



# AGENDA REPORT

**Department:** City Manager's Office  
**Prepared by:** Pedro Garcia, Economic Development Manager  
**Meeting Date:** Tuesday, December 6, 2022  
**Approved by:** Brad Raulston, City Manager

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**SUBJECT:**

Approval of Three (3) Cannabis Business Development Agreements

**RECOMMENDATION:**

Adopt a Resolution entitled, "Resolution of the City Council of the City of National City, California, Approving the Cannabis Business Development Agreements with Shryne Group, Off the Charts, and Sessions by the Bay."

**BOARD/COMMISSION/COMMITTEE PRIOR ACTION:**

Not Applicable.

**EXPLANATION:**

**Background**

October 2019

As part of Council direction on gathering input on the criteria of a cannabis development agreement a Cannabis Community Forum was held in the National City Library October 15, 2019. This forum sought input from community members to guide the development of regulations for commercial cannabis business.

A survey was also posted online from October 16, 2019 through November 5, 2019. The survey was circulated through social media, sent out to past workshop participants through Constant Contact, and sent out to larger National City Constant Contact Data Base.

February 18, 2020

On February 18, 2020 Staff returned to the City Council to provide a detailed fiscal analysis based on the direction received at the September 17th meeting and results of the community workshop and survey. Based on the results of the fiscal analysis and cannabis outreach, Staff sought direction from the City Council on two items;

1. Established a rate of 5% gross receipts for all cannabis businesses, regardless of type
2. Council Adopted to expand allowed cannabis business locations from 3 to 6 with 3 remaining in the originally proposed Industrial Zone and # being added to the areas zoned Tourist Commercial (TC) in the Marina District west of the I-5.

City Council directed Staff to move forward with the recommendations as presented, and for Staff to return with a detailed Commercial Cannabis Ordinance. The detailed ordinance would address the rules and regulations surrounding commercial cannabis activity within the City, initial application procedures and security requirements.

### March 17, 2020

Cannabis ordinance was originally scheduled for a first hearing at City Council March 17, 2020. Due to Covid-19 the item was pulled from the agenda.

### May 4, 2021

The third reading and adoption of the ordinance was conducted at the May 4, 2021 Council meeting.

### November 9, 2021

At the November 9, 2021 City Council meeting it was affirmed that there would be a point system for the various application evaluation criteria, which was based off community feedback. It was also established that evening to incorporate a local preference program for applicants who live in National City.

### April 7, 2022

The 60-day application window closed and the following week the cannabis applications began to get processed. The City received 17 applications all which were processed in the same 2-phase process. The top six (6) applications are moved onto Phase 3 of the cannabis application process.

#### **Phase 1 of Cannabis (Determination of Eligibility)**

The City checked for completeness of applications and also processed background checks. Those applications with minor deficiencies were allowed five (5) business days from the day of their notice to provide the requested documentation to City staff. Of those deficient applications, all applicants provided the necessary documentation and all were deemed complete.

#### **Phase 2 (Application Evaluation and Review)**

Phase 2 of the cannabis application process reviewed and scored all application packets. This phase took approximately 60 days and produced a ranked list of applicants for each category.

During this phase, applications were evaluated, scored, and ranked based on adopted criteria on a pass/fail basis by an independent third party (SCI Consulting). All applicants were awarded points in several different categories with a range of points allotted for each.

- Business Plan (500 points)
- Labor, Equity, Diversity & Inclusion Plan (600 points)
- Safety Plan (350 points)
- Security Plan (350 points)
- Qualifications of Owners (400 points)
- Neighborhood Compatibility Plan (300 points)
- Community Benefits & Investment Plan (400 points)
- Proposed Location (100 points)

A minimum of two (2) permits are dedicated to applicants who qualify as Local Owners and score a minimum of 90% (2,700 points) in Phase 2 of the review process, regardless of whether those Commercial Cannabis Business finish in the top six ranking. To establish local owner preference applicants must be residents of National City for a minimum of 3 years prior to November 9, 2021 and must hold a majority ownership (51% or more) of the business. Local Owner applicants received an additional 5% (150 points) added to their application score.

One (1) application is reserved for a consumption lounge.

