



Administrative Report

L.2., File # 22-4640

Meeting Date: 8/16/2022

To: MAYOR AND CITY COUNCIL

From: BRANDY FORBES, COMMUNITY DEVELOPMENT DIRECTOR

TITLE

PUBLIC HEARING FOR INTRODUCTION AND FIRST READING OF ORDINANCES AMENDING TITLE 6 BUSINESSES, PROFESSIONS, AND TRADES AND TITLE 10, CHAPTER 2, ZONING AND LAND USE PERTAINING TO CANNABIS REGULATIONS AND RECOMMENDING THAT THE CITY COUNCIL ADOPT CATEGORICAL EXEMPTIONS FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) FOR THE AMENDMENTS

PROCEDURES:

1. Open public hearing and take testimony;
2. Close public hearing and deliberate; and
3. Introduce the following three ordinances and adopt the following resolution:

INTRODUCE BY TITLE ONLY ORDINANCE NO. 3240-22 AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, ADDING CHAPTER 6 TO TITLE 6 OF THE REDONDO BEACH MUNICIPAL CODE TO REGULATE COMMERCIAL CANNABIS BUSINESSES

INTRODUCE BY TITLE ONLY ORDINANCE NO. 3241-22 AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, AMENDING TITLE 10, CHAPTER 2 SECTION 10-2.1626 OF THE REDONDO BEACH MUNICIPAL CODE TO ALLOW COMMERCIAL CANNABIS ACTIVITIES IN INLAND ZONES OF THE CITY

EXECUTIVE SUMMARY

In order to analyze and identify the cannabis regulations appropriate for Redondo Beach, a Cannabis Steering Committee was appointed by the previous City Manager comprised of representatives from the law enforcement community, RBUSD, BCHD, and other outside interest groups familiar with common best practices for commercial use regulations of cannabis, including storefront siting, taxation, delivery, and development agreement options. The Steering Committee met multiple times over several years, and on October 5, 2021 presented their recommendations to the City Council. Following their recommendations, Council directed staff to begin preparing a draft ordinance designed to regulate commercial cannabis activity in the City.

Per City Council direction, the Planning Commission reviewed the draft cannabis ordinance at a public hearing held on March 3, 2022. The Planning Commission provided several recommendations at the hearing including that the City engage a consultant with experience advising the municipal regulation of the cannabis industry to assist in the review of the City's draft ordinance.

On May 10, 2022 the City Council considered the Planning Commission recommendations and provided direction to staff on the final preparation of ordinances. The Council, as part of that direction, also asked staff to prepare an agreement with HdL Companies ("HdL") to review the City's draft cannabis regulatory ordinances and other cannabis-related procedural tasks. The contract with HDL was approved at the June 21, 2022 City Council meeting.

HdL reviewed the City's draft cannabis regulatory ordinances and provided staff with recommendations and comments. The ordinances were amended to include the Planning Commission recommendations directed by City Council at the May 10, 2022 meeting and the HDL recommendations supported by City staff.

The City Council conducted a public hearing on July 19, 2022 to introduce the ordinances and adopt a resolution to forward the coastal regulations to the California Coastal Commission for certification. After conducting the hearing, the City Council approved the ordinances for introduction and first reading with a minor revision to language in Ordinance 3323-22 to address the potential of a future tax measure being adopted.

On August 2, 2022, a City Council motion to adopt Ordinances 3233-22 and 3234-22 failed on a 2 yes to 1 no vote, as it was short the three councilmember yes votes required by the City Charter to pass ordinances. Following the vote, the City Council approved a motion to return the ordinances for consideration on August 16, 2022, at a time when an additional council member was expected to be present for item discussion. Since City regulations stipulate that the decision of the City Council on all proposed zoning amendments shall be final and conclusive (10-2.2504(h)), the two ordinances that were not approved on August 2, 2022 are before the City Council for reintroduction. As Ordinance 3235-22 amending the coastal regulations was not part of the August 2nd consideration of adoption, that ordinance can still be considered for adoption on September 6th. Additionally, if the ordinances that are part of this agenda item are approved for introduction and first reading on August 16, 2022, all three cannabis related ordinances will be returned for consideration of adoption together on September 6, 2022.

BACKGROUND

California's history of cannabis law spans nearly 25 years of propositions and regulatory actions. 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 by CA voters, titled the Adult Use of Marijuana Act (AUMA). The AUMA regulates 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 provided by 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.

Although Proposition 64 represented the interest of whether to allow the AUMA, it did not specify how an individual municipality would regulate the commercial aspects of marijuana sales. 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 a commercial marijuana business in any commercial zone in that city. Therefore, out of caution, and 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 more thoroughly investigate the appropriate regulations to put in place.

One of the prior objectives included in the City Council's adopted Strategic Plan included the previous City Manager's appointment of a Cannabis Steering Committee (CSC) 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. Members of the Redondo Beach Police Department, Fire Department, Community Development Department, and the City Treasurer's Office met jointly in support of the work of the CSC.

City Council considered the Steering Committee recommendations at their October 5, 2021 meeting and directed staff to prepare ordinances in line with those recommendations. At the January 18, 2022 meeting, Council finalized the siting parameters and land use buffers to be evaluated and included in the ordinance.

