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Staff Report for Update on Medical Cannabis Dispensary Program

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council authorize implementation of the following steps or provide direction to staff regarding any changes to the recommended approach.

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 California Attorney General’s Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use (August 2008), imposes strict zoning, security, and operational requirements on dispensary applicants. To assist in developing the process that will be used to help inform the City Council’s selection of the one dispensary operator, the City Manager created an inter-departmental stakeholder team consisting of staff from the Community Development, Finance, City Attorney, Police and Alameda County Fire and Alameda County Public Health departments. This team also assisted in the development of a Request for Proposals (RFP) that was used to recruit and enter into an agreement with ICF Resources, LLC, who will be leading the efforts to develop the dispensary selection process.

The ICF Team includes advance-degreed professionals with proven project management success, direct medical cannabis application processing experience, and the multidisciplinary technical expertise necessary to ensure a rigorous, consistent, and unbiased evaluation of dispensary applicants. ICF staff bring knowledge in relevant fields, including medical cannabis, application processing, public health, finance and economics, law, security, risk assessment, and community outreach. ICF also assisted the Commonwealth of Massachusetts in implementing a very similar, although larger scale, medical cannabis dispensary selection program.

The following recommendations on implementing San Leandro's dispensary operator selection program were directly informed by ICF's experience implementing the Massachusetts program.

Analysis

ICF conducted interviews with staff from the cities of Oakland and Berkeley to elicit feedback and lessons learned from their recent experience developing and managing cannabis dispensary application processes within their respective jurisdictions. Both cities used a multi-phase application process based on the Merit-Based Application Process (MBAP), which is an industry standard methodology that has been used extensively in other dispensary selection processes.

The MBAP outlines a two-stage application with multiple component information areas. The secondary components would be evaluated for applicants who have satisfactorily demonstrated compliance with the primary components. The primary components are as follows:

1. Business plan, including demonstrated experience
2. Neighborhood compatibility (which could include criteria for location selection, conceptual facility designs, and a tentative implementation schedule)
3. Security plan
4. Environmental plan (which could include any planned green building practices)
5. Proof of capitalization

The secondary components are as follows:

1. Labor and employment practices
2. Environmental mitigation (including efforts to minimize off-site impacts)
3. Product safety
4. Community benefits

ICF proposes to utilize a single comprehensive application with four rounds of evaluation: Determination of Eligibility, Initial Ranking, Second Ranking, and Final Candidate Interviews. Each round is discussed briefly below. If necessary, additional information also could be requested from applicants as they progress through the various rounds in order to assist in the ranking process.

Round 1: Determination of Eligibility

Before their applications will be reviewed, all key members of the potential dispensary operator's team will be required to undergo a *Live Scan* and/or other relevant background investigation. Applicants who pass the background investigation then will proceed to Round 2 of the application process.

Round 2: Initial Ranking

As part of Round 2, applicants will be ranked based on their responsiveness to the primary evaluation components outlined above.

A three-person review panel consisting of ICF subject-matter experts will review and evaluate each application. The review panel will consider the quality and responsiveness of each application with respect to each of the topics covered. The results of the evaluation will be reviewed and discussed with the City stakeholder team, and final rankings will be agreed upon.

The top 10 ranked applicants will move on to Round 3.

Round 3: Second Ranking

Applicants will be ranked based upon their responsiveness to the secondary evaluation components listed above.

ICF will reconvene the three-person review panel to review and evaluate each application. The results of ICF's evaluation will be discussed with the City stakeholder team, and final rankings will be agreed upon.

The top three to five applicants from Round 3 then will move on to the final Interview round.

Round 4: Interviews

Each of the Round 4 applicants will participate in an interview with the City stakeholder team in order to select a final recommended candidate. The recommendation for the one dispensary operator then will be brought to the City Council for consideration.

The selected operator then will need to secure a location, obtain a Conditional Use Permit (CUP) for the proposed facility from the Board of Zoning Adjustments (BZA), submit construction drawings for improvements to the facility and build out the improvements prior to the medical dispensary beginning operations.

Timeline

The timeline below provides an estimate of the project duration and proposed dates for key milestones. Given that a medical cannabis dispensary has never previously operated in San Leandro, the below timelines are for general planning purposes only and may be adjusted depending upon the volume of applications received and the recommendations of ICF.

<u>Task:</u>	<u>Estimate Completion Date:</u>
Process Update to City Council	September 15, 2014
Development of evaluation approach	September, 2014
Draft list of questions/criteria	October, 2014
Finalize Application Content	October, 2014
Finalize Fee structure and Application Form	October, 2014
Release the Application	October/November 2014
Applicants Develop Responses	Due late November/early Dec., 2014
Round 1: Background Check/Eligibility Screen	Complete by January 5, 2014
Round 2: Initial Ranking	Late January, 2015
Round 3: Second Ranking	Early February 2015
Round 4: Conduct Interviews	Late February/early March 2015
Finalize recommendation to Council	Late March 2015

Location selection, CUP, permits, and construction could take nine months to one year to complete.

Fee Structure

Each phase of the application process has an associated fee that will be disclosed on the application form. Applicants only will be responsible for paying a fee associated with the application round(s) in which they participate (i.e., applicants who are disqualified during Round 1 will only pay the Round 1 fee). The fee structure will be designed for full cost recovery. Staff also will conduct a survey of other jurisdictions' fee structures as part of the development of the local fee structure.

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