



Cannabis Regs

City of San Luis Obispo

- *This presentation covers the City of San Luis Obispo's work on Cannabis regulations to date.*
- *The City is interested in your feedback and participation in this process.*
- *Contact information is provided at the end of the presentation for any follow up comments or questions you may have.*



Overview

- AB 94 Consolidates Medical/Recreational Statutes
- Local Control Maintained
- SLO City Council Direction
- Public Outreach and Engagement
- Scope of Potential Regulations
- Financial Considerations
- Questions for your Consideration

• *The presentation covers the status of state regulations, City Council direction, financial considerations and questions for your consideration.*

Development of CA Cannabis Laws



1996: Proposition 215, Compassionate Use Act

- Provided doctors protection for medical marijuana recommendations, decriminalized possession and cultivation w/doctor's recommendation

2003: SB 420, Medical Marijuana Program

- Created voluntary ID card program
- Expanded immunity for patients and primary caregivers

2015: Medical Cannabis Regulation & Safety Act

- Created state regulatory structure for cultivation, manufacturing, distribution and retail of medical marijuana

2016: Proposition 64, Adult Use of Marijuana Act

- Legalized adult use of marijuana for recreational purposes

2017: SB 94, MAUCRSA

- Reconciled Medical Cannabis Regulation and Safety Act with Prop. 64

<http://tinyurl.com/y7sntmqo>

- *Some form of cannabis has been legal in California since 1996.*
- *In November 2016, residents of California approved prop 64 legalizing adult use of cannabis.*
- *SB 94 was recently signed by the governor that reconciles all previous regulations into one new law.*



cannabis.ca.gov



News Contact Us Settings



Licensing Regulations & Legislation Consumers Resources FAQs Search



California Cannabis Portal

Welcome to California's Cannabis Web Portal! It is our goal to make this site a valuable resource and a one-stop shop for all things related to the state's effort to regulate the cannabis industry.

The site is currently in the process of being developed, so please check back regularly for new content – especially as we move toward January 1, 2018. At that time we hope to have plenty of information related to the application process for licensing and news from all three of the state's licensing authorities, as well as information for consumers.

We hope you find everything you're looking for. Please give us your thoughts! If there's something you're looking for and cannot find, we're happy to look into adding new information and features to the site.

Site development will be an ongoing process, and we're happy to have you with us.

- *The state maintains resources for members of the public, business operators, and local government to stay on top of the evolving regulatory environment.*
- Visit cannabis.ca.gov for more info.



Regulations Under Development

The Three Licensing Authorities

Bureau

BUREAU OF MEDICAL CANNABIS REGULATION

Housed within the **Department of Consumer Affairs**, the bureau licenses testing labs, transporters, distributors, dispensaries, and microbusinesses.

☎ 800-952-5210
✉ bmcr@dca.ca.gov
💻 bmcr.ca.gov

CalCannabis

CALCANNABIS CULTIVATION LICENSING

Housed within the **Department of Food and Agriculture**, CalCannabis licenses cannabis cultivators and establishes a track-and-trace system.

☎ 916-263-0801
✉ calcannabis@cdfa.ca.gov
💻 calcannabis.cdfa.ca.gov

OMCS

OFFICE OF MANUFACTURED CANNABIS SAFETY

Housed within the **Department of Public Health**, OMCS licenses manufacturers of cannabis products, such as edibles.

☎ 916-445-0275
✉ omcs@cdph.ca.gov
💻 [cdph.ca.gov/programs/
pages/omcs.aspx](http://cdph.ca.gov/programs/pages/omcs.aspx)

- *There are three licensing authorities that regulate different aspects of the cannabis industry.*
- *The Bureau of Medical Cannabis Regulation is now called Bureau of Cannabis Control.*
- *The Office of Manufactured Cannabis Safety is now called Manufactured Cannabis Safety Branch (MCSB).*
- *The City will be working with these agencies to implement local licenses if the City Council chooses to regulate and permit cannabis businesses in San Luis Obispo.*



Local Implementation

- MAUCRSA – Medical and Adult Use Cannabis Regulation and Safety Act
 - Cities retain full authority to regulate
 - State cannot issue license in conflict with local regs
 - Delivery services fall within local regulatory authority
 - Cities must allow indoor cultivation for personal use
 - Bans on cultivation or retail sales will terminate local eligibility for State grant funds



- *The new state law preserves local control.*
- *The City currently prohibits all medical and recreational commercial cannabis uses.*
- *Personal use falls outside of the City's proposed regulations.*



Council Direction (March 2017)

- Ordinance 1633 – Expressly prohibits all commercial and industrial, medical and recreational uses of marijuana within the City.
- At the same time, Council directed staff to:
 - Monitor developments in other jurisdictions
 - Monitor development at the Federal level
 - Engage the community regarding various land use and taxation alternatives that may be appropriate
 - Return to the City Council with a recommendation

- *In March 2017 the Council prohibited all commercial cannabis uses to protect the City's right to regulate.*
- *City Staff are currently monitoring development in other jurisdictions, as well as State regulations.*
- *Public outreach is a critical part of making a recommendation to the City Council.*

