

**RIO DELL CITY COUNCIL
REGULAR MEETING
MARCH 7, 2017
MINUTES**

The regular meeting of the Rio Dell City Council was called to order at 6:30 p.m. by Mayor Wilson.

ROLL CALL: Present: Mayor Wilson, Mayor Pro Tem Johnson, Councilmembers
Garnes, Marks and Strahan

Others Present: City Manager Knopp, Finance Director Woodcox Community
Development Director Caldwell, and Ryan Plotz (filling in for
City Attorney Gans)

Absent: Chief of Police Hill, Water/Roadways Superintendent
Jensen, Wastewater Superintendent Trainee Yaple and City
Clerk Dunham (excused)

PUBLIC PRESENTATIONS

None

CONSENT CALENDAR

Mayor Wilson asked that item number 3, *Approval of Resolution No. 1325-2017 Adopting the Budget Calendar for FY 2017-18* is removed for separate discussion.

Motion was made by Johnson/Garnes to approve the consent calendar including approval of minutes of the February 21, 2017 regular meeting; approval of Resolution No. 1323-2017 Mid-year Budget Amendments; and to receive and file the check registers for January and February 2017. Motion carried 5-0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Approve Resolution No. 1325-2017 Adopting the Budget Calendar for FY 2017/2018
Mayor Wilson asked councilmembers if the proposed budget calendar was acceptable.

Since there were conflicts with regard to some of the meeting dates, Finance Director Woodcox agreed to come back at the next meeting with an amended budget calendar.

Mayor Wilson announced a change in the order of the agenda and moved item 4) 2017/0307.11 *Ordinance No. 355-2017 related to the Use of Cargo/Shipping containers as Accessory Structures* up to accommodate members of the public.

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Introduction and First Reading (by title only) of Ordinance No. 355-2017 Amending Chapter 17.30.020 "Accessory Uses and Buildings" of the Rio Dell Municipal Code (RDMC) to Include Cargo/Shipping Containers used as Accessory Structures

Community Development Director Caldwell provided a staff report and said the Planning Commission held three (3) separate public hearings discussing the use of cargo/shipping containers as accessory structures. He said that initially they were supportive of their use in residential zones however; at the last meeting, after a lengthy discussion, the Commission made some significant changes including recommending to the City Council that cargo/shipping containers not be allowed in residential zones. In addition, the Commission also recommended that the definitions in the zoning code for cargo/shipping container be amended to read:

"Cargo/Shipping Container means a container made of steel or similar material which is designed for securing and protecting items for transport or storage. Cargo/Shipping containers include, but are not limited to, containers commonly used as shipping containers on ships and railroads, and/or tractor trailers. PODS (Portable on Demand Storage) and other similar units."

He stated that the Commission is also recommending that existing Cargo/Shipping Containers not be considered a legal non-conforming use and that they be required to be removed within 180 days after adoption of the ordinance.

Also, containers used as accessory structures in the Natural Resources (NR), Community Commercial (CC), and Neighborhood Center (NC) zones are required to conform to the same development standards as required in the Industrial Commercial (IC) zone including the allowable number of containers on a parcel subject to the size of the parcel.

Community Development Director Caldwell said the real question is whether the Council wants to allow cargo/shipping containers in residential zones.

Councilmember Strahan commented that she was in attendance at the last Planning Commission meeting and felt they conducted a pretty thorough review of the regulations before coming up with the recommendations as presented.

Community Development Director Caldwell noted that there was approximately 1.5 hours of discussion on the subject but unfortunately there were no members of the public present with the exception Councilmember Strahan.

Mayor Pro Tem Johnson commented that he has approximately three (3) acres and under the proposed regulations he would not be allowed to have a container as an accessory structure. He said although he has no plans at this time to utilize one, he would nevertheless like to have the option.

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Mayor Wilson opened the public hearing to receive public input on the proposed ordinance.

