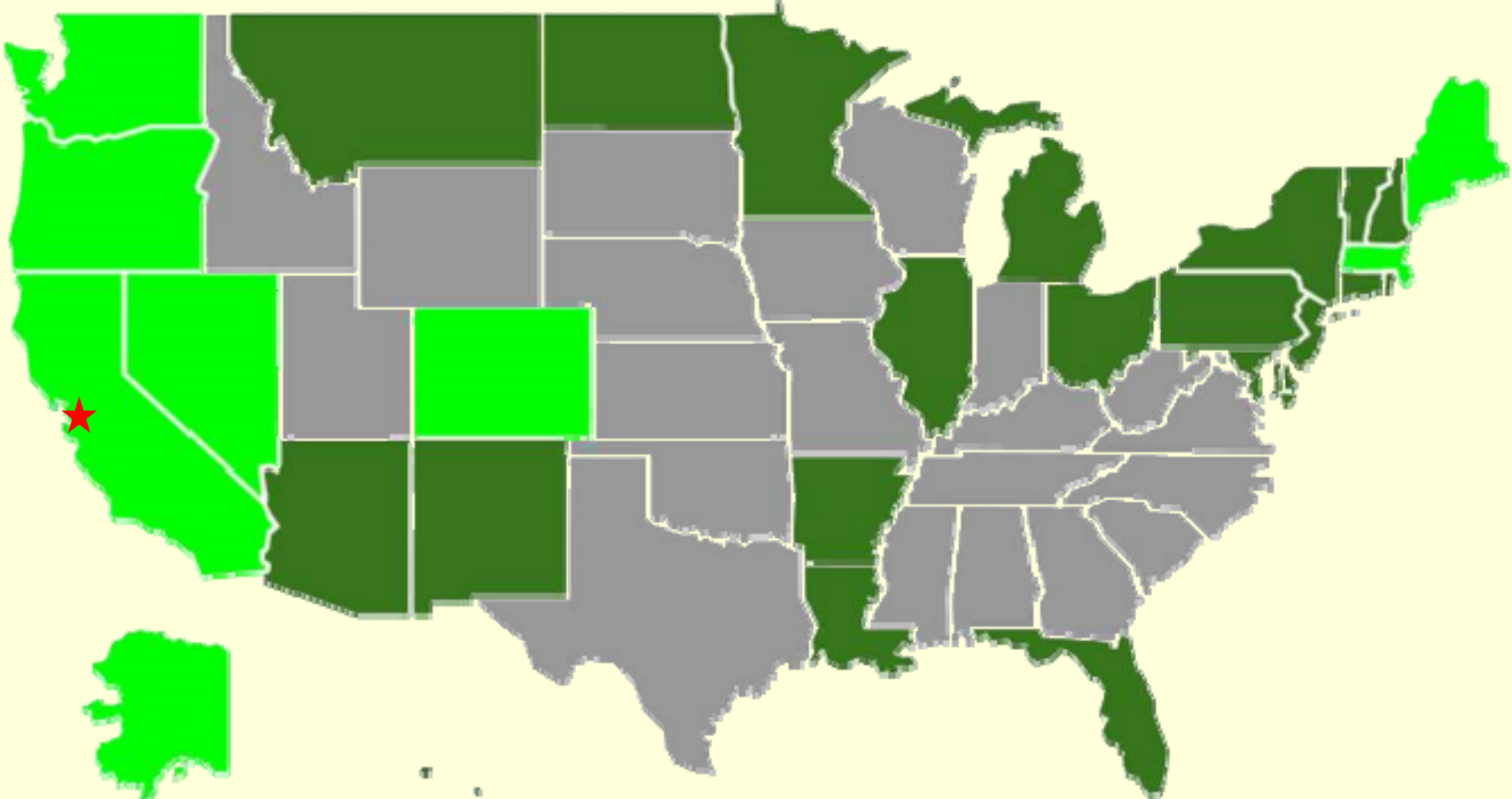





Cannabis Regulation Workshop



-  Medical marijuana broadly legalized
-  Marijuana legalized for recreational use
-  No broad laws legalizing marijuana

*Contra Costa County
Board of Supervisors
April 25, 2017*

Recommendations

- A. CONDUCT public workshop on Proposition 64 and cannabis regulation in unincorporated Contra Costa County.

- B. PROVIDE initial, general, direction to staff on the preparation of one or more ordinances regulating the cultivation, delivery, manufacturing and distribution of cannabis within the unincorporated areas of the County or request specific additional information on potential cannabis regulation.

Fiscal Impact

- Estimated cost to prepare ordinance(s) depends upon complexity and process used, but an initial estimate is \$100k-\$150k
- Costs for permitting, inspecting, code enforcement, public education, treatment programs, and administration are likely to increase, partly dependent upon what approach the County chooses
- Revenue may also increase, depending upon approach. State will pass through some of its new cannabis tax revenue as grants to local agencies that permit commercial cannabis. Increased revenue from new/existing local taxes also possible.

