



CANNABIS TESTING LABORATORY BUSINESS PERMIT APPLICATION PROCEDURE GUIDELINES AND REVIEW CRITERIA

APPLICATION PROCEDURES AND GUIDELINES

INTRODUCTION

The City of Monterey is seeking qualified applicants to apply for Commercial Cannabis Testing Laboratory Permits. Applications for a cannabis testing laboratory permits are accepted on an on-going basis, without any restrictions on the number of cannabis testing laboratories that can operate within the City.

In order to qualify for the issuance of a Cannabis Business Permit, all completed applications must be submitted to the Community Development Department at the specified address mentioned in these guidelines.

Applicants should monitor the City's web page for any additional information, FAQs, or updates. It is the responsibility of the Applicant to stay informed of this information. The Procedure Guidelines and Review Criteria, known hereafter as the "Procedures," is established in accordance with the Monterey Municipal Code Section 7-7.09 through 7-7.11.

CONTACT

If you have any questions or would like an update on the status of your application, please contact the Community Development Department by email at cannabis@monterey.org.

APPLICABLE REGULATIONS

Information regarding the Commercial Cannabis Business (CCB) Application process can be found on the City's website at <https://monterey.org/cannabis> and includes the following:

- MMC Chapter 7, Article 7 (Health and Safety Business Regulations – Cannabis Business Regulations)
- MMC Chapter 38, Article 16D (Zoning, Part III – Overlay District Regulations)
- Application Procedures Guidelines and Review Criteria
- Commercial Cannabis Business (CCB) Permit Application
- Financial Responsibility, Indemnity and Consent to Inspection Terms Agreement
- Agreement on Limitations of City's Liability and Indemnification to City

For additional and historical information regarding timelines and important updates moving forward please visit <https://haveyoursaymonterey.org/cannabis>.

NUMBER OF PERMITS AND LOCATION LIMITATIONS

There is no limit on the number of cannabis testing laboratory businesses allowed in the City, pursuant to Monterey Municipal Code (MMC) Section 7-7.06.

Cannabis testing laboratory businesses shall only locate in those zoning districts set forth in City Code Chapter 38, Article 16D (Zoning, Part III – Overlay District Regulations) and pursuant to the development standards set forth therein.

LIMITATIONS ON MULTIPLE APPLICATIONS

Pursuant to MMC Section 7-7.06 (E), a person may not have an ownership interest in more than one commercial cannabis business in the same DCC license category within the City.

AMENDMENTS TO THE APPLICATION

Applicants will not be allowed to make amendments to their application or to supplement their application, except as otherwise specifically permitted in these procedures, or posted on the City’s website as a clarification update, or as authorized in writing by the City Manager or their designee.

City staff and/or the City’s designated consultant will conduct a preliminary evaluation of the applications for completeness. If any items required by the application are not met or provided, the applicant may be granted ten (10) business days from the date of the notice to correct the deficiency.

Upon receiving an email from the City, we request that you promptly acknowledge receipt. If the City does not receive confirmation from your primary contact within two (2) days, the City reserves the right, but is not obligated, to make an attempt to contact the primary contact via phone. Please be aware that there will be no extension beyond the initial ten (10) days provided to address any deficiencies, and it is essential for applicants to monitor both incoming and spam emails. Additionally, please note that any extra information beyond what was specifically requested to rectify minor deficiencies will not be taken into consideration.

CITY’S RESERVATION OF RIGHTS

The City reserves the right to reject any and/or all applications, with or without cause or reason. The City may modify, postpone, or cancel the request for a Testing Laboratory Cannabis Business Permit without liability, obligation, or commitment to any person, party, firm, or organization. In addition, the City reserves the right to request and obtain additional information from any applicant in order to conduct a complete review of the application or an investigation into the truthfulness of the statements set forth in the application or provided at any stage of the application process.

APPLICATION SUBMITTAL PROCESS

This application process is adopted pursuant to MMC Section 7-7.09 through 7-7.11. Please review the information regarding the application process and which documents you will need. Before submitting your application, review your application in its entirety to ensure that it is complete and accurate. In addition, applicants should regularly monitor the information regarding the Cannabis Business Permit application process on the City webpage for any additional information.

