

FACT SHEET

Policy Framework for Regulating Commercial Medical and Adult-Use Cannabis in Unincorporated Areas

(Targeted for June 19, 2018 Board Agenda)

Overview

On February 7, 2017, the Board directed the Office of Cannabis Management (OCM) to coordinate with multiple other departments to prepare regulations to allow and license medical and adult-use cannabis businesses in unincorporated areas, including cultivation, distribution, testing, manufacturing, and retail.

This report outlines the components of a policy framework that would establish regulations for commercial cannabis activities in unincorporated areas. This framework is responsive to the Board's directives and incorporates input received by OCM during public outreach and stakeholder engagement.

The report outlines three options the Board can take with respect to commercial cannabis in the unincorporated areas:

1. Allow and regulate all types of medical and adult-use commercial cannabis activities (i.e., implement the policy framework as described in the report)
2. Allow and regulate only limited types of commercial cannabis activities (i.e., implement a modified version of the policy framework)
3. Continue to prohibit all commercial cannabis activities (i.e., leave the existing ban in place)

Should the below framework be adopted, appropriate ordinances would be drafted and brought before the BOS in 180 days.

Components of Policy Framework

Framework Component No. 1: Create a new cannabis commission

- Establish a new five-member, Board-appointed cannabis commission to conduct public hearings on cannabis business applications, advise the Board on the effectiveness of cannabis regulations in unincorporated areas, and recommend cannabis-related policy or ordinance changes.
- Include the Treasurer and Tax Collector, the County Agricultural Commissioner, the Fire Chief, the Health Officer, the Director of the Center for Health Equity, and the Director of Regional Planning, or their designees, as advisory, non-voting members of the cannabis commission.

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Framework Component No. 2: Complete a health impact assessment to inform cannabis permitting decisions and future cannabis policy

- Complete a health impact assessment on the health equity impacts of permitting cannabis businesses in unincorporated areas.
- Identify data points and establish a system to monitor community health information as cannabis permitting is implemented, using the health impact assessment as the baseline for relevant health-related conditions and outcomes in unincorporated areas.
- Report in writing to the Board upon completion of the health impact assessment with recommendations to incorporate health equity into cannabis regulations.
- Create a grant program to serve high-needs areas identified by the health impact assessment, as directed by the Board on November 7, 2017.

Framework Component No. 3: Cannabis permit types

- Create permits to allow the following types of commercial cannabis activity: cannabis stores, delivery services, indoor cultivation, manufacturing, distribution, and testing laboratories.
- Outdoor commercial cultivation would not be allowed, pursuant to the Board's direction on February 7, 2017.
- State law establishes a "microbusiness" license type, which authorizes multiple types of activity on the same premises. A cannabis microbusiness could operate in unincorporated areas, provided it obtained the appropriate permit for each of its cannabis activities.

Framework Component No. 4: Cannabis permitting phase-in

- Limit the availability of cannabis permits in the first two years, as follows:
- 25 cannabis store permits, with no more than five store permits per supervisorial district and no more than two cannabis store permits in any one unincorporated community;
- 25 cannabis delivery permits, with no more than five delivery permits per supervisorial district;

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- 10 cultivation permits, 10 manufacturing permits, 10 distribution permits, and 10 testing laboratory permits.

Framework Component No. 5: Zoning and buffers from sensitive uses

- Allow cannabis stores, delivery, and testing laboratories in heavy commercial and manufacturing zones.
- Allow all other commercial cannabis businesses in manufacturing zones only.
- Require cannabis stores to be located not less than 1,000 feet from schools (K-12), 600 feet from day cares (including preschools), public parks, public libraries, licensed drug and alcohol treatment centers, and other cannabis stores, and 300 feet from off-site alcohol sales, such as liquor stores.
- Require all other commercial cannabis businesses to be located not less than 1,000 feet from schools (K-12) and 600 feet from day cares (including preschools), public parks, and public libraries.

Framework Component No. 6: Establish a program to reduce barriers to ownership and employment in the cannabis industry and conduct a workshop

- Convene a culturally competent public workshop to solicit stakeholder feedback about who should qualify for benefits under a program to reduce barriers to entry to cannabis industry ownership and employment for those living in communities disproportionately impacted by the “war on drugs,” and what types of benefits should be offered under such a program.
- Report back in writing to the Board with recommendations for such a program.

Framework Component No. 7: Create a cannabis equity review panel

- Create a 15-member, Board-appointed cannabis advisory review panel, which will be advisory to the Board and the cannabis commission, and will periodically issue public reports evaluating the effectiveness of the County’s cannabis equity initiatives, the impacts of cannabis legalization on health equity and County neighborhoods, and equity in the civil and criminal enforcement of cannabis laws.

Framework Component No. 8: Updates to Title 7 (Business Licensing)

- Amend Title 7 of the County Code (Business Licenses) to license and regulate, from a business license perspective, commercial medical and adult-use cannabis businesses.

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- Title 7 contains existing provisions pertaining to the licensing and operation of medical cannabis dispensaries in unincorporated areas, but contains no provisions for adult-use cannabis retail businesses or for non-retail cannabis businesses.

Additional Considerations

Unlicensed Cannabis Business Elimination Plan

- County Counsel, DA, and Sheriff have been continuing to enforce the County's ban against unlicensed cannabis businesses in the unincorporated areas.
- However, the process is time-consuming and resource-intensive, and preventing new unlicensed cannabis stores from opening continues to be a challenge. Based on these enforcement realities, a more comprehensive approach is needed to eliminate unlicensed commercial cannabis activity.
- OCM has been working closely with County Counsel, DA, Sheriff, TTC, DPH, and DRP to develop an unlicensed cannabis business elimination plan, and expects to provide your Board with a copy of the completed draft plan in 90 days.
- The draft plan includes four strategies:
 - Public Education and Outreach
(e.g., universal emblem placard identifying permitted cannabis stores)
 - Enhanced Direct Enforcement
(e.g., increased civil penalties and a procedure to disconnect utility service at unlicensed businesses)
 - Legislative Advocacy
(e.g., laws prohibiting advertising of unlicensed cannabis businesses)
 - Strategic Partnerships
(e.g., establishing a forum for local and state cannabis regulators to discuss enforcement strategies and trends)

Taxing Commercial Cannabis

- A tax can be imposed countywide or in unincorporated areas only and can be a general tax needing > 50% of voters with revenues used for any governmental purpose or a special tax, needing > 2/3rds with revenues used for purposes specified in voter-approved ordinance.

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- A tax revenue report attached to the board report estimates potentially \$18.3 mil in first year of permitting based on the policy framework described in this report, which could increase to \$33.9 mil after five years.
- The Board can direct OCM, with CEO and DPH to come back with a spending plan informed by stakeholder recommendations and community feedback already received.
- The next opportunity for a ballot tax measure is November 2018, and the deadline for placing a measure on the ballot is August 10, 2018.

Budget and Fiscal Impact

- If the Board approves the regulation of commercial cannabis, CEO will work with affected departments and provide budgetary impacts in the supplemental phase of FY 2018-19 year.
- Most departments likely will not need additional resources to implement the framework except DCBA may require additional positions and resources and TTC may need to upgrade case processing and tracking software.
- Regardless of whether the County goes forward with permitting, the County is expected to incur additional costs associated with cannabis legalization generally, including increased healthcare costs, funding cannabis prevention and treatment, and enforcement against cannabis DUIs.