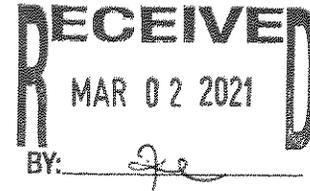


Suzi Merriam, Community Development Director  
**Watsonville Planning Commission**  
City of Watsonville  
250 Main Street  
Watsonville, CA 95076  
(831) 768-3050



*Submitted in person at the Watsonville Community Development Department*

March 2, 2021

Re: **Appeal of Greater Goods Marketplace LLC Cannabis Retail Application Denial**

Dear Sirs and Madams:

In response to the Cannabis Pre-Application Notice of Decision dated February 17, 2021 stating that Greater Goods Marketplace LLC (“Hang Ten”) was not selected to move forward with a formal permit application for a retail dispensary in the City of Watsonville (the “City”), Hang Ten hereby files this appeal pursuant to Watsonville Municipal Code Section 14-10.1100. We assert that this decision was made in error, in part due to the City’s last-minute change to the interview procedure. Because no information has been released regarding Phase Three scoring, we reserve the right to supplement this appeal upon receipt of additional material information.

**Background**

Hang Ten is a long-time California cannabis retailer with medical cannabis roots. Santa Cruz Naturals, our affiliated company, operates retail stores in nearby Aptos and Pajaro. Wishing to continue our investment in the communities of Santa Cruz County, we applied for retail, non-volatile manufacturing, and distribution licenses in Watsonville, with the intent to operate a vertically-integrated microbusiness. We were excited to present to the City, among other things, our plan to source at least 70% of our products from local growers and manufacturers, primarily small business owners.

Although a location was not required to apply, Hang Ten secured 10 Hangar Way for its microbusiness operations. Because of our commitment to Watsonville, we went above and beyond the application requirements in order to ensure we would have the ideal space and could open the facility quickly. We plan to transform this currently run-down location into a locally-oriented, vertically-integrated cannabis facility that would be a model of a successful microbusiness.

Hang Ten was deemed eligible continue with the Pre-Application in Phase One of the City’s process and submitted extensive written application materials in Phase Two (see **Exhibit A** for Hang Ten’s full Phase Two application). These materials described our team, planned operations, finances, and community benefits in detail. On December 21, 2020, Hang Ten received an invitation from the City to proceed to Phase Three of the Pre-Application process (see **Exhibit B**). The invitation explained that, in Phase Three, applicants would be interviewed and evaluated based

on the following criteria: Business Plan, Labor & Employment Plan, Community Benefits, and Qualifications of Owners (all of these were part of the Phase Two evaluation criteria, as well). Phase Three scores were to be tabulated and combined with Phase Two scores to establish the overall score.

In the December 21<sup>st</sup> invitation, it was noted that Hang Ten scored 99.3% on its Phase Two retail application materials and **was ranked number one out of 21 applicants** for all three licenses for which we applied. We eagerly proceeded to Phase Three, the scoring for which was based upon the same written materials supplemented by an interview. We felt we responded to the January 26, 2021 interview questions presented completely and accurately. To our dismay, on February 17, we received written notice from the City (see **Exhibit C**) that, after Phase Three, Hang Ten's retail application score dropped by a significant margin, from a near perfect score of 99.3% to 92.79%, again based on the same application materials that scored so highly in Phase Two. The notice further stated that Hang Ten was not selected for a retail license but was authorized to proceed with manufacturing and distribution licenses.

We are grateful to have been selected for two of the three licenses for which we applied and wish to establish a long-term relationship with the City of Watsonville. However, our 10 Hangar Way operations do not pencil out with manufacturing and distribution alone. Specifically, our business plan contemplates a microbusiness model, requiring a minimum of three licensed cannabis activities. We are submitting this appeal of the denial of our retail license in hopes that we can obtain more information about our performance in Phase Three, and, importantly, continue discussions with the City to work towards a mutually beneficial, sustainable, and profitable microbusiness business model.

### **Phase Three Scoring**

Because the information provided to the City in Phase Three did not differ from the materials scored in Phase Two, the material drop in our retail application score in Phase Three was unexpected.

Typically, in a local competitive licensing process, applicants are provided more information regarding scoring of interviews, including a scoring rubric with a breakdown of points lost in each category and a ranking of other applicant scores. Because no such information was provided, our only recourse was to file this appeal in an effort to gain more insight into the scoring process. We reserve the right to supplement our appeal to incorporate any additional information received about the City's Phase Three scoring process.

### **Change in Interview Process**

The City's corrected December 21<sup>st</sup> invitation to Phase Three scheduled the Hang Ten interview on January 25, 2021. The invitation further stated "The interview will be done remotely through google hangouts and the link will be sent a week prior to the interview date." Upon request, City staff confirmed that there was no limit to the number of applicant representatives who could participate in the interview. Hang Ten proceeded to prepare for the Google Hangouts interview with a six-member team representing the ownership group introduced in the application.