APPLICATION SUBMITTAL REQUIREMENTS

Each application must respond to all requirements outlined in these Procedures. Applicants must submit all required application materials together in one complete comprehensive application package. This can be done in person, by U.S. Mail, or by common carrier delivery service (e.g., Fed Ex, UPS, etc.) as long as it is a complete application. The application documents must be secured in an envelope or box addressed as follows:

**Community Development Office
Attn: Cannabis Application Process
City of Monterey
570 Pacific Street
Monterey, CA 93940**

HARD COPY CONTENT

One complete hard copy is required. The application package must include hard copies of the following documents with original signatures for each document (where applicable):

1. Cannabis Business Permit Application
2. Financial Responsibility, Indemnity and Consent to Inspection Terms Agreement
3. Agreement on Limitations of City's Liability and Indemnification to City
4. Application Fee(s) Payment
5. All materials identified in the Application Procedure Guidelines and responses to the Evaluation Criteria, Sections A-G, provided in Appendix A of the Procedures

FLASH DRIVE CONTENT

In addition, all applicants must submit a USB flash drive containing one complete copy of the application package per the requirements as outlined in the below format. The application package and application fees must be received by the Community Development Department at the same time.

- Please note that responses to PDF File #2: "Evaluation Criteria", Sections A-G (found in Appendix A of the Procedures) shall be limited to 125 pages, otherwise points will be deducted.
- Responses pertaining to Proof of Capitalization shall not be included in the 125-page limitation, and should be saved in PDF File #4, separate from the Evaluation Criteria (see below).

- Applicant responses to the Evaluation Criteria (Sections A-G) must be provided in the section order identified in Appendix A. Each section shall be clearly labeled, with responses provided in the appropriate section. Any response to Evaluation Criteria that is not placed within the appropriate section will receive a deduction in points.

All materials must be submitted on a USB flash drive in a PDF format in the following files. Please submit the files in the correct format and organized correctly or your application may be rejected.

PDF File #1 Cannabis Business Permit Application (pages 1-3); Financial Responsibility, Indemnity and Consent to Inspection Terms Agreement (pages 1-3); Agreement on Limitations of City Liability; Certification, Assurances, Warranties, and Indemnification to City (pages 4-6); All copied documents shall display required signatures to be deemed complete.

PDF File #2 – Evaluation Criteria (Responses to Sections A-G of Appendix A limited to 125 pages, excluding Proof of Capitalization, which shall be included separately in PDF File #4).

PDF File #3 – Proof of Capitalization (Appropriate bank statements, loan documents, promissory notes, financial and commitment letters); Copies of business entity formation and organizing documents (e.g. including articles of incorporation, statement of information, articles of association, and fictitious business name statement).

PDF File #4 – Documents relating to other licensed cannabis facilities operated by the applicant, including copies of active state cannabis business license(s), tax compliance documentation (i.e. City business license tax certificates, State sales tax seller’s permits, and recent financial statements and tax returns), annual budget of operations, and list of current prices for all products and services provided, as may be applicable.

APPLICATION FEES

All applicants will be required to submit a fee of \$2,435. This amount will be charged against time spent by City staff and the consultant reviewing applications and administering the application process. Applicants are advised that they may be required to pay additional amounts as required for the sole purpose of the City’s completion of the application review process.

Payment must be made by cash, credit card, certified check, cashier’s check, or money order made payable to the City of Monterey. Please note application fees are non-refundable.

APPLICATION REVIEW, SCORING, AND APPROVAL PROCESS

PHASE 1: APPLICATION SUBMITTAL AND DETERMINATION OF ELIGIBILITY

During Phase 1, applications will be reviewed for completeness and compliance to meet the minimum submittal requirements. The determination of eligibility will be based on the criteria outlined in these procedures, developed pursuant to MMC Section 7-7.09 and 7-7.11. These procedures may be amended, in writing, for clarification to application submittal questions, which will be posted in the FAQ section of the Cannabis Information webpage (<https://monterey.org/cannabis>) and shall go into full effect immediately upon being posted on the website.

PHASE 2: APPLICATION EVALUATION AND REVIEW

During Phase 2, the City's consultant will review each application using the following evaluation criteria identified in Appendix A:

- Section A. Qualifications of Owners (40 points)
- Section B. Business Plan (40 points)
- Section C. Security Plan (40 points)
- Section D. Storage and Transportation Plan (10 points)
- Section E. Labor and Employment Plan (20 points)
- Section F. Local Enterprise and Engagement Plan (30 points)
- Section G. Sustainability (20 points)

Applicants that have responded satisfactorily to the evaluation criteria and application information will move on to Phase 3 of the application process.

