



**DATE:** July 17, 2018  
**TO:** Mayor and City Council  
**FROM:** City Manager  
**SUBJECT:** Approval of Commercial Cannabis Permits for Retail Cannabis Dispensaries

## **RECOMMENDATION**

That the City Council adopts the attached resolution (Attachment II) issuing a Commercial Cannabis Permit to the following cannabis companies: Aunty Honey's; Hayward Station; and Jiva Life, Inc.

## **SUMMARY**

Pursuant to Hayward Municipal Code SEC. 6-14.12 (b), following the review and evaluation of commercial cannabis permit applications, the City Manager shall prepare a report to the City Council and provide a recommendation regarding selection of permittees. This report recommends three businesses for a Commercial Cannabis Permit (CCP) for retail cannabis dispensaries as outlined above.

## **BACKGROUND**

On October 30, 2017, the City Council adopted Ordinance 17-13 adding Article 14 to Chapter 6 of the Hayward Municipal Code establishing the request for proposal process to select commercial cannabis businesses. The process involves four stages to identify the top applicants who meet the City's desired set of qualifications. The stages are:

1. Criminal Background Investigation
2. Competitive Scoring and Ranking
3. Proposer Interviews
4. City Council Approval

This process commenced on December 8, 2017, with applications due on January 12, 2018. At that time, the City received 78 total applications for commercial cannabis permits. Five of these applications did not meet the background check requirements of the City's commercial cannabis program. The subsequent 73 applications were then sent to a neutral, third party review by City consultant HdL. This review was completed in early May.

Applications were evaluated based on the Council approved criteria of the following:

- Business Plan and Operations (250 points)

- Management Experience (150 points)
- Safety and Security Plan (150 points)
- Community Benefits (150 points)
- Product Testing and Safety (100 points)
- Environmental Plan (100 points)
- Labor and Employment Practices (100 points)

Applications were scored and ranked out of 1000 points. Following the scoring, staff set thresholds for which companies would advance to the final round of interviews based on the overall distribution of scores.

The City Council considered and approved one cannabis testing lab and eleven non-retail commercial cannabis companies on June 19, 2018 and June 26, 2018 respectively. These approved companies are:

**TABLE 1: APPROVED COMMERCIAL CANNABIS PERMITS**

#	Company	Recommended Use
1	Mijosa, LLC	Cultivation & Manufacturing
2	Empress Extracts	Cultivation
3	Hidden Farms, Inc	Cultivation
4	Stoned Aged Edibles Co, Inc.	Manufacturing
5	Green Haven, LLC	Delivery
6	CBRA, Inc.	Distribution
7	Manifest, LLC	Distribution
8	Vista Development Enterprises	Distribution
9	Green Grizzly	Microbusiness
10	Sticky Thumb Delivery	Microbusiness
11	American Holdings	Microbusiness
12	Harrens Lab, Inc.	Testing Laboratory

**DISCUSSION**

The City received a total of 21 retail applications, with 20 passing the background check requirements. Of the 20, seven advanced to the final round interview with staff members from the City Manager’s Office, Development Services Department, and Hayward Police Department. The score ranges and thresholds were:

**TABLE 2: SCORE RANGES AND INTERVIEW THRESHOLDS**

Business Type	Score Range	Score Threshold	Advancing Applicants
Retail	438-892	800	7

Given the limit of three total dispensaries the Council wishes to consider approving, staff set the threshold to ensure that at least two applications were interviewed and contemplated for each of the potential three retail commercial cannabis permits available. Staff held interviews with these finalists on July 6, 2018.

Pursuant to Hayward Municipal Code SEC. 6-14.12 (b), following the review and evaluation of commercial cannabis permit applications, the City Manager shall prepare a report to the City Council and provide a recommendation regarding selection of permittees.

The City Manager is recommending three cannabis companies for commercial cannabis permits. These three companies represent what staff believes to be the best candidates for retail dispensaries considering the evaluation, score, and interviews of each. They were selected over their fellow applicants because they demonstrated an ability to have their dispensaries operational within the next year, have management teams in place currently and demonstrated those teams were experienced and ready to operate in the City, have local experience in Hayward and the surrounding community, and articulated a thorough vision for user experience.

*Aunty Honey's Application Overview—Score: 892/1000*

Aunty Honey's is led by an all women team with ties to the Hayward community. They will provide high-quality medical and adult use cannabis products at a fair price in an inviting, compassionate, supportive, and educational space for patients and customers. They have not secured a location but are flexible and willing to locate either in the downtown or elsewhere in the City. CEO Esther Lopez is a longtime Hayward business woman, serving the Tennyson and South Hayward neighborhoods through her business, The Business Center.

Aunty Honey's has a labor peace agreement with the Teamsters Joint Councils #7 and #42. Their hiring plan encompasses local hire preferences, livable wages, a non-discrimination policy and worker's compensation policy.

Their planned community benefits focus on specific and targeted benefits that address Hayward's needs. Aunty Honey's wants to make money for the City via tax revenue to support existing services. They also plan to contribute 5% of their proceeds to local non-profits like the Downtown Streets Team.

