

City of Lathrop

Discussion Item:

Commercial Cannabis Discussion

CITY COUNCIL SPECIAL MEETING
AUGUST 2, 2021
ITEM 4.1





Presentation Outline

1. Purpose of the Discussion
2. Background – Prior City Council Meetings
3. Application Process
4. Development Regulations for Commercial Cannabis Use
5. Selection Process
6. Application Requirements and Fees
7. Next Steps and Implementation Actions
8. Public Input and Council Direction



1. Purpose of the Study Session

At Council's request, staff scheduled this discussion item with intent to allow Council a comprehensive look at the possible options for the regulation of commercial cannabis activity within the City of Lathrop.

No formal decisions are made as a result of this discussion.



2. Background

- On January 29, 2018, the City Council adopted Ordinance 18-387 for the prohibition against all commercial cannabis activities within City Limits.
- An initial Regional Cannabis Update was presented to the City Council on February 8, 2021.
- A Cannabis Update was presented to the City Council on July 12, 2021. This update presented a survey of surrounding jurisdiction's Cannabis regulations and the various State license types and descriptions.



3. Application Process

Entitlement Review Process

- Conditional Use Permit – Allows special consideration of the use and compatibility with the surrounding uses. Reviewed by Planning Commission in PH.
 - CUP will include possible conditions related to hours of operation, security, delivery schedule, off-street parking, max occupancy, correlated uses (no on-site use), etc.
 - CUP process includes review by Lathrop Police Services, Lathrop Manteca Fire District, and Development Review Committee.
- Development Agreement – Establishes the “Public Benefit” fee, Operation Conditions/Requirements, Term, etc.



4. Commercial Cannabis Uses

Types of Commercial Cannabis Uses

- **Cannabis Dispensary** – Any cannabis business where medicinal or adult-use cannabis or cannabis products are sold at retail.
- **Cannabis Distribution Business** – The procurement, sale, and transport of cannabis and cannabis products between licensees.
- **Cannabis Manufacturing Business** - Production, preparation, propagating, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages or cannabis products or labels or relabels its container.



4. Commercial Cannabis Uses

Types of Commercial Cannabis Uses

- **Cannabis Testing Laboratory** – Testing of medical cannabis and medical cannabis products. A Cannabis testing laboratory may test or cannabinoids, pesticides, water activity, and other substances in cannabis and cannabis products.
- **Cannabis Delivery** – Any cannabis business that, pursuant to a Type 1- or Type 12 state cannabis license, delivers, makes available, or distributes cannabis and cannabis products a customer.
- **Cannabis Cultivation** – Any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of cannabis.



4. Commercial Cannabis Uses

Recreational Cannabis Use versus Medicinal Use

- Recreational Cannabis Use
 - 21 and older allowed to purchase (Adult Use)
 - 18 and older with a physician's recommendation (Medicinal Use)
- Medicinal Cannabis Use
 - Have higher possession limits.
 - Can grow more plants at home if their physician recommends it (Current law allows a maximum of 6 plants)
 - Buy more cannabis each day if their physician recommends it.
- A Cannabis Dispensary can be authorized as a Medicinal Use Business.

