

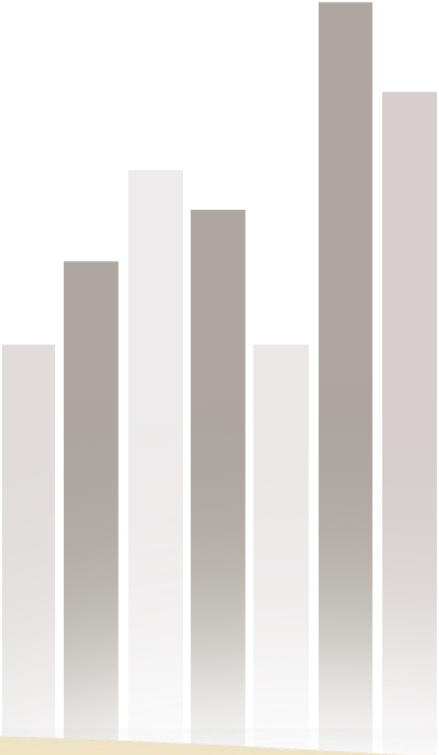


# **Yuba City**

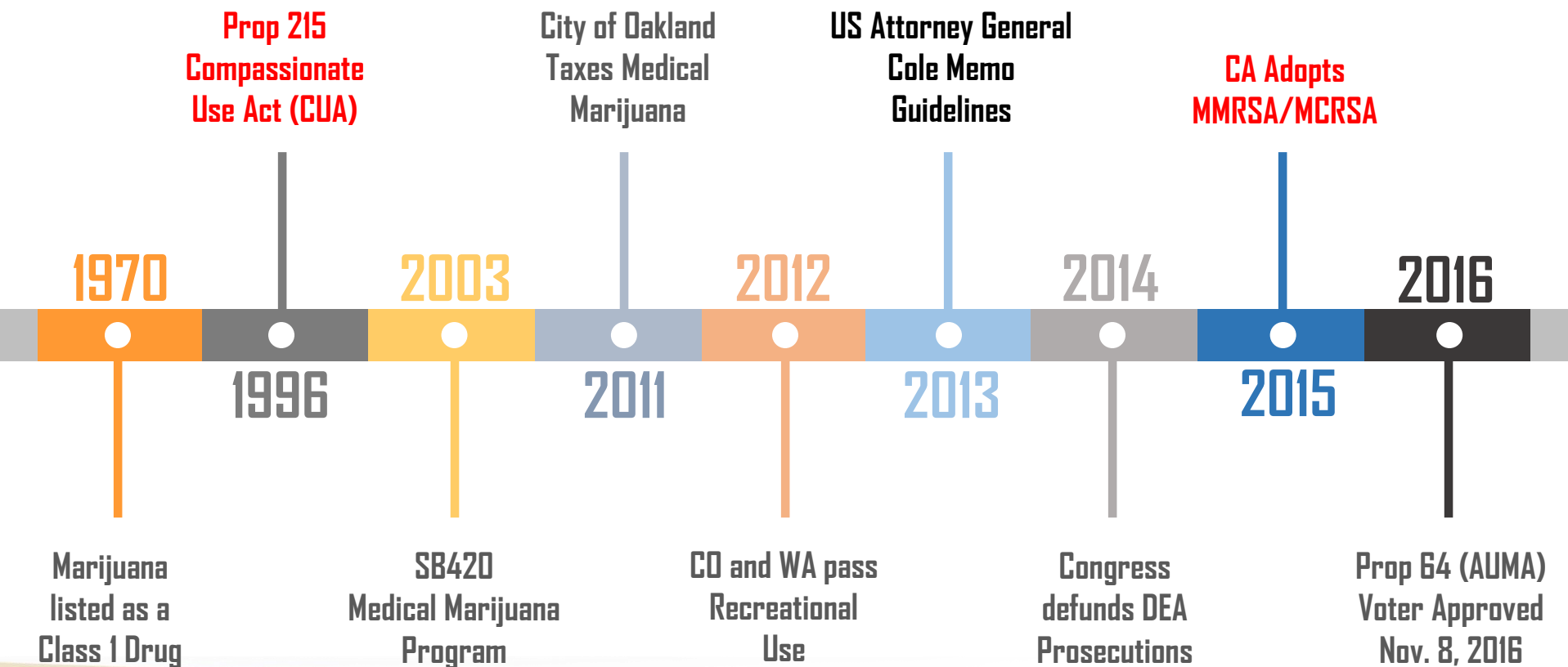
## **Marijuana Policy Workshop**

**June 13, 2017**

# ABOUT HDL COMPANIES

- 
- Serves:
    - 400 Cities
    - 44 counties
    - 79 transaction districts
  - Partnered with over 50 local agencies to develop Marijuana Polices
  - Former policymakers and law enforcement
  - Conducted over 10,000 marijuana compliance reviews