Background

On January 17, 2017 the Board of Supervisors requested a workshop to discuss potential marijuana regulations, in response to voter approval of Proposition 64, to:

- Provide the Board with an opportunity to discuss potential marijuana regulation and
- Obtain input and comments from various County Departments
- Provide the Board with an update on anticipated new activities of County departments as a result of AUMA
- Hear from the public
- Provide direction to staff on general approach, additional information requested, and approach to public involvement

Current County Cannabis Ordinances

- Ordinance #2008-05, (February 2008): Prohibited the establishment of any use that violated State or Federal law, as well as explicitly prohibiting the establishment of medical marijuana dispensaries in the unincorporated areas of the County.
- Urgency Interim Ordinance #2017-03 (January 17, 2017): The ordinance prohibited the cultivation, delivery and sale of marijuana and marijuana products until January 30, 2018 and was a continuation of two previous urgency interim ordinances.

MEDICAL CANNABIS REGULATION AND SAFETY ACT (MCRSA)

- Precursor to Proposition 64 signed by Governor in October 2015. Established comprehensive structure for the licensing and enforcement of *medical* marijuana activities.
- Established a dual licensing system where applicants for state licenses had to provide evidence of local approval of a medical marijuana use prior to issuance of the state license.
- Permitted local control and discretion over regulation of medical marijuana uses.
- Resulted in the establishment of the State Bureau of Medical Cannabis Regulation (agency name will change to the Bureau of Marijuana Control due to the approval of Proposition 64).

PROPOSITION 64 (Adult Act or AUMA)

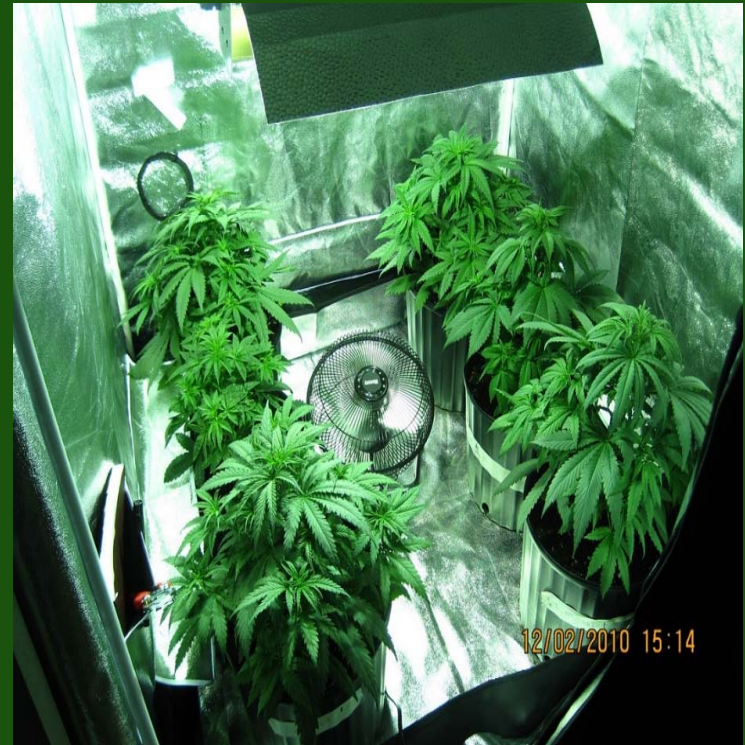
- Approved by California voters in November 2016 with 57% of the vote (the approval margin was 60% in Contra Costa County, 61% in unincorporated area).
- Legalized the recreational use of marijuana for adults over the age of 21 and provides for regulating a range of commercial activities.
- For personal use, permits the indoor cultivation of up to six plants.
- Requires the establishment of a state licensing program for the cultivation, manufacturing, testing, retailing and distribution of marijuana and marijuana related products.
- Established a dual-licensing system: local approval is a prerequisite for state licensing.
- Provides local jurisdictions with significant control over the regulation of commercial marijuana related uses.

Potential Areas of Regulation

- Indoor/Outdoor personal cultivation of medical or recreational cannabis (Personal indoor grow of up to 6 plants must be allowed per AUMA);
- Commercial indoor/outdoor cultivation of medical or recreational cannabis;
- Commercial manufacture of medical or recreational cannabis;
- Laboratory testing of medical or recreational cannabis;
- Commercial retailing (including delivery*) of medical or recreational cannabis;
- Commercial distribution of medical or recreational cannabis;
- Cannabis microbusiness.

Indoor Personal Cultivation

- Proposition 64 mandates that indoor cultivation of up to six plants be allowed.
- However, reasonable restrictions may be imposed (e.g. secure location, building owner approval required for renters, compliance with building codes)



Outdoor Personal Cultivation



- Neither permitted nor prohibited under Proposition 64
- Outdoor uses less power & has fewer building risks
- Potential impacts to adjacent residents (e.g. odor, security)

Outdoor Commercial Cultivation



For purposes of this workshop, outdoor commercial cultivation is meant to describe various cultivation practices, including outdoor farming, greenhouses and nurseries.