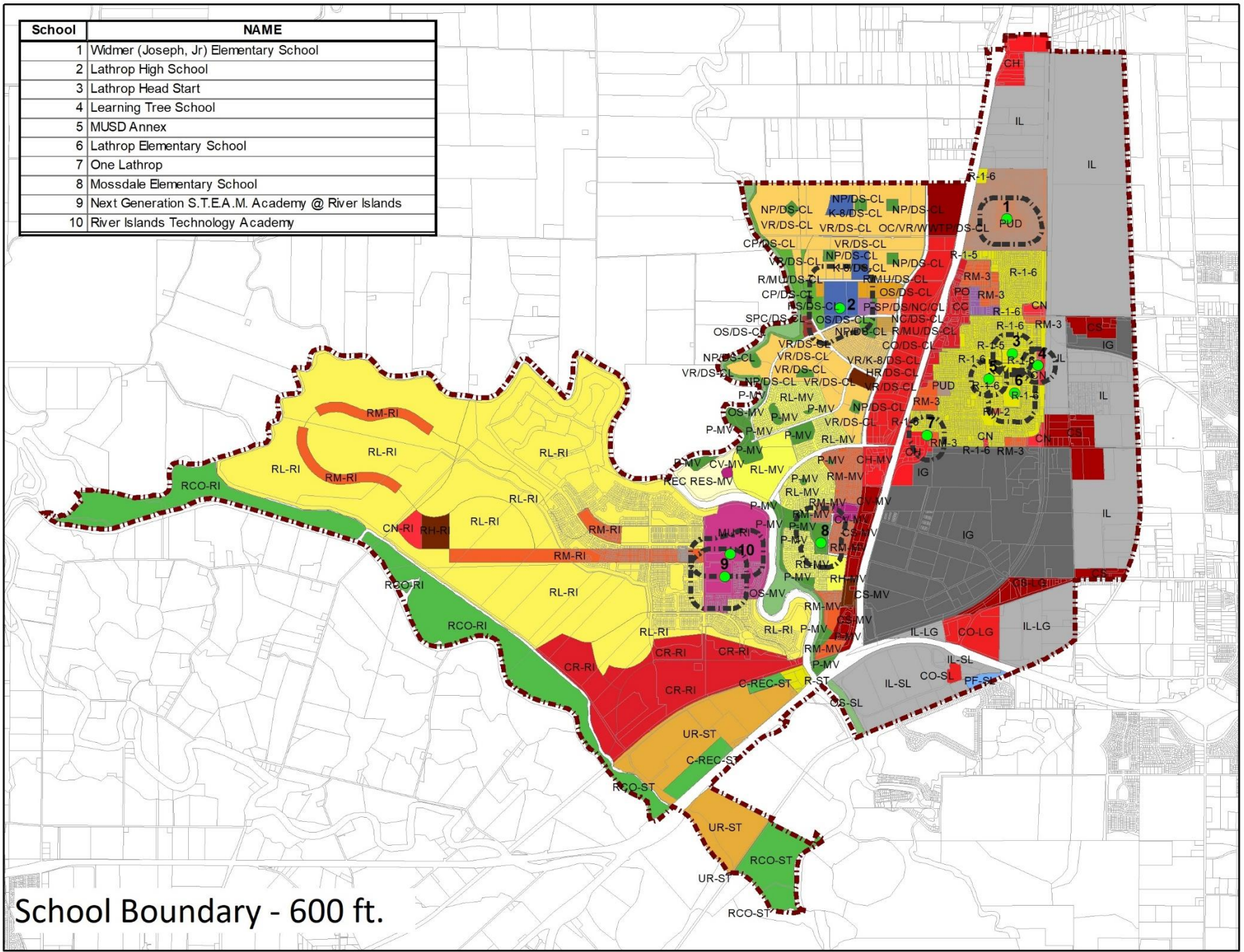


4. Commercial Cannabis Uses

Locating Commercial Cannabis Activity

- **Cannabis Dispensary**
 - How many should be allowed?
 - Only Medicinal Only or Combination of Medicinal and Commercial?
 - Which Zoning Districts should Cannabis Dispensaries be Permitted?
- **Consider Commercial and Industrial Zoning Districts.**

