



# Request for City Council Action

## DEPARTMENT INFORMATION

ORIGINATING DEPARTMENT: Legal	REQUESTOR: Andy MacArthur, City Attorney	MEETING DATE: December 12, 2016
PRESENTER(S): Consent Agenda	REVIEWED BY: Interim City Administrator	ITEM #: 3.5

## AGENDA ITEM DETAILS

**RECOMMENDATION:**

Staff recommends that the attached Agreement be approved between the City of Otsego and Vireo Health of Minnesota, LLC formerly known as Minnesota Medical Solutions, LLC regarding community support obligations and adoption of Resolution No. 2016-106 accepting the initial \$20,000.00 contribution.

ARE YOU SEEKING APPROVAL OF A CONTRACT?

Yes

IS A PUBLIC HEARING REQUIRED?

No.

**BACKGROUND/JUSTIFICATION:**

Vireo Health of Minnesota, then known as Minnesota Medical Solutions, LLC applied for licensure as one of two companies allowed to grow and process cannabis for medical purposes in 2014. At that time, Vireo requested City support for their application stating that they would pay to the City \$20,000.00 for public community support use for the initial two year period of operation and subsequently 2% of their net profit yearly thereafter. Vireo was chosen as one of the two initial licensees by the Minnesota Department of Health in late 2014. Vireo commenced revenue generation operations within the City on or about August 1, 2015.

Vireo desires to make the \$20,000 contribution at this time. In the event that they make net profit that would account for more than that amount by the end of the initial two year period (August 1, 2017). They will pay any additional amount owed above and beyond the \$20,000. Going forward, they will pay 2% of net profits to the City on an annual basis.

Vireo represents that they made no profit during the first year.

Also attached is a resolution accepting the funds.

SUPPORTING DOCUMENTS:

ATTACHED

NONE

- Agreement between Minn Med and the City.
- Resolution No. 2016-106 accepting funds.

MOTION: (Please word motion as you would like it to appear in the minutes.)

Motion to approve Agreement Between the City of Otsego and Vireo Health of Minnesota FKA Minnesota Medical Solutions, LLC Regarding Community Support Obligations and Resolution No. 2016-106 Accepting Community Support Obligation Funds.

## BUDGET INFORMATION

FUNDING: NA	BUDGETED: <input type="checkbox"/> YES  <input type="checkbox"/> NO
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**AGREEMENT BETWEEN THE CITY OF OTSEGO AND VIREO HEALTH OF MINNESOTA, LLC FKA  
MINNESOTA MEDICAL SOLUTIONS, LLC REGARDING COMMUNITY SUPPORT OBLIGATIONS**

**THIS AGREEMENT** entered into this \_\_\_ day of December, 2016 (“Effective Date”) by and between the City of Otsego (“CITY”), a Minnesota Municipal Corporation and Vireo Health of Minnesota, LLC FKA Minnesota Medical Solutions, LLC (hereinafter “MINN MED”) a Minnesota Limited Liability Company.

**WHEREAS**, MINN MED sought and received support from the CITY in its effort to obtain licensure from the State of Minnesota as a Cannabis grower and distributor for medical purposes; and

**WHEREAS**, MINN MED did receive a license from the State of Minnesota to operate; and

**WHEREAS**, MINN MED has located and constructed facilities within the CITY and is presently operating by growing and processing cannabis; and

**WHEREAS**, MINN MED represented that in connection with the licensure support provided by the CITY, MINN MED would contribute \$20,000.00 to the CITY during its first two years of revenue generating operations and 2% of its net profit thereafter (these payments hereinafter referred to as “Community Support Payments”). In addition, MINN MED represented that to the extent that it generated net profits in its first two years of operations and 2% of such net profits equaled a sum greater than \$20,000, MINN MED would make a payment promptly after the end of such two years equal to 2% of MINN MED’s net profits realized during such two years, less \$20,000, to the extent that MINN MED had already made the \$20,000 payment to the CITY; and

**WHEREAS**, MINN MED commenced licensed revenue generating operations on or about August 1, 2015 (“Operational Start Date”) and the two year period following the Operational Start Date shall be referred to as the “Initial Period” and each year following the Initial Period that MINN MED is growing and processing cannabis at its current Otsego facility shall be referred to as a “Subsequent Period”); and

**WHEREAS**, MINN MED, indicated that it would enter into an enforceable Agreement with CITY regarding its obligation to make Community Support Payments.

