exempt from residual tolerance requirements, and either exempt from registration requirements or registered for a use that's broad enough to include use on cannabis.

4.9.1 ROLES, RESPONSIBILITIES, AND TRAINING

The following will be performed for employees responsible for pesticide application:

1. RHF will designate employees to apply pesticides in accordance with the manufacturer's labeling.
2. RHF will ensure that designated employees are trained on the handling, use, and application rate of all pesticides used for cultivation at the Project Site.
3. RHF will supply personal protective equipment (PPE) and ensure that designated employees follow PPE requirements as determined by the manufacturer's PPE requirements.
4. Employees will be trained on proper PPE use as required by the manufacturer.
5. Employees will be trained on safety and documentation procedures for pesticide application.
6. Training and pesticide application records will be kept as part of the RHF's record keeping process.

4.9.2 CULTURAL PEST-MANAGEMENT CONTROL METHODS

RHF will use climate control techniques as part of its integrated pest management (IPM) program. RHF will develop procedures and install the necessary monitoring devices to ensure environmental conditions such as lighting, temperature, relative humidity, and air circulation are maintained to minimize exposure to pests, bacteria, and fungus.

RHF will develop procedures to ensure employees use proper PPE and maintain good hygiene while working in cultivation rooms. Cultivation rooms will be kept free of debris to minimize exposure to pests, bacteria, and fungus.

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4.9.3 BIOLOGICAL PEST-MANAGEMENT CONTROL METHODS

RHF will use biological controls, such as predatory insects as part of its IPM. Examples of predatory insects include predatory nematodes, predatory aphids, or ladybugs. RHF will also use beneficial bacteria and fungus that aid plant health and help control harmful plant disease and pests.

4.9.4 CHEMICAL PEST-MANAGEMENT CONTROL METHODS

RHF will use chemical pest control methods as part of its IPM. All proposed chemical ingredients are listed by the CDFA as allowed for use on cannabis. Chemical pesticides will be applied either through nozzle sprayers, foggers, drip irrigation (i.e., chemigation), or other application means in accordance with the manufacturer's guidelines.

4.9.5 PESTICIDE STORAGE

Pesticides will be stored in a designated area. Pesticides will be stored in their original containers and within a locked cabinet that provides secondary containment, which minimizes the potential for spills and accidental exposure. Pesticide containers will be properly labeled. The storage of pesticides will follow their manufacturer's guidelines. Only authorized personnel will have access to the cabinets containing pesticides.

Pesticides, emptied containers or parts thereof, or equipment that holds or has held a pesticide, will not be stored, handled, emptied, disposed of, or left unattended in such a manner that it presents a hazard to persons, animals, food, crops or property.

4.9.6 PESTICIDE SIGNAGE

RHF will post visible signs around all areas where pesticides are stored. Signs will be of such size that it is readable at a distance of 25 feet and will state the following:

"DANGER"
"POISON STORAGE AREA"
"ALL UNAUTHORIZED PERSONS KEEP OUT"
"KEEP DOOR LOCKED WHEN NOT IN USE"

The notice shall be repeated in an appropriate language other than English when it may reasonably be anticipated that persons who do not understand the English language will come to the enclosure.

4.9.7 PESTICIDE SPILLS

As stated previously, and pesticides will be stored in secure containers that restrict access to unauthorized personnel and provide secondary containment in the event of container leaks. In addition, the RHF will do the following to mitigate the potential for spills and minimize environmental exposure:

1. Develop procedures for the handling, storage, and inspection of pesticide.
2. Develop procedures for PPE, spill response, and spill reporting and record keeping.
3. Provide spill response equipment, such as spill kits and emergency wash and eyewash stations.
4. Keep updated Safety Data Sheets (SDS) for pesticides and chemicals stored on-site.
5. Provide emergency contact information in the event of a spill that threatens the environment or life safety.

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5.0 ODOR MANAGEMENT

The purpose of this section is to identify potential cannabis related odor sources and mitigate the potential for odor detection outside of designated areas. RHF will comply with the City's odor management requirements for cannabis activities. Any required changes to odor mitigation controls will be submitted to the City for review and approval.

5.1 ODOR SOURCES

RHF will conduct cannabis cultivation operations that have the potential to create odors. Potential sources of odor include the following:

1. Flowering cannabis within the cultivation rooms.
2. Harvesting operations.
3. Cannabis that is drying or being processed.
4. Post processed cannabis storage.
5. Packaging of cannabis flower.
6. Cannabis waste storage.
7. Activities that include transferring cannabis material from one area to another within the facility.

5.2 ODOR MITIGATION

RHF will cultivate, harvest, process, and store cannabis flowers, and produce cannabis waste, on a continual basis. Therefore, there is the potential for cannabis odors at any given time.

The timing of odors varies on the activities occurring at the facility but the engineering and administrative controls for mitigating potential odors will be the same, as discussed below.

5.2.1 ENGINEERING CONTROLS

RHF will use best control technology to ensure odors are not detectable outside of the facility or in common areas such as the visitor lobby or walkways located outside of odor emitting areas. To achieve odor control, doors will be used to separate areas where odors have the potential to be emitted. Only authorized personnel will be able to enter these areas using a keycard/keypad used to open doors.

In addition, RHF will use fans and carbon air filters in every room that has the potential to emit odors. A fan is used to push or pull air through the carbon filter. Carbon filters use activated carbon to neutralize odors as air passes through the filter. Carbon filters and fans will be used to "scrub" and recirculate air in the room. Additionally, fans and carbon filters may be used to exhaust air outside the building (e.g., through the roof). This displacement of air causes negative pressure in the room. For example, if the fan and filter remove 1,000 cubic feet of air per minute from a room, then there is a net difference of 1,000 cubic feet of air needing to be supplied to the room. This negative pressure causes air from outside the room to be pulled in; therefore, air and odors do not escape. The number and placement of carbon filters will be determined by the size of the room (in cubic feet) and air flow within each room.

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5.2.2 ADMINISTRATIVE CONTROLS

Procedures to ensure odors are not emitted outside of their respective rooms includes, but is not limited to, the following:

1. Isolate odor-emitting activities from other areas by having doors that separate each room. Doors will always remain closed except for entry and exit by authorized personnel.
2. Ensure that authorized personnel work in their designated areas.
3. Establish procedures to inspect doors and odor control equipment (e.g., carbon air filters and fans) and maintain and/or replace equipment according to the manufacturer's recommendations.
4. Establish procedures to manage odor complaints and train employees on odor mitigation.

5.3 MANAGING ODOR COMPLAINTS

RHF will perform the following to manage potential odor complaints:

1. RHF will provide the General Manager's contact information to the City and neighboring businesses within 100 feet of the Project Site in the event of an odor complaint. Additionally, RHF will ensure that either the General Manager or their authorized designee has the contact information for the City where a person can be reached regarding odor complaints.
2. RHF will have the General Manager or authorized designee onsite during operational hours to ensure odor complaints can be answered and managed accordingly.
3. All odor complaints will be addressed within 24 hours of receiving the complaint.
4. The General Manager or authorized designee will identify the location of where the odor is causing a nuisance and inspect the outside area of the facility for detection.
5. The General Manager or authorized designee will inspect all doors and areas of potential for odor-emitting activities and will ensure these areas are properly isolated. If it is found that isolation is not performed correctly, the General Manager will investigate the reason and do one of the following:
 - a. Talk with staff about the need to keep doors closed for odor-emitting areas. If necessary, retrain staff on administrative odor controls discussed herein.
 - b. Contact a licensed contractor to fix broken doors or seals.
 - c. If necessary, contact a licensed contractor to install self-closing doors or equipment to ensure doors are automatically closed after being opened.
6. The General Manager or authorized designee will also inspect engineering controls to ensure all equipment is functioning properly. This will include, but is not limited to, the following:
 - a. Ensuring equipment is turned on and working properly.
 - b. Inspecting equipment to ensure fans, filters, and ducting are attached correctly.
 - c. Inspecting equipment maintenance logs to ensure filters have been replaced as required by manufacturer.

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- d. Replacing filters as necessary.
- e. Replacing broken fans or ducting that has been damaged.
- 7. All odor complaints will be documented, including:
 - a. The person making the complaint.
 - b. Where the complaint occurred.
 - c. The date and time of the complaint.
 - d. The person that received the complaint.
 - e. The date and time the complaint was investigated.
 - f. Engineering controls that were inspected and administrative controls that were assessed.
 - g. Identification of engineering and/or administrative controls causing the odor.
 - h. Actions taken to correct the problem, including the work performed, equipment needed, and any additional training.
 - i. Recommendations and actions taken to ensure the problem does not continue.

