

STAFF REPORT*CITY OF OCEANSIDE*

DATE: November 1, 2023

TO: Honorable Mayor and City Councilmembers

FROM: Development Services Department

SUBJECT: **PROPOSED STOREFRONT CANNABIS RETAIL LICENSE (TYPE 10) PROGRAM**

SYNOPSIS

Staff recommends the City Council receive a presentation on the proposed storefront cannabis retail license ("Type 10") program and provide staff direction on the proposed recommendations.

RECOMMENDATIONS

The following table summarizes staff's recommendations regarding implementation of a program to permit no more than two Type 10 cannabis storefront dispensaries.

TOPIC	STAFF RECOMMENDATIONS
1. Zoning and Location Criteria	<p>A. Permitted within industrial areas (Limited and General Industrial zoning districts) and commercial areas (General Commercial and Special Commercial – Highway Oriented zoning districts) located within the Oceanside Blvd and Mission Ave corridors only, excluding the Historic Mission Overlay District of the Mission Ave corridor</p> <p>B. Must meet existing prescribed locational requirements or separations (waivers require City Council approval)</p> <p>C. Not allowable in Coastal Zone</p>
2. Application, Evaluation Criteria, Scoring, and Selection Process	<p>A. Amend City's existing Commercial Cannabis Business Application Procedure Guidelines and Commercial Cannabis Business Application under guidance of new cannabis support services consultant, then bring application document/procedures to City Council for consideration</p> <p>B. Open application process for next round of Type 9 non-storefront (delivery only), cultivation,</p>

	<p>manufacturing, distribution, testing lab, and Type 10 licenses at same time</p> <p>C. Develop detailed evaluation criteria, scoring matrix, and selection process under guidance of new cannabis support services consultant for City Council consideration</p> <p>D. Give no preference to existing cannabis facilities/license holders</p> <p>E. Applicants must achieve “passing” score for meeting minimum evaluation criteria, then those applicants are entered into a lottery system for awarding two Type 10 licenses</p>
3. License Deadlines	<p>A. Require applicant to obtain Conditional Use Permit (CUP) within 12 months of the granting of a local license, or City will disqualify the applicant and offer local license to next qualified applicant</p> <p>B. Require local licensee to commence operations within 18 months of CUP issuance, or its local license will be revoked</p>
4. Policy Implementation	Amend Oceanside Municipal Code (Chapter 7, Article XIII) and Zoning Ordinance (Articles 4, 11, 13, 36) for Type 10 regulations accordingly
5. Tax Structure	<p>A. Evaluate and recommend a cannabis tax rate for Type 10 businesses under guidance of new cannabis support services consultant (the currently established tax rate is five percent (5%) of gross receipts with the ability to tax up to six percent (6%))</p> <p>B. City Council to determine how anticipated tax revenue will be allocated during annual budget process</p>

BACKGROUND

Since 2018, the Oceanside City Council has taken a number of actions related to the authorization of various types of cannabis-related businesses. On April 11, 2018, the City Council adopted Ordinance 18-0R0199-1 to allow commercial medical cannabis businesses (excluding storefront dispensaries) in specific industrial and agricultural zoning districts, subject to the issuance of a Local License pursuant to Chapter 7, Article XIII of the City Code and approval of a CUP. In June and September of 2018, the City Council approved ordinances amending several Articles of the Municipal Code pertaining to cannabis cultivation, allowing waivers of separation requirements on a case-by-case basis, and allowing the issuance of no more than two Local Licenses and CUPs for medical cannabis non-storefront delivery facilities (M-Type 9 Non-storefront/Delivery Only Retailer). On June 24, 2020, the City Council adopted a revised ordinance removing the “medical only” restriction on cannabis cultivation and nursery facilities thereby allowing adult-use cannabis cultivation.

The City's current number of local cannabis business types and licenses include:

Business Type	# Licenses Allowed	# Licenses Issued	# Active Licenses (Businesses Currently Operating)
Manufacturing	No limit	4	1
Distribution	No limit	4	1
Cultivation	12	11	2
Type 9 (Non-storefront/Delivery)	2	1	1
Testing Labs	No limit	0	0
	TOTAL	20	5

On April 19, 2023, the City Council directed staff to develop a program allowing up to two licenses for storefront cannabis sales (Type 10 – storefront retail) and return to the City Council with recommendations to facilitate Type 10 licensing. Since then, staff has been developing a storefront cannabis retail license program for City Council consideration and direction. During this time, however, the City's cannabis licensing consultant, HdL Companies, terminated its cannabis consulting agreement with the City. Per its Professional Services Agreement (PSA) with the City, HdL provided two categories of cannabis support services: 1) technical expertise, application process design, application review, compliance audits, and background checks; and 2) financial audits. With no existing cannabis consultant on-board, staff conducted its own research and drafted a proposed list of Type 10 license program recommendations based on best practices gleaned from other communities. In addition, staff recently issued a Request for Proposals for Cannabis Support Services to provide the City with the two types of services listed above that were previously provided by HdL Companies. Proposals were due to the City on October 30.

ANALYSIS

The following section outlines various components of a Type 10 – storefront retail license program, as recommended by staff.

Zoning and Location Criteria

Staff Recommendations
A. Type 10 licenses permitted within industrial areas (Limited and General Industrial zoning districts) and commercial areas (General Commercial and Special Commercial – Highway Oriented zoning districts) located within the Oceanside Blvd and Mission Ave corridors only, excluding the Historic Mission Overlay District of the Mission Ave corridor
B. Must meet existing prescribed locational requirements or separations for cannabis-related businesses (waivers require City Council approval)
C. Not allowable in Coastal Zone

The City currently allows cannabis uses in the Limited Industrial (IL) and General Industrial (IG) zoning districts of industrial areas, with the exception of cultivation and nursery licenses which are allowed in the Agricultural District. Cannabis facilities are prohibited in industrial areas regulated by Master Development Plans, Specific Plans, Planned Developments, or Planned Block Developments.

