



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Administrator

SUBJECT: RECEIVE STATUS UPDATE ON ACTIONS TAKEN BY THE CITY IN ACCORDANCE WITH THE CITY COUNCIL MOTION PASSED ON JULY 17, 2018 CONCERNING CANNABIS AND/OR APPROVE INTRODUCTION AND FIRST READING OF PROPOSED ORDINANCE AND/OR PROVIDE DIRECTION CONCERNING COMMERCIAL CANNABIS REGULATIONS

MEETING DATE: August 21, 2018

RECOMMENDATION:

1. Receive and file report from City staff regarding actions taken as a result of the motion that was carried by a City Council 5-0 vote on July 17, 2018 concerning cannabis; and/or
2. Approve Introduction and First Reading of Proposed Ordinance and approve reading by title only; and/or
3. Direct staff to extend moratorium on commercial cannabis activities which is due to expire November, 2018; and/or
4. Provide staff with further direction; and/or
5. Make any motion(s) to execute any City Council directive(s).

DISCUSSION:

On July 17, 2018, the City Attorney's Office made a presentation to the City Council on the State of California's laws and regulations concerning commercial cannabis businesses, and local jurisdictions' authority to regulate the industry, as well as policy considerations in doing so. At the conclusion of the presentation, City Council passed a motion with a 5-0 vote, with the following directives to be executed concurrently:

- a. Host community meetings throughout the City to disseminate information to the public on cannabis and get the community's input on the subject matter; and
- b. Draft a proposed ordinance regulating commercial cannabis businesses in the City's jurisdiction.

Community Meetings:

City staff was directed to host community meetings throughout the City, specifically in the City's four (4) parks, in order to disseminate information to the public on the regulation of cannabis, the State of California laws regulating cannabis, and to provide a forum to the public to discuss the topic, and in doing so, gather the community's input on this topic.

A City flyer was prepared to invite the City's residents to four (4) different town hall meetings, as follows:

1. August 8, 2018, at 6:00 p.m. at Bandini Park;
2. August 9, 2018, at 6:00 p.m. at Bristow Park;
3. August 13, 2018, at 6:00 p.m. at Rosewood Park Senior Center; and
4. August 20, 2018, at 6:00 p.m. at Veteran's Park.

The flyer was mailed to all households in the City, and was posted and disseminated on social media. Additionally, every household was personally invited to attend the meetings. Attached is a true and correct copy of the flyer.

Due to the City consultant's subject matter expertise on complex and highly regulated land uses, including cannabis uses, ejma Planning + Development, was tasked to host the community meetings, with principal Ebony Anderson, spearheading the effort. Each meeting also featured a majority if not a supermajority of the council members in attendance. Members of the community who attended the meetings were also asked to complete a survey. Attached is a true and correct copy of the survey. Each of the meetings was streamed live on the City's Facebook page, where it is still available for viewing.

A fifth community meeting specifically for the senior constituency of the City was held on August 15, at 10 a.m., at the Rosewood Park Senior Center.

City consultant Blue Icon Communications also participated in the community meetings by providing translation and interacting with Spanish speakers, and conducted public outreach, by performing citywide canvassing by distributing and collecting surveys, with the hopes of reaching all residents, including those residents who were unable to participate in the community meetings.

It is important to note that ejma Planning + Development also conducted a study session on cannabis with the City's Planning Commission on July 25, 2018, in order to provide them with a similar overview that was presented to City Council.

The data and research collected thus far from the community meetings and community outreach by undertaking canvassing and disseminating surveys, is showing that the majority of the community is interested in creating a process where the City may consider

commercial cannabis related uses within its jurisdiction. More comprehensive results will be available on Tuesday, August 21 at the City Council meeting.

Proposed Ordinance:

On July 17, 2018, City Council passed a motion directing the City Attorney's Office, in conjunction with City staff, to draft a proposed ordinance regulating commercial cannabis businesses in the City's jurisdiction, and to bring it back to City Council.

Accordingly, consistent with City Council's motion, and the majority of the community's interest in creating a system to regulate the cannabis industry in the City's jurisdiction, the City Attorney's office has drafted a proposed ordinance. The general provisions of the proposed ordinance include the following:

1. Type: Commercial medicinal and adult-use cannabis businesses are allowed.
2. Classifications Allowed: The classifications allowed, based on the state licenses issued, include:
 - a. Cultivation,
 - b. Manufacturer,
 - c. Distributor,
 - d. Testing Laboratory,
 - e. Non-Storefront Delivery-Only Retailer, not open to the public,
 - f. and Microbusiness.