Kathy Wildgrube, 6 Painter St. addressed the Council and said she currently has two (2) cargo/shipping containers on her property. She said that she was not able to attend the last Planning Commission meeting as she was sick but she was led to believe from the previous meetings that provided residents complied with the development standards, they would be in allowed to keep them. She commented that she painted her containers a neutral color as requested by the City and agreed to obtain a building permit if deemed necessary. She said to change the regulations now and give residents 180 days to remove them from their property seems unfair and underhanded. She explained that one of the containers is used to store family heirlooms and the other to store firewood and lawn equipment and they are safe and secure units. She urged the Council to consider “grandfathering in” existing containers as long as they are in compliance with certain performance standards. She also pointed out that 3 or 4 years ago when she purchased the containers she came into the city and was told there were no regulations prohibiting them or a requirement for a building permit.

Tim Roscoe, property owner on the 100 block of Painter St. stated that he also has cargo/shipping containers on his property but they are not visible from the street. He said cargo containers don’t seem to be causing blight in the city although he has seen a couple in front yards that are rusted and pretty unsightly. He said there are some advantages to utilizing cargo containers as accessory structures as they can be locked securely, noting that Rio Dell is not the most secure town. He commented that he was also in attendance at the Planning Commission meetings when the regulations were discussed and was under the impression the Planning Commission was in agreement with the recommendation to the City Council to allow the use in residential zones with the performance standards as originally proposed. He questioned the number of cargo/shipping containers currently existing on residential parcels in the City.

Community Development Director Caldwell said he was aware of six or seven existing containers located on residential parcels but not aware of any on parcels 6,000 square feet or less.

Travis Wildgrube, property owner of the parcel at Center St. and Ireland Ave. addressed the Council and said he currently has one (1) cargo container and has plans for a second container with the idea of installing a peaked roof, siding and rollup door to make it resemble a shop. He said if the Council makes the decision to prohibit them in residential zones, he will be out another \$2,000.

Councilmember Garnes asked what triggered this action.

Community Development Director Caldwell explained the issue has been on staff’s radar for the past couple of years but more recently received some complaints and inquiries so decided to bring forth some regulations for the Council to consider.

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Larry Salmon, 550 Painter St. said as a realtor he looks at the issue from a little different point of view and said there needs to be some type of regulations due to potential fire danger if the containers are placed too close to other structures. He said on the other hand, as a property owner, he would like to see regulations that would allow the ability to utilize cargo containers as accessory structures provided they are placed on the rear portion of a parcel if the parcel is large enough. He said he can't imagine containers being allowed to be placed on the front portion of 6,000 square foot parcels or up against other structures; allowing them on larger parcels with performance standards would be reasonable.

Discussion continued regarding exception provisions.

Community Development Director Caldwell said if the Council would like to allow containers on larger residential parcels, perhaps the table related to the number of containers allowed pursuant to the parcel size could be amended to include one (1) container on residential parcels 10,000 square feet or larger and no containers on parcels less than 10,000 square feet.

Councilmember Garnes used Mayor Pro Tem Johnson's parcel as an example and said if he had a container on his parcel that no one could see, asked why anyone would care since it would not be harming anyone.

Community Development Director Caldwell said that discussion did not come up at the Planning Commission meeting but one concern was that there may be some clandestine activity occurring which is the reason for the permits; to inspect the structure for safety and to make sure they are in compliance with setback requirements.

Mayor Pro Tem Johnson commented that he would like to have options available for residential property owners and suggested the matter be sent back to the Planning Commission for further review and to come up with provisions for existing containers.

Mayor Wilson agreed and said there needs to be some regulations and perhaps notification to neighbors such as required under the Conditional Use Permit process.

Councilmember Strahan disagreed and said the Planning Commission did a good job when coming up with a recommendation to the Council. She pointed out that they are only talking about residential zones and that regulation for commercial zones has already been established. She said that she understands citizen's concerns but they will be given 6 months to remove the containers with the option for an extension if needed. She said she thinks the Council needs to look out for residential citizens and allowing containers to be placed anywhere in the City provides opportunity for clandestine activities to occur.

Community Development Director Caldwell said another option for the Council to consider

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would be to treat existing cargo/shipping containers as legal non-conforming uses so only those in place at the effective date of the ordinance would be allowed to remain. He noted that staff would need to craft language to that affect and take it back to the Planning Commission including the same performance standards as established for the other zones.

