

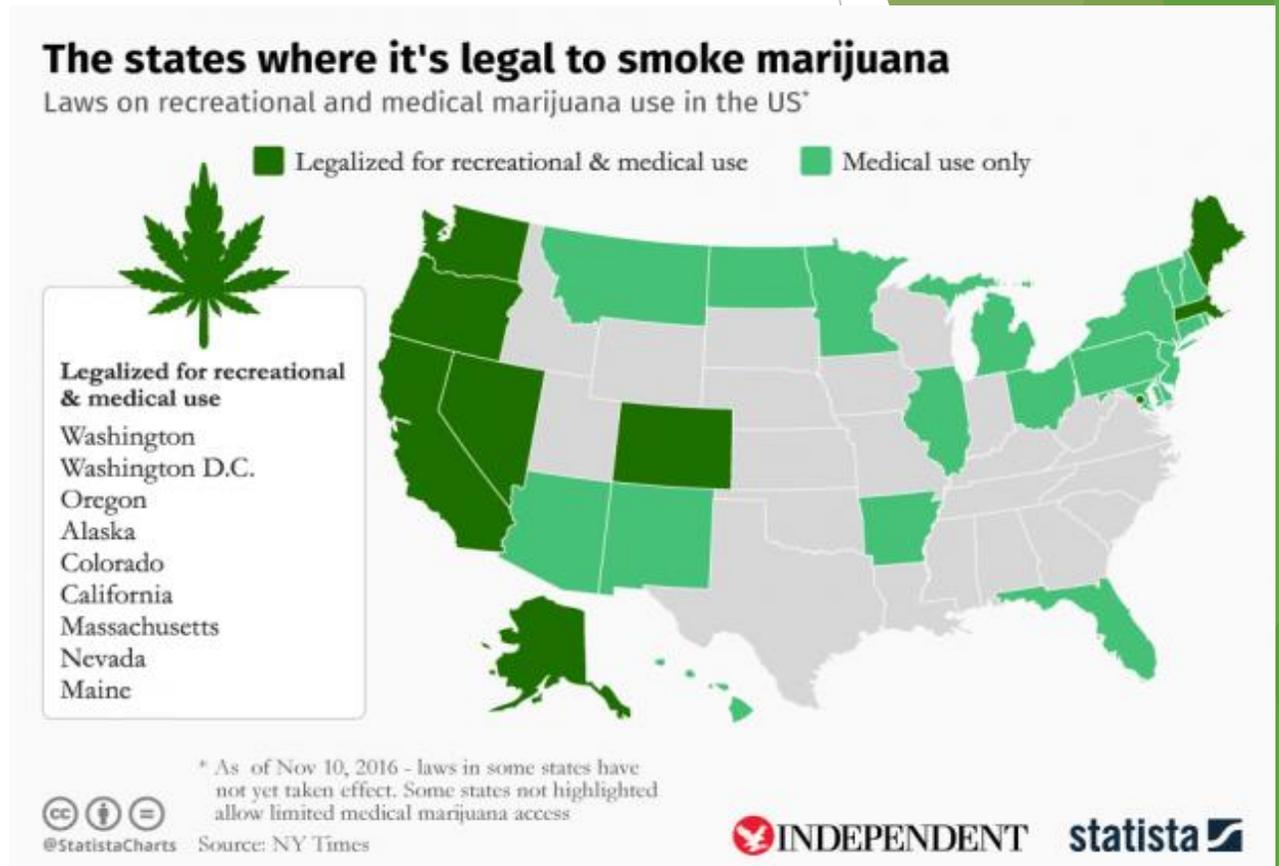
# Cannabis Workshop

October 26, 2017

# National Overview

Legalized for recreational & medical use

- 8 states (Colorado, Washington, Oregon, Alaska, California, Massachusetts, Maine, and Nevada) & the District of Columbia have legalized recreational cannabis
- 29 States have legalized medicinal cannabis (mixture of senate and ballot measures)



# Cannabis Content

- ▶ Many cannabinoids in cannabis
- ▶ Tetrahydrocannabinol (THC) is the most abundant and widely known cannabinoid in cannabis. THC is responsible for the main psychoactive effects individuals are familiar with.
- ▶ Cannabidiol (CBD) is a compound in cannabis that is described as having significant medical effects but does not make people “high” and can actually counteract the psychoactivity of THC.