Staff prepared the ordinances and presented those at a public hearing of the Planning Commission on March 3, 2022. The Planning Commission made several recommendations, including "engaging a thoroughly vetted and referenced consultant with experience evaluating the cannabis industry to evaluate the ordinance in its entirety."

At the May 10, 2022 meeting, City Council provided direction on the Planning Commission recommendations and their incorporation into the ordinances, as well as direction to engage HdL Companies ("HdL") for a scope of work to include the following:

- Review the City's Draft Cannabis Regulatory Ordinance
- Develop Draft Cannabis Tax Ordinance
- Application Process Development
- Cost Recovery Fee Analysis
- Attendance, Support or Presentations at Meetings or Workshops
- Technical Assistance and Subject Matter Expertise

At the June 21, 2022 meeting, City Council approved the contract with HdL, and the firm subsequently began reviewing the City's draft cannabis regulatory ordinances. As mentioned above, this public hearing provides the City Council an opportunity to consider the regulations set by the ordinances, which have been amended to incorporate the Planning Commission recommendations directed by Council at the May 10, 2022 meeting and certain language changes suggested by HDL that are also supported by City staff.

HdL's review yielded recommendations on amendments to Title 6, which defines the manner in which

the City would administer cannabis regulations and the parameters within which cannabis businesses must operate. Below is a summary of the review. Attached to this report is a comprehensive matrix of HdL's review and staff's response to each of the recommendations/comments.

Section	Ordinance Topic	HdL Comment	Staff Response
6-2.03(b)	Application administration & approval	Expand section to include clarifying language	Accepted HdL Recommendation
6-2.04(b)	Fees types	Expand section to include specific fee reference	Ordinance unchanged (see attached comments)
6-2.04(c)	Fees within Development Agreement	Add specific fee language	Ordinance unchanged (see attached comments)
6-2.05(b)	Fee cap	Provided examples of what other cities do	Ordinance unchanged (see attached comments)
6-2.05(c)(2)	Age limitations and requirements	Flagged to check against state law	Ordinance unchanged (see attached comments)
6-2.05(c)(17)	Property selection for commercial cannabis business	Expand definition	Ordinance unchanged (see attached comments)
6-2.12(b)	Auditing right of City	Expand section to allow for flexibility	Accepted HdL Recommendation

In compliance with the California Environmental Quality Act of 1970 as amended (CEQA), and State and local guidelines adopted pursuant thereto, the zoning amendments captured by the ordinances qualify for CEQA exemption under Section 15060(c)(2); the activity will not result in direct or reasonably foreseeable physical change in the environment and Section 15060(c)(3) as the activity is not a considered a project under CEQA Section 15378.

The City Council conducted a public hearing on July 19, 2022 to introduce the ordinances and adopt a resolution to forward the coastal regulations to the California Coastal Commission for certification. After conducting the hearing, the City Council approved the ordinances for introduction and first reading with a minor revision to language in Ordinance 3323-22 to address the potential of a future tax measure being adopted.

On August 2, 2022, a City Council motion to adopt Ordinances 3233-22 and 3234-22 failed as it lacked the three yes council member votes required by the City's Charter for ordinance approval. Following the vote, the City Council approved a motion to schedule the ordinances for

reconsideration on August 16, 2022, a meeting date that was expected to include the attendance of an additional City Council member. Since City regulations stipulate that the decision of the City Council on all proposed zoning amendments shall be final and conclusive (10-2.2504(h)), the two ordinances that were officially not approved on August 2, 2022 are before City Council for reintroduction. As Ordinance 3235-22 amending the coastal regulations was not part of that decision, that ordinance can still be considered for adoption on September 6th. As well, if the ordinances being considered for this agenda item are introduced on first reading on August 16, 2022 all three ordinances can be considered for adoption together on September 6, 2022.

COORDINATION

The preparation of the ordinances and resolution was done in coordination with the City Manager's Office and the City Attorney's Office. The draft ordinances were prepared by the City Attorney's Office and the Community Development Department.

FISCAL IMPACT

The fiscal impact to the City for regulating cannabis sales and delivery in Redondo Beach is unknown at this point. There are many variables to consider including 1) the number and types of licenses to be approved, 2) the volume of business and sales from future local cannabis operations, 3) the specific franchise fee or 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 General Fund revenue, provided the City moves forward with the adoption of a regulatory ordinance and the proposed tax and/or developer agreement fees.

The preparation of the ordinances, staff report, and community input survey are within the workplan and annual budgets of the Community Development Department, City Manager's Office, and the City Attorney's Office.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Ordinance No. 3240-22 (Business Licensing)
- Ordinance No. 3241-22 (Inland)
- City Council Staff Report August 2, 2022
- City Council Staff Report July 19, 2022
- HdL Review Matrix
- City Council Staff Report May 10, 2022
- City Council Presentation May 10, 2022
- Planning Commission Resolution 2022-03-PCR-02 adopted March 3, 2022
- Planning Commission Minutes March 3, 2022
- Planning Commission Staff Report March 3, 2022
- Planning Commission Presentation March 3, 2022

- Proof of Publication Public Hearing Notice