5.4 CONTINGENCY ODOR MANAGEMENT

If odor nuisances continue after implementing the administrative and engineering controls discussed herein, RHF will perform one or more of the following:

1. Purchase additional filters and fans as backup in the event the equipment breaks, or replacement is necessary.
2. Add additional charcoal filters and fans, or upgrade to larger size filter and fans in areas with odor-emitting activities.
3. Contract with a licensed mechanical engineer to assess air movement and determine if additional fan and carbon filter combinations are necessary, or if there is additional best available control technology that can be installed. All additional equipment will be installed according to the manufacturer's recommendations, and RHF will use licensed contractors, as required.
4. Contract with a professional odor management specialist to assess and determine what additional measures and equipment can be added to ensure adequate odor mitigation is achieved.

Each one of the above-mentioned steps will be assessed and monitored to determine if the modifications are effective in mitigating odors.

RHF will notify the City of any changes to equipment and procedures used to mitigate odors. Any changes will be added to RHF's inspection procedures and training processes.

5.5 ODOR MANAGEMENT TRAINING

The General Manager or their authorized designee will be trained on the following:

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1. The measures listed in Sections 4.3.2 through 4.3.4. These measures will be part of an inspection checklist that will include a site plan and the location of odor control devices.
2. Location of the maintenance logs.
3. Type and function of odor control equipment, the manufacturer's recommendations for filter replacement, location of user manuals, and manufacturer's contact information if technical assistance is needed.
4. Where to purchase replacement equipment.
5. The location of contact information of a local licensed contractor that can perform maintenance, as necessary.

Staff will be trained on the procedures for mitigating odors, will be familiar with odor control equipment, and will be instructed to notify the General Manager or authorized designee if they notice equipment malfunction, suspect odor controls are not effective, or detect odors outside designated areas.

The General Manager or their designee will be responsible for training all new employees prior to beginning work in areas where there is potential for odor-emitting activities. All training will be documented, and the records will be kept as part of RHF's record keeping procedures.

5.6 ODOR MANAGEMENT RECORDKEEPING

Records pertaining to this Odor Management Plan will include, but are not limited to, the following:

1. Performed maintenance logs for mechanical equipment. Timing of maintenance will follow the manufacturer recommendations.
2. Records of purchases for maintenance equipment (e.g., carbon filter and replacement).
3. Documentation and notification of equipment malfunctions.
4. Documentation of odor complaints.
5. Employee training logs.
6. Documentation for review and changes to engineering and administrative controls.

Records will be kept for a period of two years, or for a length of time as required by the City or other agency with regulatory oversight. Records will be available in either hard copy or electronic format for review by agency personnel upon request.

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6.0 WASTE MANAGEMENT

Waste streams will be managed by the type of waste and agency requirements. Waste types associated with the facility include:

1. cannabis waste,
2. solid waste,
3. liquid waste, and
4. universal waste.

6.1 CANNABIS DERIVED WASTE

Cannabis related waste associated with the activities described above include:

1. Leaves, flowers, stems, and root balls.
2. Non-manufactured cannabis waste.
3. Any event resulting in exposure or compromise of cannabis products.
4. Any event where the destruction of cannabis products is required by state or local regulatory agencies, such as cannabis product reaching its best-by, sell-by, or expiration date, if any.

6.1.1 CANNABIS WASTE DISPOSAL

Cannabis waste will be disposed of in designated waste receptacles inside the facility. Cannabis waste receptacles will only be accessible to authorized personnel. RHF will dispose of cannabis waste in compliance with local and state requirements. RHF will ensure that cannabis waste is disposed of at a licensed facility using one of the following methods:

1. Contract with Recology or other a local licensed waste services provider.
2. Contract with a licensed disposal company that specializes in cannabis waste disposal.
3. Self-haul cannabis waste to a licensed disposal or compost facility.

RHF will dispose of cannabis waste on an as needed basis. If using a contracted licensed waste hauler, RHF will coordinate the day and time for pickup. An RHF employee authorized to dispose of cannabis waste will be present during the designated pickup time.

Cannabis waste will be rendered unrecognizable and unusable by mixing the cannabis waste with 50 percent of non-cannabis waste by weight. The following non-cannabis mediums may be used in the mixture:

1. Paper waste.
2. Plastic waste.
3. Cardboard waste.
4. Food waste.
5. Grease or other compostable oil waste.
6. Bokashi or other compost activators.

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7. Soil.

8. Other state-approved medium that will render cannabis waste unusable and unrecognizable.

In addition, RHF will perform the following:

1. Record the name of the entity hauling the waste.
2. Obtain documentation from the entity hauling the waste that indicates the date and time of each collection of cannabis waste at the licensed premises.
3. Obtain a copy of the certified weight ticket, or other documentation prepared by the entity hauling or receiving the waste, confirming receipt of the cannabis waste.
4. Track all cannabis waste in accordance with state track and trace requirements.
5. Keep records of cannabis waste disposal.

6.2 SOLID WASTE

Consistent with typical business operations, RHF will generate solid waste consisting of normal refuse, such as paper products, discarded packaging, plastics, building materials, food, broken equipment, and recyclable materials. Solid waste does not include cannabis waste.

6.2.1 SOLID WASTE DISPOSAL

Products that cannot be recycled will be discarded in trash receptacles designated for solid waste. Solid waste bins will be located inside the facility and emptied on a weekly basis, or as needed, into the outside dumpster or solid waste receptacle. Solid waste will be picked up by a local waste hauler on a weekly basis.

Products such as paper, cardboard, plastics, bottles etc. will be recycled to the maximum extent feasible. Recycling bins will be in the facility and emptied on a weekly basis, or as needed, into the outside recycling dumpster or recycling receptacle. Recycling waste will be picked up by a local waste hauler on a weekly basis.

6.3 LIQUID WASTE

Liquid waste associated with the facility operations will include domestic wastewater and irrigation runoff. RHF proposes to minimize liquid waste by implementing the following:

1. Install water fixtures that minimize water consumption, such as low-flow toilets and sink aerators.
2. Follow manufacturer specifications for cleaning of equipment.
3. Utilize drip irrigation and best available control technology as part of RHF's fertigation program, which will minimize irrigation runoff.

6.3.1 LIQUID WASTE DISPOSAL

Domestic waste resulting from normal restroom, cleaning, and other typical business uses will be discharged into the sewer system.

Irrigation runoff will be reused to the maximum extent feasible. Any irrigation runoff requiring disposal will be disposed of in accordance with local and state regulations.

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6.4 UNIVERSAL WASTE

Universal waste is common waste that is considered hazardous but can be disposed at a licensed disposal facility. Universal wastes can include, but is not limited to, the following:

1. Batteries.
2. Compact fluorescent or LED light bulbs.
3. Electronics and light fixtures.
4. Ink cartridges.

RHF will coordinate with Recology or other local waste service provider for pickup of universal waste, or RHF will self-haul the waste to a licensed disposal facility. Universal waste will be disposed of in compliance with federal and state regulations.

6.5 WASTE TRAINING

RHF will develop training and procedures to manage wastes appropriately, which can include, but is not limited to, the following:

1. Designate authorized personnel to manage and track cannabis waste in compliance with state requirements.
2. Develop procedures and train employees on the storage, handling, and disposal of cannabis waste, solid waste, and universal waste.

6.6 WASTE RECORDKEEPING

RHF will maintain the following records:

1. Weight tickets for cannabis waste disposal.
2. Records relating to destruction of cannabis goods.
3. Employee training records.

Records will be kept for a period of two years, or for a length of time as required by the City or other agency with regulatory oversight. Records will be available in either hard copy or electronic format for review by agency personnel upon request.

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7.0 SECURITY MEASURES

The following section addresses physical security measures, alarm and video surveillance systems, and operational measures to ensure security at the Project Site.

7.1 PHYSICAL SECURITY MEASURES

RHF will impose physical security measures that comply with state and local agency requirements. Physical measures include, but are not limited to, physical barriers such as walls and secure doors that restrict access to the public and unauthorized personnel. At no time will cannabis products or activities be visible to the public from outside the facility or in public or common areas within the facility.

7.1.1 PREMISES INGRESS AND EGRESS

Employee and visitor access to the building will be through a single point of entry. All employees and visitors will be required to sign in and out upon entering and exiting the Project Site.

7.1.2 DOORS, LOCKS, AND STORAGE

All entry, exit, and interior doors to limited access areas will require a keycard and/or keypad code that can only be accessed by authorized employee personnel, except for restroom doors. All door locks to limited-access areas will be commercial grade, non-residential locks.

Safes used for cannabis product and monetary storage will be anchored to the floor to ensure they cannot be removed. The General Manager or their authorized designee will have access to the safes.

7.1.3 LIGHTING

The Project Site will have sufficient security lighting to deter potential trespassers, theft, and vandalism; and to allow recording of the video surveillance system. All outside lighting will be shielded in a manner that will not illuminate surrounding properties.

Inside lighting will be used to allow for business operations. Interior lighting will be turned off during non-business hours.

7.1.4 SIGNAGE

RHF will post security signs on doors to areas requiring authorized access (e.g., "Authorized Personnel Only"). RHF will post security signs that the Project Site is being monitored by video surveillance to deter theft, vandalism, and unauthorized persons from entering the site.

