



Administrative Report

N.2., File # 21-2983

Meeting Date: 10/5/2021

To: MAYOR AND CITY COUNCIL
From: BRANDY FORBES, COMMUNITY DEVELOPMENT DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION REGARDING CANNABIS STEERING COMMITTEE RECOMMENDATIONS

EXECUTIVE SUMMARY

When the Medical Marijuana Regulation and Safety Act (MMRSA) took effect January 1, 2016, regulating the use of marijuana for medical purposes, the City of Redondo Beach adopted Ordinance 3152 to implement local regulations in accordance with MMRSA, effective May 5, 2016.

On November 8, 2016, Proposition 64 was adopted for adult use of marijuana act (AUMA). The AUMA regulates, among other items, the use of marijuana for personal and commercial purposes, including the recreational use of marijuana by adults over 21 years of age, thus expanding the permissions under MMRSA. Although Proposition 64 represented the interest of whether to allow the adult use of marijuana, it did not specify how an individual municipality would regulate.

Proposition 64 stipulated that if a city did not enact local commercial licensing restrictions or a ban by January 1, 2018, a valid state license would be the only requirement to open and operate any commercial marijuana business in any commercial zone in the city. Therefore, out of caution, until local regulations and interests could be analyzed, the City of Redondo Beach adopted ordinances to regulate the personal use and cultivation of cannabis, as well as restrict commercial cannabis activities in the City of Redondo Beach. This was an interim measure to prohibit cannabis businesses until the City could better evaluate what types of businesses and what regulations to put in place.

One of the prior objectives included in the City Council's adopted Strategic Plan included the City Manager's appointment of a steering committee comprised of law enforcement, RBUSD, BCHD, and outside interest groups to review best practices for commercial use regulations of cannabis including storefront siting, taxation, delivery, and development agreement options and to prepare a report for Planning Commission and City Council consideration. At the City Council meeting of August 14, 2018, the City Council received and filed a report related to the composition of the Cannabis Steering Committee (CSC).

This Administrative Report transmits the work of the CSC and their recommendations to City Council on consideration of an ordinance to regulate cannabis in the City of Redondo Beach. As described in this report, staff is seeking City Council direction related to the content of an ordinance to be prepared and considered at subsequent City Council meetings.

BACKGROUND

California's history of cannabis law spans nearly 25 years of propositions and regulatory actions (see attached). More recently, the Medical Marijuana Regulation and Safety Act (MMRSA) that took effect January 1, 2016 regulated the use of marijuana for medical purposes. The City of Redondo Beach adopted Ordinance 3152 which promulgated local regulations in accordance with MMRSA, effective May 5, 2016.

On November 8, 2016, Proposition 64 was adopted for the Adult Use of Marijuana Act (AUMA). The AUMA regulates, among other items, the use of marijuana for personal and commercial purposes, including the recreational use of marijuana by adults over 21 years of age, thus expanding the permissions under MMRSA. The AUMA permits cities to "reasonably regulate" without completely prohibiting cultivation of marijuana inside a private residence or inside an accessory structure to a private residence, within the limits allowed by the State for personal cultivation.

In Redondo Beach 65% of the voters were in favor of Proposition 64. Although Proposition 64 represented the interest of whether to allow the Adult Use of Marijuana Act, it did not specify how an individual municipality would regulate. The State's commercial provisions of AUMA were to take effect on January 1, 2018, requiring a city to disallow commercial marijuana activities in order to ensure that local regulations are promulgated and local control maintained. If a local governing body did not enact such a commercial ban by January 1, 2018, a valid State license would be the only requirement to open and operate any commercial marijuana business in any commercial zone in that city. Therefore, out of caution, until local regulations and interests could be analyzed, the City of Redondo Beach adopted ordinances to regulate the personal use and cultivation of cannabis, as well as restrict commercial cannabis activities in the City of Redondo Beach. This was an interim measure to prohibit cannabis businesses until the City could better evaluate what types of businesses and what regulations to put in place.

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Chris Cagle	Former City Councilmember District Two Resident
Jonatan Cvetko	Executive Director Los Angeles Emeralds District One Resident
Kerianne Lawson	Director of Lifespan Services Beach Cities Health District
Nancy Lomibao	Program Director Redondo Beach Cancer Support Community
Sandra Marchese	Redondo Beach Public Safety Commissioner

District Three Resident

Dr. Samuel Stratton Medical Advisor to the Redondo Beach Fire Dept.

Dr. Nicole Wesley Executive Director of Student Services
Redondo Beach Unified School District

Subsequent to the above appointments, RBUSD modified their appointment to have Ms. Brianne Nakayama serve on the Cannabis Steering Committee (CSC). Additionally, it should be noted that Mr. Cvetko's employment has changed and he is now the Executive Director of the United Cannabis Business Association. Members of the Redondo Beach Police Department, Fire Department, Community Development Department, and City Treasurer's Office met jointly in support of the work of the CSC.