**NOW, THEREFORE** the Parties Agree as follows:

1. MINN MED shall pay to CITY \$20,000.00 to satisfy its Community Support Payments obligations for the Initial Period.
2. The payment identified in Section 1 shall be made on or before December 31, 2016. In the event that MINN MED does make a net profit for the Initial Period and 2% of such net profit during the Initial Period is in excess of \$20,000, then on or before October 1, 2017, MINN MED shall make a payment to the CITY equal to 2% of its Initial Period net profits less the \$20,000 payment MINN MED is making to the CITY in December 2016.

3. Within 30 days following the Initial Period, MINN MED will provide to CITY financial documents satisfactory to the CITY identifying its net profit from the Initial Period... Within 30 days following each Subsequent Period, MINN MED will also provide to CITY financial documents satisfactory to the CITY identifying its net profit from each applicable Subsequent Period.
4. To the extent that MINN MED realizes a net profit in any Subsequent Year, MINN MED shall make payment to the CITY equal to 2% of such net profit within sixty (60) days following the completion of the applicable Subsequent Period.
5. This Agreement shall be subject to and enforced under the laws of the State of Minnesota.
6. In the event that any provision of this Agreement is found to be invalid by a court of competent jurisdiction the Agreement shall be construed to be as close as possible to the original intent of the Agreement without the invalid provision.
7. This Agreement is the final agreement of the parties related to the subject matter identified herein and supersedes any previous agreement either written or oral.

**VIREO HEALTH OF MINNESOTA, LLC**

**FKA MINNESOTA MEDICAL SOLUTIONS, LLC**

By: \_\_\_\_\_

Its

Dated: \_\_\_\_\_

**CITY OF OTSEGO**

\_\_\_\_\_

Jessica Stockamp, Mayor

\_\_\_\_\_

Tami Loff, City Clerk

**CITY OF OTSEGO  
COUNTY OF WRIGHT  
STATE OF MINNESOTA**

**RESOLUTION NO. 2016-106**

**RESOLUTION ACCEPTING COMMUNITY SUPPORT OBLIGATION  
PAYMENT CONTRIBUTION FROM VIREO HEALTH OF MINNESOTA,  
LLC FKA MINNESOTA MEDICAL SOLUTIONS, LLC**

**WHEREAS**, the City of Otsego (CITY) supported the application of Vireo Health of Minnesota, LLC FKA Minnesota Medical Solutions, LLC (hereinafter MINN MED) seeking license from the Minnesota Department of Health for growing and processing cannabis; and

**WHEREAS**, MINN MED represented to the CITY that if granted the license it would provide Community Support Payments to CITY in at least the amount of \$20,000.00 for the first two years of operation and/or 2% of its net profits for that period, whichever is greater, as well as an ongoing obligation after the initial period to make an annual yearly payment of 2% of its net profit thereafter; and

**WHEREAS**, MINN MED has determined that it will make the \$20,000.00 contribution at this time, subject to review of net profits for the second year of operation which could result in the obligation to make a further contribution.

**NOW, THEREFORE BE IT RESOLVED** by the City Council of the City of Otsego, Wright County, Minnesota as follows;

1. The CITY hereby accepts the \$20,000 dollar Community Support Obligation payment, subject to possible additional payments upon review of net profits in the initial term.

**ADOPTED** this 12th day of December, 2016 by the Otsego City Council.

**MOTION TO ADOPT** the Resolution by Council Member \_\_\_\_\_  
and seconded by Council Member \_\_\_\_\_.

**IN FAVOR:**

**OPPOSED:**

**CITY OF OTSEGO**

\_\_\_\_\_  
Jessica Stockamp, Mayor

\_\_\_\_\_  
Tami Loff, City Clerk