7.1.5 MAINTENANCE

RHF will create procedures for facility maintenance inspections. Inspections will include visual inspection of doors, locks, lighting, and security signs. RHF will be responsible for making repairs and will use licensed professionals, as required. Maintenance inspections will be documented and kept as part of RHF's record keeping process.

7.1.6 ALARM SYSTEM

RHF will have an alarm and surveillance system professionally installed, maintained, and monitored. The alarm system will include video surveillance, motion sensors, and door sensors. The alarm system will also include smoke, fire, and carbon monoxide detection.

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7.1.7 VIDEO SURVEILLANCE

Video surveillance cameras will be placed around the exterior and interior portions of the Project Site to monitor activities. Video surveillance cameras will have the following:

1. Cameras will be assigned a number for identification purposes during the building permit process.
2. The video cameras will be able to record images of the area effectively and clearly under surveillance at all times.
3. Each camera will be permanently mounted and in a fixed location. Each camera will be placed in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the licensed premises and allows for the clear and certain identification of any person and activities in all areas requiring authorized access.
4. The security surveillance cameras will be remotely accessible to the City of Colusa Police Department (CPD) and will be compatible with the CPD's software and hardware. CPD will have remote real-time access to the cameras.

7.1.8 VIDEO RECORDING PROTOCOL

Video recording will include the following:

1. Video will be recorded 24-hours a day on high-definition cameras at a minimum 15 frames per second.
2. Recorded images will clearly and accurately display the time and date. Time will be measured in accordance with the United States National Institute Standards and Technology standards.
3. The surveillance-system storage device or the cameras will be transmission control protocol (TCP) capable of being accessed through the internet.
4. Video surveillance recordings will be stored in a secure manner to protect from tampering or theft (e.g., tamper proof cabinet).
5. The video surveillance system will be equipped with a failure notification system that provides notification to the licensee of any interruption or failure of the video surveillance system or video surveillance-system storage device.
6. Video surveillance recordings will be kept for a period of at least 30 days or as required by City and state guidelines.

7.1.9 ALARM AND SENSORS

RHF will have an alarm system capable of notifying the police and other emergency services of a break in or emergency, such as a fire. The alarm system will include motion and door sensors capable of detecting unauthorized activity. Door sensors will also detect entry and exit into authorized areas.

7.1.10 BACKUP POWER

In the event of a power failure, RHF will have battery backup power capable of providing power to the security system and keeping the Project Site secure for a minimum of one day. Backup power will be able to operate video surveillance and storage, alarms and sensors, and ensure door locks are not released during a power failure.

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7.2 SECURITY SYSTEM MAINTENANCE

RHF will create inspection forms for facility maintenance inspections. Inspections will include visual inspection of video surveillance equipment. Repairs to video surveillance or alarm systems will be completed by the professional alarm company responsible for maintenance and monitoring.

7.3 NETWORK SECURITY

RHF will utilize computers, mobile devices, ancillary equipment, and software as part of business operations. These devices will be used to ensure continuous operations, document retention, and compliance with agency regulations. To keep computer and network systems safe, RHF will contract with a local information technology (IT) company to manage RHF's network, computer hardware, cyber security, and computer and information system backup. This may include, but is not limited to, the following:

1. 24/7 emergency support.
2. Internet, email, and computer system security.
3. Antivirus software and updates.
4. Computer system and document backup hardware and software.
5. Disaster recovery.
6. IT documentation software.
7. Access control for network users.
8. Email and cloud backup services.

7.4 OPERATIONAL SECURITY MEASURES**7.4.1 EMPLOYEE ACCESS**

All employees must be at least 21 years of age. RHF will issue identification badges for all employees. Badges will be laminated or plastic-coated and be visible at all times while engaging in commercial cannabis activity. The identification badge will, at a minimum, include the RHF's name, license number, the employee's first name, an employee number exclusively assigned to that employee for identification purposes, and a color photograph of the employee that clearly shows the full front of the employee's face and that is at least 1 inch in width and 1.5 inches in height.

RHF employees will be assigned access cards and/or codes to enter and exit areas where they are authorized to work. Employee will have access to authorized areas using the keycard and/or keypad door entry provided by the security system. Employees will be restricted from entry and exit of areas where they are not authorized to work as part of the security system. Access cards and/or codes will be revoked from employees no longer working at the Project Site.

Employees will be required to enter and exit the building through the designated area and sign in and out upon arriving and exiting the Project Site.

7.4.2 VISITOR ACCESS

All contractors and agency personnel coming to the Project Site will coordinate with the General Manager or their designated person. All visitors entering the Project Site must be at least 21 years of age and will

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be required to present government issued identification. The age of the visitor will be verified by the General Manager or their authorized designee.

All visitors coming to the Project Site will be assigned a visitor badge with a badge number corresponding to their name. RHF will require that all visitors record their name, signature, company, and reason for the visit. All visitors will be required to enter and exit the building through the designated area and will be required to sign in and out upon entry and exit.

All contractors and agency personnel will be escorted through the facility at all times by authorized RHF personnel. Contractors and agency personnel will only be able to access areas where they are authorized for the purposes of their work, inspection, or visit. Contractors and agency personnel will not remain onsite if they are not engaging in the activity expressly related to their approved work, inspection, or other approved visit relating to the operations of the Project Site. Contractors and agency personnel will not be provided access cards and/or codes at any time.

Visits from the public will not be allowed unless authorized by RHF. Public visitors will be required to be at least 21 years of age and will be required to present government issued identification. Visitors will be escorted at all times through the facility and will not be allowed to access areas other than for the purposes of their approved visit. Public visitors will not remain onsite if they are not engaging in the activity expressly related to their approved visit. Public visitors will not be provided access cards and/or codes at any time.

7.4.3 DELIVERIES OF CANNABIS PRODUCTS

Deliveries of cannabis products to the Project Site will be supplied by licensed distributors. Deliveries of cannabis products will occur during normal business hours of 8 a.m. to 6 p.m. Delivery drivers will be required to sign in and out upon entry and exit. All vehicles making deliveries of cannabis products will make deliveries to the designated loading and unloading area. All delivery times and dates will be coordinated with the General Manager or their authorized designee to ensure only one delivery vehicle is onsite at a time. All deliveries and transportation of cannabis products will be entered into the track and trace system prior to shipping or receiving. All cannabis products shipped and received will be accompanied by a transportation manifest.

Deliveries of non-cannabis goods (e.g., office products, packaging, etc.) will occur during normal business hours of 8 a.m. to 6 p.m. All vehicles making deliveries of non-cannabis products will park in the parking lot and make deliveries to the secure entry point or designated unloading and loading area. Records of receipt of non-cannabis deliveries will be kept as part of RHF's record keeping process.

7.4.4 EMERGENCY PROCEDURES

In the event of a life-threatening emergency, employees will be instructed to call 911 and move to a safe location. Additional measures include:

1. In general, only trained responders should provide first aid assistance.
2. Do not move the victim unless the victim's location is unsafe.
3. Control access to the scene.
4. Take "universal precautions" to prevent contact with body fluids and exposure to bloodborne Pathogens.
5. Meet the ambulance at the nearest entrance or emergency access point and direct them to victim(s).

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If a medical emergency is reported, dial 9-1-1 and request an ambulance. Provide the following information:

1. Number and location of victim(s).
2. Nature of injury or illness.
3. Hazards involved.
4. Nearest entrance (emergency access point).

Evacuation may be required if there is a fire in the building or other hazard. Employees will be warned to evacuate the building by verbal warnings. Employees will assemble in the parking lot for accounting in the event an evacuation is needed.

An act of violence in the workplace could occur without warning, such as a break in, attempted robbery, active shooter, or other acts of violence that are life-threatening while employees are working at the Project Site. RHF employees will be trained on the locations and methods to take safe refuge.

In the event of a non-life-threatening emergency, such as suspicious activity, employees will be instructed to call CPD at (530) 458-7777.

7.4.5 NOTIFICATION AND INCIDENT REPORTING

RHF will notify the CPD or agency responsible for regulatory oversight in the event of the following:

1. Any theft, loss, or other criminal activity occurring at the Project Site.
2. Any other breach of security.

All incidents regarding a breach in security will be recorded and records kept as part of RHF's recordkeeping process.

7.4.6 INSPECTIONS

Prior to beginning operations, RHF will contact the CPD for an inspection to verify the proposed security measures contained herein.

All recordings made by security cameras at any cannabis manufacturing facility shall be made immediately available to the police chief upon verbal request; no search warrant or subpoena shall be needed to view the recorded materials.

The City Manager or designee shall have the right to enter all cannabis manufacturing facilities from time to time unannounced for the purpose of making reasonable inspections to observe and enforce compliance with this chapter.