# MARIJUANA TIMELINE

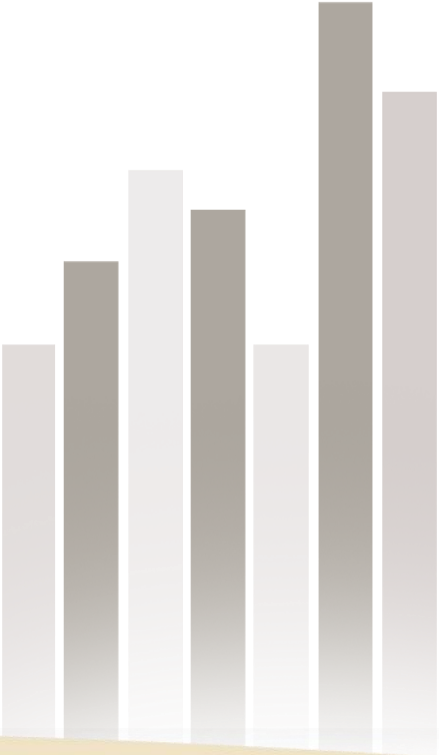


# FEDERAL GUIDANCE: COLE MEMO (2013)

## NO:

- Distribution of marijuana to **minors**
- Revenue from the sale of marijuana from going to **criminal enterprises**, gangs, and cartel
- **Diversion** of marijuana from states where it is legal to other states
- State-authorized marijuana activity cannot be **used as cover** for trafficking illegal drugs or activity
- Use of **firearms** in the cultivation and distribution of marijuana
- **Drugged driving** or other adverse public health consequences associated with marijuana use
- No cultivation of marijuana on **public lands**
- Marijuana possession or use on **federal property**

# PROPOSITION 64 ELECTION RESULTS

- 
- Statewide 56% of the voters supported Proposition 64 and 44% opposed
  - Sutter County 45.59% of the voters supported the initiative and 54.41% opposed
  - City of Yuba City 46% of the voters supported the initiative and 54% opposed

# MEDICAL CANNABIS REGULATION AND SAFETY ACT (MCRSA)



Protects local control by:

- **Dual licensing:** A requirement in statute that all marijuana businesses must have both a state license and a local license or permit to operate legally in California. Jurisdictions that regulate or ban medical marijuana will be able to retain their regulations or ban.
- **Enforcement:** Local governments may enforce state law and local ordinances if they request that authority and if it is granted by the relevant state agency.