Consistent with the City's other cannabis licenses, staff recommends allowing Type 10 uses to be located in the IL and IG zoning districts of industrial areas, which are reserved for a broad range of manufacturing and service uses, typically involve a high incidence of truck or rail traffic, and ensure the provision of adequate off-street parking and loading facilities. IL districts are appropriate for a wide range of moderate to low-intensity industrial uses capable of being located adjacent to residential areas with minimal buffering and attenuation measures, and commercial services and light manufacturing. IL districts also allow for the provision of industrial services within enclosed "small-scale" buildings limited to a maximum gross floor area of 5,000 square feet. IG districts include industrial lands providing a full range of manufacturing, industrial processing, general service, and distribution uses deemed suitable for location in Oceanside.

In addition, staff recommends allowing cannabis storefront dispensaries to be located in commercial areas, specifically in General Commercial (CG) and Special Commercial (CS) – Highway Oriented (HO) zoning districts located within the Oceanside Boulevard and Mission Avenue corridors, excluding areas situated within the Historic Mission Overlay District of the Mission Avenue corridor. CG zoning districts currently provide opportunities for a full range of retail and service businesses. CS-HO districts provide opportunities for highway oriented commercial uses appropriate for the special commercial areas identified by the General Plan. Limiting Type 10 businesses to the existing Oceanside Boulevard and Mission Avenue corridors, excluding the Historic Mission Overlay District, would ensure that storefront cannabis uses are located within more urban, developed commercial areas of transportation corridors of the City while protecting Oceanside's historic Mission area.

Staff researched how other municipalities manage their cannabis programs. Those municipalities included eight other cities in San Diego County that allow storefront retail sales, as well as Costa Mesa in Orange County. Of the nine cities sampled, three allow storefront retailers only in commercial districts, five allow storefront retailers in both commercial and industrial districts, and one allows storefront retailers only in industrial districts.

Staff recommends that Type 10 uses be subject to specific locational requirements or separations pursuant to Article 36 of the Zoning Ordinance. In particular, Article 36 requires that cannabis uses locate at least 1,000 feet from the following "Sensitive Land Uses":

1. Public or Private School;
2. Park, playground or public beach;
3. Church or other similar religious facility; and,

4. Child care or pre-school facility.

If a potential Type 10 location does not meet one or more of the previous required separations, the cannabis facility must request a waiver subject to City Council discretion. The applicant must justify how a strict interpretation of the above separations is inappropriate and that the proposed site meets the intent of Article 36. Article 36 seeks to avoid overconcentration of regulated uses which can build off of one another to create areas that can have a significant effect on crime and could reduce property values or detract from the attractiveness of the area. Due to the City's current geographic layout, very few sites are located more than 1,000 feet of a residential zone. Once the buffers from the sensitive land uses and the existing regulated uses are factored in, it may be challenging to meet all of the locational requirements. Therefore, a proposed storefront retail location would likely need to seek a waiver of locational requirements subject to the specific findings set forth in Oceanside Zoning Ordinance Section 3605.

Currently cannabis-related uses are not permitted within Oceanside's Coastal Zone. In recent years, the California Coastal Commission has shared its opinion that cannabis operations have the potential to raise land use compatibility and coastal resource issues (<https://documents.coastal.ca.gov/assets/agriculture/Cannabis-Information-I-Document-4.29.19.pdf>). An LCPA would be required to allow cannabis uses within Oceanside's Coastal Zone, and establish regulations for cannabis delivery, cultivation, manufacturing, testing, distribution, and storefront retail as permitted or conditional uses in commercial areas located within the Coastal Zone. This effort would likely take at least one to two years to process. As such, staff does not recommend pursuing an LCPA at this time due to the long LCPA process, and limited staff resources required to develop, draft, and defend a cannabis-related LCPA.

Application Evaluation Criteria, Scoring, and Selection Process

Staff Recommendations
A. Amend City's existing Commercial Cannabis Business Application Procedure Guidelines and Commercial Cannabis Business Application under guidance of new cannabis support services consultant, then bring application document/procedures to City Council for consideration
B. Open application process for next round of Type 9 non-storefront (delivery only), cultivation, manufacturing, distribution, testing lab, and Type 10 licenses at same time
C. Develop detailed evaluation criteria, scoring matrix, and selection process under guidance of new cannabis support services consultant for City Council consideration
D. Give no preference to existing cannabis facilities/license holders
E. Applicants must achieve "passing" score for meeting minimum evaluation criteria, then those applicants are entered into a lottery system for awarding two Type 10 licenses

The City has existing Commercial Cannabis Business Application Procedure Guidelines (Attachment 1), which outlines such application submittal requirements as a Zoning Verification Letter, Live Scan, and supplemental background applications, as well as the

application evaluation process. The City also has an existing Commercial Cannabis Business Application (Attachment 2) that requires applicant information and location of the proposed cannabis facility, and outlines Oceanside limitations on the City's liability and certifications, assurances, and warranties. Following the selection of a cannabis support services consultant, staff intends to develop updated guidelines and an application form to the City Council for consideration at a future meeting.

Currently, the City has one open Cultivation license and one open Type 9 non-storefront (delivery only) license. There is no limit to the number of cannabis licenses issued for manufacturing, distribution, and testing labs. Following City Council approval of the guidelines and application form as described above, staff recommends the City open the application process for cultivation, manufacturing, distribution, testing lab, Type 9, and Type 10 licenses at same time. Doing so would assist staff with ease of tracking requirements and deadlines associated with each license, and allow applicants to simultaneously apply for various licenses.

Concurrent with amending the Commercial Cannabis Business Application Procedure Guidelines and Commercial Cannabis Business Application, staff recommends developing a detailed evaluation criteria, scoring matrix, and selection process with guidance from internal staff and the new cannabis support services consultant, then returning to the City Council for consideration at a future meeting.

Staff does not recommend giving preference to existing cannabis facilities and license holders (i.e. Type 9 non-storefront (delivery only), cultivation, manufacturing, distribution, and testing labs) to provide an even playing field for all applicants. When the City implemented cannabis facility licensing for the types listed above, there was no indication that obtaining such licenses would provide an upper hand for existing businesses to achieve a Type 10 license in the future. It may be that Type 10 applicants would have applied for the other types of licenses upon knowing that a preference would be giving to existing license holders.