# California Cannabis Law History

- ▶ Prop 216 (1996): decriminalized medicinal cannabis
- ▶ Medical Marijuana Program - MMP (2005): established collectives and co-ops
- ▶ Medical Cannabis Regulation and Safety Act - MCRSA (2015): regulatory structure for medicinal cannabis businesses
- ▶ Proposition 64 (2016): Adult use of Cannabis Act - decriminalized/provided regulatory structure for non-medicinal cannabis
- ▶ SB 94 Medicinal and Adult-Use Cannabis Regulation and Safety Act - MAUCRSA (2017)

# California Cannabis Stats

- ▶ California currently has approximately 5 million cannabis users
- ▶ As of November 2016, 75% of CA cannabis sales were on the black market
- ▶ 10 million pounds of cannabis is produced each year in CA (8 million illegally goes out of state)
- ▶ There are an estimated 50,000 current cannabis cultivation businesses in California (mostly in the “emerald triangle”). In some rural areas of California, cannabis growth now accounts for 15% - 20% of their economy.
- ▶ Most cannabis related jobs are currently in retail. However, it’s anticipated that processing and manufacturing will be where the greatest future growth occurs.

# California Cannabis Revenue

## ► State Revenue:

- Approximately **\$100 million** in sales tax from **medical cannabis** dispensaries in 2016
- 2017 analysis by UC Davis estimates there will be approximately **\$5 billion** in annual **recreational sales** (generating \$750 million in excise tax + \$440 million in sales tax)
- Researchers estimate that medical sales will drop in January because individuals will not want to take the extra steps to get the state card.
- City of **San Diego** estimates up to **\$22 million** in revenue from gross receipts by mid-2019

# Current California Cannabis Regulations

- ▶ Limited personal use, possession, and cultivation of cannabis is permitted in California for adults, both for medical and recreational uses
- ▶ Beginning January 1, 2018, commercial cannabis activity is permitted with state and local authorization
- ▶ Local jurisdictions retain substantial authority to regulate and/or prohibit commercial activity

# Remaining Federal Law Issues

- ▶ Cannabis remains a Schedule 1 controlled substance under the Controlled Substance Act
- ▶ Cole Memo & Rohrabacher-Farr/Blumenauer Amendment
- ▶ DOJ Task Force on Crime Reduction and Public Safety
- ▶ City Attorney's Office continues to monitor

# Potential Types of Commercial Cannabis Businesses

- ▶ Cultivation - large, medium, or small; indoor or outdoor
- ▶ Manufacturing
- ▶ Testing Laboratories - relevant testing standard protocols to detect potency and contaminate levels (mold, fungal, pesticides)
- ▶ Retailers
- ▶ Distributors
- ▶ Microbusinesses - similar to microbreweries (grown, processed and sold onsite) under 10,000 square feet

# Council Requests at Last Public Workshop

- ▶ Aurora Summary (provided to Mayor & Council) available at [www.chulavistaca.gov/cannabis](http://www.chulavistaca.gov/cannabis)
- ▶ Created web page with resources, information and links [www.chulavistaca.gov/cannabis](http://www.chulavistaca.gov/cannabis)
- ▶ Colorado Department of Public Health noted that youth usage rates remained lower than the national average, even after legalization of recreational use (findings and report published in *Scientific American*)
- ▶ Colorado Department of Revenue reports “consistent increases in revenue from the sale of cannabis which points to an increase in adult usage habits (\$699.3 million [2014], \$966 million [2015], \$1.3 billion [2016])”

# Efforts to Minimize Adverse Youth Impacts: Dedicated Funds

- ▶ Denver committed millions of retail marijuana sales tax dollars to be distributed to youth-serving organizations by the City's office of Children's Affairs and Behavioral Health 14% of the total of Marijuana Expenses in 2017. (To date \$7.5 million)
- ▶ **CA State Law (Rev. & Tax. Code Section 34019(f)(1)):** a portion of state cannabis tax revenue will be set aside for youth substance abuse education, prevention, early intervention and treatment.

# Efforts to Minimize Adverse Youth Impacts (cont.)

- ▶ Staff recommends that the City coordinate with school districts for education in the schools to support youth in making positive decisions around marijuana with a focus on healthy lifestyles.
- ▶ Staff recommends that the City, if approved, develop prevention efforts coordinating with youth, young adults, parents, businesses, media, schools, youth serving organizations, religious groups, civic organizations and law enforcement.