Councilmember Marks stated that he likes the ordinance the way it is and that he thinks cargo containers are ugly and that he would not put one on his property put would instead, build a nice stick built structure.

Councilmember Garnes agreed with the basic ordinance but said the Council needs to consider those residents who already have existing containers in place and to also take into consideration that when they placed them on their parcels they were not out of compliance. Also, if someone has one located on their parcel and it is not visible to anyone it doesn't infringe on anyone's rights and should be allowed with the proper permits.

City Manager Knopp suggested the matter be referred back to the Planning Commission and that they bring back to the Council a proposal based on grandfathering in existing containers and reaffirming the rules for new containers coming in.

Community Development Director Caldwell commented that staff could also craft some exception language regarding the placement of containers that are not visible to anyone and refer it to the Planning Commission at their meeting of March 28, 2017.

The consensus of the Council was 3-2 with Councilmembers Marks and Strahan dissenting.

Mayor Wilson strongly recommended affected residents attend the Planning Commission meeting on March 28th to voice their concerns.

SPECIAL CALL ITEMS/COMMUNITY AFFAIRS

Amend Scope of Work on the City's Safe Drinking Water State Revolving Fund (SDWSRF) Planning Grant Related to Water System Capital Improvements

City Manager Knopp provided a staff report and explained that since the original submission of the grant application some conditions have changed in the City that need to be addressed in the planning grant scope.

He reviewed the scope of work under the original grant and said the plans under the grant were developed at a time with certain things in place including pending litigation with regard to the infiltration gallery that has since been resolved. Also, the City has learned a lot more about the limits of the infiltration gallery as far as what it can handle through what has been the biggest drought period in years. He noted that comments were received back from the State and with the Metropolitan Wells Project underway; it makes the infiltration gallery modifications less appealing. He said the City also received some settlement money for the infiltration

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gallery repairs and reiterated that the gallery is a little more robust than originally thought which was the reason for the modifications. As such, the repairs are no longer needed and maintenance can be done by the Public Works crew. There was no change regarding the replacement of distribution system piping or improvements to the SCADA system. With regard to the Painter Street tank replacement, the proposed change was to expand the tank evaluation to include the Redwood Douglas Tank which is used for backwashing the system.

Mayor Pro Tem Johnson referred to the filter media project and assumed that is the same project discussed by Public Works at a previous meeting related to recoating of the screens.

City Manager Knopp explained that the project basically needs to get done as soon as possible and it is not really feasible to wait for the grant cycle.

Mayor Pro Tem Johnson asked if it is possible to ship the screens out of state to get painted where more durable paint is used noting that as staff mentioned, the VOC's for California are so limited that when the coatings are done and the parameters are not exact for the application, the coatings fail much sooner; perhaps in 5 years versus 20 years in other states that don't have as strict regulations.

City Manager Knopp commented that he would need to talk to staff but his understanding is that the intent is to do the work onsite to expedite the project. He said perhaps if the Metropolitan Wells were online and could be used as a backup system the filters could be sent out of state.

Nick Angeloff addressed the Council and due to his late arrival at the meeting asked to make a brief announcement regarding an event occurring on Saturday at the Winema Theater in Scotia as a farewell to Harry Pulver who will be moving to North Carolina. He noted that Harry was the Rio Dell Postmaster for many years and Chamber of Commerce President for probably 25 years and made numerous contributions to the community over the years and said it would be great if any of the councilmembers could attend.

Mayor Wilson then called for public comment on the proposed amendment.

Mike Strahan questioned the cost of the media filters.

City Manager Knopp stated that the exact cost is unknown which is part of what the evaluation is about. He said the recommendation is to simply remove the item from the scope of work.

Mike Strahan pointed out that if new filters were purchased as backup the filters in use could be sent out without shutting down the system.

Motion was made by Johnson/Garnes to approve the amended scope of the City's Safe Drinking Water State Revolving Fund (SDWRSF) Planning Grant related to Water System

Capital Improvements as proposed. Motion carried 5-0.