While the CSC met 6 times between the dates of November 13, 2018 and August 28, 2019, and created a subcommittee that had additional meetings through early 2020, their work was delayed as a result of the City's focus on COVID-19 and the associated severe financial challenges due to COVID-19. More recently, the subcommittee met in January and February 2021 and the CSC was reconvened in March 2021 (virtual meetings) to continue their work, with another 6 meetings in 2021, and recently finalized recommendations to the City Council.

This Administrative Report transmits the work of the CSC and their recommendations to City Council on consideration of an ordinance to regulate cannabis in the City of Redondo Beach.

REDONDO BEACH PARTICIPATION, EDUCATION, AND ENFORCEMENT OF CANNABIS POLICY AND REGULATIONS

Legislative Action

Since the passing of Proposition 64 the City of Redondo Beach has advocated on several notable bills.

- AB 1356 - Cannabis: local jurisdictions: retail commercial cannabis activity. This bill sought to redefine and erode Proposition 64's local control provisions and require one cannabis retail shop for every 10,000 residents. On May 7, 2019, City Council authorized a letter in opposition to AB 1356.
- AB 228 (2019) and AB 2028 (2020) - Industrial Hemp Products. This series of bills sought to allow consumable hemp products such as topicals, edibles, and smokables, despite the FDA, CDPH, and LACDPH ban against such products. The primary concern was the lack of safety testing the purity of these products compared with cannabis products-a valid concern witnessed shortly after the introduction of AB 228 during the vaping crisis. In 2019, City Councilmembers brought awareness of this issue to the South Bay Cities Council of Governments and to the Independent Cities Association, both organizations deciding to oppose the bills.
- AB 45 (2021) - Industrial Hemp Products. The State Legislature finally adopted amendments to address the safety testing concerns, as well as prohibit the sales of smokable hemp products until a state tax is passed. City staff have had to navigate the grey areas of legality

on these products over the years, and whether to allow for hemp retailers. The issue has proven problematic, as experienced with the recurring pop up cannabis church that at one point claimed to be a Hemp CBD church. The passing of AB 45 is expected to bring regulation clarity in the coming year.

Education

Elected officials and staff have participated in several education opportunities on cannabis policy.

- June 14, 2018 - LA County Cannabis Policy Seminar. Staff attended the Los Angeles County Cannabis Policy Seminar hosted by Angeles Emeralds. The seminar was a full day event of panel discussions with State, County, and Local regulators.
- January 24, 2019 - South Bay Cities Council of Governments Cannabis Workshop Series. City staff attend a four-part workshop series hosted by the South Bay Cities Council of Governments and facilitated by Angeles Emeralds. A total of 23 cities participated in the workshop series, each session lasting over three hours and covering the following topics:
 - Intro and Orientation: Pros and Cons of Regulations
 - Community Education
 - Cannabis License Types
 - Ordinance and Revenue Development
- February 2, 2019 - Independent Cities Association Winter Seminar. Elected officials attended a cannabis regulatory panel discussion led by Angeles Emeralds during the ICA winter seminar.

Enforcement

Since the passing of Proposition 64 the City of Redondo Beach has engaged in multiple enforcement actions against illegal cannabis operators with a large degree of success. Below are links to articles on these enforcement actions:

- 8/17/19 - Redondo Beach Cannabis church opens after Seaside shutdown
<<https://easyreadernews.com/redondo-beach-cannabis-church-opens-after-seaside-shutdown/>>
- 8/23/19 - Redondo Beach takes action on two marijuana dispensaries
<<https://www.dailybreeze.com/2019/08/23/redondo-beach-takes-action-on-two-marijuana-dispensaries/>>
- 11/23/19 - One pot shop shuts down, Redondo targets another
<<https://easyreadernews.com/one-pot-shop-shuts-down-redondo-targets-another/>>
- 11/12/20 - Redondo Beach cannabis dispensary cited, following raid by Cannabis Control agents
<<https://easyreadernews.com/redondo-beach-cannabis-dispensary-cited-following-raid-by-cannabis-control-agents/>>
- 12/5/20 - Redondo Police put the nail in Pacific Cannabis Church
<<https://easyreadernews.com/redondo-police-put-the-nail-in-pacific-cannabis-church/>>

CHALLENGES WITH LOCAL ADOPTION IN OTHER MUNICIPALITIES

Legal Challenges

Although local control is provided by Proposition 64 over regulating legal cannabis activities, the state has not issued best practices for implementation. This has left local jurisdictions with a trial and error approach in drafting ordinances, with a significant number of municipalities facing legal challenges by cannabis operators who disagreed with the outcome of the decision process. Most recently in the city of Costa Mesa. Below are links to articles on these legal challenges:

- 9/2/21 - Cannabis hopefuls up in arms as Costa Mesa's application process rolls on without them
<<https://www.latimes.com/socal/daily-pilot/news/story/2021-09-02/cannabis-hopefuls-up-in-arms->
- 7/25/19 - Passed Over Cannabis Applicants Prepare to Do Legal Battle with City
<<https://www.pasadenanow.com/main/passed-over-cannabis-applicants-prepare-to-do-legal-battle->
- 5/12/21 - Lawsuits accuse El Monte of 'pay-to-play' for cannabis licenses
<<https://www.sgvtribune.com/2021/05/12/lawsuits-accuse-el-monte-of-pay-to-play-for-cannabis->
- 6/16/15 - Lawsuit Accuses Santa Ana Mayor of Taking Bribes from Pot Shop
<<https://laist.com/news/santa-ana-medical-marijuana-lawsuit>>

The City of Los Angeles in particular has had an exceptionally difficult time in implementing its local ordinance. Hundreds of applicants remain waiting after more than three years to have their applications processed by the City's Department of Cannabis Regulation. LA required that an applicant retains a property as part of their application, leaving the applicants paying for rent for several year years without the ability to operate their businesses until their applications have completed processing. This along with other issues has prompted a number of lawsuits against the city:

- 6/2/21 - Cannabis entrepreneur sues LA over social equity licensing program, records
<<https://spectrumnews1.com/ca/la-west/business/2021/06/02/cannabis-entrepreneur-sues-la-over->
- 11/18/20 - Two more lawsuits filed over L.A.'s social equity cannabis licensing
<<https://mjbizdaily.com/los-angeles-social-equity-cannabis-licensing-faces-more-lawsuits/>>

Similarly, there have been a number of reported incidents of corruption allegations and charges of officials surrounding cannabis businesses and licensing procedures.

It is important to review these various cases to offer direction and caution for what are best practices that are acceptable related to cannabis licensing and local controls.

REDONDO BEACH CANNABIS STEERING COMMITTEE

Initiation of Cannabis Steering Committee Discussions

As noted above, in 2018 the City Manager assembled a Cannabis Steering Committee of community stakeholders to discuss the concerns and considerations for allowing cannabis businesses in the City of Redondo Beach. The Cannabis Steering Committee was made up of representatives of the following:

- Angeles Emeralds Non-Profit Association (working towards responsible cannabis regulations)
- Beach Cities Health District (BCHD)

- Redondo Beach Cancer Support Community
- Redondo Beach Public Safety Commission Representative
- Medical Advisor to Redondo Beach Fire Department
- Redondo Beach Unified School District (RBUSD)
- Members of the Redondo Beach Police Department, Fire Department, Community Development Department, and City Treasurer's Office

The CSC met regularly in the first year of forming, reviewing regulations, discussing best practices, and evaluating what options the City should consider for regulating cannabis. However, in March 2020 the City's priorities shifted to addressing the COVID-19 emergency orders and modifying operations for health and safety. As a result, from March 2020 to January 2021 the CSC did not meeting. As emergency practices started to stabilize, the CSC reconvened in January 2021 and have met several times in order to finalize recommendations for City Council to consider related to cannabis licensing and local controls.

Cannabis Steering Committee Meetings Summary

The first meeting of the Cannabis Steering Committee took place on November 13, 2018 and included introductions and a discussion of the reasons for forming the Committee.

December 20, 2018 was the second meeting of the Cannabis Steering Committee. A presentation of information was provided by Jonatan Cvetko of Angeles Emeralds explaining the history of cannabis legislation and regulations. This discussion included the State's regulations on buffers from schools, local jurisdictions allowing licenses, taxing possibilities, public safety concerns, and generally what regulations to consider.

January 8, 2019 CSC met to discuss the health effects of cannabis and the impacts of advertising and exposure. This in-depth discussion went over the observations and statistics from Beach Cities Health District and RBUSD.

In February 2019, the CSC went over various legislative changes and litigation efforts. A presentation was provided by Jonatan Cvetko on "15 Questions to Build a Cannabis Ordinance". This guide walks through what decisions a municipality needs to make when considering permitting cannabis businesses. At that meeting, the CSC requested that the City staff analyze the State's buffer requirements and established a subcommittee to have that group evaluate the best practices and make recommendations on the 15 Questions guide.

On February 26, 2019 the CSC established a subcommittee of the steering committee to evaluate the buffer areas and see the viability of locations and evaluate the pros and cons of each category of license. The subcommittee included Jonatan Cvetko, Kerianne Lawson, and Sam Stratton. City representatives to coordinate with the subcommittee includes Joe Hoefgen, Brandy Forbes, and Antonio Gardea.