# Product Regulations

## ▶ State Law

- ▶ Cannabinoid amount, serving delineations, homogenization
- ▶ Requires edibles to be marked with a universal symbol
- ▶ Requires edibles to be manufactured and sold under sanitation standards
- ▶ Further regulations anticipated in November-December

## ▶ Potential Local Restrictions

- ▶ Limit on total single package cannabinoid amount (10 mg up to 100 mg)
- ▶ More specifically define packaging that is “attractive to minors”
- ▶ Limit self-service displays
- ▶ Limit types of edibles sold

# Advertising Regulations

- ▶ State law
  - ▶ prohibits false/misleading advertisements
  - ▶ prohibits billboard advertising on certain highways
  - ▶ prohibits advertising that encourages youth consumption
  - ▶ prohibits advertising on signs within 1000 feet of a day care center, school, playground or youth center
- ▶ Potential Additional Local Restrictions
  - ▶ City can restrict advertising for banned conduct/behavior
  - ▶ City can regulate cannabis signs in the same manner as other signs
  - ▶ City can post public service announcements in public on its own property

# Solutions to Cash-Based Business Impacts

- ▶ Colorado has approved Alliance Financial Network as a banking source. They are approved with the State of California on their financial institution designation and are working with Los Angeles
- ▶ Through the Alliance eXPO (electronic exchange portal) taxes can be collected in real-time which reduces financial collection efforts. The system ensures retailers are in compliance, assists licensees in keeping transparent in their operations AND in their financial practices.
- ▶ Alliance is registered with the Financial Crimes Enforcement Network, a bureau of the U.S. Treasury.

# Other Potential Licensee Regulations

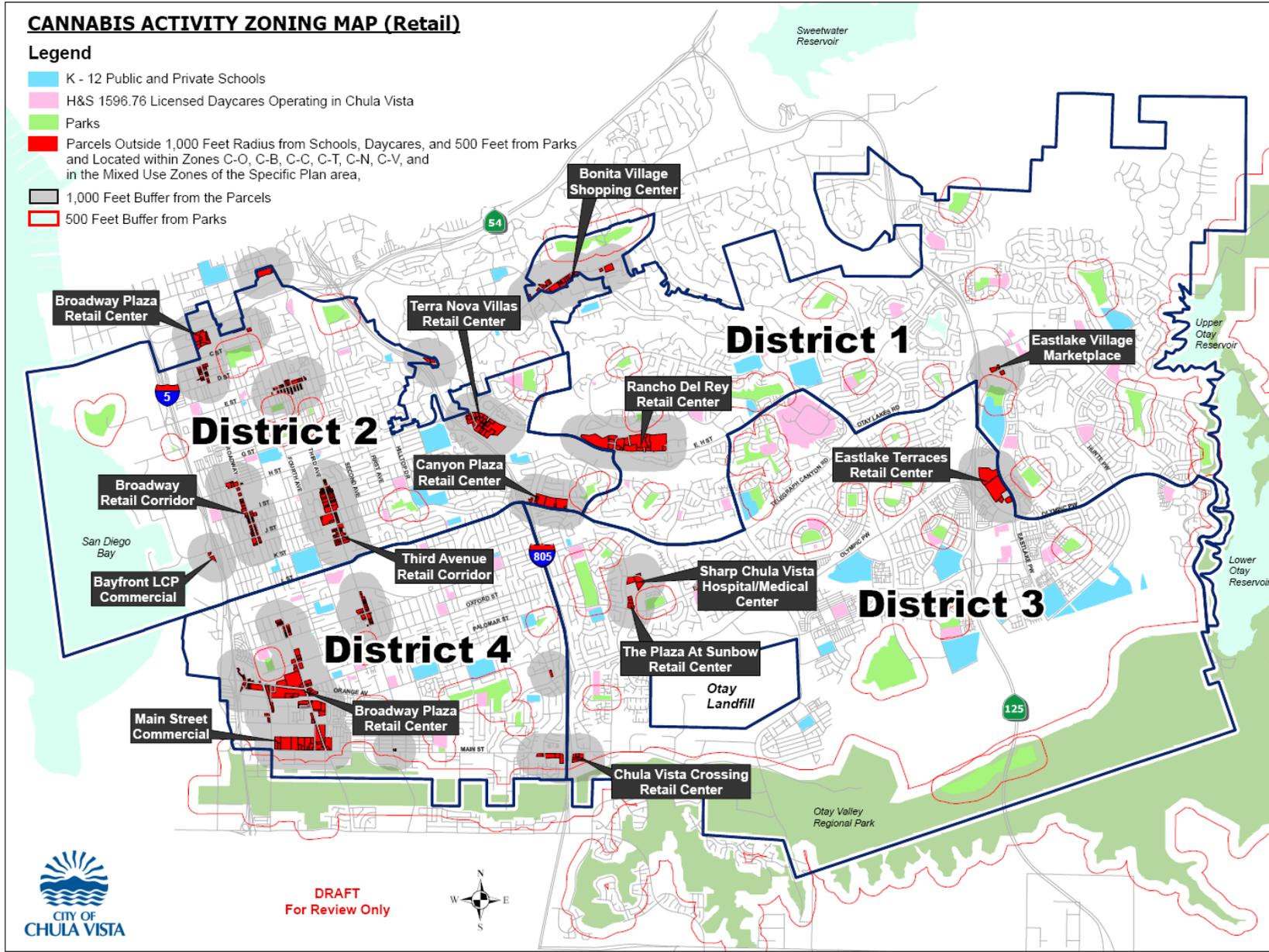
- ▶ Comprehensive security measures intended to limit access and prevent diversion/theft (live camera footage, panic buttons, sensors, alarm system, bars on windows, security personnel on site, capability to remain secure during power outage, secure storage and transportation plan, plants not visible from public viewing area, etc.)
- ▶ Thorough environmental protection and fire safety provisions (legal water source plan, waste management plan, electric power plan, fire walls, odor control/HVAC system, pesticide/fertilizer contamination/storage plan, etc.)
- ▶ Prohibit outdoor commercial cultivation