7.4.7 SECURITY TRAINING

The Employee Training Manager will ensure employees are trained on the security measures discussed in this section prior to beginning employment. If there are any significant changes to this plan, employees will be notified of such changes and notification will be documented. In addition, employees will go through an annual refresher course to review security and emergency procedures. Training records will be kept at the facility in hard copy and/or electronic versions and will be accessible to regulatory inspection upon request.

7.4.8 SECURITY RECORDKEEPING

The Record Keeping Manager or authorized designee will maintain the following records:

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1. Security inspections.
2. Current register of the names of persons required to have employee permits.
3. Maintenance of physical security measures, video surveillance, and alarm systems.
4. Notifications regarding a breach in security measures.,
5. Employee training.

Records will be kept for a period of two years, or for a length of time as required by the City or other agency with regulatory oversight. Records will be available in either hard copy or electronic format for review by agency personnel upon request.

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8.0 INVENTORY PROCEDURES

8.1 INVENTORY CONTROL

All cannabis products will be stored in the drying room, trim room, or secure storage room. Cannabis storage areas will only be accessible to authorized personnel. Cannabis products will not be stored outside or be visible to the public. Cannabis storage areas will be continually monitored by a video surveillance.

The Inventory Control Manager will manage cannabis product inventory control by implementing the following measures:

1. The Inventory Control Manager will create and maintain an active and functional account within the track and trace system prior to engaging in any commercial cannabis activity, including the purchase, sale, testing, packaging, transfer, transport, return, destruction, or disposal of any cannabis products.
2. The Inventory Control Manager or designated person will act as the track and trace system account manager. Any person authorized to be a track and trace account manager will be trained on the track and trace system prior to access or use. In addition, the account manager may authorize additional employees as users only if they receive track and trace system training.
3. Authorized account managers and employees authorized to use track and trace will attend and successfully complete all required track and trace system training, including any orientation and continuing education. All training records will be kept as part of RHF's record keeping procedures discussed herein.
4. The account manager and each authorized user will be assigned a unique login identification username and password. The account manager or each user accessing the track and trace system will be required to use their assigned login information and will not be permitted to use the login information of another employee or account manager. Under no circumstances will login information be shared or transferred to other individuals.
5. The Inventory Control Manager or authorized account manager will maintain a complete, accurate, and up-to-date list of all track and trace system users, including their full names and usernames.
6. The Inventory Control Manager or authorized account manager will monitor all compliance notifications from the track and trace system. All compliance notifications will be resolved in a compliance with the notification timing requirements.
7. The Inventory Control Manager or authorized account manager will keep a separate record, independent of the track and trace system, of all compliance notifications received from the track and trace system, and how compliance with the notification and timing requirements was achieved. Records will be kept as part of RHF's record keeping process discussed in the associated Operations Plan.
8. The Department of Cannabis Control (DCC) will be notified as soon as possible for all compliance notifications that cannot be resolved within three business days.
9. RHF acknowledges responsibility for the actions of the account manager or authorized users while using the track and trace system.

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8.2 RESPONSIBILITIES OF THE ACCOUNT MANAGER

The Inventory Control Manager or designated person will:

1. Designate track and trace system users, as needed, and require the system users to be trained in the proper and lawful use of the track and trace system before the users are permitted to access the track and trace system.
2. Maintain an accurate and complete list of all RHF's track and trace system users, including full names and usernames, and update the list immediately when changes occur.
3. Remove a user from the RHF's track and trace system account when that individual is no longer authorized to represent the licensee.
4. Correct any data entry errors within three (3) calendar days of discovery of the error.
5. Tag and enter all inventory in the track and trace system as required by state regulations.
6. Monitor all system notifications and resolve all issues identified. The notification will not be dismissed by an account manager before resolution of the issue(s) identified in the notification.
7. Notify the DCC of any loss of access to the track and trace system that exceeds 72 hours.
8. Reconcile the inventory of cannabis and cannabis products on RHF's premises with the track and trace system database at least once every 30 calendar days.

8.3 PLANT TAG REQUIREMENTS

1. The Inventory Control Manager will only use plant and package tags provided and distributed by the DCC or the DCC's designee.
2. The Inventory Control Manager will only use plant and package tags assigned in the track and trace system and will not transfer unused tags to any other licensee.
3. The Inventory Control Manager will maintain a sufficient supply of tags to support operations.
4. The Inventory Control Manager place the initial order of plant or package tags within ten (10) calendar days of initial credentialing into the track and trace system and will reorder plant or package tags as needed.
5. The receipt of plant or package tags will be recorded in the track and trace system within three calendar days of receipt. If ordered plant or package tags are not received by the licensee, the licensee will notify the DCC.

Immature cannabis plants will be tagged as follows:

1. Each established lot of immature plants will be assigned a plant tag. Each lot of immature plants under a single plant tag will be uniform in strain or cultivar and contain no more than 100 individual immature plants at any one time. The lot plant tag will be visible and within clear view of an individual standing next to the immature lot and kept free from dirt and debris. Each lot will either:
 - a. Have each immature plant in the lot labeled with the unique identifier (UID) number and placed contiguous to one another to facilitate identification by the DCC.
 - b. Be fully separated from other lots of immature or mature plants by a physical barrier.

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In such cases, each individual plant does not need to be labeled with the corresponding UID number.

2. A plant tag will be applied to each individual plant at the time the plant is moved to the designated canopy area or begins flowering.

Mature cannabis plants will be tagged as follows:

1. Each mature plant will be tagged with a plant tag. A plant tag will be attached to the main stem at the base of each plant, placed in a position so it is visible and within clear view of an individual standing next to the mature plant, and kept free from dirt and debris.
2. Licensees are prohibited from removing the plant tag from the mature plant to which it was attached and assigned until the plant is harvested, destroyed, or disposed of.

8.3.1 USE OF HARVEST BATCH NAME AND PACKAGE TAGS

Harvested plants that are hanging, drying, or curing will be assigned a unique harvest batch name, which will be recorded in the track and trace system and placed within clear view of an individual standing next to the batch. The assigned harvest batch name will match what is in the track and trace system and the harvest batch name next to the batch will be the same.

Each harvest batch and manufactured cannabis batch will be assigned a package tag and recorded in the track and trace system. For batches held in containers, the package tag will be affixed to the container holding the batch. If a batch of cannabis or cannabis products is held in multiple containers, the package tag will be affixed to one of the containers and the other containers will be labeled with the applicable UID number. Each unit within the container will be labeled with the applicable UID number. All containers with the same UID number will be placed contiguous to one another to facilitate identification by the Department.

8.4 TRACK AND TRACE REPORTING

All cannabis and cannabis products on RHF's premises will be assigned a plant or package tag and recorded in the track and trace system, except for harvested plants that are being dried, cured, graded, or trimmed.

Each of the following activities will be recorded in the track and trace system within 24 hours of occurrence:

1. Receipt of cannabis or cannabis products.
2. Rejection of transferred cannabis or cannabis products.
3. Manufacturing of cannabis or cannabis products.
4. Use of cannabis or cannabis product for internal quality control testing or product research and development.
5. Destruction or disposal of cannabis or cannabis products.
6. Packaging or repackaging of cannabis or nonmanufactured products.
7. Laboratory testing, including testing results.
8. Sale or donation of cannabis or cannabis products.

The following information will be recorded in the track and trace system for each activity:

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1. The type of cannabis or cannabis products.
2. The weight, volume, or count of the cannabis or cannabis products.
3. The date of activity.
4. The UID assigned to the cannabis or cannabis products.
5. If cannabis or cannabis products are being destroyed or disposed of, the Inventory Control Manager or designee will record the following information in the notes section:
 - a. The name of the employee performing the destruction or disposal.
 - b. The reason for destruction or disposal.
 - c. The method of disposal.

If a package adjustment is used to adjust the quantity of cannabis or cannabis products in the track and trace system, RHF will include a description explaining the reason for adjustment.

If RHF rejects a partial shipment of cannabis goods, then RHF will record the partial rejection in the track and trace system.

RHF will record the following cultivation activities in the track and trace system within three calendar days of occurrence:

1. Planting of an immature lot.
2. Moving immature plants to a designated canopy area, flowering of an individual plant, or application of a plant tag to an immature plant.
3. Destruction or disposal of an immature or mature plant.
4. Harvesting of a mature plant, or portion thereof.

The following information will be reported in the track and trace system for each harvested plant or portion thereof, or harvest batch:

1. The wet weight of each harvested plant or portion thereof, which will be obtained by the licensee immediately after harvest.
2. The weight of cannabis waste associated with each harvest batch.
3. The unique name of the harvest batch.
4. The initiating date of the harvest. For purposes of this section, the initiating date of the harvest is the month, day, and year the first mature cannabis plants in the harvest batch were cut, picked, or removed from the soil or other growing media.
5. Packaging and repackaging of cannabis or nonmanufactured cannabis.

After the entire harvest batch has been dried, trimmed, cured, and packaged, the licensee will indicate in the track and trace system that the harvest is finished.

