

# Cannabis 101

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## Introduction to Local Cannabis Policy for the City of Yreka

*Presented by:*

**John Bliss**

**Valerie Flores**

**September 27, 2017**

# Dynamic History of Cannabis in US

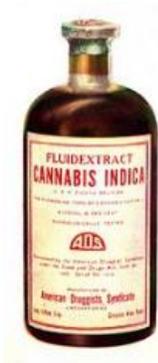
- Medical & Industrial use of Cannabis until 1937...

- Post Prohibition attitude changes

Harry Anslinger



Bureau of Prohibition  
Federal Bureau of Narcotics



- Marihuana Tax Act of 1937

*(This Ban was Opposed by American Medical Association)*



# 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 arresting or prosecuting patients, caregivers, and businesses that are acting in compliance with state medical cannabis laws
- U.S vs. McIntosh (2016)
  - 9<sup>th</sup> Circuit Court of Appeals reaffirms Rorabacher-Farr



# Legalization Trends

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- 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



# Current State Situation



# Recent History of Cannabis in California

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- 1996 - Proposition 215
  - Authorized medical cannabis use
- 2015 - The Medical Marijuana Regulation and Safety Act
  - Three bills co-joined AB 243, AB 266, SB 643
- 2016 - Proposition 64
  - Known as the “AUMA”
  - Authorized non-medical cannabis use
- 2017 - SB 94
  - Known as the “MAUCRSA”
  - Replaced MCRSA and integrates medical and non-medical regulations and license types



# Prohibition

- Federal prohibition of alcohol
  - 1920 – 1933 = 13 years
- Federal prohibition of cannabis
  - 1937 – 20?? = ?? Years
- California prohibition of cannabis
  - 1951 – 2018 = 67 years





# Some Proposition 64 Highlights

- AUMA – Allows Adult-Use Recreational
- 57% support
- Must be 21 years old
- Indoor cultivation of 6 plants for personal use allowed
- Outdoor cultivation may be prohibited
- Adults may possess 28.5 grams of cannabis plant material and 8 grams of concentrate
- Allows local taxation and regulation
- State excise tax of 15% on the average market price of commercial medical and recreational
- State cultivation tax of \$9.25 on flower/\$2.75 on non-flower plant leaf for commercial medical and recreational



# Some MAUCRSA highlights

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- 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 and CEQA exemption for localities that require discretionary approval for permitting a commercial cannabis business



# Trends of Cannabis in California

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- Support levels for legalizing non-medical cannabis
  - 52% support in September 2013
  - 51% support in October 2014
  - 57% support for AUMA in November 2016
- About  $\frac{3}{4}$  of Californians support medical cannabis today
- 53% of adults say that if recreational cannabis were legalized, they wouldn't be bothered if a store opened in their neighborhood



# The Big Three of the Cannabis Industry

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## Retail and Delivery



## Cultivation



## Manufacturing



# ...and the Supporting Activities

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Testing



Distribution



# Cannabis Ingestion Methods

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## Inhalation: Smoking



# More Cannabis Ingestion Methods

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Inhalation: Vaping



# More Cannabis Ingestion Methods

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## Oral: Tinctures and Ingestible Oils



## Oral: Edibles and Drinks



# More Cannabis Ingestion Methods

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Topicals:



# Retail Dispensaries

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# Retail Dispensaries





# Retail Dispensaries



# Retail Dispensaries



# Retail Dispensaries



# Cultivation

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# Cultivation



# Cultivation



# Cultivation

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# Cannabis Concentrate Manufacturing

## Cumberland, Maryland

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# Cannabis Concentrate Manufacturing



# Cannabis Concentrate Manufacturing



# Cannabis Concentrate Manufacturing

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# The Cannabis Plant

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- Varieties
- Properties



# A Couple of Numbers

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# 5 License Categories and Responsible Agency

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- |                               |                                      |
|-------------------------------|--------------------------------------|
| 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         |

