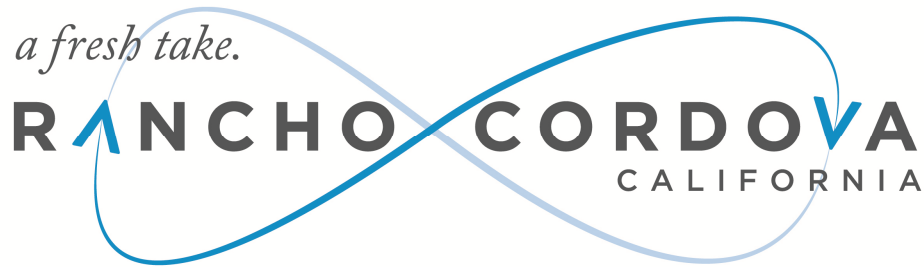


CITY OF RANCHO CORDOVA



CONCURRENT MEETING CITY COUNCIL/SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY (CRA)/RANCHO CORDOVA FINANCING CORPORATION (RCFC)

City Hall
2729 Prospect Park Drive, Rancho Cordova

Tuesday, June 27, 2017

5:30 PM – Special Meeting
American River Community Room North

AGENDA

1. SPECIAL MEETING - CALL TO ORDER/ROLL CALL

Council Members Budge, Gatewood, McGarvey, Sander, and Mayor Terry.

2. PUBLIC COMMENT

At a special meeting, citizens wishing to address the Council for any matter on the agenda may do so at the time the matter is discussed. Under the provisions of the California Government Code, the City Council is prohibited from discussing or taking action on any item not on the agenda.

3. SPECIAL MEETING ITEM

- 3.1 **Subject:** Discussion and Direction Regarding Commercial Medical Cannabis Use.
Recommendation: Receive information from the City Staff and Matthew Eaton, a consultant with HDL Companies, related to possibly allowing commercial medical cannabis uses in certain zones of the City. Provide direction to staff on next steps.
Result of Recommended Action: If directed to do so by City Council, City staff will return with additional information, discussion items, or draft zoning, regulatory, and map amendments at a future Council meeting.
Staff Report: Adam Lindgren, City Attorney; Kate Cook, Deputy City Attorney; Curt Haven, Economic Development Director.
Advances Goals: 2, 6.

4. ADJOURNMENT

ADDITIONAL INFORMATION

In compliance with the Americans with Disabilities Act, if you need a disability-related modification or accommodation, including auxiliary aids or services, to participate in this meeting, please contact the City Clerk's Office at (916) 851-8720 at least 48 hours prior to the meeting.

CERTIFICATION OF POSTING OF AGENDA

I, Mindy Cuppy, MMC, City Clerk for the City of Rancho Cordova, declare that the foregoing agenda for the Tuesday, June 27, 2017 Special Meeting of the Rancho Cordova City Council/Successor Agency to the CRA/RCFC was posted and available for review on Friday, June 23, 2017 at City Hall of the City of Rancho Cordova, 2729 Prospect Park Drive, Rancho Cordova, California, 95670. The agenda is also available on the city website at www.cityofranchocordova.org.

Signed Friday, June 23, 2017 at Rancho Cordova, California.


Mindy Cuppy, MMC, City Clerk

MEMORANDUM

DATE: June 27, 2017

TO: Honorable Mayor and Council Members

FROM: Adam U. Lindgren, City Attorney
Kate A. Cook, Deputy City Attorney
Curt Haven, Economic Development Director



SUBJECT: DISCUSSION AND DIRECTION REGARDING COMMERCIAL MEDICAL CANNABIS USES

RECOMMENDATION

Receive information from the City Staff and Matthew Eaton, a consultant with HDL Companies, related to possibly allowing commercial medical cannabis uses in certain zones of the City. Provide direction to staff on next steps.

RESULT OF RECOMMENDED ACTION

If directed to do so by City Council, City staff will return with additional information, discussion items, or draft zoning, regulatory, and map amendments at a future Council meeting.

BACKGROUND

The City of Rancho Cordova currently prohibits all commercial cannabis uses in all zones of the City. This ban includes both medical and nonmedical (recreational) cannabis businesses. This means that no dispensaries, cultivators, manufacturers, testing labs, or other cannabis-related businesses are permitted in the City.

On December 5, 2016, the City Council heard an informative presentation from City staff on the passage of Proposition 64 (legalization of recreational marijuana use and businesses in California) and its impacts on the City. The presentation provided an overview of the new law, a review of the previously passed Medical Cannabis Regulatory Act (MCRSA), and how these laws impact Rancho Cordova and the growing cannabis industry in California. At the meeting, Council directed staff to return with more information related to certain commercial cannabis uses (such as cultivation and manufacturing), potential locations and regulatory options for such businesses, and data on potential City tax revenue related to the businesses.

Since December, a working group made up of individuals from the Economic Development Department, Police, Code Enforcement, the City Attorney's Office, Community Development (Planning and Building), and Finance has been gathering information for the Council. The City also retained HDL, a top consulting firm with extensive knowledge and background on the cannabis industry (from taxes and permit issues to law enforcement and security matters). The guiding principles of the working group have been: public safety, blight reduction, economic development, and possible City revenues.

The goal of the workshop is to provide information to the Council, answer questions, hear input from the public (including residents and cannabis industry representatives), and then receive direction from the Council on next steps. Next steps could include returning to Council with more information or bringing forth drafts of zoning and regulatory changes to allow certain commercial cannabis uses in the City.

California Law:

California is expected to begin issuing commercial licenses to medical and recreational cannabis businesses in early 2018. Newly enacted laws create a licensing and regulatory structure for cannabis businesses, including retail storefronts as well as cultivators, manufacturing operations, testing laboratories, and distributors.

The current model for cannabis operations in California is a “non-profit” cooperative or collective of medical cannabis patients and caregivers who grow, manufacture, and sell cannabis products to each other. This model will be phased out as the new, for-profit commercial licenses are issued to both medical and nonmedical cannabis businesses.

A state budget trailer bill (SB 94) was passed just last week related to cannabis laws and regulations. The bill repeals MCRSA, related to medical cannabis businesses, but does include certain provisions from MCRSA in the licensing provisions of Proposition 64. The purpose of the legislation is to better align the requirements and license types for medical and nonmedical cannabis businesses.

The California Bureau of Medical Cannabis Regulation (renamed the Bureau of Cannabis Control under the trailer bill) within the Department of Consumer Affairs, will oversee the state licensing and regulatory processes for retail, distribution, and testing laboratory businesses. Licenses and regulations for cultivation businesses will be issued by the Department of Food and Agriculture. The Department of Public Health will oversee licensing and regulations for manufacturing businesses (extraction and edibles).

Marijuana remains an illegal “Schedule 1” drug under federal law. However, the federal government has previously stated it will not focus enforcement efforts on law-abiding medical cannabis activities. Additionally, the federal Drug Enforcement Agency does not receive funding for enforcement of medical cannabis operations. Following the 2016 election, the new administration has made very limited statements regarding this issue, but did indicate that medical cannabis operations would not be an enforcement target.

Land Use and Regulatory Options for the City:

State laws pertaining to medical and nonmedical cannabis uses give the City broad land use authority to regulate these uses. The City may:

- Prohibit all commercial cannabis businesses;
- Allow some commercial cannabis uses but not others (i.e. allow commercial medical uses but not commercial recreational uses; and only allow specific types of medical businesses only, such as allowing cultivators and manufacturers but not dispensaries);
- Limit the businesses to a particular area of the City and require distance requirements from sensitive uses;

- Impose development and operational standards on the businesses (security, noise, odor, hours, lighting, etc.); and
- Require the businesses with a special use permit that may be suspended or revoked if regulations are not followed and which does not run with the land so that operators may be vetted

The major category of business types are as follows:

	MEDICAL	NON-MEDICAL
Cultivation	YES / NO	YES / NO
Manufacturing	YES / NO	YES / NO
Testing (Quality Control)	YES / NO	YES / NO
Dispensary/Retailer	YES / NO	YES / NO
Distribution	YES / NO	YES / NO
Microbusiness	YES / NO	YES / NO

Current Rancho Cordova Cannabis Business Tax

The cannabis business tax is found at Chapter 3.80 of the Rancho Cordova Municipal Code ("RCMC") and imposes a tax on all cannabis business licensees which are defined as cannabis businesses, which have been issued a special business license pursuant to RCMC Title 4. A cannabis business includes any business involving the planting, cultivation, harvesting, transporting, manufacturing, compounding, converting, processing, preparing, storing, packaging, testing, or wholesale and/or retail sales of marijuana.

Chapter 3.80 establishes the following maximum tax rates:

	Tax for first \$1,000,000 in sales	Tax over \$1,000,000 in sales	
For Profit Cannabis Businesses	\$120.00 for each \$1,000 of gross receipts for the first \$1,000,000 (12%)	\$120.00 for each \$1,000 of gross receipts for the first \$1,000,000 and \$150.00 for each \$1,000 of gross receipts over \$1,000,000 (15%)	—
Nonprofit Cannabis Businesses (dispensaries under current regulations)*	—	—	\$100 per square foot on all business improvements occupied by the business

**The nonprofit dispensary model for medical marijuana sales will be phased out as the new state regulatory and licensing structure comes online. Individuals will simply have a license allowing for retail sales of medical marijuana.*

If the City were to allow any commercial cannabis businesses, the City Council could pass a resolution imposing the tax and setting the rate. Revenue estimates from the tax depend greatly on the type, size, and number of businesses allowed. The City could expect anywhere from \$850,000 to \$1.26 million in revenue if it allowed three medium-sized cultivation operations, two manufacturers, and one dispensary. Sacramento collects \$4 million-plus in tax revenue from about 30 dispensaries from its 4% tax.

Impact of AUMA on the City's Regulations—Cleanup Item

AUMA makes it legal for individuals 21 and older to cultivate up to six plants within a single private residence or within an accessory structure to a private residence. "Private residence" includes a home, an apartment, or a mobile home or similar dwelling. Cities and counties may enact "reasonable regulations" for indoor cultivation, but may not completely prohibit it. However, cities and counties may completely prohibit outdoor cultivation allowed under AUMA.

