



THE CITY OF
SAN FERNANDO



THE CITY OF
SAN FERNANDO

CITYWIDE COMMERCIAL CANNABIS PROHIBITIONS AND REGULATIONS

CODE AMENDMENT NO. 2018-002

PLANNING AND PRESERVATION COMMISSION

PRESENTED BY:

TIMOTHY HOU, DIRECTOR OF COMMUNITY DEVELOPMENT

JOAQUIN VAZQUEZ, CITY ATTORNEY



BACKGROUND

San Fernando City Council:

- December 2016 – Council discussed the potential for allowing cannabis activity in the City and directed staff to present possible options.
- January 2017 – Council received presentation from City Attorney related to legal options and case studies.
- February 2017 – Council received presentation related to general understanding of the cannabis industry, taxation, public safety considerations and typical application process and regulatory framework.



BACKGROUND

San Fernando City Council:

- February 2017 – Council appointed an Ad Hoc Committee (Ballin, Lopez) to work with staff to develop an outreach effort and develop recommendations for an appropriate industry in San Fernando, if any.
- May 2017 – After receiving multiple responses to a RFP, Council approved an agreement with HdL Companies to assist with developing and implementing a local cannabis regulation and permitting program.
- September 2017 – Council adopted an Urgency Ordinance prohibiting all medical and non-medical commercial cannabis activities except deliveries from licensed business to qualified patients.



BACKGROUND

San Fernando City Council:

- January to February 2018 – City held 4 public workshops to discuss the potential of creating a cannabis industry in the City.
- July to September 2018 – Council discussed recommendations from the Cannabis Ad Hoc Committee and directed staff to draft an appropriate Cannabis Regulation and Permitting Program.

BACKGROUND

Planning and Preservation Commission:

- October 2, 2018 – Opened and continued first public hearing to consider and discuss the proposed Cannabis regulations (Code Amendment No. 2018-002).
- November 7, 2018 – Second public hearing to consider the proposed Cannabis regulations and recommendation to City Council.



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REGULATED ACTIVITIES UNDER CODE AMENDMENT 2018-002

In Manufacturing Zones Only:

Cultivation Medicinal and adult-use in manufacturing zones w/ 450' buffer from sensitive receptors (i.e. schools, daycares, and youth centers).

Manufacturing Medicinal and adult-use in manufacturing zones w/ 450' buffer from sensitive receptors .

Distribution Medicinal and adult-use in manufacturing zones w/ 450' buffer from sensitive receptors.

Zones: M-1, M-2, Workplace Flex District of SP-5



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REGULATED ACTIVITIES UNDER CODE AMENDMENT 2018-002

In Commercial and Manufacturing Zones:

Laboratory Testing Medicinal and adult-use in commercial and manufacturing zones w/ 450' buffer from sensitive receptors.

Zones: M-1, M-2, C-1, C-2, SC, Workplace Flex, Mixed-Used Corridor and Auto Commercial Districts of SP-5



PERMITTING PROCESS

- Development Agreement (DA)

After vetting applicant, enter into a DA to agree upon community benefits and other development considerations

- Conditional Use Permit (CUP)

After entering into a DA, Planning Commission reviews a CUP with conditions related to signage, hours of operation, parking security, noise, odor, etc.



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ADDITIONAL PERMITTING REQUIREMENTS

1. Cannabis Employee Permit
2. Commercial Cannabis Business Permit
3. State Commercial Cannabis License
4. City Business License
5. Site Zoning Appropriateness Certification
6. Permits for Deliveries from Outside the City
7. Evidence of Right to Occupy and Use the Premises



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STAFF RECOMMENDATION

Approve Resolution No. 2018-009 recommending to the City Council adoption of the proposed Cannabis ordinance and Code Amendment No. 2018-002 amending the S.F.M.C. regarding prohibitions and regulations of medicinal and adult use commercial cannabis activities.

BACKGROUND

California Regulatory History:

- November 1996 – Voters approved *Prop 215* decriminalizing the use of medical cannabis in CA for patients with physician recommendation.
- November 2016 – Voters approved *Prop 64* legalizing recreational cannabis activities, including cultivation, manufacturing, transportation, storage, delivery, testing and retail sale, subject to local regulation.
- June 2017 – Legislature passed *SB94* – Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA) to harmonize rules and regulations between Prop 215 and Prop 64.



