

CITY OF OAKLAND
AGENDA REPORT

2007 FEB 15 PM 8:17

TO: Office of the City Administrator
ATTN: Ms. Deborah Edgerly
FROM: Office of the City Administrator, Special Activity Unit
DATE: February 27, 2007

RE: Annual Report on the Operation of Oakland's Permitted Medical Cannabis Dispensaries

SUMMARY

This report is being submitted at the request of the Public Safety Committee. It provides information regarding the operation of Oakland's permitted medical cannabis dispensaries during the calendar year 2005. Additionally, because of significant changes in the status of the dispensaries, the report outlines the major events of 2006.

FISCAL IMPACTS

As this is an informational report, fiscal impacts are not included.

BACKGROUND

On February 3, 2004, the Oakland City Council unanimously passed an ordinance that added Chapter 5.80 to the Oakland Municipal Code (OMC). Chapter 5.80 legislates a business permitting process, regulations, and regulatory fees for the establishment and monitoring of up to four (4) medical cannabis dispensaries in the City of Oakland. (OMC section 5.80.020) The four dispensaries that received permits in 2004 were:

<u>DISPENSARY</u>	<u>ADDRESS</u>	<u>PERMIT DATE</u>
C.A.R.E. ¹	1900 Telegraph Ave.	6/6/04
SR71 Coffeeshop	377 17 th St.	6/6/04
OCRC ²	578 W. Grand	6/6/04
Compassionate Caregivers	2135 Broadway	12/6/04

On April 12, 2005, the City Administrator's Office reported to the Public Safety Committee on the operation of the four dispensaries through December, 2004. The purpose of the report was to: 1) Evaluate whether the current dispensaries adequately serve the needs of Oakland patients, 2) provide an update on the issue of onsite consumption, 3) present an overview of Berkeley's

¹ California Advocate Relief Exchange

² Oakland Compassionate Resource Center

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Peer Review Process, and 4) compare the permitting fees paid to the costs of implementation and oversight. The Committee accepted the report and did not recommend changes to the ordinance.

Calendar year 2005 saw many changes in both the dispensary population and in the dispensary permit application process.

- OCRC and Compassionate Caregivers lost their permits on September 8, 2005, due to unabated code violations
- C.A.R.E. moved from 1900 Telegraph Avenue to 701 Broadway.
- A round of applications and hearings conducted in September 2005 produced no suitable candidates for the two available permits
- The application process was substantially changed to provide the applicants with a better understanding of the City's expectations and to provide the City with better and more objective information upon which to award the permits
- In April of 2006 the City Administrator gave conditional approval to two applicants: 1) Keith Stephenson and 2) Stephen DeAngelo and David Wedding Dress
- Between May and September 2006 the conditionally approved applicants obtained building permits and built out their facilities
- Keith Stephenson opened the Purple Heart Patient Center at 415 4th Street on September 15, 2006. Stephen DeAngelo and David Wedding Dress opened the Patients Mutual Assistance Collective Corporation at 1840 Embarcadero on October 2, 2006, doing business as Harborside Health Center.

KEY ISSUES AND IMPACTS

1. Non-renewal of Two Dispensary Permits

a. Issues outstanding from original permit issuance.

The decisions awarding the original permits to OCRC and SR71 Coffeeshop in 2004 noted code violations that had to be addressed. The original decision awarding C.A.R.E.'s permit stated that they would be required to move their facility, which was less than the required 1000 feet from a school. The property approved for Compassionate Caregivers' permit had not functioned as a dispensary prior to permitting. The building inspection conducted during their application process listed some obvious violations but noted that the Department was unable to determine the scope of inspection until occupancy use is determined.

SR71 Coffeeshop abated their violations and was cleared by the Building Department and Fire Department prior to the commencement of the 2005 re-permitting process. On April 8, in anticipation of the June 7, 2005 permit expiration date, the Administrative Hearing Officer notified the other three dispensaries that correction of building code violations and compliance with all other aspects of the law was a requirement for permit renewal.

A public hearing on re-issuance of the permits was scheduled for June 2, 2005 and the permittees were requested to submit the following documents by the hearing date:

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- Balance sheet(s) and income statement(s) covering the period June 6, 2004 through April 30, 2005
- State and Federal income tax returns for calendar year 2004 or fiscal year that includes the permitted period
- Quarterly or annual state sales tax returns for the permitted period
- Payroll summaries for the permitted period
- Proof of worker's compensation insurance
- Proof of liability insurance
- Proof of correction of building code, fire, and any other noticed violations
- Any quarterly product inventory and price lists that have not been previously submitted as required by the Conditions of Approval

At the June hearing, in order to give the City an opportunity to review the documents, the permits of all four dispensaries were extended by three months. OCRC and Compassionate Caregivers were notified that their buildings must become code compliant and C.A.R.E. was notified that it must find another location by the end of the three month period.

b. Compliance of SR71 and C.A.R.E.