Commercial Indoor Cultivation



- Controlled growing environment
- Generally utilizes artificial lighting
- Typically established in existing commercial or industrial buildings
- Popular cultivation option due to improved security and year-round harvest

Manufacturing



Involves preparing cannabis or its by-products for commercial retail and/or wholesale, including, but not limited, to the processes of drying, cleaning, curing, packaging, and extraction of the active ingredients of cannabis in order to create marijuana-related products and concentrates.



Testing Facility for Medical or Adult-Use Cannabis

- Testing of cannabis and cannabis products for potency and pesticides is required under AUMA and MCRSA
- Testing laboratories must be accredited by independent accrediting body that is independent from all other persons involved in the medical cannabis industry in the State
- Testing laboratories must be registered with the State Department of Public Health



Commercial Distribution of Medical or Recreational Cannabis



- “Distribution” as used in AUMA is a facility where wholesale cannabis is received and distributed to retail cannabis outlets such as dispensaries. Under AUMA, retail sale of cannabis is not permitted with a “distributors” license.
- Distribution facilities can purchase from licensed cultivator or manufacturer only

Commercial Retailing of Medical or Recreational Cannabis



- Facility where cannabis, cannabis products or devices for the use of cannabis are offered for retail sale
- Possible that retail business could be cannabis-only (e.g. dispensary model) or could also sell other products

Commercial Delivery of Medical or Recreational Cannabis



- Delivery can be made from dispensaries if permitted by local ordinance.
- Also possible to have retail delivery business that only delivers, no physical storefront.
- Direct sale from delivery vehicle not permitted

Cannabis Micro-business

Under AUMA , Micro-business is a small retailer with a farm not exceeding 10,000 square feet and could be compared to a farm stand where products grown on a property are available for retail sale at the same property.



Timing Considerations

State Licensing Jan 2018

If County regs adopted before...

Regulations adopted by the County prior to January 30, 2018 can be modified thereafter to be more restrictive or permissive. However, once a cannabis use is legally established, revoking or rescinding such use could be challenging.

If the County does not have permanent regulations in effect prior to expiration of the County's urgency interim ordinance on January 30, 2018, the State would become the sole licensing authority (unless and until County regulations were subsequently adopted).

If County regs adopted after...

The County could adopt new regulations on commercial cannabis after January 30, 2018, but any state licensed cannabis activities or businesses established in the meantime would be "grandfathered-in" as legal non-conforming uses and could be difficult to do away with, if desired.

Other Important Aspects of Regulation

- Medical (MCRSA) and recreational (AUMA) cannabis uses can be regulated separately or together.
- A county cannabis ordinance may impose significant health and safety requirements, location restrictions, operational requirements, environmental protections, etc.
- A limit may be placed on the number of permitted commercial cannabis uses by ordinance
- By ordinance, a selection or request for proposal (RFP) process may be established, giving the County the ability to screen and select the most qualified and thorough applicants/ applications.
- A county may impose a tax on any of the following cannabis activities: cultivating, dispensing, producing, processing, preparing, storing, providing, donating, selling, and distributing.
- A tax on cannabis would be subject to voter approval.

Impacts of New Federal Administration

- As a Schedule 1 controlled substance, possession of cannabis is a violation of federal law. The previous administration identified cannabis as a low priority and the Department of Justice decided to focus its efforts on the following priorities:
 - Distribution of marijuana to minors
 - Revenue from cannabis related businesses going to criminal enterprises
 - Distribution to other states where it is not legal under state law
 - Violence and the use of firearms in the cultivation and distribution of marijuana
 - Drugged driving and the exacerbation of other adverse public health impacts
 - Growing and or possession of marijuana on public land and federal property
- “FinCEN” has issued guidance similar to the Cole Memo to clarify Bank Secrecy Act expectations for financial institutions.
- Under the new administration, there have been some indications that the Controlled Substances Act would be strictly enforced.

Statewide and Local Response to Proposition 64

- Many jurisdictions throughout the state have adopted urgency interim ordinances which prohibit the cultivation, sale, delivery, transportation and manufacture of cannabis and cannabis related products.
- A few jurisdictions have adopted permanent ordinances regulating and taxing personal and commercial cannabis activities. Sonoma County, and the cities of Los Angeles and San Diego all passed a cannabis tax.
- Within Contra Costa County, prior to approval of Proposition 64, the City of Richmond permitted the cultivation, dispensing, distribution, manufacturing and taxing of medical cannabis; and the City of Martinez permitted the establishment of medical cannabis dispensaries.

