



Medicinal Cannabis Retailer Request for Applications Questions and Answers

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This document contains a compiled list of questions received concerning the Santa Monica Medicinal Cannabis Retail Request for Applications with the City's responses. Zoning or land use questions are not addressed here and can be directed to Tony Kim (tony.kim@smgov.net) in the City's Planning Division. Zoning or land use questions can be submitted anytime independent of the selection process.

Questions related to the City's plans on expanding certain commercial cannabis activities, including adult use (i.e. non-medical) related activities are also not included here. The City's Planning Division will be undergoing a public process to consider other cannabis commercial activities, including adult use, however this will be administered as part of the City's Zoning Ordinance update process. No timeframe has been established by the Planning Division for this process as of the preparation of this document.

The Evaluation Committee is expected to be finalized in the coming weeks. Consistent with the Santa Monica Ordinance Cannabis Rules and Regulations, each qualified applicant will receive a list of all committee members shortly after the application deadline date. Applicants may at that time submit a Conflicts of Interest challenge against any person on the Evaluation Committee. The Assistant Director of Planning and Community Development will be the Committee's Facilitator to ensure a fair process. As such, the Assistant Director does not sit as a rating member of the Evaluation Committee. No members of the Planning and Community Development Department will sit on the Evaluation Committee.

GENERAL

Q1 For application submission does the electronic submission need to be a single file or can multiple files (organized in accordance with the application) be provided?

A1 Multiple files may be submitted.

Q2 Can the electronic copy be submitted on a USB flash drive?

A2 Yes.

Q3 Does the Application Contact identified on page 1 of the Medicinal Cannabis Retailer Selection Application form need to be the same person who signs page 2?

A3 No. The Application Contact is intended to be the person that would be the City's primary contact for communications and/or questions related to the application. The person signing page 2 is typically an owner or other principal of the company.

- Q4** The City requires proof of the following California State permits: (a) Proof of California State M Type 10 Retailer or M Type 12 Microbusiness Permit; (b) Proof of California State M Type 2 Cultivation Indoor-Small Permit (if the Retailer will include onsite cultivation). The California State cannabis regulations (MAUCRSA) require local approval prior to the issuance of any state permits. Therefore, it is not possible to obtain the state licenses above if you do not have the requisite local authority. Please clarify how this process will work.
- A4* Consistent with Section III (h) of the Santa Monica Cannabis Ordinance Rules and Regulations, “the Director shall certify and publish the selection of the top two ranking applicants, and issue Preliminary Approval Letters. The two applicants selected will be able to use the Preliminary Selection Letter to apply for a Conditional Use Permit and California State permits”.
- Q5** In Item 3 of Company, Ownership, Responsible Persons, and Existing and Prior Permits, where it asks for “a description of the proposed business plan of operation”; must all 10 questions be packaged together as the proposal or must they be separately answered and submitted with the application as attachments almost like a Request For Proposal (RFP)? How is each “Item” to be presented: must I submit each item with the described questions answered by separate attachments or summarized as one.
- A5* Each proposed plan of operation must include all 10 sections. If an item is not relevant or not planned, indicate “Not Applicable” or make some other note that verifies for the Evaluation Committee that the item was not overlooked. For example, if no cultivation is planned, please indicate this.
- Q6** Will there be further labor requirements such as actual entry into a labor peace agreement (as compared to the state regulations which require that a company is open to entering into a labor peace agreement)?
- A6* No
- Q7** Is a security plan required for the application submission?
- A7* No
- Q8** Is there a recommended length or page limit for the application?
- A8* No
- Q9** The numbering sequence is off in #3 on Page 5. 3.9 is listed twice.
- A9* Corrected version uploaded to www.smgov.net/businesslicense.
- Q10** How many years should the business/operating plans cover?
- A10* For the “proposed business plan” referred to in #3 on page 5, a time frame isn’t relevant except that you might include specific aspects of the business that may be implemented at specific times. For example, your plan may be to have cultivation, but not until after a year after opening.