*A couple of notes:*

- *Municipalities typically determine a fixed number of retail entities and limit the other types only by zoning*
- *Microbusiness licenses must satisfy appropriate Retail, Manufacturing, Cultivation and Distribution requirements*



**Type 1—Cultivation; Specialty outdoor; Small.**

**Type 1A—Cultivation; Specialty indoor; Small.**

**Type 1B—Cultivation; Specialty mixed-light; Small.**

**Type 1C—Cultivation; Specialty cottage; Small.**

**Type 2—Cultivation; Outdoor; Small.**

**Type 2A—Cultivation; Indoor; Small.**

**Type 2B—Cultivation; Mixed-light; Small.**

**Type 3—Cultivation; Outdoor; Medium.**

**Type 3A—Cultivation; Indoor; Medium.**

**Type 3B—Cultivation; Mixed-light; Medium.**

**Type 4—Cultivation; Nursery.**

**Type 5—Cultivation; Outdoor; Large.**

**Type 5A—Cultivation; Indoor; Large.**

**Type 5B—Cultivation; Mixed-light; Large.**

**Type 6—Manufacturer 1.**

**Type 7—Manufacturer 2.**

**Type 8—Testing laboratory.**

**Type 10—Retailer.**

**Type 11—Distributor.**

**Type 12—Microbusiness.**

# Actual Licenses



# 2 Client Types

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1. Medical Only
2. Medical and Non-Medical



# 6 Key Elements of Cannabis Implementation

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1. Community Research and Outreach (*Meetings & Surveys*)
2. Health and Safety & Land Use Regulations (*Ordinance*)
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*)



# Community Research and Outreach

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- 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

