

RESOLUTION NO. 18-128

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, APPROVING COMMERCIAL CANNABIS OPERATION PERMIT (CANNABIS CENTER) NO. 02-18 (17505 S. MAIN STREET) AND COMMERCIAL CANNABIS OPERATION PERMIT (CANNABIS CENTER) NO. 04-18 (2403 E. 223RD STREET) BASED ON THE CANNABIS PERMIT COMMITTEE'S RECOMMENDATIONS AND MERIT LIST CRITERIA.

WHEREAS, in 1996 California voters approved Proposition 215, the Compassionate Use Act ("CUA"), codified as Section 11362.5 of the Health and Safety Code, to exempt certain patients and their primary caregivers from criminal liability under state law for the possession and cultivation of cannabis for medical purposes; and

WHEREAS, in 2003 the California legislature enacted Senate Bill 420, the Medical Marijuana Program Act ("MMPA"), codified as Sections 11362.7, *et seq.*, of the Health & Safety Code, and as later amended, to clarify the scope of the Compassionate Use Act of 1996 relating to the possession and cultivation of cannabis for medical purpose, and to authorize local governing bodies to adopt and enforce laws consistent with its provisions; and

WHEREAS, in October 2015, the State of California adopted AB 266, AB 243, and SB 643, collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"), which established a comprehensive regulatory and licensing scheme for commercial medical cannabis operations; and

WHEREAS, at the November 8, 2016 general election, the Control, Regulate and Tax Adult Use of Marijuana Act ("AUMA") was approved by California voters as Proposition 64, which established a comprehensive regulatory and licensing scheme for commercial recreational (adult use) cannabis operations, and which also legalized limited personal adult use cannabis use, possession, and cultivation; and

WHEREAS, on June 27, 2017 Governor Brown signed Senate Bill 94, the Medicinal and Adult Use Cannabis Regulation and Safety Act ("MAUCRSA"), which merged the regulatory regimes of MCRSA and AUMA; and

WHEREAS, the MAUCRSA provides that the State of California will begin issuing licenses in 2018 for both medical and adult use cannabis businesses; and

WHEREAS, the MAUCRSA, Section 26200 of the Business & Professions Code provides for the issuance of a local license, permit or authorization for the medical and adult use cannabis businesses authorized by MAUCRSA; and

WHEREAS, the MAUCRSA, Section 26200(a)(1) of the Business & Professions Code, provides that local jurisdictions may adopt and enforce local ordinances to regulate any or all of the medical and adult use business operations to be licensed by the state under Section 26050 of the Business & Professions Code, including, but not limited to, local zoning and land use requirements; and

WHEREAS, the MAUCRSA, Section 26055(d) of the Business & Professions Code, provides that a state commercial cannabis license may not be issued to an applicant whose operations would violate the provisions of any local ordinance or regulation; and

WHEREAS, the MAUCRSA, Section 26201 of the Business & Professions Code, provides that any standards, requirements, and regulations regarding health and safety, environmental protection,

RESOLUTION NO. 18-128

Page 1 of 7

EXHIBIT NO. 5

testing, security, food safety, and worker protections established by the state for the medical and adult use business operations to be licensed by the state under Business & Professions Code § 26050, shall be the minimum standards, and a local jurisdiction may establish additional standards, requirements, and regulations; and

WHEREAS, on November 21, 2017 the Carson City Council adopted Ordinance No. 17-1637 which added Chapter 15 (Commercial Cannabis Operations Regulatory Program) to Article VI of the Carson Municipal Code; and

WHEREAS, Chapter 15 of Article VI of the Carson Municipal Code authorizes no more than four (4) commercial cannabis centers, which may include indoor cultivation, mixed-light cultivation, manufacturing, testing and/or (wholesale) distribution; and

WHEREAS, the City invited applications for issuance of a commercial cannabis operation permit (cannabis center) pursuant to Chapter 15 of Article VI of the Carson Municipal Code through the City's website and closed the application period on June 14, 2018; and

WHEREAS, 6 applications were filed with the City by the June 14, 2018 deadline;

WHEREAS, the City reviewed the information contained in the applications to determine whether the applicants met the minimum qualifications for a commercial cannabis center permit, and thereupon the City determined that all six permit applications were compliant with the minimum qualifications for issuance of a commercial cannabis center permit; and

WHEREAS, HdL Companies has developed a cannabis management program, has extensive knowledge in the area of cannabis regulation, and is available to assist local government agencies with review of applications for commercial cannabis operation permits; and

WHEREAS, the City retained HdL Companies as a cannabis consultant; and

WHEREAS, the City's cannabis consultant HdL Companies reviewed all applications, and based on initial application submittals ranked all applications; and

WHEREAS, supplemental documentation was subsequently received by the City from applicants which was not factored into the HdL rankings; and

WHEREAS, the City's cannabis consultant HdL Companies summarized each application, including supplemental documentation, and generated a written report on each application; and

WHEREAS, a Cannabis Permit Committee was formed to make recommendations to the City Council regarding cannabis applications based upon adherence to Merit List criteria contained in Section 15.080 of Chapter 15 of Article VI of the Carson Municipal Code ("Merit List"); and