Q11 Where will the burden of proof lie during the “Conflicts of Interest Challenge”? Will it lie with the applicants to prove other applicants may have conflicting relationships with committee members or the Planning Directors? Can applicants sign affidavits attesting that they have no personal, business, contractual and/or past or present relationships with one or more of the committee members, planning Directors, and/or any other persons that have decision making power in the procedures or licensee approval process? If any applicant was found to have lied on their affidavit, would they be eliminated from the application selection process, or if discovered after the license has been issued, face criminal sanctions and/or lose their license for lying on their application, essentially receiving a license under false pretenses? Comments providing context for the question included: “It has happened in several other California jurisdictions and other States that have created a merit based application, that members of the scorer’s committee were later found to have personal, business, contractual and/or present relationships with one or more of the applicants. There have been several litigious lawsuits due this behavior, such that for example, a scorer would merely recuse him/herself from the applicant’s review, while setting up a quid pro quo system with the remaining scorers. Such that, remaining scorers would “assist” that “recused” scorer’s interested applicant, in exchange for a later, favorable score on another applicant’s review. In addition, it’s unreasonable to expect applicants to have knowledge of another applicant’s previous relationships with scorers.”

A11 Please refer to Section I – Evaluation Committee, on Page 3 of the Santa Monica Cannabis Ordinance Rules and Regulations which was included with the Request for Applications and available online at www.smgov.net/businesslicense

Q12 Will the application materials submitted be in any way protected from freedom of information requests? Will we have the opportunity to designate some material as trade secret (or a similar designation) to prevent access by competing organizations? May some portion of the Selection Application be submitted by the Applicant to the City in confidence without negatively impacting the scoring of the Application? For example, the Applicant’s “security procedures” or certain elements of the Applicant’s “proposed plan of operation”?

A12 Applications and all supporting materials may be the subject of public records requests. The City Attorney's Office reviews such requests and may redact personal, or other confidential information prior to disclosure, consistent with the mandates of the Public Records Act (the “Act”). Trade secret information could qualify for redaction pursuant to the Act. It is generally the City’s position that applications and supporting materials would not be subject to disclosure pursuant to the Act until after the City has issued its preliminary selection letters.

Q13 Will the applications be reviewed using a blind review process? If so, should we omit information that might reveal our identity as applicants?

A13 This is not a blind review process.

Q14 Are there any page or word-count limitations for the application?

A14 No

Q15 What is a Table Review and how will evaluation take place?

A15 This means that the applicant is not present for an interview and that the review is based solely on the written materials.

Q16 How will the application be reviewed? Will one person review the application in its entirety, or will it be divided among several reviewers?

A16 There will be a committee that reviews the applications jointly. Please refer to Sections I, II, and III of the Santa Monica Cannabis Ordinance Rules and Regulations for more details.

Q17 Within a response, may we refer to other sections of the application? For example, when drafting the business plan, may we refer to the detailed financial information section to inform the reviewer where s/he may find financial statements, balance sheets, etc.?

A17 Yes

Q18 For the companies selected, how much time will the companies have after being selected to find a location? Is there a specific period of time after being notified of the result?

A18 There is no specific time established at this time, but the law does allow for the expiration of the Preliminary Selection Letter "if not timely exercised". We anticipate that at the time of the award, time frames will be reviewed with the two applicants selected.

Q19 Can you confirm the tax rate for a retail establishment in the City of Santa Monica is 0.00125 of gross receipts (per link below)?

A19 The business license tax is \$75 on the first \$60,000 of gross receipts plus the sum of \$1.25 (equivalent to 0.00125 or .125%) for each \$1,000 or fraction thereof of gross receipts in excess of \$60,000.

Q20 Are there additional City of Santa Monica taxes associated with operating a medical cannabis dispensary beyond the .00125 retail tax rate?

A20 Currently, there are no additional taxes imposed by the City of Santa Monica.

