



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 26-1611

Agenda Date: 8/19/2026

Agenda #: 16.

DATE: August 19, 2026

TO: Honorable Mayor and City Councilmembers

FROM: Development Services Department

TITLE: **STOREFRONT RETAIL CANNABIS LICENSE TIE-BREAKING PROCEDURE**

RECOMMENDATION

Staff recommends the City Council address modifications of Phase 3 of the Storefront Cannabis Licensing process requested by applicants and provide direction regarding Staff's recommendation to conduct a blind lottery among three tied applicants for the City's final allotted license.

BACKGROUND AND ANALYSIS

On August 6, 2025, the City Council approved the storefront cannabis retail licensing program, allowing up to four licenses via a competitive selection process (Attachment 1). The approved program consists of a three-step phased process for cannabis license applicants, with a streamlined two-step process for the two established cannabis operators in the city. A third-party cannabis consultant, Rincon Consultants, Inc. (Rincon), assisted City planning staff in the review and evaluation of application materials and administration of the program.

The first phase of the application process consisted of a completeness evaluation of applications submitted during the Fall 2026 application window. Applicants that failed to submit a complete application would be eliminated from the process. Applications were preliminarily reviewed by Rincon during this initial review period for the limited purpose of confirming that all application materials required to be submitted in support of the licensing application were included. Planning staff confirmed the results of Rincon's review. All 17 applications received were considered complete and advanced to the scoring phase of the application process.

During the second phase of the application process, all complete applications were scored based on the City Council approved scoring matrix. Applications were rated from 0-100 (102 points possible but 100 was the maximum identified score) with those applications not scoring at least 90 points to be eliminated from further consideration. Scoring was conducted by Rincon and confirmed by Planning staff. No other city officials had access to the applications or scoring during this process. Information in the submittals, such as ownership interest disclosures and allocations were submitted under penalty of perjury. Where additional documentation was required to confirm eligibility or scoring, the

guidelines allowed the City to request and obtain such information.

Sixteen of the seventeen applicants scored over the minimum threshold for further consideration. Pursuant to the adopted guidelines, the City's two existing operators (Oceanside Retail dba MedLeaf and Noble Victory aka Left Coast) scored sufficiently high to be awarded a storefront retail local license after clearing the minimum application score in Phase 2. The top eight (or more in the event of a tie for the eighth slot) remaining applicants were advanced to the Phase 3 panel interviews to compete for the remaining two available licenses.

MedLeaf and Left Coast were issued local licenses in February 2026 and currently have conditional use permit applications under review by staff. Of the remaining applicants, nine scored full points. One applicant, Green Venture Farms, was re-scored following a timely notice of intent to appeal and submission of clarifying documentation and thus proceeded to the final step in the application process involving panel interviews. All applicants were advised of the Phase 2 scoring and the results were posted on the City's website.

Phase 3 Panel Interviews were held in June 2026. Pursuant to the adopted application procedures, the interview panel was comprised of the City Manager, Assistant City Manager, Deputy City Manager, Chief of Police, and Finance Director. Recipients of the remaining two licenses were to be determined via an anonymous ranked-choice vote by the interview panelists. Staff implemented this through a set of common questions prepared by Rincon and the panelists used a forced ranking matrix to make their final ranked choice determinations.

During the interviews, the Chief of Police first learned that a majority owner of TAT Oceanside, LLC had a close familial relationship with an Oceanside Police Department employee with whom he has a direct working relationship. The Chief of Police did not have prior access to the application materials and came to this understanding during the interview. He flagged the potential conflict at the conclusion of this interview and completed the remaining interviews while the potential conflict was evaluated by the City Attorney's Office.

As was detailed in the August 5, 2026 staff report relating to an appeal by TAT, because there is no direct or indirect financial benefit to the Chief of Police based on the participation of the family member of a department employee in a public licensing process, it was determined there is no financial conflict of interest under the Political Reform Act or other statute that mandated disqualification. However, the Chief of Police is a position that requires utmost integrity and concerns about potential common law bias in favor of an applicant that had a close familial relationship with a Police Department employee remained. In particular, concerns over public perception of bias, of fairness and impartiality, or the potential perception of other applicants in the process resulted in the Chief abstaining from the final ranking process. In cases where disqualification is not required, abstention is an appropriate remedy. Accordingly, the Chief of Police recused himself from the scoring process for all applicants. Staff believe the decision was the most prudent way to address any perceived conflict of interest. Phase 3 applicants were advised of this decision on July 1, 2026 and of the final scoring on July 7, 2026. The City Council affirmed this conclusion following a public hearing on August 5, 2026 in relation to the appeal filed by applicant TAT Oceanside, LLC, dba The Artist Tree.