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PUBLIC OUTREACH EFFORT

Community Notification

- Hosted 4 Community Workshops
- Mailed 5,000 flyers
- Ran 4 ads in San Fernando Valley Sun
Circulation of 6,000 homes and 4,000 racks
- Reached 10,897 individuals on Social Media
- Created Cannabis Survey to solicit input
- Created Cannabis Kiosk on City Website



COMMUNITY WORKSHOPS

Four Community Workshops

- Workshops hosted at 3 City locations

City Council Chambers

Recreation Park

Las Palmas Park

- 85 residents, business owners, industry reps and interested community members attended
- Viewed 1,523 times on Facebook Live

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What do you think about the CANNABIS (MARIJUANA) INDUSTRY coming to our City?

The City is hosting a series of community workshops to listen to residents' concerns about cannabis.

● **THURSDAY | JANUARY 18, 2018 | 6:30 PM**
Recreation Park 208 Park Avenue

● **SATURDAY | JANUARY 27, 2018 | 2 PM**
Las Palmas Park 505 S. Huntington Street

● **THURSDAY | FEBRUARY 1, 2018 | 6:30 PM**
Council Chambers 117 Macneil Street

● **SATURDAY | FEBRUARY 10, 2018 | 2 PM**
Council Chambers 117 Macneil Street

FOR MORE INFORMATION:

818.898.1202 | info@sfcity.org | www.sfcity.org

Discussion will include:

How can we keep cannabis out of the hands of our youth?

Will cannabis business bring crime to our community?

How much revenue can the City expect to generate from cannabis taxes and fees?

What could these revenues be used for?

What are public health and environmental impacts?

In 2016, California voters passed Prop 64 legalizing the non-medical use of cannabis, with certain restrictions, and provides for Industry licensing and establishing standards for marijuana projects. Prop 64 also allows for state and local regulation and taxation of marijuana businesses.

INFORMATIONAL FLYER

The screenshot shows the City of San Fernando website. At the top, there is a navigation bar with the city logo and links for 'Our City', 'Work With City', 'Stay Connected', 'Departments', 'Residents', and 'Businesses'. The main content area features a large image of a street archway with the text 'Looking to start a business in San Fernando?'. Below this, there are two buttons: 'SEE MORE' and 'CONTACT US'. The page is divided into five columns, each with a circular icon and a title: 'What's New', 'City Council Meetings', 'Public Meetings', 'City Calendar', and 'CANNABIS INDUSTRY'. The 'CANNABIS INDUSTRY' column has a green circular icon with a cannabis leaf and the text 'What do you think about the Cannabis Industry coming to our City? Click here to learn more.' The bottom of the page shows a Windows taskbar with various application icons.

CANNABIS KIOSK



COMMUNITY WORKSHOP FEEDBACK

Overall, Feedback tended to be positive

- General sentiment: Adult use is now legal in the state, San Fernando should create a regulated market and exercise control rather than react to illegal activity
- General support for medicinal benefits and positive impact on quality of life
- Opposition felt legalizing cannabis will be detrimental to youth and negatively impact City's character



SURVEY RESPONSES

Survey Responses:

- Received 180 total survey responses

68 hardcopy

112 online

79 provided a San Fernando address

- Structured to solicit responders' reactions as well as provide information re: potential regulatory measures and ways to use additional resources



SURVEY RESPONSES - Summary

How concerned are you that regulated cannabis would create the following issues in the City?

	Very Concerned
Negative Impact on Youth	42.6%
Crime Issues	38.2%
Mental Health Issues	35.6%
Public Health	35.2%
Environmental Issues	29.4%

If the City were to proceed with cannabis regulation, how would you like to see the revenues spent?