WHEREAS, on August 2 and 13, 2018 the Cannabis Permit Committee held two meetings to review five of the six applicants for a commercial cannabis operation permit (cannabis center), with one of the original six applicants being disqualified from review for failure to pay application fees; and

WHEREAS, the Cannabis Permit Committee was provided the submitted applications and the written reports and rankings prepared by the City's cannabis consultant HdL Companies, and the Cannabis Permit Committee interviewed business principals of each applicant; and

WHEREAS, the Cannabis Committee recommended approval of two applications to the City Council based on the Merit List Criteria; and

WHEREAS, on September 4, 2018, the Carson City Council considered the Cannabis Permit Committee recommendations, written reports prepared by the City's cannabis consultant HdL Companies, detailed minutes of the Cannabis Permit Committee meetings, and the merits of the five applicants interviewed by the Cannabis Permit Committee on basis of the Merit List criteria; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CARSON DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. That the recitals set forth above are true and correct and incorporated herein by this reference.

Section 2. Six applications were duly filed by the following applicants requesting approval and issuance of a Commercial Cannabis Operation Permit (Cannabis Center) as provided for in Chapter 15 of Article VI of the Carson Municipal Code:

- Focal Strategic Investments, LLC (Eric Son) – Commercial Cannabis Operation Permit No. 02-18 (17505 S. Main St.)
- California Green (Todd Parkin) – Commercial Cannabis Operation Permit No. 04-18 (2403 E. 223rd St.)
- Veridon Investments (Timothy Kim) – Commercial Cannabis Operation Permit 03-18 (20400 S. Main St.)
- Rose Gold Extracts (Matthew Goodman) – Commercial Cannabis Operation Permit No. 01-18 (20432-20432 S. Santa Fe Ave.)
- EEL Holdings (Elliot Lewis) – Commercial Cannabis Operation Permit No. 06-18 (17050-17100 S. Margay Ave.)
- The Green of Lyfe (Omar Kelly) – Commercial Cannabis Operation Permit No. 05-18 (21176 Alameda St.)

Section 3. The six applications were found by the Director of Community Development to be in compliance with the minimum qualifications for a Commercial Cannabis Operation Permit, being the requirements of Chapter 15 of Article VI of the Carson Municipal Code (CMC), the CMC, and applicable State law.

Section 4. The six applications were reviewed by HdL Companies for completeness and compliance with Chapter 15 of Article VI of the Carson Municipal Code and ranked each application based on Merit List Criteria.

Section 5. Commercial Cannabis Operation Permit No. 05-18 (21176 Alameda St.) applicant failed to provide City the required deposit fee to continue processing and was therefore deemed withdrawn.

Section 6. Applicants were required to demonstrate adherence to Merit List criteria specified in CMC Section 15.080(G) and listed below:

1. Operation plan for the business, including attention to community concerns about the impact of the business.
2. Security plan for the business, including details for the nondiversion of cannabis or cannabis products to illegal uses.
3. Health and safety plan for the business, including enhanced product and operations health and safety (e.g., use of pesticides, sanitation, disposal of waste products).
4. Impact on the environment (e.g., refuse disposal, utility usage).
5. Neighborhood compatibility (e.g., compatibility with surrounding uses).
6. Employment opportunities for City of Carson residents.
7. Economic benefits to the City of Carson.
8. Community benefits to the City of Carson, including but not limited to plans for community engagement and programs.
9. Experience of the operators, managers and employees, including professional backgrounds (e.g., horticulture, chemistry).
10. Capitalization of the business.
11. Educational plans (e.g., youth anti-drug programs).
12. Promotion of equitable business ownership and employment opportunities which decrease disparities for marginalized communities, and address for marginalized communities the disproportionate impact of past criminalization of cannabis activities which are now lawful under State law.
13. Requirements of this Chapter, this Code and applicable State law.
14. Any additional criteria the Cannabis Permit Committee determines is of benefit to making a determination of the applicant's commitment to the health, safety and welfare of the residents and visitors of the City of Carson.

Section 7. A Cannabis Permit Committee (CPC) composed of the Director of Community Development, the Fire Captain, the Finance Director, the City Manager, a medical cannabis specialist, a community member, and a representative from the Los Angeles County Public Health Department (and/or their delegates) convened on August 2, 2018 and August 13, 2018. The Cannabis Permit Committee reviewed the thoroughness of the applicant's adherence to the Merit List Criteria specified in CMC 15.080(G). Upon majority vote, the Cannabis Permit Committee selected the following applications to recommend approval for City Council consideration:

- Focal Strategic Investments, LLC (Eric Son) – Commercial Cannabis Operation Permit (Cannabis Center) No. 02-18 (17505 S. Main St.)
- California Green (Todd Parkin) – Commercial Cannabis Operation Permit (Cannabis Center) No. 04-18 (2403 E. 223rd St.)