# Patient Access Under MCRSA

## PERSONAL USE CULTIVATION



100 square feet of indoor/outdoor cultivation



Patient

## COMMERCIAL CULTIVATION



Commercial  
Cultivator



Licensed  
Transporter



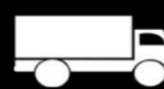
Licensed  
Manufacturer



Distributor



Testing



Licensed  
Transporter

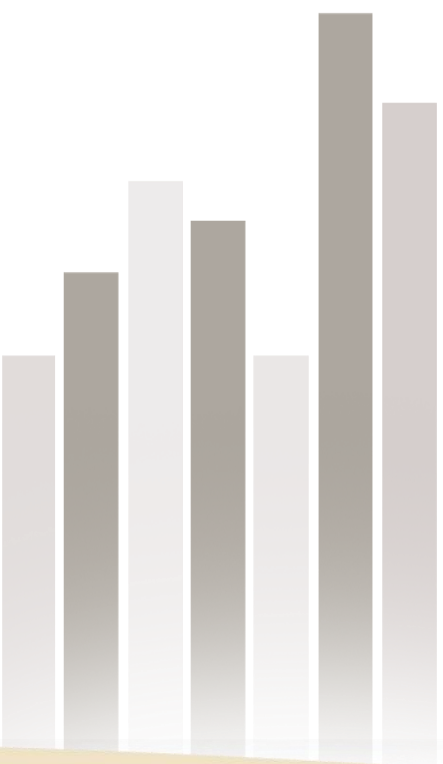


Dispensary



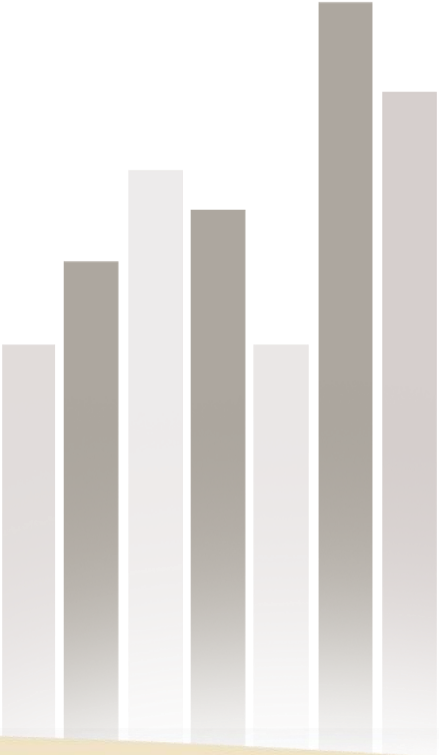
Patient

# PROP 64 PROVISIONS AND LOCAL CONTROL OPTIONS

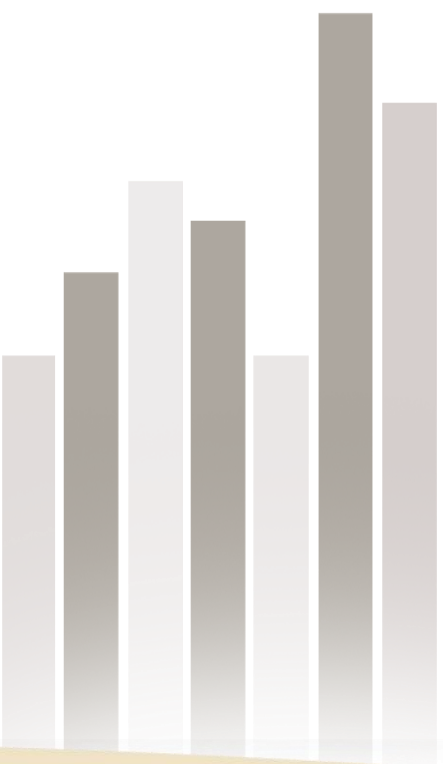
- 
- Personal Use and Cultivation
  - Public Consumption
  - Land Use-Commercial Businesses



# PERSONAL USE- HOMEGROWS

- 
- Prop 64 immediately legalized the personal indoor cultivation of marijuana. However, a landlord can ban the cultivation/ smoking of marijuana on the property (Health & Safety §§ 11362.45(g) and (h).)
  - Prop 64 provides that local governments can reasonably regulate, **but cannot ban**, the personal indoor cultivation of up to six nonmedical marijuana plants **per private residence**.
  - Local governments **can regulate or ban** all personal outdoor cultivation unless marijuana becomes lawful under federal law.