	Priority
Enhance Street and Sidewalk Improvements	59.9%
Youth Education Programs	58.6%
Parks, Play Equipment and Sports Fields	52.5%
Substance Abuse Outreach Programs	46.3%
Fund Police School Resource Officer	39.5%
Art and Culture Programs	38.3%
Reinstitute Fourth of July Celebration Event	22.2%
Other	17.9%



SURVEY RESPONSES - Summary

Should the City allow and regulate cannabis activity?
(% yes)

	Medicinal	Commercial
Cultivation	67.1%	57.2%
Manufacture	68.0%	57.2%
Sale	64.8%	52.5%

After considering the information provided in the survey;

Should the City allow and regulate cannabis activity? (% yes)

	Medicinal	Commercial
Cultivation	67.6%	59.0%
Manufacture	68.6%	59.6%
Sale	66.5%	56.2%



SURVEY RESPONSES – TAKE AWAYS

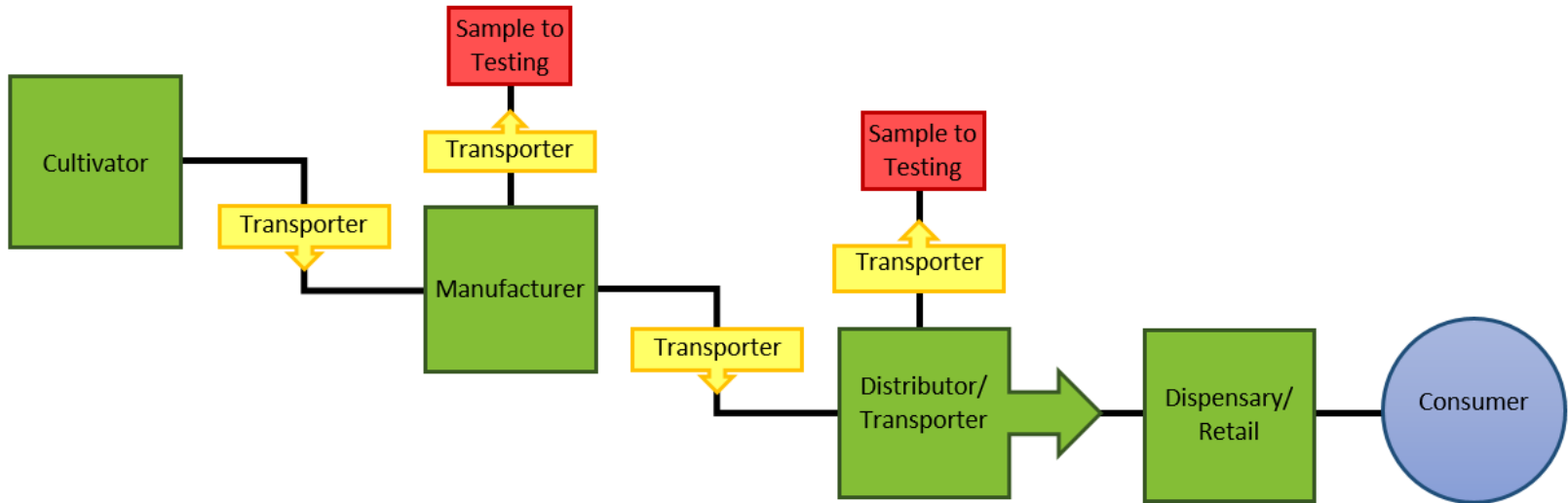
Key Survey Themes:

- More than 56% of respondents supported all types of regulated cannabis activity
- Respondents supported medicinal activity (66.5%) at a greater rate than commercial activity (56.2%)
- After considering information in survey, 7.8% increase in support for commercial activity
- Respondents were most concerned about negative impact on youth and crime issues



