

TO: Mayor and Council Members
Marlene Best, City Manager
Shawn Hagerty, City Attorney

FROM: Annette Ortiz, CMC, City Clerk

DATE: October 12, 2021

SUBJ: UPDATED COUNCIL MEETING MATERIALS – OCTOBER 13, 2021

CONTINUED BUSINESS:

(10) Cannabis Workshop No. 3. (City Manager – Best)

The attached presentation is being provided for your consideration and will be shown during the above-mentioned item.



Cannabis Workshop #3

Regulatory and Policy Considerations

October 13, 2021

Background

- **September 2015** – Medical Cannabis Regulatory and Safety Act (CA)
- **September 2016** – Santee adopts ban on all cannabis business activities
- **November 2016** – Adult Use of Marijuana Act (Prop. 68)
- **March 2021** – City Council directs staff to consider economic development and regulatory options for cannabis businesses in Santee
- **May 2021** – City Council Cannabis Workshop #1 (general discussion)
- **August 2021** – City Council Cannabis Workshop #2 (business types)
 - City Council direction: focus on retail, testing and microbusiness license types

Business Types - Summary

RETAIL	TESTING	MICROBUSINESS
<ul style="list-style-type: none">• Direct to consumer sales• 21+ Recreational• 18+ Medical• May include storefront and/or delivery-only retail• Significant demand for this license type	<ul style="list-style-type: none">• Sampling and laboratory testing of cannabis goods• Tests for potency, mold, pesticides, heavy metals, and other contaminants• Limited demand for this license type	<ul style="list-style-type: none">• Some combination of retail, distribution, cultivation and/or manufacturing• Must include a minimum of three activities• Demand dependent upon allowable activities

Focus of Workshop #3

- Review existing State regulations for cannabis businesses
- Provide staff with policy direction in key areas

STATE REGULATIONS



Department of
Cannabis Control
CALIFORNIA



STATE REGULATIONS

- Security
- Inventory tracking + reporting
- Packaging & labeling
- Product testing
- Transportation & delivery
- THC concentration & customer limits
- Advertising
- Ownership
- Waste management






STATE REGULATIONS – SECURITY + INVENTORY

- Employee-only limited access areas
- Commercial-grade lock requirements
- Employee badging
- 24-hour video surveillance systems
- On-site security during hours of operation
- Alarm system monitored by third-party
- Seed-to-sale track and trace inventory system (METRC)
- Licensed supply chain only
- 7-year record retention requirement



STATE REGULATIONS – PACKAGING & LABELING

- Opaque, tamper-evident, child-resistant packaging
- Packaging shall not imitate packages typically marketed to children
- Universal symbol: 
- Government warning statements (e.g. keep out of reach of children, pregnant/breastfeeding risks, impaired driving, etc.)
- “Cannabis Infused” labeling larger than text size of product
- Cannabinoid content
- Name of licensed cultivator/manufacturer
- Prohibition on imitation of candy packaging or labeling



STATE REGULATIONS – PRODUCT TESTING

- Cannabis testing by International Organization for Standardization (ISO) certified laboratories
- Required testing for cannabinoid concentration, heavy metals, pesticides, processing chemicals, mold, and other impurities
- Independent third-party sampling of cannabis goods by laboratory staff
- Chain of custody protocols and documentation
- Annual proficiency testing
- Minimum laboratory Supervisor and Management qualifications



STATE REGULATIONS – TRANSPORT + DELIVERY

- Storage in a locked container secured to the inside of vehicle
- Minimum documentation during transport (e.g. shipping manifest, customer order, copy of license, employee badge, etc.)
- Vehicle alarm system requirement
- Customer age verification
- No exterior markings to indicate vehicle is carrying cannabis
- GPS device for real-time tracking and recording of vehicle location
- Maximum of \$5,000 value of cannabis goods per delivery vehicle
- Destination log requirement
- Direct delivery route



STATE REGULATIONS – THC CONCENTRATION

- Edible cannabis concentration limits
 - 10 milligrams THC per serving
 - 100 milligrams THC per package
- Topical cannabis concentration limits
 - 1,000 milligrams of THC per package
- Medical products subject to higher limits
- Customer limits
 - 28.5 grams of non-concentrated cannabis
 - 8 grams of cannabis concentrate
 - 6 immature cannabis plants
 - Medical customer limits dependent upon doctor recommendation



STATE REGULATIONS – ADVERTISING

- No depictions or images of minors or individuals under 21 years of age
- No use of objects such as toys, movie characters, cartoon characters, or other images likely to appeal to minors
- No giveaways of cannabis or non-cannabis goods
- 21+ age affirmation for direct communication to customers



STATE REGULATIONS – OWNERSHIP

- Prohibited cannabis business ownership for individuals with:
 - Violent felony conviction
 - Serious felony conviction
 - Felony conviction involving fraud, deceit, or embezzlement
 - Felony conviction for selling or offering to sell any controlled substance to a minor
 - A felony conviction for drug trafficking with enhancements



STATE REGULATIONS – WASTE MANAGEMENT

- Written waste management plan
- Cannabis waste must be maintained in secured waste receptacle in a secured area on the licensed premises until disposal
- Physical access to receptacle area restricted to licensee or waste hauler
- Minimum documentation requirements
- Rendering of all cannabis waste unusable under video surveillance prior to disposal
- Process for handling product complaints and voluntary/mandatory recalls

Policy Decisions



Policy Question #1

Cap on Available Licenses?

