

City of Goleta

# ▶ Marijuana Regulations

# Federal Law

- ▶ Illegal under Federal Controlled Substances Act
- ▶ “Cole Memo” - deprioritized federal prosecution of marijuana crimes
- ▶ Trump Administration and Attorney General Jeff Sessions
  - ▶ Expressed desire to prosecute against marijuana crimes
  - ▶ Recreational marijuana most likely to be targeted



# California Cannabis Laws

2015



Medical Cannabis  
Regulation and Safety  
Act (MCRSA)

2016



Proposition 64  
Adult Use of Marijuana  
Act (AUMA)

2017



Trailer Bill SB 94:  
Medical & Adult Use  
Cannabis  
Regulation and  
Safety Act

# MCRSA

- ▶ 1996-2009 State Regulations
  - ▶ Qualified patients and primary caregivers allowed to use, possess and cultivate
  - ▶ Valid identification cards; Dispensaries allowed so long as nonprofit.
- ▶ MCRSA - Comprehensive state licensing system for commercial medical marijuana
  - ▶ Cultivation, manufacture, retail sale, distribution, delivery, and testing

# AUMA

- ▶ Proposition 64 passed 11/8/16
- ▶ Legalized nonmedical use of marijuana
- ▶ 21 years and over
- ▶ Personal cultivation of 6 plants
- ▶ Per residence
- ▶ Subject to local reasonable regulations
- ▶ Commercial recreational marijuana
  - ▶ Cultivation, manufacture, testing, and distribution

# MAUCRSA (“Trailer Bill AB 94”)

- ▶ Legislature passed in June 2017
- ▶ Resolved problem left by MCRSA and AUMA which created two separate licensing and regulatory schemes for medical and recreational marijuana
- ▶ Creates one regulatory structure for medical and recreational marijuana
- ▶ Local authority to regulate or ban

# Tax

- ▶ Sales v. Excise Tax
  - ▶ Sales - tax at every sale transaction
  - ▶ Excise - tax for privilege of being able to do something
    - ▶ Based on percentage of business' overall revenues

# State Taxes

- ▶ Certain sales of medical marijuana are exempt from sales and use tax.
- ▶ 1/1/18
  - ▶ 15% excise tax based on average market price of marijuana
  - ▶ Cultivation
    - ▶ \$9.25 per dry-weight ounce of marijuana flowers
    - ▶ \$2.75 per dry-weight ounce of marijuana leaves



## City Tax

- ▶ Excise tax - business license tax based on gross revenues
- ▶ Ballot measure November 2018

# City's Regulations - Medical Marijuana

	Allowed/Not Allowed
Medical Marijuana	
Retail Sales	Not allowed except for 2 grandfathered dispensaries
Cultivation	Not allowed except for 2 grandfathered dispensaries
Deliveries	Deliveries into the City allowed if delivery business is located in another jurisdiction; No delivery businesses are allowed to be located in the City because of marijuana ban except for the 2 grandfathered businesses
Manufacture, extraction, testing or processing	Not allowed except for 2 grandfathered dispensaries

# City's Regulations - Recreational Marijuana

Recreational Marijuana	Allowed/Not Allowed
Retail sales	Need Council direction
Cultivation	Yes for personal cultivation; Ban on commercial cultivation
Deliveries	Yes to deliveries ending in Goleta;  Medical ban renders application of delivery ordinance to allow deliveries to end in Goleta but no businesses to be located in Goleta
Manufacture, warehousing, extraction, testing, processing	Need Council direction



- ▶ Creation of an Ordinance  
and Process

- ▶ (HDL)

# About HdL

- Serves:
  - 303 cities
  - 48 counties
  - 108 transaction districts
- Partnered with over 75 local agencies to develop cannabis policies
- Team consists of former policymakers, law enforcement and cannabis regulators
- HdL staff has experience conducting over 11,000 cannabis compliance reviews in Colorado, California and Nevada



