

HdL

Town of Los Gatos
CANNABIS POLICY
DISCUSSION





INTRODUCTIONS

- **Town of Los Gatos**

- Holly Zappala – Management Analyst, Town Manager's Office

- **HdL Companies**

- David McPherson – Compliance Director
 - Ajay Kolluri – Deputy Director of Policy & Audit

ABOUT HdL

- ✓ Municipal finance consulting firm, dedicated to providing revenue and economic insights to local governments
- ✓ HdL Serves:
 - 303 cities
 - 48 counties
 - 108 transaction districts
- ✓ Core services include sales tax, property tax, business licensing, economic development, and cannabis business regulation
- ✓ HdL has provided consulting services to over 175 local agencies that wanted to develop cannabis policies
- ✓ Team consists of former policymakers, law enforcement and cannabis regulators with State, County and local level experience



COMMUNITY INPUT PROCESS

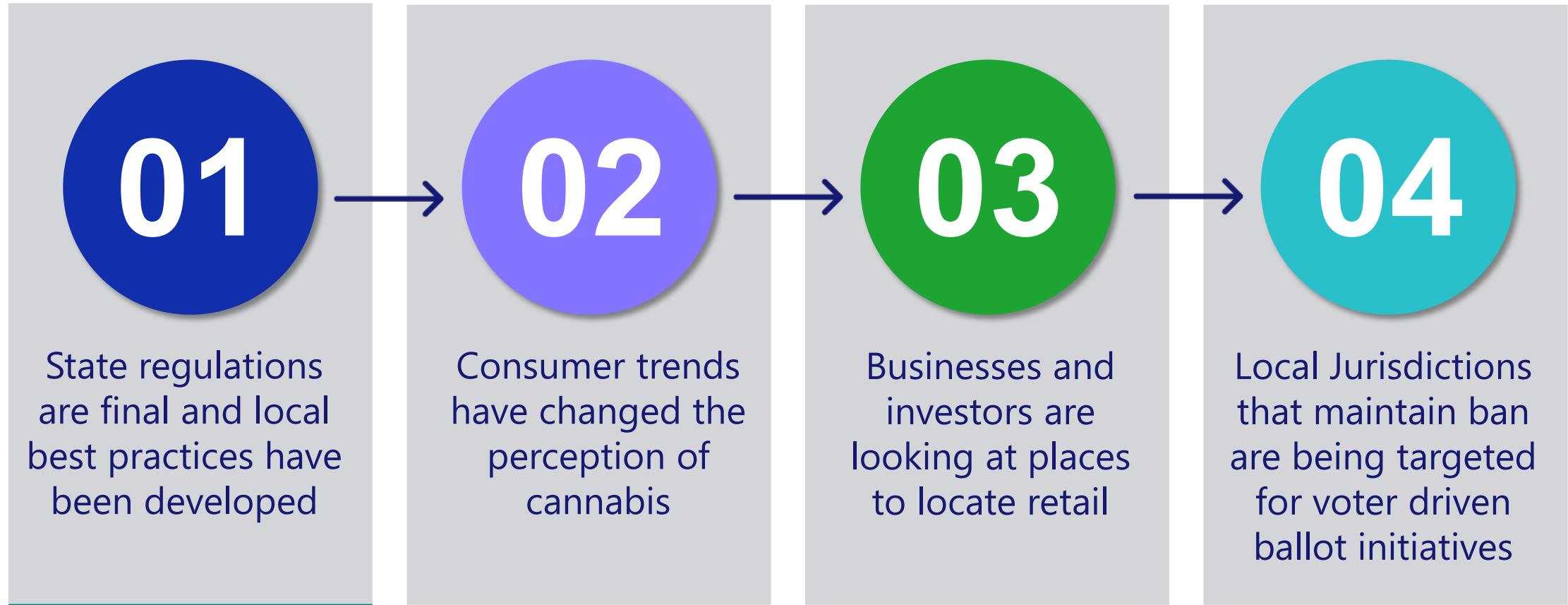
- No decisions will be made during this workshop
- Goal is to provide information & receive input from community stakeholders
- Additional community outreach:
 - Scientific survey
 - Submit comments to cannabis@losgatosca.gov
- A staff report will be presented to the Town Council
 - Community Feedback
 - Fiscal Impact Analysis
- Town Council policy direction on next steps



LOS GATOS MILESTONES

- ***November 2016*** – Proposition 64
- ***October 2017*** – Ordinance Prohibiting Commercial Cannabis Activity
- ***January 2021*** – Town Council Adopts Strategic Priorities
 - Item #7 – Commercial Cannabis Operations and Facilities Ordinance
- ***April – October 2021*** – Cannabis Dialogue Community Workshops
- ***January 2022*** – Approval to Hire Cannabis Consultant to Study Fiscal Impacts and Further Engage Community

WHY CONSIDER CANNABIS POLICIES NOW?