PHASE 3: PERMIT ISSUANCE

Upon the completion of Phase 2, the applicants are obligated to seek and acquire a zone clearance from the City's Community Development Department – Planning Office. This zone clearance is a prerequisite for obtaining a cannabis permit from the City and will be evaluated on a first-come, first-served basis by the Community Development Department.

Applicants who have successfully obtained a zone clearance from the City, must undergo review and approval by the City Manager before a cannabis business permit can be issued. These permits may include conditions of approval, necessitating compliance with the objective review criteria outlined in the initial application. The City Manager, after receiving the application and the required information shall grant the testing laboratory permit if they find all the following:

1. The applicant has not knowingly made a material misrepresentation or omission in the application.

2. The applicant has not had a cannabis business permit denied or revoked by the state, county, city, city and county, or any other state within five years of the date of the application.
3. The cannabis business, as proposed by the applicant, would comply with all applicable provisions of state law and MMC Chapter 7, Article 7, and all health, zoning, fire, and safety requirements.
4. No grounds for denial exist under MMC Section 7-7.13.

If any of the applicants fail to utilize a cannabis business permit within the specified timeframe as outlined in Section 7-7.12(D), all rights to the permit will be terminated and forfeited.

Note:

Being awarded a Cannabis Business Permit does not constitute a land use entitlement and does not waive or remove the requirements of applying for and receiving permits for all construction including electrical, plumbing, fire, Community Development Department permits or reviews, and any other permits, licenses, or reviews as deemed necessary by the relevant departments or governmental entities in charge of said permits. Nor does the award of a Cannabis Business Permit guarantee that the plans submitted via the CCB application process meet the standards or requirements in MMC Chapter 7, Article 7 and any other permit requirements from other City departments or agencies.

APPENDIX A: EVALUATION CRITERIA

Public Records Requests. The City of Monterey is a public agency subject to the California Public Records Act (“CPRA”). In the event a request for information under the CPRA seeks disclosure of application materials marked by Applicant as “Confidential Information,” the City will make reasonable efforts to provide notice to the Applicant prior to such disclosure to allow Applicant to seek a protective order, injunctive relief, or other appropriate remedy. If Applicant contends any designated application materials are exempt from the CPRA and wishes to prevent disclosure, it is required, at its own cost, liability, and expense to obtain a protective order, injunctive relief or other appropriate remedy from a court having jurisdiction over the matter at least two (2) days before City’s deadline to respond to the CPRA request. If the Applicant fails to obtain such a remedy before the deadline for the City’s response to the CPRA request, the City will disclose the requested information and shall not be liable or responsible for such disclosure.

SECTION A: QUALIFICATIONS OF OWNERS (40 POINTS)

- 1. Cannabis Business Experience:** Describe the business owner’s prior experience in owning, managing, and operating a legally permitted or licensed testing laboratory cannabis business in the State of California, or other business in a similarly State regulated activity. For purposes of this section, owner shall mean the State definition of owner in the State Business and Professions Code Section 26001.
- 2. Cannabis Industry Knowledge:** Describe your overall knowledge of the cannabis industry, including identification of how industry best practices and State regulations have been incorporated in existing/prior legal businesses outside the City of Monterey.
- 3. Ownership Team Involvement:** Describe the involvement of the ownership team in the day-to-day operation and management of the proposed business.
- 4. Professional Certifications/Training:** Describe any professional certifications and/or formal training of the owners, managers or staff involved in the day-to-day operations and/or oversight of the proposed cannabis business.

SECTION B: BUSINESS PLAN (40 POINTS)

- 1. Business Operations:** Describe the day-to-day operations which meet industry best practices for testing laboratory cannabis business you are applying this should include, at a minimum, a description of the following:
 - a. Hours of operation.
 - b. The sampling standard operating procedures.
 - c. The procedures for transporting cannabis field samples.
 - d. The chain of custody for field samples.
 - e. The quality control procedures.
 - f. The Laboratory Supervisor/Manager responsibilities and qualifications.