## Other Potential Licensee Regulations (cont.)

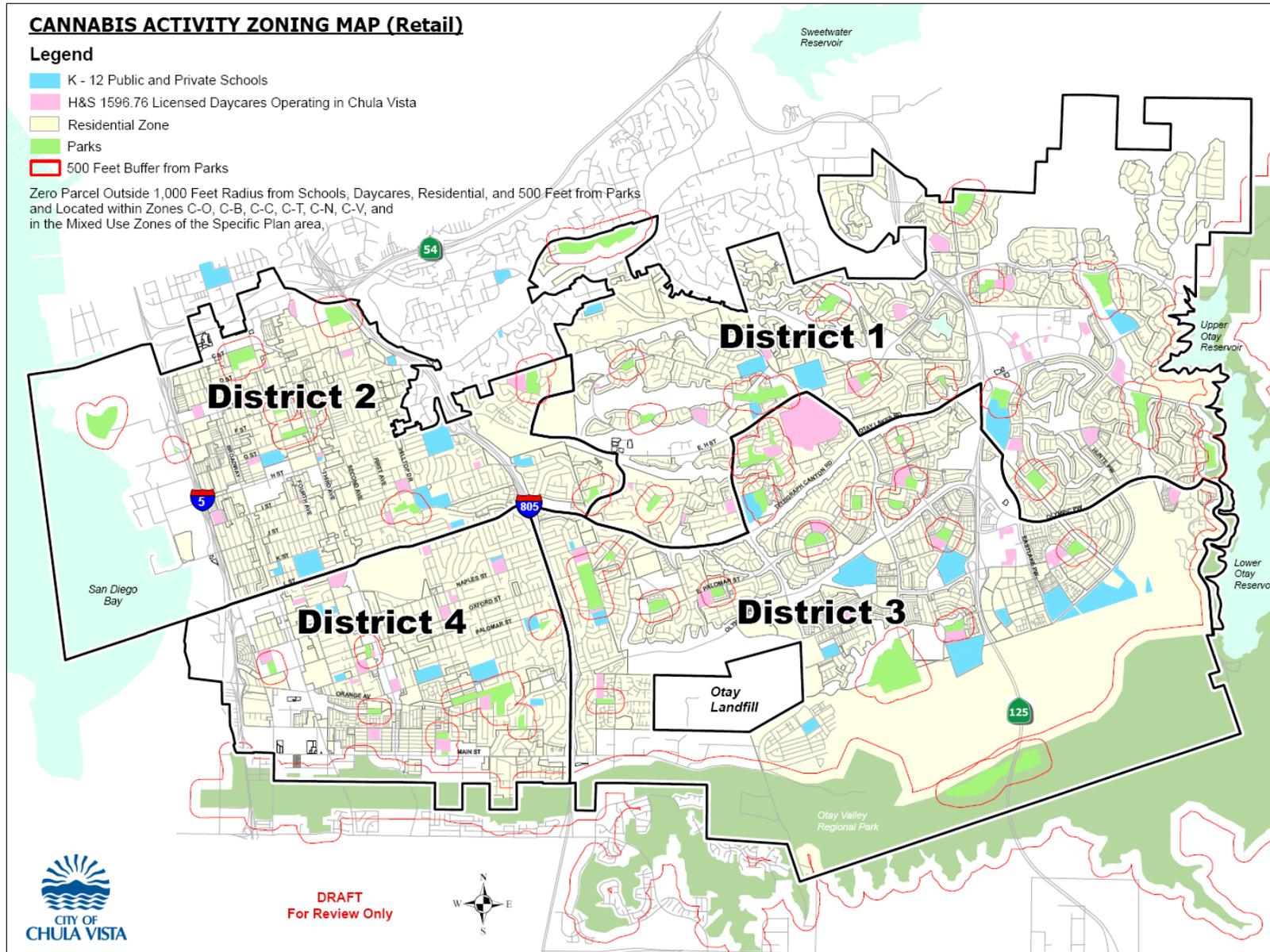
- ▶ Operating hour restrictions (e.g., 7 a.m. - 9 p.m.)
- ▶ Strict fines and license suspension/revocation if local or state laws are violated, including public nuisance provisions
- ▶ Restrict applicants with previous unlicensed operations or previous sanctions