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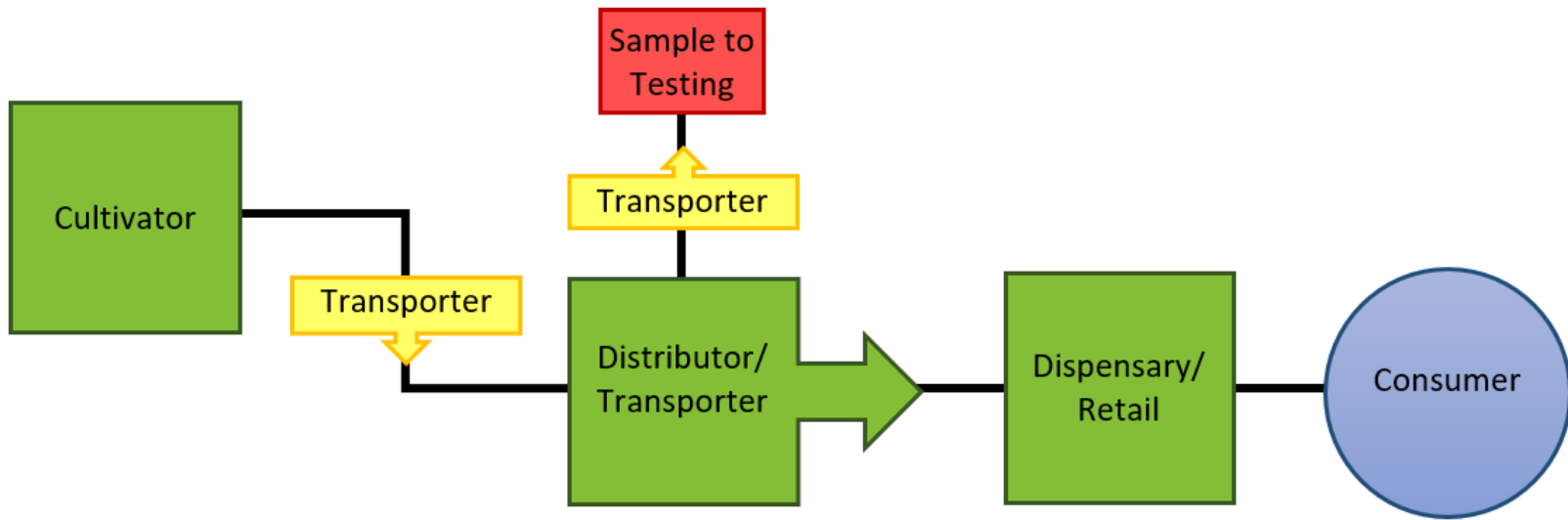
Manufactured Cannabis Products Model (concentrates, edibles, salves, tinctures, etc.)





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Non-Manufactured Cannabis Model (flower, leaf or pre-rolled)





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CULTIVATION





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MANUFACTURING





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EXTRACTION FACILITY





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TESTING LABORATORIES





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DISTRIBUTION