From March through May 2019 staff analyzed buffer zoning to consider the State's recommended buffers (600' from day cares, public schools, and youth centers). Subcommittee members assembled information regarding the pros and cons of each category of license.

At the May 28, 2019 subcommittee meeting, the group discussed proposed legislation, distancing,

and types of licenses and the pros and cons of each. The subcommittee recommended alternatives to the buffer zones, with express concern about accessibility to high schoolers who may have open campus and to middle schoolers who are susceptible to advertising.

In June 2019, staff prepared multiple buffer options to address various concerns and to see if any of the buffers decreased viability of locations.

On July 18, 2019 the subcommittee met to discuss the additional buffer options and determined buffers to recommend to the City Council. The subcommittee also discussed licenses and determined which to recommend.

On August 28, 2019 the full CSC met to discuss recommendations on initial discussions of the subcommittee. Discussions included buffers and restrictions, including buffers from schools, buffers between businesses, number of sites to allow, and number and types of licenses to permit. The CSC generally agreed on recommendations. BCHD and RBUSD representatives acknowledged that, although their organizations would not support cannabis businesses due to health and youth concerns, they appreciated the CSC's consideration of their concerns when preparing recommendations.

On October 4, 2019 the subcommittee met to discuss best practices, rather than "what not to do", and provided feedback on various examples. They followed up later that month on October 23, 2019 to discuss a potential review process and narrowed down the "likes" of best practice examples. The subcommittee met again on January 6, 2020 to categorize application or request for proposal questions that potential licensees would need to address. Staff then prepared a list of sample selection process questions based on best practices discussion and categories. On January 21, 2020 the subcommittee met again to discuss the CBD and cannabis licensee selection process, reviewing the list of questions for the RFP selection process.

From March through December 2020, due to the pandemic, this project was on hold through most of the year. On January 25 and February 8, 2021, the subcommittee reconvened to discuss CBD and cannabis licensee selection process. The subcommittee revisited prior recommendations to the CSC and narrowed questions for the RFP selection process to what is appropriate and applicable to Redondo Beach. From February through April 2021, the subcommittee presented its recommendations to the full CSC for the CSC to confirm or modify. The CSC met as recently as September 2021 to finalize their recommendations.

Cannabis Steering Committee Recommendations for Responsible Cannabis Policy

The Cannabis Steering Committee reviewed a variety of questions geared toward building an ordinance, culminating in recommendations to the City Council. The CSC's recommendations prioritize public health and safety, and consider a wealth of challenges experienced by other jurisdictions. The recommendations are meant to mitigate and limit potential liabilities against the City implementing a local ordinance, as noted by some of the examples noted above.

The CSC finds that the most responsible approach to local regulations is to first address the immediate concerns and needs of the community in a manner that allows the greatest flexibility and local control in regulating, and only expanding after success in the initial implementation. The following recommendations reflect this intent.

1. Should Redondo Beach allow for outdoor personal cultivation?

Proposition 64 protects the right of personal cultivation of a maximum of 6 plants indoors. Local jurisdictions may also allow for the personal cultivation of a maximum of 6 plants outdoors. The current ordinance allows it in a yard area if secured and not visible from surrounding sites.

RECOMMENDATION:

Keep the status quo, allow for outdoor personal cultivation.

REASONING:

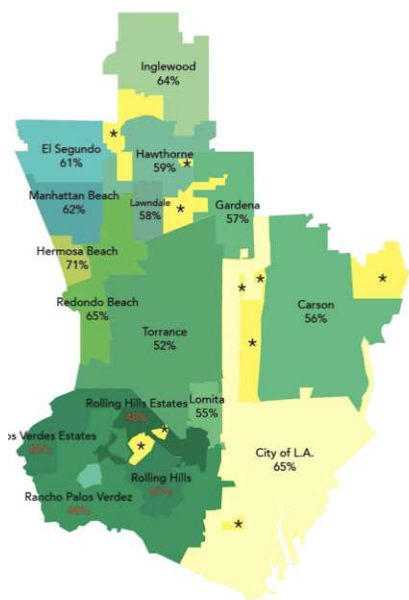
The committee considered two primary points for this question.

- 1) Recognized the City Council's intent to allow legal access for medicinal needs in the existing ordinance. Personal outdoor cultivation significantly reduces the financial impact to grow.
- 2) Proposition 64 allocated 20 percent of the state's cannabis tax revenues towards State and Local Law Enforcement. Local Governments may apply for grant funding from this fund for local enforcement needs only if they have not prohibited personal outdoor cultivation or retail sale of cannabis.

The CSC recommends upholding the intent of the City Council's decision to provide legal access and sees benefit in providing the City the ability to apply for grant funding for law enforcement in light of the ongoing illegal cannabis activities within the City. It is important to note that Redondo Beach will need to allow for both personal outdoor cultivation as well as retail sales to qualify for the grant funding.