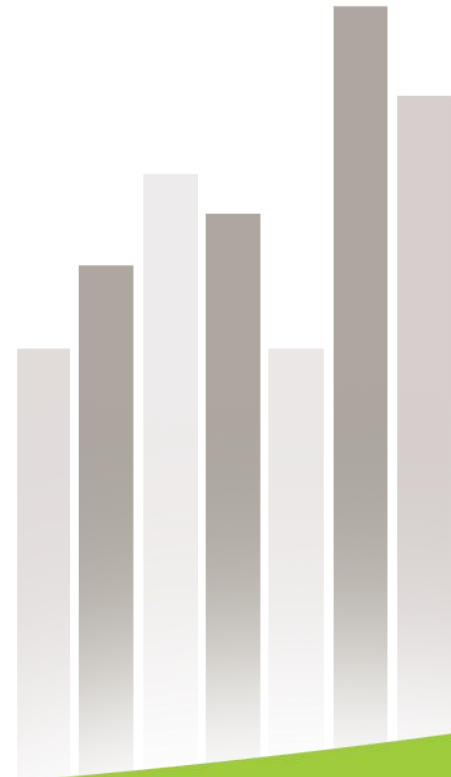
# PUBLIC CONSUMPTION

- 
- No smoking in public places
  - No smoking where smoking tobacco is also prohibited
  - No smoking while driving or riding in a vehicle
  - Employers may maintain drug-free workplaces
  - Local jurisdictions may authorize smoking or ingesting in marijuana retail or microbusinesses, with limitations
  - Cities may prohibit smoking and possession in buildings owned, leased, or occupied by the City

# Commercial Businesses Licensed/Permitted By The State (Recreational)

## 19 Types of Permits:

- Thirteen types of cultivation permits-includes Microbusinesses and Type 5 Permits
- Retailer (Not Dispensaries)
- Manufactures
- Testing Labs
- Transporter
- Distributors

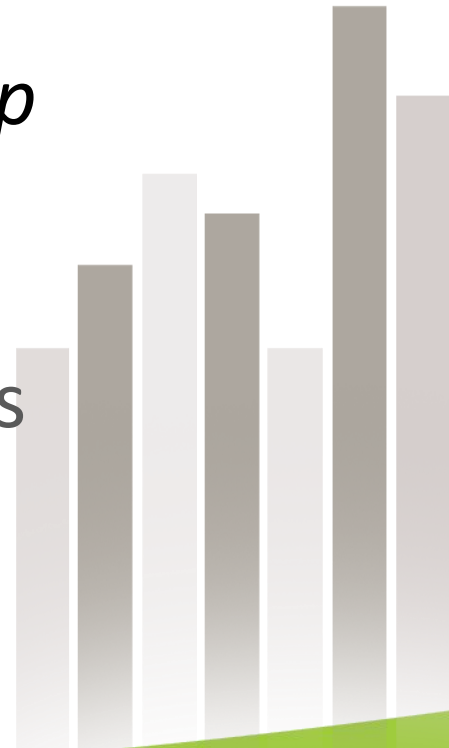


# **BALANCING POLICY DECISIONS**

# MARIJUANA POLICY DEVELOPMENT

*“Policies designed today will help  
shape how your industry looks  
tomorrow.”*