Taxes Established by Proposition 64

In order to pay for the implementation, oversight and enforcement of AUMA, and to provide some funding for specific drug rehabilitation and educational grant programs, AUMA includes provisions for the taxation of recreational cannabis:

- Allows local jurisdictions the opportunity to levy additional taxes on the cultivation, sale and distribution of cannabis and cannabis related products.
- Permits a State tax on growing and an excise tax on the retail price of marijuana and marijuana products:

Activity	State Tax (per AUMA)
Growing cannabis flowers	\$9.25/oz.
Growing cannabis leaves	\$2.75/oz.
Retail of cannabis and related products	15%

Proposition 64

Statewide Revenue Allocation

- Starting in 2018-2019, \$10 million for grants for job placement assistance and substance use and disorder treatment in communities most affected by past drug policies. Funding for this purpose is expected to grow to \$50 million by 2022-2023.
- \$10 million annually will be allocated to study the effects of AUMA.
- \$3 million will be allocated to create and adopt methods to determine whether someone is driving while impaired, including by marijuana.
- \$2 million will be allocated annually to study the risk and benefits of medical marijuana.
- Of the remaining revenue, 60% will be allocated for youth programs; 20% for cleanup and prevention of environmental damage resulting from illegal growing of marijuana and 20% for (a) programs designed to reduce driving under the influence of alcohol, marijuana and other drugs and (b) a grant program designed to reduce any potential negative impacts on public health or safety resulting from the measure
- Access to grant funding will be made available to jurisdictions that permit commercial cannabis activities and outdoor personal cultivation.

Local Taxes

Existing state and local sales tax apply to the cultivation and sale of non-medical marijuana only. AUMA authorizes local governments to tax virtually all other commercial marijuana activities. Examples below:

Jurisdiction	Business Tax (% per Gross Receipts)	Cultivation Tax (per square foot)
Richmond	<ul style="list-style-type: none"> \$50 per \$1,000 	N/A
Sonoma	<ul style="list-style-type: none"> Manufactures: 5% - 10%; Nurseries, Distributors, Transporters, Labs and Dispensaries: 0% - 10% 	<ul style="list-style-type: none"> Outdoor: \$0.50 - \$10 Indoor: \$1.88 - \$38 Mixed-Light: \$1.08 - \$22
San Diego	<ul style="list-style-type: none"> 5% current, Increase to 8% - 15% on 1/1/19 	N/A
Stockton	<ul style="list-style-type: none"> Medical: \$25 per \$1,000 Non-medical: \$100 per \$1,000 	N/A
Los Angeles	<ul style="list-style-type: none"> Medical: \$50 per \$1,000 Non-medical: \$100 per \$1,000 \$10 per for transportation, testing, research 	<ul style="list-style-type: none"> \$20 per for manufacture, cultivation, commercial activity

Code Enforcement

Has become increasingly difficult with the approval of Proposition 215 in 1996 and Proposition 64 in 2016.

Authorization and taxation of specific cannabis uses should be paired with adoption of a cannabis-specific violation and enforcement ordinance, including fines for violators and possible criminal charges for those who operate in violation of County laws.

The current process for enforcement of zoning code violations, which can provide up to two months for correction, would not be effective for illicit cannabis operations.



Interdepartmental Coordination for Cannabis Regulation

- Four inter-departmental meetings were held to share knowledge and discuss potential impacts of cannabis regulation on County departments and their areas of responsibility.
- The knowledge, experience and counsel of the involved staff has been invaluable. Many participants have attended state-wide briefings and trainings relevant to their particular disciplines on the emerging issue of cannabis regulation and brought that new knowledge to the table.
- The staff group is capable to provide additional detailed information and analysis beyond what is contained in this staff report, which was intentionally crafted as a high level summary.
- Each department also provided a section for the staff report forecasting impacts (regardless of County approach) and summarizing input.

Interdepartmental Coordination

- **County Administrator Office**
 - Julie Enea, Lara DeLaney
- **Agriculture Department**
 - Beth Slate, Matt Slattengren, Larry Yost
- **Sheriff's Office**
 - Mike Casten
- **District Attorney's Office**
 - Mary Knox
- **Treasurer/ Tax Collector**
 - Brice Bins
- **County Counsel**
 - Thomas Geiger, Stephen Siptroth
- **Conservation and Development**
 - John Kopchik, Ruben Hernandez, Aruna Bhat
- **Health Services**
 - Daniel Peddycord, Marilyn Underwood, Fatima Matal Sol, Lisa Diemoz, Randy Sawyer, Denice Dennis
- **Probation**
 - Lesha Roth

Comments: Office of the Sheriff

The Office of the Sheriff anticipates:

- An increase in crimes associated with either the sales, use, or possession of marijuana. The range of crimes include driving under the influence, homicide, robbery, burglary, and aggravated assault.
- An increase in demands for enforcement of local laws and codes.

The Office of the Sheriff would like a policy that builds a collaborative effort of code enforcement inspectors, planners, county counsel, the district attorney's office, public health, health, environmental health and probation to establish land use agreements and a licensing or permitting system to insure public safety and the wellness of our community.

Comments: Health Services

Emergency Medical Services anticipates:

- An increase in emergency calls related to manufacturing- as well as personal use- associated intoxication, overdose, and being under the influence while operating a motor vehicle.
- An increase in burns from butane and other combustible solvents used during the extraction/manufacturing process, if permitted.
- An increase in Pediatric and Adult accidental ingestions (poisonings) associated with edibles.
- An increase in ambulance hours to meet new level of service demand.