PPC – NOVEMBER 7, 2018



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RETAIL (DISPENSARY)





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MEDICINAL: “COMMERCIAL CANNABIS ACTIVITIES”

- Cultivation
- Manufacturing
- Testing
- Retail (Dispensary/Delivery)
- Distribution
- Microbusiness

ADULT-USE: “COMMERCIAL CANNABIS ACTIVITIES”

- Cultivation
- Manufacturing
- Testing
- Retail (Dispensary/Delivery)
- Distribution
- Microbusiness



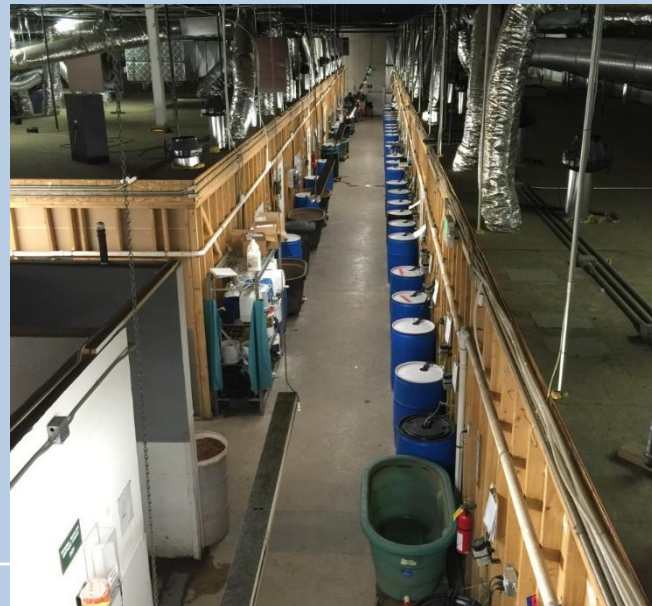
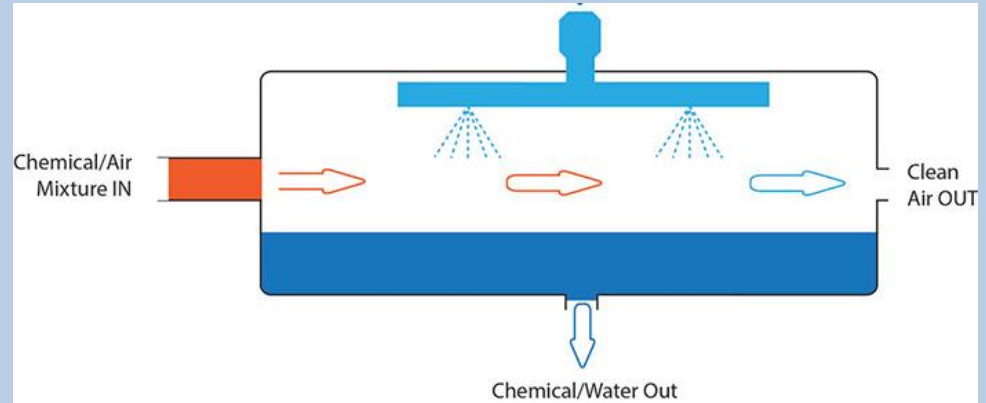
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INVENTORY TRACKING