After the City Clerk tabulated the results of the anonymous ranked-choice vote based on the forced ranking matrix used by the four remaining panelists, there was one application that received first place, and a three-way tie for second place. The results of the storefront retail application process are shown in Table 1 below.

Table 1

Applicant*	Phase 1 Determination	Phase 2 Score	Phase 3 Ranking	License Status
March & Ash	Pass	100 / 100	1 st	Local License Eligible
Embarc	Pass	100 / 100	2 nd (Tie)	<i>Pending determination for License #4</i>
OPCO	Pass	100 / 100	2 nd (Tie)	<i>Pending determination for License #4</i>
Green Venture Farms (GVF)	Pass	100 / 100	2 nd (Tie)	<i>Pending determination for License #4</i>
STIIIZY	Pass	100 / 100	5 th	
The Artist Tree	Pass	100 / 100	6 th	
Buzz	Pass	100 / 100	7 th	
5 Star Greens	Pass	100 / 100	8 th	
Viva Verde	Pass	100 / 100	9 th	

*Applicant names listed above are shorthand forms of their respective Doing Business As (DBA) names.

The City Council's adopted guidelines did not identify a process to break a tie in the final Phase 3 scoring, unlike Phase 2 which did address a potential tie at that stage. The prospect of a multi-way tie at the end of Phase 3 was not contemplated at the time the process was developed. Accordingly, in order to break the tie among three equally ranked candidates for the final available license, staff initially announced a blind public lottery among them (Embarc, OPCO, GVF). Prior to the lottery being held, these applicants jointly requested that the lottery be postponed so that the City Council would have an opportunity to weigh in on the tie-breaking process. More specifically, these three applicants collectively propose that a fair result would be to award each of them a local license. (Attachment 2). Other interested parties have also requested Staff suspend the lottery pending City Council review and public input. Staff suspended the public lottery to obtain City Council's direction.

DISCUSSION

At this stage, the City Council has three primary options for how to proceed: 1) conduct the blind lottery among the three applicants that tied for second place, with the winner receiving the remaining available storefront retail license (Staff Recommended); 2) adopt a resolution authorizing the award of two additional licenses for the equal distribution among the tied applicants; or 3) otherwise modify or restart the Phase 3 interview process.

Option 1 - Staff Recommendation of a Blind Lottery

Staff recommends a blind public lottery. A lottery of this nature provides an immediate conclusion to the unexpected tie resulting from the established process while being fair and impartial to all applicable parties. When providing direction to staff in February 2025, the City Council was not supportive of a lottery following the conclusion of Phase 2 application scoring. Instead, the City Council preferred to determine license awardees on merit, through a blind ranked-choice vote from an interview panel. The process was designed so that only the top scoring applicants would advance from Phase 2 and then the top two applicants of that group would be issued a local license. The process worked as designed to identify the highest quality applicants, except that it resulted in an unexpected tie. The three applicants tied for second place were considered equally meritorious by the process, and picking one of the three via a lottery would not degrade the merit-based nature of the licensing process and would not randomly award a winner among all minimally scoring applicants as was the City Council's concern in 2025. In addition, a lottery would not modify the four-license cap instituted by the City Council.

Oceanside City Code section 7.121(d) provides that, "[t]he city manager or designee is authorized to implement policies and procedures consistent with this chapter concerning the application, the information required of applicants, and the application procedures to implement this chapter." The City Council approved guidelines for the storefront licensing process also include the following 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 Type 10 Cannabis Storefront Retail 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.

Staff's implementation of a blind lottery tie-breaker is within the discretion already built into the process regarding the application procedures as they currently exist and requires no further action by the City Council beyond mere ratification. Therefore, staff recommends that the City Council affirm this approach and direct the City Clerk to move forward with the previously noticed lottery to determine the recipient of the final outstanding storefront retail cannabis local license.