On January 15, 2021, a mere ten days before the scheduled interview, the Hang Ten received notice (see **Exhibit D**) that its interview was rescheduled to January 26, 2021 *and* that the interview would no longer be conducted via Google Hangout but instead mandatorily held in person. At the time, Santa Cruz County was under a Regional Stay Home Order (the “Order”) (see **Exhibit E**). The Order required modified operations for critical infrastructure sectors<sup>1</sup>, and prohibited “gatherings with members of other households” except in specifically enumerated circumstances.<sup>2</sup> The Order had no set end date, but rather was to remain in place “until CDPH’s four-week projections of the Region’s total available adult ICU bed capacity [became] greater than or equal to 15%.”<sup>3</sup> Therefore, at the time the interview was rescheduled and modified to be in-person, it was not evident that the Order would lift before January 26. In fact, in January 2021 California was experiencing its worst COVID-19 surge since the beginning of the pandemic.<sup>4</sup> On January 27, one day after Hang Ten’s interview, Santa Cruz County sadly reported a record day of coronavirus-related deaths.<sup>5</sup>

The last-minute change to the interview format materially impacted Hang Ten’s preparation and performance at the interview. In the midst of the pandemic, applicants were required to appear in person and sit closely together in the same room with individuals who were not members of their household. Furthermore, we were told that masks were not required for the interview. This unexpected change created immediate anxiety in our ownership group, which included individuals with disabilities, individuals with children restricted in their travel by school policies, and individuals from households on high alert due to pre-existing conditions. Each individual team member was forced to make a decision about whether it was responsible to attend the hearing or whether they would be putting themselves or a compromised household member at risk. We also had to select just three representatives from the original roster of six to represent our business at this critical hearing. Hang Ten requested the option to appear for the interview via Google Hangouts as was originally intended. This request was denied.

The City has cited privacy concerns as a rationale for conducting in-person interviews. However, during the pandemic every other cannabis license interview process of which are aware has been conducted remotely, along with all court proceedings, all administrative hearings at the state level, etc. In February 2021, other California cities are still conducting remote interviews for cannabis licensing due to the pandemic. For these remote hearings, rules are in place stating clearly that no recording is allowed, and that if a recording is ever released, the city will no longer consider the application. Clearly, there are mechanisms in place to protect the integrity of the interview without endangering applicants or city staff.

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<sup>1</sup> California Department of Public Health, December 3, 2020 Regional Stay At Home Order § 2(d).

<sup>2</sup> California Department of Public Health, December 3, 2020 Regional Stay At Home Order § 2(a).

<sup>3</sup> California Department of Public Health, December 3, 2020 Regional Stay At Home Order § 5.

<sup>4</sup> Smith, Hayley; Lin, Rong-Gong; Greene, Sean. Los Angeles Times. *Deadliest days of the pandemic: COVID-19 kills nearly 15,000 in California in January*. February 1, 2021. <https://www.latimes.com/california/story/2021-02-01/january-deadliest-covid-month-la-california>.

<sup>5</sup> Stuart, Ryan. Santa Cruz Sentinel. *Santa Cruz County ties its single-day COVID-19 death record*. January 27, 2021. <https://www.santacruzsentinel.com/2021/01/27/santa-cruz-county-ties-its-single-day-covid-19-death-record/>.

We were extremely disappointed that our Director of Finance was not able to join the mandatory in-person meeting due to his own COVID-19 restrictions. To the extent this impacted our Phase Three interview score, we were placed at a disadvantage. Of course, other applicants were also impacted by the change. Given the absence of scoring information, we cannot adequately assess the relative impacts. Nevertheless, we were compelled to submit this appeal and respectfully request that the City reevaluate our Phase Three score in light of the above.

### **Requests for Relief**

1. As the City is aware, transparency in government is a critical component of building trust in public services. While we understand cannabis licensing contests can be contentious and the City justifiably wishes to avoid litigation, we request disclosure of our Phase Three scoring breakdown.
2. We request reassessment of our Phase Three score. Reassessment is appropriate due to the City's handling of COVID-19 protocols and its last-minute change in procedure.
3. In the alternative to Request No. 2, we ask that the City allow Hang Ten to add cultivation of up to 22,000 square feet of canopy (potentially to be divided over two locations). Grant of this additional activity will allow us to secure a microbusiness license and underwrite the build-out and leasing costs for 10 Hangar Way without a retail license. Setting aside our concerns with the retail application process, we remain eager to locate our manufacturing, distribution, and potentially cultivation operations in Watsonville. As Santa Cruz County locals, we look forward to the opportunity to improve the condition of the building at 10 Hangar Way, contribution to the revitalization of the entire Hangar Way area while generating significant revenue for the City. Adding cultivation, allowing us to operate a true microbusiness, will also put us in the best position to support the expansion of many local brands that we already carry in our stores as well as our own edibles line.<sup>6</sup>
4. Finally, we express our continued desire to operate a storefront retail dispensary at 10 Hangar Way, should any of the selected retail applicants be unable to move forward with their projects in the timeframe required by the City. We are committed to Watsonville, its residents, and other local cannabis brands.

### **Conclusion**

As demonstrated in our application materials, we remain confident that Hang Ten is an ideal partner for the City of Watsonville. We thank the City for the opportunity to locate our headquarters here and are committed to working with the City and our local partners to make this venture a success. Thus we respectfully submit this appeal of the denial of our retail license application in the interests of obtaining additional detail on our score, addressing the City's handling of the Phase Three process, and establishing a path forward so that the City can achieve maximum benefit from the 10 Hangar Way facility. We hope that this appeal will be received in

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<sup>6</sup> We submitted evidence of qualification as an Equity Applicant with our retail application (see **Exhibit F**). However, the City declined to evaluate Hang Ten for an equity license. We maintain that per the City's adopted standards we are eligible for an equity, as well as nonequity, cultivation license.

the same spirit of cooperation as with which it is submitted and look forward to building strong relationships with the City.

Thank you for your consideration of this matter.

Signed

A handwritten signature in black ink, appearing to read 'Colin Disheroon', written over a large, light-colored circular mark.

Colin Disheroon

**President, Greater Goods Marketplace LLC**

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