



City Council Study Session

POTENTIAL REGULATION OF MARIJUANA

April 24, 2019

BRIEF HISTORY OF MARIJUANA REGULATION

- **1996**
 - Voters Approved Prop 215 (Compassionate Use Act)
 - Medicinal Marijuana Use
- **2015**
 - Legislature Approved MCRSA (Medical Cannabis Regulation & Safety Act)
 - In Part, Created State's 3 Cannabis Licensing Agencies
 - Bureau of Cannabis Control
 - CDFA - CalCannabis Cultivation Licensing
 - CDPH - Manufactured Cannabis Safety Branch



**BUREAU OF
CANNABIS
CONTROL**
CALIFORNIA



CalCannabis Cultivation Licensing



BRIEF HISTORY OF MARIJUANA REGULATION

- **2016**
 - Voters Approved Prop 64 (Adult Use of Marijuana Act)
 - With Some Restrictions, Adults 21 & Over Can Grow-Possess-Use Marijuana for Non-Medicinal Purposes
 - As of 01-01-18, Legal to Sell-Cultivate-Manufacture-Distribute Marijuana Through Licensed Businesses (Must Have State & Local Licenses)
- **2017**
 - Legislature Approved MAUCRSA (Medicinal & Adult-Use Cannabis Regulation & Safety Act)
 - In Part, Now a Single Regulatory System for Medicinal & Adult-Use



**BUREAU OF
CANNABIS
CONTROL**
CALIFORNIA



BRIEF HISTORY OF MARIJUANA REGULATION

- **2018**
 - State Agencies Began Issuing Temporary Licenses on 01-01-18
- **2019**
 - Final State Regulations Were Approved on 01-16-19



WHAT DOES MAUCRSA ALLOW?

- **LOCAL CONTROL**

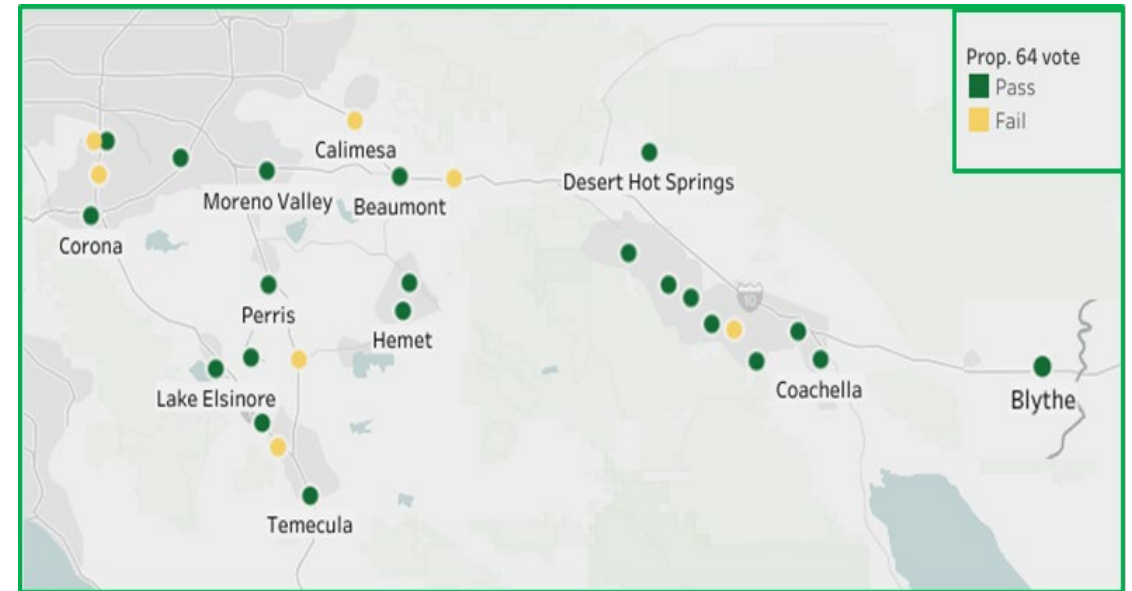
- All Cities and Counties are Allowed to Ban or Regulate Commercial Recreational Marijuana Activities, in Whole or in Part
- Deliveries Are Currently an Exception & Must be Allowed Under the State Regulations
 - But Litigation is Pending

WHAT DOES MAUCRSA ALLOW?

- **IF A CITY/COUNTY CHOOSES, IT CAN ALLOW:**
 - **Cultivation**
 - Outdoor & Indoor Plant-Grow-Harvest-Dry-Cure-Grade-Trim
 - **Manufacturing**
 - Compound-Blend-Extract-Infuse-Otherwise Make or Prepare-Package-Label
 - **Distribution**
 - Between Licensees: Procure-Sell-Transport
 - **Testing Labs**
 - Test Cannabinoids-Content-Moisture-Etc (As Required by Regulations)
 - **Retailers (Storefront)**
 - Retail Sale to Medicinal and/or Adult-Use Recreational Customers
 - **Retailers (Non-Storefront)**
 - Retail Sale via Delivery

LOCAL AGENCY AUTHORITY TO BAN OR REGULATE

- **MOST CITIES THROUGHOUT STATE CONTINUE TO BAN ALL RECREATIONAL MARIJUANA BUSINESSES**
 - Some Trend Towards Regulation?
- **RIVERSIDE COUNTY**
 - Prop 64 = 52.9% Voted Yes County-Wide
 - 21 of 28 Cities Voted Yes
 - Prop 64 = 9 of 21 Voted Yes by 53% or Less
 - **Western Riverside County**
 - Prop 64 = 12 of 18 Voted Yes
 - Prop 64 = 8 of 12 Voted Yes by 53% or Less
 - 11 of 18 Ban All Businesses
 - 1 Allows Limited (Riverside = Lab Only)
 - **Eastern Riverside County**
 - Prop 64 = 9 of 10 Voted Yes
 - Prop 64 = 3 of 9 Voted Yes by 61% or More
 - 8 of 10 Allow Some Businesses