Public Outreach



- Zoning Regulations Workshop – June 2017
- POSAFY Consultation – June 2017
- Chamber of Commerce, Legislative Action Committee – September 2017
- Downtown SLO Board, Issues Committee – September 2017
- Open City Hall – October 13, 2107
- Public Open House – October 23, 2017
- Publication of Draft Regulations – End of December 2017
- Additional Public Meetings, coordination with Zoning Regulations update

- *The City has been consulting with residents, businesses, and other interested parties on this topic.*
- *You can participate by submitting your comments via Open City Hall on the City's website.*
- *The first draft regulations are expected to be published before the end of this calendar year.*



Scope of Regulations

- Limited in number
- Limited in size
- Appropriate locations
- No outdoor commercial cultivation
- No on-site consumption
- Energy and water efficient
- Qualified vendors



- *The overall approach outlined here for your consideration is to limit the number and size of commercial cannabis businesses within the City. This is described in more detail in the following slides.*
- *Commercial outdoor cultivation is considered inappropriate within City limits, but limited outdoor cultivation for personal use is allowed.*
- *Establishing qualifications for vendors is a strategy to help ensure ongoing compliance with regulations.*



Retail Sales

- Retail sales licenses, includes delivery services
- Two or three city-wide
- Appropriate distance from schools, neighborhoods
- Design/signage guidelines



- *City staff is evaluating the potential for two to three retail cannabis locations within City limits.*
- *Licenses for retail sales also allow for delivery services.*
- *Design and signage guidelines would be established to minimize the potential for visual blight.*



Indoor Cultivation, Manufacturing

- Size limitation
 - 50,000 square feet total
 - No single operator greater than 10,000 square feet
- Locations
 - Services and Manufacturing areas



- *Cultivation and manufacturing facilities would be limited cumulatively, with limits on individual businesses, as well.*
- *These facilities would be allowed within the Services and Manufacturing areas of the City, which are mostly located away from the main, arterial roads.*
- *These limitations would help ensure stability in the real estate market, and ensure that the City maintains a diverse local economy.*



Qualified Vendors

- Request for Qualifications
 - Required before land use application accepted
 - Qualification based on point system to include:
 - History of successful business operations
 - No felony convictions, background checks
 - Financial resources
 - Local preference



- *Staff is considering regulations that would require any cannabis vendors to submit a Request for Qualification (RFQ).*
- *The RFQ would require specific information regarding the owner of the business, past business operations, and financial resources.*
- *The RFQ would be based on a point system and additional points could be given to local business operators.*



Financial Considerations: Taxation

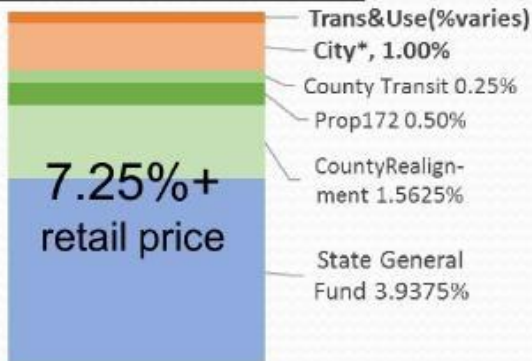
- 15% State excise tax of gross retail sales receipts
- \$9.25/ dry-weight ounce on marijuana flowers - State cultivation tax
- \$2.75/ dry-weight ounce on marijuana leaves - State cultivation tax
- Marijuana cultivated for personal use is exempt from cultivation tax
- Medical marijuana is exempt from State/local sales tax
- Proposition 64 does not prevent cities and counties from imposing local taxes (except sales tax on medical marijuana)

- *The State has set specific state taxes on cannabis.*
- *Medical marijuana is exempt from State and Local sales tax, but only for State-registered medical cannabis users (must have the card, not simply a doctor's recommendation).*
- *The City may also impose a local tax if approved through a local ballot measure (November 2018).*



Financial Considerations: Taxation

Sales and Use Tax



Effective November 9, 2016

State Marijuana Excise Tax

15%
gross receipts
of retail sale

State Cultivation Taxes

\$9.25/oz flowers
\$2.75/oz leaves

Effective January 1, 2018

- A visual breakdown of the baseline taxes that would apply.
- The City also has a half-cent sales tax that is applied in addition to the 7.25% state tax.



Financial Considerations: Allocation of State Taxes

- 60% - Youth Programs, Substance Abuse Education, and Prevention and Treatment
- 20% - Environmental Clean-up and Remediation
- 20% - Reduce DUI, Reduce Negative Impacts of Marijuana Legalization

*A City that bans cultivation, including outside personal cultivation, or the retail sale of marijuana, is not eligible for some grants.