Activities including transportation and delivery of cannabis is an ancillary activity to some of the classifications hereinabove, which would also be monitored and regulated. Its important to note that none of these uses are open to the general public, thereby limiting their impact on the surrounding community.

3. Locations Where Businesses will be Allowed: Consistent with California State law, the ordinance contemplates allowing the location of commercial cannabis businesses to be six-hundred (600) feet away from the state laws designated sensitive sites, including schools providing instruction in kindergarten or any grades one (1) through twelve (12), day care centers, and youth centers. Commercial cannabis businesses within the 600-foot radius from the sensitive sites would be explicitly prohibited.
4. Minimum Application Requirements: In addition to the state application requirements to secure the requisite state license to operate a business, the ordinance has imposed additional minimum application requirements, and has specified an enumerated list of grounds for denying an application.
5. Type of Approval(s) and Permit(s) Required to Establish a Commercial Cannabis Business: The ordinance requires a selected applicant to obtain a regulatory "Commercial Cannabis Permit," as well as to negotiate and enter into a Development Agreement with the City, allowing the City to impose terms, including imposing development standards for the business facilities,

incorporating all operational and security plans, imposing a fee structure payable to the City based on revenue, and making the selected applicants community partners by making it an obligation for them to fund a Community Benefits Program. The latter will allow the City to allocate funds to specialized City programs and/or services. The selected applicants would also be obligated to obtain all necessary approvals, permits and licenses required to occupy the business premises, and to operate a business.

6. Review and Approval Process: The draft ordinance proposes three (3) review, scoring and selection phases: an initial application screening process to ensure that minimum, albeit rigorous, requirements are met; those applications are then reviewed by a "Review Committee" using scoring criteria to rank the applicants to ultimately present to City Council; and finally City Council making a final approval of the high-ranking qualified applicants.
7. Fee and Revenue Structures: As discussed above, the City will be imposing fees based on a percentage of gross revenue and/or square footage of a facility, which will be negotiated pursuant to a Development Agreement. The City will be able to designate City fund(s) where revenue will be allocated, including specialized programs or services identified by the City and/or the applicant by establishing a Community Benefits Program(s). Successful applicants will also be required to pay fees for the required Commercial Cannabis Permit, and all other permits, licenses, inspections, etc. that are required pursuant to the ordinance in order to defray the costs associated with the time and resources spent by City staff, representatives, and agents, in processing the applications, and thereafter monitoring the program in the future to ensure on-going compliance.
8. Compliance and Enforcement Provisions: Penalty provisions are in place to serve as a deterrent for those businesses operating unlawfully without City approvals, and to ensure compliance is continuous for those approved businesses, as well as the implementation of enforcement tools to allow law enforcement, Code Enforcement, and other City staff to effectively monitor approved businesses, and terminate illegal operations.

It is necessary to remind City Council that the City's current ban on all commercial cannabis activity citywide, pursuant to Ordinance 691, is set to expire in November 2018, approximately less than three (3) months away. Before said time, City Council has the opportunity to pass an ordinance to regulate commercial cannabis to replace the moratorium before it expires. Alternatively, the City Council has the ability to extend the moratorium for an additional year before deciding on whether to adopt an ordinance regulating cannabis, or permanently banning commercial cannabis activity citywide.

ALTERNATIVES:

1. File and receive staff report.
2. Approve Introduction and First Reading of Proposed Ordinance and approve reading by title only; and/or

3. Direct staff to extend moratorium on commercial cannabis activities which is due to expire November, 2018 and/or
4. Provide staff with different and/or further direction and/or
5. Make any motion(s) to execute any City Council directive(s).

FISCAL IMPACT:

The recommended action can be carried out without additional impact on the current operating budget.

RELATIONSHIP TO STRATEGIC GOALS:

The subject matter is consistent with Economic Growth Guiding Principle #4 of the City's Strategic Plan. This Guiding Principle calls for a focus on strategic economic development pursuits that will increase local jobs, generate additional revenue and create demand for supporting businesses.

Respectfully submitted: Edgar Cisneros, City Administrator
Approved as to form: Norma Copado, Assistant City Attorney

Attachments:

1. Flyer
2. Surveys
3. Proposed Ordinance *(to be posted on Friday, August 17, 2018).*