OC Register Data (01-30-19)

LOCAL AGENCY AUTHORITY TO BAN OR REGULATE

- **SOME LOCAL AGENCIES REGULATING AT LEAST SOME BUSINESSES**

- **Western Riverside County**

Banning Jurupa Valley Lake Elsinore Moreno Valley
Perris Riverside San Jacinto Riverside County

- **Other Local Agencies**

Chula Vista Costa Mesa Santa Ana

- **Of These, Most Began or Conditioned on Approved Ballot Measure**

- **Lake Elsinore, Moreno Valley & Riverside County Began by Legislative Action**
 - **City of Riverside – Legislative Action to Allow Testing Only (Understand: 4 Apps; None Operating)**

ARE CITIES EARNING “NET” TAX REVENUES?

- **STILL TOO EARLY TO TELL**
- **DIFFICULT TO CALCULATE**
- **POTENTIAL DOWNWARD PRESSURES ON PRICES & TAXES**
 - **Appears to be Excess Inventory**
 - **Pressure on State & Locals to Reduce Taxes & Allow Vertical Integration**

ARE CITIES EARNING “NET” TAX REVENUES?

▪ THE SANTA ANA EXPERIENCE

- 2014 Ballot Measure – Medicinal Use & Tax
- 2017-18 Council Action – Recreational Use
- 2018 Ballot Measure – Recreational Tax
- 80+ Illegal Businesses at One Time
- Still Early, But They Firmly Believe They Will Net Tax Revenues
- 9 Corona Staff Members Spent the Day with Santa Ana Staff

Corona Staff
Police
Planning
Code Enforcement
City Attorney's Office
Building/Fire Inspectors

Santa Ana Staff
Police
Planning
Code Enforcement
City Attorney's Office
Finance

- Discussed Experiences & Toured 2 Retail Establishments & 1 Testing Lab

ARE CITIES EARNING “NET” TAX REVENUES?

- **THE SANTA ANA EXPERIENCE** (Continued)
 - **2014 - 20 Retail Medicinal Authorized**
 - **2018 -10 Additional Allowed (Medicinal & Recreational)**
 - **Currently - Only 18 Licensed Retail (Medicinal & Recreational)**
 - **1 Licensed Manufacturer**
 - **2 Distributors**
 - **2 Labs**
 - **12 Extraction Permits Issued (None Currently Open)**

ARE CITIES EARNING “NET” TAX REVENUES?

■ THE SANTA ANA EXPERIENCE (Continued)

- Publicly Stated – *Believe* 18 Retailers will Generate \$6M - \$7M
- Our Ballpark Estimate of Santa Ana’s Retail Tax Revenues ----- \$30,000/mo per Retailer
- But . . .
 - Corona - Different Market/Expectations



SA’s Population is Roughly Double in Fewer Square Miles

SA Currently Dominates South Orange County and Surrounding Market

Just Use Number as a “Hopeful” Frame of Reference – Don’t Use as Expected Revenue

These Numbers Are Educated Guesses

Corona’s Market is Not Likely as Robust

Downward Pressure on Prices/Taxes

Taxes on Other Marijuana Businesses?

LESSONS LEARNED

- **STAFF RESEARCH**
- **STATE CONFERENCE – CM STEINER AND CA DERLETH**
- **LESSONS**
 - **Must Regulate for Policy Reasons – Not \$\$**
 - **Make Certain Public is in Support – Ballot Measure?**
 - **Regulating is Complicated**
 - **Planning, Licensing, Inspections, Legal, DWP Issues, Background Checks etc....**
 - **Social Justice Components Are Important to Many Communities But Are Complex to Regulate As Well**

Corona's Prop 64 Vote
50.3%

LESSONS LEARNED

- **LESSONS (Continued)**

- **Make Sure License Process is Open & Fair – Lottery System**
- **Take Time to Do it Right (12-18 Months)**
- **Have Dedicated Personnel & One Primary Point of Contact (Consistency & Expertise)**

Planner(s)

Code Enforcement Officer(s)

Attorney

Paralegal

Building & Fire Inspector(s)

Finance Tax/Customer Service Rep(s)

3 Police Officers (Including Detective for County Task Force)

PD Analyst

- **Equipment, Support & Consultants (e.g. Auditors) Needed for Many Aspects**

LESSONS LEARNED

- **LESSONS (Continued)**
 - **Banking No Longer Seems to be a Significant Impediment**
 - **You Will Have Increased Litigation – Take Steps to Reduce Number & Increase Likelihood of Success**
 - **Enforcement Against Illegal Dispensaries Will Significantly Increase**
 - **Compare – Current Ease/Low Cost**

CONCLUSION

- **FOLLOW-UP STEPS/CONCERNS**

- Gauging Community Support – Ballot Measure
- Opening Door to Regulation – Very Difficult to Go Back
- Staffing & Enforcement Costs – “Net” Financial Impact
- Secondary Effects
 - PD Concerns – Secondary Crime; Limited State Oversight; Cash Businesses; DUI & Other Calls for Service
- Zoning Must Be Primary Concern
 - CD Concerns – Where to Site Businesses?
- If Policy Decision is to Move Forward - Take Time to Plan - Still Time to Learn from Other Cities While Moving Forward

CONCLUSION

QUESTIONS?



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