Section 8. A public meeting of the City Council was held on September 4, 2018, at 5:00 P.M. at City Hall, Council Chambers, 701 East Carson Street, Carson, California at a regularly scheduled City Council meeting to consider the Cannabis Permit Committee's recommendations and to consider whether or not to issue Commercial Cannabis Operation Permit(s) (Cannabis Center) pursuant to the requirements of Chapter 15 of Article VI of the Carson Municipal Code. A notice of time, place and purpose of the aforesaid public meeting was duly given. The City Council determines that the evidence to be considered for its decision on whether or not to issue a Commercial Cannabis Operation Permit (Cannabis Center) shall be the reviews prepared by City staff and City consultants, reports from the Cannabis Permit Committee, and any reports provided by City staff.

Section 9. Each application has been considered by the City Council in its totality with weight given to one criterion in the Merit List over another as determined appropriate by the City Council to further the maintenance and promotion of the health, safety and welfare of the residents and visitors of the City of Carson.

Section 10. In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 02-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will be issued, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. The application was preliminarily ranked Number 1 by the City's cannabis consultant based on Merit List criteria.
- b. With regard to funding concerns, the principals themselves will be able to provide the capital necessary with no outside investors.
- c. The applicant provided the most comprehensive CPC presentation covering all of the Merit List criteria.
- d. Overall, the application materials and applicant demonstrated a high level of capability and aptitude for compliance.

Section 11. In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 04-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will be issued, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. With regard to experience and management team, they have demonstrated successful presence within the industry since 2006.
- b. With regard to their strategic goals, operational plan, and guarantee of funding, the applicant provided a draft Development Agreement to initiate the process of developing a plan.
- c. Overall, the application materials and applicant demonstrated a high level of capability and aptitude for compliance.

Section 12. In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 03-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will not be issued at this time, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. During the CPC presentation, the applicant explained that the capital raised for this venture was going to be returned to the investors due to the complexity, cost and potentially long duration to obtain land use entitlements.
- b. At time of the CPC meeting, the applicant's acquisition of the proposed property site was speculative.
- c. The principal Timothy Kim was not in attendance for the CPC meeting.

Section 13. In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 01-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will not be issued at this time, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. CPC determined during the applicant's presentation he did not provide sufficient details and information regarding security, operations, community involvement, and health and safety plan, impact on the environment, and employment opportunities.
- b. Staff requested additional information from the applicant to supplement the original application. However, the applicant declined this opportunity.
- c. Applicant failed to disclose specific or projected economic benefits to the City.

Section 14. In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 06-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will not be issued at this time, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. The CPC expressed concern that the applicant was not prepared to present the proposal because (admittedly) they did not put forth a concerted effort due to the unknown tax rate.
- b. The CPC had concern about the lack of specificity even after the City re-opened/extended the submittal deadline in an effort to garner more information from the applicant.

Section 15. The City Council finds that issuance of Commercial Cannabis Operation Permit Nos. 02-18 and 04-18 are not subject to the California Environmental Quality Act ("CEQA"). Pursuant to the provisions of Section 15060(c)(2-3) of the CEQA Guidelines, and provisions of Section 15061(b)(3) of the CEQA Guidelines in the unlikely event that the issuance of the permits were to be considered a project for purposes of CEQA analysis, it can be seen with certainty that the issuance of the permits will not result in a direct or reasonably foreseeable indirect physical change in the environment, and that there is no possibility of a significant effect on the environment because of the issuance of the permits. CEQA will be evaluated as part of the required Development Agreement for each application.

Section 16. The determinations made herein by the City Council are final and not appealable to any City body.


Section 17. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

Section 18. This Resolution shall be effective immediately upon passage and adoption.


PASSED, APPROVED AND ADOPTED by the City Council of the City of Carson, California, at a regular meeting held on the 4th day of September, 2018.

APPROVED AS TO FORM:

CITY OF CARSON:



Sunny K. Soltani, City Attorney

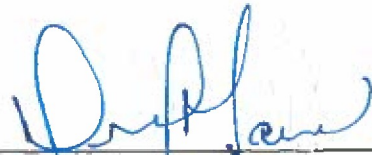


Albert Robles, Mayor

RESOLUTION NO. 18-128

Page 6 of 7

ATTEST:

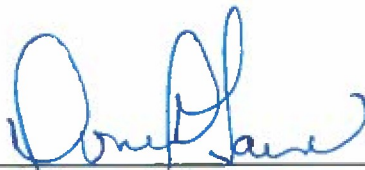


Donesia Gause-Aldana, MMC, City Clerk

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF CARSON)

I, Donesia Gause-Aldana, City Clerk of the City of Carson, California, hereby attest to and certify that the foregoing resolution, being Resolution No. 18-128, adopted by the City of Carson City Council at its meeting held on September 4, 2018, by the following vote:

AYES:	COUNCIL MEMBERS:	Robles, Hilton, Santarina
NOES:	COUNCIL MEMBERS:	Davis-Holmes, Hicks
ABSTAIN:	COUNCIL MEMBERS:	None
ABSENT:	COUNCIL MEMBERS:	None



Donesia Gause-Aldana, MMC, City Clerk