SR71 Coffeeshop submitted, on a timely basis, everything required for the City's compliance review and were awarded a permit to operate an additional nine months, expiring June 7, 2006. C.A.R.E. located a facility that received the City Administrator's approval and were issued a three month extension to re-locate.

C.A.R.E. obtained permits, completed building modifications, relocated to their new facility and obtained Fire and Building Department approvals by December 7, 2005. They were awarded a permit to operate an additional six months, expiring June 7, 2006.

c. Revocation of Compassionate Caregivers' and OCRC's permits

A building inspection of Compassionate Caregivers revealed that they had done extensive unpermitted work, and the work itself was in violation of building and fire codes. By September 2005, they had only begun the process of submitting plans to correct their violations. OCRC obtained permits but had made very little progress by September, due, they said, to unreliable and dishonest contractors. The permits, for Compassionate Caregivers and OCRC, therefore, were not re-issued when the three month period expired September 7, 2005.

d. First round of applications for two available permits – no permits issued

The application process was then opened for the two available permits, with public hearings were conducted on September 30, 2005. Eight parties, including Compassionate Caregivers and OCRC submitted applications. Five of the applicants submitted locations that would

have required waivers of the sensitive use distances specified by the ordinance. These waiver requests were denied.

Compassionated Caregivers' and OCRC's applications were denied when they were found to have been conducting dispensary activities³ without permits. The remaining applicant proposed a warehouse facility that was so disability inaccessible and out of compliance with anything that would resemble a medical environment, that the Building Inspection Supervisor immediately requested the establishment of minimum dispensary requirements, including the determination of a usage and occupancy classifications. Consequently, no permits were issued at the September 30th, 2005 hearings.

2. Changes in Permit Application Process

The failure to produce a suitable candidate in the first round of applications brought several problems to the surface: 1) The loss of two permits due to unabated code violations pointed out the necessity of requiring buildings to be code compliant prior to permitting, as is the case with all other permits issued by the City Administrator's Office, 2) the failure to re-issue the two permits due to illegal activity highlighted the need for Oakland's dispensaries to demonstrate their knowledge of the laws controlling medical cannabis dispensaries, 3) the physical condition of some applicant buildings mandated (a) classification of the activity and building requirements so that the City's plan checkers, building inspectors, and fire inspectors would have concrete standards on which to base their approvals and inspections and (b) conveying those standards to the applicant, and 4) although most of the applications were rejected due to unacceptable locations or applicant activity, it became apparent that the existing application materials provided little information differentiating the applicants, making it difficult, if not impossible, to objectively select the best applicants.

Working with the downtown area Building Department Inspection Supervisor, Plan Check Supervisor, Fire Inspection Supervisor, and City Administrator, and the Hearing Officer revised the application process to include the following three phases:

Qualification Phase

- Submission of proposed locations, which were then checked for sensitive use distance compliance by CEDA's Global Information System
- Submission of letter from landlord that the use of the property for a medical cannabis dispensary was acceptable
- OPD background check commencement

³ OCRC subleased part of their space for growing cannabis. Transfer of permits and the functions authorized by permits is specifically prohibited by OMC section 5.02.070. Although their permit was not re-issued when they failed to correct their building code violations, Compassionate Caregivers continued to perform cannabis packaging and storage, functions that are illegal without a valid permit.

Ranking and Conditional Approval Phase

This phase consisted of several requirements, each of which was assigned a point value.

<u>Requirement</u>	<u>Max. Points</u>
▪ Test for knowledge of medical cannabis state law and Oakland ordinance	100 ⁴
▪ Resume/applicable experience	200
▪ Proof of capitalization	500
▪ Suitability of proposed facility based upon M occupancy classification	500
▪ Form of organization	200
▪ Proposed services/business plan	250
▪ Staffing plan	100
▪ Security plan	150

Additionally, a team consisting of the City Administrator, the advisory Deputy City Attorney, and the Administrative Hearing Officer interviewed each applicant. No points were assigned to the interview.

