



Marijuana Financial Narrative
(prepared by OPED April 2022)

The marijuana industry is regulated by Massachusetts laws promulgated by the Cannabis Control Commission and by City of Holyoke ordinances.

In 2017 Holyoke issued its first Host Community Agreement (HCA) to GTI-Massachusetts NP Corp. (GTI / Rise Holdings, Inc.) for a marijuana business.

In 2018 GTI was the first marijuana business to begin operations with its cultivation and manufacturing facility located at 28 Appleton Street.

To date, the City of Holyoke has issued 72 HCA's for marijuana companies and the City Council has approved 27 special permits. There are currently 3 manufacturing companies, 4 dispensaries / retail and 1 testing lab open and operating. (The testing lab is the only lab west of Worcester and the only women and minority owned lab). Though not all companies that have HCA's will become operational, the marijuana industry is established and growing in Holyoke. A complete list of companies with HCA's and those with City Council Special permits is attached as Exhibit A.

It is worth noting that a prospective establishment seeking an HCA from the City must have control of a property typically either by ownership, lease or option, be located in the proper zoned area which is General Industry (IG) as directed by the City Council, have no back taxes on said property and be a registered business within the Commonwealth of Massachusetts.

This report highlights the economic impact of the marijuana industry for the City in terms of revenues from excise taxes and impact fees, the collection of previously unpaid real estate property taxes, increased property values of properties now owned or leased by marijuana companies and employment growth.

Excise Tax

In accordance with Massachusetts laws, the Holyoke City Council voted on May 15, 2018 to adopt the local 3% excise tax on recreational sales of marijuana. This 3% excise tax on sales is collected by the state and distributed to Holyoke quarterly. This revenue is considered a local receipt by the Department of Revenue and goes to the general fund to help with the costs of running the city. This excise fee is only on the sale of recreational marijuana and does not come in from the marijuana manufacturers in the city. This revenue was received beginning in Fiscal Year 2021 as dispensaries first opened in 2020.

Some cities have decided on the option to target this revenue for specific purposes, such as in Lowell where 25% of this revenue is dedicated to municipal building repairs and maintenance. In Holyoke, the City Council has not taken any action here to dedicate these funds other than being used in the general operating budget of the city which is allowed by law.

To date (04/29/22) the city has received the following 3% excise tax revenues on marijuana retail sales:

<u>Fiscal Year</u>	<u>Excise Tax Revenue (FY Total)</u>
2021	\$277,613
2022	\$250,153.97 (1 st and 2 nd Quarters only)
Total	\$527,766.97

Community Impact Fees

The second source of revenue prescribed by the regulations is the Community Impact Fee which a municipality is allowed to negotiate in a Host Community Agreement (HCA) with a marijuana business. The regulations specifically cap this fee at 3% of the gross annual sales of the marijuana business for both retail and manufacturing.

The maximum community impact fee of 3% is required in each HCA executed by the City and marijuana establishments. **Unlike the local excise tax described above, the community impact fee can only be used to offset specific community impacts of a marijuana establishment.** Those expenditures must be documented and maintained as a public record.

In HCA's executed to date, it is stipulated that the City shall use impact fee payments in its sole discretion consistent with the purpose of the agreement and in accordance with State law that use of the fee must be reasonably related to the costs imposed upon the municipality by the operation of the marijuana establishment. Going forward, consideration will continue to be given to reducing the impact fee for Economic Empowerment Priority Applicants, Social Equity Applicants and Delivery Only Applicants. Additionally, HCA's in Holyoke will be amended to add specificity for items to which the City and a marijuana establishment agree are eligible expenses for the community impact fees. These may include, but are not limited to, the following:

- Traffic mitigation and infrastructure improvement;
- First responder programs (including, but not limited to law enforcement, fire response, EMS, hospitals and clinics);
- Drug abuse prevention/treatment/counseling/education program(s)
- Task force to address illegal grow operations in the city
- City planning, legal and inspectional staff, including overhead
- Workforce development programs

In accordance with current State regulations and the HCA's, the collection of these 3% impact fees is limited to five years. The City will continue to receive the 3% excise tax revenues.