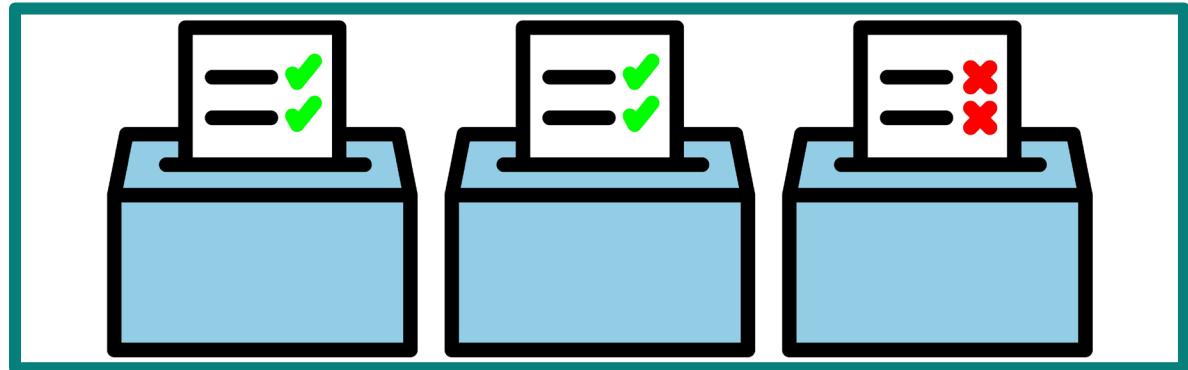


PROPOSITION 64 ELECTION RESULTS

Statewide
passed with 57% of the vote;
43% opposed

Santa Clara County
58% of voters supported
42% opposed

Town of Los Gatos
62% of voters supported
38% opposed

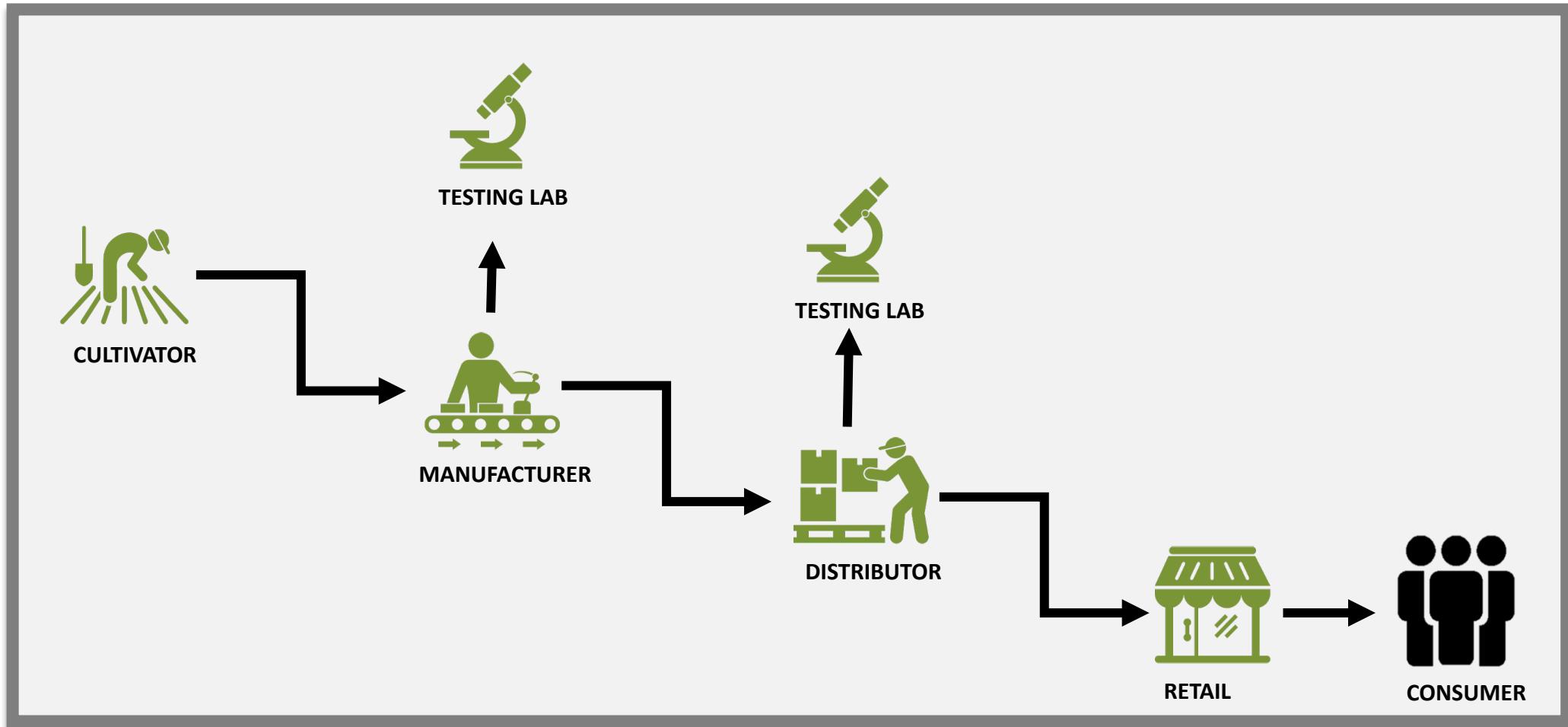


BUSINESS TYPES





CANNABIS BUSINESS CATEGORIES





RETAIL

ILLEGAL