-HdL Companies



# PATH TO SUCCESS

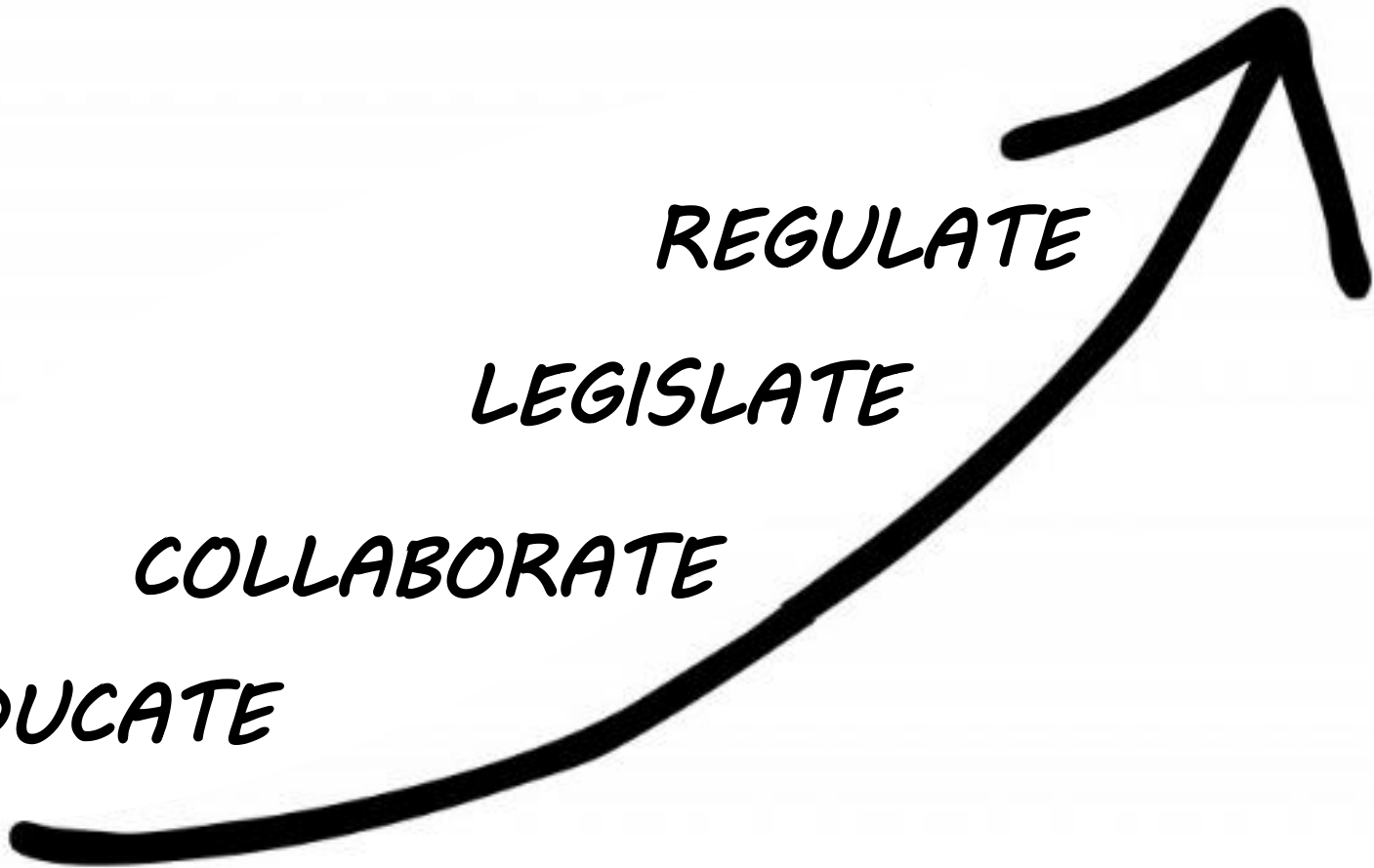
SUCCESS

REGULATE

LEGISLATE

COLLABORATE

EDUCATE



# COMPLEXITY OF MARIJUANA LEGISLATION

## Colorado Legislative changes in 2016:

- 44 legislative bills introduced
- 22 legislative bills that passed
- 124 rule or statute changes in one year caused by bill changes
- 90% of changes introduced into law were public safety issues
- California will experience similar situations as it progresses through the rule-making process

# WHAT IS HAPPENING IN THE REGION

- 
- Chico\*
  - Colusa
  - Live Oak
  - Marysville
  - Sacramento
  - Yuba County\*