In terms of the applicant selection process, staff is aware of two main methods in which cities award commercial cannabis licenses: 1.) merit-based and 2.) lottery-based. In a merit-based process, applicants for a cannabis license are graded against a rubric and only the top scorers receive approval. In a lottery-based process, the City ensures that each applicant receives a qualifying score but the ultimate approval decision is left to chance.

At this time, the City awards commercial cannabis business licenses through a merit-based system. In that process, the applicant submits materials for their proposed operation including a site plan, a business plan, a security plan, a labor and employment plan, and pro-formas. If the City receives a complete application package, staff sends the materials to its cannabis consultant for scoring the applications. If the applications score higher than the minimum requirement, those applications are then sent to the next phase of the scoring process which involve business owner interviews. The scores for both of the above phases are then combined and ranked. The City then picks the top scoring licenses

for the City Manager to choose from; the City Manager is the ultimate authority in determining which businesses are awarded a license.

Although merit-based systems are designed to allow a City to select the best qualified applicants, research of other municipalities have shown that the process is often legally challenged. For instance, the City of Chula Vista was challenged in at least two lawsuits that proceeded to the Court of Appeal. Litigants contended that the city improperly disqualified applicants from consideration and/or failed to follow its own rules. The City of Chula Vista prevailed in one of the appellate court cases but lost the other.

In light of this information, staff recommends that the approval process for Type 10 licenses is both merit-based and subject to a lottery system, similar to what the City of Vista currently employs. Applicants must achieve a “passing” score for meeting the minimum evaluation criteria, then those applicants are entered into a lottery system for awarding two Type 10 licenses. This selection process is more legally defensible, while preserving many benefits of the merit-based system. It also helps to better facilitate license approval process when submittal of multiple applications are anticipated. For example, the City of Vista received 29 applications in 2019 following their decision to allow storefront retail, and the City of Chula Vista received 96 applications. Following a ballot measure that allowed storefront retail licenses last year, the City of Encinitas received over 207 applications. It should be noted that many of those applications were essentially duplicates; applications from the same business for different sites or different applications from companies with the same owners trying to manipulate or “game” the system. When the Type 10 license program is completed and ready to execute, staff anticipates receiving a surge of applications.

License Deadlines

Staff Recommendations	
A.	Require applicant to obtain CUP within 12 months of the granting of a local license, or City will disqualify the applicant and offer local license to next qualified applicant
B.	Require local licensee to commence operations within 18 months of CUP issuance, or its local license will be revoked

As shown in the table provided towards the beginning of this staff report and again provided below, in most cases the number of active licenses, or cannabis facilities currently operating, does not coincide with the number of licenses issued.

Business Type	# Licenses Allowed	# Licenses Issued	# Active Licenses (Businesses Currently Operating)
Manufacturing	No limit	4	1
Distribution	No limit	4	1
Cultivation	12	11	2
Type 9 (Non-storefront/Delivery)	2	1	1
Testing Labs	No limit	0	0
	TOTAL	20	5

Staff has found that many of the City's existing licenses have been occupied for years, yet only a quarter of license holders have cannabis facilities currently in operation. As such, staff recommends requiring applicants to obtain a CUP within 12 months of the granting of a local license, or the City will disqualify the applicant and offer the local license to the next qualified applicant. Furthermore, staff recommends requiring licensees to get its business operational within 18 months of CUP issuance or its local license will be revoked. Doing so will provide continued opportunities for applicants dedicated to vesting its license in a timely manner.

Policy Implementation

Staff Recommendations
Amend Oceanside Municipal Code (Chapter 7, Article XIII) and Zoning Ordinance (Articles 4, 11, 13, 36) for Type 10 regulations accordingly

Implementing a Type 10 license program would require amendments to the City Code (Chapter 7, Article XIII) and Zoning Ordinance (Articles 4, 11, 13, 36). Following City Council direction on program details, staff will draft proposed amendments for Planning Commission and City Council consideration at future meetings.

Tax Structure

Staff Recommendations
A. Establish and recommend a cannabis tax rate for Type 10 businesses under guidance of new cannabis support services consultant (the currently established tax rate is five percent (5%) of gross receipts with the ability to tax up to six percent (6%))
B. City Council to determine how anticipated tax revenue will be allocated during annual budget process

Established by Measure M in 2020, the City's cannabis tax rates on commercial cannabis businesses were set between two and six percent; testing labs were exempted from the tax and a separate rate was implemented for cultivators. Per City Council direction, the current cannabis retail tax for Type 9 cannabis facilities is five percent of gross receipts. The following table lists cannabis tax rates from surrounding areas:

Government Agency	Cannabis Storefront Retail Tax Rate (percent of gross receipts)
City of Vista	7%
City of San Diego	8%
City of La Mesa	4%
City of Chula Vista	7%
County of San Diego (unincorporated areas)	2%

Based on the tax comparisons listed above, staff recommends the City establish a six percent retail tax rate for Type 10 cannabis facilities to be competitive with neighboring

cities. Staff reached out to nine cities to gain an understanding of each city's cannabis tax rate and the amount of revenue collected; three cities provided the following information pertaining to fiscal years 2022-23:

City	# Operating Businesses	Tax Rate (%)	FY 22-23 Approximate Revenue (\$)
City of Vista	8	7%	\$2.91 million
City of San Diego	12	4%	\$3.14 million
City of La Mesa	11	7%	\$6.92 million

Staff would like to have further discussions with the new cannabis support services consultant to determine the most appropriate retail tax rate for Oceanside's Type 10 cannabis facilities.

During its April 19, 2023 meeting, the City Council also discussed the possibility of reserving a portion of the revenue collected from the new licenses for public safety and youth prevention programs. Measure M, approved by the electorate by 61.78 percent of the vote, proposed a cannabis business tax "to fund general city services, including enforcement efforts against cannabis businesses operating illegally." Consistent with the language of Measure M, staff recommends the City Council determine how Type 10 retail tax revenue will be allocated each year, based on City priorities and needs during the City's annual budget process.