The City, therefore, may retain its ban on all outdoor cultivation of marijuana under AUMA. Minor amendments to the City's indoor cultivation regulations will, however, be required to ensure compliance with AUMA. The City may retain its cultivation permit requirements and other reasonable regulations related to health, safety, and public welfare, but will need to allow for the personal cultivation of up to six plants indoors on all residential parcels for nonmedical purposes. AUMA does allow for private property owners, such as landlords, to ban indoor and/or outdoor cultivation on their property. (Health & Safety Code § 11362.45(h).) Staff recommends that these updates be brought to the Council in the next few months.

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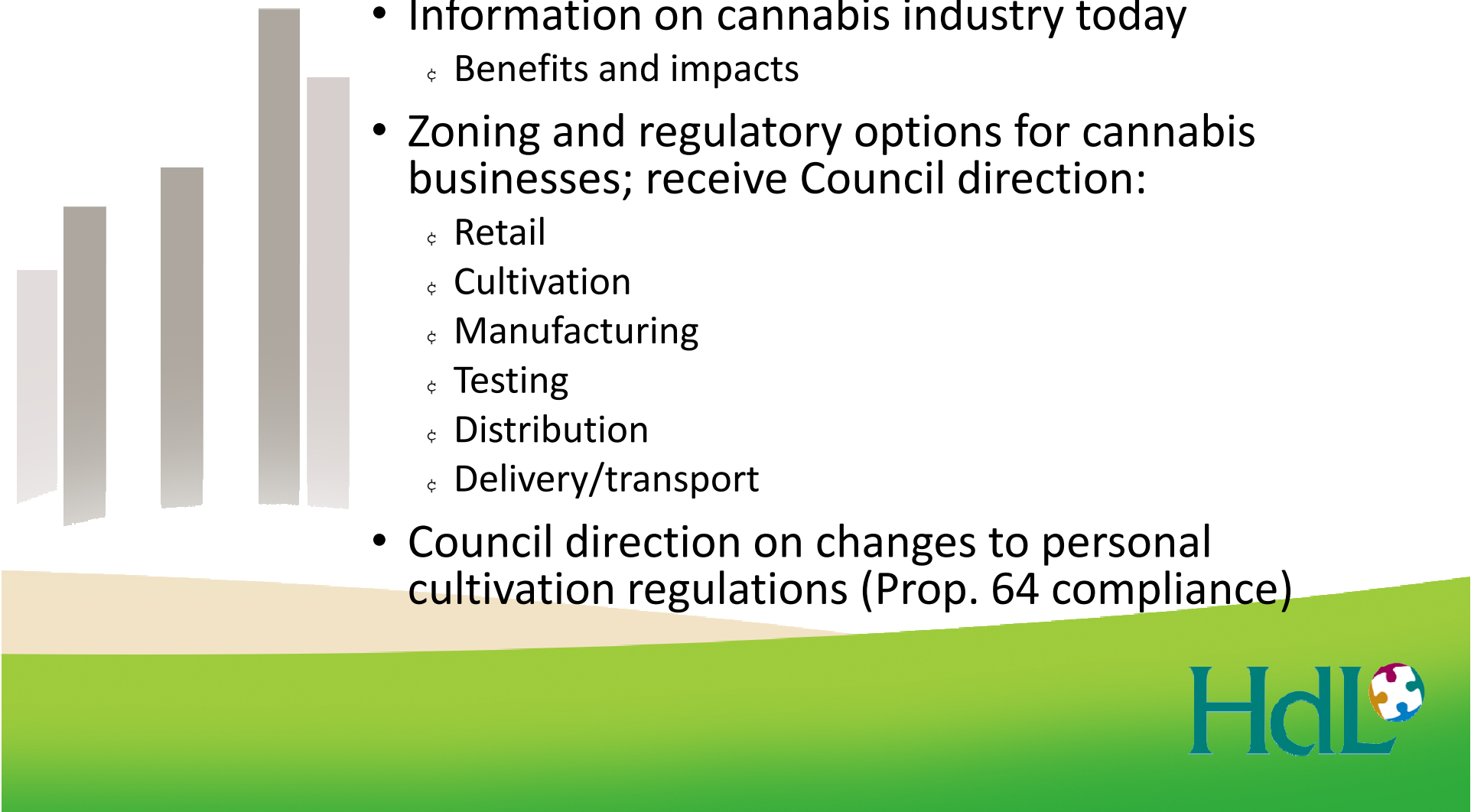
Rancho Cordova

City Council Workshop on Commercial Cannabis Uses

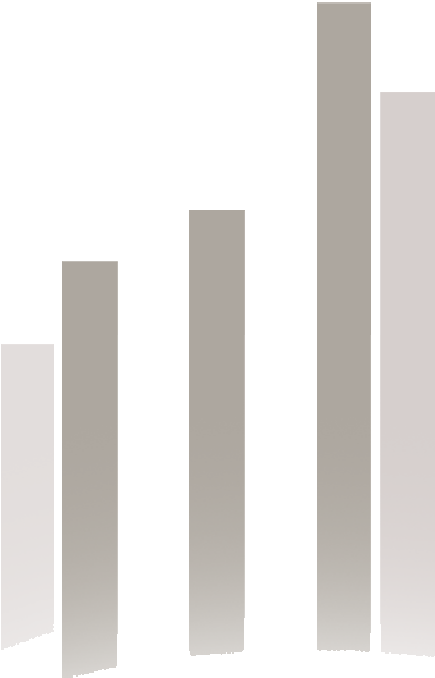
June 27, 2017



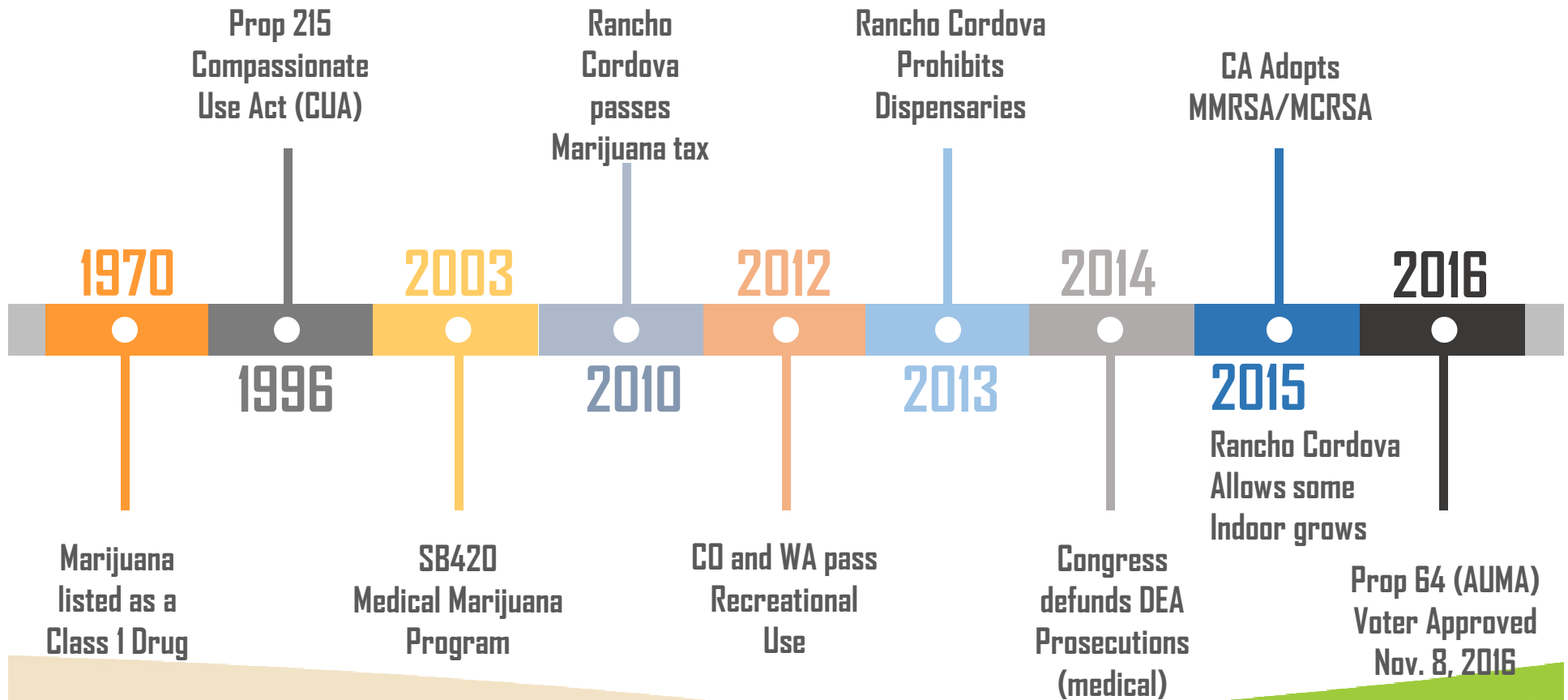
MEETING ROADMAP

- 
- A decorative graphic on the left side of the slide. It features four vertical bars of increasing height from left to right, colored in shades of gray. Below the bars is a green field with a light green gradient. The field is divided into two sections by a horizontal line. The top section is a lighter green, and the bottom section is a darker green. The HdL logo is positioned in the bottom right corner of the field.
- Review prior City Council direction
 - Information on cannabis industry today
 - ◊ Benefits and impacts
 - Zoning and regulatory options for cannabis businesses; receive Council direction:
 - ◊ Retail
 - ◊ Cultivation
 - ◊ Manufacturing
 - ◊ Testing
 - ◊ Distribution
 - ◊ Delivery/transport
 - Council direction on changes to personal cultivation regulations (Prop. 64 compliance)