# Policy Decision



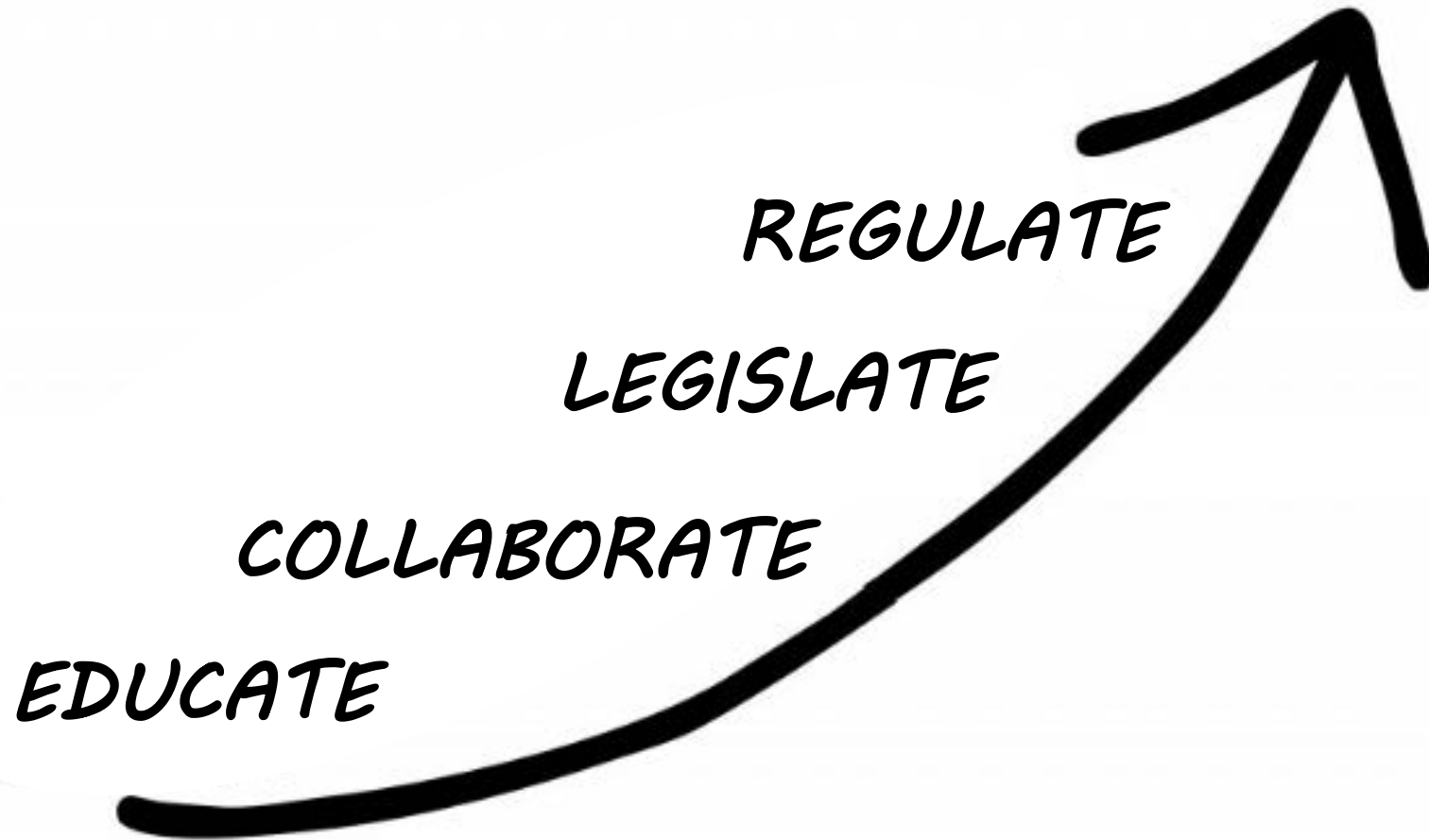
## MARIJUANA POLICY DEVELOPMENT

*“Policies designed today will help shape how your industry looks tomorrow.”*

-HdL Companies

# PATH TO SUCCESS

SUCCESS







## Regulated commercial cannabis

- Police Department oversight
- Cost recovery through fees
- Generates new general fund revenues through taxes
- City controls who, what, when, where
- Discourages black market



## Unregulated commercial cannabis

- Demand for cannabis remains the same
- Accessibility from delivery services and neighboring jurisdictions
- Pushes local market underground
- Cost to City increases without resources to pay for it



### Public safety concerns

- Bad actors
- Youth exposed to grow sites in residential property
- Black market diversion/inversion
- Illegal cultivation activities
- Illegal business activities
- Driving while impaired
- Increased traffic



