Cannabis 101:

Implementation of Optimal Local Cannabis Policy in the City of Alameda

Presented by:

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Dynamic History of Cannabis in US

- Medical & Industrial use of Cannabis through 1937…

- Post Prohibition attitude changes
  Harry Anslinger
  Bureau of Prohibition
  Federal Bureau of Narcotics

- Marihuana Tax Act of 1937

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Illegal Cannabis in US

- Boggs Act of 1951

- Narcotics Control Act of 1956
  - First-time cannabis possession with no stamp tax:
    - 2 – 10 years
    - Up to $20,000 fine

- Controlled Substances Act of 1970
    - Schedule 1 classification

“Legalization” of Cannabis in US

- The Cole Memo (2013)
  - 8 criteria to maintain State’s right to control

- The Rohrabacher-Farr Amendment (2014)
  - Prevents funding for the DOJ or DEA to use for arresting or prosecuting patients, caregivers, and businesses that are acting in compliance with state medical cannabis laws
  - Sunsets on 9/30/17 if not extended by Congress

- U.S vs. McIntosh (2016)
  - 9th Circuit Court of Appeals reaffirms Rorabacher-Farr

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Legalization Trends

- Medical cannabis is currently legal in 29 States

- Recreational Cannabis
  - 2012 Colorado and Washington
  - 2014 Alaska, Oregon and Washington D.C.
  - 2016 California, Maine, Massachusetts and Nevada

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Recent History of Cannabis in California

- 1996 - Proposition 215
  - Authorized medical cannabis use

- 2015 - The Medical Marijuana Regulation and Safety Act
  - Known as the "MCRSA" (mer-SA)
  - Three bills co-joined AB 243, AB 266, SB 643

- 2016 – Adult Use of Marijuana Act (Proposition 64)
  - Known as the *"AUMA"* (A-U-M-A)
  - Authorized non-medical cannabis use

- 2017 – Medical and Adult-Use Cannabis Regulation and Safety Act (SB 94)
  - Known as the *"MAUCRSA"* (mah-KER-sa)
  - Replaced MCRSA and integrates medical and non-medical regulations and license types

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Some MAUCRSA highlights

- Creates the Bureau of Cannabis Control
- Allows vertical integration of everything but testing
- Eliminates transportation licenses
- Allows special permits for county fairs and agricultural events for the sale and onsite consumption of cannabis
- Provides CEQA exemption for localities that require discretionary approval for permitting a commercial cannabis business

The Big Three of the Cannabis Industry

Retail and Delivery

Cultivation

Manufacturing

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…and the Supporting Activities

Testing

Distribution

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Cannabis Ingestion Methods

Inhalation: Smoking

More Cannabis Ingestion Methods

Inhalation: Vaping

More Cannabis Ingestion Methods

Oral: Tinctures and Ingestible Oils

Oral: Edibles and Drinks

More Cannabis Ingestion Methods

Topicals:

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Retail Dispensaries

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Retail Dispensaries

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Cultivation

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Cultivation

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Cannabis Concentrate Manufacturing

Cumberland, Maryland

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Cannabis Concentrate Manufacturing

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The Cannabis Plant

- Varieties
- Properties

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The Local Cannabis Policy Decision/Implementation Matrix

5-2-6

- 5 Categories of State Licenses
- 2 Client Types
- 6 Key Elements of Cannabis Implementation

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5 License Categories and Responsible Agency

1. Retail, including delivery - Bureau of Cannabis Control
2. Manufacturing - Department of Public Health
3. Cultivation - Department of Food and Agriculture
4. Distribution - Bureau of Cannabis Control
5. Testing - Bureau of Cannabis Control

…Municipalities typically determine a fixed number of retail entities and limit the other types only by zoning….