To date (04/29/22) the city has received the following 3% Community Impact Fee revenues on marijuana retail sales:

Impact Fee Revenue

Fiscal Year 2019:

<u>Amount</u>	<u>Establishment</u>
\$50,000	Rise / GTI

Fiscal Year 2020:

<u>Amount</u>	<u>Establishment</u>
\$389,403.92	Rise / GTI
<u>\$5,322</u>	Rise / GTI
\$394,725.92 (FY 20 total)	

Fiscal Year 2021:

<u>Amount</u>	<u>Establishment</u>
\$1,146,564.66	Rise / GTI

Fiscal Year 2022:

<u>Amount</u>	<u>Establishment</u>
\$122,437	Canna Provisions
\$161,296	Trulieve (Life Essence)
\$1,652,040.31	Rise / GTI
\$198,080.28	Holyoke Cannabis
<u>\$29,346.31</u>	Dazed (Tigertown)
\$2,163,199.90 (FY 22 total to date)	

Total FY 2019 to current: \$3,754,490.48

These fees are paid within 90 days of the end of the calendar year and reflect 3% of the yearly sales of the prior year. Funds that come to the city in 2022 are from calendar year 2021 etc.

Beginning in FY 2022 Impact Fee receipts were placed in a stabilization fund which requires City Council and Mayoral approval to be allocated. Impact fees received in years 2018-2021 were not transferred to the stabilization fund and have been used in the general fund budget. It is the belief that these funds totaling approximately \$1.6 million should be transferred to the stabilization fund to be used as intended.

It is important to note that no Impact Fee funds have been allocated to be spent. The Office of Planning and Economic Development (OPED) has begun the process with the City Council to utilize these funds on projects directly related to the impact of the marijuana industry.

Collection of Unpaid Real Estate Property Taxes

Since Fiscal Year 2018 back taxes for several properties have been collected by the city as a direct result of entities seeking an HCA and Special Permit. Real estate property taxes must be current or in a payment plan with the City Treasurer prior to the issuance of an HCA. Below is a list of several properties and totals that the city has received in back taxes as a direct result.

<u>Address</u>	<u>\$ Amount of Back Taxes Paid</u>
5 Appleton St.	\$13,349.21
52 Main St.	\$22,238.84
16 Commercial St.	\$77,183.62
6 Appleton St.	\$14,332.91
333 Canal St.	\$25,519.39

Increase in Real Estate Property Values

Property values have increased on several formerly vacant or under-utilized properties. The increased values are from a combination of several factors but primarily due increased sale prices and significant building upgrades. A few examples of the increase are noted below.

<u>Address</u>	<u>Assessed Value 2018</u>	<u>Current Assessed Value</u>
1 Cabot St.	\$410,200	\$1,168,900
28 Appleton St.	\$396,700	\$1,438,600
73 Sargeant St.	\$81,400	\$504,200
11 Berkshire St.	\$357,400	\$919,700
7 North Bridge St.	\$915,935	\$8,923,400

Employment

The marijuana industry has been a substantial source of new employment in Holyoke. Manufacturers led by GTI and Trulieve account for several hundred jobs alone. Dispensaries and laboratories have also become significant local employers with high quality jobs. Industry growth also spurred the Cannabis Education Center at Holyoke Community College to prepare students for positions in the cannabis industry as employees and entrepreneurs. Employment growth in this industry has also created opportunities for other beneficial economic spin-offs as well as business to business opportunities. OPED actively promotes that marijuana establishments do business with local vendors and services.

Conclusion

The City has experienced positive economic impacts as described above. However, like with any burgeoning industry, the City and businesses have experienced growing pains. Some examples of this are explained in the letter that OPED provides to businesses as part of their annual State re-licensing (attached as Exhibit B). As this industry continues to grow and change, including the addition of new marijuana establishments and services, Holyoke will continue to work to ensure this industry like any other is part of business framework of the City.

