

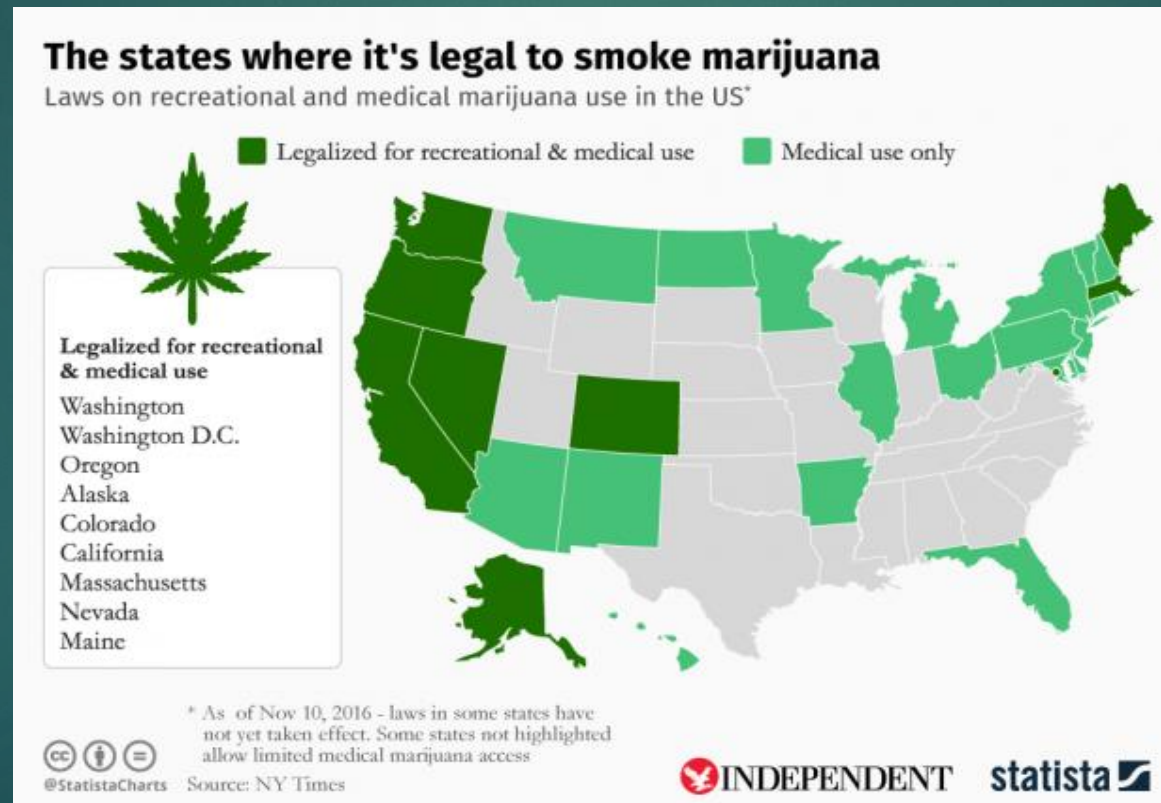
Cannabis Policy Workshop

City of Chula Vista

AUGUST 3, 2017

National Overview*

- 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)



*** Federal law still classifies cannabis as an illegal, Schedule 1 narcotic under Federal Law.**

Cannabis Laws in Early Adoption States

Colorado

- 2000: authorize medical Cannabis
- 2010: regulate medical Cannabis businesses.
- 2012: authorize & regulate non-medical Cannabis
- Local jurisdictions may prohibit or permit - as of May 2016, 29% of jurisdictions permit Cannabis businesses

Cannabis Laws in Early Adoption States

Washington

- 1998: authorize medical Cannabis
- 2012: authorize & regulate non-medical Cannabis
- Local jurisdictions may prohibit or permit - 47% of jurisdictions permit