Mayor Wilson announced another change in the agenda order and said the next item of discussion will be regulations related to Cannabis Business Taxation.

Introduction and First Reading (by title only) of Ordinance No. 354-2017 Establishing Chapter 5.4 of Title V of the Rio Dell Municipal Code (RDMC) Related to Cannabis Business Taxation

City Manager Knopp provided a staff report and began by pointing out that the City currently does not receive any revenue from any marijuana related activities since there are no dispensaries in town which is typically how other jurisdictions generate revenue through sales taxes. He also noted that the proposed tax will only apply to those who are involved in cannabis related activities.

He provided a general broad overview of what the State is doing and said when the Medical Marijuana Safety and Regulation Act (MMRSA) were signed into law; it reinforced the ability for local governments to tax medical marijuana. Also, with the passage of Proposition 64, the Adult Use Marijuana Act (AUMA) which legalized non-medical marijuana and established a tax structure for marijuana through the State government, it also affirmed the ability for local governments to establish taxes for commercial activities. With that the State applied various taxes including a 15% sales tax in addition to a tax on ounces of leaves and flowers. He commented that the vast majority of the taxes generated from the activities go to the State and in order for them to administer regulatory oversight they will also charge additional fees.

City Manager Knopp explained that in terms of regional taxes, Humboldt County has a tax specifically associated with cultivation which is \$1- \$3 per square foot which is adjusted annually based on the CPI. He noted that Mendocino County however; has a little more complicated system with a tax of 2.5% of gross receipts with a minimum tax level of \$1,250 which is also adjusted annually.

He said in order for this entire industry to succeed and also for some of the bad actors and illegal markets to be out-competed, local governments will need to set reasonable taxes and fees to keep the industry competitive and help drive the black market out.

The proposal before the Council would be for both a cultivation tax set anywhere between zero and \$5.00 per square foot with inspections conducted to verify the size of the operation. The initial tax rate was recommended to be set at \$2.00 per square foot for cultivation and 2% of gross receipts for all other commercial activities.

City Manager Knopp noted that these rates could be modified with amendment of the ordinance and there could be the establishment of subcategories that would be taxed at different rates. He said the tax schedule as proposed is before the Council for consideration and modification as desired. He said it was set up to be as broad as possible so subcategories could be created related to medical versus non-medical marijuana.

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City Manager Knopp pointed out that the Council still has plenty of time to discuss the taxation as the final materials don't need to get to the County Board of Supervisors until the end of June.

Community Development Director Caldwell noted that there is a 15% excise tax collected at the sale by the end user and is not a sales tax which will apply to non-medical marijuana but not medical marijuana.

Mayor Wilson stated that the State refers to the flowering stage as part of the cultivation process and asked if the City plans to charge the additional 2% on gross sales after the product is trimmed and processed in addition to the square footage tax for cultivation.

City Manager Knopp explained as the proposed ordinance is written now; there would not be the additional 2% tax on gross sales.

Mayor Wilson indicated that he would like to propose the tax on cultivation as well as the additional 2% on gross sales.

Discussion continued regarding the method in which square footage is defined with regard to cultivation and whether the tax would be charged on a per crop basis or per year.

Staff explained that because a grower can get up to four (4) or more indoor grow cycles in per year the tax is higher but is only charged on an annual basis.

Mayor Wilson commented that if someone is doing multiple grow cycles each year and as the processes get more and more sophisticated, they can afford to pay the City per grow cycle rather than per year.

Community Development Director Caldwell said the Council might want to apply separate fees for indoor grows versus mixed-light operations.

Mayor Wilson commented that the ordinance is a good start but there is a lot to consider and the industry will change dramatically over the next five (5) years. He said if the City is going to make money on this industry, they need to start making it in the beginning and he doesn't want to rush making decisions. He said he also wants to have input from the City's legal counsel.

Community Development Director Caldwell said from what he is hearing from the Mayor is that he would like to discuss two (2) tax options; one for mixed light and one for greenhouses and may want to consider increasing the \$5.00 ceiling.

