

## **Attachment 2**

*August 24, 2017 City Council Briefing Focusing on Types of Cannabis Licenses; Number of Licenses Recommended for Issuance; Process for a Businesses to Apply for a License; Process to Review and Award a License Application and the Process for Conducting Background Checks*

# Cannabis Policy Timeline



## Cannabis Policy Update

This is the second informational email on cannabis to prepare you for consideration of the Cannabis Ordinance on September 26, 2017. Today's email focuses on the different types of cannabis licenses, the process a business owner to apply for a license, the process for screening license applications, and the process for awarding licenses.

### What are the different types of cannabis business licenses?

Each type of cannabis business requires a unique state and local license. The types of licenses include:

- **Cultivation** – Under state law, a business may grow cannabis for both medicinal use and adult use. The product would be sold whole sale. Staff is recommending allowing only indoor cultivation in ML Zoning District.
- **Manufacturing** - Manufacturing is the business that converts cannabis plants into medicinal and adult use products. Products could include candies, creams, teas, and smoking products in precise dosages. The product would be sold whole sale and distributed to retail outlet. Staff is recommending that Manufacturing and distribution only be allowed in the ML Zoning District. The ML Zoning District includes the Central Bay, the Horner Veasy Area, Alvarado Business Park, and the Lincoln Business Park.
- **Retail/Medicinal Sales and Adult Use Sales** - Medicinal Sales and Adult Use sales each require a unique state license and a unique local license. The facilities must be located separately with a wall separation and unique independent entrances to the outside. Medicinal sales are only medicinal products. Adult use sales are only adult products. Medicinal sales and Adult Use sales would be allowed in the ML Zoning District and MS Special Industrial District. The MS District includes the offices in business parks along Alvarado-Niles Road, Whipple Road, and Union City Boulevard. Although the zoning policy would allow for medicinal and adult use sales, staff is recommending issuing licenses only for medicinal sales at this time. The regulatory framework of Union City would enable potential investors to make a business decision to locate in Union City.
- **Testing** - Testing facilities are independent laboratories that test the purity of the product. Manufacturers send cannabis plants to a lab for testing to ensure there are not pesticides in the plants before conversion to medical product.

- **Delivery** - Delivery Licenses allow delivery of product. Staff recommends issuing licenses for delivery only for medicinal products that is associated with a licensed commercial cannabis use in the ML Zoning District. Home occupation delivery would not be allowed. Delivery inside Union City, where the business is located outside of Union City would not be allowed and would not be issued a license. It will be difficult to control, regulate, and collect fees for cannabis delivery inside Union City when the business of origin is outside Union City.
- **Wholesale/Distribution** - Wholesale and Distribution Licenses would not be allowed unless it was associated with a licensed commercial cannabis use in Union City. The City would capture gross receipts on the commercial operation in Union City. A standalone wholesale and distribution facility would not generate gross receipts for Union City and would be similar to existing warehouse facilities.

## How many licenses make sense for Union City?

Staff is recommending limiting the number of licenses to **three for each type of cannabis license other than testing licenses**. Staff is not recommending limiting the number of testing licenses. Staff recommends issuing up to three licenses per type of cannabis business would enable investors to make a decision to locate in Union City and staff would have the capacity to regulate the businesses.

---

**A poll of Union City residents found that 28 percent of likely voters support issuing one to 3 business licenses for each of the types of businesses, 22 percent support of likely voters support issuing more than three business licenses, 23 percent of likely voters have no opinion, and 27 percent oppose issuing any licenses.**

---

## How do businesses apply for a license?

Hdl Companies, the City's cannabis consultant, has developed a very detailed license application. Required documentation in an application includes:

- The principals of a business would need to provide a criminal history.
- Zoning Verification Letter from Economic and Community Development that the potential business is located in a zoning district that allows the use.
- Union City Commercial Cannabis Business
- Form and payment of application fee.
- Proof of property ownership or lease agreement.
- Presentation of business plan, security plan, air quality plan, and employment and labor plan.

## Who reviews the license application?

- Applications will be available October 11, 2017. Applicants must submit completed applications by November 10, 2017.
- Applications would be initially screened by HdI Companies to **insure compliance with City regulations in a Phase 1 review.**
- Applications deemed eligible by HdI Companies would go through **Phase 2, a ranking system** based on location, business plan, neighborhood compatibility, safety and security plan, air quality plan, and labor and employment plan.
- Only applicants that score a minimum of 80 percent of the eligible points in Phase 2 would be allowed to **Phase 3, which is an interview and evaluation Selection Committee composed of City staff.**
- Each **Phase 3 applicant would have their proposed site inspected** by designated City representatives. The Phase 3 applicants would again be ranked by the City Selection Committee and the Phase 3 scores would be added to the Phase 2 scores. **All applicants that achieved an 80 percent score would be referred to the City Manager.**

## How are licenses awarded?

- The top scoring applicants for each license category in **Phase 3** would participate in a publically meeting with notices sent to all property owners within 300 feet of the proposed business. Members of the public could state their positions and any recommendations for additional conditions for the business.
- The City Manager would make a recommendation and ranking to the City Council in **Phase 4.**
- The City Council would approve the Final recommendations to issue licenses.

## Who is responsible for conducting and reviewing background checks?

The application asks extensive background information. The background checks will be verified by an independent firm designated by the Union City Police Department.

## If a licensee fails to perform or violates the city ordinance, what options does the city have to discipline the business?

The City Manager has the authority to immediately revoke any license for violation of the ordinance, the state license has been suspended, and business fails to operate for three consecutive months, non-payment of taxes, misrepresentation, change in circumstances that threaten public health and welfare. A business with a revoked license may appeal to the City Council for reinstatement of the license.

A license must be renewed each year. Licenses are not transferable.

## For more information

Follow our website, [www.unioncity.org/cannabis](http://www.unioncity.org/cannabis), for updated information about cannabis policy.