



## CITY OF COMMERCE AGENDA REPORT

**TO:** Honorable City Council

**Item No.** \_\_\_\_\_

**FROM:** City Administrator

**SUBJECT:** DISCUSSION, CONSIDERATION AND/OR SELECTION OF COMMERCIAL CANNABIS PERMIT APPLICATIONS; APPROVE THE ISSUANCE OF NOTICE OF SELECTION IF COMMERCIAL CANNABIS PERMIT APPLICATIONS ARE SELECTED

**MEETING DATE:** November 13, 2018

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### **RECOMMENDATION:**

1. Discuss, consider and/or select Commercial Cannabis Permit applicants, pursuant to Ordinance No. 700 concerning commercial cannabis regulations, as attached hereto; and/or
2. If City Council makes selection, approve the issuance of a "Notice of Selection" to the selected CCP applicants, with the understanding that the issuance of same is conditional and contingent on selected applicants adhering to Ordinance No. 700 requirements, and identifying a known premises if not already; and/or
3. Make any motion(s) to execute any City Council directive(s).

### **DISCUSSION:**

On September 4, 2018 the City Council approved for second reading and adoption Ordinance No. 700, establishing commercial cannabis regulations. The ordinance took effect on October 5, 2018 and on that date the City's process for moving forward with the City opening the submittal of Commercial Cannabis Permit (CCP) applications process was published on the City's Cannabis Regulations and Facts Page: <http://www.ci.commerce.ca.us/index.aspx?NID=1448>. The CCP application posted on the webpage gave a complete overview of the application submittal process and respective timelines. Further, applicants were directed to that webpage for any questions, to regularly monitor in case any supplemental information to the application process was posted, and to submit any questions in writing if anything remained unclear at [ccp@ci.commerce.ca.us](mailto:ccp@ci.commerce.ca.us).

CCP staff published the complete cannabis application on the Cannabis Facts page on October 5, 2018. On that same day, CCP staff began accepting appointment requests to submit a CCP application. The last day to submit an appointment request to the CCP was October 22, 2018 on or before 12:00 p.m. The timeframe established for appointments was from October 15 through October 26, 2018, which was the last day to submit an application via and pursuant to a pre-scheduled appointment. This was done in order to ensure an orderly process, including, but not limited to, giving CCP staff an opportunity to review application packets for completeness, to concurrently process LiveScan forms and finger-printing, and to make certain that all serious applicants were accommodated. CCP staff also held “walk-in” hours on October 18, 2018 for anyone that wanted to come to City Hall and submit their CCP application.

After the close of the application submittal period, there were forty-five (45) complete applications submitted to the City, which are now before the City Council for discussion, consideration, and/or selection. The eligible applications were reviewed by the Review Committee (RC), appointed by the City Administrator. The City Administrator was not a member of the RC, but did find grounds for disqualification, pursuant to Ordinance No. 700, for two (2) applications, which were not ranked by the RC.

### **Review Committee Methodology**

Pursuant to Ordinance No. 700, the City Administrator assembled a Review Committee (RC) to evaluate the forty-five (45) eligible applications. The applications were evaluated based on the information within the application materials submitted by the applicants. Applicants were provided ample opportunities as part of the application to highlight the strengths of their business and CCP application. The RC identified key distinguishing application characteristics from high ranking applications. High ranking applicants submitted applications with strengths in the areas identified below:

1. Industry experience.
2. Community involvement/commitment to community services, including, direct monetary contributions.
3. Projected operating revenue/Strong Pro Forma.
4. Competitive commitment and/or pledges to operating fee proposal and/or annual Community Benefit Program contribution(s).
5. Existing ties to the City.

### **Review Committee Ranking System**

The RC ranked applicants pursuant to Ordinance 700 Section 5.61.090 - *Application Review, Scoring and Selection Process*, which includes, but is not limited to, the following criteria:

1. Substantial compliance with the City CCP application requirements, policies, procedures and overall presentation;
2. Proposed premises diagram and site location to sensitive sites, if premises was identified; OR, applicants' demonstration of ability to obtain a location and proposed premises acquisition plan;
3. Facility operating procedures, including compliance with all applicable City and state regulations, and;
4. Proposed community benefits program components, including annual monetary contributions to City funds and non-profit organizations.

Table 1.1 on the following page summarizes the review, scoring and ranking system identified in Ordinance 700.

**Table 1.1 – Scoring Criteria Pursuant to Ordinance No. 700**

<b><u>No.</u></b>	<b><u>Criteria</u></b>	<b><u>Weight</u></b>
1	Compliance with Application Submittal Requirements and Presentation	10%
2	Premises Diagram/Site Plan or Proposed Premises Diagram Site Plan, with Premises on Map Showing its Location is a Minimum Six-Hundred (600) feet from Sensitive Sites	10%
3	Operating Procedures	10%
4	Business and Financial Plan	20%
5	Community Benefits Program	20%
6	Applicant's and Owner(s) Qualifications and Experience	10%
7	Development Agreement Proposal	20%

### **Review Committee Application Scoring and Ranking**

The RC sorted applications to identify applicants with like operating capabilities. The applications fell into four scoring blocks — Red, White, Blue and Orange. There was also one non-scoring block referred by the Review Committee to the City Administrator for Consideration of Disqualification or DQ. The RC identified applications with and without a known premises and filtered the applications based on a minimum score of 80%. The 80% minimum score highlights those applications which met 80% of the City's expectations.

**Red Block** – Applications with a known premises and overall score of 80% or higher.

**White Block** – Applications with an unknown premises and an overall score of 80% or higher;

**Blue Block** – Applications with a known premises and an overall score of less than 80%.

**Orange Block** – Applications with an unknown premises and an overall score of less than 80%.

### City Administrator's Discretion

**DQ** (Disqualified) – Applications which were subject to disqualification for failure to meet minimum eligibility requirements, including, but not limited to, lack of payment or failing background check, are listed on the table but were not ranked.