Comments: Health Services

Hazardous Materials anticipates:

- An ongoing permitting and inspection role with aspects of raw material extraction and manufacturing, particularly for those businesses utilizing volatile or highly flammable solvents. The regulatory oversight would be for the handling of hazardous materials and the generation of hazardous waste as codified in State law.

Behavioral Health anticipates:

- A surge in demand for detoxification, outpatient & residential treatment for youth and adults.
- An increased need for public information, both in regards to the hazards and warnings associated with the potential for misuse, abuse and addiction as well as information regarding treatment and ongoing therapy.
- An increase in court-ordered mandatory group educational sessions for youth who violate the provisions of their probation.

Comments: Health Services

Public Health anticipates:

- A role in the licensing/permitting, regulation and enforcement of commercial sales of marijuana products, similar to its current role relative to tobacco retail licensing.
- Being the key player in investigation outbreaks of clusters of illness associated with exposure to, use of and/or consumption of products containing cannabis, and public education in that regard.
- A surge in demand for Medical Marijuana ID Cards as members of the public seek to avoid taxation associated with the recreational regulatory structure.

Environmental Health anticipates:

A substantial and ongoing role with licensing/permitting, regulatory Inspections and enforcement of products sold at retail, particularly foods, beverages, cosmetics, tinctures, oils and other consumer products infused with cannabinoids.

Comments: Treasurer-Tax Collector

If County becomes involved in collecting or accepting monies from cannabis related businesses, there are many issues and challenges associated with the federal Controlled Substances Act and the unwillingness of banks and other financial institutions to accept funds from these businesses:

- Pending legislation (AB 148) that would enable County Treasurers to collect cannabis tax revenue on behalf of the Board of Equalization.
- County assets may be in jeopardy under federal laws if collecting taxes on marijuana related businesses is approved.
- Increased costs would result due to the need for additional staffing, equipment and security (risks associated with cash-only transactions).
- Potential new business license fees for cannabis business could include; \$100 Flat Fee per Business; \$10 per Full-Time Employee; Cannabis Retailers License (Similar to Tobacco or Alcohol Retailers License).
- Potential secured property taxes for cannabis uses could include real property taxes, special taxes and assessments and *ad valorem* taxes and assessments.
- Potential unsecured taxes for cannabis uses could include business property taxes and taxes on some fixtures.

Comments: Dept. of Agriculture

Weights & Measures anticipates:

- A need for an inspecting weighing device used for commercial purposes, suitability of scale, type-approval, testing, and sealing.
- Price verification enforcement for products sold on shelves such as candy bars, vape/e-cig, oils, creams, baked products, and pre-packed unprocessed cannabis.
- An increase in standard inspection and testing activities.

Agriculture anticipates:

- An increase standard pesticide permitting, inspection, testing, and complaint resolution activities.
- Additional monitoring of pesticide applications, particularly in greenhouse operations.
- Field Worker inspections for compliance with new Federal Worker Protection Standards.
- Additional investigation of pesticide exposure reports of occupational illness.

Comments: Probation Dept.

The Probation Department supervises juveniles and adults who will be impacted by Proposition 64. Juveniles referred to Probation for illegal possession of marijuana will be required to complete a four hour evidence-based drug education program.

Probation anticipates:

- An increase in the use of marijuana for youth in general, and more specifically at-risk youth who are in jeopardy of entering the juvenile justice system and those youth already involved in the juvenile justice system.

Prior to Proposition 64, adults on Probation Supervision were not allowed to use marijuana absent a court order allowing such. At the present time, Probation violations are not being filed for the use of marijuana unless the court specifically prohibits use of the drug.

Comments: District Attorney

The District Attorney is recommending that the Counties' prohibition on the retail sale, delivery, cultivation and manufacture of cannabis-based products remain in effect until greater certainty regarding the future of legalized marijuana is attained.

The preparation and enforcement of ordinances required to properly regulate these activities will be extremely expensive and there is no assurance that tax revenues and fees generated from these activities will be sufficient.

Federal law prohibits the receipt of revenue derived from illegal substances by federally insured banking institutions and the County will be required to create its own secure banking system and may violate federal law by receiving that revenue.

Cash-rich commercial marijuana activities present a real risk of an increase in violent crime in our County and no provision has been made to increase law enforcement or prosecutorial personnel.

Cultivation of marijuana has the potential to degrade local waters and the Bay due to use of insecticides, fungicides, and fertilizers and no provision has been made for the investigation and prosecution of cultivators who become polluters.

If the United States Attorney General chooses to enforce federal law in the State of California, the Counties expenditure of resources to permit Proposition 64 – related activities will have been pointless. The County should wait until these issues are resolved.

Comments: County Administrator

The County remains committed to maintaining a drug-free workplace:

- The manufacture, distribution, dispensing, possession or use of alcohol or a controlled substance is prohibited in the workplace. Violations can lead to disciplinary action.
- An employee will not be disciplined for voluntarily requesting assistance for a substance abuse problem.
- Employees remain responsible to meet the County's performance, safety, and attendance standards.