Q21 Can you be more specific on 3.4: a detailed description of the business's regulatory compliance program. Aside from paperwork that distributors and vendors have licenses, staff is trained and cultivation is done by State standards, what more are you looking for?

A21 This is intended to have the business outline what steps it has taken to ensure compliance with state regulations. It's whatever the business is doing to comply with state and local laws in what is a heavily regulated environment.

Q22 Will a resume suffice for the personal history form?

A22 Yes, however, sections b and c of the application and personal history forms are also still required.

Q23 Should the conditional use permit (CUP) be submitted after permits have been awarded?

A23 Yes. A CUP permit application will not be accepted by the city for a retailer until it is issued a preliminary selection letter following the selection review process.

Q24 May a Santa Monica-based dispensary deliver product to surrounding cities?

A24 This is dependent on the local law of the surrounding city. Each jurisdiction can regulate deliveries within their jurisdictions, meaning they could ban deliveries to locations within their borders, however, they could not ban vehicles passing through.

Q25 Will delivery services be restricted to the current proposed hours of operation for on-site retail operations?

A25 Yes. Delivery services may only operate during the established times outlined in the Santa Monica Municipal Code, currently set from 10:00 a.m. and 8:00 p.m. Monday through Saturday and 12:00 p.m. to 7:00 p.m. on Sundays.

Q26 On section 3 of the selection application, the operations plan, part 6 asks for information about any subcontractors or partnering organizations who will be actively involved in delivering services. What specific information is required to be disclosed regarding the subcontractors and partnering organizations?

A26 The name and address of the business and a short description of what their involvement will be. This is not a supplier but rather any organizations who do not meet the definition of owner or investor but who play a material role with the business. For example a consulting firm who provides regulatory compliance services to the business. The reason for this question is to identify strategic aspects of managing the retail operation that may be outsourced.

Q27 Could you provide clarification on how to submit the Request for Application Packet? In particular the order of operations. Is the Request for Application Packet submitted with the Selection Application, or is that another step entirely?

A27 Pages 5 and 6 of the Request for Applications outline what must be included to apply. There is a specific list of items that must be included and a description of how they must be submitted, some of which are completed forms and others are documents that the applicants would create themselves.

- Q28** On the City Application, Section A – Ownership structure: what do you mean by certified copy? With the state stamp or a print out from the state website?
- A28* Copy of the documents filed with the Secretary of State are sufficient. For example, a corporation should provide a copy of their articles of incorporation. For organizations registered in California, the California Secretary of State’s website is businesssearch.sos.ca.gov
- Q29** What is the City requesting regarding "all enforcement actions"?
- A29* Any administrative, civil or criminal action taken by a government agency concerning any non-compliance with a law, rule, or regulation.
- Q30** Is there an available draft of the eventual license agreement?
- A30* Authorization to operate will be issued through a Business License and Medicinal Cannabis Retailer Permit. Cannabis Retail operations are regulated by Section 9.31.185, Chapter 6.200 of the Santa Monica Municipal Code, and the Medicinal Cannabis Ordinance Rules which are published with the Request for Applications and available online at: www.smgov.net/businesslicense
- Q31** Is it permissible to add an equity partner after the license is granted?
- A31* Yes, however, a compliance statement must be signed prior to issuance of a Business License and annually with each Business License renewal. Ownership changes must be disclosed and must meet the conditions of the permit.

LIVE SCAN

- Q32** On page 7 – Live scan - What to Bring: the application says 3 copies. Is it 3 copies if your going to the Santa Monica Police only? Or if you go to any live scan provider?
- A32* The requirements outlined on Page 7 are the requirements for the Santa Monica Police Department only. In general these would likely apply for any live scan facility in terms of the 3 copies, but you would need to check with the specific facility you go to.
- Q33** On Page 8 - Live Scan – You have prices for 3 items, I’m guessing the prices are from the Santa Monica Police. But if we are going to different live scan provider, what is required? Only required to do the DOJ? or both DOJ and FBI? or All 3?
- A33* All 3.

