



Legislation Details (With Text)

File #: 16-084 **Version:** 1 **Name:** Second Cannabis Dispensary Selection Process
Type: Staff Report **Status:** Filed
In control: City Council
On agenda: 2/16/2016 **Final action:** 2/16/2016
Enactment date: **Enactment #:**
Title: Staff Report for Second Medical Cannabis Dispensary Permit Selection Process
Sponsors: Chris Zapata
Indexes:
Code sections:
Attachments:

Date	Ver.	Action By	Action	Result
2/16/2016	1	City Council	Received and Filed	

Staff Report for Second Medical Cannabis Dispensary Permit Selection Process

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council consider the recommendations developed by the City Council Rules Committee and approve the process for the selection of a second medical cannabis dispensary.

BACKGROUND

In December 2013, the City Council approved a medical cannabis regulatory ordinance to facilitate the approval, regulation, and operation of one medical cannabis dispensary in San Leandro. The ordinance, in conjunction with the recently adopted Medical Marijuana Regulation and Safety Act, imposes strict zoning, security, and operational requirements on dispensary applicants. To assist in developing a process to implement that ordinance, the City Manager formed an inter-departmental stakeholder group consisting of staff from the City Manager’s Office, Community Development Department, Finance Department, City Attorney’s Office, and Alameda County Public Health Department.

Subsequent to the above actions, on September 15, 2014 the City Council adopted objective criteria to be used by City staff and its consultant to evaluate and screen applications from medical cannabis dispensary business teams that were interested in operating the one dispensary. Phases II and III of the criteria were implemented using a point allocation system, as outlined below:

Phase I - Criminal Background Investigation

Phase II - Initial Ranking Criteria (650 max. points)

- Business plan/ budgets

- Proof of Capitalization
- Overview of management team, demonstrated experience
- Security plan

Phase III - Final Scoring (300 max. points)

- Labor and employment practices
- Environmental Plan (including minimizing off-site impacts)
- Product safety & labeling
- Community benefits

Selection Phase

- Interviews / site visits / reference checks

Overview of Selection Process Used to Award the First Dispensary Permit

The City received applications from 15 teams as part of the first two phases of the program, out of which the eight top-scoring teams were invited to participate in Phase III. All eight of the top scoring teams chose to proceed to Phase III. After ranking and scoring the Phase III proposals, the six highest-scoring teams were invited to participate in interviews. Of those six teams, site visits and reference checks were conducted for the following three teams (in alphabetical order) who demonstrated the optimal combination of knowledge, expertise, experience, and alignment with the Council-adopted criteria:

- Blum / San Leandro Community Collective
- Davis Street Wellness Center
- Harborside San Leandro

On September 8, 2015, the City Manager's recommendation was presented to the City Council, and the Council unanimously voted to award the permit to Harborside San Leandro.

Consideration of a Second Dispensary Permit

Subsequent to the above actions, during the October 5, 2015 and November 2, 2015 regular City Council meetings, several members of the Council expressed interest in modifying the adopted ordinance to facilitate the approval of a second dispensary. Then on December 21, 2015, the Council unanimously adopted a motion directing staff to bring forward amendments to the adopted Medical Cannabis Dispensary Ordinance to permit the second dispensary. As part of that action, the Council also directed the Rules Committee to develop a process for selecting the business team who would be authorized to operate that second dispensary.

Based upon the above-outlined direction from the City Council, on January 13, 2016, the Rules Committee considered the matter and provided various recommendations for awarding a second dispensary permit, as outlined below.

Rules Committee Recommendations

Overview of Proposed Selection Process to Award a Second Dispensary Permit

The Rules Committee recommended that the selection process for the second dispensary permit be limited to the two remaining teams from the list of three business teams outlined above (i.e. Blum/San Leandro Community Collective and Davis Street Wellness Center). Since the original applications from the first permit selection process are now greater than one year old, the Committee also recommended that the business teams be provided an opportunity to submit updated application materials, including updated pro forma financial projections, proof of capitalization documentation, and new community benefits proposals. The teams would also be required to submit an affidavit confirming that none of the applicant team members have been arrested or convicted of any of the crimes enumerated in the adopted ordinance since submittal of the original application materials last year.

In addition, the Rules Committee recommended that a staff person from the San Leandro Police Department be added to the inter-departmental stakeholder group to assist in vetting the updated application materials. Lastly, the Rules Committee recommended that the scoring criteria be modified to add more weight to the scoring of the community benefits program as well as the security plan.

Following a review and scoring of the updated application materials by the City Manager's inter-departmental stakeholder group (with the assistance of its consultant), each of the teams would be invited to interview with the inter-departmental stakeholder group. The stakeholder group would also conduct site visits, reference checks, and related due diligence that would be used to inform a recommendation to the City Council from the City Manager.

The City Manager's recommendation would then be scheduled for consideration by the City Council at a regular meeting; with the approval of a process tonight, staff believes that consideration could occur in Spring 2016. The application materials from each of the teams would be attached to the Council agenda packets so that the City Council will have the opportunity to review both teams' proposals (after being redacted to exclude any information exempt from disclosure under the California Public Records Act such as security plans, social security numbers, etc.). Prior to the City Council taking action on the City Manager's recommendation, the two applicant teams would be given the opportunity to provide a 10 minute presentation before the Council in order to highlight the merits of their proposals, to be followed by a question and answer session with the City Council. The City Council would then render its decision and award the permit to whichever team provided the optimal combination of knowledge, expertise, experience, and alignment with the Council-adopted criteria.

The underlying rationale for the above recommendations is multi-fold. First, by limiting the process to only the other two highest rated teams that qualified for site visits, it would streamline the administrative review of the applications because both teams were previously vetted, screened, interviewed, and visited as part of the selection process for the first dispensary permit. Additionally, by requiring the teams to submit affidavits, it would avoid the need for new background investigations through the State Department of Justice, which took greater than five months for the state to process.

Fiscal Impact

The applicant teams would be required submit a non-refundable \$3,000 application fee in order to compete for the second permit, which is designed to offset the costs of processing their applications. The team that is awarded the dispensary permit would also be required to submit a \$60,000 annual permit fee that recovers City costs to regulate dispensary operations.

ATTACHMENT

None.

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