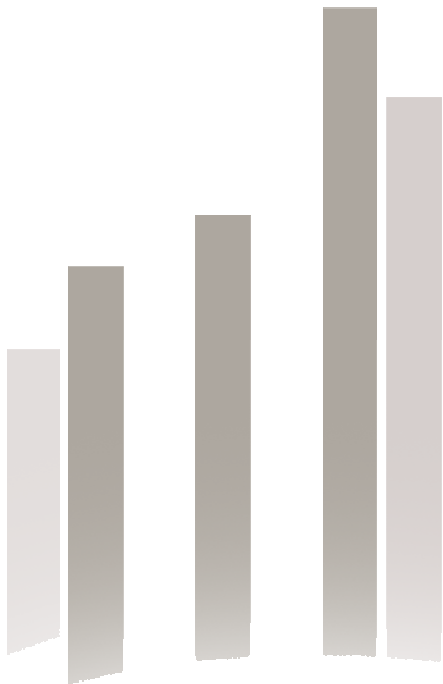
Prior Council Decisions/Direction

- 
- 2004-2007; 2011: Moratoria on dispensaries
 - 2010: Marijuana tax placed on ballot and approved
 - 2010: All cultivation prohibited
 - 2013: Dispensaries banned
 - 2015: Limited personal indoor cultivation (medical) allowed
 - **2016: Council workshop: Direction to return with more information on commercial uses, with location and regulatory options, and revenue data**

MARIJUANA TIMELINE



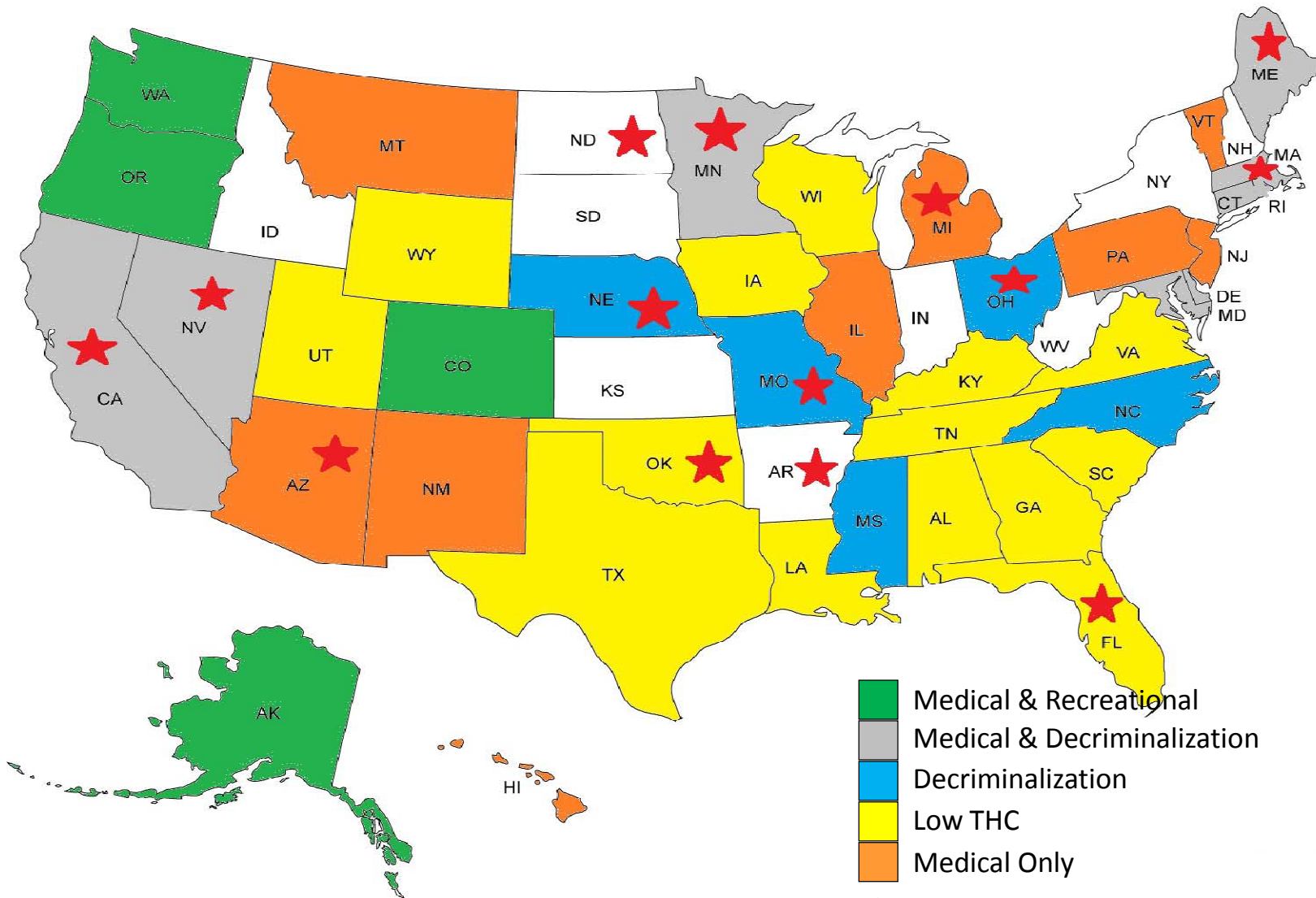
PARADIGM SHIFTS AND CULTURAL CHANGES



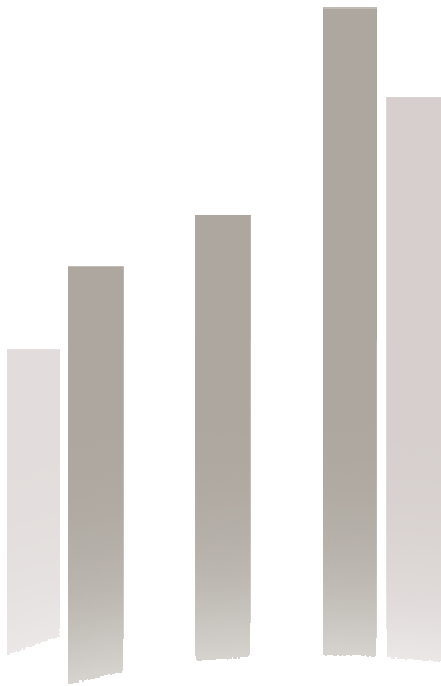
Types of cultural behavior changes:

- Prohibition of Alcohol (1920-30s) - Silent Generation
- Cigarettes (1950-60s) - Baby Boomers
- Gambling Indian Casinos (1970-80s) - Generation X
- Marijuana Decriminalization (1996-2016) - Centennials

MARIJUANA BREAKDOWN BY STATE



PROP 64 ELECTION RESULTS



- **Statewide:** 57.1% of the voters supported Proposition 64 and 42.9% opposed
- **Sacramento County:** 54.2% of the voters supported the initiative and 45.8% opposed (Rancho Cordova results similar to County)

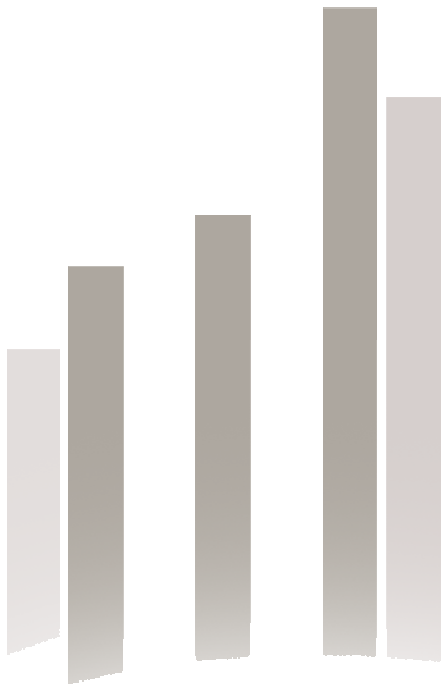
PROP 64 PERSONAL USE

You MUST be
21
I.D. REQUIRED



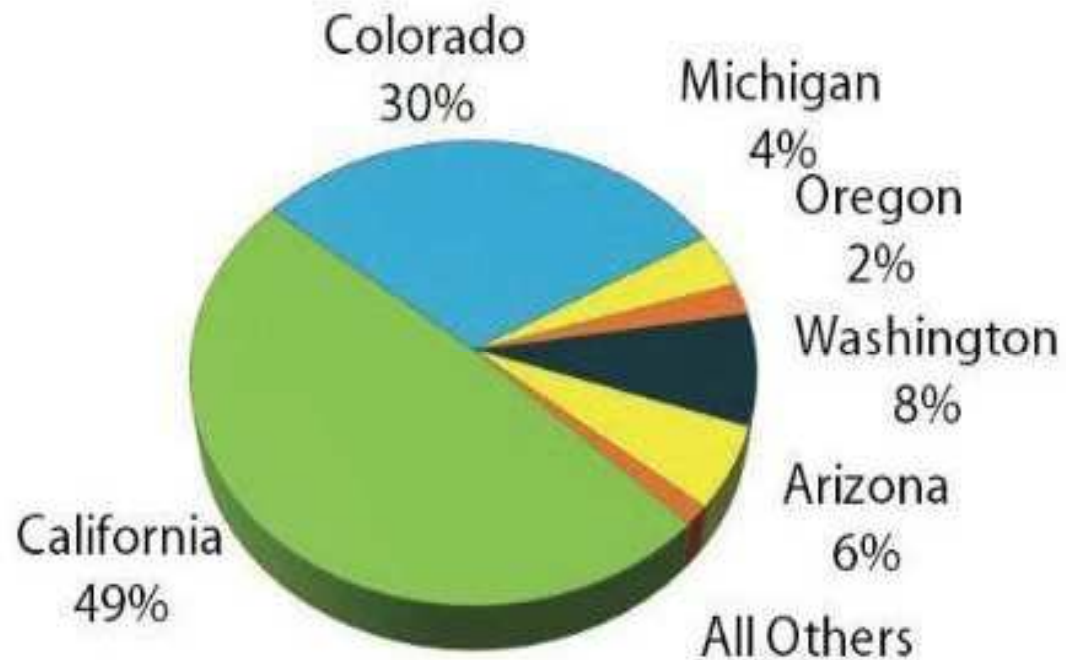
No conduct deemed lawful by this law shall constitute the basis for detention, search, or arrest.