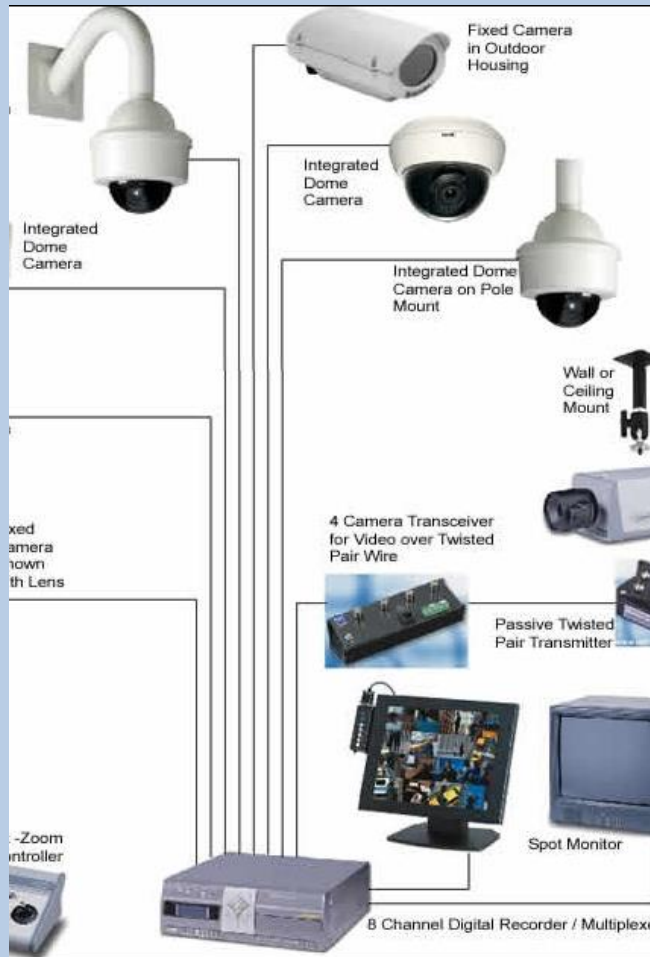


ODOR MITIGATION





SECURITY PLAN





SAFETY PLAN

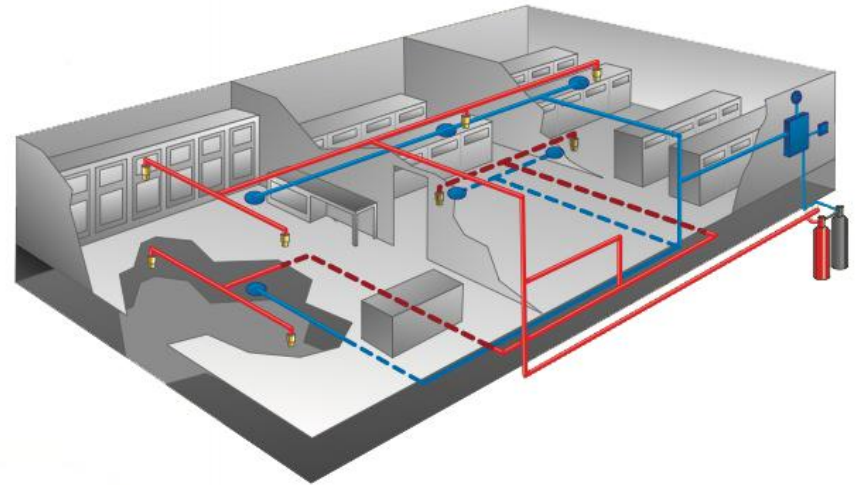
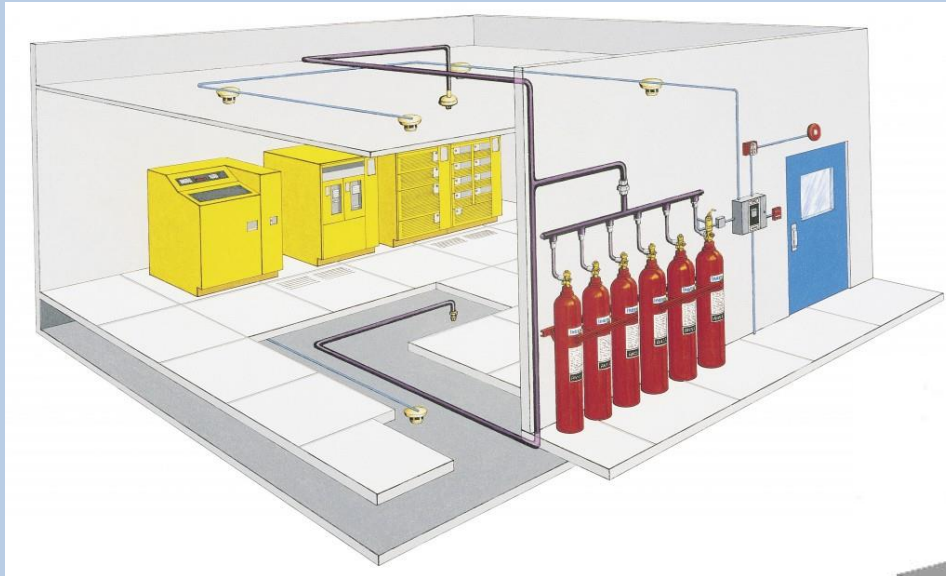


photo courtesy of Kidde



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ENHANCED PRODUCT SAFETY (REGULATED PRODUCT PACKAGING)

 **MADE IN USA**
FACTORY DIRECT

 **CoolJarz™**



CHILD RESISTANT ASTM D3475 CERTIFIED





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CITY COUNCIL DIRECTION

ALLOWED ACTIVITIES:

Cultivation Medicinal and adult-use in manufacturing zones w/ 450' buffer from sensitive receptors (i.e. schools, daycares, and youth centers).

Manufacturing Medicinal and adult-use in manufacturing zones w/ 450' buffer from sensitive receptors .

Laboratory Testing Medicinal and adult-use in commercial and manufacturing zones w/ 450' buffer from sensitive receptors.