Next Steps

Following City Council direction at this meeting, staff anticipates returning to the City Council within three to six months from executing a PSA with the selected cannabis support services consultant with the following items for consideration:

- 1.) Commercial Cannabis Business Application Procedure Guidance and Commercial Cannabis Business Application documents
- 2.) Evaluation criteria, scoring, and selection process
- 3.) Amendments to Oceanside Municipal Code (Chapter 7, Article XIII) and Zoning Ordinance (Articles 4, 11, 13, 36) for Type 10 regulations
- 4.) Cannabis storefront retail tax structure

FISCAL IMPACT

For discussion purposes only. An analysis of fiscal impact will be provided as individual recommendations are brought forward for City Council consideration.

CITY ATTORNEY'S ANALYSIS

The City Attorney has worked with staff on the development of its recommendations. Following City Council direction, the City Attorney's Office will finalize all required ordinances and resolutions to be considered by the City Council.

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RECOMMENDATION

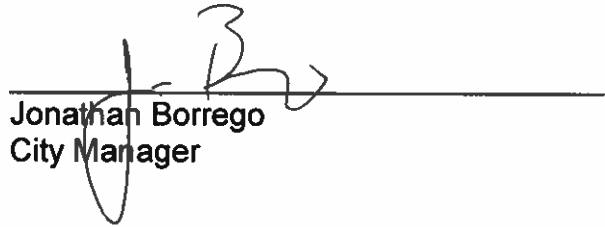
Staff recommends the City Council receive a presentation on the proposed storefront cannabis retail license ("Type 10") program and provide staff direction on the proposed recommendations.

PREPARED BY:

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Darlene Nicandro
Development Services Director

SUBMITTED BY:

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Jonathan Borrego
City Manager

REVIEWED BY:

Jill Moya, Financial Services Director
Sergio Madera, City Planner

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ATTACHMENTS:

1. Existing Commercial Cannabis Business Application Procedures Guidelines
2. Existing Commercial Cannabis Business Application



City of Oceanside

Development Services
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P: 760.435.3544
E: cannabis@oceansideca.org

COMMERCIAL CANNABIS BUSINESS APPLICATION PROCEDURE GUIDELINES

Information regarding the Commercial Cannabis Business (CCB) Application process can be found on the City's website at https://www.ci.oceanside.ca.us/gov/dev/cannabis_facilities/default.asp and includes the following:

- California State regulations and resources
- Oceanside City Code (OCC) Chapters 7, Article XIII
- Cannabis Potential Zones Map
- Commercial Cannabis Business Application
- Live Scan form
- Limitations on City's Liability waiver

CCB Applications will be available online: https://www.ci.oceanside.ca.us/gov/dev/cannabis_facilities/default.asp. CCB Applications must be returned to the Development Services counter prior to the deadline by appointment only. Please email cannabis@oceansideca.org to request an appointment.

CCB Applications and payment will be accepted by City staff during the submittal appointment. All Applications will be reviewed for completeness. Upon completing the initial Phase 1 review, Applicants will be advised of any missing material and will be given an opportunity to amend the application prior to the close of Phase 1. Applications that meet the established submittal requirements will be determined complete and will therefore be eligible to advance to Phase 2. Applicants will then be required to pay the Phase 2 fixed fee. Applications determined to be incomplete will be disqualified.

CCB APPLICATION SUBMITTAL REQUIREMENTS

All CCB Application materials required for Phases 1 – 4, must be submitted during the Phase 1 CCB Application submittal appointment. Applicants will be expected to hand deliver one (1) signed original CCB Application (pages 1 – 6), and one (1) USB flash drive containing a scanned copy of the signed CCB Application (pdf format) in addition to all the Evaluation Criteria (Sections 1 – 8).

Please Note: Responses to all of the Evaluation Criteria (Sections 1 – 8 found in the Appendix A of this document) shall be limited to 125 pages. Sections 1 – 5 will be evaluated and scored during Phase 2. Although Sections 6 – 8, Location, Community Benefits and Owner Qualification are Evaluation Criteria submittal requirements in Phase 1 and 2, they will not be scored until the interview in Phase 3. Responses related to Proof of Capitalization are not included in the 125 page limit. Proof of Capitalization material shall be saved in a separate digital file (see directions below).

Submittal documents should be saved on a single USB flash drive in the following manner:

- Digital File #1 – "CCB Application" (pages 1 – 6, including all required signatures and related documents i.e. Zoning Verification Letter)

- Digital File #2 – “Evaluation Criteria” (Responses to the Evaluation Criteria found in Sections 1 – 8. This file shall not exceed 125 pages. Points may be deducted for every page over the described limit.)
- Digital File #3 – “Proof of Capitalization” (All bank statements, loan documents, promissory notes, financial and commitment letters)

CITY’S RESERVATION OF RIGHTS

The City reserves the right to reject any and/or all applications, with or without cause or reason. The City may modify, postpone, or cancel the request for a CCB license without liability, obligation, or commitment to any party, firm, or organization. In addition, the City reserves the right to request and obtain additional information from any candidate submitting an application. Late or incomplete applications WILL BE REJECTED. Furthermore, an application RISKS BEING REJECTED for the following reasons:

- It is not fully responsive to this request for a CCB application.
- It contains excess or extraneous material not called for in the request the CCB application.
- It exceeds 125 pages (File #2) in response to the evaluation criteria
- The issuance of the CCB license at the proposed location is inconsistent with State law, City of Oceanside Zoning Ordinance, or other applicable Oceanside city codes.

AMENDMENTS TO THE APPLICATION

Upon the close of Phase 1, Applicants will not be allowed to provide supplemental material or make amendments to their application, except as otherwise specifically permitted in these procedures or as authorized in writing by the City.

The following procedures outline the application evaluation and selection process, required materials, and other information necessary to apply for a permit to operate a CCB in Oceanside.

ZONING VERIFICATION LETTER (ZVL)

Prior to submitting a CCB Application (Phase 1), an Applicant must obtain a Zoning Clearance/Verification Letter from the Planning Division. To secure this letter, an Applicant should submit a completed application, available at the Developer Services Counter or online at:

<https://www.ci.oceanside.ca.us/documents/Planning/Zoning%20Verification%20Form%20-%20Cannabis.pdf>

which should specify the intended use of the building and proposed building location. Information on intended chemical use of the building and occupancy is also encouraged but not required.