Implementation and Issuance of Permits Phase

Assuming that they were not eliminated on the basis of the interview, the two candidates with the highest number of points would receive conditional approval to operate a medical cannabis dispensary. They could then commence the process of obtaining permits to make the modifications to their building required to meet the City's mandate for total ADA compliance, as well as their own operations and security requirements. Mutually agreeable time frames would be established. Upon approval by the Building and Fire Inspectors the actual permits would be issued.

A notification of this process and invitation to apply was sent on November 23, 2005 to all parties who had registered an interest in cannabis dispensary permits since the ordinance was adopted. The letter explained that the purposes of the change were to: 1) Clarify the City's expectations of applicants, 2) establish an objective system for approving permit applicants, 3) minimize the expense to applicants prior to obtaining approval, and 4) maximize the productivity and effectiveness of City staff who deal with the applications. Included in the letter were copies of both the state law and City ordinance pertaining to medical cannabis.

Eight candidates submitted application packets by the deadline of December 15, 2005 and signed up for one of the two test dates, January 4 and January 6, 2006. One candidate did not take the test or attempt to reschedule. One of the candidates withdrew after taking the test, explaining that his wife was expecting their first child, and he did not feel that dispensary operation was compatible with parenthood. The test consisted of 31 short answer questions. During the scoring process, the Hearing Officer eliminated questions that none of the candidates had answered correctly, on the basis that the question was potentially too ambiguous. On that basis,

⁴ Applicants were notified that a score of less than 70 would disqualify them.

two of the candidates were eliminated, having answered only 44 percent and 56 percent of the questions correctly.

Four applicants remained. The Hearing Officer evaluated their written submitted materials, and the Building Inspection Supervisor and Fire Inspector evaluated their proposed facilities and plans for appropriateness and extent of unpermitted work or code violations. In contrast to the earlier application round, all of the facilities were deemed suitable, with no unpermitted work and only minor code violations. All applicants received the maximum 500 points in the "Suitability of Proposed Facility" category. Other portions of the application packages did distinguish the final ranking of the applicants. In April, 2006, the applicants with the highest number of points 1) Keith Stephenson and 2) Stephen DeAngelo and David Wedding Dress, were conditionally approved. The Deputy City Attorney assigned to advise on medical cannabis matters provided a second review of the scores. A copy of the scores and the awarding rationale is attached.

In May 2006 the conditionally approved applicants began the process of obtaining their plan check approvals and permits for tenant improvements to provide the level of security required for medical cannabis operations and the level of patient amenities expected in medical office settings. Both applicants completed their build-outs and received final clearances from the Fire Department and the Building Department. Keith Stephenson opened the Purple Heart Patient Center on September 15, 2006 and Stephen DeAngelo and David Wedding Dress opened the Patients Mutual Assistance Collective Corporation on October 2, 2006, doing business as Harborside Health Center.

3. Operation of Oakland's Two Cannabis Dispensaries From September 2005 to September 2006

SR71 Coffeeshop and C.A.R.E. functioned as Oakland's only two medical cannabis dispensaries from September 2005 until the opening of Purple Heart Patient Center. SR71 Coffeeshop, however, was the only dispensary to run in a continuous mode at the same location. Due to being within 1000 feet of the School for the Performing Arts, C.A.R.E. relocated at the end of 2005 from 1900 Telegraph Ave. to 701 Broadway.

There were few complaints registered with the City regarding this reduction in facilities. City Council Member Nancy Nadel's office reported that, in September 2005, when two dispensaries closed, their office received multiple calls. However, according to Ms. Nadel's office, all of the calls were from three people, including two from the Safe Access organization. City Council Member Desley Brooks reported that the complaints she received involved the overburdening and inconvenience to other cities' dispensaries due to the limited numbers in Oakland. No other City Council offices reported receipt of complaints regarding access to medical cannabis.

However, lack of official complaints does not tell the entire story. Confirming Council Member Brooks' report, Debby Goldsberry of the Berkeley Patients' Group reported that her business increased by 400 percent in the last year, and she believes that much of that is due to the closure

of Oakland dispensaries. She agreed with Council Member Brooks that the increase in the number of patients created a tremendous strain on Berkeley Patients' Group.

Jeff Jones of the Oakland Cannabis Buyers' Cooperative (OCBC) reported that, although he did not have specific numbers, patients told him that, with only two operating dispensaries, there was frequently more demand than supply. Previously, if an Oakland dispensary ran out of the type of medicine a patient needed, the patient would travel to one of the other Oakland dispensaries. Because an individual dispensary does not carry all of the available types of medicine, having only two dispensaries meant that a patient could not always obtain his/her specific type of medicine in Oakland. Mr. Jones said that, because there are facilities in nearby cities, patients found access to cannabis, but that the reduction in supply in Oakland was definitely a hardship to Oakland residents.