Attachment III provides the Business Plan and Operations, Management Experience, and Community Benefit Proposal from Aunty Honey's application.

*Hayward Station Application Overview—Score: 853/1000*

Hayward Station will be an upscale and highly curated retail shopping experience, specializing in organic, local, and boutique cannabis products. Their team is a joint venture between two East Bay businessmen/developers and four cannabis business owners and operators. Specifically, Miguel Rodriguez has experience managing and operating the Green Door dispensary in San Francisco and the Blum dispensary in Oakland.

Hayward Station intends to create the “Nordstrom” of dispensaries in the downtown, having secured a location at 1004 B Street. Their location will hold educational sessions on cannabis use as well as provide access to registered nurses to help give health recommendations.

Hayward Station intends to sign a labor peace agreement. They will prioritize the hiring of Hayward residents and people who have been adversely affected by the historic “War on Drugs.” They will pay a livable wage and will adopt a discrimination and harassment prevention policy.

Their planned community benefits mirror that of community benefits they have provided in San Francisco on behalf of The Green Door dispensary. Specifically, they have helped to host and sponsor a gun-buy-back program with the San Francisco Police Department and non-profit United Playaz. They would like to continue these programs locally in Hayward in addition to donating a portion of their net proceeds into local organizations at the direction of the City.

Attachment IV provides the Business Plan and Operations, Management Experience, and Community Benefit Proposal from Hayward Station’s application.

#### *Jiva Life, Inc. Overview—Score 851/1000*

Jiva Life Dispensary will be a first-class retail experience like that of a craft brewery, with a medical first approach. In addition to this experience, the dispensary will include “stores in stores” or “brand activation areas” like cosmetic counters in department stores where customers can interact with cannabis brand ambassadors and their products. Medical patients will have a separate section staffed with a Patient Care Advisor. Their products will be locally sourced as much as possible. They have secured a location at 1223 A Street.

Jiva has a signed labor peace agreement with the Teamsters Joint Councils #7 and #42. They intend to hire at least 20 local Hayward residents, providing them with livable wages, health insurance benefits, and professional development training opportunities.

Their planned community benefits include the development of the Tri-City Association for Cannabis Education (Hayward-Union City-Fremont) to facilitate a comprehensive outreach program that educates the local community on the risks associated with the misuse of cannabis products. In addition to this, they commit to donating 4% of their annual proceeds to local organizations, like the Hayward Coalition for Healthy Youth, per the recommendations of the Community Services Commission. Several members of the Jiva team will also provide pro bono hours to the Family Violence Law Center and the St. Rose Hospital Foundation.

Attachment V provides the Business Plan and Operations, Management Experience, and Community Benefit Proposal from Jiva Life’s application.

## **ECONOMIC IMPACT**

Each of the three entities recommended for approval have articulated the desire to hire local Hayward residents and to pay them a livable wage. From the information provided in each application and through the interview process, these three firms plan to create an estimated 50 new jobs<sup>1</sup>. These jobs will impact the City as these employees pursue their lives in the Hayward community and therefore contribute to the local economy while also remitting City sales, property, utility user, and other taxes and fees.

## **FISCAL IMPACT**

Earlier this year, the City Council adopted Ordinance 18-027 which set the Cannabis Business Tax at 6% of gross receipts. The cannabis related services provided by these businesses will pay this tax, providing some of the City's first sources of revenue from the voter approved Measure EE.

Based on the three-year pro forma estimates provided by each of the three applicants, staff estimates the City will receive \$436,000 in revenue for the first, full year of operating cannabis business. This figure increases to \$1.6 million in year three. Should all of the businesses Council has approved for operation meet projected income targets, the City would yield an estimated total \$2.8 million in year one to \$4.8 million in year three in Cannabis related revenue. These figures are only estimates and should be considered with the understanding that the cannabis market is new, and that reliable market data has yet to established and/or validated.

For FY 2019, the City has budgeted a conservative \$750,000 which accurately reflects the anticipated time to market it will take for these entities, as they still must complete their land use entitlements. It is reasonable to expect that the City will not receive revenue from the 6% cannabis gross receipts tax until the latter part of FY 2019. The City should maintain conservative revenue projections for this tax until the City has enough data to form a reliable revenue forecast.

Review of this application was funded through the \$5,000 refundable deposit submitted by each applicant.

## **STRATEGIC INITIATIVES**

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

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<sup>1</sup> This in combination with the estimated eighty (80) new jobs created by the previously approved cannabis companies increases the total estimated jobs created under Hayward's Commercial Cannabis Program to 130.

## **NEXT STEPS**

Following approval of the attached resolution, staff will process these applications and confirm to the State Bureau of Cannabis Control that each has been approved to operate a cannabis business within the City. The applicants will then proceed to the land use approval stage of the process, with requisite public hearings with the Planning Commission and City Council.

*Prepared and Recommended by:* John Stefanski, Management Analyst II

Approved by:



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Kelly McAdoo, City Manager