



## City Council Agenda Item Staff Report

CITY OF SAN BRUNO

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**DATE:** August 22, 2023

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Alex D. McIntyre, City Manager

**PREPARED BY:** Peter Gilli, Community Development Director  
Eliseo Amaya, Assistant Planner

**SUBJECT:** Hold Public Hearing and Consider Adoption of a Resolution to Select One Commercial Cannabis Operator Permit Application

### BACKGROUND:

On September 27, 2022, the City Council introduced commercial cannabis ordinances to amend the Municipal Code to permit certain cannabis operations, and those ordinances were adopted by City Council on October 11, 2022. Also on October 11, 2022, the City Council adopted the City of San Bruno Application Procedures and Guidelines for Commercial Cannabis Operator Permits (CCOP) (see Attachment 2).

The Procedures and Guidelines describe the five phase process, and this agenda item represents Phase IV:

1. Phase I – Determination of Eligibility
2. Phase II – Application Completeness Determination
3. Phase III – Application Evaluation and Scoring
4. Phase IV – Selection by the City Council
5. Phase V – City Final Determination and Issuance of CCOP License

The Procedures and Guidelines describe “review criteria” that each application must respond to split into the following categories:

- Business Plan
- Labor and Community Benefit Plan
- Neighborhood Compatibility & Odor Control Plan
- Safety and Hazardous Materials Plan
- Security Plan
- Location and Site Plans

On January 24, 2023, the City Council directed staff to further amend the Municipal Code to reduce the number of allowed cannabis businesses to a maximum of two CCOPs for retail and/or distribution operations, with no more than one of the two permits for retail sales. The milestones for the revised regulations were:

- February 21, 2023 – Planning Commission public hearing to provide City Council with a recommendation of the proposed changes;
- March 28, 2023 – City Council public hearing to introduce an ordinance amending the Municipal Code to reduce the number of CCOPs;
- April 11, 2023 – City Council adoption of the ordinance; and
- May 11, 2023 – Effective date of the ordinance.

The application window for the CCOPs was open from May 15 to June 30, 2023. The City of San Bruno received three cannabis retailer applications, and the Municipal Code limits the number of retail CCOPs to one. The City received no distribution applications.

#### **DISCUSSION:**

The City received retail applications from the following applicants, listed alphabetically by the store name:

- Embarc San Bruno – 120-124 El Camino Real (see Attachment 3)
- MMD Shop – 115 El Camino Real (see Attachment 4)
- SB Golden – 197 El Camino Real (see Attachment 5)

Application materials for each submittal is provided as an attachment. Please note that the financial and security information in these plans have been removed or redacted. For each attachment, staff prepared a cover page with a summary table for each application. The table lists quantifiable items staff collected from each application that could inform the City Council's selection.

The applications were reviewed by staff from the Community Development, Fire and Police Departments to confirm each application provides a complete business plan, labor plan, neighborhood compatibility plan, safety plan, and security plan. Consistent with the City Council adopted procedures and guidelines, each application being presented to the City Council for its consideration has been assigned a "Pass" status.

The City Council may select one of these qualified applications to proceed into Phase V, which includes additional review through a Conditional Use Permit (CUP) process that will ultimately be acted on by the City Council after a recommendation from the Planning Commission.

#### ***Next Steps – Phase V – Conditional Use Permit***

The application selected by City Council will proceed to Phase V, which will include the review of a Conditional Use Permit (CUP) application for their location. As part of the CUP process, staff will carefully examine the property, the surrounding land uses, and identify potential issues that may arise from the selected application. Conditions of approval will be established to minimize any such incompatibilities, as well as ensure operational commitments by the applicant are met, including but not limited to safety, security, and odor control.

One of the primary reasons the City Council adopted the commercial cannabis regulations was for revenue generation to fund essential public services. The revenue projections provided by the applicants are based on their projected area-wide demand, their projected number of customers served per day based on that demand, and an average transaction value. Staff views

these projections as potential maximums and suggests City Council not assume such revenues will be fully achieved:

- **Comparison.** The City of Redwood City has approved six retail locations, and estimates annual tax income from their 4% cannabis tax to be up to \$750,000 combined. If it was assumed that San Bruno has equivalent market conditions, and if it was assumed that the City's single retailer could serve the full demand of the San Bruno area, the City's 6% annual cannabis tax theoretically could generate 1.5 times what Redwood City projects (up to \$1.1 M). Proximity to the airport is one factor that may make San Bruno a stronger market than Redwood City, which could strengthen revenues.
- **Customer Volume.** Management of customer volume will be an issue analyzed in the CUP process, which may lead to conditions that limit customer traffic (through appointments or other methods) to minimize impacts on local streets, sidewalks and surrounding properties. Managing customer volume will reduce the selected applicant's capacity for achieving the maximum potential revenue projections.

After staff's analysis of the CUP application is complete, staff will present the CUP, with recommended conditions of approval, to the Planning Commission for consideration at a noticed public hearing. Typically, the Planning Commission is the final decision maker for a CUP, but the commercial cannabis ordinance requires the City Council to take the final action on the CUP. A refined revenue projection will be provided at that time. If the City Council approves the CUP, the final step would be for the City Manager to administratively issue the CCOP to the applicant.

If the City Council selects an application as part of this agenda item, and that applicant promptly submits a complete application for the CUP, staff is optimistic that the Planning Commission meeting would be scheduled in Fall 2023, with the City Council final action before the end of the calendar year. Issuance of building permits would be expected in early 2024, with potential opening estimated to be near the start of the next fiscal year on July 1, 2024.

#### **FISCAL IMPACT:**

There is no direct fiscal impact from this agenda item. Selection of a cannabis retailer will allow one applicant to enter Phase V, which will include the Conditional Use Permit (CUP) and the CCOP license. If approved, when open the cannabis retailer will result in tax revenues to the City.

#### **ENVIRONMENTAL IMPACT:**

The City Council selection of up to one cannabis retail business is not a project under the California Environmental Quality Act (CEQA). Environmental review will occur through the Conditional Use Permit process.

#### **RECOMMENDATION:**

That the City Council one of the three CCOP applicants to proceed to Phase V and the Conditional Use Permit process.

**ALTERNATIVES:**

1. The City Council can request additional information and continue the item; or
2. The City Council can choose to not select any of the applicants and close this application process

**ATTACHMENTS:**

1. Resolution
2. City of San Bruno Application Procedures and Guidelines for Commercial Cannabis Operator Permits
3. Embarc Application Materials with Staff Cover Sheet
4. MMD Application Materials with Staff Cover Sheet
5. SB Golden Application Materials with Staff Cover Sheet