CANNABIS ECONOMIC TRENDS

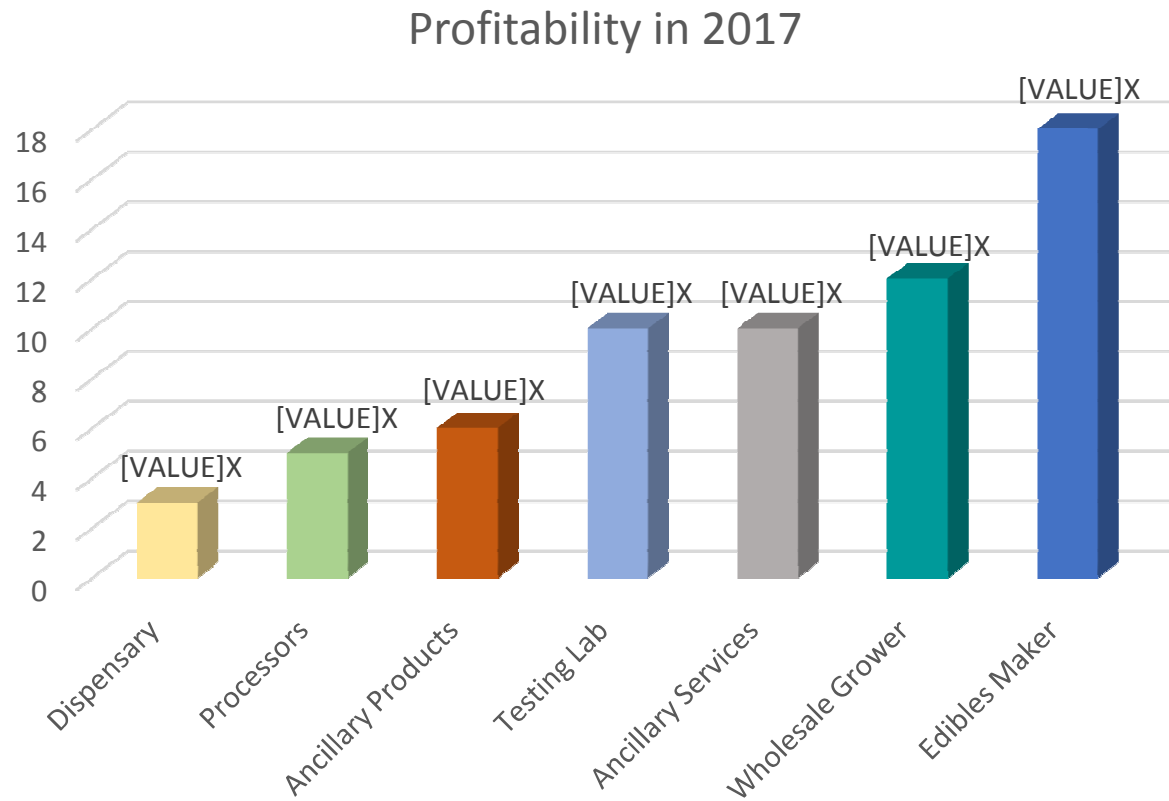


- It is predicted that the Cannabis Industry will generate \$7.6 Billion in California by 2020.
- Local economy is growing in some communities as a result of the Cannabis Industry.
- Commercial companies have been here for decades but not necessary in the light and the local agency is not benefitting financially.
- Residential growers have been able to compete in the market and will until MCRSA and AUMA are implemented.

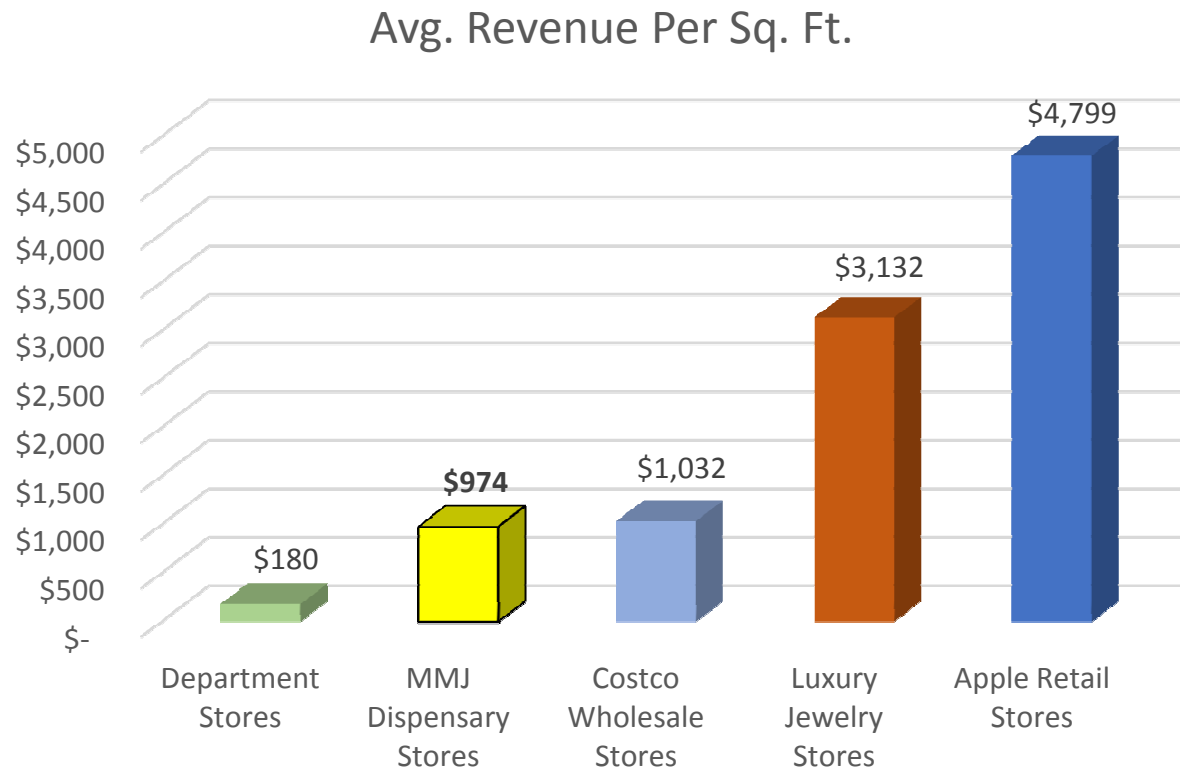
CALIFORNIA'S MARKET SHARE



PREDICTED PROFITABILITY IN 2017

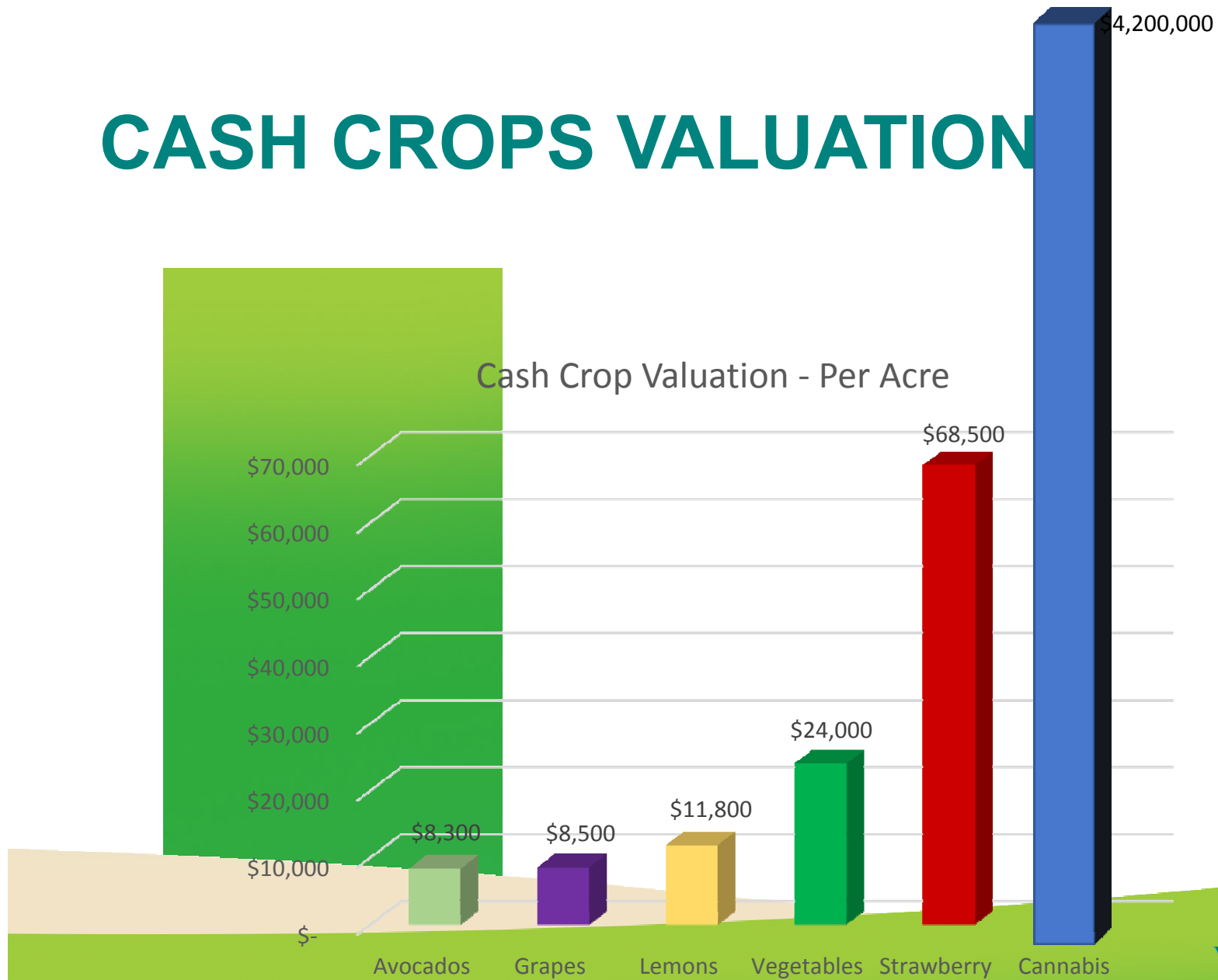


AVERAGE ANNUAL REVENUE PER SQ. FT.



