

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **September 19, 2017**

TO: Honorable Mayor and City Council

VIA: Magda Gonzalez, City Manager

FROM: Matthew Chidester, Deputy City Manager
Heather Minner, Assistant City Attorney

TITLE: UPDATE ON THE DEVELOPMENT OF THE COMMERCIAL CANNABIS ORDINANCE AND LICENSING PROGRAM

RECOMMENDATION:

Receive an update on public outreach and input related to the proposed commercial cannabis ordinance, and provide any feedback and direction to staff on the proposed ordinance and licensing program.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

STRATEGIC ELEMENT:

This recommendation supports the Healthy Communities and Public Safety and the Fiscal Sustainability Elements of the Strategic Plan.

BACKGROUND:

On November 8, 2016, California voters approved Proposition 64 (“Adult Use of Marijuana Act” or “AUMA”). AUMA legalized recreational use of marijuana under state law, and established a regulatory scheme to permit commercial marijuana activities associated with the cultivation, manufacturing, transportation, distribution, testing, and dispensing of marijuana for recreational use. AUMA also allows limited cultivation and possession of marijuana for personal use. In Half Moon Bay, AUMA was approved by more than 69 percent of voters, higher than the County and State approval rates. Previous legislation in 2015, the Medical Cannabis Regulation and Safety Act, had developed a similar licensing scheme for medical marijuana commercial activities. On June 27, 2017, Governor Jerry Brown signed Senate Bill 94, creating the Medicinal Adult-Use Cannabis Regulation and Safety Act (“SB 94”), which effectively integrated the regulatory and licensing schemes for both medical and recreational marijuana, now referred to as medicinal cannabis and adult-use cannabis. The State is currently developing regulations pursuant SB 94, which are expected to be completed this November. Since the

passage of AUMA and subsequently SB 94, the City Council has directed staff to draft an ordinance and licensing program that would potentially regulate limited commercial cannabis activities in the city of Half Moon Bay.

The City has held several public meetings on potential City regulations regarding Cannabis. Most recently, on September 13, 2017, the City hosted a community meeting to provide information on the state laws and potential future regulations surrounding commercial cannabis businesses, as well as to gather feedback on the City's proposed ordinance. This meeting was facilitated by Peninsula Conflict Resolution Center and attended by staff from all City departments. Attendees were seated in small groups and, following a short presentation from City staff, facilitators led discussions based on the following questions:

- “Based on the information you’ve been presented regarding the City’s proposed ordinance,
 - What are your impressions? Please share your input.
 - What would you like the City Council to consider for the future ordinance?”

Due to the timing of the Community Meeting, the information collected is not available at the writing of this report, but will be compiled and available to the City Council and general public at the September 19th City Council Meeting.

The proposed future ordinance and licensing program would include provisions and requirements above and beyond the State licensing requirements, specifically addressing the needs of Half Moon Bay and its surrounding coastside communities. Once the draft ordinance is completed, it will be presented to the City Council for consideration.

DISCUSSION:

City staff, the City Attorney's office, and City consultants are working to draft an ordinance which will include the following elements:

- Regulation of commercial cannabis activities in the following areas:
 - Cultivation in commercial greenhouse facilities in existence as of the date the ordinance is adopted
 - Ancillary to the primary cultivation use:
 - Storage facilities
 - Testing labs
 - Distribution facilities
 - Medicinal and/or adult use retail
- Important conditions that would apply to licensed commercial cannabis activities include, but are not limited to:
 - A local discretionary license has been issued to the business operator
 - A state license has been obtained by the business operator
 - Owners and key personnel have completed a thorough background check

- A 1,000 foot buffer from sensitive parcels including K-12 schools, Child-Care Centers, and Youth Centers
- A facility setback from existing residentially designated or zoned properties
- One medicinal and/or one adult use retail location will be licensed per Premise, which must be in separate facilities, totaling a maximum of 1,000 square feet of gross floor space
- No on-site consumption of cannabis products
- No individuals under the age of 21 are permitted entry onto the Premises
- Limited signage and hours of operation for on-site retail
- An operating plan has been provided detailing the following:
 - Sustainability requirements are met regarding energy, water and waste
 - Use of groundwater from private wells would be prohibited
 - Stringent security requirements are met including video surveillance and on-site security patrols
 - Greenhouse operators have installed ventilation, odor control, water treatment, lighting equipment, and back-up generators; consistent with best industry practices to provide safe, healthy and efficient operations that also minimize impacts to neighbors and the environment
 - Light pollution is minimized or eliminated through the use of retractable screens or other means
 - Policies to provide local workforce recruitment and training
- All commercial cannabis activities must be ancillary and subservient to the primary use of cultivation, including the storage, distribution and sale of only cannabis products grown on site (except testing which would allow products grown off-site).
- Other important considerations:
 - All commercial cannabis license application review would be discretionary, meaning staff would review and provide recommendations regarding individual applications, which would ultimately be considered by the City Council at a public meeting, allowing for public input on each application
 - Manufacturing is not permitted.
 - In addition to obtaining commercial cannabis cultivation licenses from the City and State, proposed sites and applicants must comply with other applicable local and state laws including the California Environmental Quality Act (CEQA) and the California Coastal Act, which would include obtaining a Local Coastal Development Permit.

Following any feedback and direction from the City Council on the proposed ordinance, staff will continue drafting the proposed ordinance for future Council consideration, as well as develop a community outreach program to ensure community members and other stakeholders remain informed of the proposed ordinance. Additionally, staff will continue to

monitor and work with County staff on their draft ordinance given it will impact residents of Half Moon Bay.

Staff will continue to develop the licensing process and program. The oversight of the licensing program will be housed in the Community Development Department. A regulatory license fee will be assessed with each application.

Staff will also continue to explore options to tax commercial cannabis activities.