# Cannabis Activity Zones

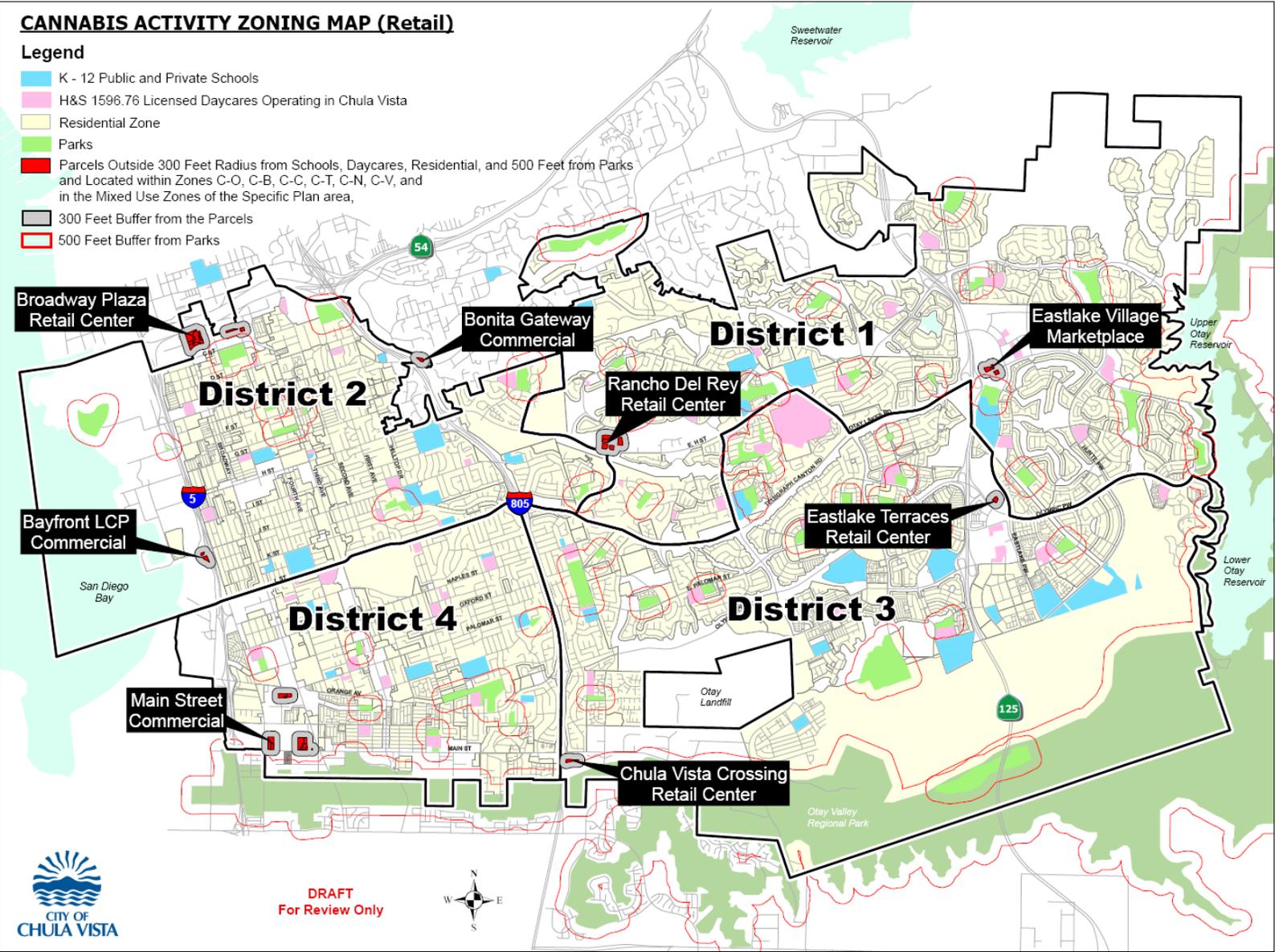
# Retail Parcels Outside 1,000 Foot Buffer from Schools, Daycares, and 500 Feet from Parks



