



## Legislation Text

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**File #:** 18-018, **Version:** 1

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**SUBJECT:** Adoption of Merit-Based Selection Criteria for Commercial Cannabis Business Permits (Limited Number of Permits Available)

### REPORT IN BRIEF

The City Council is being asked to adopt, by resolution, the Merit-Based Selection Criteria for Commercial Cannabis Business Permits for which there are a limited number of permits available. Dispensaries/retail sales are limited to four in the recently adopted Ordinance.

### RECOMMENDATION

**City Council** - Adopt a motion adopting **Resolution 2018-01**, a Resolution of the City Council of the City of Merced, California, approving Merit-Based Selection Criteria for Scoring Commercial Cannabis Business Permit Applications for which there are a limited number of permits available.

### ALTERNATIVES

1. Approve the resolution as recommended by City staff; or,
2. Approve a modified resolution as revised by the City Council; or,
3. Deny the request; or,
4. Refer back to staff for reconsideration of specific items (specific items to be addressed in City Council motion); or,
5. Continue to a future City Council meeting (date and time to be specified in City Council motion).

### AUTHORITY

Section 20.44.170(L)(c) of recently adopted Ordinance No. 2480 calls for the establishment of a merit-based scoring system to objectively award commercial cannabis business permits for which there are a limited number of permits available.

### CITY COUNCIL PRIORITIES

On March 29, 2017, the City Council held a study session on priorities and medical marijuana regulations were listed under "City Administration-Current Projects."

### DISCUSSION

#### Background

On November 20, 2017, the City Council introduced Ordinance No. 2480 which established regulations for Commercial Cannabis Businesses and the cultivation of cannabis for personal use in the City of Merced. The Ordinance was adopted on December 4, 2017, and went into effect 30 days

later on January 3, 2018.

Ordinance No. 2480 included Section 20.44.170(L)(c), which set forth that a merit-based scoring system is to be established to objectively award commercial cannabis business permits for which there are a limited number of permits available. Merced's Ordinance allows only four (4) Commercial Cannabis Business Permits for dispensaries/ retail sales.

With the adoption of Ordinance No. 2480, the City Council has requested that staff prepare a draft sales tax structure related to commercial cannabis activity within the City. On January 2, 2018, the Council approved an amendment with SCI Consulting to support this effort and develop a strategy for seeking voter approval of the proposed cannabis tax measure. An initial structure has been developed in partnership with SCI Consulting and will be presented to the Council for input and direction.

### Draft Merit-Based Selection Criteria

Draft versions of the Merit-Based Selection Criteria were included in the Planning Commission staff report for its consideration of the Draft Ordinance on November 8, 2017, and in the City Council Administrative Report for its consideration of the Draft Ordinance on November 20, 2017. However, at that time, the Planning Commission and City Council were not asked to adopt the Criteria, but only to provide comments on the drafts. The only comments received from the Planning Commission and City Council were to try to provide a "local preference" in the Criteria. City staff also received some comments from members of the public and the cannabis industry relating to the Criteria.

Based on the input received and after extensive review by City staff (including Planning and City Attorney staff) and SCI Consulting, a revised draft of the Merit-Based Selection Criteria was presented to the City Council on January 2, 2018. Four letters/emails were received from the public with suggestions on how to change the criteria, which are included at Attachment 2, and five individuals testified at the January 2 meeting with various suggestions. The City Council reviewed the individual criteria and gave staff direction on specific revisions to the proposed criteria. The revised criteria is presented at Exhibit A of the City Council Resolution (Attachment 1).

With the additional Council input, SCI and City staff both believe that the revised Criteria provides a good balance between the desire to have highly successful cannabis businesses, to address neighborhood concerns, and to have preferences for local businesses. The City Council is being asked to review the Revised Criteria, provide any additional comments or suggestions, and then adopt the Resolution at Attachment 1.

### **IMPACT ON CITY RESOURCES**

No appropriation of funds is needed. However, adoption of the Ordinance (and the Merit-Based Selection Criteria) will likely increase the time commitments of City staff toward cannabis activities at the expense of other priorities or projects. Depending on the level of interest, the number of applications for Commercial Cannabis Business Permits may be significant, impacting mostly Planning Division staff, but will also impact the City Manager's office, the Police Department, Finance Department, and others. Ongoing resources will also need to be devoted to inspections and regulatory and enforcement activities of approved Commercial Cannabis businesses.

On December 18, 2017, the City Council was asked to adopt application fees to cover the cost of processing the Commercial Cannabis Business Permits and annual regulatory fees to cover the costs of ongoing inspections. A ballot measure to consider a tax related to cannabis is also anticipated in 2018 to support enhanced City services.

## **ATTACHMENTS**

1. City Council Resolution with Selection Criteria as Exhibit A
2. Correspondence Received on the Selection Criteria