LEGAL





LICENSED RETAIL BUSINESSES

Local Environment





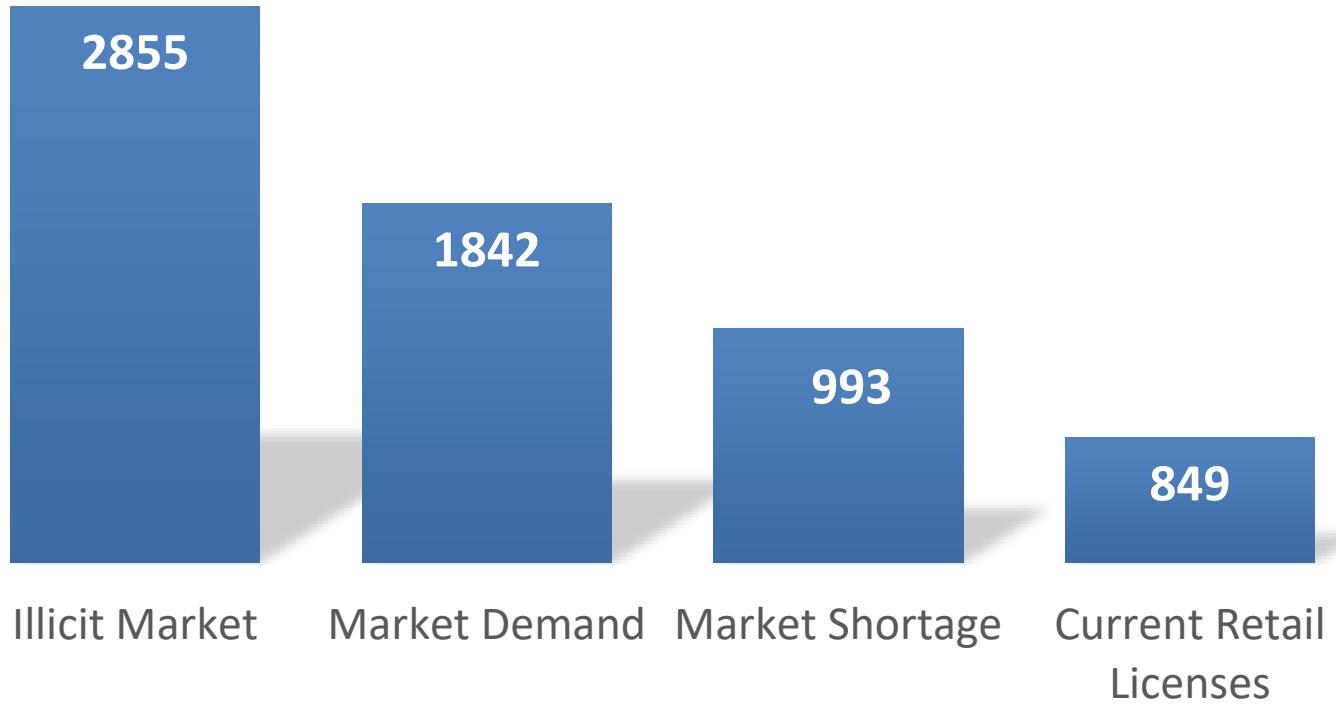
CALIFORNIA CANNABIS LICENSES AS OF MARCH 2022

8,317	Cultivation
889	Manufacturer
849	Retailers
366	Retailers Non-Storefront
1,062	Distributors
151	Distributor Transport Only
311	Microbusinesses
44	Testing Labs
44	Cannabis Event Organizers
12,033	Total