Q34 Do we turn in the live scan to you then go to the police station or pay the business license administrator. It's unclear the live scan process. I spoke to Haley Farve-Smith the business licensing administrator and she was unclear as well. She said the police and planning and zoning need to confirm this process.

A34 The live scan fees are paid directly to the live scan operator at the time the fingerprints are being taken (not to the Business License group). A copy of the completed live scan should be included with the application so that we can match up with the results.

Q35 Must members of an advisory board be fingerprinted?

A35 Anyone who qualifies to be listed on Sections B or C of the Medicinal Cannabis Retailer Selection Application, included with the Request for Applications must be fingerprinted. Please see Section 6.201.020 of the Santa Monica Cannabis Ordinance for more information. Fingerprinting is not a condition of appointment to the advisory board.

Q36 The application requires live scan fingerprinting for all owners, managers, etc., and the live scan must be conducted by the Santa Monica PD or any provider approved by the California DOJ. However, some of our owners and managers do not reside in CA, and the DOJ website states that out of state residents must submit a manual FD-258 fingerprint card instead of the live scan.

A36 Out of State medicinal cannabis applicants will not need to submit a manual FD-258 fingerprint card. Applicants may go to a local live scan provider within their State and submit the live scan form provided with the Request for Applications packet.

Q37 If hypothetically a corporation or a limited liability company is an "owner" of the dispensary/cultivation operation, are all members of the corporation or Limited Liability Company required to provide a live scan? Practically speaking this may be difficult if the business entity is composed of numerous individuals.

A37 Yes

SCORING

Q38 For operating budget - Is Santa Monica looking for bigger budget or smaller sustainable operations? Will an operation that proposes higher revenue get a higher score or is it based on how realistic the projections are?

A38 Please refer to the section titled "Selection Criteria" on Page 4 of the Request for Applications. This is the criteria that will be used in evaluating each applicant. Prospective or ProForma information is used to assist with evaluating and establish the ratings for the 7 selection criteria.

- Q39** Does Santa Monica expect licensees to operate on a not-for-profit basis? To be organized as a non-profit corporation? Will for profit be allowed or favored?
- A39* Retailers are not required to be not-for-profit or non-profit. Consistent with state law, for profit businesses are allowed. Neither non-profit, not-for-profit, or for-profit status is favored.
- Q40** What types of evidence will be considered most helpful in establishing financial viability, given that banks and other financial institutions will generally not allow accounts related to commercial cannabis?
- A40* Applicants should seek guidance from a legal, tax and/or financial adviser.
- Q41** What types of community benefits is Santa Monica looking for from prospective applicants?
- A41* No specific types are contemplated as part of this process.
- Q42** Will any priority be given in obtaining a license for Pre Ico, General Public, Social Equity, Non Profit, Low income patients programs?
- A42* The evaluation process does not provide for any “preferences”. Evaluations will be based on the Selection Criteria outlined in the Request for Applications, which includes the following two criteria:
- Criteria 5: “Prior compliance record with permitting, business licensing, tax/fee payments in other jurisdictions where the applicant currently operates or has ever operated in within the past 10 years (10%)”*
- Criteria 7: “Proposed community benefits (5%)”*
- Q43** Prior compliance record with permitting, business licensing, tax/fee payments in other jurisdictions where the applicant currently operates or has ever operated in within the past 10 years (10%) -- Can this be compliance in any field? Healthcare? Liquor license?
- A43* Yes.
- Q44** The RFA mentions the importance of local business experience; how will this be factored into the scoring? How will local business experience be scored? Is there a Santa Monica residency requirement or is residency and past experience operating within the city just preferred and how is local Santa Monica business experience factored into the scoring?
- A44* There is no residency requirement. There is also no specific preference. This will be taken into consideration as part of the overall scoring by committee members. It is not scored individually.