CAP	NO CAP
<ul style="list-style-type: none">• Limit number of businesses through licensing process• Most appropriate for retail license types (<i>e.g. storefront retail</i>)• Requires competitive application process	<ul style="list-style-type: none">• Total number of licenses determined by other factors (<i>e.g. consumer demand, zoning, buffers, etc.</i>)• Most appropriate for non-retail license types (<i>e.g. distribution, manufacturers, and testing labs</i>)

Initial Policy Position:

- Maximum of 3 retailers/microbusinesses, subject to increase by resolution
- No cap on testing laboratories

Policy Question #2

Competitive Licensing Options

MERIT	FIRST IN LINE	LOTTERY	HYBRID
<ul style="list-style-type: none">• Application/ interview ranking• Discretionary approval	<ul style="list-style-type: none">• First-come, first serve• Online or in-person	<ul style="list-style-type: none">• Lottery machine• Raffle• Software	<ul style="list-style-type: none">• E.g. combination of merit + lottery process

Initial Policy Position:

- Adopt application process by resolution focusing on a merit-based process following passage of cannabis ordinance

Policy Question #3

Location Restrictions (Zoning)

INDUSTRIAL	COMMERCIAL	MIXED USE
<ul style="list-style-type: none">• IL: <i>Light Industrial</i>• IG: <i>General Industrial</i>	<ul style="list-style-type: none">• GC: <i>General Commercial</i>• NC: <i>Neighborhood Commercial</i>• OP: <i>Office Professional</i>	<ul style="list-style-type: none">• TC: <i>Town Center</i>• PD: <i>Planned Development</i>

Initial Policy Position:

- Options to be developed for City Council consideration
- Options to be presented alongside draft regulatory ordinance

Policy Question #4

Location Restrictions (Sensitive Use Buffers)

STATE	LOCAL?	BUSINESS TO BUSINESS?
<ul style="list-style-type: none">• K-12 schools• Commercial daycare• Youth centers	<ul style="list-style-type: none">• Parks• Playgrounds• Other sensitive uses	<ul style="list-style-type: none">• Minimum distance between businesses• Requires process to determine who has rights to an area

Initial Policy Position:

- Options to be developed for City Council consideration
- Options to be presented alongside draft regulatory ordinance

Policy Question #5

Location Restrictions (Buffer Distances)

STATE DEFAULT	LOCALLY DEFINED
<ul style="list-style-type: none">• 600 foot distancing from all sensitive uses	<ul style="list-style-type: none">• Distance requirements greater or less than 600 feet• Distance requirements may be different for each license type

Initial Policy Position:

- Options to be developed for City Council consideration
- Options to be presented alongside draft regulatory ordinance

Policy Question #6

Best Practices Regulatory Requirements

GOOD NEIGHBOR	SECURITY	PUBLIC HEALTH	ENFORCEMENT
<ul style="list-style-type: none"> • Community benefits • Assigned community liaison • Facility design and construction • Trash + graffiti 	<ul style="list-style-type: none"> • Security liaison • Panic buttons • Police access to live video feed • High-pitch frequency devices to deter loitering 	<ul style="list-style-type: none"> • Business signage • Advertising restrictions • Youth access • Odor control • Training standards 	<ul style="list-style-type: none"> • License suspension/revocation • Administrative citations • Criminal citations • Product embargo

Initial Policy Position:

- Incorporate best practices into draft ordinance
- Receive input and policy direction from City Council and community through presentation of draft ordinance



Policy Question #7

Revenue Options

TAXES	FEES	OTHER BENEFITS
<ul style="list-style-type: none"> Percentage of gross receipts Price per square foot Requires voter approval 	<ul style="list-style-type: none"> Application fees Regulatory fees Limited to cost recovery, unless negotiated through development agreement 	<ul style="list-style-type: none"> Development or operational agreements may be used to negotiate other community benefits

Initial Policy Position:

- Draft cannabis business license tax ordinance for November 2022 ballot
- Develop fee schedule following passage of cannabis regulatory ordinance



Regulatory Framework Development

- **October – December 2021:**
 - Analyze sensitive buffers and develop recommendations
 - Evaluate impacts on community
- **January – February 2022:**
 - Draft regulatory ordinance which reflects best practices
 - Draft zoning ordinance
 - Conduct study sessions & public hearing with City Council and community on regulatory and zoning ordinances
 - Initiate CEQA analysis
- **March – April 2022:**
 - Develop application process
 - Establish application fees to recover all costs associated with the application process
 - Adopt a tax ordinance for the November 8, 2022 election

Cannabis Workshop #3

Questions, Comments and Discussion