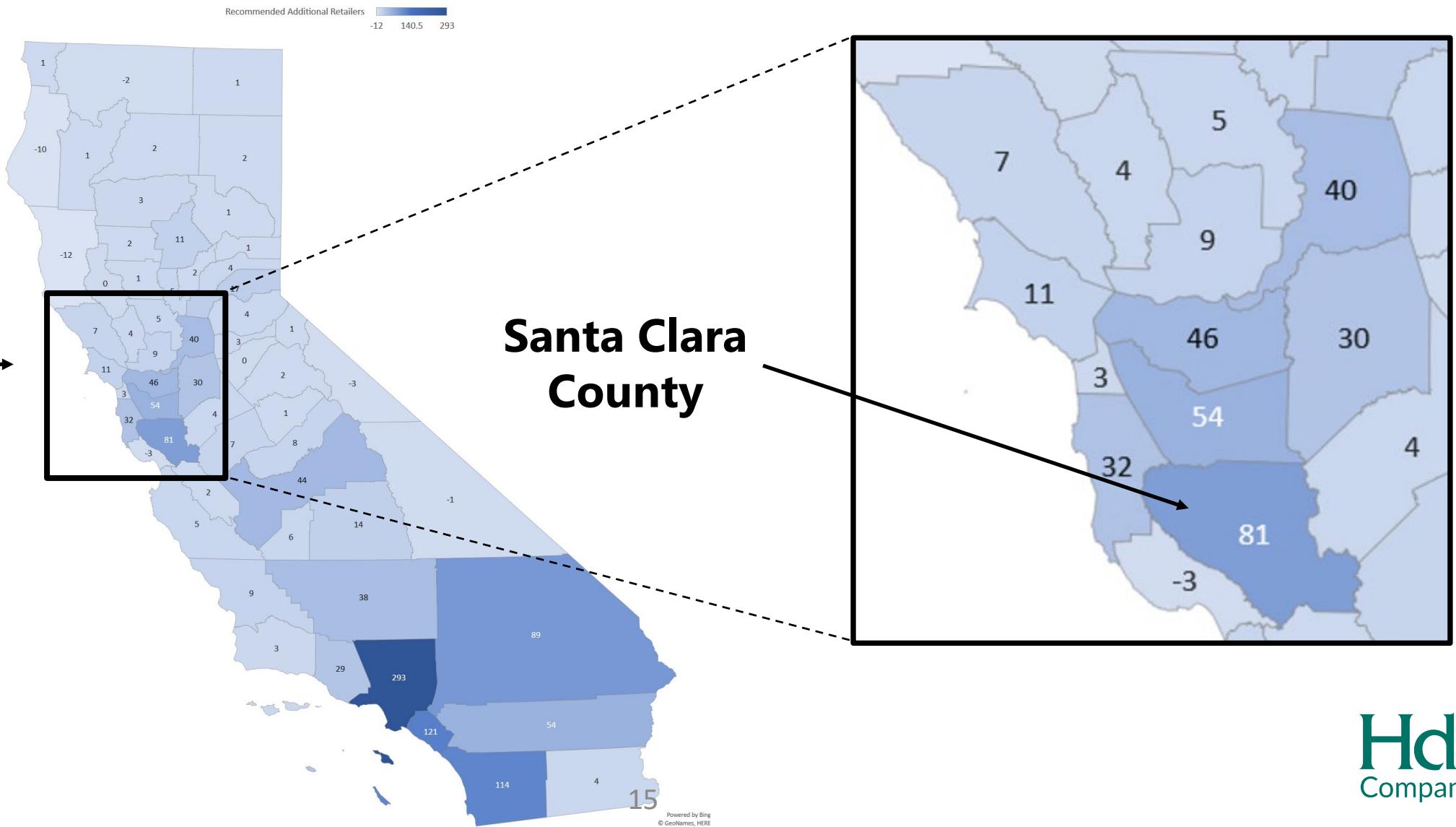


CA CANNABIS RETAIL MARKET ANALYSIS



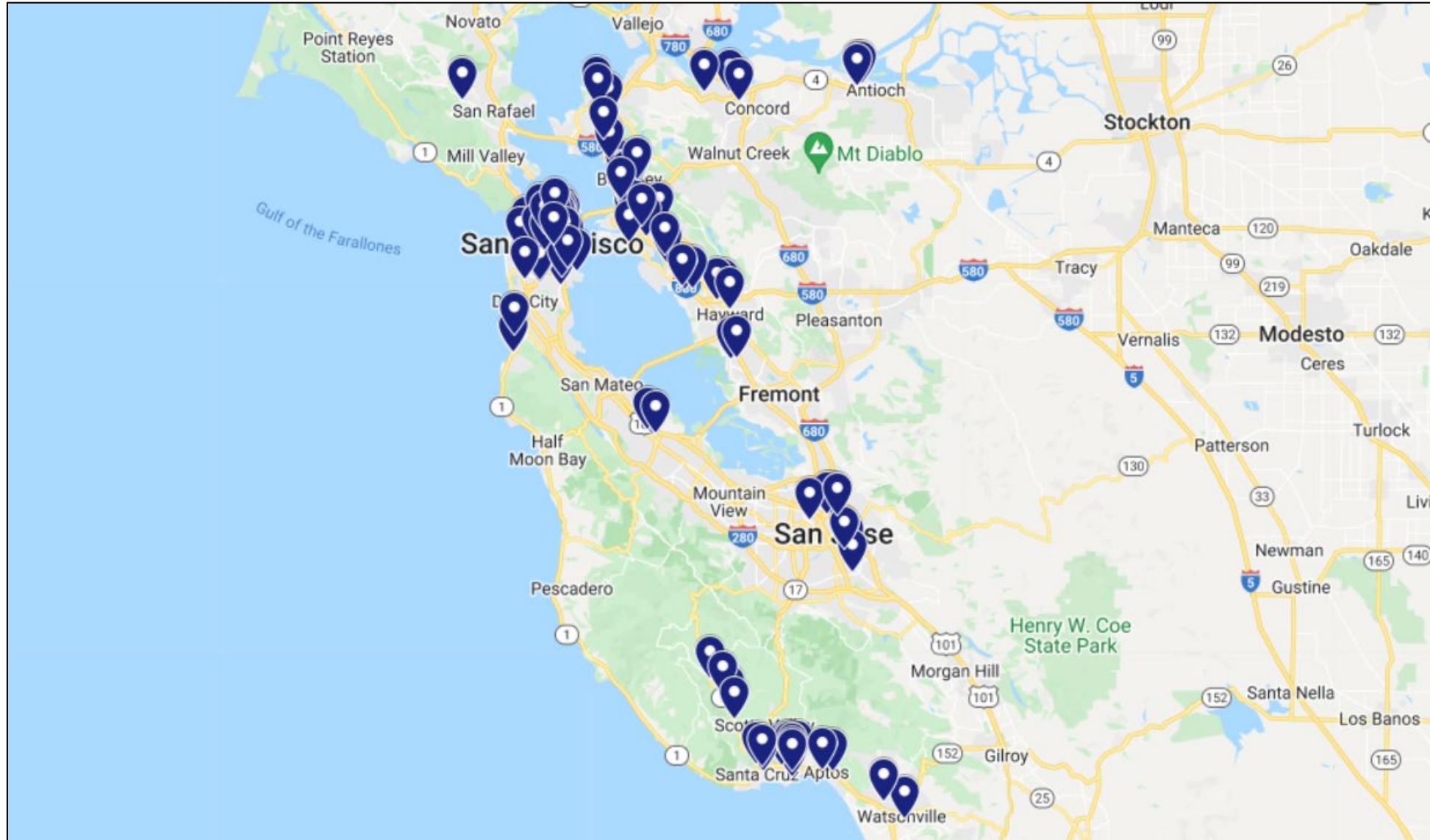