CASH CROPS VALUATION

Cash Crop Valuation - Per Acre



LOCAL TAX REVENUE PROJECTIONS

- Emerging market makes it difficult to assess with total accuracy
- Annual Revenue Estimates:
 - ¢ Conservative (4%): \$840,000
 - ¢ Moderate (5%): \$1,050,000
 - ¢ Aggressive (6%): \$1,260,000
 - § Assumes 3 cultivation facilities with 10,000 sq. feet each of canopy space generating \$4 million annually.
 - § Assumes 2 manufacturers and 1 dispensary with average of \$3 million in gross receipts.

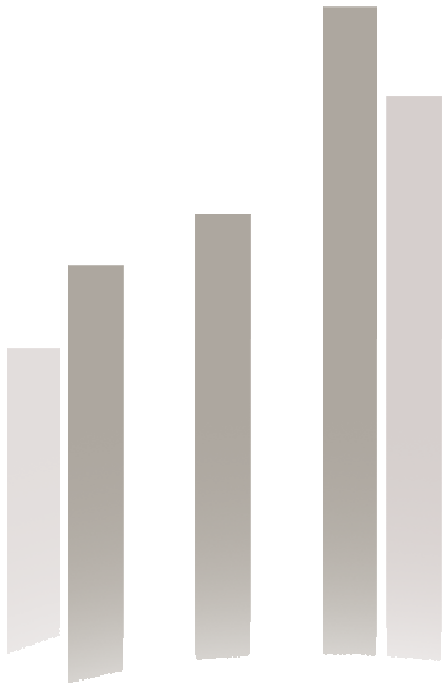
PUBLIC SAFETY CONCERNS

- Involve Police, Code, Fire in development of any local regulations
 - Require background checks, security plans, inspections
- Colorado report (2014 stats): Crime from *licensed and regulated* cannabis businesses accounted for .03% of total crimes
- Colorado: Burglary and attempted burglary accounted for 78% of cannabis related crimes; vast majority employee related
 - *Source: Denver Collaborative Approach for Retail Marijuana, 2016*

PUBLIC SAFETY CONCERNS

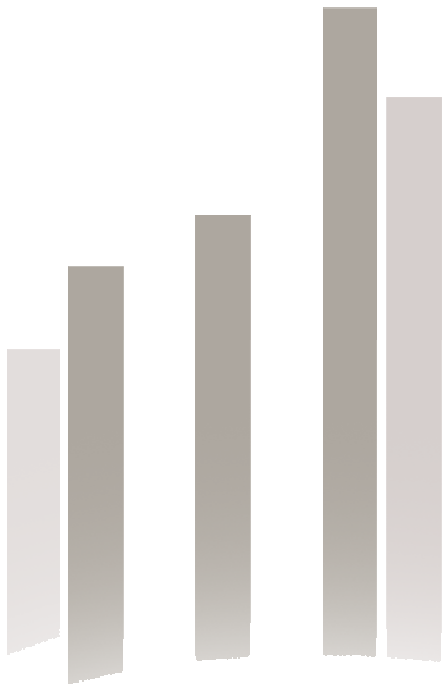
- Black market exists (illegal home grows, warehouse operations)
 - ◊ Unknown what impact allowing limited commercial uses will have on the black market
 - ◊ California still an “unregulated” market; big changes coming soon
 - ◊ If taxes and fees too high, could encourage black market
 - ◊ Revenue from taxes could assist in regulating illegal operations
 - ◊ City may collect taxes from illegal operations

BANKING ISSUES



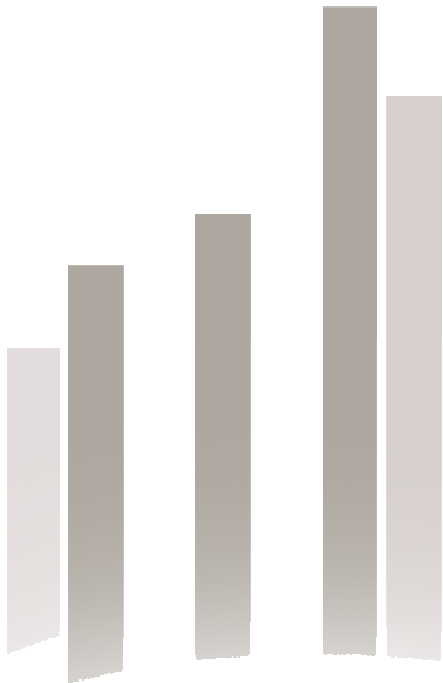
- Cash transactions due to nature of business.
- Limited banking options due to Federal law.
- Underpayment of taxes are hard to detect using traditional audit methods.
- Safety issues related to transportation of cash for operators and city staff.

CANNABIS BANKING GROUP



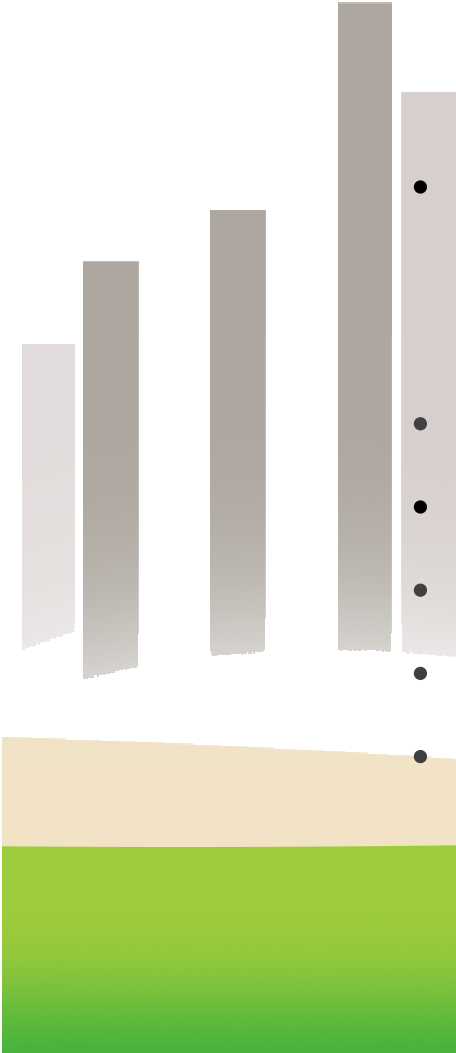
- Representatives from law enforcement, regulators, banks, taxing authorities, local government and the cannabis industry
- Established to address the issue since Prop 64 and MCRSA implementation could be hampered if a practical solution is not developed to address the state-federal conflict

Banks, Credit Unions Serving Cannabis Companies

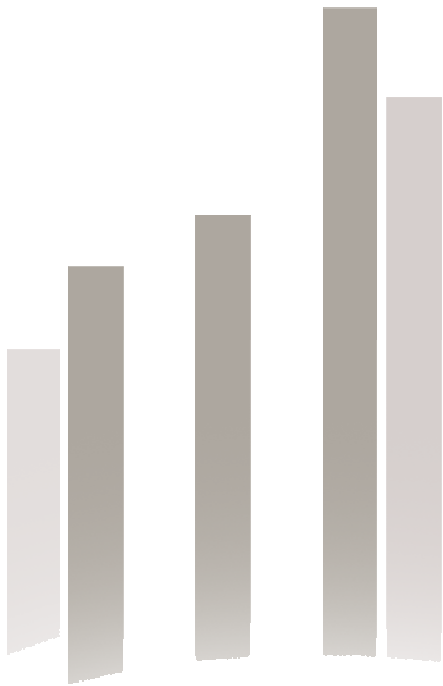


- Banks have the ability to certify businesses to determine if they want to do business with them.
- Determining which banks are doing business with Cannabis operators is difficult due to confidentiality agreements.
- The number of banks/credit unions serving the Cannabis Industry has grown in the last 24 months.
 - March 2014 51
 - March 2016 301
 - December 2016 500

WHAT IS HAPPENING IN THE REGION

- 
- **Sacramento:** 4% excise tax; about 30 dispensaries; allows indoor commercial cultivation, nonvolatile manuf., testing, and delivery (medical for now); est. \$4 million in tax revenues
 - **West Sacramento:** Issued CUP for distribution business; considering allowing cultivation and manufacturing in heavy industrial zones; reviewing CUP app for manufacturing business (with possible development agreement)
 - **Sacramento County:** Prohibits all commercial uses.
 - **Elk Grove:** Prohibits all commercial uses.
 - **Folsom:** Prohibits all commercial uses.
 - **Citrus Heights:** Prohibits all commercial uses.
 - **Roseville:** Prohibits all commercial uses.

WHY NOW?