Applications are accepted at the Development Services Counter. The City’s review and issuance of a ZC/ZVL takes approximately fifteen (15) calendar days. The City issued ZC/ZVL must be included with the CCB Application (Phase 1).

The issuance of a ZVL does not constitute written evidence of permission given by City or any of its officials to operate a cannabis business, nor does it establish a “permit” within the meaning of the Permit Streamlining Act, nor does it create an entitlement under the Zoning or Building Code. A regulatory permit for a CCB does not constitute a permit that runs with the land on which the cannabis business is established. Please note that the cannabis business will require a discretionary permit. This is a separate application that will be made only after final evaluation and ranking by the City (Phase 4 below).

LIVE SCAN AND SUPPLEMENTAL BACKGROUND APPLICATIONS

As part of the application process, each individual applying as an owner must undergo a Live Scan to check fingerprints against the Department of Justice’s (DOJ) records. This form be found here:

<https://www.ci.oceanside.ca.us/civicax/filebank/blobdload.aspx?blobid=47514>

In the meantime, and in addition to the Live Scan, each individual applying as an owner shall complete the online Background Application found at https://hdlcompanies.formstack.com/forms/bc_oceanside. A fee of \$300 will be required at the time of submittal. The online Background Application is available currently.

Individuals who do not meet the State and/or City's eligibility requirements will be disqualified. Eligibility disqualifiers may be found in State Law BPC Division 10, Chapter 5, Section 26057 (B) (4) and the City's Ordinance Section 7.121.

Phase 1: Application Submittal and Determination of Eligibility

Fixed Fee: \$3,471

Applications must be submitted, which constitutes submittal of all application materials and payment of all required fees, by deadline posted on the City's website. An appointment should be made to submit the Phase 1 CCB Application. The City requires one (1) complete signed original of the application and all materials identified below as part of Phase 1 – 4 and one (1) USB Flash Drive containing materials saved in three digital files as described on Page 2 of this document.

Payment should be made by certified check, cashier's check, or money order made payable to the City of Oceanside. The City will not accept credit card payment and application fees are non-refundable. During Phase 1, applicants will be notified if any of the Owners are ineligible and/or if their application is incomplete and may not move forward in the application process (may not advance to Phases 2 – 4). Applicants reviewed during Phase 1 who meet established criteria will be notified and will be permitted to advance to Phase 2, including submittal of the required materials and submittal of Phase 2 application fees. **LATE APPLICATIONS WILL NOT BE CONSIDERED.**

Phase 2: Application Evaluation (1,000 points)

Fixed Fee: \$2,448

Applications will be evaluated and scored based on the criteria below. These items should be saved in a single digital file not to exceed 125 pages. See APPENDIX A for a description of the evaluation criteria:

- Section 1. Business Plan (200 Points)
- Section 2. Labor and Employment Plan (200 Points)
- Section 3. Neighborhood Compatibility Plan (200 Points)
- Section 4. Safety Plan (200 Points)
- Section 5. Security Plan (200 Points)

Applications found to be deficient and fail to achieve the minimum score, will be given one (1) opportunity to amend their application. Applicants will receive a Letter of Incompleteness which, will identify the evaluation criteria requiring additional information. Upon receiving the amended material, the application will be scored. Those applications which score a minimum of 80% (800 points) in Phase 2 will move on to Phase 3 of the application process. Applicants who are unable to achieve the minimum score will be disqualified and encouraged to reapply after six (6) month.

Phase 3: Interviews and Second Ranking (1,300 points)

Fixed Fee: \$1,797

Those CCB Applications that receive a passing score as part of Phase 2 will be interviewed and evaluated by the City's Cannabis Selection Committee. Prior to the scheduling of interviews, applicants may be required to have their proposed site inspected by the assigned City designee to ascertain current conditions of the site/facility.

Applicants will be interviewed and evaluated based upon the criteria below. See APPENDIX A for a description of the evaluation criteria:

- Business Plan (200 Points)
- Labor & Employment (200 Points)
- Neighborhood Compatibility Plan (200 Points)

Safety Plan (200 points)
Security Plan (200 Points)
Location (100 Points)
Community Benefits (100 Points)
Qualifications of Owners (100 Points)

Phase 3 scores will be tabulated and combined with Phase 2 scores to establish an overall score. All applications that maintain a score of at least 80%, will advance to Phase 4 of the selection process.

Phase 4: City Manager Final Decision

Fixed Fee: \$736

Applicants who score at least 80% after Phase 3 will be eligible to apply for consideration of a CCB license (Phase 4). Prior to making a final decision, the City reserves the right to request and obtain additional information from any candidate who has submitted an application.

The City Manager will review the City Selection Committee's evaluation and make a final determination on the awarding of licenses. However, the City reserves the right to award a lesser number of licenses or to award no licenses at all. Successful applicants will be authorized to apply for a discretionary permit upon the City Manager's determination to award them a CCB license, and should be prepared to attend all discretionary permit hearings to represent their request for a Regulated Use Permit or Development Plan Review permit and to respond to questions.

Note: Payment should be made by certified check, cashier's check, or money order made payable to the City of Oceanside. The City will not accept credit card payment and application fees are non-refundable. Being awarded a license does not constitute a land use entitlement and does not waive or remove the requirements of applying for and receiving permits for all construction including: electrical, plumbing, fire, planning permits or reviews, and any other permits, business tax, or reviews as may be necessary by the relevant departments or governmental entities in charge of said permits. Nor does it guarantee that the plans submitted via the CCB application process meet the standards or requirements of those permitting departments.