CA CANNABIS RETAIL MARKET LICENSE SHORTAGE



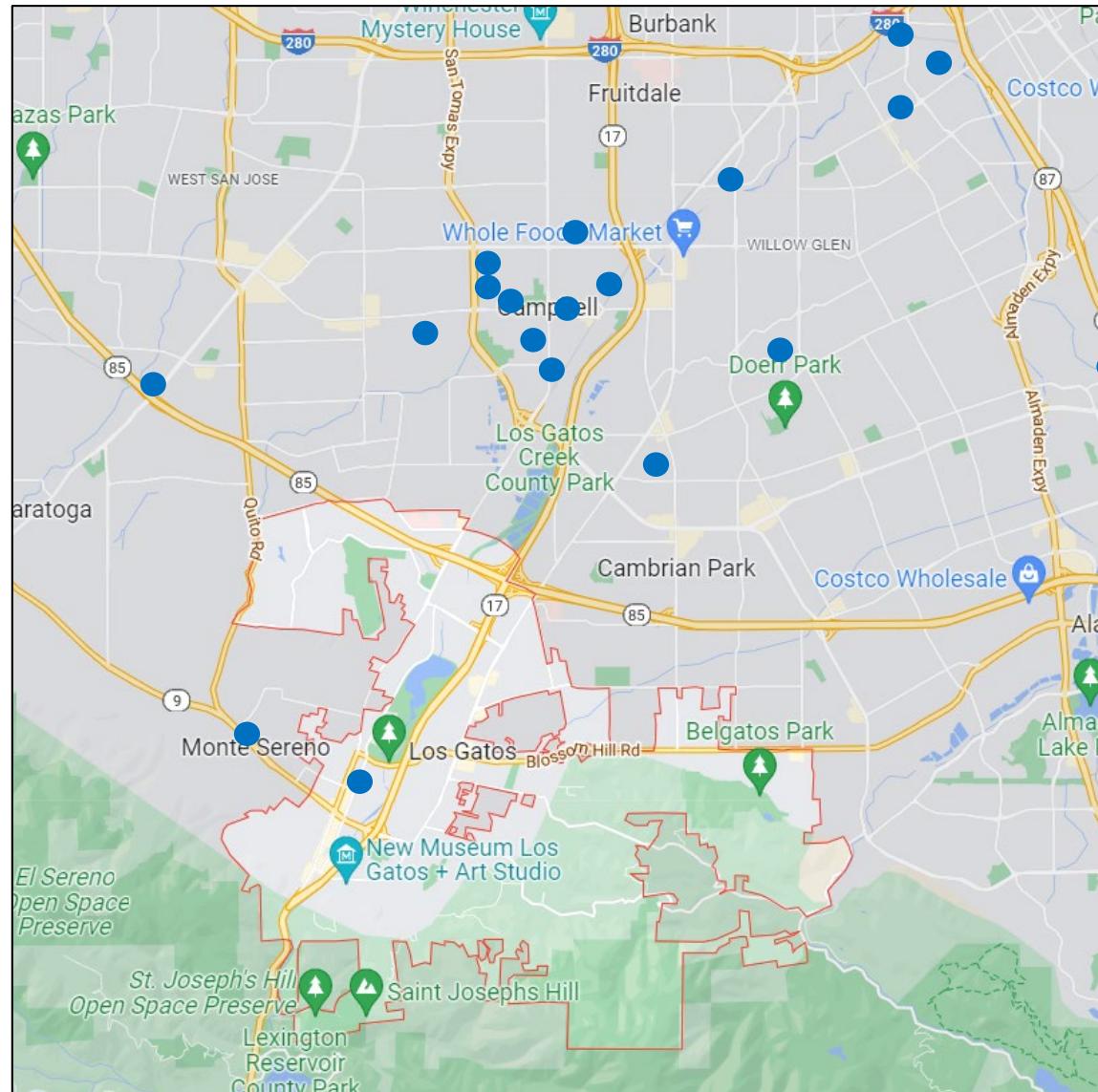


LICENSED CANNABIS RETAILERS (STOREFRONT)