Exhibit A - List of Companies with Host Community Agreements and those with Special Permits
(note that some companies are still pursuing a Special Permit)

Name	Location	HCA Date	HCA Class	Special Permit (Date)	CCC License Status
Leaf Lux Group Inc. (aka Paper City Cannabis)	40 Lyman St.	7/29/20		12/1/20	Provisional License
ACMJ, LLC	532 Main St.	8/24/20	Cultivation/Manufacturing	1/18/22	Provisional Consideration
Alchemy League INC	15 Main St.	5/24/2021	MME/RMRE/MTF		Provisional License
AltMass, LLC	1 Cabot St.	4/27/2021	Manufacturing/ Indoor Cultivation		
Analytics Labs	28C Appleton St.	10/8/2019	Testing Lab	5/7/19	Final License
Arbol LLC	380 Dwight St.	4/21/20			
Canna Squared, LLC	1 Cabot St.	9/15/21	Manufacturing		
Blossom Flower LLC	1 Cabot St.	5/26/2021	Delivery		Provisional License
Bold Coast Solutions (Frost Farms)	28D Appleton St.	5/23/20			Provisional Consideration
Boston Bud Factory	73 Sargeant	5/16/2018	Manufacturing/retail	12/18/18	Final License
Buudda Brothers	604-606 Main St.	8/19/19	Tier 1 Cult/Manufacturing/Retail	9/15/20	Provisional License
Canna Provisions, Inc. (formerly Fidelity Wellness Center)	380R Dwight	5/10/18	Retail	8/6/19	Final License
Cannalive Genetics LLC	532 Main St. 3rd Floor	4/20/2021	Microbusiness Cultivator	1/18/22	
East Coast Pharmaceuticals (dba 4Bros.)	630 Beaulieu	5/9/18	Cult/Manufacturing/Retail	8/7/18	Provisional License
EMB Natural Ventures, LLC	140 Middle Water	10/25/2018	Tier 3 Cultivation	4/20/21	Provisional License
Emerald River	26 Hadley Mills Rd.	6/11/20	Retail	6/11/20	
Exotica Farms	5 Appleton St.	6/11/20	Cultivation/ Manufacturing	9/15/20	In Process
Flora Holyoke LLC	1 Bigelow St.	3/26/2021	Cultivation/ Production		
Flora Legion LLC	1 Bigelow St.	4/15/2021	Cultivation/ Manufacturing		
Four Trees	1 Cabot St.	8/19/19	Cultivation and Retail	1/21/20	Provisional License
Green Highland, LLC	26 Hadley Mill Rd.	9/17/20	Recreational	6/15/21	Provisional License
Tri-Wise, LLC	52 Main St.	9/27/18	Cult/Manufacturing/Dispensary		
Green Valley Analytics LLC	306 Race St.	3/9/2021		6/1/21	Provisional License
Greener World, Inc.	620 Beaulieu St.	3/18/2021	Manufacturing		In Process
GreenGrab INC	620 Beaulieu St.	5/24/2021	Delivery		In Process
GTI/RISE (project did not proceed)	130 Race St.	4/29/2021	Retail		
GTI/RISE (Compassionate Organics) (Green Thumb)	28 Appleton	4/12/2017 (re-issued 4/29/2021)	Cultivation	8/7/18	Final License
GTI / RISE	100 Water St.	4/29/21	Manufacturing		
H&H Cultivation	42-48 Main St.,	10/27/20		1/18/22	Provisional License
Herbology Group (Pleasantrees)	111 Mosher St.	4/30/20	Cultivation		Provisional License
High End Management Co LLC (High End Chocolate Company)	110 Winter St.	3/3/2020	Retail	9/3/19	Provisional Consideration
Holyoke Cannabis	380R Dwight	6/17/19		1/21/20	Final License