- g. The location and procedures for storing cannabis products.
- h. The accounting software system to be used to provide point of sale data and audit trails of both product and cash.
- i. How compliance with the state's track and trace system for cannabis and cannabis products will be achieved.

2. Finances:

- a. Provide a budget for construction, operations, maintenance, compensation of employees, equipment, property lease, security equipment and staff, City fees, state fees, utility costs, product purchases and other anticipated contingency costs. The budget must demonstrate sufficient capital in place to pay startup costs and at least three months of operating costs, as well as a description of the sources and uses of funds.
- b. Provide proof of capitalization, in the form of documentation of cash or other liquid assets on hand, Letters of Credit or other equivalent assets which can be verified by the City.
- c. Provide a pro forma for at least three years of operations.
- d. Provide a schedule for beginning operation, including a narrative outlining any proposed construction and improvements and a timeline for completion.

SECTION C: SECURITY PLAN (40 POINTS)

1. **Security Plan:** The Application must include a security plan prepared by a qualified professional. The security plan can be prepared with in-house staff or a third-party security consultant but must clearly demonstrate that it meets the qualified professional standard to receive the appropriate points for each criterion in this section. The Applicant must also submit the qualifications of the person(s) preparing the security to verify that they meet the qualified professional standards.
2. **Operational Security:** A description of operational security, including but not limited to:
 - a. Access Control Systems and Visitor control to prevent unauthorized access.
 - b. Inventory control and storage.
 - c. Alarm systems.
 - d. Surveillance equipment.
 - e. Record Storage and retention
3. **Perimeter Security:** A description of perimeter security, including but not limited to:
 - a. Protecting surrounding properties.
 - b. Physical barriers.
 - c. Exterior lighting.
 - d. On-site security guards and their proposed guard hours and responsibilities.
4. **Employee Training and Policies:** A description of employee training and general security policies to protect the physical safety of employees.

SECTION D: STORAGE AND TRANSPORTATION PLAN (10 POINTS)

1. **Storage and Transportation Plan:** A plan detailing the procedures for: Safely securing storing and transporting all cannabis, cannabis products, any hazardous materials that may be used by the business, and any currency.

SECTION E: LABOR AND EMPLOYMENT PLAN (20 POINTS)

1. **Local Hire:** Describe the applicant's plans for local outreach and hiring of residents of the City of Monterey for open positions and/or compensation for continuing education, and any other actions proposed by the applicant that are intended to benefit the local workforce and/or Applicant's local employees.
2. **Number of Employees:** Identify the number of employees at initial opening, and the maximum number of employees when the business is at full capacity.
3. **Employee Responsibilities:** Identify all positions to be employed at the proposed business, and their responsibilities.
4. **Employee Wages:** Identify the wages provided to all employees.
5. **Employee Benefits:** Identify the benefits provided to all employees, including health care, vacation, and medical leave, to the degree they are offered as part of employment.
6. **Employee Non-discrimination Policies:** Describe how your business will comply with federal employee non-discrimination policies.

SECTION F: LOCAL ENTERPRISE AND ENGAGEMENT PLAN (30 POINTS)

1. **Community Engagement:** A description of community engagement including past, present, or planned activities that demonstrate how the cannabis business plans to integrate into the community, and involvement in local non-profits/charitable/volunteer organizations.
2. **Community Alignment:** A description detailing the applicants:
 - a. Connection to the City, ability to serve the City, familiarity with the City, and innovative business models consistent with the City's community.
 - b. Ability to conform with the City's general plan, any applicable specific plans, and design standards.
3. **Local Business Partnerships:** A description of any local business partnerships or collaborations your cannabis business has established or plans to establish within the City.

SECTION G: SUSTAINABILITY (20 POINTS)

1. **Sustainable and Equitable Business Practices:** A description of sustainable and equitable businesses practices, including but not limited to:

- a. Steps the cannabis business will take to reduce the carbon footprint of cannabis by reducing greenhouse gas emissions.
- b. Describe energy conservation/sustainability features to be included in the project (as example, commitment to LEED certified, minimum percentage of on-site electricity generation, or installation of EV chargers, etc.).
- c. Steps the cannabis business will take to ensure the cannabis it receives is sourced from cultivators/manufacturers that provide safe working conditions and pay wages to laborers for work performed.