Spectrum of Land Use Regulatory Options



Prohibit
(Status Quo)

- Cap the number
- Limit by zone
- Select through RFP
- Conditional Use Permit

Conditional
Use Permit
only in
certain zones
and under
specified
conditions

Allow by right
in certain
zones and
under specified
conditions

Table 1: Preliminary Evaluation of Cannabis Uses

	PROS	CONS	COST / REVENUE IMPLICATIONS
Expanded Personal Cultivation(outdoor/more)	<ul style="list-style-type: none"> -Reduces need for retail cannabis businesses -Reduces cost of use and increases individual control -Outdoor uses less power & has fewer building risks 	<ul style="list-style-type: none"> -Potential impacts to adjacent residents, especially odor -Safety/security concerns -Black market risk. Is more than 6 plants needed? 	<ul style="list-style-type: none"> -No tax or grant revenue -Enforcement costs depend on complaints. Outdoor may generate more complaints.
Commercial Outdoor Cultivation	<ul style="list-style-type: none"> -Abundance of available agricultural land in County -Valuable crop; may benefit agricultural economy -Agricultural jobs -Suitable climate in County -Reduction of black market -Ability for cannabis used in County to be locally grown 	<ul style="list-style-type: none"> -Odor Impacts -Visual impacts (security fencing) -Security Concerns (valuable crop, potential cash on hand may induce criminal activity) -Pesticide / water use (different than other crops?) -Regulation could be complex 	<ul style="list-style-type: none"> -Tax & grant receipts possible. Amount could vary drastically depending on the amount of cultivation permitted in County and what types of taxes are in place. -Cost to regulate could be high if permitting is widespread and if illegal grow was pursued aggressively.
Commercial Indoor Cultivation	<ul style="list-style-type: none"> -Less visible and potentially more secure than outdoor -Year-round harvest (more revenue) -Increases demand for industrial buildings 	<ul style="list-style-type: none"> -Security concerns (valuable crop / cash on hand) -Odor impacts (perhaps more controllable than outdoor) -High energy usage (mitigate w/requirement for solar?) -Drinking water might be used (Adequate supply? Best use?) -Wastewater? Challenge for sanitary districts? -Pesticide use (indoor use a greater risk for workers?) 	<ul style="list-style-type: none"> - Similar to outdoor cultivation, though it seems likely the scale of outdoor cultivation could be potentially be much larger than indoor, meaning indoor may have a lower ceiling on overall enforcement costs. The difference in terms of revenue is less clear as indoor may be far more lucrative per acre and the risk of tax requirements driving activity to the black market may be higher with outdoor.
Manufacturing	<ul style="list-style-type: none"> -County has substantial industrial land and this use may be compatible with other industrial uses -Potential to generate significant economic activity/jobs -Modest space requirements (relative to cultivation) -Local permitting would provide improved health and safety oversight and might help curb illegal uses 	<ul style="list-style-type: none"> -Safety hazards (some processes use volatile compounds) -Health/Safety concerns of products -Zoning and Health Ordinance may be required -Security concerns similar to other uses 	<ul style="list-style-type: none"> -Tax & grant receipts possible. Amount would vary depending on the amount of manufacturing permitted in County and what types of taxes are in place. Potential high revenue per acre / per business. -Health and safety enforcement could have significant cost.
Testing Facility	<ul style="list-style-type: none"> -Emerging industry, similar benefits to manufacturing but with perhaps less economic potential & fewer risks. -Contributes to safety of cannabis industry 	<ul style="list-style-type: none"> -Safety/hazard issues -Security concerns 	<ul style="list-style-type: none"> -Similar to manufacturing, but probably with less revenue potential and less enforcement cost.
Distribution*	<ul style="list-style-type: none"> -Modest impacts to neighboring properties -County has suitable, centrally located industrial land -Warehousing and trucking jobs 	<ul style="list-style-type: none"> -Security concerns (valuable crop / cash on hand) 	<ul style="list-style-type: none"> -Similar to manufacturing and testing, but probably with intermediate revenue potential and less enforcement cost.
Retail Sales	<ul style="list-style-type: none"> -Product made available locally. Easier / closer access. -Completes County supply chain -Potential to generate significant economic activity and retail jobs -Local permitting of retail would provide improved health/safety oversight and might help curb illegal uses 	<ul style="list-style-type: none"> -Safety / security concerns (cash on hand / valuable product) -High profile / high traffic -Unsavory image/many neighborhoods may not want -May stimulate greater use, abuse & related societal impacts. -Zoning and Health ordinances may be required 	<ul style="list-style-type: none"> -Tax & grant receipts possible. Amount could vary drastically depending on the amount of retail permitted in County and what types of taxes are in place. -Cost to regulate could be high if permitting is widespread and if crime / community impacts are serious. Higher treatment costs.
Retail Delivery** Business	<ul style="list-style-type: none"> -Similar to retail sales but with less neighborhood impact/ stigma 	<ul style="list-style-type: none"> -Similar to retail sales but impacts more distributed -Harder to enforce age limitations 	<ul style="list-style-type: none"> - Similar to retail sales. Possible to recoup taxes that may otherwise be received only by those jurisdictions that do allow.
Micro-business***	<ul style="list-style-type: none"> -Encourages local "Artisan" or "Boutique" small business -Complete integration of business 	<ul style="list-style-type: none"> -Impact to neighboring properties -Zoning and Health ordinances may be required -Increased cannabis exposure 	<ul style="list-style-type: none"> -Due to the nature of "microbusinesses" the potential tax receipts generated by this type of use would be limited -Similar to retail/cultivation, cost to regulate could be high if widespread.