CANNABIS DELIVERY SERVICES

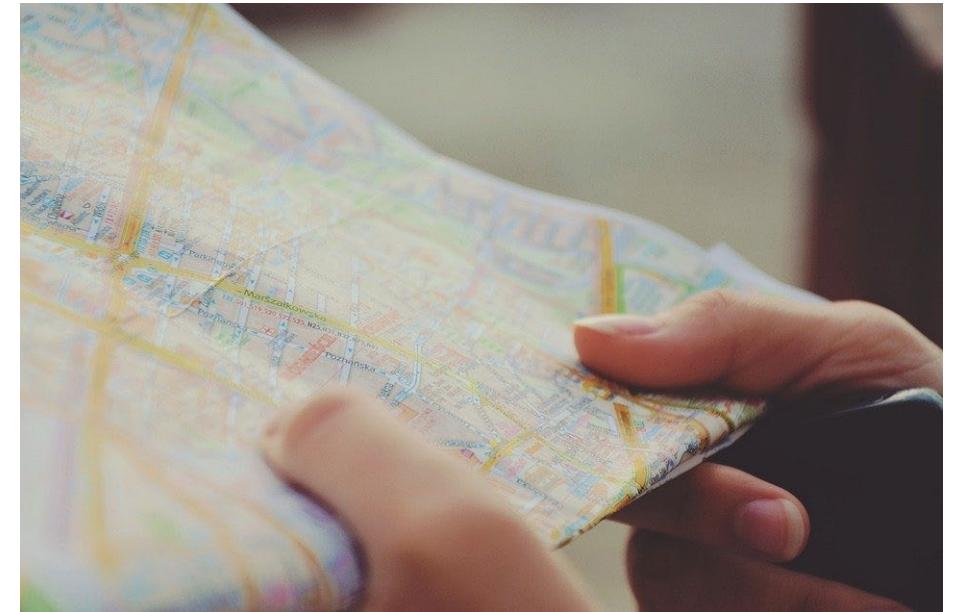




STATUS OF OTHER AGENCIES IN THE REGION:

- Burlingame – *Retail**
- Daly City – *Retail, Testing*
- Mountain View – *Retail**
- Redwood City – *Retail*
- Pacifica – *Retail, Manufacturing, Testing*
- San Francisco – *Retail, Cultivation, Manufacturing, Distribution, Testing, Consumption Lounge*
- San Jose – *Retail, Manufacturing, Distribution, Testing*
- South San Francisco – *Retail*, Cultivation, Manufacturing, Distribution, Testing*

* Cities that only allow non-storefront (i.e. delivery-only) retail.



CANNABIS REGULATIONS





A REGULATORY SYSTEM CAN:

- ✓ Establish facility design and location requirements
- ✓ Give the local agency authority and control over licensing decisions
- ✓ Impose operating restrictions that are more stringent than the State
- ✓ Enhance accountability for security and product safety

TOWN OF LOS GATOS COMMERCIAL ZONING DISTRICTS

C-1	Neighborhood Commercial
CH	Commercial Highway
C-2	Central Business District
LM	Commercial Industrial
CM	Controlled Manufacturing

Town of Los Gatos Zoning Map

Legend

Town Boundary
 Urban Area Service Boundary
 Sphere of Influence
 Historic Sites
 Zoning Boundary
 Creek
 Reservoir and Lakes