- State licenses to be issued early 2018
- Regulations in development
- Businesses and investors making decisions now on where to locate

BALANCING POLICY ISSUES

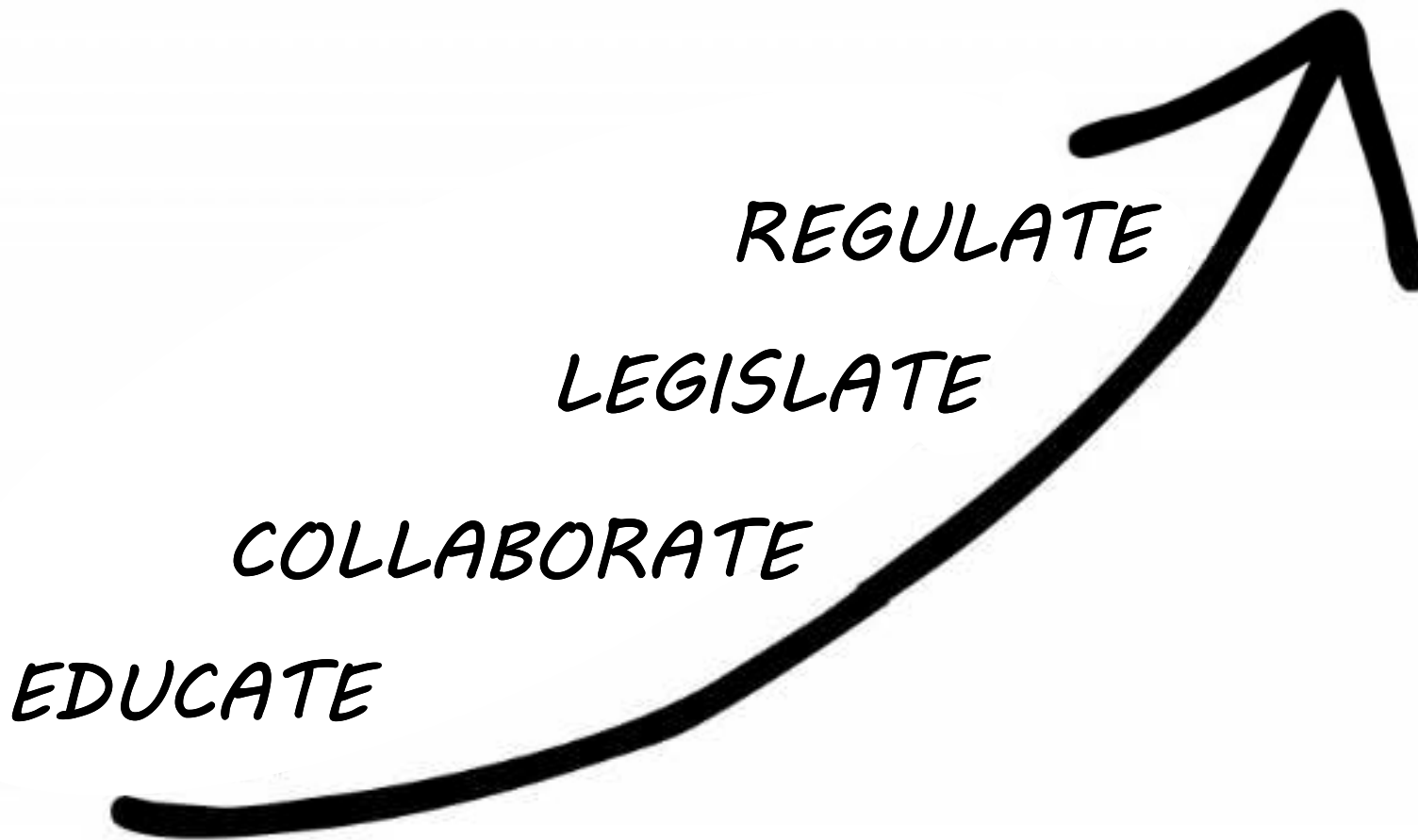
MARIJUANA POLICY DEVELOPMENT

*“Policies designed today will help
shape how the industry will look in
your community tomorrow.”*

-HdL Companies

PATH TO SUCCESS

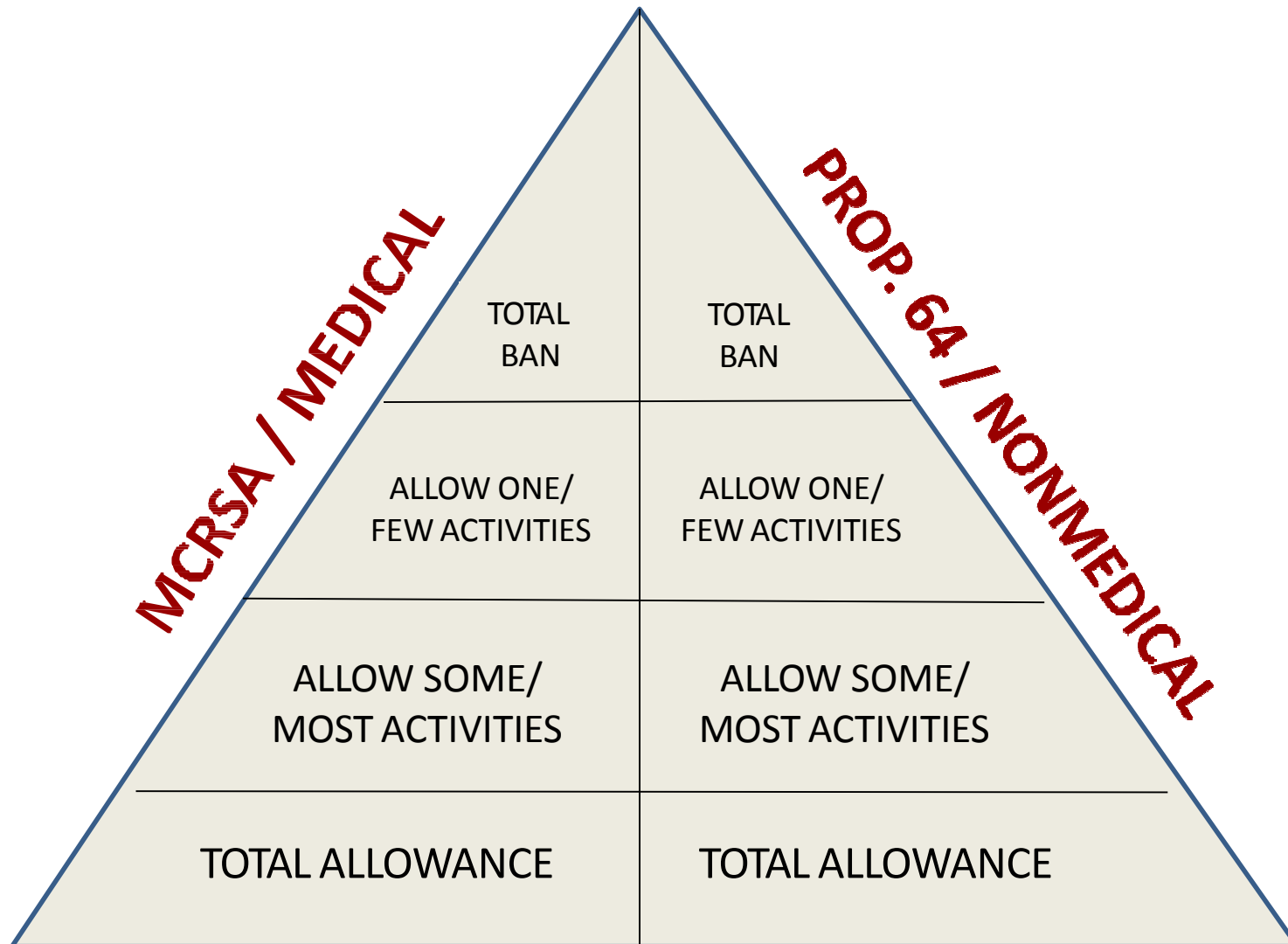
SUCCESS



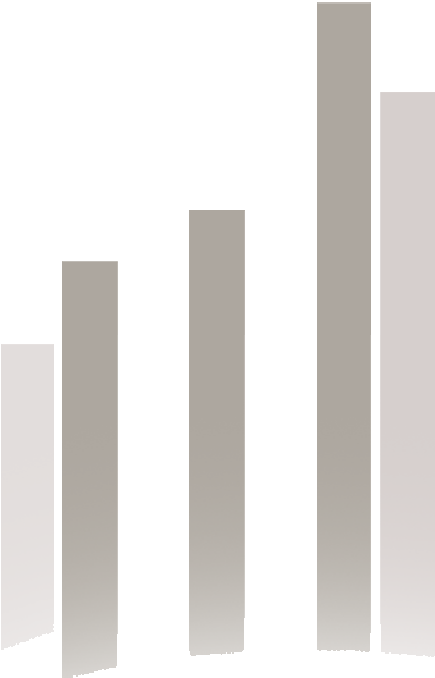
GUIDING PRINCIPLES

- **Staff working group from many departments**
- **Focus on information gathering**
- **Guiding principles**
 - Public Safety
 - Blight Reduction
 - Economic Development
 - Possible Revenue

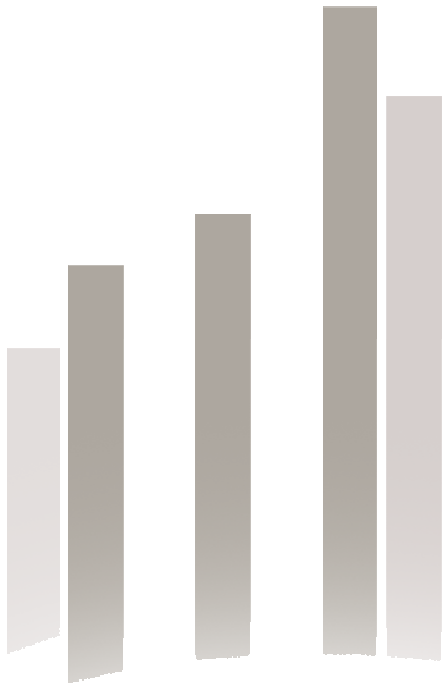
REGULATORY OPTIONS



KEY POINTS TO CONSIDER

- 
- Collaborate with the Internal and External stakeholders.
 - Keep in mind how land use policies will effect other businesses/residents of your community.
 - Address City staffing demands and capacity to meet the needs of the emerging industry and its impact on City services.
 - Create permit fee structure to cover staff time.
 - Make sure that you have professional staff/consultants that really have the expertise to deal with the issues.