- *State taxes will be allocated into three areas.*
- *If the City Council removes its current ban on commercial cultivation and retail sales, grants will be available to the City*



Financial Considerations: Taxes and Cost Recovery

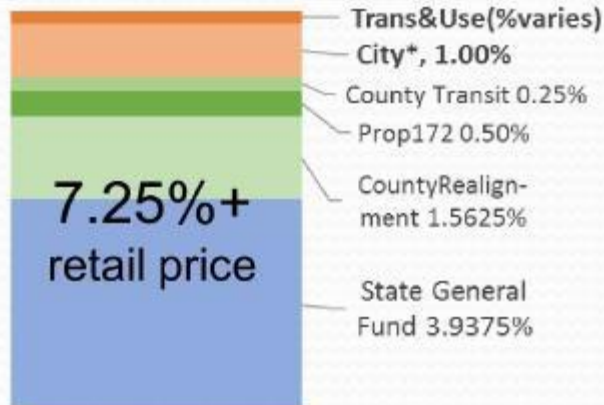
- Taxes allow revenue to be appropriated for any municipal purpose unless the tax has been approved as a “special tax” for a specific purpose.
- Regulatory Fees may recover the reasonable regulatory costs for issuing licenses and permits, performing investigations, inspections, and audits and enforcing these regulations – and should be scaled appropriately.

- *The State law also allows local jurisdictions to implement regulatory fees to recover the costs associated with permitting and regulating cannabis uses within the City. These fees can be established by local ordinance and do not require a vote.*
- *On top of these regulatory fees, the City may impose a local tax, following voter approval, that would provide additional discretionary income for City services.*



Financial Considerations: Taxes and Cost Recovery

Sales and Use Tax



Effective November 9, 2016

State Marijuana Excise Tax

15%
gross receipts
of retail sale

State Cultivation Taxes

\$9.25/oz flowers
\$2.75/oz leaves

Effective January 1, 2018

City* Marijuana Excise Tax

if enacted/approved by voters

XX%
gross receipts
or other basis
(not a sales tax)

City* Marijuana Business Regulatory Fee *if enacted*

To pay for regulation.
Limited to cost recovery.

Packet Pg. 37

- A visual breakdown of the state taxes and potential City taxes.



For Discussion

- What are the top issues of concern related to marijuana use and sales that the City may be able to address through its regulations?

Advertising



- *Examples of sign proliferation, extensive advertising, and the use of marijuana and cannabis in signage that could be controlled through local regulations.*



For Discussion

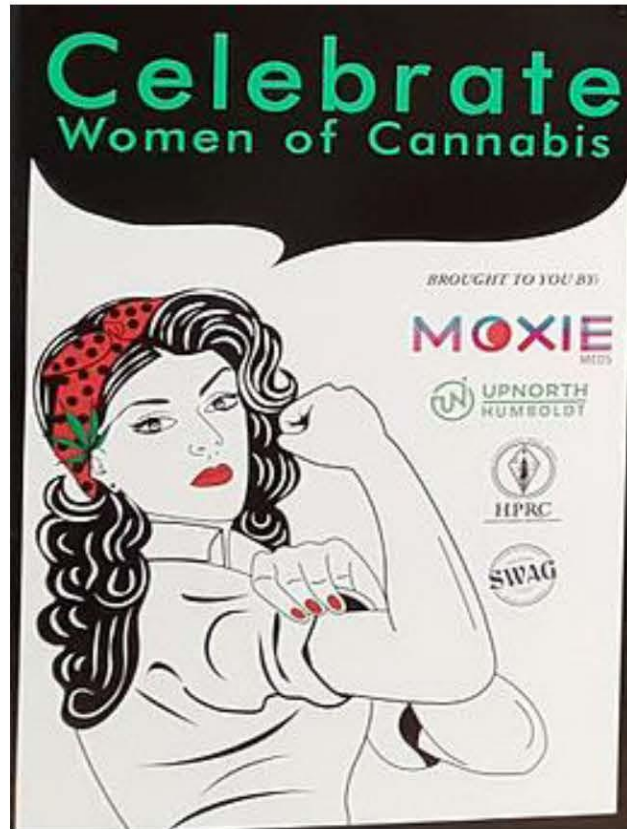
- The City is looking at limitations on the total number of marijuana related businesses and total amount of floor area dedicated to these uses in each of the main licensing areas (retail, cultivation, manufacturing, distribution).
 - Does this seem like an effective way to address the potential for marijuana related businesses to proliferate in the City?
 - Is proliferation of marijuana related businesses a concern?

Retail



- *Compatible development with minimal signage and no reference to “marijuana” or “cannabis.”*
- *Clockwise from left: Denver, CO; San Francisco, CA; Aspen, CO*

Events



- Cannabis has the potential to be a part of events, weddings and tourism.



For Discussion

- The City is considering establishing administrative and licensure fees for marijuana related businesses to ensure that the costs of regulation are covered. What level of taxation should the City pursue in addition to its efforts to pursue cost recovery (low, medium, or high)?

Events





For Discussion

- In general, should marijuana related businesses be located completely out of site (e.g. on local streets in services and manufacturing areas)? Or, is it okay for some businesses, such as retail stores, to be located along arterial streets? What about downtown?

Keep In Touch

Michael Codron

Director of Community Development



**CITY OF
SAN LUIS OBISPO**

Community Development

919 Palm Street, San Luis Obispo, CA 93401-3249

E mcodron@slocity.org

T 805.781.7187

C 805.540.0767

slocity.org

- www.slocity.org
- www.twitter.com/slo_community



CITY OF SAN LUIS OBISPO