CONTACT

If you have any questions or would like an update on the status of your application, please contact Stefanie Cervantes at 760.435.3544 or by email cannabis@oceansideca.org

APPENDIX A: DESCRIPTION OF EVALUATION CRITERIA

All of the following information must be submitted on a single USB thumb drive in PDF format (Please do not save any documents in Word format)

EVALUATION CRITERIA

1. BUSINESS PLAN Criteria to be evaluated and scored during Phases 2 & 3

- 1.1. Owner qualifications. Resumes are not to exceed one (1) page per owner.
- 1.2. A budget for construction, operation, and maintenance, compensation of employees, equipment costs, utility cost, and other operation costs.
- 1.3. Proof of capitalization in the form of documentation of cash or other liquid assets on hand, Letters of Credit, or other equivalent assets.
- 1.4. 3-year pro forma for at least three years of operation.
- 1.5. Fully describe hours of operation and opening and closing procedures.
- 1.6. Fully describe the day-to-day operations for each license type being sought.
 - 1.6.1. Additional criteria for **DISTRIBUTION** applications only:
 - a. Identify the number of delivery drivers, hours of delivery.
 - b. Describe the delivery vehicles and whether the vehicles will be company owned or employee owned.
 - c. Identify your proposed service area.
 - d. Describe how inventory will be received, processed, stored, and secured on the licensed Premises.
 - e. Describe the quality control procedures designed to ensure all cannabis is properly packaged, labeled, and tested.
 - 1.6.2. Additional criteria for **MANUFACTURING** applications only:
 - a. Identify all cannabis products to be manufactured within the licensed premises
 - b. Describe the quality control procedures
 - c. Describe inventory control procedures
 - d. Describe the extraction process, identify the equipment and room in which extractions will be conducted.
 - e. Provide details as to whether the proposed extraction equipment has been reviewed and certified by a professional engineer or certified industrial hygienist.
 - 1.6.3. Additional criteria for **TESTING** applications only:
 - a. Identify the Laboratory Supervisor/Manager and describe their qualifications and responsibilities.
 - b. Identify the number of samples per day the laboratory will handle. Estimate the number upon initial opening and in three (3) years.
 - c. Describe the sampling standard operating procedures.
 - d. Describe procedures for transporting cannabis field samples.
 - e. Identify the number of vehicles and hours of sample collection.
 - f. Describe the vehicles and whether the vehicles will be company owned or employee owned.
 - g. Describe the chain of custody for field samples.
 - h. Describe the quality control procedures.
 - i. Identify location and procedures for storing cannabis products.
- 1.7. Fully describe cash handling procedures.

2. LABOR AND EMPLOYMENT PLAN Criteria to be evaluated and scored during Phases 2 & 3

- 2.1. Describe compensation to and opportunities for continuing education and employee training.
- 2.2. Describe the extent to which the CCB will be a locally managed enterprise whose owners and /or managers reside within the North County area.
- 2.3. Describe the number of employees, title/position, and their respected responsibilities.
- 2.4. Thoroughly describe employee policies and procedures (complete manuals are not required to be submitted at this time).

3. SAFETY PLAN Criteria to be evaluated and scored during Phases 2 & 3

A thorough Safety Plan should consider all possible fire, medical and hazardous situations. Complete policy/procedures manuals are not required at this point of the application process. Please only provide a detailed description for each criteria which incorporates the following provisions:

- 3.1. The Safety Plan shall be prepared by a professional fire prevention and suppression consultant. An appropriate plan will consider all possible fire, hazardous material, and inhalation issues/threats and will have both written and physical mechanisms in place to deal with each specific situation. Identify all gases and/or chemicals to be used and their storage locations (for Manufacturing and Testing applicants).
- 3.2. Identify fire alarm and monitoring systems including the name and contact information for the alarm company.
- 3.3. Describe accident and incident reporting procedures.
- 3.4. Describe all evacuation routes.
- 3.5. Describe the location of all fire extinguishers and other fire suppression equipment.
- 3.6. Describe procedures and training for fire and medical emergencies.
- 3.7. Describe and identify the location of all gas monitoring equipment.
- 3.8. Clarify if your building has sprinklers?
- 3.9. What date was the subject building constructed?

4. SECURITY PLAN Criteria to be evaluated and scored during Phases 2 & 3*

A thorough Security Plan should consider all access control, inventory control, and cash handling procedures. Complete policy/procedures manuals are not required at this point of the application process. Please only provide a detailed description for each criteria which incorporates the following provisions:

- 4.1. The Security Plan shall be prepared by a professional security consultant.
- 4.2. Premises (Security) Diagram. In addition to diagrams submitted for other sections of the application, applicants are expected to submit a premises diagram (floor plan, detail) which, focuses on the proposed security measures and how they relate to the overall business. (Pursuant to CCR Title 16, Division 42, §5006. Premises Diagram).
 - 4.2.1. The diagram all be accurate, dimensioned and to scale (minimum scale 1/8") the scale may be smaller if the proposed location exceeds more than a 1/2 acre parcel but must not be printed on larger than an 11" x 17" sheet of paper. (Blueprints and engineering site plans are not required at this point of the application process).
 - 4.2.2. The diagram must be drawn to scale and clearly identify property boundaries, entrances, exits, interior partitions, walls, rooms, windows, and doorways. The activity in each room and the location of all cameras must be identified on the diagram.
 - 4.2.3. Description of cannabis activity that will be conducted in each area of the premise. Commercial cannabis activities that must be identified on the diagram/floor plan may include but are not limited to the following if applicable to the business operations; storage areas, batch sampling areas,

loading/unloading of shipment areas, packaging and labeling, customer sales areas, training areas, employee break room areas, and testing areas.

4.2.4. Limited-access areas, defined as areas in which cannabis goods are stored or held and only accessible to a licensee, its employee or contractors, and areas used for video surveillance monitoring and storage devices (Pursuant to CCR Title 16, Division 42, §5000 (m) Limited-Access Area and §5042. Limited-Access Area).

4.2.5. Number and location of all video surveillance cameras.

4.3. Identify intrusion alarm and monitoring systems including the name and contact information for the monitoring company.

4.4. Discuss whether the CCB will utilize the services of on-site security guards. Include in the discussion:

4.4.1. Number of guards

4.4.2. Hours guards will be on-site

4.4.3. Locations they will be positioned

4.4.4. Their roles and responsibilities

* Security plans will not be made public.

5. NEIGHBORHOOD PLAN **Criteria to be evaluated and scored during Phases 2 & 3**

5.1. Describe how the CCB will proactively address and respond to complaints related to noise, light, odor, vehicle, and pedestrian traffic.