8.5 RECORDING TRANSFERS OF CANNABIS

RHF will perform the following for all shipments of inventory:

1. RHF will only receive shipments of inventory of cannabis products (e.g., clones) from a licensed cannabis business.

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2. RHF will accept shipments of cannabis products only between the hours of 8 a.m. and 6 p.m.
3. During business hours, cannabis deliveries will enter the designated shipping and receiving area. At no time will cannabis be visible to the public.

RHF will prepare a shipping manifest through the track and trace system prior to transferring cannabis and cannabis products from the licensed premises. The following information will be recorded on the shipping manifest by the licensee initiating the transfer:

1. The name, license number, and premises address of the originating licensee.
2. The name, license number, and premises address of the licensee transporting the cannabis products.
3. The name, license number, and premises address of the licensee receiving the cannabis or cannabis products into inventory or storage.
4. The UID numbers for all items being transferred.
5. The item name, item category and weight or count of cannabis or cannabis products associated with each package tag.
6. The estimated date and time of departure from the licensed premises.
7. The estimated date and time of arrival at each licensed premises.
8. The driver's license number of the personnel transporting the cannabis and cannabis products, and the make, model, and license plate number of the vehicle used for transport.
9. Any other information required by local or state agency regulations.

The distributor who transports the cannabis or cannabis product will record the following additional information on the shipping manifest:

1. The actual date and time of departure from the licensed premises.
2. The actual date and time of arrival at each licensed premises.

Upon pick-up or receipt of cannabis and cannabis products for transport, storage, or inventory, the Inventory Control Manager or authorized employee will ensure that the cannabis or cannabis products received are as described in the shipping manifest. The licensee will record acceptance or receipt, and acknowledgment of the cannabis or cannabis products in the track and trace system.

If there are any discrepancies between type or quantity of cannabis or cannabis products specified in the shipping manifest and the type or quantity received by the licensee, the licensee will reject the shipment.

8.6 ACCEPTANCE OR REJECTION OF SHIPMENTS

The Inventory Control Manager or designee will accept or reject, in whole, shipments of cannabis or cannabis products.

A partial shipment of cannabis or cannabis products will be rejected in the following circumstances:

3. If RHF receives a shipment containing cannabis or cannabis products that differ from those listed on the sales invoice or receipt, RHF will reject the portion of the shipment that is not accurately reflected on the sales invoice or receipt.
4. If RHF receives a shipment containing any cannabis or cannabis products that were damaged

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during transportation, RHF will reject that portion of the shipment that was damaged.

5. If RHF receives a shipment containing cannabis or cannabis products that is non-compliant with labeling requirements or exceeds its provided expiration date, RHF will reject the portion of the shipment that is non-compliant with labeling requirements or expired.

Rejecting a shipment of cannabis or cannabis products, whether in whole or in part, will record in the track and trace system and indicate on any relevant manifest, invoice, or sales receipt the specific reason for rejection.

8.7 SHIPPING MANIFEST

A shipping manifest will accompany every transport of cannabis product being shipped from the premises. Prior to transporting cannabis products, the Inventory Control Manager will generate a shipping manifest through the track and trace system for the following activities:

1. Testing and sampling.
2. Sale of cannabis products to a licensed distributor.
3. Destruction or disposal of cannabis goods.
4. Any other activity involving the transportation of cannabis products allowed by local and state agency regulations.

The Inventory Control Manager will securely transmit the manifest to the licensee receiving the cannabis products prior to transport. The Inventory Control Manager is responsible for any discrepancies between the shipping manifest and the cannabis products in its possession during transport.

The RHF employee authorized to transport cannabis products for self-distribution will not void or change a shipping manifest during transport, or after departing from the originating licensed premises.

8.8 TIMING OF TRACKING

All transactions entered into the track and trace system will occur by 11:59 p.m. Pacific Standard Time on the day the transaction occurred.

The Inventory Control Manager or authorized employee will enter and record complete and accurate information and will correct any known errors entered immediately upon discovery.

8.9 INVENTORY RECONCILIATION

RHF's Inventory Control Manager will perform the following:

1. Reconcile all inventories of cannabis products at least once every 30 days.
2. Reconciling on-hand inventory of cannabis and cannabis product with the records in the track and trace system.
3. Reviewing the licensee's authorized users and removing any users who are no longer authorized to enter information into the track and trace system.
4. If the Inventory Control Manager finds a discrepancy between the on-hand inventory and the track and trace system, then an audit will be conducted.

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5. If an audit finds missing inventory, the Inventory Control Manager will notify the DCC and include the date and time of occurrence of the theft, loss, or criminal activity, the name of the local law enforcement agency that was notified, and a description of the incident including, where applicable, the item(s) that were taken or lost. If the reason for the missing inventory involves theft or criminal activity, RHF will notify the CPD.

8.10 LOSS OF ACCESS

If at any point RHF loses access to the track and trace system, RHF will prepare and maintain hard copy records detailing all commercial cannabis activities that were conducted during the loss of access. Records include the tracking and reporting items discussed above. Employees responsible for track and trace will be trained on how to keep hard copy records in the event access to the track and trace system is lost.

In the event there is loss of access to the track and trace system, RHF will not initiate transport for, receive, or deliver any cannabis or cannabis products until such time as access is restored. Once access is restored, all commercial cannabis activity that occurred during the loss of access will be entered into the track and trace system within three business days.

RHF will document the cause for loss of access, and the dates and times for when access to the track and trace system was lost and when it was restored.

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9.0 RECORD KEEPING

To ensure compliance with state and local agency regulations, RHF will develop reporting forms that include, but are not limited to, the following:

1. Financial records including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California Department of Tax and Fee Administration (formally Board of Equalization) under Title 18 California Code of Regulations sections 1698 and 4901.
2. Personnel records, including each employee's full name, social security or individual taxpayer identification number, date employment begins, and date of termination of employment if applicable.
3. Training records, including but not limited to the content of the training provided, and the names of the employees that received the training.
4. Contracts with other licensees regarding commercial cannabis activity.
5. Permits, licenses, and other local authorizations to conduct the RHF's commercial cannabis activity.
6. Security records, except for surveillance recordings which are required to be kept for 30 days, but no longer than 90 days.
7. Records relating to the composting or destruction of cannabis goods.
8. Documentation for data or information entered into the track and trace system.
9. All other documents prepared or executed by RHF or their authorized designee in connection with cannabis activities.
10. Facility and equipment maintenance.
11. Incident notification for security breaches and operational complaints (e.g., odor complaint).
12. Any other records discussed in this Business Plan and/or required by local or state agencies.

RHF's records will be legible and stored in a location that is protected from debris, moisture, contamination, hazardous waste, fire, theft, and alteration by unauthorized persons.

RHF will keep all records for a minimum of two years, or as required by the City or agencies with regulatory oversight. Records will be available in either hard copy or electronic format for review by agency personnel upon request. Only the General Manager or their authorized designee will have access to records.



City of Colusa California

STAFF REPORT

DATE: August 2nd, 2022

TO: Mayor and Members of the City Council

FROM: Ishrat Aziz-Khan, through Jesse Cain, City Manager

AGENDA ITEM:

Consideration of Resolution approving to Authorize placement of solid waste liens from Recology on the 2022-23 County Property Tax Roll.

Recommendation:

Council to adopt the Resolution authorizing delinquent solid waste liens on "Exhibit A" to be placed on the 2022-23 City Property Tax Roll with the County.

BACKGROUND ANALYSIS:

The City's Recology Franchise Agreement and City Ordinance No. 535 require a mandatory solid waste service within the City limits. The agreement authorizes Recology, on an annual basis, to collect outstanding solid waste accounts by placing the delinquent accounts and administration fees on the property owner's tax bill for collection.

Recology is required to send at least two delinquent notices to the customer and property owners, prior to proceeding with a public hearing. Both notices were sent to the customer and property owner on record in April 2022 and July 2022. It should be noted, that the addresses used to mail both notices came from the latest Assessor Tax Roll (2021) which may not reflect recent sales or transfers of property. The second notice includes the delinquent solid waste account amount and the associated administration fees. "Exhibit A" includes all delinquencies and administration fees.

The City's administration fee is \$45 for each lien placed on the property owner's tax bill. The updated list was received on July 26th, 2022 from Recology, after Recology addressed the customer complaints.

BUDGET IMPACT: City Administration Fee Revenue is estimated to be \$3,870 to the General Fund.