* "Distribution" as used in AUMA is a facility where wholesale cannabis is received and distributed to retail cannabis outlets such as dispensaries. Under AUMA, retail sale of cannabis is not permitted with a "distributors" license.

** While the County does have the ability to prohibit or restrict the establishment of delivery businesses in the unincorporated area that deliver cannabis to customers, staff does not believe the County would have the practical ability to enforce a prohibition on actual deliveries (for instance, from a business legally established in a neighboring jurisdiction to an unincorporated area).

*** "Micro-business" under AUMA is a small retailer with a farm not exceeding 10,000 square feet and could be compared to a farm stand where products grown on a property are available for retail sale at the same property.

Comparing Cannabis Land Uses



Generally less impacts to address

- Indoor personal cultivation, (must allow up to 6 plants per AUMA)
- Outdoor personal cultivation
- Indoor commercial cultivation
- Outdoor commercial cultivation
- Distribution
- Retail delivery business* (probably unable to prohibit deliveries from being made within unincorporated area if the business is permitted elsewhere)
- Manufacturing*
- Retail sales*

*Health Department recommends an additional local permit for these uses be required to protect public health



Generally more potential to generate economic activity

REVENUE OPTIONS AND CONSIDERATIONS



More revenue

Prohibit commercial cannabis uses

- Not eligible for state cannabis funds
- No increase in local revenues

Permit commercial uses

- Eligible for state cannabis funds
- Potential (likely minor) increase in local sales and property tax

Permit commercial uses and develop additional cost recovery

- Eligible for state cannabis funds
- Potential (likely minor) increase in local sales and property tax
- Develop additional cost recovery measures such as fees to cover additional services (needs further study)

Permit commercial uses and voters approve local excise tax

- Eligible for state cannabis funds
- Potential (likely minor) increase in local sales and property tax
- Excise tax revenue used for general or specified purpose



Generally less costs (enforcement, admin., treatment)

Developing Cannabis Regulations: Sample Options

- Staff has framed three distinct hypothetical or sample options in order to stimulate discussion.
- These options describe different approaches to the distinct types of cannabis uses, but do not come close to exhausting the range of regulatory approaches.
- The sample options are simple. They do not distinguish:
 - hemp uses from consumption uses
 - medical from adult uses
 - specific safety, location or health requirements

Sample Option 1: Status Quo / Most Restrictive

- Generally prohibit all medical and non-medical cannabis related uses, similar to the existing urgency interim ordinance.
- With this option, all cannabis related uses would be prohibited with the exception of the personal indoor cultivation of up to 6 plants as provided for in Proposition 64.

Sample Option 2: Limited Commercial, No Retail

- Permit the establishment of commercial cannabis-related uses, limited by type and zone:
 - Commercial indoor or outdoor cultivation
 - Manufacturing
 - Distribution
 - Testing
- No retail sales, retail delivery business or microbusiness
- Cap the number of uses and select through a Request for Proposal process
- Explore mechanisms for including a pre-defined, fixed term to the approval (e.g. limit the approval to, say, 5 or 10 years)
- Develop additional cost recovery measures such as fees to cover additional services (needs further study)
- Expand cultivation for personal use to allow outdoor cultivation of up to six plants.

Sample Option 3: Commercial and Retail

- Allow the establishment and taxation of various cannabis related uses (*cultivation, manufacturing, testing, distribution, retail, retail delivery, microbusiness*) within specifically identified zoning districts and subject to specified conditions.
- Adoption of significant regulations and application requirements meant to protect the health, safety and quality of life of the residents of the County.
- Expand the personal cultivation provisions to include outdoor and more than 6 plants
- Taxation to cover costs of additional County services and community impacts. Any cannabis tax would require voter approval. A special tax to secure dedicated funding for specified purposes would require a 2/3 majority. A general tax would require a simple majority. There would be significant costs to develop a measure and bring it to the voters.