### Public health concerns

- Bad odors
- Pollutants
- Overdose
- Access by youth

# Addressing Public Concerns Through Regulations

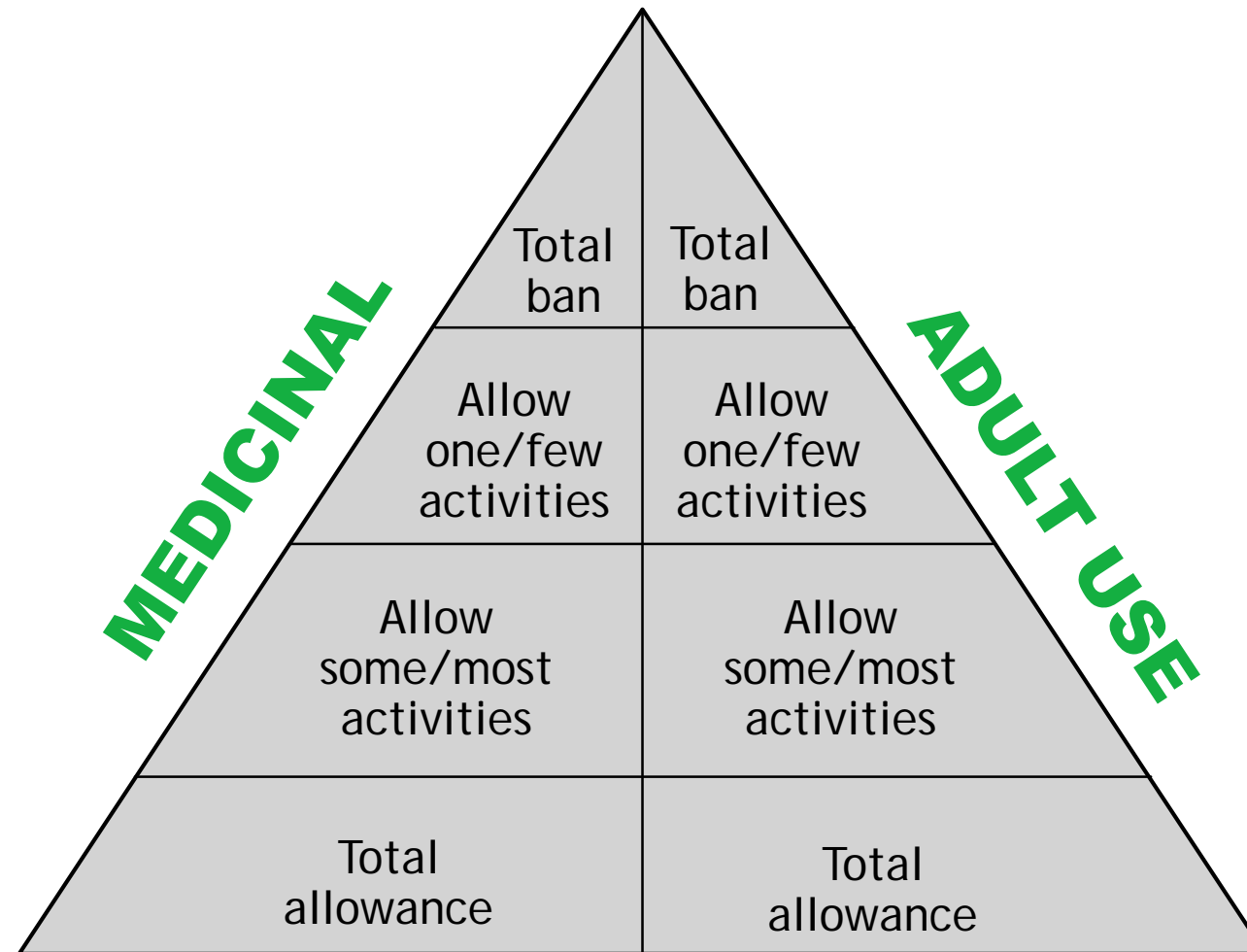




## A Regulatory System Can:

- ✓ Give the local agency authority and control over licensing
- ✓ Require applicants to comply with robust requirements
- ✓ Enhance accountability for security and product safety
- ✓ Reduce intervention from the Federal Government by complying with the Cole Memo and other state laws

# REGULATORY OPTIONS





# ▶ Issues



# Ban, Regulate, or Allow Only State Law to Govern

- ▶ Ban - Don't want industry, wait and see how other cities do it
- ▶ Regulate
  - ▶ Local control over how businesses operate in City
  - ▶ Revenue generation
    - ▶ Tax must be voted in November 2018 before it can be imposed
    - ▶ Discretionary Permit and Development Agreement
- ▶ Allow only state law to govern

# Timing

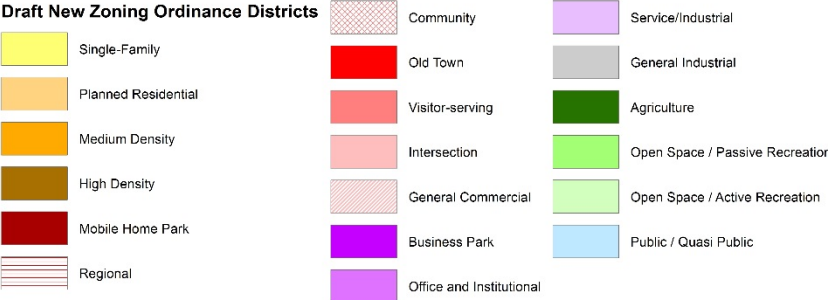
- ▶ If regulate, when to complete ordinance?
  - ▶ 1/1/18 - see timeframe on p. 4 of Staff Report
    - ▶ Zoning Map Discrepancy
    - ▶ Environmental Review
  - ▶ After 1/1/18 - must enact temporary ban and then develop ordinance
    - ▶ 2 legal nonconforming businesses



# Zoning Map Inconsistency



**Draft New Zoning Ordinance Districts -  
Parcels Currently Zoned C-2 Highlighted in Black**



# Scope

- ▶ Should we revamp all marijuana laws or just address the areas not covered by City regulations?
  - ▶ Recreational retail sales
  - ▶ Recreational manufacturing
  - ▶ Recreational delivery
- ▶ Should we start with one allowing single industry first?

The End