

AGENDA ITEM

Date: June 2<sup>9F</sup>, 2021

Council Action Date: June 14, 2021

**TO:** Honorable Mayor and City Council

**FROM:** Alex D. McIntyre, City Manager  
Peter Gilli, Community Development Director

**SUBJECT:** Update Regarding Commercial Cannabis Business Permit Application Process and Criteria

### **SUMMARY**

This report provides additional information about the commercial cannabis business permit application process and evaluation criteria in the City of Ventura, particularly as it relates to potential youth impacts from cannabis businesses.

### **RECOMMENDATION**

Receive an update about the commercial cannabis business permit application process and evaluation criteria in the City of Ventura.

### **BACKGROUND**

On February 24, 2021, the City Council approved commercial cannabis ordinances, including the regulatory ordinance, San Buenaventura Municipal Code (SBMC) Chapter 6.420, titled "Commercial Cannabis Businesses". The regulatory ordinance contained the framework for the cannabis program. At the City Council meeting of May 10, 2021, where staff received City Council approval to file a Local Coastal Program amendment with the California Coastal Commission in effort to allow cannabis businesses in the Coastal Zone, City Council asked staff to return with an update about the application evaluation process and criteria to be used for commercial cannabis business permitting.

### **DISCUSSION/ANALYSIS**

City staff and Consultant, HdL Companies, have developed a commercial cannabis permit application with Procedures and Guidelines detailing the evaluation criteria to be used for selection of commercial cannabis business permits in the City of Ventura. The application process is a merit-based process that HdL has successfully utilized in many cities. The City is able to use the permitting experience of HdL and tailor procedures and

requirements for the unique needs of our community. The evaluation process and criteria have various levels, described below, to capture and address general concerns, and also more site-specific community concerns.

### **Evaluation Process and Criteria**

There are several levels of evaluation that must be completed by the Applicant. Applicant proposals will be reviewed by the Consultant and a City staff Selection Committee. The public will also have an opportunity to provide feedback about specific applications at a community meeting. This information will all be collected in deliverable reports and provided to the City Manager who will make the final decision on the award of permits. Below are the different phases of the application process:

- Phase I – Determination of Eligibility
- Phase II – Criteria Evaluation and Scoring (by Consultant)
- Phase III – Further Evaluation, Interviews and Scoring (by Staff Selection Committee) (and community meeting)
- Phase IV – City Manager’s Final Selection

### **Phase I – Determination of Eligibility**

Applications will be collected, with a deposit for phases I-III (\$8,844), during a given timeframe and will be reviewed for completeness by City staff. All application documents must be submitted in compliance with the instructions outlined for submittal in the City of Ventura’s Application Procedures and Guidelines or they risk being rejected at this first phase. This evaluation level does not include a point system, but either meets or does not meet the submission requirements.

### **Phase II – Criteria Evaluation and Scoring (1,200 points)**

The City’s consultant will conduct the first round of criteria evaluation and scoring of applications. The criteria in this section are more technical in nature and for that reason are rated by the consultant because of their experience in the industry and knowledge base to evaluate such criteria.

The evaluation sections for Phase II are as follows:

- Section A: Business Plan
- Section B: Labor, Diversity, and Inclusion Plan
- Section C: Safety Plan
- Section D: Security Plan

Each section has a list of additional criteria that must be provided by the applicant in order to score the points in those sections. Once applications have been evaluated and scored, Consultant will produce scoring and ranking information in the form of reports to City staff.

### Point Distribution

As described, points are assigned to each section based on the score for the criteria under that section. Consultant has provided their recommendation of point assignment as a basis based on their vast experience with the merit-based application process, however, City staff tailors the evaluation point assignment to consider what is of more or less importance to City of Ventura. Staff determines the points available for each criterion, whether it shall receive a percentage of the points allowed, or an all-or-none type of rating, and may include any additional notes for the raters to consider. This allows the City to ensure that the criteria reflect the concerns that have been expressed with particularity for our community.

### **Phase III – Further Evaluation, Interviews and Scoring (2,000 points)**

Phase III consists of two parts. The first part will include interview evaluations and scoring by a Selection Committee comprised of City staff members. The second part will include a community meeting(s) where the public will have the opportunity to attend and express site-specific concerns about any of the “finalists” in this round.

### Selection Committee Interview Evaluations

The Selection Committee will be comprised of a member from Police Department, Community Development Department, and Finance Department. Additional staff members may be added who can add value by identifying site-specific and community concerns. The criteria in this section are less technical in nature and thus will be reviewed and evaluated by City staff who have a better awareness of the intricacies and points of concern to the City. Each section has a list of additional criteria that must be provided by the applicant in order to score the points in those sections.