### Phase 3 (Developer Agreement Negotiations)

Phase 3 of the cannabis application process is to establish a development agreement with each of the currently qualifying top six (6) applicants. Only applications that scored 90% or higher will qualify to remain on the eligibility list.

During Phase 3 of the cannabis process the City will meet with applicants to begin negotiations. This phase will set the Cannabis General Fund Fee, security and safety plans, conditions, and the National City Community Benefit agreement for cannabis operators in the city. Once the applicant and City have agreed upon a development agreement, those applicants and their respective development agreements will be presented to the full City Council for a final approval.

For administrative purposes, City staff is presenting the top two (2) storefront retail applicants and 1 consumption lounge applicant to begin phase 3.

Staff is seeking approvals to all three (3) development agreements. Exhibit A, B, and C are the mutually agreed upon development agreements that all three applicants agreed upon. The development agreements encompass the previously mentioned items, but the focus of negotiation is the Community Benefit plan.

After a joint negotiation meeting that included Shryne Group (Stiiizy), Off the Charts, and Sessions by the Bay. The following conditions have been included in the agreements:

- General Fund Fee of 5% gross receipts
  - Distribution activities at 2% gross receipts
- Community Benefit Plan
  - National City Community Benefit Fund of 1% Net Profit
  - 30% local hire or previously incarcerated individuals of cannabis misdemeanors
  - 1 community clean up event per year
  - 2 drug prevention seminars per year collectively
- Safety & Security
  - 1 guard minimum to be onsite during operating hours
    - All security guards employed by the Business shall be licensed and possess a valid Department of Consumer Affairs “Security Guard Card” at all times. In addition, any security guard employed by the Business or security firm retained by the Business must first be approved by the City’s Chief of Police. Neighborhood security guard patrols shall be conducted every hour, for a two-block radius surrounding the Business during all hours of operation.
  - Entire safety and security plans will be cited and referenced from the application submittals
- Consumption Lounge
  - Consumption Hours 9pm – 2am. No sale of cannabis would occur during these hours, only consumption of previously sold cannabis at the business.

The General Fund Fee will be collected by the City on a monthly basis and the National City Community Benefit fund will be collected by each cannabis business. The business will create an internal fund where the 1% will be collected. Each year on October 1, cannabis businesses will submit a summary of the upcoming year and how the 1% will be spent in the community for administrative review and approval.

Staff is seeking approval of conditions and to approve the three (3) development agreements.

## **Past Associated Staff Reports**

4.24.2019 Budget Workshop

<https://www.nationalcityca.gov/home/showpublisheddocument/22173/636912018708470000>

9.17.2019 (PDF page 211)

<https://www.nationalcityca.gov/home/showpublisheddocument/22770/637039039772170000>

2.18.2020 (PDF page 360)

<https://www.nationalcityca.gov/home/showpublisheddocument/23430/637172114800770000>

3.2.2021 (PDF page 63)

<https://www.nationalcityca.gov/home/showpublisheddocument/26220/637498626139200000>

4.6.2021 (PDF page 180 – agenda item 17) and (page 233 – agenda item 17)

<https://www.nationalcityca.gov/home/showpublisheddocument/26478/637528825830700000>

5.4.2021 (PDF page 235 - agenda item 20 AND page 287- agenda item 21)

<https://www.nationalcityca.gov/home/showpublisheddocument/26791/637605648657030000>

## **FINANCIAL STATEMENT:**

The 5% Gross Receipts General Fund Fee is estimated to generate approximately \$500,000 per business per year. The 1% net profit fund will generate approximately \$50,000 per business per year.

## **RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:**

Economic Development – Maximize economic development strategies

## **ENVIRONMENTAL REVIEW:**

This is not a project under CEQA and is therefore not subject to environmental review.CCR15378; PRC 21065.

## **PUBLIC NOTIFICATION:**

Agenda Report posted within 72 hours of meeting date and time in accordance with Brown Act.

## **ORDINANCE:**

Not Applicable

## **EXHIBITS:**

Exhibit A – Development Agreement – Sessions Ventures

Exhibit B – Development Agreement – Shyrne Group National City

Exhibit C – Development Agreement – Off the Charts

Exhibit D – Resolution Approving Cannabis Development Agreements

Exhibit E - Presentation