Mayor Pro Tem Johnson said what he recalls from previous discussions is that there would be a fee for cultivation based on square footage of the canopy area and another fee for extraction

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activities. He expressed concern that these developers will potentially be making millions of dollars but he doesn't think anyone wants to have the rules changed in the middle of the game. He said this scheme of taxation has been represented to the developers who will be investing a lot of money and he doesn't think its right to change the rules after they have made the huge commitment to invest in the community based on what they believed to be the City's intent.

Councilmember Garnes agreed.

Councilmember Marks asked if the Council could adopt the tax schedule that was originally proposed.

Community Development Director Caldwell said it's the Council's discretion regarding the tax schedule and said staff originally suggested a tax of \$2.00 or \$3.00 per square foot for cultivation and developers were amenable to that. He said also discussed was a proposed tax of \$5.00 for other cannabis related activities which was acceptable as far as the industry at that time. He noted that the cultivation tax is also consistent with what the County is doing.

He said the Council could consider raising the ceiling from \$5.00 to \$10.00 but it doesn't mean the \$10.00 would have to be enforced but there would be that option.

Councilmember Strahan responded to Councilmember Johnson's comments regarding sticking with the fees as quoted and said it was one of the reasons she thought there should be a master plan before meeting with stakeholders so information wasn't passed on to them that the City wasn't prepared to give. She said that she feels it may be taking a step backwards but the reason the City is allowing medical marijuana in the first place is to make money and be able to do what is best for the City.

Councilmember Garnes stated that what was presented last year did not include a master plan but since then it has been suggested. She said it's not that the Councilmembers are not trying to be good stewards for the City but the tax needs to work for both the developers and the City and that's what the Council is discussing now; a tax method that is fair for everyone.

Community Development Director Caldwell noted that these numbers are the same numbers that were presented to the Council in June when staff was attempting to get the tax measure the November ballot.

Mayor Wilson commented that some of the hesitation to pass a tax schedule is because of some of the unfair regulations and the uncertainty of the developers. He said as this industry evolves, he wants to have enough flexibility in the regulations to make sure the City benefits as technology moves forward in this fast developing industry. He said the Council and staff also need to meet with the stakeholders and have dialog so everything is worked out so everyone wins.

Mayor Pro Tem Johnson commented that discussions on how the rate structure should look took place months ago.

Mayor Wilson reiterated that since that time there was an election so with a different City Council, they need to look at where everyone is today; not two years ago.

Mayor Wilson then opened the public hearing to receive public input on the proposed ordinance.

Dennis Wendt commented that he is not part of the industry but he would have to agree with the developers. He said the tax rate that was presented to them was agreeable to them and some of these folks have spent millions of dollars. He commented that Glen White is probably one of the biggest investors this community has seen in a long time and although he can't speak for him, he is pretty sure he would not like to have the numbers changed at this point in the process. He said the numbers that were passed around were believed to be true and the Council can't simply change them now. He reminded the Council that they don't want to lose these developers.

Mayor Wilson pointed out that Mr. White is not proposing to do cultivation but rather extraction type activities.

Dennis Wendt pointed out that the price for cultivation affects the price of extractions. He said there are a couple of large cultivators that will be spending a lot of money and urged the Council to think carefully about what they are doing. He commented that this has been going on for a couple of years and the Council has sent mixed messages back and forth to the developers. He suggested the Council look back on what was originally presented related to taxes and fees and do the right thing.

Julie Woodall stated that often when developers come in, the cities bend over backwards to help to get them started and it doesn't feel like this is what the Council is doing for these developers. Instead, it sounds like some councilmembers are just trying to get as much money as possible out of them. She agreed with perhaps setting the cap higher to allow for flexibility but otherwise liked the proposed tax schedule. She suggested with the change in Council to maybe take a straw vote to see where everyone stands on the issue.

Mayor Wilson explained that what he is suggesting is that there be a tax schedule based on square footage and gross receipts with a cap to be determined by the Council and to work with stakeholders to understand what they feel is tolerable.

Dennis Wendt interjected that the Council has already done that and they can't keep changing the rules.

Mayor Wilson said that no rules have been established.