Summary of Options

Commercial Cannabis Uses	Prohibit		Select Through RFP	Conditional Use Permit	Allow by Right
<ul style="list-style-type: none"> Indoor or Outdoor Cultivation Manufacturing Testing Distribution 	Option 1		Option 2	Option 3	
<ul style="list-style-type: none"> Retail Delivery Business Microbusiness Retail Sales 	Option 1 &	Option 2		Option 3	

Personal Grow Limitations	Up to 6 plants indoor	Up to 6 plants indoor or outdoor	More than 6 plants indoor or outdoor
	Option 1	Option 2	Option 3

Revenue	None	Eligible for state grants/potential for more sales & property tax	Additional cost recovery measure/fees	Voter approval of excise taxes
	Option 1	Option 2	Option 2	Option 3

Evaluating the Sample Options

Tradeoffs between important goals such as:

- facilitating legal access,
- minimizing substance abuse,
- reducing the black market,
- encouraging economic activity,
- maintaining safety and security,
- minimizing enforcement costs,
- generating revenue for services/cost recovery
- public health assurances

Table 2: Preliminary Evaluation of Sample Regulatory Options

	PROS	CONS	COST/REVENUE IMPLICATIONS
Option 1 (Continued Prohibition)	<ul style="list-style-type: none"> -Discourages cannabis use -Avoid complications with federal law -Avoids impacts to neighboring properties that may be generated by commercial cannabis uses 	<ul style="list-style-type: none"> -Highest potential for encouraging illicit operations -Difficult for residents to purchase a legal substance -Economic activity might happen elsewhere (in cities or other counties) 	<ul style="list-style-type: none"> -Not eligible for state grant funds -No change in local tax revenue -Ordinance preparation and enforcement costs would be lower, though extent of need for illegal grow enforcement need would be a factor -Likely lower cost for substance use treatment, etc.
Option 2 (Limited Permitted Uses)	<ul style="list-style-type: none"> -Generates economic activity and jobs by focusing on those uses for which the County may have competitive assets (e.g. industrial and agricultural land) and that probably have fewer impacts -RFP process provides the County with most control over how many uses get established and where they get established -Expanding personal grow to the outside option may ameliorate power consumption and structure risks 	<ul style="list-style-type: none"> -Somewhat facilitates cannabis use in County (which could lead to increased abuse and other societal concerns; however, without retail sales, the amount of facilitation is expected to be minor) -Some impacts on surrounding properties -Some increased security risk -Difficult for residents to purchase a legal substance -May conflict with potential changes in enforcement of federal law 	<ul style="list-style-type: none"> -Eligible for state grant funds related to cannabis -Intermediate amount of tax receipts (amount would number/size of uses permitted) -Intermediate cost to prepare and enforcement new ordinance(s) -Intermediate cost for substance use treatment, etc.
Option 3 (Expanded Permitted Uses)	<ul style="list-style-type: none"> -Aggressively generates economic activity and jobs in various sectors (industrial, agricultural and retail) -Provides more and easier access to a legal substance for County residents and may help curb illegal uses --Local permitting of retail & edibles manufacture would provide improved health/safety oversight -Expanded personal grow to include outside option enables some residents to avoid the high power consumption and structural risks of growing inside and the expanded quantity may moderate the need for retail sales 	<ul style="list-style-type: none"> -Facilitates greater cannabis use in County (which could lead to increased abuse and other societal concerns) -Requires extensive regulation/enforcement -More impacts on surrounding properties -More increased security risk -May conflict with potential changes in enforcement of federal law 	<ul style="list-style-type: none"> -Eligible for state grant funds related to cannabis -Most tax receipts (amount would depend on number/size of uses permitted and the amount of tax approved by voters) -Tax receipts potential difficult to determine -Most cost to prepare and enforce new ordinance(s) and to prepare tax measure and collect new taxes -Likely higher cost for substance use treatment, etc.

Public Outreach and Engagement

- Many inquiries by organizations, property owners, business owners and individuals expressing interest in the County's plans for cannabis regulation.
- Inquiries by representatives of two potential business owners looking to establish a cannabis business in the unincorporated area of the County:
 - a cannabis oil extraction facility (manufacturer) on an agricultural property
 - cultivation on an agricultural property in the County.
- Staff has initiated the outreach process with the establishment of an on-line form within the Department of Conservation's webpage, where those interested in County cannabis regulation can be placed on a mailing list to be informed of future meetings or hearings.

Public Outreach Options

Part of the process of preparing a permanent cannabis ordinance should involve some public outreach as well as outreach to the various industry groups, stakeholders, property owners and any other groups or organizations that could be impacted by potential cannabis regulation.

- Continue to have all formal discussion occur at the full Board of Supervisors meetings and continue to invite public participation.
- Direct staff to convene focused public meetings with representatives of affected constituencies.
- Convene a follow-up workshop with panelists from affected constituencies.
- Refer this matter to a standing or ad hoc committee of the Board for further detailed discussion and public involvement.
- Refer this matter to the Alcohol and Other Drugs Advisory Committee for discussion and input

Recommended Next Steps

- Ask questions of staff panel
- Hear from the public
- Identify additional information to be requested from staff
- Consider providing initial preliminary guidance to staff on which approach(es) to start work on or explore further
- Consider providing direction on public outreach and engagement