The evaluation sections for Phase III are as follows:

- Section E: Qualifications of Owners
- Section F: Neighborhood Compatibility
- Section G: Community Benefits and Investments Plan
- Section H: Proposed Location

After the interview evaluations are conducted, scores and ranking will be confirmed to determine the top applicants.

### Potential Youth Impacts

The Neighborhood Compatibility section of the Phase III criteria contains questions that specifically ask applicants to address potential youth impacts, including but not limited to well-traveled paths to nearby schools. City Council expressed the importance of these “safe routes” and a strong desire to protect the youth in our community, therefore, staff included criteria that specifically addresses these concerns. Below are two questions that must be addressed by each applicant in the Neighborhood Compatibility section of the application’s evaluation criteria.

1. List any nearby well-traveled paths to schools and describe how the cannabis business will proactively protect the youth on these paths from exposure to the cannabis business.
2. Describe how the business will proactively take steps about community concerns to protect the youth generally from the impacts of the cannabis business.

Because these criteria are addressed in Phase III, they will be addressed as part of an interview process with the City Selection Committee who is fully aware of the strong concerns of the City Council for the youth in our community. Staff will have an opportunity to question applicants in detail about youth impacts during the interview process. Staff adjusted the weight of the Neighborhood Compatibility section (Section F) from what it was previously weighted, and in particular the criteria addressing the youth and the well-traveled paths to schools will have higher percentage points in this section, which also reflects the significance of this issue to the City Council. The applicants that have the most comprehensive and thoughtful approaches to protecting the youth will score much higher.

### Community Meeting

Once the interview evaluations of Phase III conclude, the community is invited to discuss their concerns about the specific sites selected at this stage. The consultant and staff will conduct a public meeting(s) in which the public will have an opportunity to provide any concerns about the particular proposals and locations. Being that community comment thus far has largely focused on concerns about the impact on the youth, we anticipate feedback during these meetings will include some of the same concerns, but in a site-specific context. This will allow comments to be less general in nature and be more specific to a particular location with the particular factors about that location.

All feedback from the public meeting(s) will be recorded into a report for the City Manager to consider in Phase IV.

### Deposits and Reimbursements

Between Phase III and Phase IV, the additional deposit for Phase IV (\$1,482) will be collected from any candidate moving on to the Final Selection Phase IV. At this time, the City will also reimburse Applicants for any phases in which they did not participate.

### Phase IV – City Manager’s Final Selection

The City Manager has the authority pursuant to SBMC Section 6.420.200(a)(5) to make a final decision on awarding commercial cannabis business permits. The City Manager will be provided with a report from staff about the top candidates from the previous phases as well as with the feedback received at the community meeting. The City Manager may also exercise the right to request and obtain additional information from any candidate in Phase IV. All the information provided will be evaluated in its totality to determine who will be awarded the commercial cannabis business permits. The City Manager is not required to award the maximum, or any, of the commercial cannabis business permits.

### Appeals

An Applicant may appeal after any phase in the application process. Time for appeals must be factored into any timeline for the application and selection process. Appeals will be conducted by a third-party hearing officer.

### Timeline

An Orientation “Kick Off” Meeting is scheduled for Wednesday, June 23, 2021 at 3:00 pm. At this Orientation Meeting, the consultant and staff will review all application materials including the Procedures and Guidelines. This meeting is for potential applicants, landlords, and other interested parties to learn about the requirements in the application process.

Application Period 1 will be open for a 45-day period from Monday, June 28 – Thursday, August 11, 2021 @ 4:00 pm. Application Period 1 will still only allow for businesses to apply outside of the Coastal Zone for up to 3 retail and 10 industrial-type permits.

In summary, the application review process emphasizes the significance of potential youth impacts and provides multiple stages where an applicant will have to demonstrate their consideration of the issue. The City’s authority to protect the community from impacts from cannabis businesses is much higher than for uses such as tobacco or alcohol.

- In order to get a cannabis business permit, an applicant will have to demonstrate how they will address any potential impacts to the youth. First, to a panel of staff from multiple departments, and then the general public and a community meeting.

And the City Manager can factor the staff and public input in the final decision of whether to award a permit. This is greater review than any tobacco or alcohol business.

- Without a doctor's prescription, youth cannot even enter a cannabis store. Tobacco and alcohol products are available in many stores that youth can enter.
- The City has a maximum number of retail cannabis businesses. There is no limit on the number of tobacco or alcohol businesses in the City. There are roughly one hundred tobacco retailers and several hundred alcohol businesses.
- Cannabis business permits are not automatically renewable, therefore if issues do occur from a cannabis operation, and if the business operator does not cooperate with the City to address the issue, the City can simply not renew the permit after a hearing. For tobacco and alcohol, the process of revoking a permit is laborious.

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