2. Should Redondo Beach allow for licensed commercial cannabis activities?

Redondo Beach voted 65% in favor of Proposition 64--higher than statewide voting support of Proposition 64, which was at 57.13%. Similarly, the overwhelming majority of the South Bay Cities voted in favor of Proposition 64.



Prop 64 Voting Results

1. Carson	56%	9. Los Angeles	65%
2. El Segundo	61%	10. Manhattan Beach	62%
3. Gardena	57%	11. Palos Verdes Estates	48%
4. Hawthorne	59%	12. Rancho Palos Verdes	48%
5. Hermosa Beach	71%	13. Redondo Beach	65%
6. Inglewood	64%	14. Rolling Hills	47%
7. Lawndale	58%	15. Rolling Hills Estates	47%
8. Lomita	55%	16. Torrance	52%
		17. Unincorporated LA County*	59.5%



AngelesEmeralds.org

RECOMMENDATION:

Yes-allow for licensed commercial cannabis activities.

REASONING:

The CSC agreed that the City should allow licensed cannabis. Although BCHD and RBUSC are formally opposed to any licenses, they would prefer to have the restrictions and protections in place per these recommendations rather than be subject to a future initiative (see attached letter from BCHD). The Police and Fire representatives had similar sentiments with BCHD and RBUSC, but also found it preferential to take into consideration protections and precautions that may not be available through an initiative process. The public safety representatives are concerned that the community may not have tolerance to have these located in Redondo Beach, so would want to look at enforcement issues ahead of time as the City Council deliberates

3. Which license types should be allowed?

There are a variety of license types provided by the State of California. These reflect the full supply chain of activities from cultivation, manufacturing, testing, and retail.

LICENSE TYPES

Type 1 - Specialty Cottage Outdoor	Type 6 - Manufacturer; Nonvolatile Extraction
Type 1A - Specialty Cottage Indoor	Type 7 - Manufacturer; Volatile Extraction
Type 1B - Specialty Cottage Mixed-Light Tier 1	Type N - Manufacturer; Infusions
Type 1B - Specialty Cottage Mixed-Light Tier 2	Type P - Manufacturer; Packaging
- Specialty Outdoor	Type S - Manufacturer; Shared Space
- Specialty Indoor	Type 8 - Testing Laboratory
- Specialty Mixed-Light Tier 1	Type 9 - Retailer: Non-Storefront Delivery
- Specialty Mixed-Light Tier 2	Type 10 - Retailer: Storefront
Type 2 - Small Outdoor	- Onsite Consumption (Locally Allowed)
Type 2A - Small Indoor	Type 11 - Distributor
Type 2B - Small Mixed Light-Tier 1	Type 12 - Microbusiness
Type 2B - Small Mixed-Light Tier 2	Type 13 - Distributor Transport Only
Type 3 - Medium Outdoor	Type 14 - Cannabis Event Organizer
Type 3A - Medium Indoor	
Type 3B - Medium Mixed-Light Tier 1	
Type 3B - Medium Mixed-Light Tier 2	
Type 4 - Nursery	
Type 5 - Large Cultivation License (Not until 2023)	

Currently, data shows there to be an overabundant supply of non-retail licenses compared with retail in California.

CULTIVATION	MANUFACTURING	DISTRIBUTION	RETAIL
4724	885	1036	810

RECOMMENDATION:

Allow:

- Type 9 Retailer: Non-Storefront Delivery
- Type 10 Retailer: Storefront
- A combination Type 9 & Type 10 on a site

Prohibit:

- Delivery services (Type 9) which originate from other cities if there is a Type 9 license issued in Redondo Beach.

REASONING:

The CSC considered a number of factors in this recommendation such as land use, statewide consumer demand, economic opportunity, and the public health and safety concerns of each of the license types.

The state data shows that there is an oversupply of non-retail license types such as cultivation and manufacturing. Similarly, Redondo Beach has a limited amount of industrial zoning where such activities would be most appropriate.

The CSC found that a storefront with the ability to deliver would be the most responsible approach to allowing retail activities.

The CSC also recognized the potential challenges of allowing and implementing the licensing of the full supply chain of activities all at once within the City, and found that focusing on one license type (Retail) to begin with would be the most responsible approach. Once the City has experience implementing one type of licensed activity it may then be reasonable for the City to consider allowing other activities.

Currently, delivery from legal businesses in outside jurisdictions is allowed for medicinal purposes. The CSC would recommend prohibition of outside delivery services in the jurisdiction if there are delivery (Type 9) licenses issued in the City of Redondo Beach. Outside delivery services provide no economic benefit to the City and become an unfunded enforcement liability.