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California State License Types

Type 1—Cultivation; Specialty outdoor; Small (501-5,000 sq. ft. of total canopy size on one premises, or up to 50 mature plants on noncontiguous plots, no artificial lighting)

Type 1A—Cultivation; Specialty indoor; Small (501-5,000 sq. ft., artificial lighting only)

Type 1B—Cultivation; Specialty mixed-light; Small (2,501-5,000 sq. ft., natural & artificial lighting)

Type 1C—Cultivation; Specialty cottage; Small (between 5,001 and 10,000 sq. ft., no artificial lighting)

Type 2—Cultivation; Outdoor; Small (between 5,001 and 10,000 sq. ft., no artificial lighting)

Type 2A—Cultivation; Indoor; Small (501-5,000 sq. ft., artificial lighting only)

Type 2B—Cultivation; Mixed-light; Small (5,001- 10,000 sq. ft., natural & artificial lighting)

California State License Types

Type 3—Cultivation; Outdoor; Medium (from 10,001 square feet to one acre, no artificial lighting)

Type 3A—Cultivation; Indoor; Medium (10,001-22,000 sq. ft., artificial lighting only)

Type 3B—Cultivation; Mixed-light; Medium (10,001-22,000 sq. ft., natural & artificial lighting only)

Type 4—Cultivation; Nursery (clones, immature plants, seeds & other agricultural products)

Type 5, A, B —Cultivation; Large (not available until 2023) outdoor, indoor, mixed light (greater than 22,000 sq. ft., A= artificial lighting B= natural & artificial lighting)

California State License Types

Type 6 — Manufacturer 1 – non-volatile extractions
Type P -packaging and labelling
Type N -edibles, topicals

Type 7— Manufacturer 2 – volatile extractions

Type 8 — Testing laboratory

Type 10 — Retailer

Type 11— Distributor

Type 12— Microbusiness: cultivation in less than 10,000 sq. ft., distributor, manufacturer & retailer (Vertically Integrated Business)

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2 Client Types

1. Medical Only
2. Medical and Non-Medical

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6 Key Elements of Cannabis Implementation

1. Community Research and Outreach (*Meetings & Surveys*)
2. Health and Safety & Land Use Regulations (*Ordinance(s)*)
3. Local Industry Selections (*Application process*)
4. Full Cost Recovery (*Application, CUP & Regulatory Fees*)
5. Revenue (*Taxation Ballot Measure*)
6. Monitoring and Compliance (*As Defined by Ordinance*)

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Community Research and Outreach

- Introduce cannabis to Council and community
- Engage Stakeholders
  - Elected officials, law enforcement, Finance, Planning, Public Works, etc.
  - Community leaders, advocates, business leaders, etc.
- Determine
  - Desired License Types
  - Medical vs. Non-Medical
  - Local health and safety priorities
- Community meetings or survey

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Drafting a Regulatory Ordinance(s)

- Local and unique
- Ensure State and Federal (Cole memo) compliance
- Dovetail with AUMA (Proposition 64) and MAUCRSA (SB 94)
- Address local health and safety priorities
- Address land use and zoning priorities
- Other priorities
  - Local industry selection
  - Full cost recovery
  - Taxation
  - Monitoring and compliance

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Typical Ordinance Elements

1. Findings
2. Purpose and Intent
3. Definitions
4. Addresses status of cannabis as illegal under federal law
5. Addresses compliance with MAUCRSA and any other state guidelines for cannabis
6. Operational Requirements
7. Prohibited Activities
8. Establishes permit fees and distinguishes personal vs. commercial applications
9. Enforcement
10. Severability

