Item A-1: Workshop on Pending Cannabis Regulatory Ordinance and Related Procedures
Background

- The City has historically prohibited cannabis businesses to operate within the City
- Due to the evolving landscape, City retained HdL to provide consulting services

1. Prepare ordinance for placement of Measure R on the ballot
2. Development of a regulatory ordinance to allow, permit, regulate and cannabis businesses
Background

- Measure R on the November 3, 2020 General Election ballot, included the maximum amounts that can be charged by a Cannabis Business License Tax
- In short, it established the maximum tax rates:
  - $10 per canopy square foot for cultivation (adjustable for inflation)
  - 6 percent gross receipts for retail businesses
  - 4 percent for all other cannabis business activities
- Measure R passed with a voter approval of 67.16%
Summary

- This workshop is intended as a discussion on the basic components of the ordinance, procedural guidelines, selection criteria, and approval of cannabis business permits.
<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
<th>Step 6</th>
<th>Step 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Regulatory Ordinance; Cannabis Business Permit</td>
<td>Criteria for review:</td>
<td>2. Zoning Ordinance</td>
<td>2. Lottery (1. Retail; 2. Non-Retail other)</td>
<td>2 Public Meetings; 1 for Retail, 1 for Non-Retail</td>
<td>Community Development Director forwards report regarding Public Input to the City Manager</td>
<td>City Manager Recommendations will be considered by City Council for final action</td>
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<tr>
<td>A. Framework for Cannabis Business Permit</td>
<td>2. Non-Retail Permits: Unlimited Public meeting</td>
<td>2. Zoning Ordinance</td>
<td>Guidelines establish a point system for review of every Cannabis Business Permit; 90% advances to Lottery in Step 3</td>
<td>Neighbors within 300 ft are notified</td>
<td>Applicants have one year to exercise their permit, or it will expire (or as determined by the City)</td>
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<td>B. Compliance with State Law</td>
<td>A. Security Plan</td>
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<td>E. Sensitive Users recognized by State regulations: schools, daycares, youth facilities</td>
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<td>F. Other potential sensitive uses to consider: A) Homes, B) Parks, C) Library</td>
<td>A. Neighborhood compatibility</td>
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**Procedure & Guidelines:**

- A. City Manager Prepares
- B. Council approves by Resolution
- C. Will include forms, applications, & indemnifications
- D. Cost recovery fees
- E. Owner must pass background check on employees by City Police Dept. (or other party)
Step 1: Ordinances

1. Regulatory Ordinance
   a. Framework for *Cannabis Business Permit*
   b. Compliance with State Law
   c. Policies
   d. Operational Best Practices
   e. Sensitive Users recognized by State regulations: schools, daycares, youth facilities
   f. Other potential sensitive users to consider: Homes, Parks, Library

2. Zoning Ordinance
Step 2: Procedures & Guidelines

Two parts in Step 2

- Part A

Criteria for review (application criteria):
  - Business Plan
  - Diversity, Equity, and Inclusion Plan
  - Safety Plan
  - Neighborhood compatibility
  - Community Benefits
Step 2: Procedures & Guidelines

Two parts in Step 2:

- **Part B**
  - Procedures & Guidelines
    - A. City Manager Prepares
    - B. Council approves by Resolution
    - C. Will include forms, applications, & indemnifications
    - D. Cost recovery fees
    - E. Owner must pass background
    - F. Fee to file an appeal
Guidelines establish a point system for review of every Cannabis Business Permit

- 90 percent advances to Lottery in Step 3
- Number of permits would be outlined in the Guidelines
- Notifications: Those scoring less than 90 percent may appeal
Step 3: Lottery

- All applicants that meet the minimum point total will be drawn and placed in order to create an eligibility list
- Two lotteries: 1. Retail; 2. Non-retail
- Another option:
  - Retail sales: Lottery
  - Non-retail: Unlimited
- Appeal process for scoring but no appeal process for the lottery results
Step 4: Land Use Review/Public Meeting

- Some applicants may require entitlements and/or CEQA review
- Land Use Conformity by the Community Development Director
- Neighbors within 300 ft. would be notified
- Community Input
  A. Planning Commission or
  B. Community Development Director
- Purpose of the meeting is to solicit community input. No action would be taken at the meeting.
Step 5: City Manager Role

- City Manager Role: Two Options

  A. City Manager reviews Public Meeting comments. City Manager approves or denies permit.
     Appeal: City Manager action may be appealed to the City Council

  B. City Manager makes recommendations to Council for action
Step 6: City Council Role

A. If City Manager takes action, the City Council serves as the appeal body

B. City Manager makes a recommendation to City Council for final action
   ▪ Neighbors within 300 ft. are notified of the City Council meeting
   ▪ City Council action is final in either scenario
Step 7: Operations

- Applicants have 1 year to exercise their permit, or it will expire
- Background check on employees
- Can be suspended if suspended by a State agency or the City
- Permit must be reviewed annually (same as State)
- May be transferred with approval from the City Manager; of ownership changes more than 51 percent requires City Council approval
- If location changes, City Council approval required
Discussion & Direction from Council

- Cannabis Business Permit (1 permit) vs. a business license & land use permit (e.g., CUP)
- Lottery
  - Lottery or a different process
- Public Meeting
  - Community Development Director or Planning Commission
  - Purpose of the meeting (solicit feedback, no action)
  - 300 ft noticing
- Sensitive Uses
  - Define and potential thresholds?
Discussion & Direction from Council

- Role of the City Manager
  - Does the City Manager take action or make a recommendation to the Council?
- Role of the City Council
  - Appeal body
- Ownership changes
- Location changes