**Table(s) 1.2 – Applicant Rank and Score Table, summarizes the rank of applicants in each of the color blocks.**

Red	Proposed Location	Proposed Activities	Rank
1. 18-006	6046 E. Washington	1.C/M/D/RD	1
2. 18-027	6915 E. Slauson	2. C/M/D/RD	1
3. 18-013	6220 Telegraph	3. M/D/RD	2
4. 18-019	4220 E. Washington	4. MB =	3
5. 18-002	6570 Telegraph	C/M/D/RD	4
6. 18-018	4202 Washington	5. C/M/D/RD	4
7. 18-043	5401 E. Washington	6. M/D/RD	4
8. 18-026	5608 E. Washington	7. RD	5
9. 18-028	6140 Eastern	8. Testing	5
10. 18-030	2230 Tubeway	9. M/D/RD/MB	6
11. 18-031 <sup>1</sup>	2616 Malt	10. C/M/D/RD	6
		11. MB = (C/D/RD)	
Table Legend	Proposed Activities – C: Cultivation, M: Manufacturing, D: Distribution, RD: Delivery, MB: Micro Business, T: Testing		

<sup>1</sup> Applicant identified a proposed location in the application but failed to submit the required certified property owner radius map and property owner labels. As such, this property was noticed as a “unknown” premises and surrounding property owners were not notified of the City Council meeting.

White	Proposed Locations	Proposed Activities	Rank
1.18-036	Pending	1. C/M/D/RD	1
2. 18-086	Pending	2. C/M/D/RD	2
3. 18-074	Pending	3. C/M	3
4. 18-004	Pending	4. M	4
5. 18-005	Pending	5. C/M/D/RD	4
6. 18-046	Pending	6. C/M/D/RD	4
7. 18-009	Pending	7. C/M/D/RD	5
8. 18-069	Pending	8. M/D	6
9. 18-003	Pending	9. C/M/D/RD	7
10. 18-052	Pending	10. C/M/D	7
11. 18-017	5400 Jillson (Submitted after 11/1)	11. C/M/RD	7
12. 18-065	Pending	12. C/M/D/RD	7
Table Legend	Proposed Activities – C: Cultivation, M: Manufacturing, D: Distribution, RD: Delivery, MB: Micro Business, T: Testing		

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Blue	Proposed Location	Proposed Use(s)	Rank
1. 18-047	3019 Vail	1. M/D	1
2. 18-053	5940 E. Washington	2. M/D/RD	1
3. 18-094	6436 Corvette	3. M/RD	1
4. 18-040	4336 E. Washington	4. M	2
5. 18-057	4334 E. Washington	5. MB/C/M/D	2
6. 18-033	5500 E. Washington	6. Testing	3
7. 18-070	1322 S. Gerhart	7. RD	3
8. 18-048	4426 E. Washington	8. MB/C/M/D	4
9. 18-039	6403 E. Slauson	9. RD	5
10. 18-055	5416 Jillson	10. M/D	5
Table Legend	Proposed Activities – C: Cultivation, M: Manufacturing, D: Distribution, RD: Delivery, MB: Micro Business, T: Testing		

Orange	DQ
1. 18-010 C/M/D/RD/MB	1. 18-085
2. 18-059 M/D	2. 18-095
3. 18-023 Testing	
4. 18-064 M/D	
5. 18-077 RD	
6. 18-066 RD	
7. 18-061 C/D	
8. 18-091 RD	
9. 18-058 RD	
10. 18-037 M/D	
11. 18-068 C/M/D/RD	
12. 18-001 C/M/D/RD	

## **FISCAL IMPACT**

The recommended action will have a positive fiscal impact by recovering all City costs relating to the implementation of the Commercial Cannabis Business Permitting Program. A general evaluation of the applicant financial plan / pro forma points to a healthy annual revenue that will cover all City costs, but more importantly, provide a funding mechanism for an array of Community Benefit Programs going forward.

## **CEQA ANALYSIS**

The City Council's selection of qualified applicants is exempt for the California Environmental Quality Act pursuant to State Guidelines Section 15378(b)(4), which states, in relevant part, "A project does not include...the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment." Further, the underlying commercial cannabis activities may be subject to future discretionary approval(s) by the Planning Commission and/or City Council, and accordingly environmental review of any resulting impact is premature.

## **ALTERNATIVES:**

1. Discuss, consider and/or select Commercial Cannabis Permit applicants, pursuant to Ordinance No. 700 concerning commercial cannabis regulations, as attached hereto; and/or
2. If City Council makes selection, approve the issuance of a "Notice of Selection" to the selected CCP applicants, with the understanding that the issuance of same is conditional and contingent on selected applicants adhering to Ordinance No. 700 requirements, and identifying a known premises if not already; and/or
3. Make any motion(s) to execute any City Council directive(s).

## **RELATIONSHIP TO STRATEGIC GOALS:**

The subject matter is consistent with Economic Growth Guiding Principle #4 of the City's Strategic Plan. This Guiding Principle calls for a focus on strategic economic development pursuits that will increase local jobs, generate additional revenue and create demand for supporting businesses.

Respectfully submitted: Edgar P. Cisneros, City Administrator  
Recommended by: Rene Bobadilla, Interim Director of Economic Development and Sustainability  
Reviewed by: Vilko Domic, Finance Director  
Approved as to form: Norma Copado, Assistant City Attorney

**Attachments:**

1. Commercial Cannabis Business Regulations Revised Ordinance
2. September 4 Agenda Report
3. Rankings
4. Map
5. Public Notice