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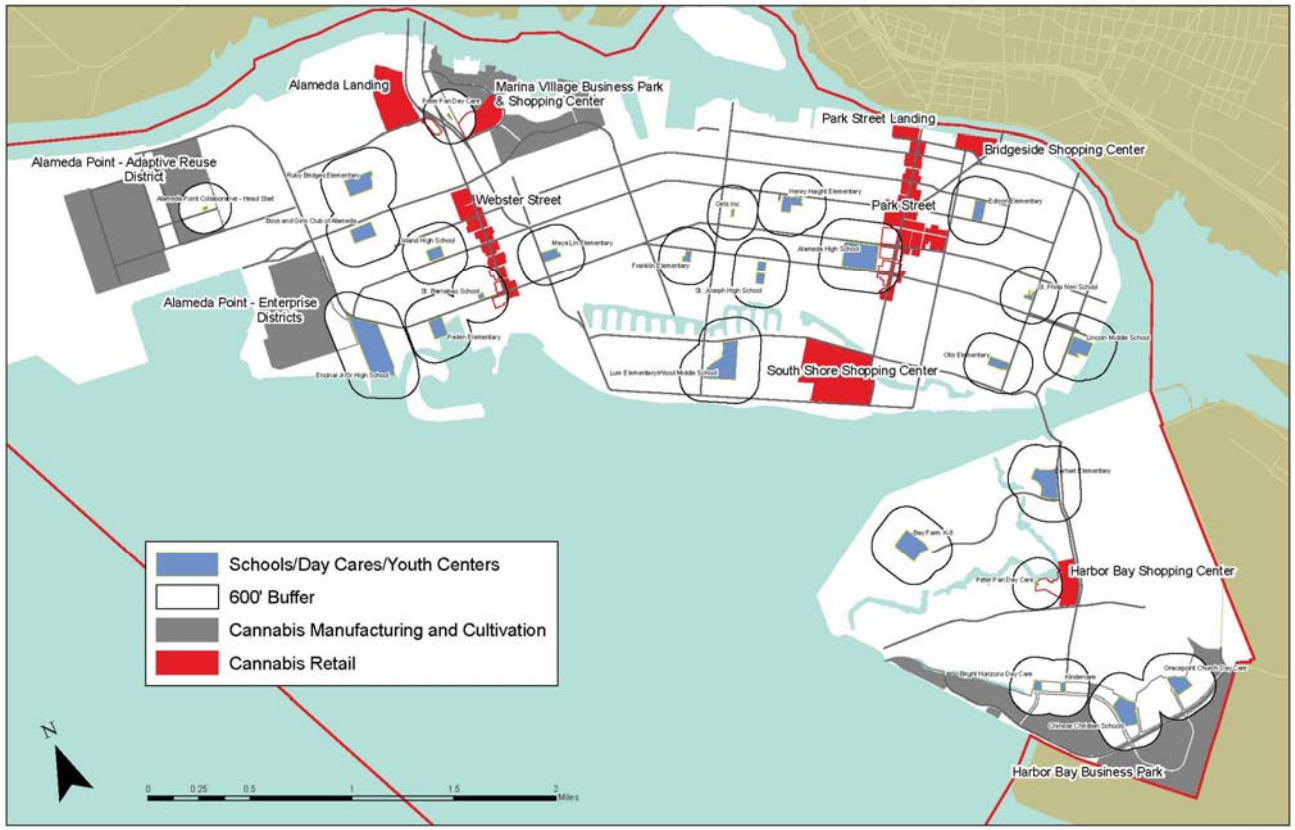
Land Use Considerations



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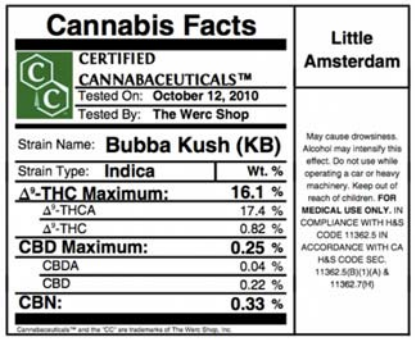
Health and Safety Components

- Operations
- Odor Control
- Security and safety
- Labelling and packaging
- Track and trace
- Parking/handicapped access
- Cash management
- Delivery
- Disposal
- etc.