ATTACHMENT: Resolution 22-___ adopting Exhibit A

RESOLUTION NO. 22-

A RESOLUTION OF THE CITY OF COLUSA CITY COUNCIL ADOPTING DIRECT ASSESSMENT FOR DELINQUENT SOLID WASTE LIENS FOR FISCAL YEAR 2022-23 ON THE 2022-23 PROPERTY TAX ROLL

WHEREAS, the notices and fees for the purpose of the collection of delinquent garbage bills to Recology to be included on the regular County property tax bill for property owners of the City of Colusa was completed on July 19th, 2022; and

WHEREAS, the City is placing the delinquent solid waste liens (Exhibit “A” on the Colusa County secured property tax roll for collection; and

WHEREAS, the City has complied with the Recology Franchise Agreement and City of Colusa Ordinance No. 535 pertaining to the levy of the solid waste tax lien.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Colusa as follows:

1. Recitals. The above recitals are true and correct and are incorporated herein by reference.

2. Effective Date. This Resolution shall be effective immediately.

The City Clerk shall certify the passage and adoption of this Resolution and enter it into the book of original resolutions.

PASSED and ADOPTED this 2nd day of August 2022 by the following vote:

AYES

NOES:

ABSENT:

ABSTAIN:

THOMAS RIESCHE, MAYOR

Attest:

Shelly Kittle, City Clerk

Exhibit A

<u>Parcel Number</u>	<u>Lienable Amount + Fees</u>
002-193-008-000	700.66
002-183-014-000	690.12
001-083-011-000	263.1
001-351-007-000	162.05
002-320-011-000	656.48
015-370-008-000	380.03
002-031-003-000	700.68
001-144-012-000	700.83
001-086-005-000	821.6
002-032-012-000	473.8
001-125-002-000	700.88
001-153-005-000	267.89
002-181-008-000	278.8
001-246-008-000	225.38
001-082-006-000	685.86
002-213-003-000	700.92
002-110-030-000	280.63
001-241-005-000	287.74
002-144-008-000	579.98
001-276-002-000	699.11
001-203-006-000	700.69
015-151-008-000	700.68
002-060-032-000	398.13
001-284-010-000	350.89
002-206-004-000	689.84
001-121-008-000	699.74
002-181-007-000	670.75
001-133-005-000	684.99
001-306-002-000	700.68
001-295-001-000	700.83
002-033-004-000	312.05
002-024-012-000	573.8
001-244-008-000	398.13
001-105-008-000	701.28
001-211-003-000	278.2
002-024-013-000	679.87
001-296-014-000	480.38
002-060-003-000	691.43
001-154-013-000	684.82
001-196-006-000	673.8
001-253-004-000	994.28
002-250-002-000	700.82
001-276-008-000	398.13

002-042-005-000	699.87
002-050-016-000	398.13
002-181-003-000	680.44
002-182-006-000	486.11
002-182-005-000	269.01
015-320-027-000	231.45
015-230-043-000	700.04
015-200-059-000	698.64
002-031-010-000	225.35
001-111-003-000	464.8
001-246-001-000	269.01
001-273-006-000	269.01
002-050-051-000	198.13
002-215-008-000	406.5
002-300-030-000	700.67
002-050-017-000	274.78
002-250-014-000	256.9
001-302-004-000	698.93
002-021-001-000	700.65
001-151-005-000	666.93
002-290-010-000	249.37
001-161-002-000	385.61
002-050-002-000	363.8
001-305-003-000	533.06
002-144-005-000	321.67
002-060-024-000	700.68
001-144-010-000	533.06
002-050-055-000	172.38
002-050-011-000	357.31
001-296-006-000	648.08
001-156-001-000	500.32
001-295-015-000	163.5
005-055-016-000	574.44
001-206-005-000	342.78
001-304-002-000	269.01
002-043-009-000	656.51
002-260-023-000	680.41
005-055-016-000	189.25
015-151-011-000	657.28
002-050-039-000	394.45
002-250-001-000	471.47
001-035-004-000	370.73
001-303-003-000	497.78



City of Colusa California

STAFF REPORT

DATE: August 2nd 2022
TO: City Council
FROM: David Swartz, PE, PLS, City Engineer

AGENDA ITEM:

Right of Way Exchange

Recommendation: Council to approve the right of way exchange with Amargit Chema and Mandeep Cheema, aka owners on and adjacent to property known as APN 002-011-004

Recommendation: Council to adopt Resolution No. 22- authorizing both the acquisition and simultaneous relinquishment of land related to a property located along the east side of Wescott Road having assessor parcel no. 002-011-004.

BACKGROUND ANALYSIS: The City staff have been working with the developers listed above for more than 4 years to bring a development project to the City which is currently termed the ARCO project. With this development the developers will be installing a traffic signal fronting their project along Highway 20. Consequently, the developers have purchased the property adjacent to the highway and south as shown on the exhibits in the resolution and are planning on development of this parcel. In order for the traffic signal to be fully functional, and to take care of a chronic and historical issue with ingress and egress from Wescott Road onto Highway 20, the developer and city have devised a traffic plan, with consultation with a traffic engineer, which has some property exchange take place and a revised egress (exit) route from Wescott onto Highway 20 gets moved to a dedicated new street section, and occurs at a new proposed traffic signal.

BUDGET IMPACT: No budget impact related to the property exchange.

STAFF RECOMMENDATION: Approve the attached Resolution.

ATTACHMENT:

Resolution with exhibits.

RESOLUTION NO. 22-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLUSA ORDERING BOTH THE ACQUISITION AND SIMULTANEOUS RELINQUISHMENT OF LAND RELATED TO A PROPERTY LOCATED ALONG THE WEST SIDE OF SR 20 HAVING ASSESSOR PARCEL NUMBER APN APN 002-011-004

WHEREAS, The City of Colusa, State of California, has existing right of way located along the east side of Wescott Road which is not being used for any street or other utility improvements,

WHEREAS, The City Council of the City of Colusa may vacate all or part of a street, highway, or public service easement pursuant to the Public Streets, Highways, and Service Easements Vacation Law (State of California Streets & Highways Code, § 8300 et seq.); and

WHEREAS, the summary vacation proceedings are to be conducted pursuant to the provisions in § 8330 – 8336, Chapter 4 of Part 3, Division 9, entitled “Summary Vacation,” of the State of California Streets & Highways Code; and

WHEREAS, the summary vacation requirement for a public street/right of way has been met, pursuant to §8331 and §8334 of the California Streets & Highways Code.

WHEREAS, the owner of said property desires to dedicate, in exchange for the aforementioned vacation of property along Wescott Road, a 60 foot wide right of way in fee title to the City of Colusa, for purposes of constructing a roadway;

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The Council of the City of Colusa hereby orders the summary vacation and abandonment of the identified right of way as shown on Exhibit A and B, along Wescott Road.
2. The developer hereby dedicates, in exchange for the said right of way along Wescott Road outlined in No. 1 above, a 60-foot wide strip of land in fee title to the City of Colusa for purposes of constructing a roadway and all related appurtenances as shown on Exhibit A-1 and B-1.
3. The vacation and abandonment of the street shall become effective the date this Resolution is recorded and the developer agrees to dedicate said right of way within 60 days of the date of this resolution.
4. The City Manager is hereby authorized to execute the necessary agreements and assignments with the developer for this exchange.

THOMAS REISCHE, MAYOR

Shelly Kittle, City Clerk

EXHIBIT "A"