5.2. Describe how the CCB will be managed so as to avoid becoming a nuisance or having impacts on its neighbors and the surrounding community.

5.3. Describe odor mitigation practices:

5.3.1. Identify potential sources of odor.

5.3.2. Describe odor control devices and techniques employed to ensure that odors from cannabis are not detectable beyond the licensed premises.

5.3.3. Describe all proposed staff training, and system maintenance plans.

5.3.4. Describe the waste management plan. The plan shall include waste disposal locations, security measures, and methods of rendering all waste unusable and unrecognizable.

6. LOCATION **Criteria to be evaluated and scored by City staff during Phase 3 only**

6.1. In addition to the location related details provided in the CCB Application (pages 1-7), the application shall include a thorough description of the proposed location, including but not limited to the overall property, building and floor plan.

6.2. The application shall include photographs of the front (street facing) side of the building. In the event the proposed location is undeveloped land, photographs of the vacant land shall be taken from the street facing the property.

6.3. Site Plans for the proposed location. In addition to diagrams submitted for other sections of the CCB Application, applicants are expected to submit a full set of Site Plans that focuses on the overall property, neighboring buildings, common or adjoining walls and floor plan.

6.3.1. A Premise (Site) Diagram must be accurate, dimensioned and to-scale (minimum scale of ¼"). The diagram shall provide a detailed description of all available/shared parking spaces, driveway locations, and auxiliary buildings on the parcel.

7. COMMUNITY BENEFITS PLAN Criteria to be evaluated and scored by City staff during Phase 3 only

- 7.1. The CCB Application should describe all benefits the CCB will provide to the local community. Benefits may be in the form of volunteer services, monetary donations to local non-profit organizations, financial support of City sponsored activities or organizations, in kind donations to the City or other charitable organizations and/or any other economic incentives to the City. Any community benefits identified by the applicant may be memorialized as a condition of granting a CCB license or associated Conditional Use Permit.

8. QUALIFICATION OF OWNERS Criteria to be evaluated and scored by City staff during Phase 3 only

- 8.1. In addition to the one (1) page resume required in the Business Plan section above; all applicants, directors, managers and/or laboratory supervisors must provide details regarding any experience they have in operating a retail establishment, a regulated business, or managing employees. If you have any experience operating a cannabis business please provide the location of such activity and a copy of all related permits, licenses, or other written forms of permission for such activity by a local or state government entity.



ATTACHMENT 2

City of Oceanside

Development Services
300 North Coast Highway
Oceanside, CA 92054
Phone: 760.435.3544

Commercial Cannabis Business Application

APPLICANT (ENTITY) INFORMATION

APPLICANT (ENTITY) NAME: _____ DBA: _____

Physical Address: _____ City: _____ State: _____ Zip: _____

PRIMARY CONTACT (Same as above? ☐ Yes ☐ No): _____

Title: _____

Address: _____ City: _____ State: _____ Zip: _____

Phone: _____ Email: _____

HAS ANY INDIVIDUAL IN THIS APPLICATION APPLIED FOR ANY OTHER PERMIT IN THE CITY OF OCEANSIDE: ☐ Yes ☐ No

Select one or more of the following categories.

☐ Distribution

☐ Manufacturing

☐ Testing Lab

Business Formation Documentation: Describe how the business is organized (attach supporting documents to this application).

☐ Sole Partnership

☐ Corporation

☐ General Partnership

☐ Limited Liability Company

☐ Limited Partnership

PROPOSED LOCATION

PROPERTY OWNER NAME: _____

Address: _____ City: _____ State: _____ Zip: _____

Phone: _____ Email: _____

Zoning Verification Letter Number: _____

Assessor's Parcel Number (APN): _____

Proposed Location Square Footage: _____

APPLICATION SUBMITTAL CHECKLIST

Applications failing to contain all of the following items will be determined incomplete and will not move forward to Phase 2 of the application process. A complete application packet will contain all of the following items:

- ☐ One (1) printed hard copy of a complete and signed Commercial Cannabis Business Application (pages 1 – 6)
- ☐ All Evaluation Criteria outlined in the Appendix A. (This sections shall not exceed 125 pages)*
- ☐ Application and Evaluation Criteria saved in PDF format on a single USB Flash Drive
- ☐ A signed and notarized Property Owner Consent form (Page #4)
- ☐ A signed Limitations on City's Liability (pages #5 & #6)
- ☐ Zoning Verification Letter

*Proof of Capitalization documents are not to be considered part of the 125 pages. Financial responsive documentation shall be saved in a separate digital file (See the Application Procedure Guidelines).

SUPPORTING INFORMATION

Describe all nearby State and locally designated sensitive use areas and list the name and address of the closest school and the closest alcohol establishment to the proposed location:

List all fictitious business names the applicant is operating under including the address where each business is located:

Has the Applicant or any of its owners ever been the subject of any administrative action, including but not limited to suspension, denial, or revocation of a cannabis business license? If so, please list and explain:

Is the Applicant or any of its owners currently involved in an application process in any other jurisdiction?

Has the Applicant been subject to any prior code enforcement action whether in or out of the Oceanside?

APPLICATION CERTIFICATION

I hereby certify, under penalty of perjury, on behalf of myself and all owners, managers and supervisors identified in this application that the statements and information furnished in this application and the attached exhibits present the data and information required for this initial evaluation to the best of my ability, and that the facts, statements, and information presented are true and correct to the best of my knowledge and belief. I understand that a misrepresentation of fact is cause for rejection of this application, denial of the permit, or revocation of a permit issued.

In addition, I understand that the filing of this application grants the City of Oceanside permission to reproduce submitted materials for distribution to staff, Commission, Board and City Council Members, and other Agencies to process the application. Nothing in this consent, however, shall entitle any person to make use of the intellectual property in plans, exhibits, and photographs for any purpose unrelated to the City's consideration of this application.

Furthermore, by submitting this application, I understand and agree that any business resulting from an approval shall be maintained and operated in accordance with requirements of the City of Oceanside Municipal Code and State law.