Option 2 - Issuing Two Additional Licenses

The tied applicants (Embarc, OPCO and GVF) collectively request the City Council consider awarding each of them a local license, increasing the total number of potential storefront licenses from four (4) to six (6). As noted above, the City has reserved the right to modify the process under the approved guidelines. As well, pursuant to Section 7.117(b) of the Oceanside City Code, the City Council has the discretion to modify the number of available licenses by resolution:

The maximum number of local licenses issued by the city may be limited by resolution of the city council. Such limitation may be based on number of local licenses, the aggregate area of cannabis facilities, or any other measure determined by the city

council. Unless otherwise authorized by the city council, no more than four (4) local licenses may be issued by the city manager or designee to permit a cannabis storefront retail establishment located in Oceanside.

Awarding local licenses does not necessarily produce cannabis retail stores, it simply grants that possibility. To become operational, license holders must invest substantial funds and obtain a multitude of licenses, including a conditional use permit. In addition, market forces, industry trends, financing hurdles, and economic conditions all affect the viability of opening a business. Issuing six storefront cannabis retail licenses instead of four may not result in six storefront retailers. These licenses are non-transferable until four years of continuous operation so there is no risk that an operator would be awarded a license and simply sell or market the license without successfully opening.

Because this option requires a formal resolution, staff has prepared a draft resolution (Attachment 3) should the City Council elect this option and wish to take immediate action. Language has been inserted into the draft resolution in an effort to honor the existing four-license cap to the greatest extent possible. The resolution would eliminate the two additional licenses should one or more licensee fail to become operational before the deadlines instituted by Section 7.122 of the Oceanside City Code. Section 7.122 states that license holders which fail to secure a conditional use permit (CUP) within 12 months of license issuance, or fail to commence operations within 18 months of CUP approval, forfeit their local license. The City Council has not yet defined a process for licenses that are returned to the available pool after this lengthy period, but staff has assumed that a new license process would be initiated at that future time. Per the proposed resolution, should any two of the six potential licenses not reach operation per the timelines of the City Code, the license would be eliminated altogether. Beyond that, any of the four remaining potential licenses would remain available for a new license process if they do not reach operational status.

Option 3 - Otherwise Modify the Phase 3 Process

The City Council retains the ability to make other reasonable or appropriate modifications to the process as stated in the guidelines. This could potentially include providing an alternative mechanism for breaking the existing tie, conducting a new Phase 3 interview with new panelists for all Phase 3 qualifying applicants, or any number of other options so long as they are not arbitrary and are rationally supported by the record. One applicant requested a pause, public release of records, and if potentially an entirely new Phase 3 panel. Another applicant requested a new blind ranked choice vote by the existing panel as to only the tied applicants. For the reasons described below, staff does not recommend Option 3.

Staff paused the lottery process and the City Council held a public hearing on a timely filed appeal as well as this public meeting to discuss the Phase 3 process, generally. Staff finds that the first two options adequately address the tie that resulted from the existing ranked choice process. The process itself was developed through many public meetings over a lengthy period of time. The application and scoring were fairly administered by outside consultants with oversight and confirmation from Planning staff. The panel interviews resulted in an unexpected tie and the City Council has affirmed the appropriateness of the Chief of Police's recusal. The results of the process

have been transparently communicated at every stage and the supporting documents have been promptly made available for public review. While the City Council has the discretion to take alternative action, Staff does not believe it is necessary or warranted under the circumstances and recommends the City Council provide final direction on the process consistent with the options set forth above.

ENVIRONMENTAL DETERMINATION

The recommended actions are not a project pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(5) as it is an organizational or administrative activity of government that will not result in any direct or indirect physical changes in the environment. As such, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3). Any approved licensee will be subject to CEQA that is specific to the land use location identified during the required Conditional Use Permit process.

FISCAL IMPACT

The decision concerning how to award a previously approved storefront retail cannabis local license would not result in any new fiscal impacts. If the City Council were to increase the number of licenses available, it could potentially increase future cannabis tax revenues but it is premature to project.

COMMISSION OR COMMITTEE REPORT

Not applicable.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

Prepared by: Dane Thompson, Senior Planner

Reviewed by: Oscar Romero, City Planner

Reviewed by: Brian Thomas, Acting Development Services Director

Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:

1. August 6, 2025 City Council Staff Report
2. Joint Applicant Request Letter
3. Resolution Increasing License Cap