Q45 Several questions were submitted concerning whether or not a location is required or if having one will provide an advantage or extra points to applicants if the applicants have secured a specific proposed operating location for their retail business as well as questions about how operations will be evaluated. One question included a suggestion that the City’s application process was inconsistent with City policy due to the fact that item 3 of the Selection Application section found on page 5 of the Request for Application asks, “if applicable, the address of the proposed location, and the name and address of the owner and owner’s representative of the proposed location where a lease has been signed or bona fide leasing discussions have begun” and asked if the applicants would be “giving preference to those who did not adhere to such guidance”.

A45 *Page 4 of the Request for Applications outlines the “Selection criteria” (text provided below), which the City will utilize in evaluating applications. Consistent with these criteria, having a location is not a specific factor in the 7 scoring categories. The Facilitator will prepare a staff report for the Evaluation Committee that outlines information provided by each applicant, including any location that has been secured. The Evaluation Committee may use any information included with the Request for Application as part of the evaluation process to assist with assessing each applicant.*

Selection Criteria

A site location where the business will operate is not required during the Request for Application process. The two successful applicants will be issued a Preliminary Selection letter which will then allow the business to secure a location, alleviating the businesses from needing to invest in a location before knowing if they will be able to obtain a permit. The purpose of the selection criteria being used as part of this process is to evaluate the demonstrated effectiveness in managing a cannabis retail business. Applications will be reviewed and ranked according to how well the applicant demonstrates his or her effectiveness in meeting the requirements outlined below, consistent with SMMC Section 6.201.010. Each criterion shall be rated on a score of 1 to 10, 1 being extremely unqualified and 10 being extremely qualified.

- 1. Experience operating a retail establishment (25%).*
- 2. Experience operating a medicinal cannabis retail establishment (i.e. dispensary) (20%).*
- 3. Experience in cultivation practices, if cultivation is proposed, including sustainability practices (5%).*
- 4. Experience operating in a regulated environment (10%).*
- 5. Prior compliance record with permitting, business licensing, tax/fee payments in other jurisdictions where the applicant currently operates or has ever operated in within the past 10 years (10%).*
- 6. Financial viability (25%).*
- 7. Proposed community benefits (5%).*

Lottery – If there is a tie for one or both of the top two spots, the final decision shall be made by lottery in accordance with the Cannabis Ordinance Rules.

Q46 Are more points given for Santa Monica retailer if the person involved who has prior SaMo retail experience is an owner, vs consultant or manager? Does percentage ownership matter?

A46 *Please refer to Answer 45 above.*

Q47 What would be the difference in scoring between two otherwise identical applicants, the first with 10 years of residency and business ownership experience in Santa Monica, the second having never lived or worked in Santa Monica?

A47 *Please refer to Answer 45 above.*

Q48 What is the scoring process or rubric for each category of the application grading system?

A48 Please refer to Answer 45 above.

Q49 Does it seem reasonable that a non-permit-holding operator, albeit being able to show operational financials, receives the same scored points as one who is held to a higher standard of compliance and regulation on the state and local level?

A49 Please refer to Answer 45 above.

Q50 Are more points given for Prior Cannabis Retail Experience if the person involved is an owner, vs consultant or manager? Does percentage ownership matter?

A50 Please refer to Answer 45 above.

Q51 Are more points given for Prior Cannabis Cultivation Experience if the person involved is an owner, vs consultant or manager? Does percentage ownership matter?

A51 Please refer to Answer 45 above.

Q52 The scoring breakdown listed includes experience in cultivation (if applicable) accounting for 5% of the total score. How is this portion of the score affected if the applicant opts not do on-site cultivation? How is the presence/absence of on-site cultivation scored? What would be the difference in scoring between two otherwise identical applicants, the first with a poorly presented plan for on-site cultivation, the second having no on-site cultivation? What would be the difference in scoring between two otherwise identical applicants, the first with a well presented plan for on-site cultivation, the second having no on-site cultivation?

A52 An applicant will not be negatively impacted in the scoring if they are not including on site cultivation.

Q52 Will applications be erroneously deemed incomplete for this technicality on the application: The application requires applicants who answer "yes" to "Is this business a non-profit or exempt entity" to provide 501c3 documentation. Non-profit applicants who are not 501c3, such as non-profit mutual benefit corporations, cannot correctly answer this question.