Holyoke Gardens (Not Valid)	5 Appleton	5/13/2018	Cultivation/Manufacturing	10/2/18	Provisional License
Holyoke Green Growers	28 Water St.	4/11/19	Cultivation/Manufacturing		
Holyoke Green Growers, LLC	275 Sargeant St.	4/27/2021	Cultivation/Manufacturing		
				application withdrawn for new location	
Hothouse Holyoke	90 Sargeant	8/8/2018	Microbusiness		Provisional Consideration
Hybrid House	55 Jackson St.	3/9/2021	Manufacturing	4/5/22	In Process
Hybrid House- No longer valid	20 Hadley Mills Rd.	12/22/20			
Kraft Kings Ltd.	620 Beaulieu St.	5/28/2021	Manufacturing		In Process
Mass Cannabis Grower's Cooperative	11 Jackson St.	7/8/20	Tier 3 Cultivation	6/15/21	
MassBiology Technology	6 Appleton	10/30/20	Cultivation/Manufacturing	4/20/21	Provisional License
Mill Town Agriculture (Agricultural Alternatives, LLC	1 Cabot St.	10/29/2019	Manufacturing/ Indoor Cultivation	8/4/20	Final License
North Country Production	12 Crescent St.	12/22/20	Cultivation	5/18/21	Provisional License
Paper City Industries	11 Berkshire	5/16/19	Manufacturing/Retail		Provisional License
Riverside Paper Cultivation LLC	1 Cabot St.	6/10/2021	Manufacturing/Cultivation		Provisional License
Solurge	650 Beaulieu	5/2/2018	Cult/Manufacturing/Retail	12/18/18	Provisional Consideration
Sparkboro (WTM-SB LLC)	120 Middle Water St.	12/11/20	Manufacturing/Cultivation		
The High End Wellness	384 Dwight St.	3/3/20	Retail		
Tigertown, LLC (Dazed Cannabis)	56 Jackson	2/19/2019	Retail	8/4/20	Final License
Tri-Wise, LLC	52 Main St.	10/29/19	Retail		
True North (formerly Plandai)	6 Appleton	5/18/2018	Cultivation		
Trulieve (formerly Life Essence)	56 Canal	12/14/2018	Cult/Manufacturing	5/7/19	Final License
			Cultivation/Manufacturing/Dispensary		
Victoria Frost	679 Main St.	11/5/2020		8/4/20	Provisional License
620 Industries Inc.	620 Beaulieu St.	4/12/2021	Cultivation		Provisional License
Delivered, Inc,	101 N. Bridge St.	7/7/2021	Delivery Operator		Provisional License
Relevant Energy Concepts LLC	84 N Bridge St.	8/11/2021	Delivery Operator		In Process
876 Grow	360 Race St.	8/11/2021	Cultivation		Provisional License
Healing Calyx, LLC d/b/a Greenrush Delivery	380 Dwight St., Ste. 5	9/22/21	Courier		Provisional License
Holyoke Smokes Corp.	110-116 Winter St.	9/22/21	Delivery Operator		Provisional License
First City Provisions	89 South Street	3/22/21	Retail/Manufacturing/Cultivation		In Process
Holyoke Wilds, LLC	20 Hadley Mills Rd.	9/30/2021	Cultivation/ Manufacturing		Provisional License
Canna Getta Delivery, Inc.	382 ((380) Dwight St.	9/30/21	Courier		
Holyoke Green Growers, LLC	60 Jackson St.	11/18/21	Cultivation/ Manufacturing / Retail		Provisional License
Infused Element, LLC	1 Cabot St.	12/2/2021	Tier 3 Cult/Manufacturing		
			Cultivation/ Manufacturing / Delivery		
Carl Nickerson (Motah 420 LLC)	28 Appleton St	12/3/21			

River Grove, LLC	475 Canal St.	12/10/2021	Cultivation/ Manufacturing / Delivery		In Process
Ahava, LLC	333 N. Canal Street	1/26/22	Cultivation		
Evergreen Industries (revised - address changed from 73 Sargeant to 414 Race	414 Race Street	1/26/2022	Manufacturing		
Sargeant Green, LLC	85 Sargeant Street	1/31/2022	Cultivation / Manufacturing /Retail / Delivery		
Upper Echelon Cultivation, LLC	420 Race Street	1/31/2022	Microbusiness		
Abuelita's Garden	514 Main Street	3/18/2022	Cultivation		
Small Wonder Cultivation	109 Lyman Street	4/20/2022	Tier 1 Cult/Manufacturing		



Mayor Joshua A. Garcia

Office of Planning & Economic Development

City of Holyoke

Aaron M. Vega, Director

RE: Request for records of costs related to _____ located at _____, Holyoke Massachusetts

Dear _____:

We are very appreciative of the establishment and investments of _____ in the City of Holyoke.

