

*"Placerville, a unique historical past forging into a golden future."*

**City Manager's Report**  
**January 14, 2020, City Special Meeting**  
**Prepared by: Cleve Morris, City Manager**  
**Item #: 3.1**



**Subject:** Announcement of Award of Licenses to Cannabis Business Applicants

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**Purpose:** To announce the award of licenses to 3 Cannabis Business Applicants for operation of Retail Cannabis Dispensaries and other related functions.

**Background:**

Applications for Cannabis Businesses were due on April 29, 2019. The City received 13 applications for consideration. The City adopted Resolution No. 8677 on November 13, 2018 limiting the number of cannabis businesses in the City to no more than three retailers and no more than three testing facilities. No applications have been received to develop cannabis testing facilities within the City.

In order to receive one of the three cannabis retailing licenses, an applicant would have to successfully navigate a four phase evaluation process. HdL Companies was hired by the City to assist with this effort.

Phase I of the process consisted of a review of the applications by the Development Services Department to determine if the applications were complete and that the proposed cannabis business locations met proper zoning. All 13 applications received were deemed complete at this phase and were moved on to Phase II.

Phase II of the review process consisted of a thorough review by HdL Companies based on established specific criteria described in the application. Applicants were required to achieve 80% of the total possible score in order to move on to Phase III. In Phase II, four applicants did not receive an 80% score. Three of these applicants appealed the decision to the City Manager. Of these three, all were awarded additional points for Phase II. However, only one of the three received a sufficient number of points to advance to Phase III. One of the remaining two applicants appealed further to the City Council. The City Council awarded additional points sufficient to move the applicant on to Phase III leaving a total of 11 applicants advancing to Phase III.

Phase III consisted of each applicant being interviewed by the City appointed "Cannabis Business Selection Committee" which consisted of Development Services Director, Pierre Rivas; Councilmember, Kara Taylor; Former Mayor and Councilmember, John Clerici; and Police Commander, Joe Wren. Applicants were required to achieve 80% of the potential combined scoring of Phase II and Phase III in order to move on to Phase IV. All 11 applicants scored well above the 80% threshold in Phase III, and therefore moved on to Phase IV. In addition to the interviews,

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Phase III included a public meeting to receive input from the public on each applicant. The meeting was well attended and a number of comments were received on each of the applicants. Unfortunately, only about 4 or 5 of the comments received would be considered from the “general public”. The remaining comments were either friends and/or clients of applicants who spoke in support of a specific applicant.

Phase IV consisted of a review of all information received during the previous three phases. The City Manager met with the Cannabis Committee to review their comments and recommendations. In addition, location, experience, financial backing and local ownership were reviewed regarding each applicant. The City Manager then made the selection based on all information submitted and information collected during the process.

### **Discussion:**

The City is fortunate to have had 12 good applications of the 13 received. Of the 12 applications all but two moved on to the final phase. This made the decision difficult as it was determined each met the requirements of the City and State and demonstrated the likely ability to operate a successful cannabis business in the City.

The scoring system was developed to evaluate the candidates’ ability to meet or exceed the minimum requirements established by the City and the State. During Phase II of the review, the following factors were scored:

- Location (200 Points)
- Business Plan (400 Points)
- Neighborhood Compatibility Plan (300 Points)
- Safety Plan (150 Points)
- Security Plan (150 Points)
- Air Quality Plan (100 Points)
- Labor and Employment Plan (200 Points)

During Phase III of the process, the following factors were scored:

- Qualifications of Owners (300 Points)
- Location (proof of ownership or a signed and notarized statement of intent from the Property Owner) (200 Points)
- Neighborhood Compatibility Plan (200 Points)
- Environmental Impact Mitigation (200 Points)
- Labor & Employment (200 Points)
- Local Enterprise (200 Points)
- Business Plan (300 Points)
- Safety Plan (100 Points)
- Security Plan (100 Points)
- Community Benefits (300 Points)
- Air Quality Plan (200 Points)

At Phase IV, the City Manager reviewed each of these factors for the applicants and considered total scoring. Location and Local Ownership were important factors in this process.

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The City Manager made the decision to award licenses to three applicants with an additional three listed as alternates, should any of the first three be unable to perform. Following is a list of those applicants to be awarded licenses and the alternates.

#	Applicant Name	DBA	Owner/Operator	Location	License Type
1	Placerville CA LLC	Sacred Roots	Kelly Chiusano, Summer Bradley	651 Main Street	Retail/Delivery
2	Conscious Consulting and Yoga, Inc.	Chuck's Cannabis Collective	Annie Aubrey, Kimberly Cargile Anntonette Duncan, Deanna Garcia, Jaime Fann	1318 Broadway	Retail
3	JSCR Management, LLC	Reserve House	Jeremy Diabaj, Scott Martin	560 Placerville Drive	Microbusiness/Retail and Delivery
	<b>Alternates:</b>				
1a	Cannatopia & Partners, Inc.	Cannatopia & Partners, Inc.	Steve Schratz, Daniel Fried, Christopher Francy	163 Placerville Drive	Retail/Delivery
2a	CN Holdings, Inc.	Cannabis Nation	Ryan Walker, Timothy Walker, Gene Stanebarger, Tyler Walker, Josh Olague, Josh Rodriguez, Tyler Champlin, Crystal Matter, Matt Hurt, Laurie Dart	241 Placerville Drive	Retail
3a	Three Habitat Consulting Placerville, LLC	One Plant Placerville	Chris Hester Aaron Serruya Kathi Dunmore Adam Wilks Paul Rios	2850 Cold Springs Road	Retail/Delivery

Each of the three awarded a license will be required to complete an additional background check to be completed by HdL. The award of the license will be contingent on their completion of this background check. They can start the state licensing process with the understanding that if there is a problem with the background check their license could be withheld.

City Code Section 5-28-180(D) states:

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*“The City Manager shall either deny or approve the final candidates and shall select the top candidates in each category of the commercial cannabis businesses. The City Manager's decision as to the selection of the prevailing candidates shall be final, pending an appeal to the City Council, if such an appeal is filed.”*

There is no Council action required at this time. As stated in the ordinance the approval can be appealed to the City Council. Applicants must file a written appeal with the City Clerk within 10 days of notification of this action. This is an informational item only. All applicants will be notified of the license awards.

### **Options:**

1. Receive the announcement of award of licenses to Cannabis Business Applicants as presented by the City Manager.
2. Provide staff with any additional direction pertaining to the award of cannabis business license award.
3. Take no action.

**Cost:** An additional fee will be required for the top three applicants for the additional background check of owners and operators and for the Phase IV Process. The background check fee is \$300 per owner/operator and \$150 for other employees. The Phase IV process fee is \$1067.47. In addition, a Business License Fee will be required upon issuance of license. Staff is working with HdL to establish the License Fee and will return to Council for adoption in the near future.

**Budget Impact:** None. All costs are covered in application fees.

**Recommendation:** Announcement of Award of Licenses to Cannabis Business Applicants



M. Cleve Morris, City Manager