Cannabis Laws in Early Adoption States

Oregon

- 1998: authorizes medical Cannabis
- 2014: decriminalized non-medical cultivation and uses of Cannabis
- 2015/2016: regulate medical & non-medical Cannabis
- Complicated rules on how local jurisdictions can prohibit - 62% of jurisdictions permit

Revenue & Challenges in Early Adoption States

Revenue

- ▶ Colorado: \$140 million in 2016
- ▶ Washington: \$256 million in 2016
- ▶ Oregon: \$60.2 million in 2016

Challenges:

- ▶ 40% of retail sales take place on black market
- ▶ increase in Cannabis-related traffic deaths , hospital visits, and school suspensions (factcheck.org). 37% of accidents with THC in their system also had alcohol with no way to know when the THC came on board
- ▶ Odor control
- ▶ Cash handling
- ▶ Infrastructure demands

California Cannabis Law History

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- ▶ Prop 216 (1996): decriminalized medical Cannabis
- ▶ MMP (2005): established collectives and co-ops
- ▶ MCRSA (2015): regulated medical Cannabis businesses (2018 start)
- ▶ Proposition 64 (2016): *Adult Use of Cannabis Act* – decriminalized and regulated non-medical Cannabis (2018 start)
- ▶ MAUCRSA (2017)

California Cannabis Stats

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- ▶ California currently has approximately 5 million cannabis users, 4 million of whom are adults. 20% of users are using 80% of the product.
- ▶ As of November 2016, 75% of CA cannabis sales were on the black market
- ▶ 10 million lbs. cannabis produced (some legal, most illegal) each year
 - ▶ 2 million is consumed 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, anticipate that processing and manufacturing will be where the greatest future growth occurs.

California Cannabis Revenue

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State Revenue:

- approx. \$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 in first year:
 - 1) medicinal cannabis sales will drop by 70%; and
 - 2) 30% of medical cannabis sales will still take place on black market

California Cannabis Tax Revenue

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| CITY | TAX REVENUE | SQ. FT. |
|----------------|-----------------------------|-------------------|
| Adelanto | 5% | |
| Carson | 18% | \$25/sq. ft. |
| Cathedral City | \$1 per gram of concentrate | \$25/sq. ft. |
| Coachella | 6% | \$15/sq. ft. |
| Coalinga | 10% | \$15-\$25/sq. ft. |
| Dixon | 15% | |
| Fillmore | 15% | \$20/sq. ft. |
| Gonzales | | \$15-\$25/sq. ft. |
| Greenfield | | \$15-\$25/sq. ft. |
| Grover Beach | 10% | \$25/sq. ft. |
| Hayward | Not to exceed 15% | |
| King City | \$30,000 ea. Manufacturing/ | |
| | testing facilities | \$25/sq. ft. |

| CITY | TAX REVENUE | SQ. FT. |
|---------------|------------------------|--------------------|
| Long Beach | 6-8% | |
| Perris | 10% | \$25/sq. ft. |
| Pittsburg | 10% of gross receipts | |
| Point Arena | 10% recreational | |
| | .03% medical | \$15-\$25/sq. ft. |
| Salinas | 5-10% | \$15-\$25/sq. ft. |
| San Diego | 5-15% | |
| San Jacinto | 15% | Up to \$50/sq. ft. |
| San Leandro | 10% | |
| Santa Barbara | 20% maximum | |
| Santa Cruz | 7-10% | |
| Stockton | \$5 - \$50 per \$1,000 | |
| Watsonville | maximum 2.5% | \$20/sq. ft. |

Local Jurisdiction Cannabis Revenue

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Local Revenue:

- ▶ Medical Cannabis - L.A. \$7 million (2015); San Jose \$17 million (2011-2015); Sacramento \$2.8 million (2014-2015); Santa Cruz \$2 million (2014-2015)
- ▶ Recreational Cannabis - City of San Diego: estimates up to \$22 million in revenue from gross receipts tax by mid-2019
 - ▶ SD City Treasurer estimates that the Cannabis Business Tax administration costs would increase expenditures and require hiring six new positions at a cost of approx. \$650,000.