Please accept this letter as the proof required that _____, Inc. in Holyoke, Massachusetts requested the records of any costs imposed on the city that are reasonably related to its operation of a marijuana establishment.

The City is in the process of determining actual and anticipated expenses imposed from the operation of marijuana facilities as well as the expenditures of impact fees. While this process is underway, we are providing the enclosed summary for marijuana entities.

Please contact me if there are any questions. Thank you again!

Sincerely,

Aaron M. Vega

Enclosure

cc: Brenna Murphy-McGee, City Clerk
Holyoke Law Department



March 2022

For Holyoke, the Cannabis industry is an opportunity to build on the growing revitalization efforts for the city. Both public and private developments are beginning to have an impact on the challenges the city has faced for decades, including high unemployment, low education attainment, lack of investments in key neighborhoods as well as the impacts of the failed war on drugs.

In a published study, the Cannabis Control Commission concluded that Holyoke is the single most disproportionately impacted (DI) city in the commonwealth as a result of the failed war on drugs. "It should be noted that disproportionate impacts of drug enforcement occur alongside and interact with other economic and social problems (e.g., slow job growth and poor-quality schools). With that, thoughtful and strategic utilization of the DI score for policymaking can help improve social equity within the cannabis industry, and hopefully, in communities that have long faced social and economic challenges in the Commonwealth." It is clear that the city needs opportunity, job creation, and economic development.

Between Holyoke's manufacturing history, our locally controlled low electric rates, our geographic location, a workforce in need of opportunity and other factors, Holyoke is an ideal location to establish the cannabis industry. Additionally, the political climate and overall citizenry support helped forge a path to welcoming this industry to the city.

The Cannabis industry is providing many positive impacts in the city and greater Holyoke area, such as jobs, rehabilitation of old mills, and tax dollars. These benefits do not come without some struggle; 100's of staff hours, strain on an aging infrastructure, increased social inequities and a ripple effect on other businesses and housing projects. Navigating both the local and State regulations has become an overriding demand for many city departments, putting additional stress on a lean municipal team as well as our volunteer boards. Planning, inspections, and security of these new businesses has an impact on the city's ability to address other issues and projects within the city.

The Cannabis industry provides a number of employment opportunities but there is a lack of trained workforce in the area. In an effort to address the high unemployment numbers in Holyoke and begin to address the social inequities of this industry, efforts to work with Holyoke Community College and other job training programs are underway to build a ready workforce.

The built environment has major influences on social determinants of health as Holyoke continues to have high rates of asthma and other health effects impacted by its industrial history. We hope leveraging the investments from the Impact Fee into neighborhoods will help the city address quality of life issues. As the Cannabis Industry establishes itself into the fabric of the city, our sidewalks, lighting, and other infrastructure needs are desperate for repair to accommodate new activity in often underutilized areas. Traffic, pedestrian safety, and parking, begin to start the list of city investment needs to support these new businesses.

Impact on the real estate market has been unprecedented. The city is currently experiencing a "Cannabis Boom" with the purchase of many properties in the Industrial zone of the city. Buildings that have sat vacant for years were sold or are now under sale agreements and being rehabilitated. In many cases, sale prices for property far exceed market value creating a sellers' market and make it difficult, if not impossible, for other smaller, non-cannabis businesses to establish themselves in the city. While many of the buildings purchased are seeing rehabilitation efforts, many buildings, though under agreement, continue to sit idle unavailable to other investors or developments.

The city is also experiencing growing pains in updating its ordinances and industry policies. Concerns of residents and businesses, especially related to health and quality of life issues, are being heard more often during public deliberations. For the Impact Fees, the city established a stabilization fund in Fiscal Year 2022 and recently began deliberating expenditures from this fund to directly address these matters.

We welcome all the cannabis businesses to Holyoke, but the industry has exposed, and in some cases, exacerbated the issues of our infrastructure, our available workforce, the capacity for the city to gain the expertise, and to devote staff time to these projects. It is our plan to utilize funds received through the Impact Fee to address these issues, and to create a stronger and even more welcoming community for the Cannabis Industry.

Submitted by,
Aaron M. Vega
Director for the Office of Planning & Economic Development