C.A.R.E. reported that the lack of supply was a problem that was becoming worse. Both C.A.R.E. and SR71 requested permission to extend their permits to separate locations that would be used to grow an adequate supply for their customers, within the quantity limits established by both state law and the Oakland ordinance. C.A.R.E. also indicated that reducing their dependence on outside vendors would also ensure that their medicines are untainted by toxins or other contaminants that are beyond their control when they purchase from others. Both requests were denied, as there is currently no specific provision in the ordinance for separate growing facilities.

An additional problem noted by Mr. Jones was the decrease in peripheral support services with the closure of two dispensaries. Mr. Jones explained that Coffeeshop SR71 provides cannabis and cannabis products only. The opening of the two new dispensaries should resolve this problem, as both of the newly opened dispensaries outlined numerous supportive services in their business plans. Additionally, C.A.R.E. has always provided many other patient support services, such as clothing, groceries, on-site meals, and free or reduced-price medication for low income patients.

A third problem raised by Mr. Jones is Oakland's ban on on-site consumption. Mr. Jones provided the Hearing Officer with information on vaporization, a form of consumption that does not involve smoking. San Francisco, Berkeley, and Alameda County permit some form of on-site consumption, with San Francisco and Berkeley allowing all forms unless there are complaints, and the unincorporated areas of Alameda County, in consideration of their smoking ordinance, allowing only vaporization.

The basic argument in favor of vaporization is that it allows patients to receive medication under the supervision of the dispensary. The alternative, Jones and dispensary operators say, is that patients medicate in the immediate vicinity, in their cars or on the streets, creating both a risk to themselves, of being robbed, and a potential danger to pedestrians and other drivers if they drive under the influence. Also, vaporization does not run afoul of Oakland's ordinance that prohibits smoking in work places.

Mr. Jones believes that the ban on any on-site consumption was enacted in reaction to a perception that the use of cannabis in public was out of control in Oakland between the passage of the state's Compassionate Use Act and the passage of Oakland's ordinance establishing a maximum of four permitted dispensaries. Dispensary operators now actively prohibit their patients from smoking cannabis in the public areas outside the dispensary. The Hearing Officer has received several citizen complaints of cannabis odors in the air, but all were related to illegal, not permitted facilities.

When the on-site consumption issue was raised in the first medical cannabis report, April 12, 2005, two medical professionals weighed in, expressing opposing opinions. The Medical Director of the East Bay AIDS Center spoke against on-site use, stating that patients leaving a facility in an altered state due to on-site consumption could create problems for the facility, the City, the patient, and the public. The Medical Director of HIV Access at Alameda County Medical Center, Highland Hospital, favors on-site consumption utilizing supervised vaporizers, on the grounds that it avoids both the negative personal health issues associated with smoking and the potential public safety dangers involved when patients medicate in their cars.

C.A.R.E. and Cofeeshop SR71, the two dispensaries that functioned the entire year of 2005, reported patient statistics for 2005 and for the portion of 2006 prior to the opening of the new dispensaries as follows⁵:

	Visits/Mo CARE	Visits/Mo SR71	New Pts. CARE	New Pts. SR71
Jan. 05	4416	*	422	*
Feb. 05	4884	*	425	*
Mar. 05	5022	*	508	*
Apr. 05	5266	4824	443	3
May 05	5220	8270	372	4
June 05	5912	9700	691	3
July 05	5472	9405	319	3
Aug. 05	5831	9161	350	367
Sep. 05	1639	10972	121	618
Oct. 05	**	10536	273	594
Nov. 05	3025	9298	268	450
Dec. 05	4463	10217	188	498
Jan. 06	4255	10651	383	460
Feb. 06	4175	10628	438	521
Mar. 06	4882	11635	521	631
Apr. 06	4770	10601	605	567
May 06	5206	10912	567	667
June 06	5171	10453	675	698

⁵ The next report statistics will commence with September 2006 to reflect the opening of the two new dispensaries and allow for comparisons of all four dispensaries on the annualized basis of September 1st through August 31st.

July 06	5245	10223	573	675
Aug. 06	5045	11070	**	596

* Data for January 2005 through March 2005 not available for SR71 because prior to the initial report to the Public Safety Committee, April 12, 2005, the dispensaries had not been asked to maintain this type of data.

** No data provided

Due to differences in their counting systems and computerized databases, CARE and SR71 maintained separate statistics on Oakland patients, as shown below. CARE is altering their computer system and will be able to account for monthly Oakland patient visits in the future.

