

CANNABIS BUSINESS LICENSE SCREENING
APPLICATION EVALUATION COMMITTEE
ACTION ITEM

FEBRUARY 7, 2019

SUBJECT: **PUBLIC MEETING AND DETERMINATION OF THE
APPLICATION EVALUATION COMMITTEE MEMBER SCORES
FOR THE CANNABIS BUSINESS LICENSE SCREENING
APPLICATIONS SUBMITTED DURING THE PERIOD OF MAY 2,
2018 THROUGH MAY 31, 2018**

INITIATED BY: **CITY MANAGER'S DEPARTMENT**

(Paul Arevalo, City Manager)

(John Leonard, Community and Legislative Affairs Manager)

(Lauren Langer, Assistant City Attorney)



STATEMENT ON THE SUBJECT:

The application evaluation committee will take public comments, deliberate, and make a final determination on the results of their review and scoring of the cannabis business license screening applications submitted during the application period of May 2, 2018 through May 31, 2018.

RECOMMENDATION:

Staff recommends the Application Evaluation Committee take public comment, deliberate, and adopt the following draft resolution (attached):

Adopt Resolution No. 19 - CAEC1, "A RESOLUTION OF THE CANNABIS BUSINESS LICENSE SCREENING APPLICATION EVALUATION COMMITTEE MAKING A FINAL DETERMINATION OF THE INDIVIDUAL SCORES OF EACH COMMITTEE MEMBER, THE TOTAL AVERAGE SCORE FOR EACH APPLICANT, AND THE FINAL RANKING OF THE APPLICANTS, FOR THE CANNABIS SCREENING APPLICATIONS SUBMITTED DURING THE APPLICATION PERIOD OF MAY 2, 2018 THROUGH MAY 31, 2018."

BACKGROUND / ANALYSIS:

On November 20, 2017, after significant community outreach, consultation with cannabis experts, and City Council discussion, the West Hollywood City Council adopted a Cannabis Ordinance allowing a variety of different cannabis businesses to be licensed in the City. Specifically, the ordinance included the following type and number of cannabis business licenses:

Adult-Use Retail: 8 licenses

Medical Dispensary: 8 licenses

Consumption Area (Smoking, Vaping, Edibles): 8 licenses

Consumption Area (Edibles Only): 8 licenses

Delivery Services (Located in West Hollywood): 8 licenses

Allocation of Licenses

As requested by the City Council the ordinance included a merit based approach to selecting how the forty total licenses would be allocated (as opposed to a lottery, or first-come first-served). As required by the ordinance an application evaluation committee of at least three individuals selected by the City Manager, with demonstrated experience in either city government or the cannabis industry, was to independently review and score each application the City received based on specific criteria and weighting (points per criteria). The City Manager selected five individuals to sit on the application evaluation committee. The selected members demonstrated a variety of knowledge and experience related to the weighting criteria the screening applications were to be scored on, including the West Hollywood community, business, finance, local government, government regulations, the cannabis industry, Proposition 64, social equity, design/architecture, and economic development.

The specific criteria and weighting that each application would be reviewed and scored on were derived from the general criteria listed in the ordinance. In total, the weighting criteria for each license type consisted of between 53 and 56 specific categories with a total of between 200 and 205 points.

The specific criteria were grouped into the following sections:

Section 1: Business Plan

- Innovative Business Model
- Connection to West Hollywood
- Proposed Operations
- Social Equity
- Product Offerings

Section 2: Design Concept

Section 3: Security Plan

Section 4: Experience

Section 5: Overall Quality

The draft weighting criteria were posted on the City's website in early April 2018, and interested individuals were encouraged to provide comments and suggestions on the criteria for an approximate two week period. During that time City staff also held a public meeting to explain the screening application process and weighting criteria, and to allow interested individuals to ask questions. Approximately 150 individuals attended the meeting, which was held on April 11, 2018. After receiving a number of comments and suggestions regarding the weighting criteria both in person and via email, City staff

revised the weighting criteria and posted the final criteria on the City's cannabis webpage on April 24, 2018.

On May 2, 2018, the City opened the 30-day period for interested individuals to submit screening applications for cannabis business licenses. Interested individuals were required to submit a separate screening application to the City for each type of license for which they were applying. Each screening application was required to describe the applicant's business plan, design concept, security plan, and experience, could not be more than 75 pages in length (50 pages of text and 25 pages of images), and was due to the City no later than 11:59pm on May 31, 2018. The City received a total of 313 screening applications from 122 different applicants (most applicants' submitted applications in multiple categories).

The following number of applications were received in the five different license categories:

Adult-Use Retail: 94

Medical Dispensary: 50

Consumption Area (Smoking, Vaping, Edibles): 81

Consumption Area (Edibles Only): 22

Delivery Services (Located in West Hollywood): 66

During the months of June and July, the City screened all of the applications for basic conformance with the submittal guidelines. Those applications that did not meet basic submittal guidelines were not forwarded to the application evaluation committee for review (for example, late applications were not accepted).

The application evaluation committee members began their review of applications in late July. In total, each application evaluation committee member independently reviewed over 20,000 pages, and individually scored each application based on the final weighting criteria. The scoring process took over three months and was completed in late November.

Once all of the application evaluation committee members were finished, the five scores for each application were averaged. The average score for each applicant in each applicable license category was then sorted from highest to lowest. The top eight scoring applicants in each cannabis business license category will be eligible to move forward in the process of securing a business license from the City, acquiring any Planning Department permits, and acquiring a state cannabis license. Only the top four applicants in the medical dispensary category will be selected, because the City's ordinance allows the existing four medical dispensaries to maintain their medical cannabis business licenses. The average scores for all applicants were posted on the City's website on Tuesday, December 18, 2018.

The City's auditing firm (White, Nelson, Diehl, Evans LLP) has reviewed each of the committee members' scores to verify accuracy of the math and confirm that scores awarded did not exceed the maximum allowable point value in each category. Based on their findings, minor corrections were made when necessary; however, none of the corrections materially impacted the results that were released on December 18, 2018 or the rankings of the top scoring applicants.

Action Item

This hearing creates an opportunity for the evaluation committee members to consider the merits of any public comments raised on the scores, rankings and screening process prior to making a final determination on the scores and bringing the ranking process to a conclusion. Prior to the conclusion of the ranking process, fairness dictates that the public and applicants have an opportunity to provide public comment to the committee members.

Staff recommends that the application evaluation committee take public comment, deliberate, and make a final determination on the results of their review and scoring of the cannabis business license screening applications submitted during the application period of May 2, 2018 through May 31, 2018. Specifically, it is recommended that the application evaluation committee adopt a resolution making a final determination on the individual scores of each committee member, the total average score for each applicant, and the final ranking of the applicants. A draft resolution outlining staff's recommendation is attached. The scores for each applicant, as have been confirmed by the City's auditors, are attached to the resolution.

Copies of the individual scores for every application and copies of the top ranking applications were made available to the public for review, so that interested individuals could inspect these documents and review the basis for the committee members' decisions. Copies of the applications for the top sixteen scoring applications in each license category (eight in the medical category) have been available for in-person inspection at the City Clerk's office starting Monday, February 4th at 1pm through Thursday, February 7th at 1pm. Copies of the applications are also available at the public meeting.

Following this meeting and committee's final determination, the application screening and scoring process will conclude.

ATTACHMENT:

Draft Resolution