



AGENDA REPORT

Department: City Manager's Office
Prepared by: Pedro Garcia, Economic Development Manager
Meeting Date: Tuesday, June 20, 2023
Approved by: Armando Vergara, Interim City Manager

SUBJECT:

Cannabis Business Development Agreements

RECOMMENDATION:

Adopt the Resolution Entitled, "Resolution of the City Council of the City of National City, California, Approving the Cannabis Business Development Agreements with Mr. Nice Guy, Element 7 and NC Investment Group."

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

Not Applicable.

EXPLANATION:

Background

December 2022

On December 6, 2022, staff brought forward three (3) development agreements for City Council approval. These three development agreements were with the first three qualifying cannabis applications out of six. The three qualifying applicants were Sessions by the Bay, Stiizy of National City, and Off the Charts. Staff only brought forward three of the six cannabis applicants in December due to pending cannabis application appeals that had not concluded yet.

April 2023

Staff completed the third and final cannabis appeal. With all appeals completed and no changes to the ranking of cannabis applicants, staff was able to proceed with Phase 3 of the cannabis applications process to begin negotiations with the final three qualified applicants.

The final three recommended development agreements are with Mr. Nice Guy, Element 7, and NC Investment Group (see Exhibits A, B, and C). Staff held a joint negotiation meeting on April 17, 2023, where all three applicants agreed to the previous development agreement conditions that the first three applicants in December 2022 agreed to. Those conditions are as follows:

- 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 (\$50,000 minimum annually)
 - 30% local hire
 - 20% hire of 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

A summary of the cannabis application process is below for your reference.

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 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) applications 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 6 applicants. Only applications that scored 90% or higher will qualify to remain on the eligibility list.

FINANCIAL STATEMENT:

The 5% Gross Receipts General Fund Fee is estimated to generate approximately \$500,000 per business per year. The 1% of net profit fee will generate approximately \$50,000 per business per year for the Community Benefit Fund.

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 – Mr. Nice Guy Development Agreement

Exhibit B – Element 7 Development Agreement

Exhibit C – NC Investment Group Development Agreement

Exhibit D – Resolution