	C.A.R.E		SR71	
	New Patients	New Oakland Patients	Individual Patient Visits	Oakland Patient Visits
Jan. 05	422	57		
Feb. 05	425	54		
Mar. 05	508	54		
Apr. 05	443	45	4824*	1646*
May 05	372	46	8270*	2914*
June 05	691	106	9700*	3540*
July 05	319	51	2984	962
Aug. 05	350	52	3007	1008
Sept. 05	121	19	3731	1184
Oct. 05	273	48	3544	1222
Nov. 05	268	47	3281	1172
Dec. 05	188	34	3500	1201
Jan. 06	383	74	3684	1247
Feb. 06	438	99	3868	1275
Mar. 06	5221	100	4195	1330
Apr. 06	605	97	3935	1298
May 06	567	78	4052	1284
June 06	675	152	3885	1263
July 06	573	130	3871	1227
Aug. 06			4107	1364

- SR71 data for April 2005 through June 2005 is based on total number of visits. The subsequent months are based upon numbers of individuals that made at least one visit to the dispensary.

The Oakland Cannabis Buyer's Cooperative (OCBC), Oakland's official ID card source, also supplied statistics on the ID cards they issue as follows:

	New IDs Issued	New IDs Oakland
Jan. 05	901	107
Feb. 05	1074	103
Mar. 05	1150	126
Apr. 05	1139	141
May 05	1140	136
June 05	1142	153
July 05	760	127
Aug. 05	928	208
Sept. 05	1203	221
Oct. 05	1267	248
Nov. 05	1236	267
Dec. 05	985	223

According to OCBC owner, Jeff Jones, chronic pain is the most common diagnosis for which physicians write medical cannabis recommendations.

SUSTAINABLE OPPORTUNITIES

Economic: Oakland's four (4) permitted cannabis dispensaries employ a total of ninety-nine (99) people. An increase in the number of permitted dispensaries would increase employment. People from other cities, who may not otherwise come to Oakland, visit the dispensaries. The economic impact of the dispensaries on the sales of nearby businesses is unknown.

According to the Business Tax Certification office, the dispensaries reported, and paid tax on, gross receipts of \$5,461,824.14 for the 2005 calendar year. Although data on individual businesses is not available to staff, this amount was presumably reported by only the two dispensaries that operated the entire year. The previous year, when four dispensaries were in operation, gross receipts reported were \$16,422,722.05. Four dispensaries are again in operation, and it is likely that, by 2007, there will be a substantial increase in taxes paid to the City.

Environmental: There are no environmental concerns raised in this report.

Social Equity: Oakland's permitted dispensaries continue to function without excessive drain on police resources. Three of the four dispensaries provide additional social services to their patients and the surrounding community.

DISABILITY AND SENIOR CITIZEN ACCESS

The City now requires dispensary facilities to be fully ADA compliant prior to receiving an operating permit.

ACTION REQUESTED OF THE CITY COUNCIL

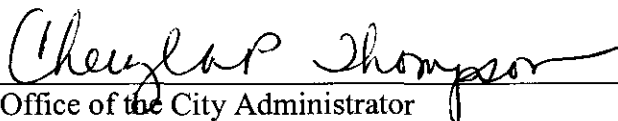
Staff requests that the Council accept this report on the operation of Oakland's permitted cannabis dispensary operations from January 2005 through August 2006.

Respectfully submitted,


BARBARA B. KILLEY

Prepared by: Barbara Killey
Administrative Hearing Officer,
Special Activity Permits Unit,
Office of the City Administrator

APPROVED AND FORWARDED TO THE
PUBLIC SAFETY COMMITTEE.


Office of the City Administrator

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ATTACHMENT A

SCORING MATRIX

SUMMARY OF SUPPLEMENTAL MATERIALS,
POINTS AWARDED AND SCORING RATIONALE

**MEDICAL CANNABIS DISPENSARY PERMIT APPLICATION FINALISTS
SCORING MATRIX**

Applicant	Res- ume	Capi- Tal	Code Insp	Org Type	Svc Plan	Staff Plan	Sec Plan	Test	Total	% of Total
Max pts	200	500	500	200	250	100	150	100	2000	
Deangelo/ Wedding- Dress	0	450	500	100	231	100	92	70	1543	77
Norton	50	250	500	0	38	30	150	81	1099	55
Rose	200	300	500	100	115	75	69	91	1450	73
Stephenson	125	350	500	200	250	30	115	94	1664	83