Residential

HR - Hilly Residential

R-1 - Single Family Residential

R-1D - Single Family Residential Downtown

RD - Residential Duplex

R-M-5-12 - Multi-Family Residential

R-M-12-20 - Multi-Family Residential

R-M-12-20 PD - Multi-Family Residential - Mobile Home Park

R-PD - Residential Planned Development

Commercial

C-1 - Neighborhood Commercial

C-2 - Central Business District

CH - Restricted Commercial Highway

CO - Office

Industrial

LI - Commercial Industrial

CM - Controlled Manufacturing

Other

Preserved Parks

PD - Planned Development

RC - Resource Conservation

NSP - North Forty Specific Plan

Overlay Zones

AHZO - Affordable Housing

LP - Landmark Protection

PD - Planned Development

PS - Public School

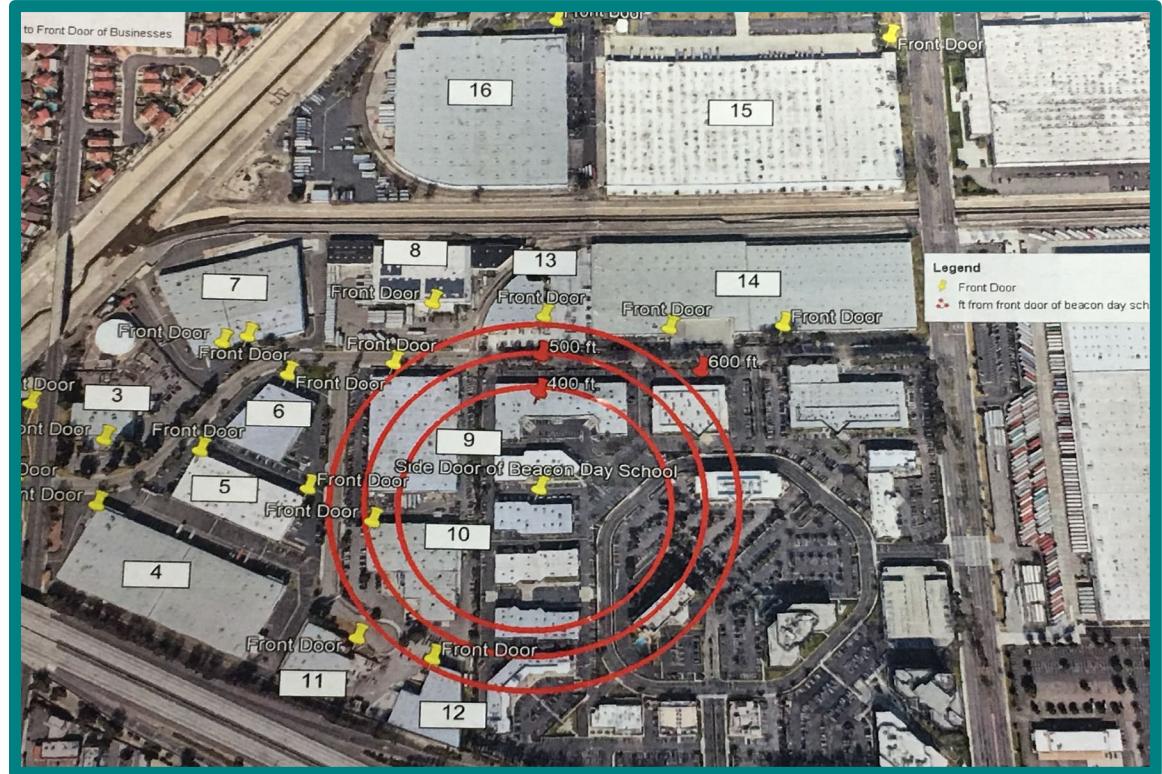
Amendments

Ordinance Number _____ Date _____



STATE-MANDATED BUFFER ZONES

- Cannabis businesses cannot be located within 600 feet of a “sensitive use,” defined as a school, day care center, or youth center.
- Local jurisdictions have the authority to increase/decrease buffer distances, and/or expand the definition of “sensitive use.”





COMMUNITY PRIORITIES



Public Safety



Public Health



Neighborhood
and Land Use
Protection



Preventing
Youth Access



PUBLIC SAFETY

- **Existing State Law:**

- Security personnel on-site during all hours of operation
- 24-hour video surveillance
- Alarm systems monitored by third-party
- Limited access areas
- Sign-in/sign-out procedures
- Employee badge requirement
- Criminal background checks of owners

- **Town Regulatory Authority:**

- Motion sensor lighting
- On-site safe/vault
- Security patrol or presence when closed
- Annual compliance inspections/financial audits
- Criminal background checks of employees
- Limitations on amount of cannabis goods in retail space



PUBLIC HEALTH

- **Existing State Law:**

- Third-party testing for mold, pesticides, and other contaminants
- Product labeling / dosing
- THC concentration limits
- Daily purchase limits for customers
- No public consumption
- Dedicated public health program funding through cannabis tax revenue

- **Town Regulatory Authority:**

- Warning signage inside facility
- Display of CDPH health pamphlets
- Visibility restrictions
- Budtender training program
- Annual public health fee
- Allocation of tax revenues to fund local public health programs



LAND USE PROTECTION

- Existing State Law:
 - Sensitive use buffer requirements
 - Cannabis waste disposal requirements
 - Cannabis good display only in retail area
 - Opaque exit packaging requirement
 - Shipment of cannabis goods may only be accepted during business hours
 - Mandatory 10PM closure
- Town Regulatory Authority:
 - Exterior lighting + landscaping
 - Stringent facility design standards
 - Strict enforcement of odor control
 - Exterior waste receptacles and scheduled cleaning
 - Designated community liaison
 - Prohibition on queue outside facility
 - Further restrictions on hours of operation (e.g. 9PM closure)



PREVENTING YOUTH ACCESS

- Existing State Law:
 - Retailers cannot sell cannabis to persons under 21 (or 18 with medical ID card)
 - ID verification prior to entry
 - Employee presence at all times
 - Cannabis displayed in retail area only
 - Track and trace of cannabis goods
 - Tamper-evident child-resistant packages
 - Product warning labels
 - Universal cannabis symbol:
- Town Regulatory Authority:
 - Underage decoy program
 - Routine inspections
 - Strict visibility requirements
 - Funding of youth prevention services using cannabis tax revenues
 - Annual license renewals with automatic revocation for underage sales
 - Prohibition on temporary signage



Tax & Fee Revenues



REVENUE GENERATING STRATEGIES



Standard fee to
recover Town
administrative
costs



General tax to be
considered by the
voters



Operational /
Community
Benefit
Agreement

LOCAL TAX OR FEE REVENUE SCENARIOS (RETAIL)

Annual Retail Tax Revenue Estimates*:

- (4%): \$320,000 - Plus \$90,000 in local sales tax. Total \$410,000
- (5%): \$400,000 - Plus \$90,000 in local sales tax. Total \$490,000
- (6%): \$480,000 - Plus \$90,000 in local sales tax. Total \$570,000.

