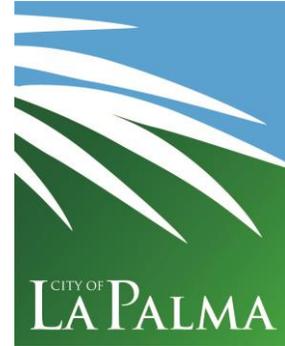


City of La Palma

Agenda Item No. 8



MEETING DATE: June 5, 2018
TO: CITY COUNCIL
FROM: CITY MANAGER
SUBMITTED BY: Laurie A. Murray, City Manager
AGENDA TITLE: Cannabis Policy Discussion

RECOMMENDED ACTION:

It is recommended that the City Council take the following actions:

- a) Receive and file the report; and
- b) Direct staff to bring forward an Ordinance allowing legal cannabis businesses, with the exception of store front dispensaries, in the Industrial and Industrial Overlay Zones, which are located at the north end of the City.

BACKGROUND:

In 2015, Governor Jerry Brown signed the Medical Cannabis Regulation and Safety Act (“MCRSA”), which established a regulatory and licensing program for commercial activities relating to medicinal cannabis, including cultivation, transportation, manufacturing, testing, and dispensing. California voters approved Proposition 64, also known as the Adult Use of Marijuana Act (“AUMA”), on November 8, 2016, that relates to non-medical use of cannabis with similar regulatory and licensing procedures as established by MCRSA. Governor Jerry Brown signed Senate Bill 94 into law on June 27, 2017, which created the Medicinal and Adult-Use Cannabis Regulation Safety Act (MAUCRSA). This legislation reconciled MCRSA and AUMA to establish a single system of administration for cannabis laws in California for both medicinal and adult-use. Since January 1, 2018, California has issued more than 6,000 cannabis licenses for retailers, distributors, and testing laboratories.

SUMMARY:

Currently, the La Palma Municipal Code prohibits any commercial activities related to either medical or non-medical marijuana. State law (through both MCRSA and AUMA) has established a licensing procedure for multiple categories, and sub-categories, relating to the entire commercial marijuana process, from cultivation to end user. The State will not issue any license to any commercial enterprise within city boundaries unless such entity obtains local approval. At

its January 26, 2018, Strategic Planning and Goal Setting Session, the City Council set as a goal investigating legal cannabis uses in the Industrial zone. The cannabis industry is a new emerging market that is still undergoing regulatory and pricing changes, which should level out in the next 24 to 36 months. Conservatively, allowing cannabis uses in the industrial zones could generate revenue for the City with a range of \$500,000 to \$1.5 Million. By acting proactively and tightly regulating these businesses in La Palma, the City maintains control and our residents benefit from the potential revenues. The City has engaged HdL Companies to present the latest update in cannabis regulations and businesses. If the City decides to proceed, HdL will assist the City in the development of ordinances, resolutions, application processes, implementation, and post approval regulatory requirements.

Under MAUCRSA, cities can decide whether to pursue any of the following aspects of commercial cannabis businesses for either medicinal or adult-use purposes:

1. Cultivation – Indoor or outdoor planting, growing, and harvesting of cannabis products
2. Manufacturing – Production, preparation, packaging, and labeling of cannabis products
3. Testing – Quality assurance testing regarding compliance with state law
4. Non-store front retail (delivery) – Delivery of cannabis products from commercial location to user
5. Retail (dispensary) – Retail sales of cannabis products from commercial locations
6. Distribution – Storage and transportation of cannabis products
7. Microbusiness – Ability to cultivate, manufacture, distribute, and retail on a small scale

Some issues to consider include:

- Continue with cannabis prohibition or consider allowing one or more commercial cannabis activities.
- If certain commercial cannabis activities are allowed, would they be allowed for medicinal use, adult-use, or both.

The cultivation, sale, and use of cannabis in California is rapidly changing. Should the City Council decide to proceed by creating regulations to allow legal cannabis businesses in the Industrial and Industrial Overlay Zones, which are located at the north end of the City and are highlighted on the adjoining map, it is recommended that store front dispensaries not be allowed. A regulatory structure could include appropriate zoning classifications for each allowed activity and regulations for permitting processes, zoning, and oversight of business operations and fees or taxes.

Currently, in Orange County only the cities of Costa Mesa and Santa Ana have ordinances allowing the full range of cannabis businesses, with Irvine allowing just testing and La Habra being



in the process of allowing distribution. It is believed that La Palma will be attractive to the Industry because of its advantageous location near to major highways; that it shares a border with Los Angeles County; and because there are very few cities with favorable ordinances in the region. A summary of the actions taken by neighboring jurisdictions is set forth below:

City	Cultivation	Manufacturing	Testing	Delivery	Retail	Distribution	Ban
Buena Park							X
Cypress							X
Stanton							X
La Habra						X	
Los Alamitos							X
Anaheim							X
Fullerton							X
Garden Grove							X
Cerritos							X
Hawaiian Gardens							X
Lakewood							X
Artesia							X
Long Beach*	X	X	X	X	X	X	

*currently medicinal use only

FISCAL IMPACT:

There is no fiscal impact associated with the discussion of the matter. However, should the City Council decide to move forward with an ordinance allowing legal cannabis uses, depending on the number of businesses that are permitted, the City could see an increase in annual revenues of between \$500,000 to \$1.5 Million. These additional revenues would further diversify the City's revenue stream and provide protection if a large sales tax provider were to leave the City at any time in the future.

APPROVED:



 City Manager