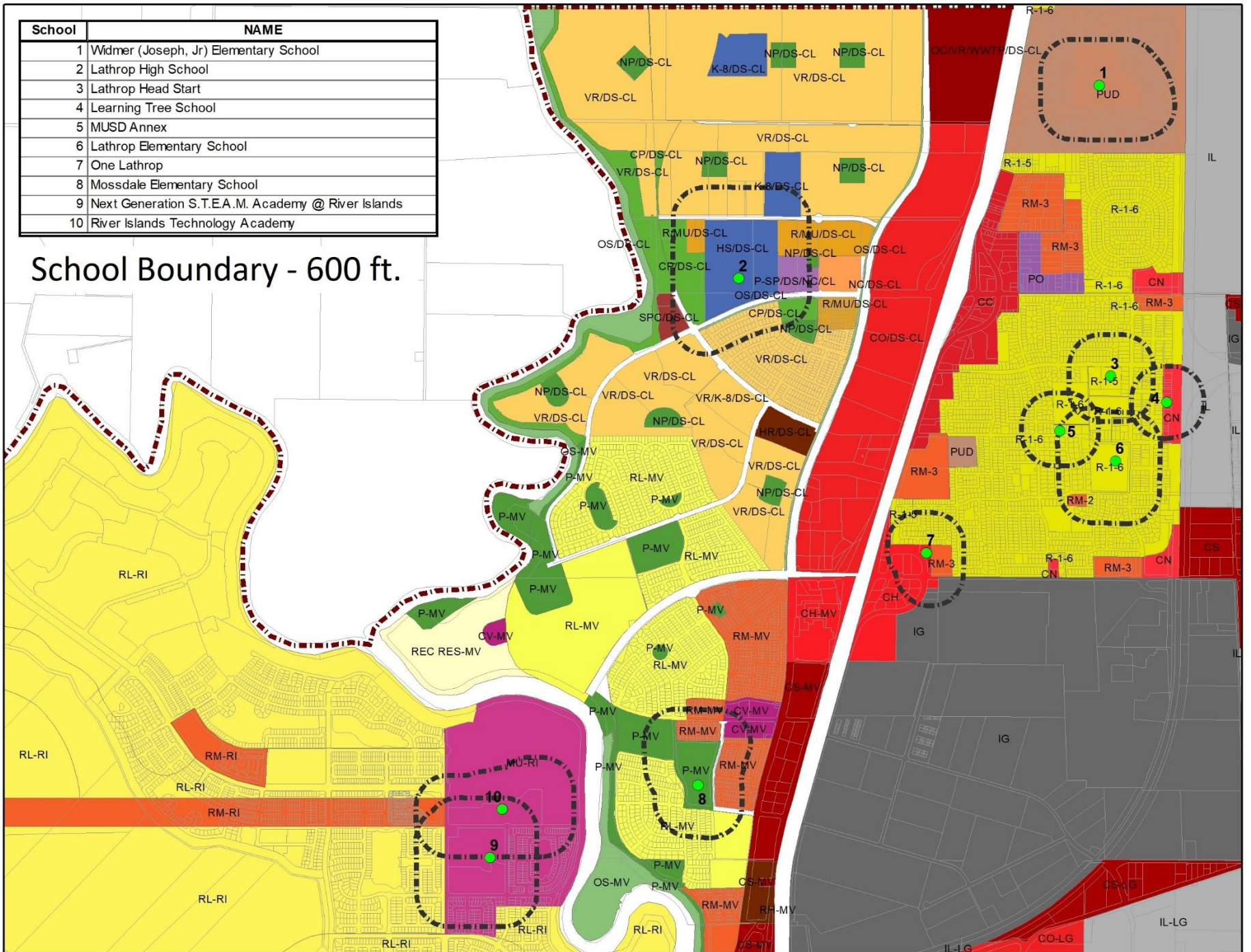
School	NAME
1	Widmer (Joseph, Jr) Elementary School
2	Lathrop High School
3	Lathrop Head Start
4	Learning Tree School
5	MUSD Annex
6	Lathrop Elementary School
7	One Lathrop
8	Mossdale Elementary School
9	Next Generation S.T.E.A.M. Academy @ River Islands
10	River Islands Technology Academy



School Boundary - 600 ft.

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School Boundary - 600 ft.





4. Commercial Cannabis Uses

Locating Commercial Cannabis Activity

- **Cannabis Distribution**
 - How many should be allowed? Many Cities have no limit to the number of Cannabis Distribution Businesses allowed.
 - Which Zoning Districts should Cannabis Dispensaries be Permitted?
- **Consider Industrial Zoning Districts.**



4. Commercial Cannabis Uses

Locating Commercial Cannabis Activity

- **Cannabis Manufacturing**
 - How many should be allowed? Many Cities have no limit to the number of Cannabis Manufacturing Businesses allowed.
 - Which Zoning Districts should Cannabis Dispensaries be Permitted?
 - Regulate types of cannabis products manufactured? Example is plant materials, extracts, food-related edibles, packaging and labeling, etc.
- **Consider Industrial Zoning Districts.**



4. Commercial Cannabis Uses

Locating Commercial Cannabis Activity

- **Cannabis Testing Laboratory**
 - How many should be allowed? Many Cities have no limit to the number of Cannabis Testing Laboratories allowed.
 - Which Zoning Districts should Cannabis Dispensaries be Permitted?
- **Consider Commercial and Industrial Zoning Districts.**



4. Commercial Cannabis Uses

Locating Commercial Cannabis Activity

- **Cannabis Delivery**
 - Should delivery be allowed?
 - Delivery tied to a storefront or dispensary.
 - Which Zoning Districts should Cannabis Dispensaries be Permitted?
- **In many instances, a Cannabis Dispensary will have a Cannabis Delivery component.**



4. Commercial Cannabis Uses

Locating Commercial Cannabis Activity

- **Cannabis Cultivation**
 - How many should be allowed? Many Cities have no limit to the number of Cannabis Cultivation Businesses allowed.
 - Which Zoning Districts should Cannabis Dispensaries be Permitted?
 - Limit to only indoor cultivation or consider outdoor cultivation.
- **Consider Industrial Zoning Districts.**
- **Already limited to indoor. Outdoor prohibited.**
- **Consider limiting cultivation and curing areas to be contained within a building. No outdoor cultivation.**



4. Commercial Cannabis Uses

Buffer Requirement

- **State law (CCR 15026) requires a 600 ft. buffer of any School (Grades 1 through 12), day care center, or youth center. The City can increase this buffer requirement or add more restrictions, such as a buffer from residential uses.**
 - Is 600 ft. adequate? 800 ft.? 1,000 ft.?
 - Should additional restrictions be included, such as a buffer from residential uses? Generations center? Parks? Civic buildings?
 - Consider that a larger buffer may limit potential locations.
 - Consider separation between cannabis businesses.