Cannabis Facts

CERTIFIED CANNABACEUTICALS™
Tested On: October 12, 2010
Tested By: The Werc Shop

Strain Name: **Bubba Kush (KB)**

Strain Type: Indica	Wt. %
Δ^9-THC Maximum:	**16.1 %**
Δ^9-THCA	17.4 %
Δ^9-THC	0.82 %
CBD Maximum:	**0.25 %**
CBDA	0.04 %
CBD	0.22 %
CBN:	**0.33 %**

Cannabaceuticals™ and the "CC" are trademarks of The Werc Shop, Inc.

Little Amsterdam

May cause drowsiness. Alcohol may intensify this effect. Do not use while operating a car or heavy machinery. Keep out of reach of children. **FOR MEDICAL USE ONLY.** IN COMPLIANCE WITH H&S CODE 11362.5 IN ACCORDANCE WITH CA H&S CODE SEC. 11362.5(B)(1)(A) & 11362.7(H)

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Application Process and Processing

Application process

For Retail (with fixed number for licenses)

- Final review includes merit-based scoring of attributes:
  - *Location within Alameda*
  - *Local business/ resident preference*
  - *Operations Plan*
  - *Security Plan*
  - *Owner qualifications and experience - cannabis and non-cannabis*
  - *etc.*

Fees for Full Cost Recovery

- Regulatory Fees
- Full cost recovery of all agency costs
  - Staffing, processing, review, inspection, background checks, video monitoring, etc.
- Conduct Proposition 26-compliant fee study
- No new revenue…all costs must be accurate and real!

Common Types of Fees

1. Application (CUP and Commercial Cannabis Operator's Permit)
2. Renewal
3. Annual Monitoring and Compliance

Worksheet for Fees

All Permit Types

Cannabis Monitor and Complinace

TASK HOURS ASSIGNED TO STAFF:

classification:	City Manager	City Attorney	Planning Manager	Planning Admin	Law Enforcement	Other	Prime Consultant Total Hours	Total Task Costs
FULLY LOADED HOURLY COST:	100.00	100.00	100.00	100.00	100.00	100.00		
TASKS								
RECORD KEEPING and ADMINISTRATIVE								
Business Owner Requirements	0	0	1	0	0	0	1	$100.00
Registration Information and Background	0	0	1	0	0	0	1	$100.00
Accounting and Accounting Inspections	0	0	1	0	0	0	1	$100.00
Record Keeping	0	0	1	0	0	0	1	$100.00
Inspection, Indemnification, Insurance, Violations	0	0	1	0	0	0	1	$100.00
	0	0	0	0	0	0	0	$0.00
TOTAL DIRECT HOURS	**0**	**0**	**5**	**0**	**0**	**0**	**5**	**$500.00**
PRODUCT TRACKING								
Track and Trace System	0	0	1	0	0	0	1	$100.00
Accounting Software	0	0	1	0	0	0	1	$100.00
Labelling, Dosages, Testing Handling and Protocol	0	0	1	0	0	0	1	$100.00
TOTAL DIRECT HOURS	**0**	**0**	**3**	**0**	**0**	**0**	**3**	**$300.00**

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Fees in Nearby Jurisdictions

Oakland

Application Fee

Medical Cannabis Dispensary: $3,644

Non-Dispensary Medical Cannabis Facility: $2,474

On-Site Consumption: $2,813

Medical Cannabis Facility Annual Regulatory Fee

Gross sales > $150,000 = $ 11,173

Gross sales $50,000 - $150,000 = $ 5,586

Gross sales < $50,000 = $ 2,790

On-Site Consumption $ 1,628

Santa Rosa

Conditional Use Permit

Minor: $ 2,607

Major: $11,381

Minimum First Business License: Year: $ 51

Public Hearing- Planning Commission $1,960

Environmental Review

- Exemption - $898
- Initial Study and Mitigated/Negative Declaration: $4,669

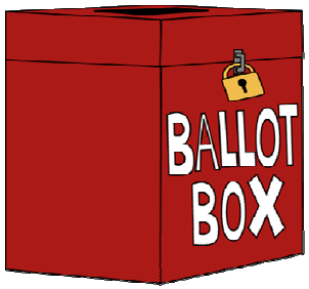
Zoning Clearance-$1,200

Taxation for General Fund Revenue

- General fund enhancement through taxation
- Requires balloted tax measure
- Tax Methodology
  - Gross receipts
  - Square footage
  - Inventory weight
  - other