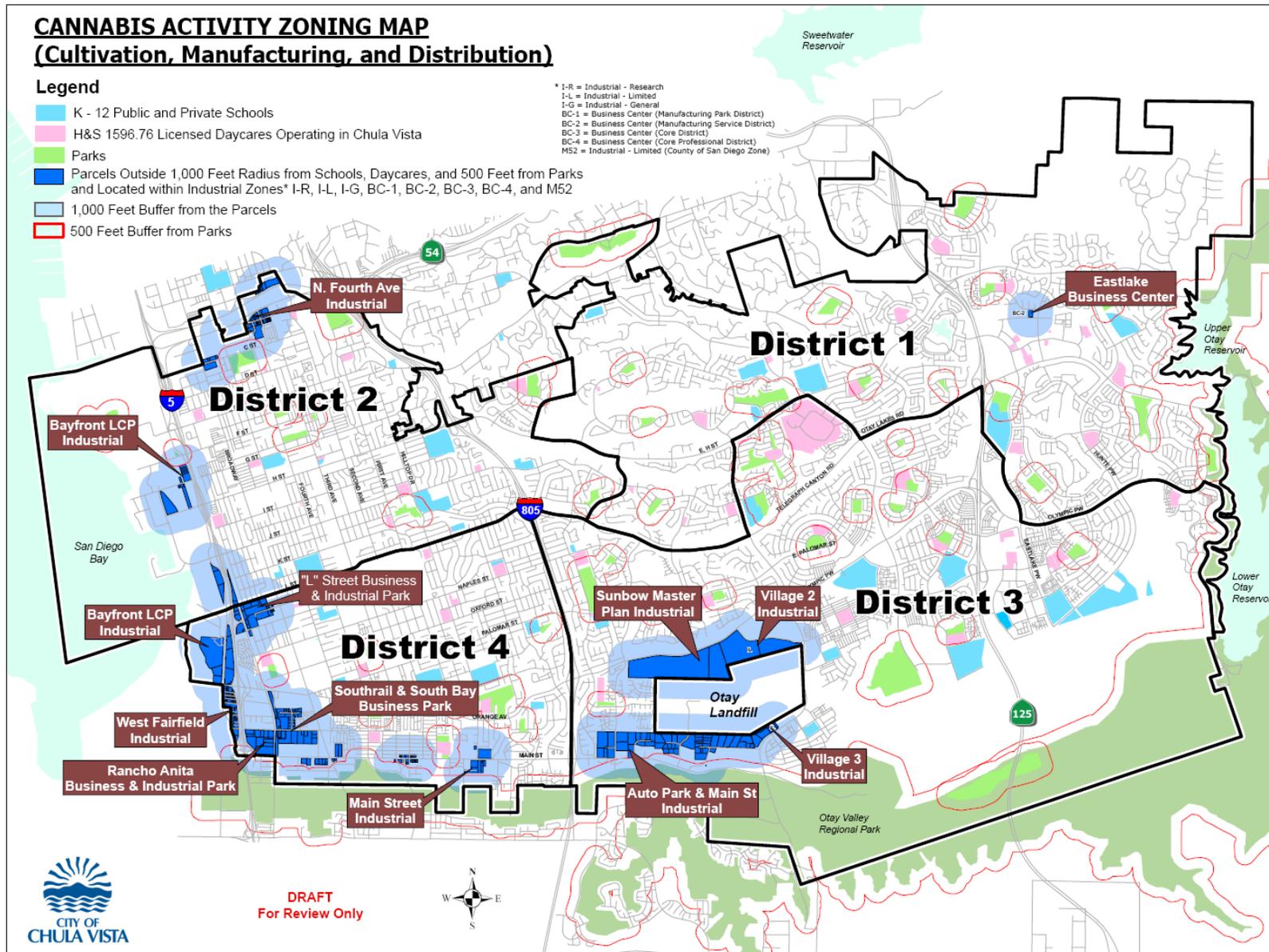
# No Retail Parcels Outside 1,000 Foot Buffer from Schools, Daycares, Residential Zones, and 500 Feet from Parks