Current California Cannabis Regulations

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- ▶ Limited Personal Use and Possession Permitted (H&S 11362.1)
 - ▶ Persons 21 years and older can possess, process, transport, purchase, obtain, or give away to persons 21 and over without compensation, not more than 28.5 grams of cannabis
 - ▶ Persons 21 years and older can possess, process, transport, purchase, obtain, or give away to persons 21 and over without compensation, not more than 8 grams of cannabis concentrate

Current California Cannabis Regulations (Cont.)

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- ▶ Limited Personal Cultivation Permitted (H&S 11362.2)
 - ▶ Not more than 6 living plants can be planted, cultivated, harvested, dried, or processed within a single private residence or on the grounds of that residence at any time
 - ▶ Living plants and any cannabis produced by the plants in excess of 28.5 grams must be kept within a private residence or on the grounds of a private residence in a locked space and not publicly visible
 - ▶ Must plant, cultivate, harvest, dry or process plants in accordance with local ordinances. Local jurisdictions can reasonably regulate personal indoor cultivation & completely ban outdoor cultivation.

Current Local Cannabis Regulations

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- ▶ State laws govern personal cannabis activity - use, possession, and cultivation (to an extent)
- ▶ Cities have home rule authority to permit and regulate or prohibit any and all commercial marijuana activity
- ▶ In San Diego County, three jurisdictions currently have ordinances permitting some commercial cannabis retail activity (City of San Diego, City of La Mesa, and City of Lemon Grove).
- ▶ Chula Vista currently prohibits commercial cannabis activity, with the exception of limited delivery into Chula Vista by cannabis businesses licensed in another jurisdiction

Future Local Cannabis Considerations

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- ▶ Potential Types of Local Businesses (M-type or A-type)
 - ▶ Cultivation (small, medium, large; indoor, outdoor, mixed-light; nurseries)
 - ▶ Manufacturing
 - ▶ Testing Laboratories
 - ▶ Retailers
 - ▶ Distributors
 - ▶ Microbusinesses
- ▶ State law outlines communication between state licensing authorities and local jurisdictions

Future Local Cannabis Considerations (Cont.)

- ▶ Fees and Revenues
 - ▶ Regulatory fee tied to cost of administering license
 - ▶ Revenue as gross receipts tax and/or square foot tax
 - ▶ No sales tax on medicinal cannabis (excise only)
 - ▶ Consider competition (including black market)
- ▶ Challenges to collecting revenue
 - ▶ Safety concerns
 - ▶ Audit challenges
- ▶ General Fund vs. Specific Purpose

Future Local Cannabis Considerations (Cont.)

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- ▶ Permitting Considerations
 - ▶ Location restrictions
 - ▶ Security & Inspection requirements
 - ▶ Odor control
 - ▶ Environmental requirements
 - ▶ Cross-Business restrictions
 - ▶ Applicant qualifications
 - ▶ Applicant disqualifications

Future Local Cannabis Considerations (Cont.)

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- ▶ Staff Involvement
 - ▶ Finance
 - ▶ Code Enforcement
 - ▶ Planning & Building
 - ▶ Police Department
 - ▶ Fire Inspector
 - ▶ Administration
 - ▶ City Attorney

Future Local Cannabis Considerations (Cont.)

- ▶ Social Impacts
 - ▶ Local authority to decide what is best for this community
 - ▶ City Image
 - ▶ Public Health
 - ▶ Carcinogens/Toxins in smoked cannabis
 - ▶ Youth Access/Use
 - ▶ Safety
 - ▶ Drugged Driving
 - ▶ All Cash Business Issues
 - ▶ UC Irvine study
- ▶ Environmental Impacts

Questions

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