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Dennis once again pointed out that the rates were suggested and implied and stakeholders agreed.

Community Development Director Caldwell said what he is hearing is that the Mayor would like to establish a tax on cultivation then a percentage of gross sales when the product is sold.

Mayor Wilson reviewed the State cultivation taxes pursuant to the State of California Revenue and Taxation Code at 15% sales tax plus \$9.25 per ounce of flower and \$2.75 per ounce of leaves.

Ryan Plotz, acting as legal counsel for the City explained that those taxes only apply to adult recreational use marijuana as medical marijuana is not taxed by the State and treated like any other pharmaceutical. Mayor Wilson disagreed.

Mayor Wilson commented that once the tax is voted in it is difficult to change so he would like to have the tax schedule broad enough to be taxed appropriately and fairly. He said the idea is not to exploit the developers and “kill the golden goose” but to develop it into something that benefits both the developers and the City.

City Manager Knopp pointed out that there is a range of flexibility within certain taxing categories including the square footage tax as well as the gross receipts tax. He said what the Mayor is saying is to increase the flexibility so there are multiple types of taxing options that can be applied to the various stages. He said beginning with a square footage tax for cultivation with the option to add on a tax based on gross receipts upon sale of the product. He said the actual setting of the tax rate could be dealt with down the road; what the goal is now is to basically set the parameters with a range for flexibility then to set the actual tax rate after meeting with stakeholders.

He explained that staff can structure the rate schedule that way and bring it back to the Council for consideration but noted that it will put additional pressure on the Council down the road because effectively there would be discussions with stakeholders annually to discuss what the tax level will be for the year. He noted that businesses would probably prefer something more stable with a set tax rate. He said if it is the Council’s desire for staff to bring back a single silo multi-tax option then direction from the Council is needed to do so.

Councilmember Strahan stated that she would like the rate structure modified with regard to taxing cultivation on an annual basis and said she would like it based on volume and on a per crop basis.

City Manager Knopp said the easiest way to do that would be to have a gross receipts tax because it would cover everything so on the cultivation side there would be a 5% tax on gross receipts. He noted that setting arbitrary numbers like the State is doing is too complicated.

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Discussion continued regarding the advantages of a square footage tax, the track and trace program, administration of the business tax, state licensing, timeline for permitting, job creation, the need for a medical cannabis wellness center for the long term, and potential changes in the tax structure from the original proposal.

City Manager Knopp asked for a consensus of the Council to bring the matter back at the next meeting to discuss the Mayor's proposal for the development of a broader tax schedule with a comparison of that with some of the prior tax models for Council to consider. He suggested the stakeholders also be invited to attend.

The consensus of the Council was unanimous.

Discussion of Design Review Regulations, Section 17.25.050 of the Rio Dell Municipal Code (RDMC)

Community Development Director Caldwell provided a brief staff report and explained that the City adopted Design Review Regulations in 2012 for all major residential subdivisions, multi-family, commercial, industrial and public and quasi-public developments. He said the Council directed staff to bring the regulations back to Council for further review with regard to the pending redevelopment of the former Eel River Sawmill site.

He explained that Design Review is a discretionary process established to ensure quality development in accordance with the City's Design Guidelines and to ensure that the appearance of development will be compatible and harmonious with the use and enjoyment of surrounding properties.

He then provided an overview of the three (3) Guiding Principles of Design Review regulations, requirements of the application submittal process, and Design Concepts that apply to commercial, office, industrial and public building designs.

Community Development Director Caldwell noted that one of the things Mayor Wilson requested was that staff includes Design Review applications for Conditional Use Permits in City Council mailboxes so the Council knows early on what is being proposed.

Mayor Wilson commented that he would like the Council to have the opportunity to provide input on proposed project designs and this will allow for better dialog between staff the Planning Commission, and the City Council.

Mayor Wilson called for public comment on the subject.

Dennis Wendt addressed the Council and said that design review for the Industrial Commercial (IC) zone is not the same as the Town Center (TC) or other commercial zones in

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the City. He noted that in the IC zone the structures are larger and typically used for manufacturing, fabrication or storage. He said he is not looking at this from the cannabis industry side of it but the guidelines are not going to fit for these structures like they would with structures in the other commercial zones.