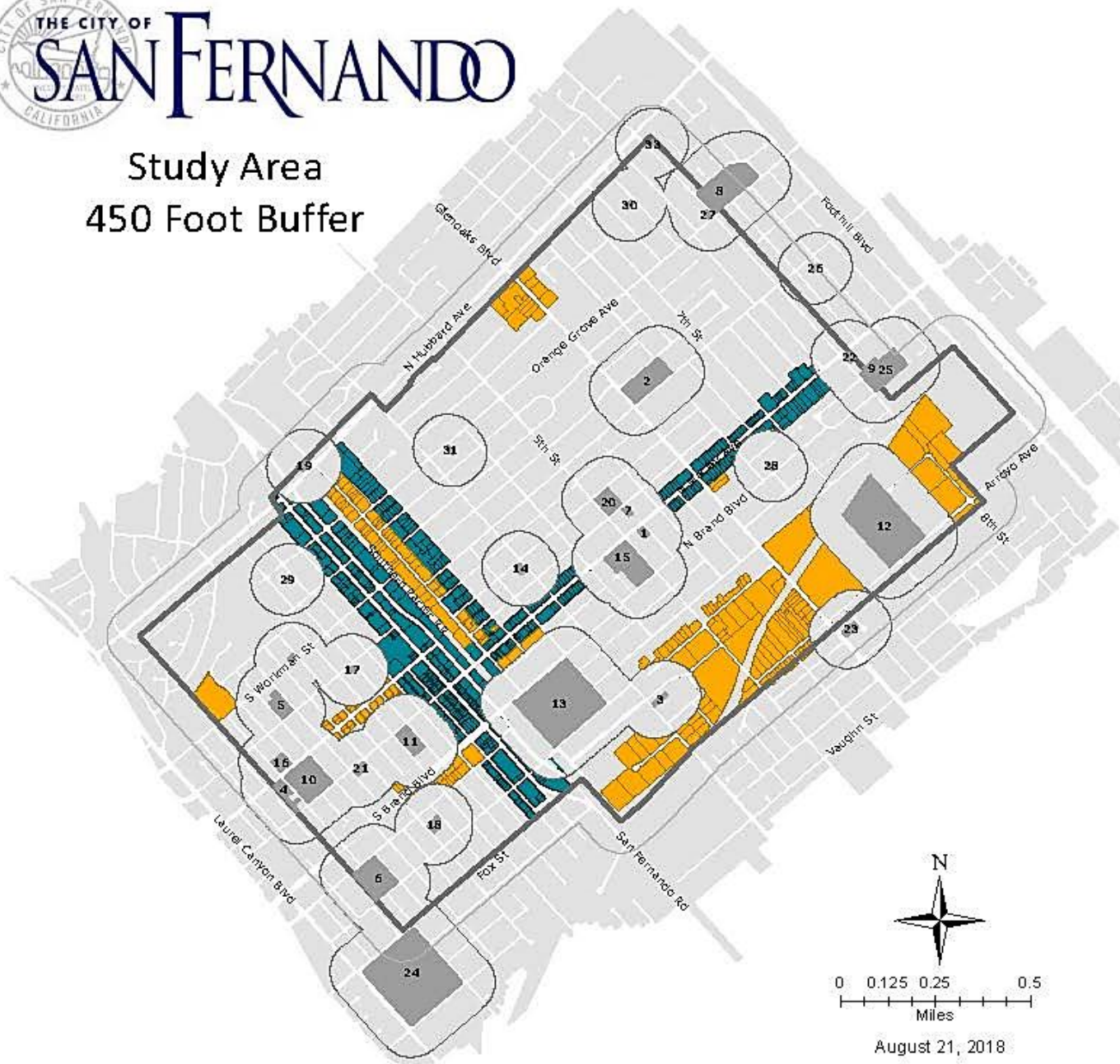
Distribution Medicinal and adult-use in manufacturing zones w/ 450' buffer from sensitive receptors.

Number of Permits No specified limit. Evaluate each application on merits rather than limit number of permits.



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Study Area 450 Foot Buffer

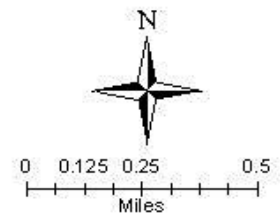


SCHOOLS, DAYCARE CENTERS AND YOUTH CENTERS

1. INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL
2. GLENOAKS CHRISTIAN ELEMENTARY AND WOODEN SHOE PRESCHOOL
3. ROMAN CATHOLIC ARCHBISHOP OF LOS ANGELES
4. TRINITY CHURCH
5. SANTA ROSA BISHOP ALEMANY
6. O MELVENY ELEMENTARY SCHOOL
7. CALIFORNIA CHILDRENS ACADEMY - AMANECER
8. PUC INSPIRE CHARTER ACADEMY
9. GRIDLEY STREET ELEMENTARY SCHOOL
10. SAN FERNANDO ELEMENTARY SCHOOL
11. ST. FERDINAND ELEMENTARY SCHOOL
12. CESAR CHAVEZ LEARNING CENTERS
13. SAN FERNANDO MIDDLE SCHOOL
14. NUEVA ESPERANZA CHARTER ACADEMY
15. MORNINGSIDE ELEMENTARY SCHOOL
16. CALIFORNIA'S CHILDRENS ACADEMY
17. VOLUNTEERS OF AMERICA
18. KIDS 1ST LEARNING CENTER
19. KINDERCARE LEARNING CENTER
20. CALIFORNIA CHILDRENS ACADEMY
21. VOLUNTEERS OF AMERICA BUEN PRINCIPIO PRESCHOOL
22. YMCA GREATER LOS ANGELES
23. YOUTH POLICY INSTITUTE
24. SAN FERNANDO HIGH SCHOOL
25. VISTA DEL VALLE DL ACADEMY
26. MENJIMAR FAMILY DAY CARE
27. DAYCARE #1
28. DAYCARE #2
29. DAYCARE #3
30. DAYCARE #4
31. DAYCARE #5
32. DAYCARE #6
33. DAYCARE #7

