



## CITY COUNCIL STAFF REPORT

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**TO:** Honorable Mayor and City Council **DATE:** December 4, 2017

**FROM:** Matthew Bronson, City Manager

**PREPARED BY:** Bruce Buckingham, Community Development Director  
David Hale, City Attorney  
John Peters, Police Chief  
Steve Lieberman, Five Cities Fire Chief

**SUBJECT:** Commercial Medical Cannabis Retailer and/or Microbusiness with a Retail Use Eligibility Ranking List

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### **RECOMMENDATION**

Review the commercial medical cannabis retailer and/or microbusiness with a retail use eligibility ranking list previously established by Council and provide direction on potential changes including the applicants authorized for consideration of receiving a Use Permit.

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### **BACKGROUND**

#### Previous Council Actions

At the September 7, 2017 City Council meeting, the Council received an assessment from staff of the 12 submitted commercial medical cannabis dispensary pre-applications and considered establishing an eligibility ranking list. Staff's assessment was based on the following rating criteria and weighting established by the Council:

1. Proposed Dispensary Site (10 Points)
2. Business Plan (25 Points)
3. Qualifications and Experience of Principals (25 Points)
4. Neighborhood Compatibility Plan (15 Points)
5. Operations and Security Plan (15 Points)
6. Local Enterprise (10 Points)

Following comments from the applicants and the public, the Council determined the following seven pre-applications listed below in alphabetical order should be considered for the eligibility ranking list pending completion of the background reviews:

- 805 Beach Breaks – 1053 Highland Way
- GDI Grover Beach Retail – 650 Farroll Road
- House of Holistics – 821 South 4<sup>th</sup> Street
- Milkman – 923 Huber Street
- The Monarch – 239 South 3<sup>rd</sup> Street
- Natural Healing Center – 998 Huston Street
- Trident Management Solutions – 1071 Highland Way

The Council provided further direction to staff to return to the Council at a special meeting on September 25, 2017 to further review the seven eligible pre-applications and establish a final eligibility ranking list that identifies the top two applicants. During the September 25<sup>th</sup> meeting,

the Council reviewed the above evaluation criteria and also considered the following factors in establishing a final eligibility list:

- Distance to Sensitive Uses in Primary Areas
- Commitment to Community
- Economic Impact
- Experience in Operating an Existing Dispensary
- Timeframe to Begin Operating
- Concentration of Locations
- Background Review

As a result of this review of the evaluation criteria and additional factors, the Council established a final eligibility list for the dispensary pre-applications that identified the top four pre-applications among the seven that were eligible. Each Council Member identified their top four in rank order and articulated their reasoning for selecting specific applicants. Using a point system, this rank order determined a top applicant with 10 points (Natural Healing Center) and three applicants each with 8 points (The Monarch, 805 Beach Breaks, and Milkman). At the October 16, 2017 Council meeting, the Council provided policy direction that affirmed Natural Healing Center's placement as one of the top two applicants while authorizing the three other applicants to submit Use Permit applications with the expectation that the first applicant successfully completing the process would receive the second Use Permit. The Council then adopted a Statement of Facts and Findings to affirm this direction.

On November 6, 2017, the Council asked staff to schedule an agenda item for the Council to review the eligibility ranking list and determine any potential changes. Staff scheduled this item for the December 4<sup>th</sup> agenda following the first reading of the amended commercial medical land use and regulatory ordinances as the outcome of the first readings will inform the Council's deliberation on the eligibility ranking list. Please note that from this point forward, dispensary businesses are now referred to as "retailers" and "microbusinesses with a retail use" to be consistent with the two new State license types that allow for retail sales previously referred to as "dispensaries". For purposes of this staff report, when the term "retail use" or "retailer" is used it includes both "retailers" and/or "microbusinesses with a retail use".

Currently, all four of the top ranked retailers identified by Council to proceed with a Use Permit application have submitted Use Permit applications to the City. In addition, the other three firms have also submitted a Use Permit application that staff is processing although none would be scheduled for a public hearing unless the Council revised the eligibility ranking list. Though all four of the top retailer applications have been deemed incomplete to date in the development review process, they are currently in the second or third round of plan review and may all be deemed complete by the end of December. Consequently, these applications would be scheduled for Planning Commission review and ultimately Council consideration in early 2018.