He pointed out that in Fortuna he went through two (2) months of the design review process to construct one (1) building and after going through all kinds of issues with the Planning Commission it finally went to the City Council and was approved in 30 minutes. He said he is bringing these points up because the City is looking at different types of buildings and zones. He said the other thing is that there are three parcels at the former Eel River Sawmill site that front on Highway 101, four or five that front on Northwestern Avenue and then a couple in back that don't front any city street or state highway. He said he can understand having certain guidelines for structures with highway frontage but with regard to the rear properties such as the soils business, they can't afford to spend a million or more dollars to keep soils dry. He said there needs to be a little bit of flexibility when looking at the design guidelines for this particular site.

He also noted that Rio Dell's Design Review Guidelines are more restrictive than what the City of Fortuna had and guidelines need to promote development rather than discourage it. He added that the Council needs to realize there should be different regulations within the various zoning districts and provide flexibility when looking at the locations of the parcels and the structures.

Mayor Pro Tem Johnson commented that he thinks Rio Dell has one of the absolute best Planning Commission's in the State regardless of the size of the City and the commissioners are highly qualified people who do a great job and take their responsibilities very seriously. He said the end products they turn out are top-notch and he said he has no doubt they will represent all of the developers fairly when reviewing their project designs.

Mayor Wilson called for public comment on the subject; there were no comments received.

Discussion of Personal Medical Marijuana Regulations Section 17.30.190 of the Rio Dell Municipal Code (RDMC) and an Overview of Adult Use of Marijuana Act (AUMA) Prop 64
Community Development Director Caldwell and said in 2013 the Council adopted Medical Marijuana Regulations in regard to complaints regarding the neighborhood impacts of the cultivation of marijuana in the City.

He provided an overview of the current regulations and said as the Council is aware; dispensaries are prohibited in the City and consistent with the recently adopted Commercial Medical Cannabis regulations. He said with the recent approval of the Adult Use of Marijuana Act (AUMA) under Proposition 64, it legalizes the use of recreational marijuana and creates a State regulatory and licensing system for commercial cultivation, testing, manufacturing and

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distribution of nonmedical marijuana. He said the next step is for the City to develop regulations to modify or eliminate the City's existing personal medical marijuana regulations which must be provided to the State by January 1, 2018 which is when the State expects to begin issuing commercial licenses.

He referred to the material provided in the Council packet related to Frequently Asked Questions (FAQ's) on Proposition 64 and said he found the information contained in the document to be very beneficial.

Staff suggested the Council consider forming an adhoc committee to work with staff in crafting some regulations and felt it would be beneficial and hopefully answer questions before bringing it before the Planning Commission and City Council for review.

Mayor Pro Tem Johnson asked if the committee would be developing guidelines regarding indoor cultivation versus outdoor cultivation or recreational marijuana versus medical marijuana.

Community Development Director Caldwell said he sees the committee looking at the existing regulations to see if some of those regulations for personal medical marijuana can be applied to recreational marijuana and perhaps spend some time looking more closely to Prop 64 regulations.

The composition of the committee was then discussed with the idea of having two city council members and two planning commissioners on the committee.

Community Development Director Caldwell said the makeup of the committee is at the discretion of the Council and noted that local governments may reasonably regulate but not prohibit indoor cultivation of up to six (6) plants per residence.

Mayor Pro Tem Johnson said he personally would favor no commercial sales or dispensaries and would prefer the 6 plants be restricted to indoor cultivation.

Councilmember Strahan agreed.

Councilmember Marks also agreed and said that is what the former Eel River Sawmill site is for.

Councilmember Garnes commented that she thinks dispensaries should also be allowed at the former Eel River Sawmill site although that is not the issue at hand. She said it is unfortunate that jurisdictions that ban outdoor cultivation and dispensaries are not eligible for the grant funds that could be utilized for enhanced police protection, youth programs, substance abuse education and other things specific to marijuana.

Mayor Wilson called for public comment on the subject.