Taxation Strategies

- Special tax 66.6% threshold
- General tax 50% threshold
- Timing and elections
- Predicted support levels



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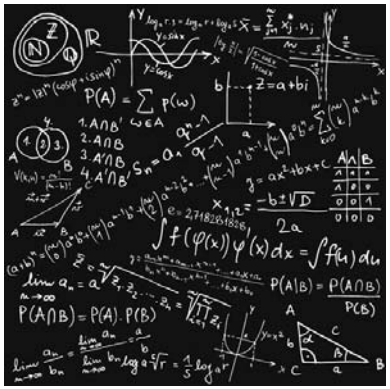
How Much Revenue?

- SCI's rule-of-thumb revenue formula:
  - Based upon statewide empirical analysis



Predicted annual general fund revenue =

(Agency Population) * ($10 to $20)

Example:

- City Population = 80,000
- Approximate Annual Tax Revenue= $800,000 to $1,600,000

Monitoring and Compliance

- Inspect financial records
- Track and trace verification
- Randomly test product
- Inspect labeling
- Inspect premises
- Video monitoring
- Community communications
  - Complaints
  - Violation reports
  - Answer questions

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Other Issues

- Jobs, jobs, jobs
- Lessons learned from other jurisdictions
- On-site consumption
- Product Safety
- Crime Levels
  - Operating a motor vehicle
  - Gateway drug

STAFF RECOMMENDATION

- Retail Dispensaries, including delivery
- Manufacturing
- Indoor Cultivation
- Distribution
- Testing
- Research and Development

What types of cannabis businesses should be permitted?
Medical only or medical and recreational?

STAFF RECOMMENDATION

- Three (3) dispensaries
- No cap on manufacturing, indoor cultivation, distribution or testing

Cap number of cannabis businesses permitted?

Dispensaries only or all businesses?

If capped, at what number?

STAFF RECOMMENDATION

- Dispensaries should be able to sell either medical and/or recreational
- Two recreational and one medical
- No onsite consumption

If dispensaries are capped, medical, recreational, or both?

Permit/prohibit on-site consumption?

STAFF RECOMMENDATION

- Prohibited cannabis businesses on City-owned land
- Locations for cannabis businesses are identified in Exhibit 2

Should cannabis business activity be permitted/prohibited on City-owned land?

Does Council support proposed locations for various cannabis business activities as contained in the map?

Other comments or direction on the draft ordinance?

