



City of Blaine

City Council Workshop

February 3, 2025 | 5:30 PM
Blaine City Hall
10801 Town Square Drive NE
Blaine, MN 55449

AGENDA

NOTICE OF WORKSHOP MEETING

In accordance with the provisions of Section 3.01 of the Blaine City Charter, a Council Workshop meeting is scheduled for the following purpose:

1. Call to Order

2. Roll Call

3. New Business

3.1. 2025-37 Closed Session Pursuant to MN Statute 13D.05(3)(c)(3) - Discuss Potential Purchase of Portions of Land Identified as PIDs 11-31-23-12-0003 and 11-31-23-11-0001 Located at the Southwest Corner of 125th Avenue and Lexington Avenue

Sponsors: Erik Thorvig, Community Development Director

3.2. 2025-38 SBM Fire Department - Quarterly Update

Sponsors: Dan Retka, Fire Chief

3.3. 2025-39 Municipal Cannabis Partnership Discussion

Sponsors: Erik Thorvig, Community Development Director

4. Other Business

5. Adjournment



City of Blaine Staff Report

File Number: 2025-37

Agenda Date

February 3, 2025

Status

In Control

City Council

File Type

Workshop Item

New Business - Erik Thorvig, Community Development Director

Agenda Item # 3.1

Closed Session Pursuant to MN Statute 13D.05(3)(c)(3) - Discuss Potential Purchase of Portions of Land Identified as PIDs 11-31-23-12-0003 and 11-31-23-11-0001 Located at the Southwest Corner of 125th Avenue and Lexington Avenue

Background

Pursuant to MN Statute 13D.05(3)(c)(3), the City Council will discuss the potential purchase of portions of land identified as PIDs 11-31-23-12-0003 and 11-31-23-11-0001 located at the southwest corner of 125th Avenue and Lexington Avenue.

Staff Recommendation

Questions for Council

Attachment List

None



City of Blaine Staff Report

File Number: 2025-39

Agenda Date	Status
February 3, 2025	
In Control	File Type
City Council	Workshop Item

New Business - Erik Thorvig, Community Development Director

Agenda Item # 3.3

Municipal Cannabis Partnership Discussion

Background

On December 9, 2024, a presentation was made to the City Council from the Red Pine Group. They presented information on a potential public/private partnership to open a retail cannabis location in Blaine. The premise is that the Red Pine Group would invest capital (approximately \$2MM) into a new retail location, own/lease facility, hire staff and operate the facility. The City would receive a percentage of proceeds (proposed at 25%) which could generate approximately \$500,000 annually for the City. The advantage to Red Pine Group is they would utilize the City's cannabis license versus having to enter the general application process with the State of Minnesota.

The licensing process related to retail adult-use cannabis has changed as the Office of Cannabis Management (OCM) navigates the process. Originally, the OCM had implemented a social equity licensing lottery in late 2024 which allowed applicants that met certain social equity criteria to apply for a state license ahead of the general application process. In December, due to litigation and other challenges that were identified, the OCM dropped the social equity lottery process and pivoted to an early 2025 lottery combining social equity and general applicants. The OCM will open a new license application window for all applicants from February 18, 2025 to March 14, 2025. There is no indication of when an additional application window would open in the future.

The city clerk contacted the OCM to understand what process a municipality would need to follow if they chose to apply for a state license. Municipalities would be required to apply during the same application window, however are reviewed separately from general applications. Licenses for municipal cannabis stores shall be issued regardless of the lottery selection process for cannabis retailer licenses if all conditions in Minnesota Statute 342.17 are met. Those conditions are:

1. Submits all information required by the OCM;
2. Meets the minimum requirements under 342.18 subdivision 3 which are:

1. Security and record keeping;
 2. Employee training plan;
 3. Business plan and financial situation;
 4. Labor and employment practices;
 5. Knowledge and experience; and
 6. Environmental plan.
3. Pays the applicable application fee.

As stated above, the primary motivation of the Red Pine Group partnering with the City is that they would essentially be guaranteed a state license and not have to apply and be placed in the general lottery.

At the December 9, 2024 workshop, the City Council directed staff to continue to explore the potential of the partnership. Since that meeting, staff met with the Red Pine Group to answer additional questions. A primary concern that has arisen is potential impacts on federal funding the City receives if the City were to be a party to a cannabis operation. Though legal at the state level, cannabis is still considered illegal by the federal government.

Though cannabis has been legalized in many other states in which cities receive tax revenue from the sale of cannabis, Minnesota is the first state to allow municipal cannabis operations where cities can directly profit from retail sales. As such, there is little guidance available from either the League of Minnesota Cities, OCM or federal agencies regarding the issue.