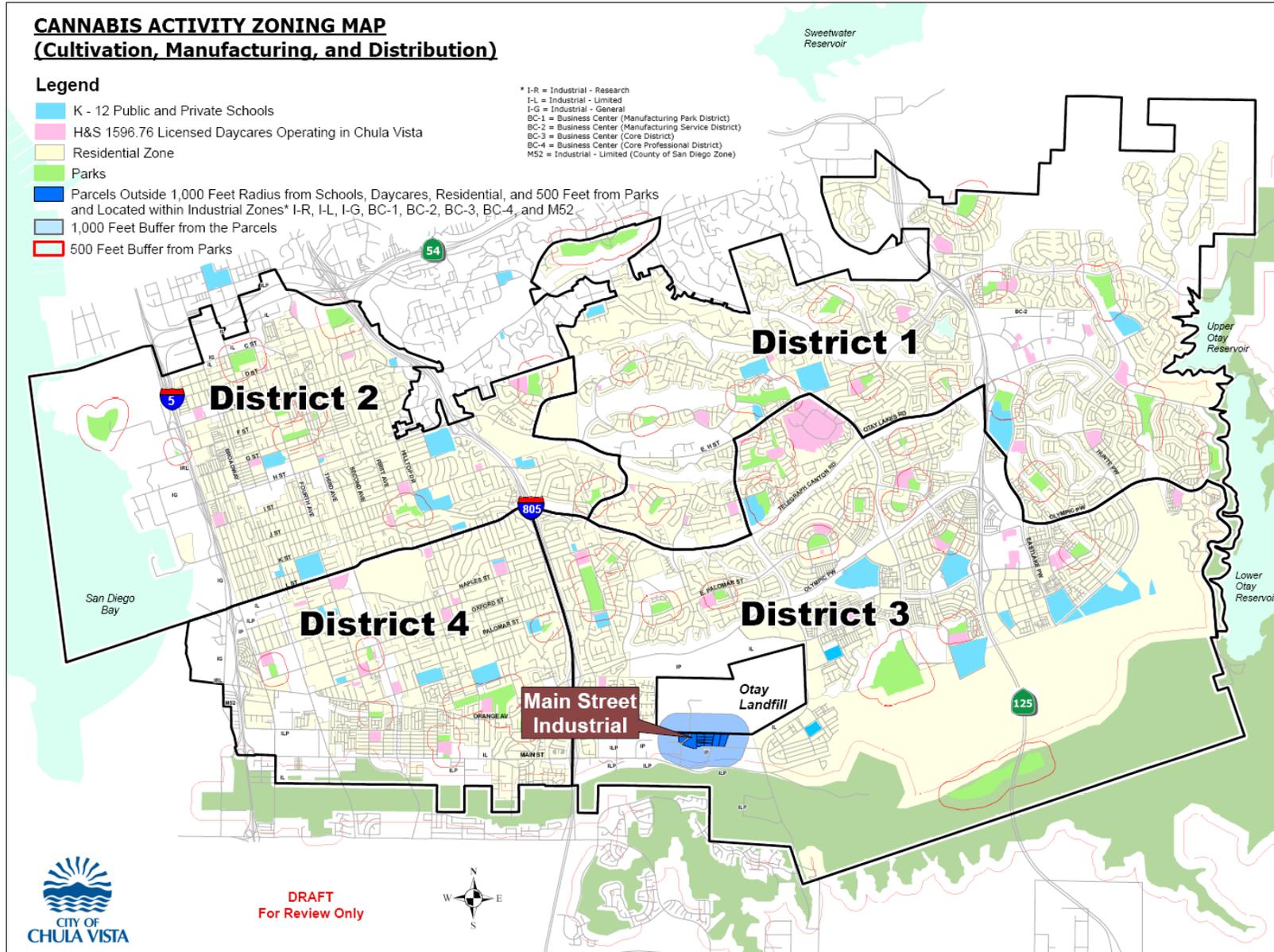
# Retail Parcels Outside 300 Foot Buffer from Schools, Daycares, Parks, Residential Zones, and 500 Foot from Parks