5. Selection Process

Selection Process Options

1. First Come Basis

- City processes application as they are received. Less scrutiny on selecting a cannabis dispensary.

2. Lottery Drawing

- City of Tracy and Stanislaus County Example. Allow many businesses apply in a Lottery Application Process and the selections are lottery based.

3. Merit Based System

- Applications submitted are reviewed on a point-based criteria. Reviewed by Staff based on a criteria approved by Council.



6. Application Requirements and Fees

Application Requirements for CUP and DA

- Preliminary Title Report
- Site Plan, Elevations, Floor Plan
- Conceptual Landscape Plan
- Conceptual Signage Plan
- Site Photographs
- Live Scan Documentation of all Managers and Employees
- Security Plan
- Waste Management Plan
- Risk Management Plan
- List of all volatile chemicals to be used on-site
- Copies of State application materials (and approved documents when available)



6. Application Requirements and Fees

Security Plan

- Plan showing perimeter fencing, interior and exterior lighting plan, security camera layouts, security team plan, alarm system details, transportation, remote monitoring, electronic track and trace, and record keeping.

Waste Management Plan

- Plan showing how cannabis waste will be documented, blended 50/50 with shredded cardboard or paper, bagged up, and taken to a transfer station/landfill. Any reuse or recycling of the shredded materials for hemp paper and cloth or other use are addressed under the DA or CUP.

Risk Management Plan

- Plan identifying, analyzing and responding to risk factors throughout the life of the project.



6. Application Requirements and Fees

Application Fee Deposit

- Staff recommends that in addition to the Planning Application Fee for Development Agreement and Conditional Use permit, a Deposit be required to recoup the costs of Staff and consultant time in reviewing and processing the application.
- Staff recommends a minimum of \$20,000 deposit.
- Purpose of a deposit:
 - Prioritizes commercial cannabis businesses that have the experience and capital to operate a commercial cannabis business.
 - Allows the City to recoup processing costs for the review and processing of the DA. A variety of Departments will be involved in the review, including LPS and the City Attorney's Office.



6. Application Requirements and Fees

General or Special Tax

- A General or Special Tax can be established.
- Requires balloted tax measure.
- Other Cities such as Stockton and Patterson have approved ballot measures increasing business license tax rate for commercial cannabis businesses. Measure B failed in the November 2018 election in San Joaquin County.
- Tax Methodologies:
 - Gross receipts
 - Square footage of building
 - Inventory weight
 - Other



6. Application Requirements and Fees

Public Benefit Fee

- A Public Benefit Fee established via Development Agreement to offset burdens upon City infrastructure and services.
- Approved by City Council on a case-by-case basis as part of the Development Agreement.
- No ballot measure required.
- Methodologies:
 - Square footage
 - Percentage of Gross Receipts with a minimum and maximum per month amount.



6. Application Requirements and Fees

What Other Cities are Doing

- **Ceres-** 5-15% of monthly gross receipts; minimum \$20k to maximum \$75K. General Tax. Does not apply to cannabis businesses which enter into Development Agreements with Ceres.
- **Modesto-** 10% of annual gross receipts. General tax.
- **Tracy-** 6% of annual gross receipts for retail, 4% for all other businesses. General Tax.
- **Oakland** 5% of gross monthly receipts for medicinal cannabis, 10% of gross monthly receipts for recreational cannabis.
- **Patterson-** No Additional general or special tax.
- **Perris-** 10% of monthly business revenue for medical marijuana dispensaries.



7. Next Steps and Implementation Actions

Next Steps

1. Prepare Ordinance Amendments to the City's Municipal Code per direction received from City Council.
2. Present Ordinance Amendments to Planning Commission at a Public Hearing for Review and Recommendation. Necessary due to Title 17: Zoning amendments.
3. Present Ordinance Amendments to City Council at a Public Hearing for Review and Action.



7. Next Steps and Implementation Actions

Implementation Actions

1. Prepare Ordinance Amendments.
2. Selection Process materials (i.e., merit based criteria, lottery system implementation, etc.).
3. Application Materials and Informational Hand-outs.
4. Website Updates.
5. Development Agreement negotiation, including Public Benefit Fee (if selected).
6. Requires Planning Commission Recommendation and City Council Action.



7. Next Steps and Implementation Actions

Schedule

- Planning Commission – September 15, 2021
- City Council – October 11, 2021



8. Public Input and Council Direction

Questions and Answers