The City has received federal dollars for transportation projects, notably Highway 65. The City will also continue to apply for other federal grants and dollars in the future. The Blaine Police Department is part of a program called the High Intensity Drug Trafficking Areas (HIDTA) which is operated by the United States Drug Enforcement Administration (DEA). Captain Clark contacted the deputy director of the North Central HIDTA to discuss the issue. The following is general information provided during that meeting.

- HIDTA provides funding to the Anoka-Hennepin Narcotics and Violent Crime Task Force (AHNVCTF) of approximately \$145,000 and Blaine PD is not the fiduciary.
- HIDTA has a board of members that vote on funds and who the recipients are.
- HIDTA cannot say either way if funds would be lost if the city of Blaine obtained a municipal cannabis license. This decision would be up to the MAC HIDTA board members to vote on. It does not seem likely there would be a preliminary vote to see if funds would be lost until after the city of Blaine were to obtain a municipal cannabis license.
- HIDTA's goal is to combat drug trafficking to identified HIDTA areas and that marijuana is federally illegal and HIDTA funds are federal funds, this could put the money in jeopardy.
- The deputy director advised besides providing \$145,000 (some of which pays for a crime analyst position), HIDTA has purchased a surveillance van for the DTF (approx. \$200,000), purchased a raid van, and additional buy money for narcotics.
- There are potentially two other cities in Anoka County that are contemplating obtaining a municipal cannabis license. The deputy director advised that more cities that obtain municipal cannabis licenses further puts in jeopardy HIDTA federal funds.

- If the city of Blaine were the fiduciary to receive HIDTA funds directly, the deputy director felt the City would lose its funding. Since the AHNVCTF is the fiduciary, there is a grey area and the HIDTA funds could be in jeopardy depending on a board vote.

As indicated above, the application window occurs between February 18, 2025 to March 14, 2025. As such, the City must act quickly to determine whether to proceed with applying for a license. Due to the timing, it is difficult to complete full due diligence on federal funding risks and enter into formal agreements with Red Pine Group prior to the application window opening. Red Pine Group has indicated that the entities would enter into a master services agreement which outlines the roles and responsibilities of each group along with the revenue share structure, etc.

Staff has discussed the idea of applying for and receiving the license while continuing to understand potential federal dollar implications and work towards agreements with the Red Pine Group. This allows for the City to complete due diligence in a longer time period versus trying to understand everything prior to the application window opening. If the City receives the license and later determines that the City should not proceed due to federal dollar implications and/or not wanting to partner with the Red Pine Group, the City could forego the license. If the City Council wants to proceed, the Red Pine Group has asked the City to enter into a non-binding letter of intent (see attached). Red Pine Group would still assist the City in the application process. The Red Pine Group has indicated the City would still need to act relatively quickly as they have budgeted certain dollars for this endeavor and they may identify enough other locations where they would no longer be interested in Blaine.

Staff Recommendation

Discuss and provide direction.

Questions for Council

Does the City Council want to apply for a municipal cannabis license when the application window opens?

Does the City Council want to enter into a letter of intent with the Red Pine Group?

Attachment List

1. LOI



CONFIDENTIAL

January 24, 2025
City of Blaine, MN

Cc: David Asp

Dear Eric,

Thank you for allowing Red Pine Group LLC (hereinafter referred to as RPG) to share the details of our retail cannabis BPO strategy and for sharing details about your city.

Set forth below are the preliminary principal non-binding terms and conditions under which RPG its affiliates, or any of its designees ("RPG") and City of Blaine, its affiliates, or any of its designees ("Municipality") mutually agree to work towards executing various agreements including but not limited to a Sale-Leaseback performed by Koach Capital (PSA), Operating Agreement, Master Services Agreement (MSA), License Agreement with the State of Minnesota (all agreements hereinafter referred to as the "Transaction") with more specific details as follows:

1.	Terms and Letter of Intent	Contemplated sources & uses and economics of the Transaction are reflected below: RPG expects there to be five components of the Transaction: 1. Municipality would execute an operating agreement for the formation of Blaine RPG LLC. Blaine RPG LLC will have ownership as follows: Municipality will own 25% and RPG will own 75% (or the maximum allowed by law/regulations). Municipality will apply for and request a retail license by the state under Blaine RPG LLC. 2. Municipality and RPG will agree upon a location, hours, buildout and operations of a dispensary utilizing license issued by the state. 3. Koach Capital and/or its affiliates will purchase agreed upon location and provide all or a portion of the tenant improvements for a 15-year lease as part of sale-leaseback transaction. This lease will be 11.95% or less of the total provided funds (for purchase and tenant improvements). 4. RPG will provide the remaining Tenant Improvements, inventory and other miscellaneous start-up expenses. 5. Blaine RPG LLC will enter into a Master Services Agreement with RPG or its assignee through which all business functions, including but not limited to the marketing, accounting, payroll and other expenses will be drawn down and adjusted quarterly and leaving 25% of the profits associated with the location to be distributed to the Municipality or its assignee.
2.	Confidentiality / Non-circumvent	The parties mutually agree that all information and/or documents reviewed by the recipient or given to the recipient belong to the disclosure of such information and are to be treated as highly confidential. The parties agree that it shall at all times do everything that is necessary to safeguard the said confidentiality and it shall not divulge the confidential information to any third party (other than the recipient's advisors) and further agree that it shall not use the confidential information in any manner whatsoever, be it directly or indirectly. Furthermore, Municipality agrees to a Non-circumvent and No-shop for four (4) months: The Municipality shall not, and shall cause (to the extent it has the Legal Right) its Affiliates and its and their directors, officers and similar agents not to, (i) solicit, initiate or



		encourage the submission of any proposal or offer from any Person relating to the acquisition of any of the Acquired Municipality Equity Interests or any substantial portion of the Acquired Municipality Assets (including any acquisition structured as a merger, consolidation or share exchange) or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing. The Municipality will use commercially reasonable efforts to cause its financial advisors and other representatives not to do any of the foregoing. Nor will the Municipality seek to go-around RPG and directly communicate with any parties introduced or identified to seek to go-around RPG and directly communicate with any parties introduced or identified to Municipality.
3.	Expenses	a) RPG and Municipality shall pay its own costs and expenses incurred (including any broker's fees, finder's fees and the fees and expenses of its lawyers and other advisors). b) RPG will reimburse Municipality for attorney fees relating to securing the retail license from the state. c) All incurred fees shall be mutually agreed upon such as acquisition fees, closing costs and advisors, will be included in enterprise value and deducted from proceeds at closing.
4.	Termination	This LOI will terminate ("Termination Date") with the parties having no obligations to each other, other than the confidentiality provisions of the parties' signed NDA, if: a) Either party, in writing, gives notice to terminate this LOI; b) RPG breaches the terms of this LOI and fails to cure the breach within ten (10) days; c) the Definitive Agreement has not been executed by 5:00 p.m. Central time on December 31, 2024.
5.	Non-Binding Agreement	The matters set forth in this letter agreement constitute an expression of the parties' mutual intent only and do not constitute a binding agreement among the parties with respect to the proposed Transaction or otherwise impose any obligations on the parties. Any such obligation shall only arise upon execution and delivery by the parties of a Definitive Agreement with respect to the actual MSA, and only to the extent provided therein. No party may bring any claim or action against any other party as a result of a failure to agree on or enter into a Definitive Agreement as contemplated hereby. Without limiting the foregoing, the provisions of this letter agreement are subject to completion of due diligence and subject to agreement by RPG and Municipality. Except with respect to Paragraph 2 above upon the execution of this letter agreement which is intended to be binding between the parties, this letter agreement is a non-binding expression of the parties' present interest and does not create legally binding obligations between the parties.
6.	Schedule/ Requirements	Due Diligence and completion of entity docs and offering typically takes significant time for RPG to complete. Upon signing this LOI, RPG will establish a mutually accessible data room where Municipality will have ongoing access the following: 1. Background information of all associated parties 2. Municipality Overview, Branding, and all 3rd party Licensing agreements.



		3. Operating Agreements w/Cap Tables, Corporate Resolutions, Minnesota State License Details. 4. Detailed proforma on the location. 5. Property addresses and details, including surveys, appraisals, title policies, insurance policies, mortgages and or leases. 6. Banking records and Tax returns. 7. List of vendors and breakdown of cost of goods sold.
7.	Counterparts	This letter agreement may be executed in one or more counterparts which may be delivered by facsimile transmission, each of which will be deemed to be an original and all of which, taken together, will constitute one and the same agreement. The term “including” shall have the inclusive meaning of “including without limitation” in this letter.

Acknowledged and Agreed as of January 24, 2025:

MUNICIPALITY

By: _____
Name:
Title:
Date: January 24, 2025

RED PINE GROUP LLC

By: _____
Name: Zander Abrams
Title: Manager
Date: January 24, 2025