



**STAFF REPORT
HOLLISTER CITY COUNCIL
MEETING DATE: June 9, 2025
REPORT # 2025-38**

AGENDA ITEM: DISCUSSION REGARDING A CANNABIS REGULATORY PERMIT FOR HIGHER LEVEL OF CARE AT 1802 SHELTON DRIVE

DEPARTMENT: Community Development
DEPARTMENT HEAD: Rod Powell, Assistant City Manager
STAFF CONTACT: Maria C Mendez, Cannabis Affairs Manager

RECOMMENDED ACTION: Review the request for renewal, and provide direction to staff to return at a later meeting to either approve or deny the Cannabis Regulatory Permit for Higher Level of Care Hollister for the 2025- 2026 term

DISCUSSION:

Higher Level of Care Hollister currently holds one of only two cannabis dispensary permits authorized by the City of Hollister, making it one of just two dispensaries legally permitted and currently the only operable, revenue generating dispensary within the City of Hollister.

On March 18, 2019, the City Council approved Resolution No. 2019-58, granting Higher Level of Care Hollister a Cannabis Regulatory Permit to operate a cannabis retail dispensary within the City of Hollister. Since the initial permit approval, Higher Level of Care has diligently sought and received annual renewal of its permit from the City Council.

Pursuant to Section 5.42.050 of the Hollister Municipal Code (HMC), all cannabis regulatory permits are subject to renewal by the City Council. The current permit is scheduled to expire on July 25, 2025.

Staff Analysis and Findings

In accordance with Hollister Municipal Code § 5.42.070(A), the City Council may reject a renewal application if certain findings are met. In considering the proposed renewal, staff have consulted with various Departments and Divisions and received external communication and perspective resulting in the identification of one potential finding relative to financial non-compliance for Council consideration.

More specifically, pursuant to HMC § 5.42.080(F), the "annual operating fee", which covers the City's cost of administering and enforcing this chapter, is due in four equal quarterly installments. These payments are due on April 30, July 31, October 31, and January 31, beginning from the date the City issues a regulatory permit.

Within the 2024-2025 operational period, Higher Level of Care has failed to make timely quarterly annual operating fee payments as required by the City's code. To resolve this delinquency, Higher Level sought and received a payment plan arrangement for its outstanding cannabis business tax liabilities totaling \$232,875.37 for the third and fourth quarters of 2024. Although a complying initial \$50,000 payment was made shortly after

approval of the repayment plan, none of the remaining \$25,000 per week payments have been made and a current remaining balance of \$182,875.37 remains outstanding.

More recently, staff have also been notified that Higher Level of Care Hollister has entered receivership. Staff have had an opportunity to discuss Higher Level's current financial non-compliance and its potential negative impact on the permit renewal with the appointed receiver.

As of now, Higher Level's total outstanding balance to the City of Hollister is \$275,209.32.

Approval Considerations / Conditions of Approval (if approved):

Should the City Council choose to approve Higher Level's permit renewal, staff recommend the incorporation of the following conditions of approval:

Should the Council move to approve Higher Level's permit renewal application, staff recommend that the Council consider the incorporation of conditions of approval. Recommended conditions of approval include, but are not limited to, the following:

- All fees and taxes comprising the delinquent balance due of \$275,209.23 shall be paid in full prior to the expiration date of the current permit on July 25, 2025.
- All fees and taxes associated with operations of the permitted dispensary shall be paid in full and on time as prescribed by the City of Hollister and the State of California.
- Approval of the Cannabis Regulatory Permit shall be revocable for cause in accordance with Section 5.42.120 of the Hollister Municipal Code.

In consideration of the above information and anticipated discussion, it is staff's intent to first seek Council direction to approve or deny Higher Level of Care's renewal application based upon findings and return with a corresponding final resolution for consent consideration at the June 16, 2025, regular meeting.

FISCAL IMPACT: Higher Level of Care Hollister currently owes the City a total of \$275,209.23 in outstanding cannabis business tax liabilities and regulatory fees. This amount includes unpaid balances from the third and fourth quarters of 2024, as well as the first quarter of 2025. These funds are intended to offset the City's costs associated with administering and enforcing its cannabis regulatory program.

Non-payment of these obligations directly impacts the City's General Fund by reducing expected revenue from cannabis-related activities. If the permit is renewed without full repayment, it may set a precedent for non-compliance and further strain City resources. Conversely, requiring full payment prior to renewal would recover costs already incurred by the City.

PREVIOUS COUNCIL OR COMMISSION ACTION: The City Council last considered and renewed Higher Level of Care Hollister regulatory permit at its May 21, 2024, meeting. (Resolution 2024-71).

CEQA: Categorical Exemption – Existing Facilities (Class 1)

The project is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15301, Class 1 – Existing Facilities. The project involves the renewal of a regulatory permit for an existing business relocating to a previously developed commercial site with no expansion of use or significant alterations. The proposed activity does not involve any expansion of the existing or former use and will not result in any significant environmental impacts.

ATTACHMENTS:

Regulatory Permit Application