4. What are the appropriate zoning areas for the recommended licensed activities?

RECOMMENDATION:

Cannabis sites should be limited to commercial and industrial zones. They should not be located in zones permitting residential, public/institutional zones, or commercial regional districts (CC and CR zones) (waterfront and Galleria). The preference was that this use would require discretionary Conditional Use Permit (CUP) approval.

REASONING:

The CSC believes this zoning reflects the intent of prioritizing public health and safety and the most responsible way to initially allow for commercial cannabis retail activities.

5. Are the State buffer zones sufficient?

Under state law, a cannabis business requires a 600-foot radius buffer zone from schools providing instruction in kindergarten or any grades 1 through 12, day care centers, and youth centers that are in existence at the time the license is issued, unless a licensing authority or local jurisdiction specifies a different radius.

RECOMMENDATION:

Increase the buffer zone to 1500 feet from high schools and middle schools (not limited to just public schools) and maintain 600-foot radius from elementary schools, day cares, and youth centers.

Establish a 1000-foot buffer between cannabis licensed sites.

REASONING:

The committee considered this to be the most responsible way to address the concerns around youth access and visibility from advertising of the stores for students who can and do walk off campus to stores in the vicinity of the schools.

6. How many licenses?

RECOMMENDATION:

Up to two sites within the City, with a maximum of one site per district.

Establish a 1000-foot buffer between cannabis licensed sites.

REASONING:

The CSC considered the challenges of other cities implementing a large number of licenses and decided to recommend up to 2 sites within the City for retail sales to begin with as a pilot program.

The CSC notes that it is a more responsible approach to start slow and reconsider at a later date than it would be to try to decrease and limit the number in the future.

The CSC recommends that a combination of a Type 9 and a Type 10 license could be combined on a site to qualify as one site.

7. Are the State hours of operation sufficient?

State Law allows for retail activities between the hours of 6 a.m. and 10 p.m. Local jurisdictions can be more restrictive, but not less restrictive of this.

RECOMMENDATION:

Storefront Retail Sales - 9 a.m. to 10 p.m.

Non-storefront Delivery - 6 a.m. to 10 p.m.

REASONING:

Limiting storefront hours is in line with other similar retail business hours.

8. Are State security requirements sufficient?

State Law has a number of extensive Security Requirements such as:

- Designated limited-access areas
- Security guards required during public access hours
- 24-hour video surveillance
- Alarm systems
- Commercial grade locks
- GPS tracking for all delivery vehicles

RECOMMENDATION:

The recommendations from public safety and the CSC for additional security measures are as follows:

- All security personnel to be vetted through the Redondo Beach Police Department (RBPD) or certified 3rd party.
- Regarding surveillance, the licensee to provide real time direct access to all surveillance.
- Alarm systems to be set to send real time immediate messages to the RBPD. - Regarding safety, requirements to better define "secure storage of cannabis and

- cannabis products” as well as revenue.
- The licensee to provide measures to ensure a minor doesn’t enter, requiring ID checks and providing appropriate signage.
- For delivery, licensee to provide a signature for receipt and that those records be maintained on file for auditing purposes.

REASONING:

The CSC found that the State’s security requirements were generally acceptable with some opportunity to ensure greater public safety.

9. How to discourage illicit operators?**RECOMMENDATION:**

Implement Los Angeles County Department of Public Health’s Cannabis Compliance and Enforcement Program (link to information attached).

REASONING:

Redondo Beach has had a number of illegal cannabis operators. Some have attempted to evade enforcement by acting on loopholes in regulations for hemp products. Such operators have claimed to be churches, or CBD shops, and even CBD churches.

With regard to this, the CSC has been studying the progression of two state-level issues that may have significant benefits to address unlicensed cannabis activities.

- 1) Consumer Hemp Product regulations such as CBD and smokable hemp products.

After 3 years of various bills regarding consumable hemp product regulations, AB 45 has been approved by the legislature and is very likely to be signed by the Governor. This bill regulates the testing and sales of consumable hemp products. Should it be signed by the Governor, it is anticipated to resolve the issues the City has previously experienced.

- 2) Enforcement Tools

The CSC considered recommending additional penalties for those aiding and abetting illegal cannabis activities, similar to how the City of LA has implemented. However, a new bill AB 1138 has just passed the legislature and is expected to be signed by the Governor. Should it be signed, it will provide additional penalties of \$30,000/day against those aiding and abetting illegal cannabis activities, with a focus on property owners and owners of the operations. The CSC believes this will resolve much of the City’s needs.

Additionally, the Los Angeles County Department of Public Health has created a relatively new program entitled the Cannabis Compliance and Enforcement Program, where the County contracts with cities that allow for cannabis activities. The program aims to further protect public health but has the additional benefit of being an effective enforcement tool against illegal operators who are unable to apply for the permit and subsequently violate Public Health Department Codes. The CSC recommends the City implement the Cannabis Compliance and Enforcement Program.