LICENSE TYPES



- **20 types:**

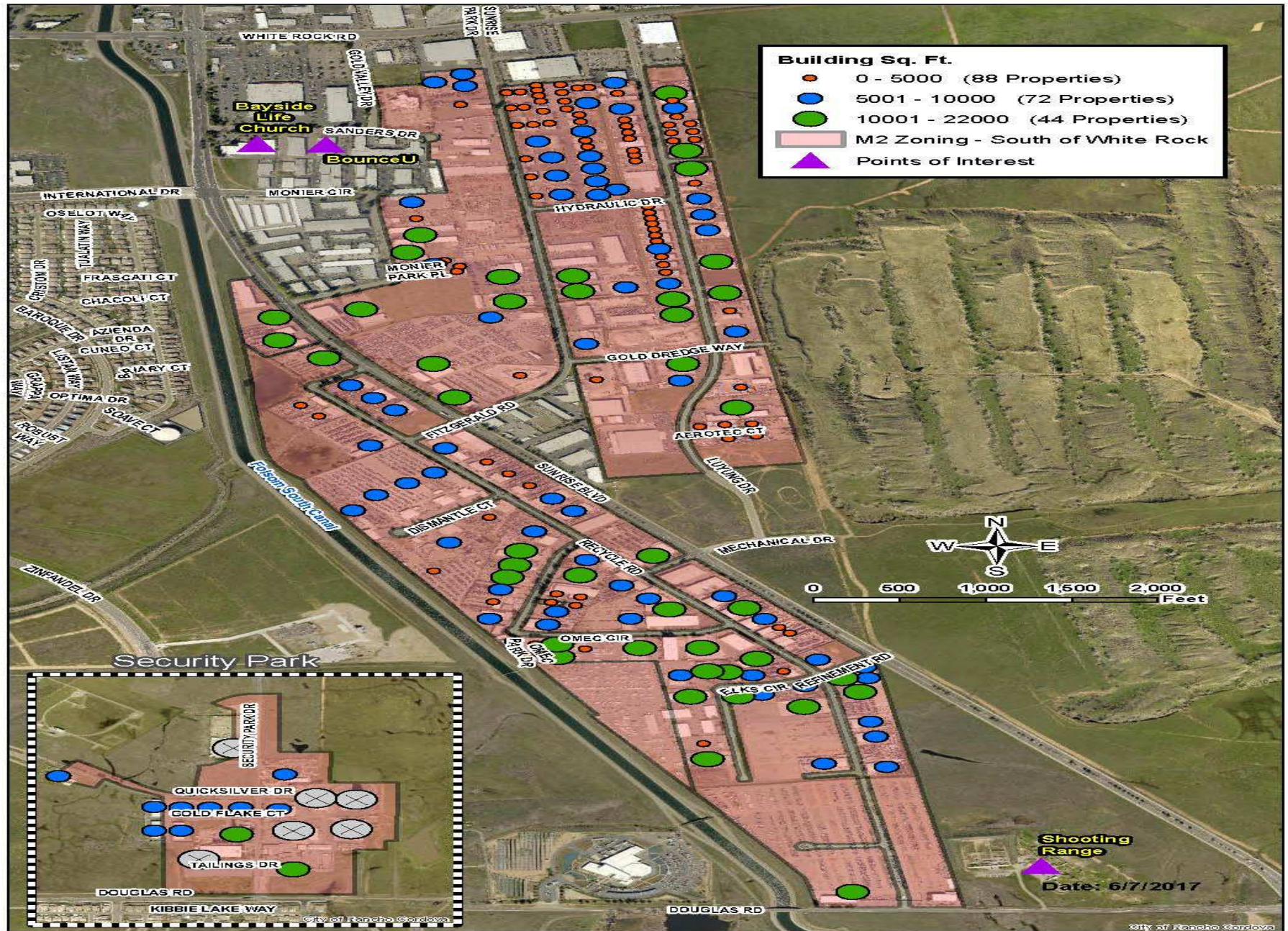
- Cultivation (14 different licenses)
- Retailer (storefront)
- Delivery service (no storefront)
- Special events (temporary licenses)
- Manufacturers (2 license types)
- Testing labs
- Distributors/transporter
- Microbusiness (multiple uses in one location)

LAND USE CONSIDERATIONS

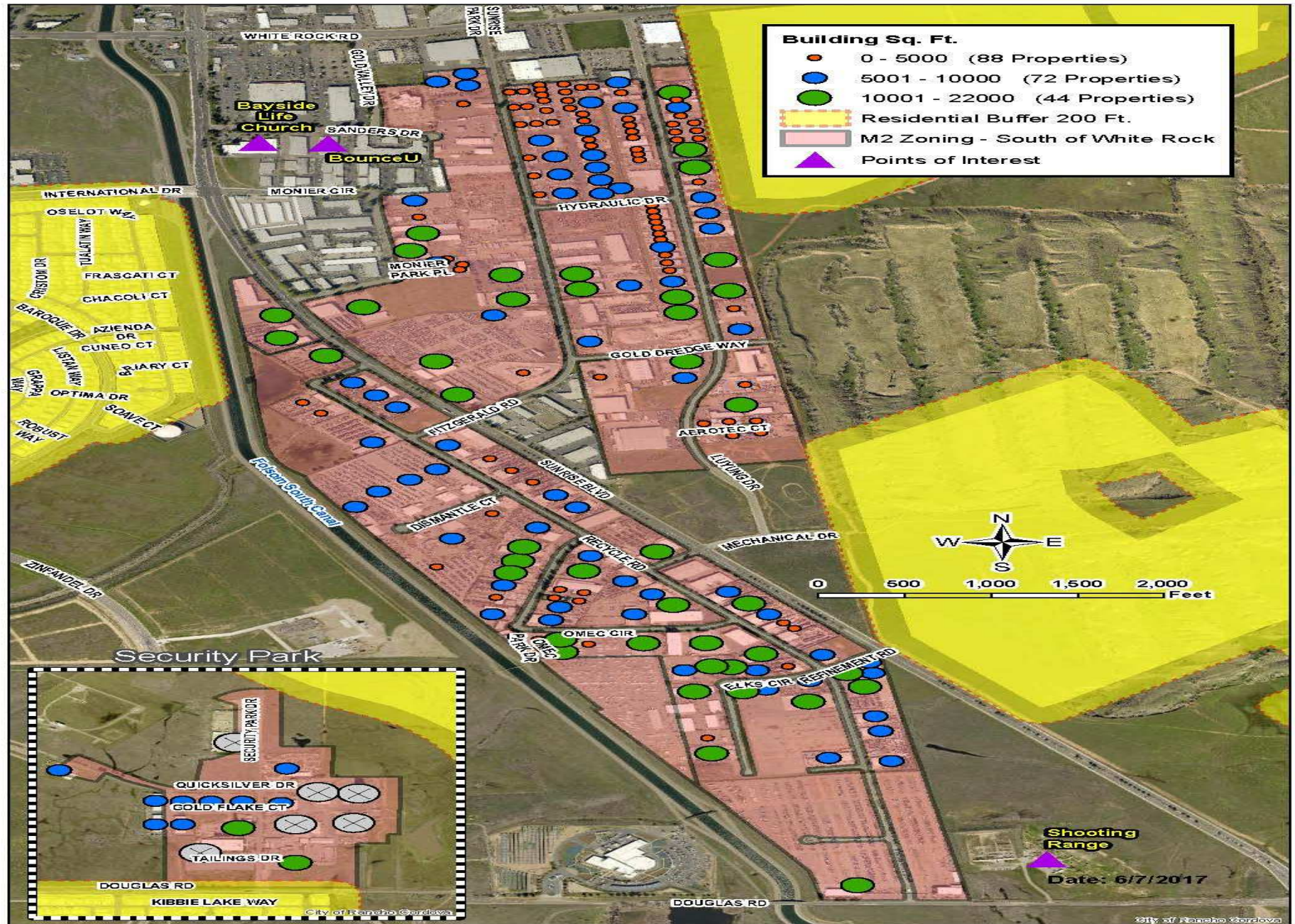
If allow certain businesses:

- ¢ Which type?
- ¢ Where?
 - § Overlay zone within M-2 (heavy industrial) an option
- ¢ How many?
 - § City may limit number
- ¢ Distance requirements from sensitive uses?
 - § Schools, day cares, youth centers (600 feet required)
 - § Residential (200 feet common)

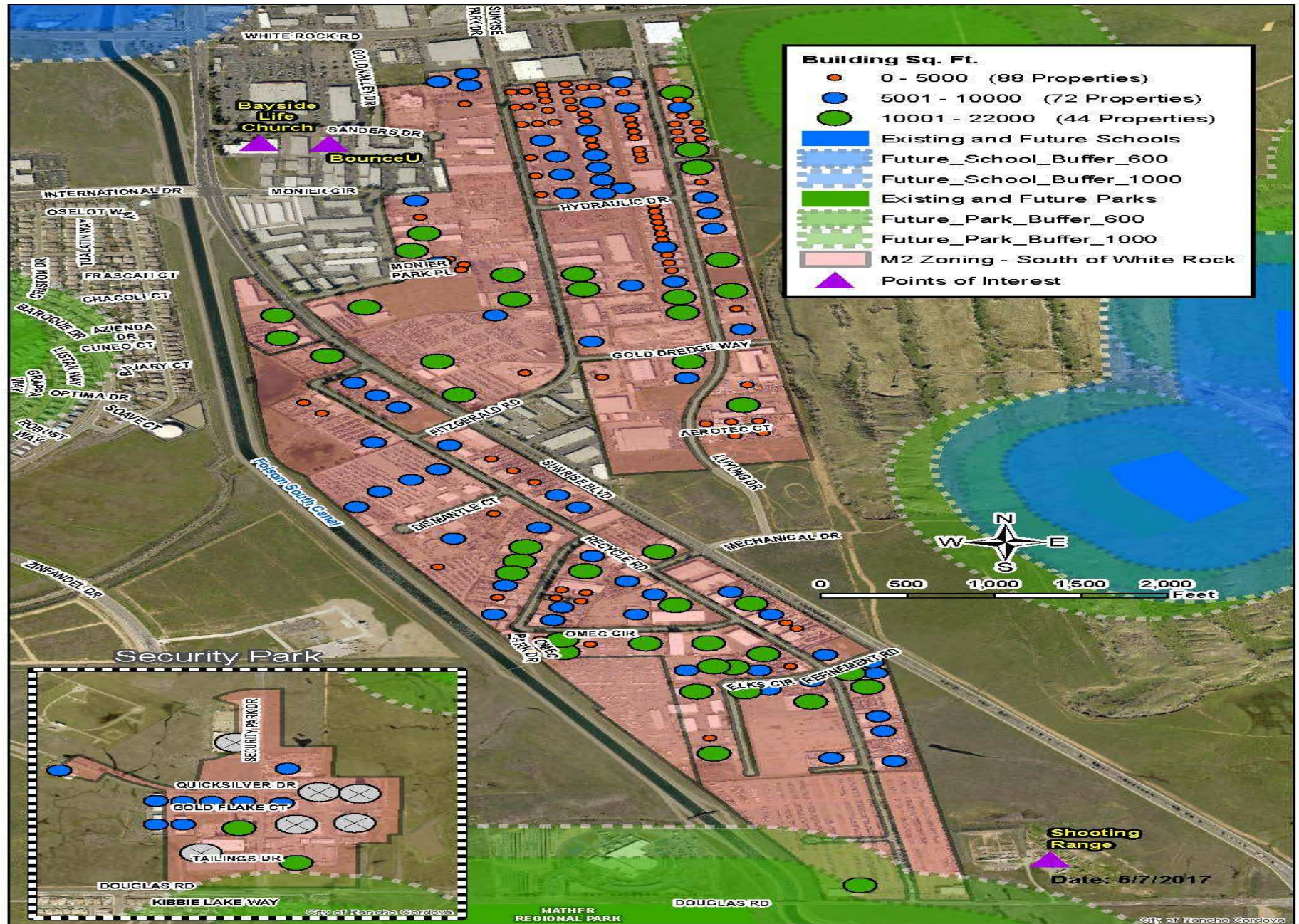
POSSIBLE OVERLAY ZONE IN HEAVY INDUSTRIAL (M-2)