CITY OF COLUSA
RIGHT OF WAY RELINQUISHMENT

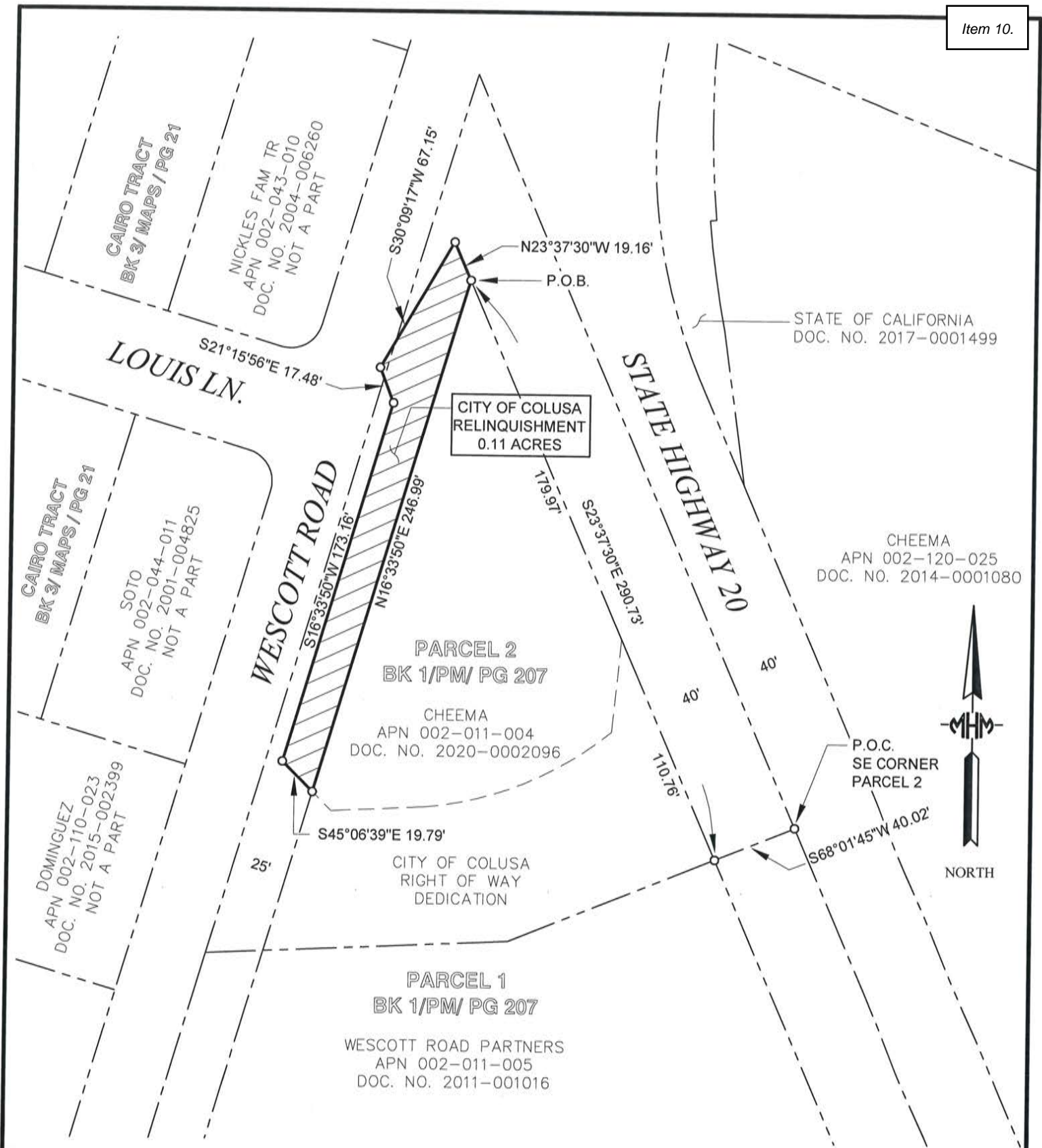
All that certain real property, situate in the City of Colusa, County of Colusa, State of California being a portion of Parcel 2 as shown on that certain Parcel Map filed August 25, 1976 in Book 1 of Parcel Maps at page 207, Colusa County Records and the westerly right of way of Wescott Road more particularly described as follows:

Commencing at the southeast corner of said Parcel 2, said point being on the centerline of State Route 20; thence leaving said centerline South $68^{\circ}01'45''$ West, 40.02 feet to the westerly sideline of said State Route 20; thence northerly, along said westerly sideline, North $23^{\circ}37'30''$ West, 290.73 feet to the intersection with the easterly sideline of Wescott Road and **TRUE POINT OF BEGINNING** of the following described parcel of land; thence from said point of intersection North $23^{\circ}37'30''$ West, 19.16 feet; thence South $30^{\circ}09'17''$ West, 67.15 feet; thence South $21^{\circ}15'56''$ East, 17.48 feet; thence South $16^{\circ}33'50''$ West and parallel with the westerly line of said Parcel 2, 173.16 feet; thence South $45^{\circ}06'39''$ East, 19.79 feet to the easterly sideline of Wescott Road; thence along said westerly sideline North $16^{\circ}33'50''$ East, 246.99 feet to the true point of beginning. Containing 0.11 acres, more or less.

Portion of APN 002-011-004

END OF DESCRIPTION







DATE: 6/30/22 JOB NO: 20-684 DRAWN: AC 20684topography CHECKED: RKH	 NORTH SCALE: 1"= 60'	TITLE: <h2 style="text-align: center;">EXHIBIT "B"</h2> <h3 style="text-align: center;">CITY OF COLUSA</h3> <h3 style="text-align: center;">RIGHT OF WAY RELINQUISHMENT</h3> <p>BEING A PORTION OF PARCEL 2 AS SHOWN ON THAT CERTAIN PARCEL MAP FILED IN BOOK 1 OF PARCEL MAPS AT PAGE 207, COLUSA COUNTY RECORDS.</p> <p>PREPARED BY: MHM, INC 1204 E STREET MARYSVILLE, CA 95901 SHEET 1 OF 1</p>	
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EXHIBIT "A" -1**RIGHT OF WAY DEDICATION
TO CITY OF COLUSA**

All that certain real property, situate in the City of Colusa, County of Colusa, State of California being a portion of Parcel 2 as shown on that certain Parcel Map filed August 25, 1976 in Book 1 of Parcel Maps at page 207, Colusa County Records lying southerly of the following described line:

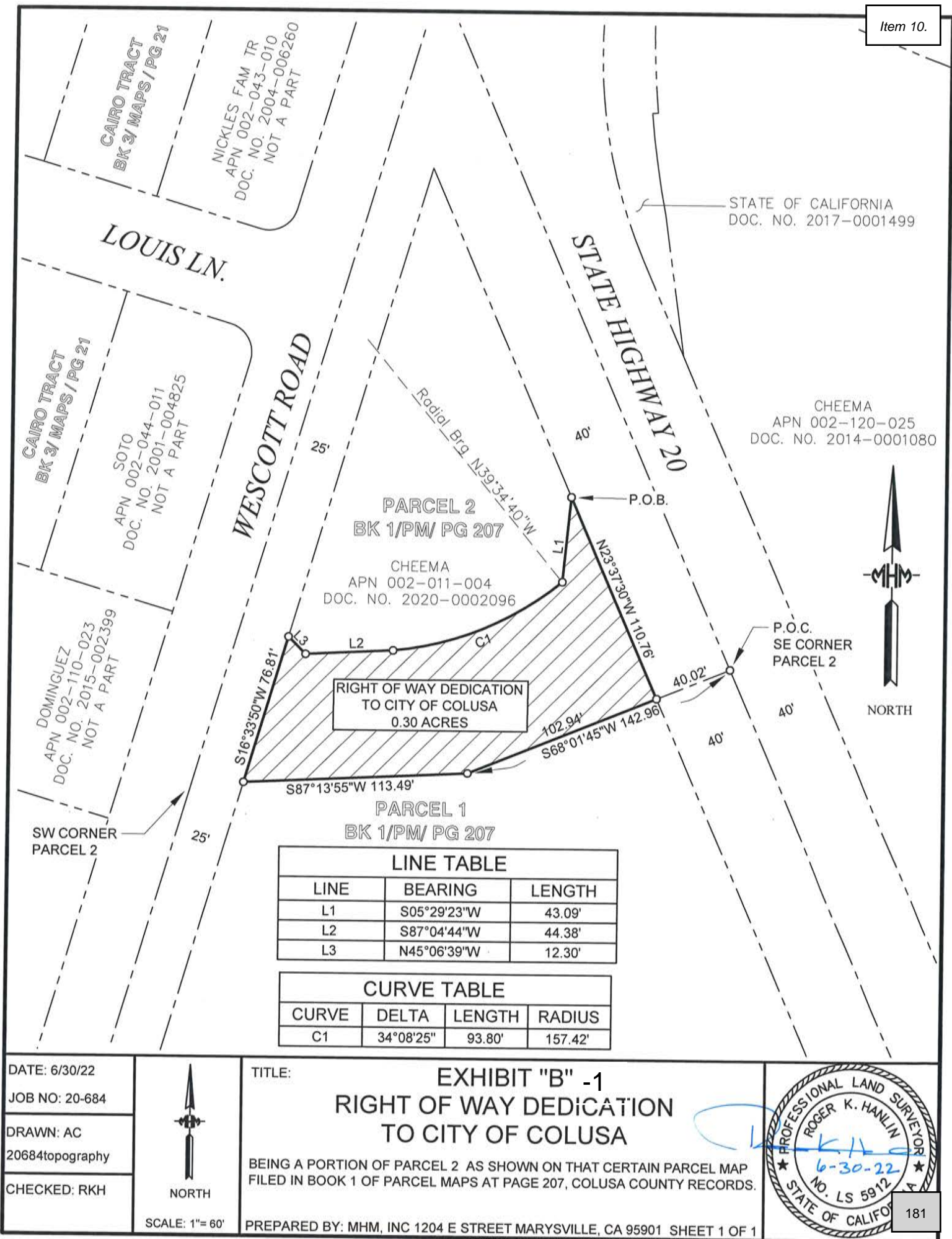
Commencing at the southeast corner of said Parcel 2, said point being on the centerline of State Route 20; thence leaving said centerline South $68^{\circ}01'45''$ West, 40.02 feet to the westerly sideline of said State Route 20; thence northerly, along said westerly sideline, North $23^{\circ}37'30''$ West, 110.76 feet to the **TRUE POINT OF BEGINNING** of the following described line; thence leaving said westerly sideline South $12^{\circ}37'30''$ West, 43.09 feet to the beginning of a non-tangent curve, concave to the northwest having a radial bearing of North $39^{\circ}34'40''$ West, a radius of 157.42 feet and a central angle of $34^{\circ}08'25''$; thence along the arc of said curve, 93.80 feet; thence South $87^{\circ}04'44''$ West, 44.38 feet; thence North $45^{\circ}06'39''$ West, 12.30 feet to the westerly line of Wescott Road and there terminating. Containing 0.30 acres, more or less.