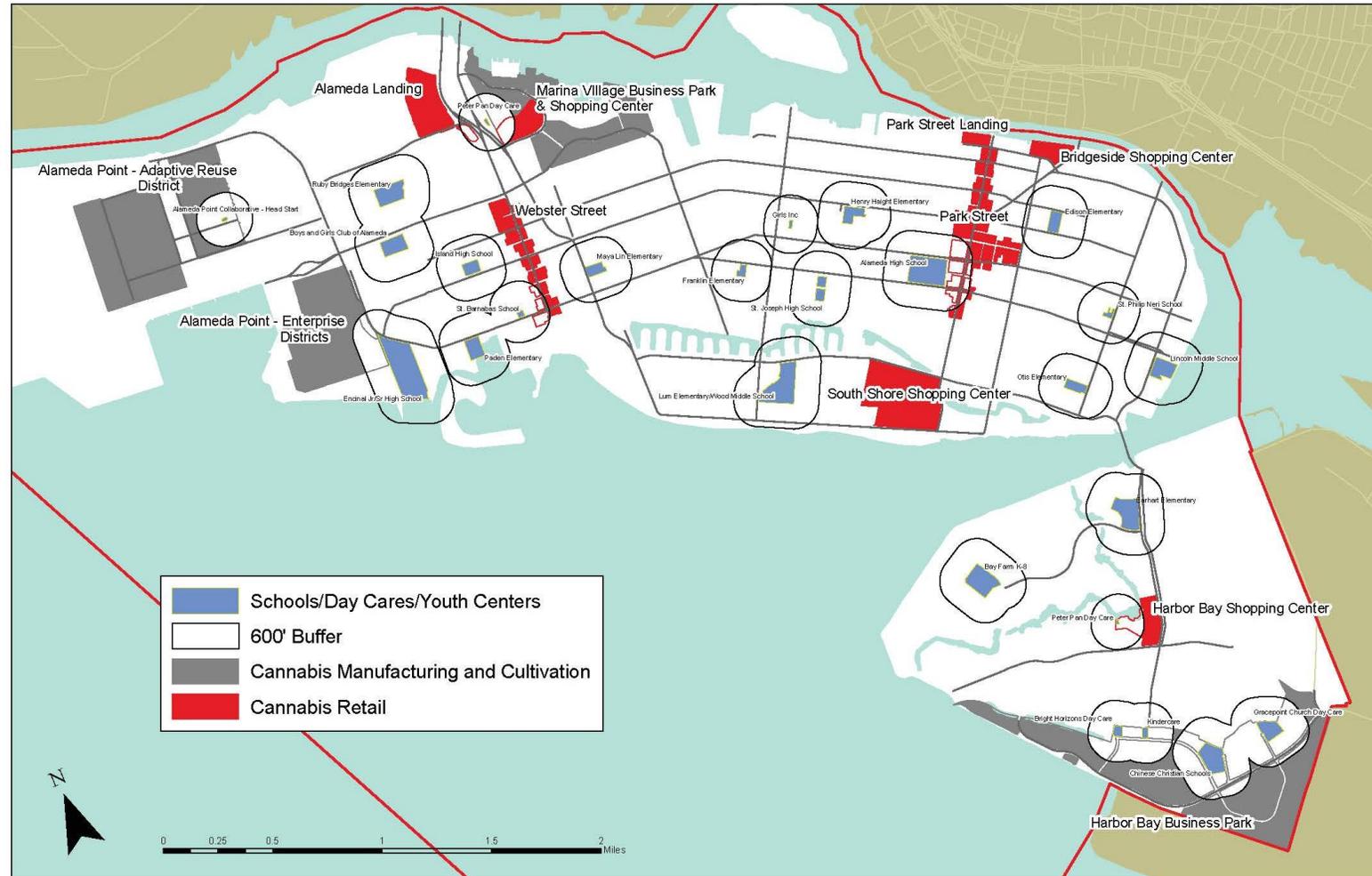


# Drafting a Regulatory Ordinance(s)

- Ban or Allow or
- Local and unique
- Ensure State and Federal (Cole memo) compliance
- Dovetail with AUMA (Proposition 64) and MAUCRSA (SB 94)
- Address 1.) land use and zoning priorities
- Address 2.) local health and safety priorities
- Other priorities
  - Local industry selection
  - Full cost recovery
  - Taxation
  - Monitoring and compliance



# Land Use Considerations



# 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  |   | Little Amsterdam   |
|---|---|--|
|  | <b>CERTIFIED CANNABACEUTICALS™</b><br>Tested On: <b>October 12, 2010</b><br>Tested By: <b>The Werc Shop</b> |  |
| Strain Name: <b>Bubba Kush (KB)</b>   |   | May cause drowsiness. Alcohol may intensify this effect. Do not use while operating a car or heavy machinery. Keep out of reach of children. <b>FOR MEDICAL USE ONLY</b> , IN COMPLIANCE WITH H&S CODE 11382.5 IN ACCORDANCE WITH CA H&S CODE SEC. 11362.5(B)(1)(A) & 11362.7(H) |
| Strain Type:  | <b>Indica</b> Wt. %   |  |
| <b>Δ<sup>9</sup>-THC Maximum:</b>   | <b>16.1 %</b>   |  |
| Δ <sup>9</sup> -THCA  | 17.4 %  |  |
| Δ <sup>9</sup> -THC   | 0.82 %  |  |
| <b>CBD Maximum:</b>   | <b>0.25 %</b>   |  |
| CBDA  | 0.04 %  |  |
| CBD   | 0.22 %  |  |
| <b>CBN:</b>   | <b>0.33 %</b>   |  |
| <small>Cannabaceuticals™ and the "CC" are trademarks of The Werc Shop, Inc.</small> |   |  |



# Application Process and Processing

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Application process

For Retail (with fixed number for licenses)

