

BLUE FOLDER ITEM

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CITY COUNCIL MEETING October 5, 2021

N.2. DISCUSSION AND POSSIBLE ACTION REGARDING CANNABIS STEERING COMMITTEE RECOMMENDATIONS

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- PowerPoint Presentation

DISCUSSION & POSSIBLE ACTION: CANNABIS STEERING COMMITTEE RECOMMENDATIONS

REDONDO BEACH CITY COUNCIL MEETING
OCTOBER 5, 2021



CANNABIS REGULATORY BACKGROUND

- California's history of cannabis law spans nearly 25 years
- Medical Marijuana Regulation and Safety Act - Effective January 1, 2016
 - Redondo Beach adopted Ordinance 3152 for local regulations regarding medical marijuana
- Proposition 64 for Adult Use of Marijuana Act - Approved November 8, 2016
 - 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.

REDONDO BEACH STRATEGIC PLANNING REGARDING CANNABIS

City Council's adopted Strategic Plan Objective:

- City Manager's appointment of a steering committee comprised of law enforcement, Redondo Beach Unified School District, Beach Cities Health District, and outside interest groups
- Purpose to review best practices for commercial use regulations of cannabis, including
 - Storefront siting
 - Taxation
 - Delivery
 - Development agreement options
- Conclude with a report for Planning Commission and City Council consideration.

CANNABIS STEERING COMMITTEE (CSC) CREATED

At the City Council meeting of August 14, 2018, the City Council received a filed a report related to the composition of the Cannabis Steering Committee which included the following seven individuals:

- Chris Cagle - Former City Councilmember, District Two Resident
- Jonatan Cvetko - Executive Director of Los Angeles Emeralds, District One Resident
- Kerianne Lawson - Director of Lifespan Services at Beach Cities Health District
- Nancy Lomibao - Program Director for 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 Department
- Dr. Nicole Wesley - Executive Director of Student Services for Redondo Beach Unified School District
[subsequently modified to Brianne Nakayama]

MEETINGS OF CSC

The Cannabis Steering Committee reviewed a variety of questions geared toward building an ordinance using best practices, culminating in recommendations to City Council.

- CSC met 6 times from November 13, 2018 through August 28, 2019
- Established a subcommittee to more thoroughly investigate best practices
- Subcommittee met several times from August 2019 through early 2020
- Delays as result of City's focus on COVID-19
- Subcommittee reconvened January-February 2021
- CSC met 6 times from March through September 2021, concluding with recommendations

ISSUES CONSIDERED BY CSC

- The CSC's recommendations
 - prioritize public health and safety
 - consider a wealth of challenges experienced by other jurisdictions
 - mitigate and limit potential liabilities against the City implementing a local ordinance
- The CSC finds that the most responsible approach to local regulations
 - first address the immediate concerns and needs of the community
 - allow the greatest flexibility and local control in regulating
 - only expanding after success in the initial implementation
- The following recommendations reflect this intent.

CSC RECOMMENDATIONS

1. Should Redondo Beach allow for outdoor personal cultivation?

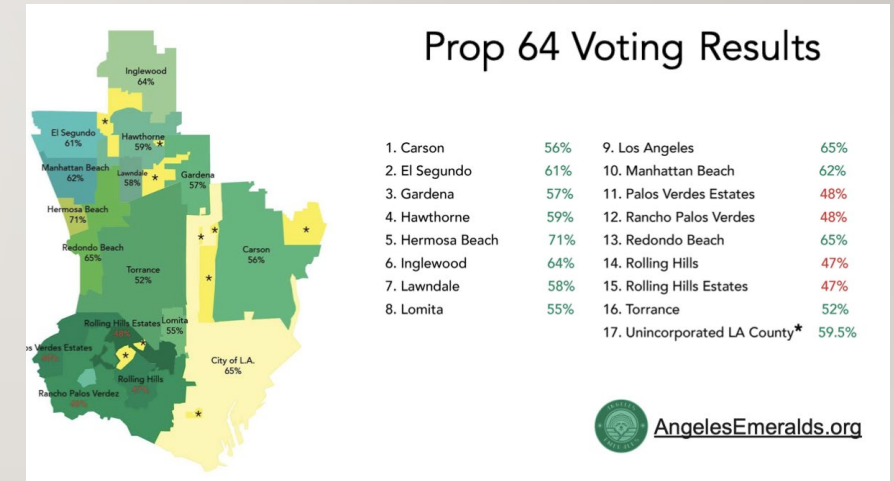
Proposition 64 protects the right of personal cultivation of a maximum of 6 plants indoors. Local jurisdictions may also allow for the personal cultivation of a maximum of 6 plants outdoors. The current ordinance allows it in a yard area if secured and not visible from surrounding sites.

RECOMMENDATION: Keep the status quo, allow for outdoor personal cultivation.

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.

RECOMMENDATION: Yes—allow for licensed commercial cannabis activities.



CSC RECOMMENDATIONS (CONT.)

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

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 Type 9 is issued in Redondo Beach.

<u>CULTIVATION</u>	<u>MANUFACTURING</u>	<u>DISTRIBUTION</u>	<u>RETAIL</u>
4724	885	1036	810

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)	

CSC RECOMMENDATIONS (CONT.)

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.

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.

CSC RECOMMENDATIONS (CONT.)

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.

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.

CSC RECOMMENDATIONS (CONT.)

8. Are State security requirements sufficient?

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

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

RECOMMENDATION: The recommendations 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.

CSC RECOMMENDATIONS (CONT.)

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).

10. How should equity be addressed?

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

11. How to tax?

There are three primary options in considering how a city can collect revenues – no additional tax, developer agreements, or a tax ballot measure.

RECOMMENDATION: Establish a Developer Agreement and consider sunseting it with an eventual tax measure.

CSC RECOMMENDATIONS (CONT.)

12. What is the appropriate tax/fee rate?

RECOMMENDATION: Evaluate neighboring jurisdictions to determine appropriate fee/rate.

13. Where should taxes/fees go?

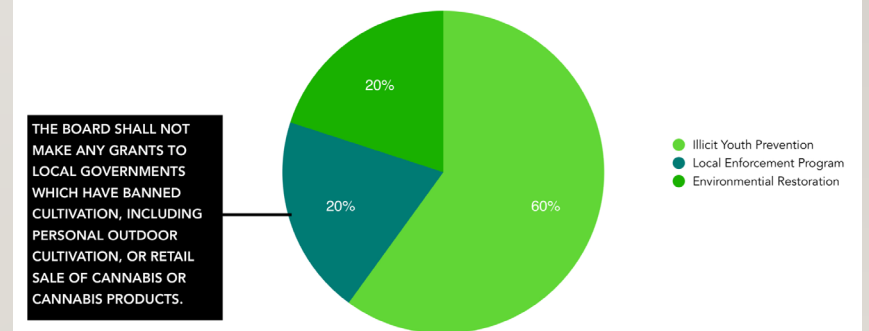
RECOMMENDATION: General Fund

14. Should there be a property requirement for applicants?

RECOMMENDATION: Do not require applicant to secure property prior to application.

<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%

State Cannabis Tax Revenue Appropriation



CSC RECOMMENDATIONS (CONT.)

15. How to select applicants?

RECOMMENDATION: Process to be determined by City Council

16. Transfer of ownership?

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

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.

FISCAL IMPACT TO CANNABIS LICENSING

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.

CONCLUSION

- This 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.
- Staff is seeking City Council direction related to the content of an ordinance to be prepared and considered at subsequent City Council meetings.