**Assumes 2 storefront retailers with an average of \$4M in gross receipts each.*

LOCAL TAX OR FEE REVENUE SCENARIOS (DELIVERY-ONLY)

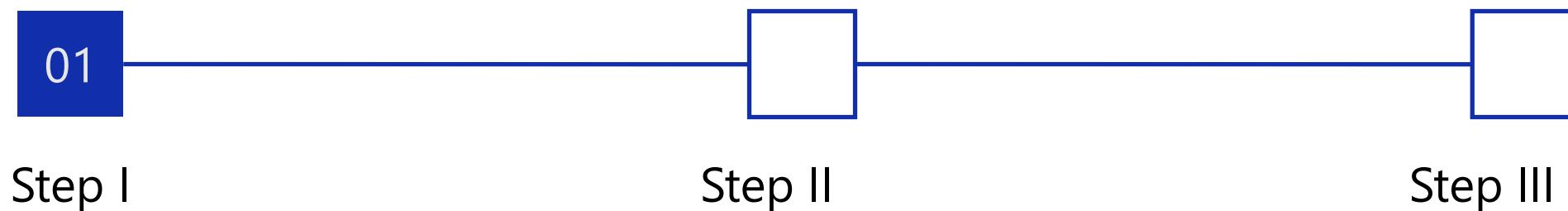
Annual Retail Tax Revenue Estimates*:

- (4%): \$120,000 - Plus \$33,750 in local sales tax. Total \$153,750
- (5%): \$150,000 - Plus \$33,750 in local sales tax. Total \$183,750
- (6%): \$180,000 - Plus \$33,750 in local sales tax. Total \$213,750.

**Assumes 2 non-storefront retailers with an average of \$1.5M in gross receipts each.*

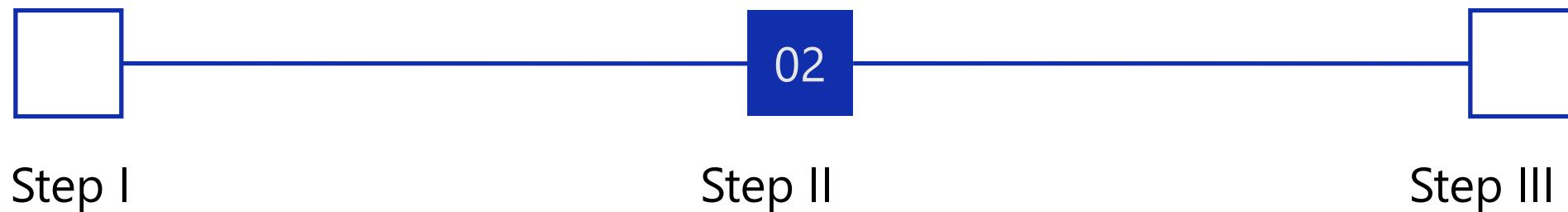
PROCESS FOR REGULATORY DEVELOPMENT (IF APPLICABLE)

PROCESS FOR REGULATORY DEVELOPMENT *(IF APPLICABLE)*



- ✓ Inform the Town Council and the community
- ✓ Conduct community survey/stakeholder meeting
- ✓ Analyze sensitive buffers and make recommendations
- ✓ Evaluate impacts of surrounding jurisdictions/neighborhoods

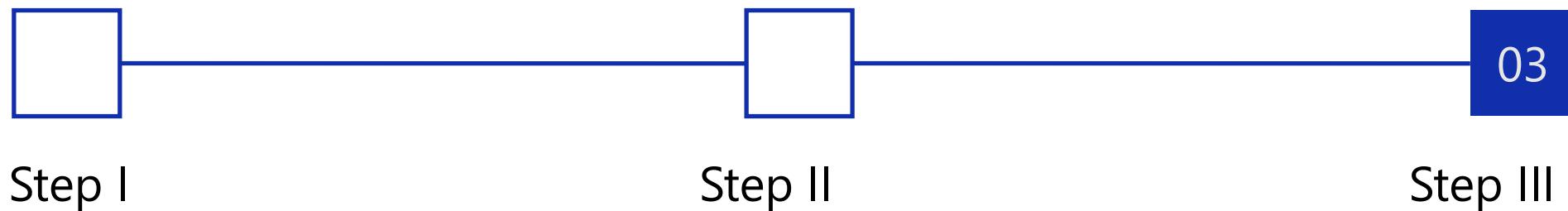
PROCESS FOR REGULATORY DEVELOPMENT *(IF APPLICABLE)*



- ✓ Draft a regulatory ordinance which includes best practices
- ✓ Draft zoning ordinance and present to Planning Commission
- ✓ Conduct study sessions & public hearing to Town Council on regulatory and zoning ordinances

PROCESS FOR REGULATORY DEVELOPMENT

(IF APPLICABLE)



Step I

Step II

Step III



- ✓ Develop application process
- ✓ Establish application fees to recover all associated cost with the application process
- ✓ Present a Cannabis Tax Measure to the voters for approval

COMMUNITY DISCUSSION





COMMUNITY POLICY DISCUSSION

1. Should cannabis storefront retail businesses be permitted in the Town?
2. How many business should be allowed in the Town?
3. What type of restrictions should be placed on each of the operations?
4. What type of application process should be established for the issuance of retail permits?
5. What are your concerns in allowing cannabis storefront retail businesses to be permitted in the Town?



COMMUNITY POLICY DISCUSSION (cont'd)

6. Should non-retail cannabis business be allowed in the Town? For example, cultivation, manufacturing, distribution and microbusinesses?
7. How many non-retail cannabis business should be allowed in the Town?
8. What type of restrictions should be placed on each of the operations?
9. What type of application process should be established for the issuance of the permits?
10. What are your concerns in allowing cannabis non-retail businesses to be permitted in Town?

THANK YOU!

David McPherson

Compliance Director

dmcpherson@hdlcompanies.com

Ajay Kolluri

Deputy Director of Policy & Audits

akolluri@hdlcompanies.com

(714) 879-5000