



Administrative Report

N.1., File # 25-0080

Meeting Date: 1/21/2025

To: MAYOR AND CITY COUNCIL

From: ELIZABETH HAUSE, COMMUNITY SERVICES DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION ON THE CITY'S DRAFT CANNABIS REGULATORY ORDINANCES

APPROVE THE DRAFT LANGUAGE IN THE CANNABIS REGULATORY ORDINANCES AND DIRECT STAFF TO SCHEDULE A PUBLIC HEARING BEFORE THE PLANNING COMMISSION ON FEBRUARY 3, 2025 TO PROVIDE RECOMMENDATIONS TO THE CITY COUNCIL PURSUANT TO STATE LAW PRIOR TO FORMAL CONSIDERATION OF INTRODUCTION AND FIRST READING OF THE ORDINANCES

DIRECT STAFF TO SCHEDULE A PUBLIC HEARING AND RETURN TO THE CITY COUNCIL ON FEBRUARY 11, 2025 FOR CONSIDERATION OF INTRODUCTION AND FIRST READING OF THE PROPOSED ORDINANCES

EXECUTIVE SUMMARY

On September 6, 2022, following recommendations from the Planning Commission, the City Council adopted cannabis regulatory ordinances for both inland and coastal areas of Redondo Beach, permitting no more than two storefront commercial cannabis retailers to operate within the City. The Inland Ordinance became effective 30 days after adoption, while the Coastal Ordinance took effect upon certification by the California Coastal Commission on March 9, 2023.

At the December 19, 2023 City Council meeting, portions of the regulatory Ordinances and the permit application process were identified as needing further review. City Council directed staff to engage Tierra West Advisors, Inc. (TWA) to review the final cannabis regulatory Ordinances, draft Commercial Retail Cannabis (CRC) permitting guidelines, and assist with application processing. TWA's recommended revisions to the City's regulatory Ordinances were presented at meetings in May and September 2024, and staff has continued over the course of several Council meetings further refining scoring criteria for the evaluation of permit applications. On December 17, 2024, the City Council provided final direction on elements of the regulatory ordinances and directed staff to return in January 2025 with a finalized draft of the ordinances.

Attached to this report are the final drafts of the updated Cannabis Regulatory Ordinances, which capture the direction provided by Council to staff over the course of the last year. Prior to adoption, the ordinances must be reviewed by the Planning Commission at a noticed public hearing because they involve modifications to the City's zoning regulations. Accordingly, staff recommends the City

Council approve the draft language in the ordinances and 1) direct the Planning Commission to review the ordinances at a special meeting/public hearing to be held on February 3, 2025, and 2) direct staff to schedule a public hearing before the City Council on February 11, 2025 for consideration of introduction and first reading of the ordinances.

BACKGROUND

The identification of cannabis regulations most appropriate for Redondo Beach began in 2018 with the appointment of a Cannabis Steering Committee. Following Planning Commission consideration and several City Council discussions on the topic, the current Cannabis Regulatory Ordinances were adopted on September 6, 2022. The Ordinances allow no more than two storefront commercial cannabis retailers to operate in the City. There are three Ordinances under consideration:

- **Ordinance No. 3241-22:** Amending Title 10, Chapter 2 Section 10-2.1626 of the RBMC to allow commercial cannabis activities in inland zones of the city.
- **Ordinance No. 3235-22:** Amending Title 10, Chapter 5 Section 10-5.1626 of the RBMC to allow commercial cannabis activities in coastal zones of the city.
- **Ordinance No. 3240-22:** Regulating commercial cannabis activities in Redondo Beach

Ordinance Nos. 3241-22 and 3235-22 provide definitions and zoning requirements for a cannabis permit program, as well as other parameters. These two Ordinances are identical in content, other than the zone to which they apply. Ordinance No. 3240-22 delves into application procedures and operating standards, and also sets the tax rate.

At the December 19, 2023 City Council meeting, portions of the regulatory Ordinances and the permit application process were identified as needing further review. At that time, the City Council provided direction to engage TWA to review the City's existing Cannabis Regulatory Ordinances and assist with development and review of the cannabis permit application process.

Since the December 19, 2023 meeting, numerous elements of the Cannabis Regulatory Ordinances have been discussed by Council, including updated buffers, final selection of permittees and evaluation criteria. At the December 17, 2024 meeting, the City Council provided final comments on various sections of the regulatory ordinances and directed staff to return in January 2025 with a finalized draft of the ordinances, attached here for Council review.

Outstanding items related to the cannabis permitting program include a fee schedule to recover administrative costs of processing applications and permits. This task will be undertaken over the next several weeks in a collaborative effort between the Financial Services Department and all impacted City Departments, once the application process has been affirmed by Council. Staff will also return to Council with supplemental items, including the Application Form, Property Owner Consent/Landlord Affidavit, and, ultimately, the Request for Proposals for the Commercial Retail Cannabis Permit program. Items highlighted in yellow in the attached redlines are minor follow-up items that may require updating, e.g. section numbers may change if there are extensive edits to the Cannabis Regulatory Ordinances.

Prior to adoption, these ordinances must be reviewed by the Planning Commission during a publicly noticed hearing. Staff recommends that the City Council direct the Planning Commission to review the drafted ordinances, inclusive of any additional Council edits, at a Special Meeting scheduled for

February 3, 2025, and further direct staff to present the ordinances for consideration of introduction and first reading at a public hearing to be scheduled as part of the February 11, 2025 City Council meeting agenda.

COORDINATION

This agenda item was prepared by the Community Services Department in coordination with the City Attorney's Office, City Manager's Office, and the Fire, Police, Financial Services and Community Development Departments. The Ordinances were drafted by TWA, updated by staff, and will be prepared by the City Attorney's Office in final form for review by the Planning Commission and subsequent Council consideration.

FISCAL IMPACT

It is estimated that each licensed site in Redondo Beach could provide \$225,000 to \$450,000 in additional annual General Fund cannabis business tax revenue, provided the City moves forward with the adoption of a regulatory ordinance at a tax rate of 4.5%. At this time, it is difficult to determine what impact taxing cannabis delivery will have on General Fund revenue.

The fiscal impact to the City for CRC permit application processing and management is currently unknown. A fee study to determine these costs must be completed. The application fees are expected to provide full City cost recovery for the processing of all license applications, including any related consulting services costs. Preliminary estimates indicate an application fee between \$12,000 and \$16,000 per applicant. An annual regulatory fee is anticipated to be within the same range for each CRC permittee doing business in the City. These estimates are expected to change, and will be refined, based on the final application process determined by Council and the staffing resources needed to complete the application review.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Ord - Cannabis Regulatory Ordinance No. XXXX-XX Amending Title 10, Chapter 2 Section 10-2.1626 of the RBMC
- Ord - Cannabis Regulatory Ordinance No. XXXX-XX Amending Title 10, Chapter 5 Section 10-5.1626 of the RBMC
- Ord - Cannabis Regulatory Ordinance No. XXXX-XX Regulating Commercial Cannabis Activities