**MEDICAL CANNABIS DISPENSARY PERMIT APPLICATION FINALISTS
SUMMARY OF SUPPLEMENTAL MATERIALS - POINTS AWARDED AND SCORING RATIONALE**

RESUME/APPLICABLE EXPERIENCE – MAXIMUM 200 POINTS

<u>APPLICANT</u>	<u>POINTS</u>	<u>COMMENTS</u>
DEANGELO/ WEDDING DRESS	0	<p>Standard resumes 1 page each for approx 20 years work history</p> <p>Wedding Dress emphasizes his massage therapy business – has no permit in any city in CA Awarded zero points due to this</p> <p>Legal associate for deposition business</p> <p>Lists volunteer work</p> <p>DeAngelo founded successful industrial hemp business</p> <p>Investigator for public defender’s office</p> <p>College grad U MD</p> <p>Listed references</p>
NORTON	50	<p>No resume – 4 short paragraphs, less than ½ page, very little detail – still not provided, though requested at interview</p> <p>Applicant has no independent work experience. All 3 jobs in conjunction with his mother and brother</p> <p>Dispensary operation</p> <p>Cannabis product manufacture</p> <p>Lettuce farm</p> <p>Poor attention to detail – said he operated Alameda dispensary since 1994, meant 2004</p> <p>Said he graduated from HS in 2002, at which time he would have been 21 years of age – at interview, corrected this – graduated at standard age (17 or 18)</p>
ROSE	200	<p>Most detailed resume good detail of 11 year work history</p> <p>Manager of Compassionate Caregivers – “nation’s largest medical cannabis distrib. co.”</p> <p>Verde studio – ED</p> <p>Gallery Flux – co-founder – ongoing</p> <p>Robert Half – ED of Corporate Development</p> <p>New Initiatives eBusiness ED</p> <p>Viant Corp – lead creative & marketing mgr.</p> <p>Founded 2 media marketing companies – listed nationally known company clients</p>
STEPHENSON	125	<p>Standard resume 1 page for 16 year work history</p> <p>Experience working for OCBC & early Lemon Drop dispensary prior to permitting process</p> <p>Los Angeles College of Aviation</p> <p>Aviation Maintenance Tech – United Airlines</p> <p>Currently runs consulting business for music media</p>

Rationale for scores given: Mr. Rose’s resume definitely provided the most complete picture of the applicant. The resumes of Mr. Stephenson and Mr DeAngelo/Wedding Dress were standard, accepted format resumes and would have received the same scores, were it not for Mr. Wedding Dress’s work without the requisite permits. The reasons for Mr. Norton’s low score on this section are listed above.

**MEDICAL CANNABIS DISPENSARY PERMIT APPLICATION FINALISTS
SUMMARY OF SUPPLEMENTAL MATERIALS - POINTS AWARDED AND SCORING RATIONALE**

CAPITALIZATION – MAXIMUM POINTS 500

<u>APPLICANT</u>	<u>POINTS</u>	<u>COMMENTS</u>
DEANGELO/ WEDDING DRESS	450	<p>DeAngelo bank statement Wedding Dress bank statement Line of credit to DeAngelo from [REDACTED] Personal guarantee from [REDACTED] Extensive detail (17 pages) of expected start-up and ongoing costs, including prices of supplies and equipment from specific vendors</p>
NORTON	250	<p>Provided proof of only half stated amount Winslow Norton bank statement Winslow Norton bank statement Abraham Norton bank statement – is this available? Need authorization from Abraham – received verbal CCAC – amount listed but proof not provided as of 3/10/06</p>
ROSE	300	<p>Since LA County Sheriff’s seized Compassionate Caregivers’ bank account [REDACTED] Startup costs with justifying narratives, spread sheet of expected revenues and expenses allocated to SF facility and Oakland facility</p>
STEPHENSON	350	<p>Stephenson Bank statement Stephenson bank statement [REDACTED] line of credit More modest plan, but most traditional small business funding (personal savings & bank line of credit) Start-up costs showing specific equipment and security measures, Operating costs details payroll by classification, breakdown of insurance. Only applicant to list requested category of Applicant’s Monthly Living Expenses</p>

Redacted financial information

Rationale for scores given: All applicants except Mr. Norton timely provided proofs of all stated capitalization amounts. All capitalizations covered anticipated start-up costs and at least a short period of operating costs. Mr. DeAngelo and Mr. Wedding Dress provided the most extensive detail of start-up costs and would have received 500 points, had they provided the requested information on personal monthly living expenses. Mr. Stephenson provided 15 categories of start-up costs and 15 categories of operating costs, Mr. Rose provided only 3 categories of start-up costs, but then provided detail of what they consisted of, and he provided a capitalization plan that included his other dispensary in San Francisco. Mr. Norton provided 9 categories of start-up costs and 6 categories of monthly operating expenses. Mr. Norton, Mr.