Timeline

2017

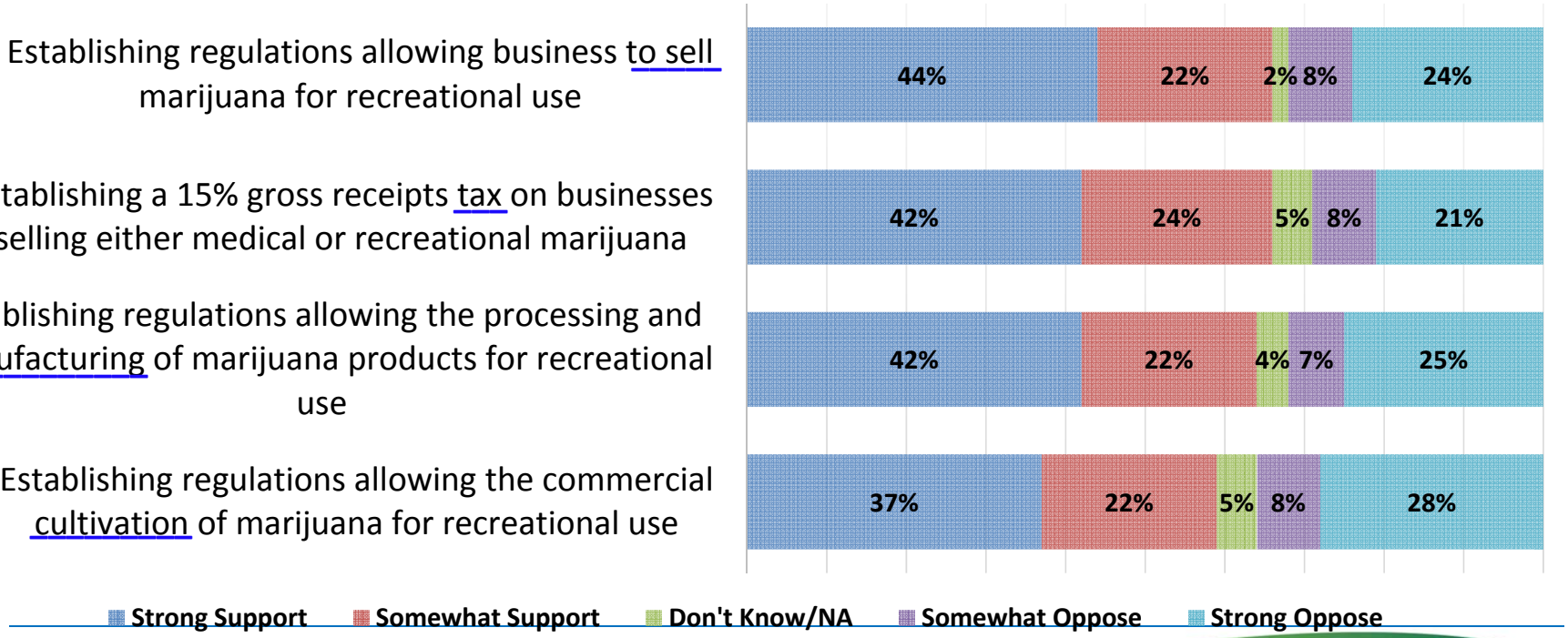
- Revise Ordinance to reflect City Council input and direction
- Prepare the required zoning text/map amendments for the Planning Board
- Prepare the fee study and amend the Master Fee Schedule
- If the recommendation is to cap the number of dispensaries, prepare the policies/process for selecting dispensary operators
- Bring revised Ordinance back to Council for 1st/2nd readings
- Prepare a staff report regarding taxation

2018

- Cannabis commercial businesses operational (pending temporary State permits)
- City begins monitoring and compliance inspections
- Cannabis Tax on Ballot

Survey Conducted July 20-23, 2017

I am now going to read you several different marijuana policies the City of Alameda may consider in the future. Please tell me whether that policy sounds like something you would support or oppose.