A53 This question should be answered accurately based on the advise of your tax or legal adviser. Any clarifying information related to the corporate structure can be outlined in the introduction letter as well as by providing incorporation documentation.

FINANCIALS

Q54 How is the "financial viability" score calculated; i.e., is it simply the more assets shown the higher the score?

A54 Please refer to Answer 45 above.

- Q55** How would the City prefer an applicant with extensive retail cannabis experience but who has created and privately funded a new business entity to submit an Cannabis Retailer Permit Application respond to the request for detailed financial information/statements?
- A55* The decision on what to include is at the discretion of the applicant. The purpose of the Selection Criteria outlined in the Request for Application is to evaluate the demonstrated effectiveness in managing a cannabis retail business. Applications will be reviewed and ranked according to how well the applicant demonstrates, in the information provided, his or her effectiveness in meeting the selection criteria, consistent with SMMC Section 6.201.010.
- Q56** Will you be disadvantaged or lose points if your business is a startup and does not have 2 years of historical financial information, provided you otherwise possess the necessary experience?
- A56* Please refer to Answer 45 above.
- Q57** Are the categories of financial information/statements listed in the RFA (i.e. "income statements, balance sheets, and cash flow statements for the prior two fiscal years of the business") an exhaustive list or examples?
- A57* The list reflects an example of financial statements.
- Q58** Financial Information - Is the City of Santa Monica requesting that the applicants have a reserve account - I.E. Escrow / Bond Account with liquid assets and if so what is the financial requirement that the City of Santa Monica is requiring?
- A58* No.
- Q59** The Financials section requests two fiscal years of financial information. What should we provide if the applicant is a new entity that does not have two years of financial information, no statements of business transactions, loans or financial lenders. Would a financial statement from someone within our company possibly our investing partner as statement of financial credibility for the company?
- A59* Provide what you believe assist the Committee in evaluating your application consistent with the 7 Selection Criteria's outlined on page 4 of the Request for Applications that will be scored. Consult with your tax, legal, or financial adviser for further guidance. Also refer to Answer 45 above.
- Q60** The Selection Application (Section 8) requires detailed financial information/statements, defined as income statements, balance sheets, and cash flow statements for the prior two fiscal years of the business. Will new entities be penalized for not including this information? Is information on source of funds, including existing and proposed loans, sufficient?
- A60* Please refer to Answers 45 and 59 above.

Q61 Would it be beneficial to include financial statements from other existing businesses owned by the applicant owners?

A61 Please refer to Answers 45 and 59 above.

Q62 The Selection Criteria requires an applicant to demonstrate a “record . . . tax/fee payments” and the “Financials” section of the Selection Application requires an applicant to provide “financial information/statements . . . for the prior two fiscal years of the business.” If the “Applicant” is a joint venture between two or more existing operations (or principals of two or more existing operations), technically the “Applicant” will be a new entity with no record of tax/fee payments and no prior fiscal years of business. In that scenario, could the record of tax/fee payments and financial information/statements of the existing entities comprising the joint venture (or other existing entities controlled by owners / principals of the “Applicant”) be used to meet the above Selection Criteria and application requirements for a new “Applicant” (really new entity) comprising the joint venture of existing operations?

A62 Please refer to Answer 45 and 59 above.

Q63 If the “Applicant” is newly formed because two or more existing operations are forming a joint venture, will the experience of the principals comprising the “Applicant” be counted towards the Selection Criteria scoring of the “Applicant” and its overall application?

A63 Please refer to Answer 45 above.

Q64 Will any other information (other than contact names and contact information) be required for lenders? Will similar information be required for potential lenders?

A64 No other information is required for the Request for Application, however, as part of the evaluation process the Evaluation Committee may seek additional information. Information on potential lenders is not requested, however, should additional lenders be added, they must be disclosed in the required Compliance Statement prior to issuance of a Business License and annually at renewal.

[end]