### Summary

Given the Council's request, staff is bringing information on the retailer eligibility ranking list to the Council for any potential changes. One particular area where staff would seek clarity is how best to determine the second retailer applicant who could receive a Use Permit and Commercial Cannabis Permit for retail sales. The Council did not elaborate on how to determine which of the three other applicants aside from Natural Healing Center successfully completes the process first. Greater clarity on how to determine this second spot and/or specific identification of a second applicant would assist staff in preparing the appropriate applications for Planning Commission review and Council consideration. Lastly, if the Council amends the commercial medical cannabis land use ordinance approving a text amendment to Chapters 4 and 9 of Article IX of the Grover Beach Municipal Code to allow for up to four retailers, staff would seek

Council direction on whether to issue up to four permits at this time or issue a smaller number initially such as two with the ability to issue additional permits at a later date. Staff would also seek direction on establishing the ranking for applicants in the third and fourth positions.

### **FISCAL IMPACT**

Staff has previously estimated the amount of annual revenue generated by the City's commercial cannabis tax to range from \$1,000,000 to \$2,000,000 over time as commercial cannabis businesses are established. The 2017-18 budget assumes an initial estimate of \$200,000 in revenue this year as the first businesses begin operating this fiscal year. These estimates will be updated once permits are issued and there is greater clarity on the timing and scope of commercial medical cannabis business that are allowed to establish. The 2017-18 budget also included approximately \$200,000 in costs associated with regulating commercial medical cannabis businesses with revenue from permit and application fees offsetting these costs. Staff will return to the Council in early 2018 with a recommended annual permit fee structure in conjunction with the 2018-19 budget development process.

### **ALTERNATIVES**

The City Council has the following alternatives to consider:

1. Review the commercial medical cannabis retailer and/or microbusiness with a retail use eligibility ranking list previously established by Council and provide direction on potential changes including the applicants authorized for consideration of receiving a Use Permit; or
2. Provide alternative direction to staff.

### **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act. Notification of the meeting was sent to the seven eligible dispensary pre-application applicants and persons that have submitted correspondence on the dispensary pre-application process.

### **ATTACHMENTS**

1. Correspondence

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**Subject:** Holistic Happiness

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**From:** Holistic Happiness  
**Sent:** Tuesday, November 28, 2017 5:59 PM  
**Subject:** Holistic Happiness

Greetings.

We just got home from Northern California, we were in the Redwood Valley Fires, where our farm is. Because of this we couldn't reply to your emails sooner.

This is the response from Holistic Happiness, Inc. to Matthew Bronson's request for our opinion.  
PLEASE FORWARD IT TO MATTHEW AND THE CITY COUNCIL MEMBERS AND PLEASE DELETE THE PREVIOUS EMAIL ADDRESS YOU HAD FOR OUR COMPANY BECAUSE WE DESACTIVATED THAT ACCOUNT.

Many people wonder why Trump won the Presidency. One reason is demonstrated by the "picks" for the marijuana dispensaries in Grover Beach. According to the Cal Coast Times "both winners are major donors to political campaigns" in Grover Beach, "having given about \$4,000 and \$5,000 respectively to a pair of Council members and a local lobbyist connected to them when the Council "veered from staff recommendations..."

When Trump cried for "drain the swamp" in Washington, little did anyone know that the marshlands, apparently, began at our doorstep in San Luis Obispo County! The only interpretation for the Cal Coast Times article about the Council's selections is a quid pro quo. The fact that the staff's recommendations were deliberately ignored and that the two winning selections were campaign donors can only be interpreted one way.

The Council is now considering awarding two more permits. One can only guess that this maneuver is to placate public outrage over the dispensary selections. As one of the applicants for one of the dispensaries, I was very disappointed when I did not win, particularly since I am a fully disabled Vietnam Veteran and had to use my retirement money for the fees for the application and business plan. (The fee for submitting an application was \$8,100.00 and \$1,500 for background check). Furthermore, even though I have experience running a business since I was a general contractor in San Luis Obispo for many years, I still had to spend money on my business plan. After all this outflow of money it's very demoralizing to find out that I never had a chance to be selected, regardless of the merits of my application, I hope my fellow citizens in Grover Beach are as mad and disappointed over the Council's crony-based decision as I am, and the next time Mayor Shoals and Councilman Lee run for re-election, that voters resoundingly reject them both!

A very disappointed applicant,  
Holistic Happiness  
C. Savage  
[hhappiness@outlook.com](mailto:hhappiness@outlook.com)

Member of: Veterans of Foreign Wars  
Disabled American Veterans  
American Legion