A number of cities have currently implemented the program including:

- Montebello
- El Monte
- Lancaster
- Culver City

10. How should equity be addressed?

RECOMMENDATION:

The recommendation is for City Council to consider further addressing the issue at a later date.

REASONING:

Cities such as Los Angeles, Long Beach, and Costa Mesa have all opted to address an equity program in a secondary round of licensing considerations after the initial roll out phase.

11. How to tax?

There are three primary options in considering how a city can collect revenues:

NO ADDITIONAL TAX

PROS: Increases viability of the licensed business
Promotes the transition to a legal market

CONS: No additional tax revenue to offset any fiscal impacts of licensed operators, such as enforcement.

DEVELOPER AGREEMENT

PROS: Immediate ability for city to collect revenue
Allows for future flexibility to be regionally competitive.
Does not have to lock in a rate indefinitely.

CONS: Locks in location of operator should they wish to move in the future.

TAX BALLOT MEASURE

PROS: Allows an operator to move locations more easily and still have a tax apply.

CONS: Rate is typically locked in and not flexible to being adjusted without additional ballot measure. Must wait until the next election cycle to pass and implement.

RECOMMENDATION:

Establish a Developer Agreement. Consider sunseting it with an eventual tax measure.

REASONING:

The passing of a tax measure at this time has two distinct disadvantages:

- 1) Locking in a rate ahead of neighboring jurisdictions could disadvantage Redondo

Beach in being regionally competitive. Should Redondo act first, other jurisdictions may subsequently establish a lower tax, being more attractive to customers.

- 2) The City is unable to collect any revenue from licensed cannabis activities until tax ballot measure is passed.

A developer agreement would allow the City to immediately collect revenues upon licensed cannabis activities beginning. It also allows the City the ability to establish a proper tax rate at a later date, if desired, once there is a better understanding of how the region will approach taxation.

The CSC recommends developer agreements rather than a tax measure.

With developer agreements, the City could consider this on a pilot program basis. If there was a need to adjust to determine an appropriate rate, a developer's agreement has more flexibility, whereas a tax measure would require a ballot measure to approve or revise. There could be a condition on how the fee could change in a developer's agreement. The CUP runs with the land and addresses the use, whereas a license and developer agreement would tie in specific requirements for a particular user.

12. What is the appropriate tax/fee rate?

<u>City</u>	<u>Medical Retail Tax Rate</u>	<u>Adult Use Retail Tax Rate</u>
<u>Los Angeles</u>	5%	10%
<u>Hawthorne</u>	5%	5%
<u>West Hollywood</u>	0%	7.5%
<u>Long Beach</u>	6%	8%
<u>Pasadena</u>	4%	4%
<u>Culver City</u>	5%	6%
<u>Montebello</u>	2%	2%

RECOMMENDATION:

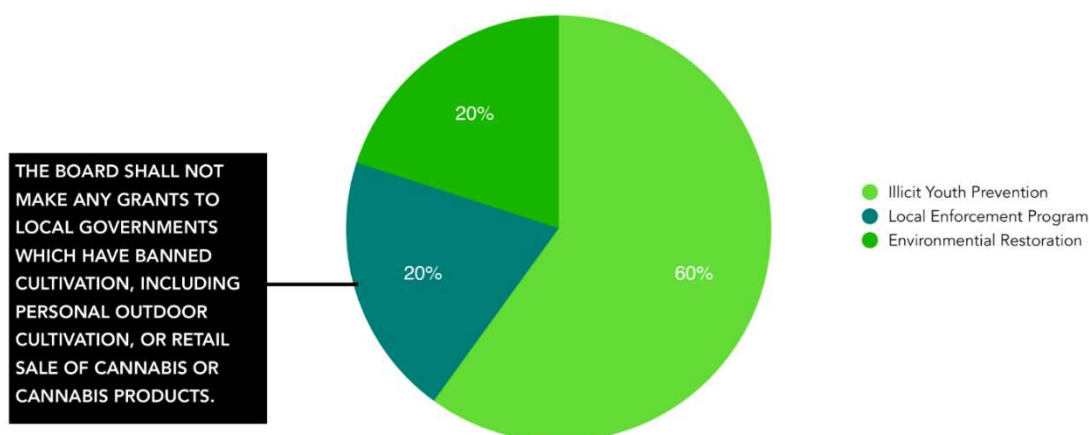
Evaluate neighboring jurisdictions to determine appropriate fee/rate.