EXCEPTING THEREFROM all that portion lying within the westerly right of way of California State Route 20 (Highway 20).

Portion of APN 002-011-004

END OF DESCRIPTION







City of Colusa California

STAFF REPORT

DATE: August 2, 2022
TO: City of Colusa Mayor and Council Members
FROM: Jesse Cain, City Manager

AGENDA ITEM:

Council to consider adopting Resolution 22-__ Grand Jury Council response

Recommendation: Council to review the response and provide comments and consider approving the Resolution.

BACKGROUND ANALYSIS:

On June 15, 2022, the City of Colusa City Mayor received the Colusa County Grand Jury Report for 2021-2022. The City of Colusa was investigated for the misuse of public funds and multiple code and policy violations. The grand jury has investigated the City several times over the past number of years on different things that they think the City needs to improve on. This is part of the grand jury's responsibility. One of the previous grand jury reports investigated the City and made recommendations that the City of Colusa police department is understaffed, underpaid, and that their building was not up to standards to operate a police department. They recommended that we find them a different location, hire more police officers, and pay them better. The City response was simple, we do not have the funds to be able to do that. I bring this only as an example of the types of things the grand jury investigates.

In the 2021-2022 Grand Jury Report for the City of Colusa the grand jury finds that the City violated several city policies and government codes. As the City Manager, I agree that we can improve upon our procedures related to City-sponsored events, but I am not aware of any state laws that the City had violated. I believe that some of our old City policies were ambiguous and may not have been clear to the public or council on spending, but we did not violate any policy other than purchasing alcohol with a city credit card and if we go back a few years. However, the policies needed to be updated and amended, which we have done.

With regarding to the events, the City was trying something new and different that would bring life back to the City of Colusa as the world just came out of a complete shutdown that no one has ever experienced before. If covid-19 taught us anything is that the general public wants the City to provide them with things to do events, recreational activities and just show that we care and support the citizens of our great community and last year proved that. If we can keep people here and happy then they spend money here and that results in higher taxes that the City receives. Not all citizens feel this way and there are a small group of people that don't

want to see the city run these types of event. I understand that, but if we are not growing then we are dying. I get out in the public a lot and talk to a lot of citizens, some conversations are really good and some are not so good and I need to hear both sides. But, I truly believe that the majority likes what the City is doing. We just need to do what we're doing in a more transparent way with better protocols and procedures. My point is that there were some mistakes made last year and I could have been more transparent about how things transpired but nothing was done that didn't have the City's best interest at heart.

The City has now changed how we do events and how we inform the public so there was some good lessons learned from last year.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Council to review grand jury response and comment

RESOLUTION NO. 22 –

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLUSA TO PROVIDE THE CITY’S RESPONSE THE 2021-22 COLUSA COUNTY GRAND JURY FINAL REPORT

WHEREAS, the City of Colusa received a copy of the 2021-22 Colusa County Grand Jury Final Report, dated June 27, 2022;

WHEREAS, the Report contained four reports, with Report #1 dealing with the City of Colusa, specifically addressing, “misuse of public funds and multiple code and policy violations”.

WHEREAS, pursuant to Penal Code 933, the City shall comment on the findings and recommendations within 90 days of final report being submitted;

WHEREAS, the Report contained 14 findings and 11 recommendations relevant to the City; and

WHEREAS, the City’s response is attached herein as Exhibit A.

PASSED AND ADOPTED as a Resolution of the City Council of the City of Colusa, at its regular meeting duly held on the 2nd day of August 2022, by the following vote.

AYES:

NOES:

ABSENT:

ABSTAIN:

THOMAS REISCHE, MAYOR

ATTEST:

Shelly Kittle, City Clerk



CITY OF COLUSA

425 WEBSTER STREET * COLUSA, CA 95932 * (530) 458-4740 * FAX (530) 458-7555

August 2, 2022

The Honorable Jeffrey A. Thompson
 Presiding Judge
 Superior Court of California, County of Colusa
 532 Oak Street
 Colusa, California 95932

Dear Judge Thompson,

As required by law, this letter is the City of Colusa's response to the 2021-2022 Colusa County Civil Grand Jury report (the "Report"), dated June 15, 2022, regarding the use of public funds and the City of Colusa's policies and procedures. The City takes this report seriously and appreciates the time the Grand Jury took into the investigation and subsequent report.

The City learned valuable lessons after taking on the task of creating summer events for the community in 2021. Accordingly, the City has adopted new policies and has changed its course for future City-sponsored events.

Findings

F1. Community Event Coordinator permits and Temporary Food Facility permits. Every food vendor at each of the City events noted in the Grand Jury Report held an active business license issued by Colusa County (the "County") and/or the State of California (as applicable).

F2. Food permits and revenue. Because the County expended no staff time coordinating with the City for the aforementioned events, the County experienced no expense and no net loss.

F3. ABC licensing. The City of Colusa City Council has no knowledge that inaccurate information was giving to (ABC) and has learned from that. Because this was the first time running these events, making estimates in terms of attendance was difficult.

F4. Alcohol and permits. Because the City had no policy regarding the purchase of alcohol using the general fund or bank account, no violation of policy regarding public monies occurred. Moreover, the City's intent is to support local businesses as much as possible by shopping locally. The City has updated its policy regarding alcohol purchasing.

F5. City event purchases. The City manager is authorized to spend up to \$25,000 without council approval. The City's purchasing policy has since been amended after learning lessons from these events.

F6. Alcohol purchasing. The City's Purchasing Policy is distinct from California Law. The City's purchasing policy has since been amended.

F7. Former employee's credit card. The City's Credit Card Use Policy is silent to this circumstance. Moreover, it had been common practice for employees to share credit cards as needed. Nonetheless, the City updated its credit card policy.

F8. Negligence and violations. For the reasons above, the City denies any negligence, policy, or procedure violations. Furthermore, it is unreasonable to find the City was exposed to increased liability.

F9. Limited staff oversight. While the City's staff is limited, oversight is not. This was a new experience for us all which the City's learned from.

F10. Public Dissemination. While public dissemination of financial information may have been perceived as delayed, consideration for the City's accounts receivable and accounts payable processed and schedule was not factored in. With limited staff, it took some time to gather and disseminate the financials affiliated with these events.

F11. Good faith effort. As the City's Summer 2021 events were the first of their kind in the City to my knowledge, these events granted the City an opportunity to refine its policies.

F12. Understaffing. Although the City is understaffed, the City is operating well and is executing its duties the best it ever has. With that said, the City tries to keep expenses reasonable when it comes to staffing. Striking the right balance can be difficult.

F13. CDBG CV-1 grant. It is the Council's understanding that the grant was submitted on time it was just delayed in review due to covid-19.

F14. The City has not yet published the asset list yet, but it is our understanding that the business are aware of the assets and some have used them already.

Recommendations

R1. License verification. The City already does this, and has begun asking for a copy of ABC permits.

R2. City event food vendors. The City has already implemented these practices. Moreover, the City is considering modifying its ordinance that allows the City to issue our own temporary food facility permit, in accordance with State law.

R3. Physical equipment list. The asset inventory list and application process has been completed and it should be available to the public within thirty (30) days of this letter.

R4. Donations. The City has a newly adopted policy on this. The City has, and always will, continue to ask for donations. The City has asked for donations for years. The new policy will help make this practice transparent.

R5. City Manager position. The City Manager meets the current job description and has been going to training this year along with having public meetings throughout the City in different locations and times to address the public's concerns and to educate the public on what's happening in Colusa. The City has a history of the City Manager serving multiple roles in order to keep staffing costs for a small city reasonable.

R6. Vacancies. The City cannot hire positions that it cannot afford. The City Council carefully looks at whether new hires are feasible and sustainable.

R7. Transparency. The City has become more transparent over the last two years than it has ever been. Our current legal services already provide this training for council and staff, as required by law.

R8. Training for City staff. This has already been completed. The City has a form that employees fill out and have been trained in what can be charged on the credit card.

R9. Forensic audit. The City is audited by an outside firm each year.

R10. Performance audit. The City hopes to pass a tax initiative if passed this will help out with staffing needs. With the current employees that we have and the lack of employees the City operates very efficiently.

R11. Ombuds committee. This would cost the City money that it does not have, and is unlikely to provide any benefit.

In closing, we the City Council take pride in our community and are very lucky to be living in such a great City. We really do have great staff and employees that serve us. We acknowledge that we aren't perfect, and that constant analysis of best practices is necessary. For example, the City learned a lot from last summer's events and has incorporated changes going forward. I appreciate Your Honor's consideration of this letter.

Respectfully,

Thomas Reische, Mayor
City of Colusa