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Rose and Mr. Stephenson would have received the same number of points, but Mr. Stephenson received a bonus of 50 points for including the category of personal monthly living expenses and Mr. Norton received a deduction of 50 points for not submitting all proofs.

CODE INSPECTION – MAXIMUM POINTS 500

<u>APPLICANT</u>	<u>POINTS</u>	<u>COMMENTS</u>
DEANGELO/	500	No violations or minor code violations, submitted site plans address required issues
NORTON	500	No violations or minor code violations, submitted site plans address required issues
ROSE	500	No violations or minor code violations, submitted site plans address required issues
STEPHENSON	500	No violations or minor code violations, submitted site plans address required issues

Rationale for scores given: Because two previously permitted dispensaries lost their permits due to substandard building code violations, this category was established, and a high number of points assigned, to emphasize the importance of selecting a suitable facility and exercising due diligence to determine whether it did not meet code specifications. The purpose was apparently accomplished. Neither Mr. DeAngelo and Mr. Wedding Dress’s proposed facilities nor Mr. Stephenson’s proposed facilities had any unpermitted work, and code violations, if any, were deemed very minor by the Principal Inspection Supervisor. Mr. Norton and Mr. Rose had addressed and remedied any such conditions in their facilities. Therefore, all applicants were awarded the maximum points.

ORGANIZATION TYPE – MAXIMUM POINTS 200

<u>APPLICANT</u>	<u>POINTS</u>	<u>COMMENTS</u>
DEANGELO/ WEDDING DRESS	100	California Corporation with by-laws to function as a non-profit - all docs submitted
NORTON	0	Application says collective but at hearing said CA Corporation functioning as a collective in the meaning of the marijuana law At hearing said would provide organizational documents but have not done so as of 3/10/06 After interview submitted documents showing organization as Limited Liability Corporation
ROSE	100	Cooperative – submitted articles of incorporation and submission to state. Patient-owned, not a for profit corporation
STEPHENSON	200	Non-profit – submitted organizational docs

Rationale for scores given: Provided in above comments

**MEDICAL CANNABIS DISPENSARY PERMIT APPLICATION FINALISTS
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PROPOSED SERVICES/BUSINESS PLAN – MAXIMUM POINTS 250 (awarded 19.23 points per planned services up to 250)

<u>APPLICANT</u>	<u>POINTS</u>	<u>COMMENTS</u>
DEANGELO// WEDDING DRESS	231	11 proposed services in addition to sales of medical marijuana Holistic healing clinic, Nutritionist, Herbalist, Acupuncture, Reiki, Yoga, Self-defense, Grow your own medicine class, Rights & responsibilities of patients class, Food assistance program, Philanthropic grant program Medical marijuana sales
NORTON	38	1 service in addition to sales of medical marijuana – kitchen for preparation of edibles Justify this on grounds of providing lowest cost marijuana, but price list submitted appears in same range as those of other dispensaries
ROSE	115	5 services in addition to sales of medical marijuana Patient self-sufficiency training Peer counseling Massage therapy Acupuncture Member determination of additional services
STEPHENSON	250	12 services in addition to sales of medical marijuana Peer support groups Counseling groups Massage Acupuncture Reference Library Monthly patient luncheon Social program referral Hiring program for local residents Public transit maps/bicycle routes Cultivation classes Patient care packages Award points for purchases

Rationale for scores given: This section was established to evaluate the applicants' vision of their business and its place in the community. Medical cannabis dispensaries have a unique opportunity to positively impact the lives of their patients, and the highest scoring plans submitted were impressive in the creativity exercised, particularly in providing classes and other services that cost the dispensary little or nothing, and in their holistic view of their role with patients. The scores were determined by awarding the plan with the most proposed services (13, including sales of medicinal marijuana) the maximum number of points and pro-rating accordingly.