REASONING:

The CSC recommends that Council evaluate nearby jurisdictions to determine an appropriate fee, collecting enough in fee to manage costs of the impacts (for example, police, code enforcement, unforeseen audit issues). With developer agreements the City has the flexibility to adjust the fee to match the costs once they are realized. City Council may want to consider the fee based on the type of license (i.e., will delivery require more costs than retail storefront).

13. Where should taxes/fees go?

State Cannabis Tax Revenue Appropriation



RECOMMENDATION:

General Fund

REASONING:

The State provides significant grant funds, available to municipalities that allow both personal outdoor cultivation and retail sales for programs, for programs addressing youth drug prevention, as well as funding for local law enforcement needs. If the City authorizes retail sales in addition to the already allowed outdoor cultivation, these funds would be accessible to Redondo Beach.

The CSC thought providing the revenues toward the general fund allows flexibility for City Council to appropriate the funds for years to come in a manner that serves the needs of the City.

Law enforcement and prosecution fall under the general fund. There is a lot of State grant funding available for special programs. Therefore, the CSC recommends that the revenues would go to the general fund.

14. Should there be a property requirement for applicants?

RECOMMENDATION:

Do not require applicant to secure property prior to application.

REASONING:

A number of jurisdictions have experienced significant challenges in requiring a property as part of an application prior to selection. The City of Los Angeles originally had a property requirement that led to applicants paying for a property for several years while they waited for their application to be processed. As a result of that, there have been legal challenges brought against the city.

The CSC did not think it practical for applicants to have already acquired sites or entitlements, but rather that the applicant should be chosen on their merit first and then have to find a site that

meets code. Although the concept is to choose based on merit first, it is recommended that a selected applicant would have to determine which district and obtain Planning Commission approval within a year.

15. How to select applicants?

RECOMMENDATION:

Process to be determined by City Council

REASONING:

The CSC did review the best practice questions for Requests for Proposals (RFPs). The City Council will need to determine the full RFP process, including procedures for removing/revoking a license. A sample process that the CSC has considered as a template will be provided as a Blue Folder item.

16. Transfer of ownership?

RECOMMENDATION:

Consider limiting transferability of a developer agreement and/or license for a period of time.

REASONING:

The CSC recommends that City Council consider limiting transferability of the license, both in terms of transferring ownership and transferring management.

If a merit-based system is to be established to select the best fit operator for the community, the operator should be required to maintain the ownership and operations for which they were approved for a period of several years.

This ensures that the selected operator does not immediately sell the license to an entity that may not have been selected. As well, that the owner doesn't authorize a management company or operator on a contract basis that is not aligned with the approval.

17. How to adopt regulations?

There has been consideration of interested parties in putting forth an initiative in South Bay cities to compel licensing in the municipalities. If an initiative is put forward and the voters approve, any rules or regulations included in that initiative (including selection process, location, number and type of licenses, taxation, etc.) would be enforced. In the meantime, the City may consider adopting an ordinance now that would set the regulations, criteria, and implementation process that is appropriate for the City based on best practices.

RECOMMENDATION:

Adopt ordinance to effectuate decisions.

REASONING:

Should the City Council choose to allow legal commercial cannabis activities, the CSC strongly

recommends adopting a Council-directed ordinance based on these recommendations.

With the constantly evolving legislation and state regulations around cannabis, it is important to allow the City to be flexible with its own regulations.

A City Council adopted ordinance allows the City to adjust the regulations as needed with an amendment to said ordinance. By comparison, should regulations be passed by a ballot measure, the language in the measure could not be changed without passing a future ballot measure, providing little to no flexibility.

The CSC recommends that the City Council adopt an ordinance to ensure the flexibility of future amendments.

Again, this Administrative Report transmits the work of the CSC and their recommendations to City Council on consideration of an ordinance to regulate cannabis in the City of Redondo Beach.

COORDINATION

This agenda item was coordinated with the Community Development Department, City Manager's Office, and the Cannabis Steering Committee.

FISCAL IMPACT

The fiscal impact to the City of regulating cannabis sales and delivery in Redondo Beach is unknown at this point. There are many variables to consider including (1) the number of types of licenses to be approved, (2) the volume of business and sales from local cannabis operations, (3) the specific tax rate charged for cannabis sales in Redondo Beach, (4) the amount of staff time allocated to regulatory and enforcement activities, and (5) the potential for legal challenge to the City's licensing activities.

Notwithstanding the above variables, staff's initial estimate is that each licensed site in Redondo Beach could provide \$500,000 to \$1,000,000 in additional annual revenue to the City, provided the City moves forward with adoption of a regulatory ordinance and associated tax/developer fee rates.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

- Summary of Cannabis Laws and Updates
- BCHD Position on Proposed City of Redondo Beach Cannabis Ordinance
- Link related to Cannabis Compliance and Enforcement Program:

<http://www.publichealth.lacounty.gov/eh/about/cannabis-compliance-enforcement-program.htm>>