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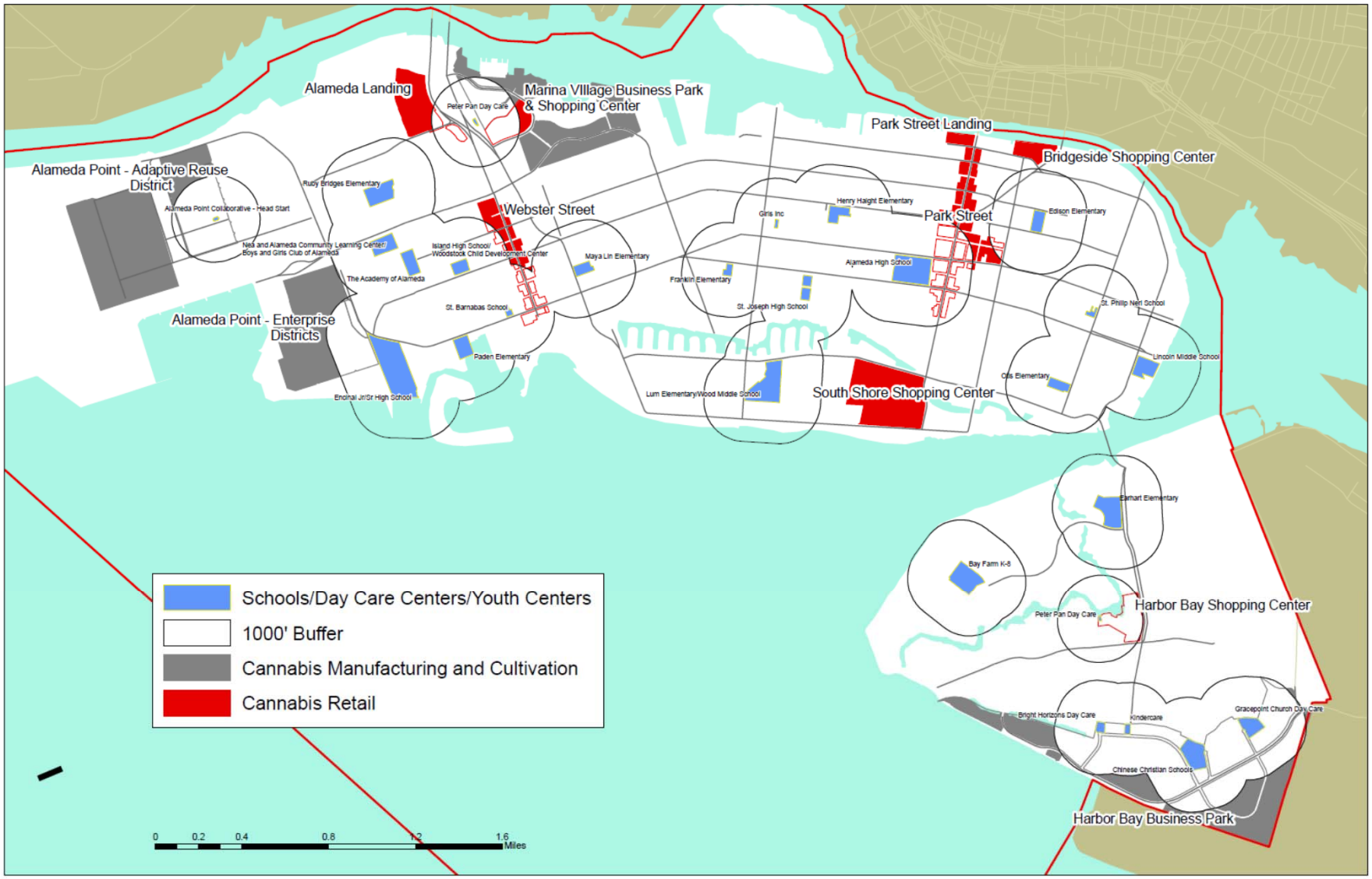
Alameda Landing
Marina VIllage Business Park & Shopping Center
Peter Pan Day Care
Park Street Landing
Bridgeside Shopping Center
Alameda Point - Adaptive Reuse District
Ruby Bridges Elementary
Alameda Point Collaborative - Head Start
Webster Street
Henry Haight Elementary
Girls Inc
Park Street
Edison Elementary
Nea and Alameda Community Learning Center/ Boys and Girls Club of Alameda
Island High School/ Woodstock Child Development Center
Maya Lin Elementary
Alameda High School
The Academy of Alameda
Franklin Elementary
St. Joseph High School
St. Philip Neri School
St. Barnabas School
Alameda Point - Enterprise Districts
Paden Elementary
Lincoln Middle School
Otis Elementary
Encinal Jr/Sr High School
Lum Elementary/Wood Middle School
South Shore Shopping Center
Earhart Elementary
Bay Farm K-8
Harbor Bay Shopping Center
Peter Pan Day Care
Bright Horizons Day Care
Kindercare
Gracepoint Church Day Care
Chinese Christian Schools
Harbor Bay Business Park
Schools/Day Care Centers/Youth Centers
1000' Buffer
Cannabis Manufacturing and Cultivation
Cannabis Retail
0
0.2
0.4
0.8
1.2
1.6
Miles