**MEDICAL CANNABIS DISPENSARY PERMIT APPLICATION FINALISTS
SUMMARY OF SUPPLEMENTAL MATERIALS - POINTS AWARDED AND SCORING RATIONALE**

STAFFING PLAN – MAXIMUM POINTS 100

<u>APPLICANT</u>	<u>POINTS</u>	<u>COMMENTS</u>
DEANGELO/	100	Recruiting program Training program – legal, medical, security Positions with job descriptions, good explanations of each role CEO (DeAngelo), General manager (already selected) Purchasing agent, Security mgr, Weigh room mgr, Dispensary floor mgr, Services director (Wedding Dress), Dispensary Tech, Ombudsman (18 total) \$89,455 per month, 85,375 salaries + 4,080 health ins., (provided detail by position)
NORTON	30	Positions – no definitions of roles 2 Security (1 + security manager), 1 individual at door, 2 individuals at counter, 2 individuals packaging & replenishing, 1 supervisor (total 8, including Norton?) Norton would be ‘managing member’ (per hearing answer – no role described in materials submitted) \$40,000 per month – no breakdown
ROSE	75	Provided job descriptions 1 General Manager, 2 Floor Supervisors, 6 Sales consultants, 4 security guards, 2 inventory control assoc, 1 Genetics counselor, 1 Membership svcs coordinator, 1 Janitor (total 18 people, not including Rose) \$50,300 per month (40,240 wages + 10,060 benefits) (provided wage breakdown per position) Rose to be Chairman of Board/CEO (per hearing answer – no role described in materials submitted)
STEPHENSON	30	Positions – no definitions of roles Stephenson is manager per materials submitted 2 security staff, 2 counter staff, 1 counseling staff, 1 administrative/financial staff (only applicant to specify this role) (total 7 people including Stephenson) (numbers of individuals provided at hearing) \$29,750 per month payroll expense, provided breakdown by positions

Rationale for scores given: The staffing plan submitted by Mr. DeAngelo and Mr. Wedding Dress was the most well thought out and detailed, including important elements, such as recruiting and training programs, in addition to detailed job descriptions and cost breakdowns. The plan submitted by Mr. Rose provided descriptions of the roles of each staff position as well as anticipated numbers of each staff type and salaries. The plan submitted by Mr. Norton listed the number of anticipated staff and their general roles but no job descriptions or cost breakdowns, and the plan submitted by Mr. Stephenson listed staff by general role and cost breakdown but not the number of individuals or job descriptions. The maximum points were awarded to the most illuminating plan, that of Mr. DeAngelo and Mr. Wedding Dress. Mr. Rose’s plan was less comprehensive, but much more explanatory than those submitted by Mr. Norton and Mr. Stephenson.

**MEDICAL CANNABIS DISPENSARY PERMIT APPLICATION FINALISTS
SUMMARY OF SUPPLEMENTAL MATERIALS - POINTS AWARDED AND SCORING RATIONALE**

SECURITY PLAN – MAXIMUM POINTS 150 (11.54 POINTS FOR EACH MEASURE ABOVE REQUIRED)

<u>APPLICANT</u>	<u>POINTS</u>	<u>COMMENTS</u>
DEANGELO/ WEDDING DRESS	92	8 Additional security measures Building shared with ABC Security, isolation of administrative and processing areas from the outside perimeter, heavy duty vault, electronic access control, staff security manager, ombudsman for internal security, staff training, patient orientation
NORTON	150	13 Additional security measures Lighting fixtures, Brink’s armored couriers, staff security manager, internal policies and procedures, bullet-resistant screening and sales areas, access control card readers, 2 man opening and closing procedures, after hours securing and monitoring, permanently secured safe, employee training, emergency preparedness plan, fire preparedness measures, lock and key control,
ROSE	69	6 Additional security measures Shatterproof glass, bars, gates, bullet-proof separation of waiting area, electronic door access, armor plated back door
STEPHENSON	115	10 Additional security measures 2 nd locking door after entrance, bullet-proof door, lighting, locked storage devices for medicine, roll-down grate, use of armored vehicles, circulating foot or bicycle patrol for responsibility to larger community, outreach to neighboring businesses to address their concerns, patient recruitment from health-focused populations, patient and employee training.

Rationale for scores given: The letter outlining the components of the Ranking and Conditional Approval Phase explained that, in this category, points would be assigned for security measures in excess of the minimum. The minimum security measures required are 1) Cameras, video recording, 2) Locks, 3) Entrance screening, 4) Security personnel, and 4) an alarm system. Like the Proposed Services/Business Plan section, this section allowed evaluation of the applicants’ vision of the meaning of security and their creativity in addressing the totality of security issues. Mr. Norton presented 13 additional measures and was awarded the maximum points, which established the basis of 11.54 points per measure. The other applicants were awarded points on this basis.

TEST OF MEDICAL CANNABIS LAW – MAXIMUM POINTS – 100

DEANGELO/ WEDDING DRESS	70
NORTON	81
ROSE	91
STEPHENSON	94