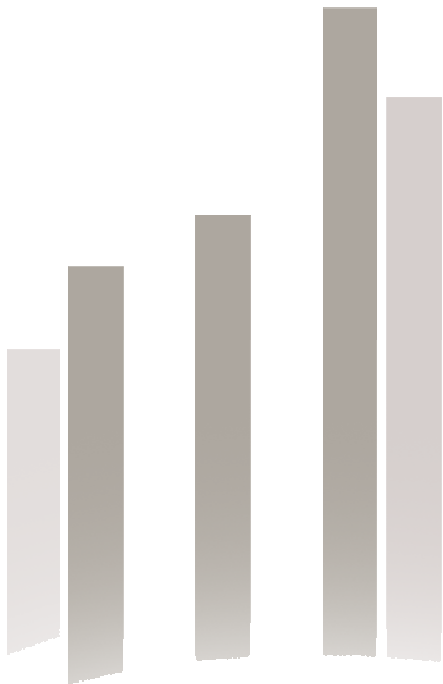
RESIDENTIAL BUFFER- 200 FEET



BUFFERS FROM SCHOOLS AND PARKS



DEVELOPMENT OF REGULATORY ORDINANCE



A regulatory ordinance being developed should address the following:

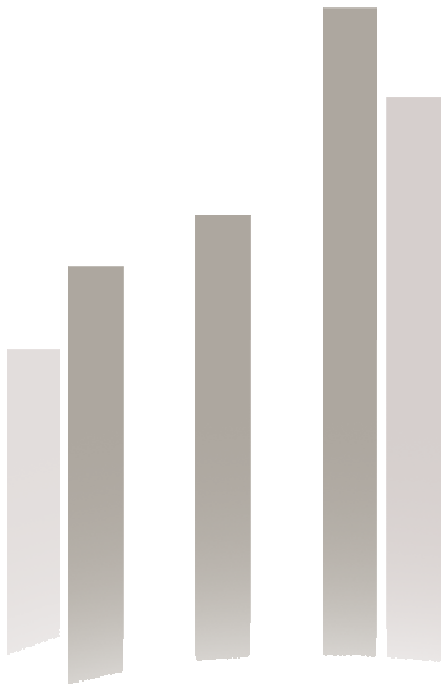
- Time
- Place
- Manner

REGULATORY ORDINANCE

Regulated Business Environment

- Business location
- Hours of operation
- Signage/advertisement
- Security measures – physical and operational
- Smell, sight, noise
- Reporting requirements
- Employee badge requirements

REGULATORY ORDINANCE

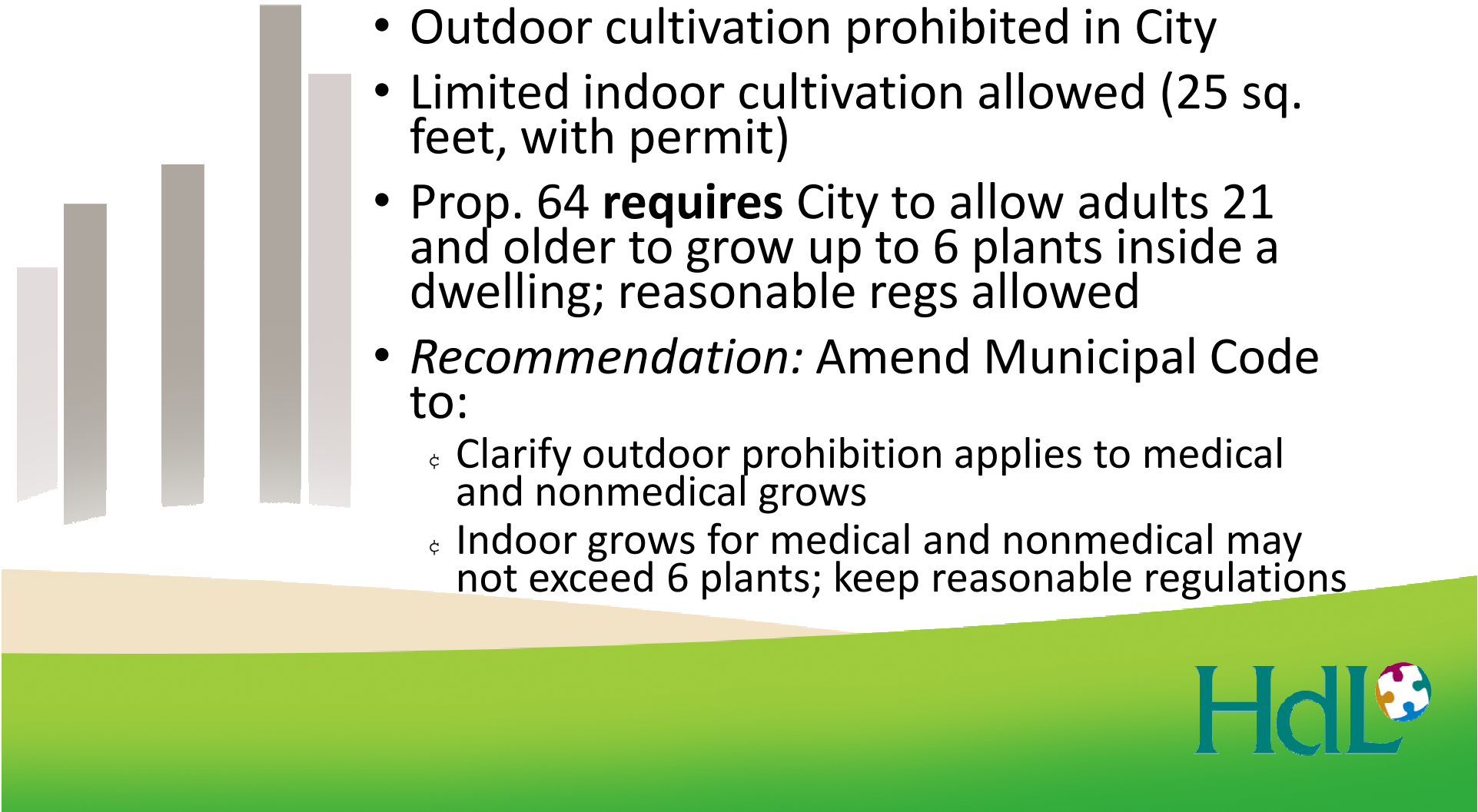


- Unpermitted construction activity
- Vendors and consultants
- Access control requirements
- Law enforcement access
- Record reporting/retention requirements (Track and Trace)
- Investigation and inspection protocols
- Good neighbor policy mitigation
- Suspension, fines, and revocation of the permit

CATEGORIES OF USES

	MEDICAL	NON-MEDICAL
Cultivation	YES / NO	YES / NO
Manufacturing	YES / NO	YES / NO
Testing (Quality Control)	YES / NO	YES / NO
Dispensary/Retailer	YES / NO	YES / NO
Distribution	YES / NO	YES / NO
Microbusiness	YES / NO	YES / NO

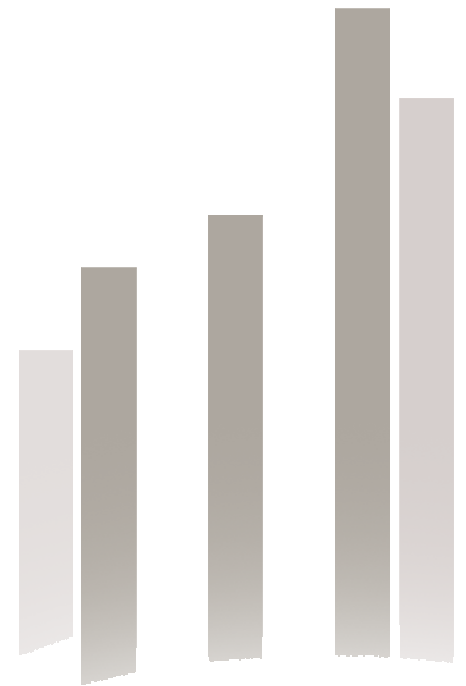
CLEAN-UP ITEM: PERSONAL CULTIVATION

- 
- Outdoor cultivation prohibited in City
 - Limited indoor cultivation allowed (25 sq. feet, with permit)
 - Prop. 64 **requires** City to allow adults 21 and older to grow up to 6 plants inside a dwelling; reasonable regs allowed
 - *Recommendation:* Amend Municipal Code to:
 - Clarify outdoor prohibition applies to medical and nonmedical grows
 - Indoor grows for medical and nonmedical may not exceed 6 plants; keep reasonable regulations

CONTACT INFORMATION

Matt Eaton - Cannabis Compliance Manager

meaton@hdlcompanies.com



Thank you!