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



# Fees for Full Cost Recovery

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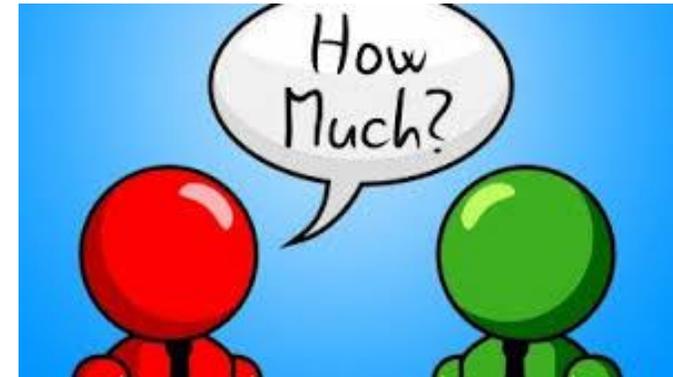
- Regulatory Fees
- Full cost recovery of all agency costs
  - Staffing, processing, review, inspection, background checks, video monitoring, etc.
- Conduct Proposition 26-compliant fee study
- No new revenue...all costs must be accurate and real!



# Common Types of Fees

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



# Worksheet for Fees

| All Permit Types<br>Cannabis Monitor and Compliance |              |               |                  |                |                    |          | Prime Consultant<br>Total Hours | Total Task<br>Costs |
|---|--------------|---------------|------------------|----------------|--------------------|----------|---------------------------------|---------------------|
| classification:                                     | City Manager | City Attorney | Planning Manager | Planning Admin | Law<br>Enforcement | Other    |                                 |                     |
| <b>FULLY LOADED HOURLY COST:</b>                    | 100.00       | 100.00        | 100.00           | 100.00         | 100.00             | 100.00   |                                 |                     |
| <b>TASKS</b>  |              |               |                  |                |                    |          |                                 |                     |
| <b>RECORD KEEPING and ADMINISTRATIVE</b>            |              |               |                  |                |                    |          |                                 |                     |
| 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              |
| <b>TOTAL DIRECT HOURS</b>                           | <b>0</b>     | <b>0</b>      | <b>5</b>         | <b>0</b>       | <b>0</b>           | <b>0</b> | <b>5</b>                        | <b>\$500.00</b>     |
| <b>PRODUCT TRACKING</b>                             |              |               |                  |                |                    |          |                                 |                     |
| 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            |
| <b>TOTAL DIRECT HOURS</b>                           | <b>0</b>     | <b>0</b>      | <b>3</b>         | <b>0</b>       | <b>0</b>           | <b>0</b> | <b>3</b>                        | <b>\$300.00</b>     |

# Typical Fees

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## **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

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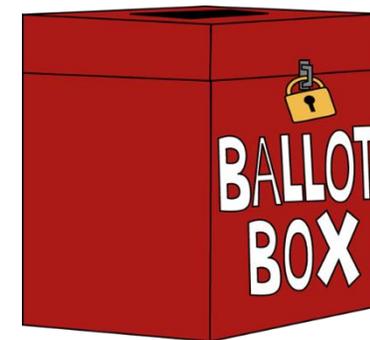
- General fund enhancement through taxation
- Requires balloted tax measure
- Tax Methodology
  - Gross receipts
  - Square footage
  - Inventory weight
  - other



# Taxation Strategies

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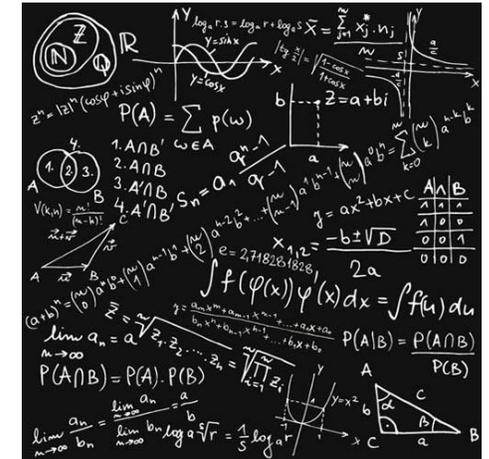
- Special tax 66.6% threshold
- General tax 50% threshold
- Timing and elections
- Predicted support levels



# 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

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



# Other Potential Issues

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



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# Q & A

