



City Manager's Report
August 14, 2018 City Council Meeting
Prepared By: M. Cleve Morris
Item#: 12.2

Subject: Review Draft Cannabis Business Regulation Ordinance and provide Direction to the Cannabis Subcommittee and Staff.

Purpose: The purpose of this item is to receive input from the public and Council direction on a draft Cannabis Business Regulation Ordinance.

Background: On December 8, 2015, the City adopted an ordinance prohibiting cultivation, dispensaries and deliveries of Medical Marijuana (Ordinance 1677). On October 10, 2017, the City Council adopted a resolution extending an Urgency Ordinance of the City of Placerville Regulating Cultivation and Prohibiting the Manufacture, Processing, Laboratory Testing, Labeling, Storing, Wholesale and Retail Distribution of Nonmedical Marijuana in the City of Placerville Pursuant to Government Code Section 65858(a). At that time, the State had still not finalized laws to regulate adult use marijuana. The Council requested that this be reviewed once those regulations had been adopted. The State adopted emergency regulations in the interim and has now proposed, but not adopted, proposed regulations.

On April 11, 2018, the Council held a special workshop to receive presentations and review the law pertaining to cannabis regulation. At the conclusion of that workshop, another workshop was scheduled for May 30, 2018. On June 12, 2018 Council appointed a Cannabis Subcommittee to work on recommendations for Cannabis businesses. On June 26, the Council reviewed a draft Tax Ordinance and on July 10, 2018 the Council approved that ordinance to be on the November ballot for approval. Also on July 10, the Council considered options for different types of Cannabis Business licenses and directed staff on which options to proceed with. Tonight on the agenda for discussion is the first draft of a proposed Business Regulation Ordinance. It is the goal to introduce this ordinance either at the meeting on August 28 or on the first meeting in September. As noted above, the current interim ordinance prohibiting cannabis activity in the City of Placerville will expire on October 27, 2018

Discussion:

As outlined at the meeting on July 10, 2018, there are many different types of cannabis businesses that could be allowed and regulated within the City of Placerville. Following is a summary list of those potential businesses:

Cultivation: 14 different license types depending on:

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|----------------------|------------------------------------|
| ❖ Indoor/Outdoor | ❖ Lighting (Artificial or Natural) |
| ❖ Large/Medium/Small | ❖ Nursery |

Manufacturer: 2 Types

1. Level 1 Nonvolatile solvents
2. Level 2 Volatile solvents

TESTING LABORATORY: Offers or performs tests of cannabis goods.

RETAILER: Dispensary and/or Delivery Service

- ❖ A retailer (storefront) sells cannabis goods to customers at its premise or by delivery.
- ❖ Must have a licensed physical location (premises) where commercial cannabis activities are conducted.
- ❖ A retailer (non-storefront) must have a licensed premises, but it is closed to the public

Delivery:

- ❖ Must be performed by a delivery employee of a retailer.
- ❖ Each delivery employee shall be at least 21 years of age.
- ❖ Must be made in person.
- ❖ A retailer may only deliver cannabis goods to a physical address in California.
- ❖ A retailer delivery employee shall not leave the State of California while possessing cannabis goods.
- ❖ May not deliver cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency.

Distributor license: Responsible for transporting cannabis goods, arranging for testing of cannabis goods, and for conducting quality assurance review of cannabis goods to ensure that they comply with all packaging and labeling requirements.

Distributor transport license:

- ❖ Allows a licensee to transport cannabis goods between licensed cultivators, manufacturers, and distributors.
- ❖ A licensee may not transport cannabis goods to a licensed retailer and may not engage in any other distributor activities.
- ❖ A distributor may provide cannabis goods storage-only services to a licensed cultivator, manufacturer, microbusiness, nonprofit, or another distributor, unrelated to the quality assurance and laboratory testing processes.
- ❖ Local jurisdiction shall not prevent transportation of cannabis or cannabis products on public roads by a licensee, Ca. Business & Professions Code 26080

MICROBUSINESS:

- ❖ Allows a licensee to engage in cultivation (on an area less than 10,000 square feet), manufacturing (Level 1 manufacturing, Type 6) distribution, and retail sale, or any combination of the four activities.

- ❖ Must engage in at least three (3) of the following commercial cannabis activities: cultivation, manufacturing, distribution, and retail

It should be noted that the current proposed regulations as in draft form from the State, would allow deliveries to take place anywhere without the approval of the City. Whether or not the City regulates deliveries may become a moot point if the regulations go through as proposed. This would eliminate the ability of the City to regulate this activity.

At the meeting on July 10, 2018, Council directed staff to prepare a draft ordinance based on regulating Cannabis Businesses as follows:

Approve:

1. Medical Cannabis

Consider:

1. Adult Use or Recreational Marijuana Retail Dispensary
2. Deliveries
3. Microbusiness
4. Indoor Cultivation (Only in conjunction with Microbusiness)
5. Manufacturing (Only in conjunction with Microbusiness, Level 1 only)
6. Distribution (Only in conjunction with Microbusiness)
7. Testing

Prohibit:

1. Outdoor Cultivation of all type

The attached draft ordinance will allow the business types as outlined above. In addition, the ordinance allows the Council to determine the number of each type of business and to adopt that number by resolution. This does not need to be determined at this time but will be brought back at a later date.

No action is necessary on this item at this time. It is the desire of staff and the committee to solicit input on the draft ordinance from Council and the public prior to moving forward. Depending on the amount of input, the ordinance will be brought back for introduction and a first reading on September 28, 2018, with adoption proposed for September 11, 2018.

Tim Cromartie of HdL will be in attendance to answer any questions.


Options:

1. Provide direction to the committee on changes to the proposed ordinance.
2. Request further information from staff prior to moving forward.
3. Direct staff to not pursue the Business Regulation Ordinance at this time.

Cost: Staff time to prepare the ordinance can be absorbed in the current budget.

Budget Impact: None. It is anticipated additional tax revenues and potential expenditures will occur if a new ordinance is passed which allows cannabis businesses to open. The full impact is not known at this time. Any additional expenses not absorbed in the current budget will be brought back to Council for approval. For example, if we move forward and start the application process, expenses will be incurred for background checks and other items. It is expected these costs will be borne by the applicants through a fee adopted by Resolution.

Recommendation: Review Draft Cannabis Business Regulation Ordinance and provide Direction to the Cannabis Subcommittee and Staff.



M. Cleve Morris, City Manager

Attachment: Draft Business Regulation Ordinance