Julie Woodall asked for clarification on grant funding and asked Councilmember Garnes was referring to all grants funding including CDBG funds.

Mayor Wilson clarified that it only applies to the State excise taxes with 20% of the revenue available to local governments in the form of grants for the various programs.

Community Development Director Caldwell noted that 60% is allocated for youth programs, substance abuse education, prevention and treatment; 20% for environmental cleanup and remediation; and 20% to reduce DUI and negative health impacts with the legalization of marijuana.

The consensus of the Council was for staff to draft an ordinance eliminating retail sales of recreational marijuana and restricting cultivation to indoor only.

Community Development Director Caldwell said he wanted to make the Council aware that Glen White indicated as part of his wellness center, that he would like to be able to sell some of their products to patients that come into the wellness center. He noted that Mr. White will be making a presentation to the Council at some point asking for the Council's consideration.

Mayor Wilson asked if the State's excise and sales taxes apply to both medical and recreational marijuana sales.

Community Development Director Caldwell said he was uncertain but could provide clarification at the next meeting.

City Manager Knopp commented that it is his understanding that the tax only applies to medical marijuana.

Julie Woodall asked if the City of Fortuna allows indoor cultivation.

Mayor Wilson responded that they have not allowed any cultivation activities prior to approval of Prop 64.

Consensus of the Council was to schedule a joint meeting with the Planning Commission on March 28, 2017 to create dialog related to Prop 64.

ORDINANCES/SPECIAL RESOLUTIONS/PUBLIC HEARINGS

Approve Resolution No. 1324-2017 Budget Amendment for SLESF for Purchase of Police Vehicles

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Finance Director Woodcox requested this item be removed from the agenda due to new information regarding the USDA grant funding.

Approve Resolution No. 1326-2017 amending the Wastewater Operating Budget in the Amount of \$15,503 Authorizing the City Manager to Sign a Contract with Pacific EcoRisk (PER) Environmental Consulting and Testing for Toxicity Reduction Evaluation (TRE) Services and (TRE) Action Plan

City Manager Knopp provided a brief staff report and said the City is required to have a Toxicity Reduction Evaluation (TRE) plan in place for the wastewater treatment system and staff is recommending a budget amendment of \$15,503 to engage the services of Pacific EcoRisk Environmental Consulting and Testing for the development of the toxicity reduction evaluation and action plan.

Mayor Wilson called for public comment on the proposed resolution. There were no public comments received.

Motion was made by Johnson/Garnes to adopt Resolution No. 1326-2017 for a budget amendment of \$15,503 and authorizing the City Manager to sign the contract with Pacific EcoRisk for the TRE Work Plan and TRD Action Plan. Motion carried 5-0.

REPORTS/STAFF COMMUNICATIONS

City Manager Knopp distributed a written City Manager update of recent activities and events (Attachment 1 to these minutes) and noted that staff would provide a final Public Works Update at the next meeting.

Councilmember Strahan asked if there would be an agenda item at the next meeting related to naming the former Eel River Sawmill site.

City Manager Knopp commented that there was an agenda item scheduled for the March 21st meeting.

Finance Director Woodcox said she had nothing new to report at this time.

Community Development Director Caldwell reported the his attempt to schedule a Sculpture Committee meeting failed due to a couple of the committee members being out of town. He indicated a meeting would be scheduled as soon as he can get a quorum. He also reported that Whitchurch Engineering completed the design for the ADA porch project and the next step is to issue Request for Proposals (RFP's).

COUNCIL REPORTS/COMMUNICATIONS

Mayor Pro Tem Johnson announced that he attended the first quarterly meeting of the League

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of California Cities in Cloverdale on March 3rd and reported there were 2,500 new pieces of legislation submitted this year; 169 of which are related to housing and the homeless. He said sometime in the near future he will be bringing forward a request authorizing him as the voting delegate for the City to make sure the City has a voice in the decisions.

ADJOURNMENT

Motion was made by Johnson/Garnes to adjourn the meeting at 9:01 p.m. to the March 21, 2017 regular meeting. Motion carried 5-0.

Frank Wilson, Mayor

Attest:

Karen Dunham, City Clerk