

POLICY OPTIONS FOR PROPOSITION D REFORM Presentation



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Summary

- Through Council Motion our Offices were instructed to report back with options for a March 2017 ballot measure that would:
 1. Allow Proposition (Prop) D compliant medical marijuana dispensaries (MMD) to conform to the newly created medical marijuana state licensing system.
 2. Increase penalties and enforcement to close down all illegal marijuana related businesses.
 3. Create a regulatory framework for the City to implement the Adult Use of Marijuana Act (AUMA) if approved in November 2016 (Proposition 64).
 4. Extend Prop D's gross receipts tax to all marijuana related businesses.

Policy Areas & Method of Implementation

- The four subject areas identified by the Motion generated 6 Policy Areas for consideration that have differing options for implementation as follows:
 1. Fundamental Policies.
 2. Retail Sales, Cultivation, Manufacture, Distribution, and Testing.
 3. Other Considerations
 4. Zoning and Other Land Use Requirements
 5. Revenue – Fees and Taxes
 6. Administration
- With the exception of Taxes, all of the above Policy Areas may be addressed through Ordinances and Administrative actions as illustrated on Attachment 1 of the Report.

Ballot Measure Key Dates

It is important to note that Council would need to act on requesting the City Attorney to prepare a ballot measure for the March 2017 election before knowing the results of Prop 64.

The following table outlines the important dates associated with the March 2017 election cycle:

<u>Election Date</u>	<u>Last Day for Committee Action</u>	<u>Last Day for Council to Request City Attorney to Prepare Election Resolutions</u>	<u>Last Day for Council to Adopt Election Resolutions</u>
A. March 7, 2017 (City Primary)	October 21, 2016*	November 2, 2016	November 16, 2016
B. May 16, 2017 (City General)	December 9, 2016**	January 11, 2017	January 25, 2017

* Last Regular scheduled Rules Committee meeting by which the Committee should act.

** Date shown is a Special meeting due to Council recess in December 2016.

Fundamental Policy Questions

- Should the City allow the MMDs granted limited immunity from enforcement under Prop D to continue to operate when MMRSA goes into effect?
- Should the City allow the MMDs granted limited immunity from enforcement under Prop D to engage in the expanded marijuana activities provided in State Law?
- Should the City establish precedence for Prop D MMDs for expanded activities?
- If AUMA, passes, should the City consider establishing regulations authorizing some, or all, recreational marijuana businesses?

Regulatory Framework

- What types of marijuana-related businesses (MRB) should be allowed to operate in the City?
 1. Current businesses granted immunity from enforcement under Prop D without expanded marijuana activities provided by state law (MMRSA).
 2. Current businesses granted immunity from enforcement under Prop D with expanded marijuana activities provided by MMRSA.
 3. Businesses covered by Nos. 1 or 2 and new businesses which may engage in expanded marijuana activities provided by MMRSA.
 4. Businesses covered by No. 3 and other businesses which may engage in the expanded marijuana activities provided by MMRSA, and if approved, AUMA.

Regulatory Framework (continued)

- Should the City establish a regulatory framework that complements MMRSA?
- If the City chooses to establish a regulatory framework that complements MMRSA for medical marijuana, should the City also prepare a regulatory framework that complements AUMA for recreational marijuana?

Retail Sales, Cultivation, Manufacture, Distribution and Testing

- Should the number of MRBs within the City be capped at 135?
- Should the City authorize MMDs under Prop D to participate in other MRB activities? If yes, should Prop D MMDs be subject to the same regulations/standards?
- Should Prop D MMBs be considered one category of marijuana businesses and all other MRBs be considered under separate categories?
- Should commercial cultivation occur within the City? If so, should commercial cultivation be limited to industrial or agricultural zones?

Retail Sales, Cultivation, Manufacture, Distribution and Testing (continued)

- Should commercial manufacturing occur within the City? If so, should commercial manufacturing be limited to industrial or agricultural zones?
- Should marijuana delivery be allowed and if so, under what circumstances?
- Should the City require the Department of Water and Power (DWP) to assess electrical systems used by MRBs and require electrical systems upgrades for operations as identified by DWP?
- Which City Department(s) will be responsible for conducting inspections? – LAPD, DBS, Finance, or a combination of all three departments?
- Should measures be taken to address public safety impacts?

Other Considerations

The Council may wish to consider the following:

- Create criminal and administrative penalties, and give the regulatory authority the ability to suspend and/or revoke a business license or any other permit/authorization;
- Require annual renewals of licenses/permits, and possibly require all employees to have a permit to work in a marijuana business, similar to the City's regulation for employees involved in ammunition sales;
- Registration and permitting process that clearly states which businesses are authorized and which ones are not. LAPD, DBS, DCP, and the Office of Finance currently have no way of knowing which MMBs are legal without significant research; and,
- Licenses should be tied to physical locations and not to individuals.

Zoning and Land Use Requirements

- Should the City add MRBs to the Official Use List of the City?
- Should the City place proximity limits on the MRBs added to the Official Use List of the City?

Revenue Enhancement and Fees

- Nationwide regulated marijuana sales equaled \$2.7 billion in 2014, \$5.4 billion in 2015, are expected to reach \$6.7 billion in 2016, and could reach \$21.8 billion by 2020.
- Should all MRBs be taxed at the same rate?
- What types of inspection and/or permit fee(s) should be charged to MRBs?
- What types of penalties should be charged to MRBs?

Administration

- Should marijuana businesses be regulated through the City's Conditional Use Permit (CUP) process?
- Policy options to consider if the CUP process is not acceptable include:
 - 1) establishing a City Board/Commission to oversee the regulation of marijuana-related businesses; or,
 - 2) creating a new Panel under the authority of an existing Board/Commission to manage the City's oversight of marijuana-related businesses.
- Should the entity responsible for regulating MRBs be part of an existing Department?