Under penalty of perjury, I hereby declare that the information contained in within and submitted with the application is true, complete, and accurate. I understand that a misrepresentation on the facts is cause for rejection of this application, denial of a license or revocation of an issued license.

Name

Signature

Title

Date

All documents can be found online at https://www.ci.oceanside.ca.us/gov/dev/cannabis_facilities/default.asp. For questions please contact Stefanie Cervantes at 760.435.3544 or by email cannabis@oceansideca.org.

OWNER INFORMATION

It must be completed by all owners. Ownership percentage should equal 100%.

I declare under the penalty of perjury that the information provided on this disclosure form is true and accurate to the best of my knowledge.

Ownership % _____

Name: _____ Title: _____

Address: _____ City: _____ State: _____ Zip: _____

Background Information Included as required? ☐ Yes ☐ No

Signature: _____ Date: _____

I declare under the penalty of perjury that the information provided on this disclosure form is true and accurate to the best of my knowledge.

Ownership % _____

Name: _____ Title: _____

Address: _____ City: _____ State: _____ Zip: _____

Background Information Included as required? ☐ Yes ☐ No

Signature: _____ Date: _____

I declare under the penalty of perjury that the information provided on this disclosure form is true and accurate to the best of my knowledge.

Ownership % _____

Name: _____ Title: _____

Address: _____ City: _____ State: _____ Zip: _____

Background Information Included as required? ☐ Yes ☐ No

Signature: _____ Date: _____

I declare under the penalty of perjury that the information provided on this disclosure form is true and accurate to the best of my knowledge.

Ownership % _____

Name: _____ Title: _____

Address: _____ City: _____ State: _____ Zip: _____

Background Information Included as required? ☐ Yes ☐ No

Signature: _____ Date: _____

I declare under the penalty of perjury that the information provided on this disclosure form is true and accurate to the best of my knowledge.

Ownership % _____

Name: _____ Title: _____

Address: _____ City: _____ State: _____ Zip: _____

Background Information Included as required? ☐ Yes ☐ No

Signature: _____ Date: _____

Add more pages as necessary to accommodate all Commercial Cannabis Business Owners

PROPERTY OWNER CONSENT FORM

Commercial Cannabis Business

PROPERTY OWNER INFORMATION:

☐ OWNER ☐ MANAGER ☐ OTHER: _____

Name	Title		
Business Name (if applicable)	Phone Number		
Mailing Address	City	State	Zip Code
Business Name (if applicable)	Phone Number		

PREMISES LOCATION INFORMATION:

Physical Address	City	State	Zip Code
Tenant Applicant (Business Name)			

If applicant is other than the property owner(s), the owner(s) must provide a signed statement consenting to filing pursuant to Section 7.120(3) of the City of Oceanside Municipal Code. **Original signatures only.**

I/We, as the owner(s) of the subject property, consent to the filing of this application and use of the property for the purposes described herein. We further consent and hereby authorize City representative(s) to enter upon my property for the purpose of examining and inspecting the property in preparation of any reports and/or required environmental review for the processing of the application(s) being filed.

Name	Signature
Title	Date

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

Subscribed and sworn to before me this _____ day of _____, 20_____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me _____ .
(Name, Notary Public)

Notary Signature

Date of Notarization

Oceanside Limitations on City's Liability and Certifications, Assurances and Warranties – (Must be completed by all applicants)

a. WAIVER AND RELEASE OF LIABILITY AND AGREEMENT TO INDEMNIFY THE CITY OF OCEANSIDE

The applicant and all owners and operators hereby waive and releases the City from any and all liability for monetary damages related to or arising from the application for a license, the issuance of the license, or the enforcement of the conditions of the license. The applicant certifies that under no circumstances shall the applicant cause any cause of action for monetary damages against the City of Oceanside, the permitting official or any City employee or agent as a result of this permit application or issuance or the enforcement of the conditions of the license.

b. RELEASE CITY OF OCEANSIDE FROM LIABILITY FOR ISSUING THE APPLICANT A LICENSE

By applying for a license pursuant to the Oceanside Medical Cannabis Facility license and by accepting a license, from the City of Oceanside Development Services Department acting as the Oceanside Local Permitting Authority, the applicant/permittee, owners and operators, and each of them, waives and releases Oceanside, and its elected officials, employees, agents, insurers and attorneys, and each of them, from any liability for injuries, damages, costs and expenses of any nature whatsoever that result or relate to the investigation, arrest or prosecution of business owners, operators, employees; clients or customers of the applicant/permittee for a violation of state or federal laws, rules or regulations relating to cannabis activities.

c. AGREEMENT TO INDEMNIFY CITY OF OCEANSIDE

By applying for a license pursuant to the Oceanside Medical Cannabis Facility license Program and by accepting a license, from the Oceanside Development Services Department acting as the Oceanside Local Permitting Authority, the applicant/permittee, owners and operators, and each of them, jointly and severally if more than one, agrees to indemnify, defend and hold harmless Oceanside, and its elected officials, employees, agents, insurers and attorneys, and each of them, against all liability, claims and demands, of any nature whatsoever, including, but not limited to, those arising from bodily injury, sickness, disease, death, property loss and property damage, arising out of or in any manner related to the operation of the commercial medical cannabis facility that is the subject of the license.

- d. The applicant, commercial cannabis business manager and anyone with an ownership interest in the business referenced herein represents and certifies they have submitted to a Live Scan and/or background check no earlier than 30 days prior to the date of this application.
- e. For renewals, the applicant represents and certifies that they continue to hold in good standing any permit/license required by the State of California where applicable for a cannabis business operation.
- f. The applicant understands that operators, employees and members of the cannabis business may be subject to prosecution under Federal Laws.

- g. The person whose signature appears below is authorized to sign this application on behalf of the business and has submitted this information and all attachments as required by the application process to obtain a medical cannabis license from the City of Oceanside.

I declare under penalty of perjury that the information provided on this form is true and correct and do hereby apply for a license pursuant to Oceanside Municipal Code Chapter 7, Article XIII and in compliance with Oceanside Municipal Code Section 7.120, 7.125, 7.126, and all other applicable Sections of this Ordinance.

Applicant Signature

Printed Name and Title

Date

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20____, by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

(Seal) Signature _____