LEGEND

- City Boundary 450 Foot Buffer
- Schools And Daycares
- 450 Foot Buffer
- M1, M2, C1, Limited C2 Zones (181 Parcels)
- SP5 Zone (457 Parcels)



August 21, 2018



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CITY COUNCIL DIRECTION

UNALLOWED ACTIVITIES:

- Storefront Retail Dispensaries
- Non-storefront Retail (i.e. delivery only)
- Microbusiness Permits



PERMITTING PROCESS

- **Development Agreement (DA)**

After vetting applicant, enter into a DA to agree upon community benefits and other development considerations

- **Conditional Use Permit**

After entering into a DA, Planning Commission reviews a CUP with conditions related to signage, hours of operation, parking security, noise, odor, etc.



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TAXES & FEES

State Cannabis Excise Tax
(Applies to medical and non-medical)

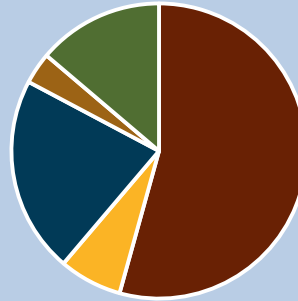
Retail Tax

15%
Gross Receipts of Retail Sales

Cultivation Tax

\$9.25/oz. Flowers
\$2.75/oz. Leaves

Sales and Use Tax: 7.25%
+
Adult-Use Subject to Tax
Medicinal May be Subject to Tax



- State General Fund (3.9375%)
- Local Public Safety Fund (.50%)
- Local Revenue Fund (1.5625%)
- County Transportation Fund (.25%)
- City/County Operations Fund (1.00%)

City Cannabis Tax
(Medicinal /Adult –Use)

2.5% to 6% of Gross Receipts
\$7 to \$10 Per Square Feet
Optional Alternatives
\$TBD Flat Rate
\$TBD Per Weight

City Cost Recovery Fees (Prop 26)
(Medicinal/Adult-Use)

\$TBD Application Fee
\$TBD License Fee
\$TBD Renewal Fee
\$TBD Administration Fee



REVENUE AND EXPENDITURE ESTIMATES

	# of Permits	Basis of Tax Revenue	Low Rev/year	High Rev/year
Cultivation	3	\$7-\$10 per square foot	\$259,000	\$370,000
Manufacturing	3	2.5%-6% of Gross Receipts	\$262,500	\$630,000
Testing Laboratory	2	1%-2.5% of Gross Receipts	\$20,000	\$50,000
Tax Projected Revenue			\$541,500	\$1,050,000

Department	Basis of Tax Revenue	Low Exp/year	High Exp/year
Community Development	Staff resources for planning review, code enforcement and building inspections (1.5 to 2 FTEs or contract services)		
Police Department	Staff resources for processing permits, oversight and enforcement activities (2 to 3 FTEs)		
Administration/Finance	Staff resources for program revenue processing and oversight (2 FTEs or contract services)		
Total Projected Expense		\$300,000	\$450,000

Assumptions:

Revenue estimates are for discussion purposes only.

Estimates based on conservative industry average for an average sized operation.

Actual revenues will vary based on size basis of tax revenue.

Assumed 3 permits per type based on limited availability of adequate sites in the City.

Assumed 2 testing permits due to limited availability of adequate sites in the City.



NET TAX REVENUE

	Low Estimate	High Estimate
Revenue	\$541,500	\$1,050,000
Expense	\$450,000	\$300,000
Net Revenue	\$91,500	\$710,000

- **Net revenue would be available to fund priority items identified by the community survey and City Council.**
- **Net revenue varies widely depending on the activities supported by City Council**

Low Estimate = Low revenue generation per year less high expense per year

High Estimate = High revenue generation for all activities less low expenses per year



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STAFF RECOMMENDATION

Approve Resolution No. 2018-009 recommending to the City Council adoption of the proposed Cannabis ordinance and Code Amendment No. 2018-002 amending the S.F.M.C. regarding prohibitions and regulations of medicinal and adult use commercial cannabis activities.



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