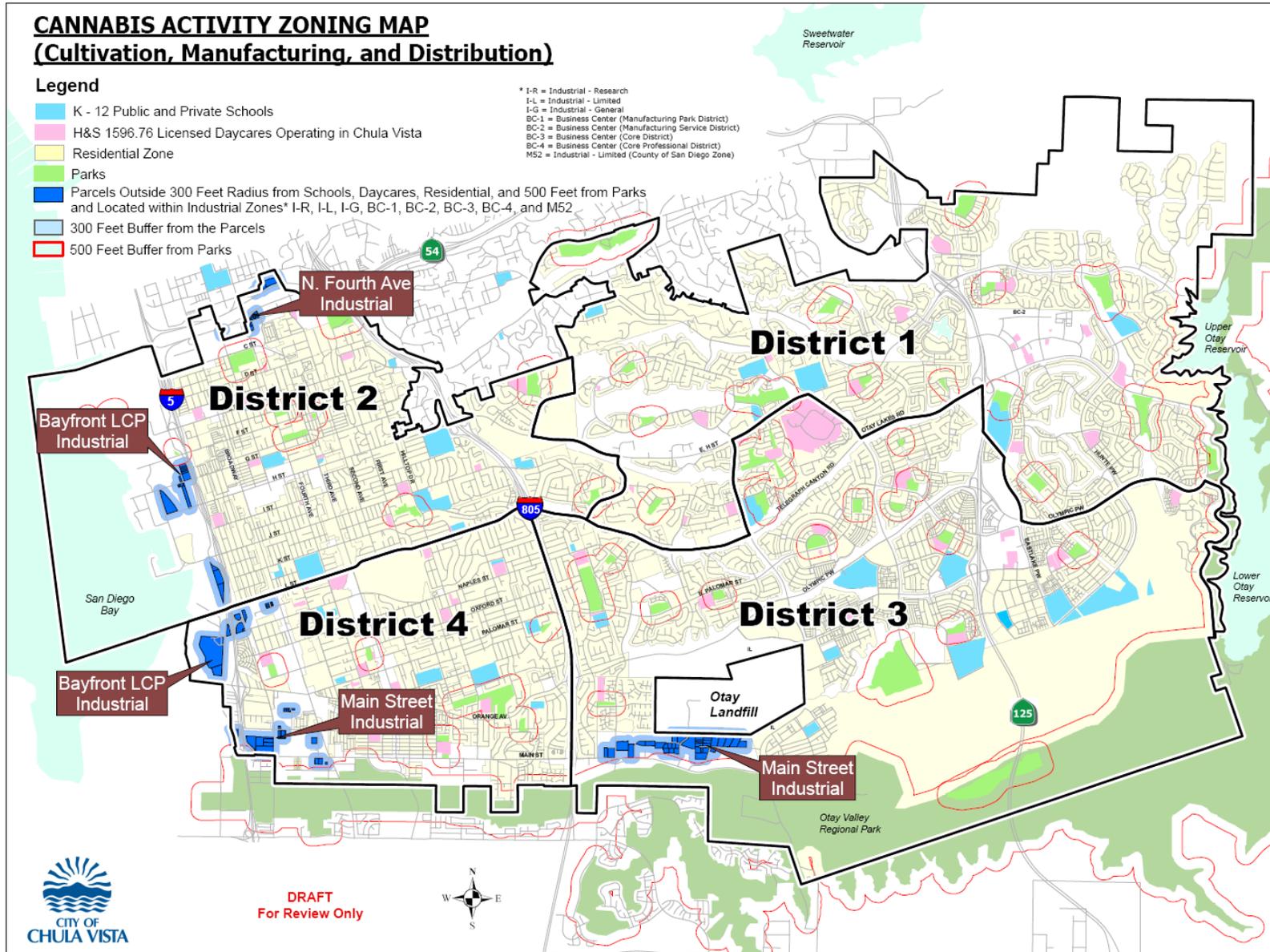
# Industrial Parcels Outside 1,000 Foot Buffer from Schools, Daycares, and 500 Feet from Parks



# Industrial Parcels Outside 1,000 Foot Buffer from Schools, Daycares, Parks, Residential Zones, and 500 Feet from Parks



# Industrial Parcels Outside 300 Foot Buffer from Schools, Daycares, Parks, Residential Zones, and 500 Foot from Parks



# Potential Zoning Regulations

- ▶ Setbacks be established for schools, parks and licensed daycares.
- ▶ Cultivation, manufacturing, and testing limited to industrial zones.
- ▶ Retail sales limited to industrial and/or commercial zones.

# Regulation/Enforcement Costs

- ▶ Resources needed to shut down **illegal** operators (Code, City Attorney, CVPD)
  - ▶ 1 criminal prosecution attorney, 1 paralegal, 1 support staff
  - ▶ 1 code enforcement, 1 police officer
- ▶ Resources needed to regulate **permitted** operators (All Departments)
  - ▶ 1 administrator, 1 fire inspector,
  - ▶ 1 Police Officer, ½ attorney
  - ▶ Contract for auditing/compliance

# Initiative Update and Options

- ▶ Latest information re: status of initiatives
  - ▶ Staff expects an adequate number of signatures have been (or will be) obtained and validated to qualify for the June 2018 ballot.
- ▶ If the required signatures are obtained, submitted and validated, City Council has the following options:
  - ▶ Adopt the initiative as law in the form presented and place on the next qualifying ballot.
  - ▶ Draft and place their own ballot initiative (must be submitted to registrar by no later than March 9, 2018). A separate tax initiative could also be submitted at the same election.

# Request to City Council

- ▶ Direction Staff is Requesting From City Council
  - ▶ Categories to Permit
    - ▶ retail, cultivation, manufacturing, distribution, testing, microbusiness
    - ▶ adult use and/or medicinal
  - ▶ Location
    - ▶ Zones (industrial only or industrial and commercial)
    - ▶ Setbacks from schools, licensed daycare facilities, parks

# Request to City Council (continued)

- ▶ Number of commercial operations
  - ▶ Cap or no cap for each category?
  - ▶ Cap per district?
  - ▶ For example: Initial number of 2 retail/medicinal retail businesses per district and ten industrial businesses citywide
- ▶ Tax
  - ▶ Range is recommended: 5% to a maximum number of 15%
  - ▶ Tax measure would need to define when a potential raise is appropriate
  - ▶ Consider consistency with City of San Diego taxes

# Questions