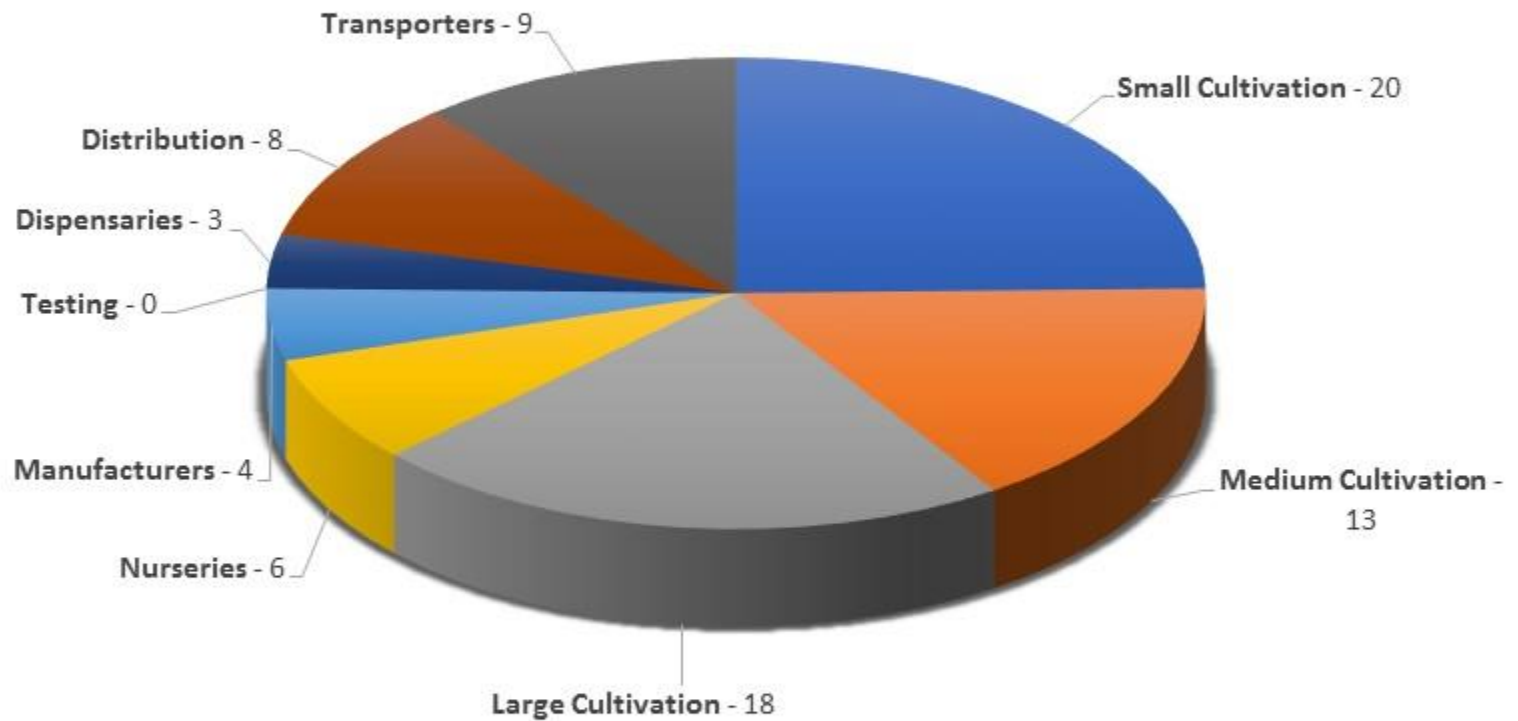
\*Citizen Initiatives which failed



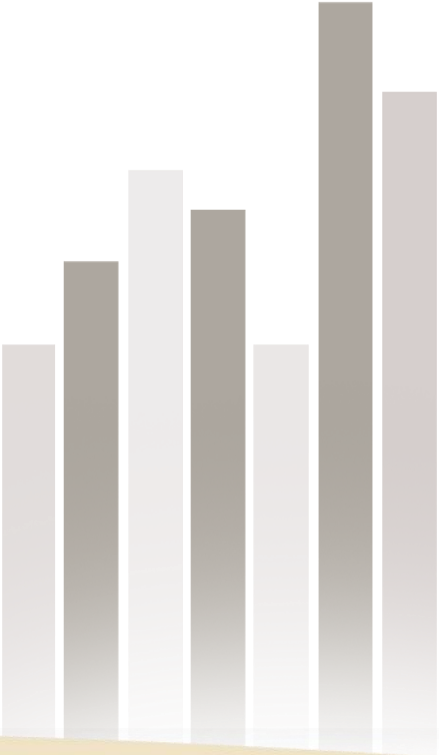


**TOTAL BAN ON ALL TYPES**

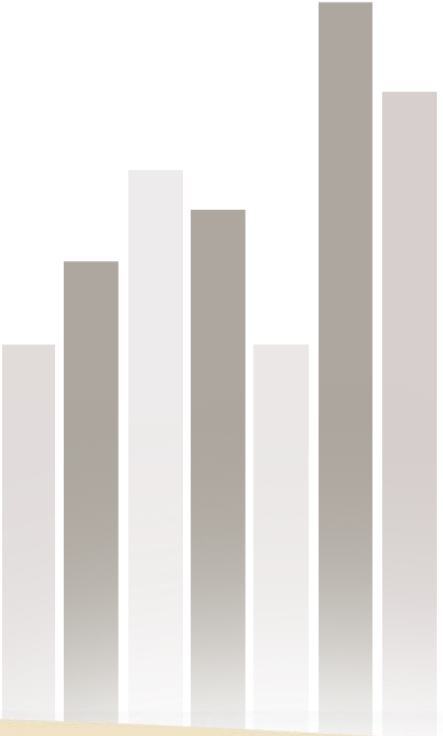
## Sutter County – by Permit Type



# Regulated vs Unregulated

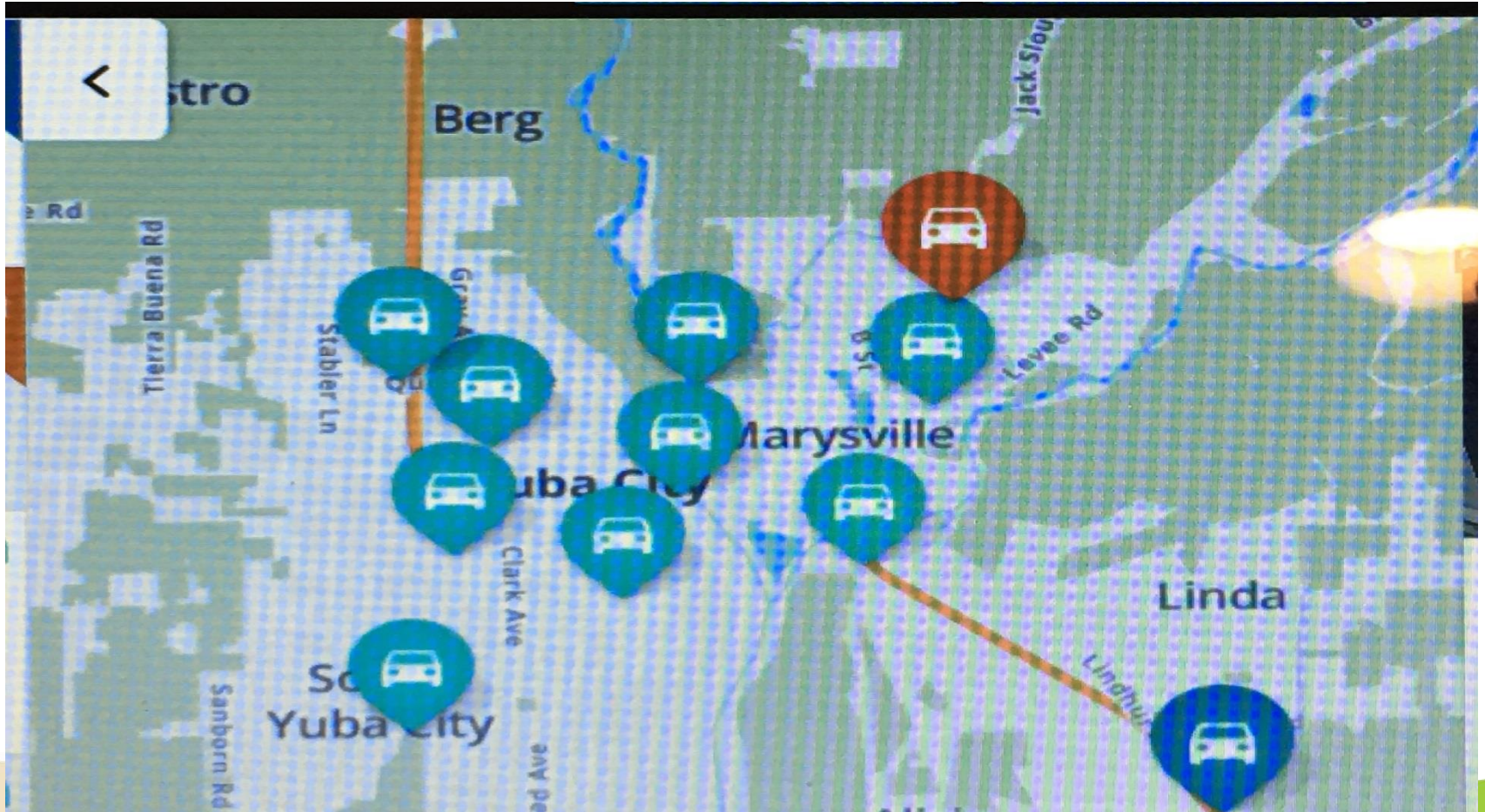
- 
- In California the top five most regulated counties generate 60% (\$628,965,300) of the sales tax revenue but only have 15% of all the retail permits in the State.
  - In comparison the top five counties which have bans and actively enforce them only generate 3.2% (\$79,784,900) of the sales tax revenue but make up 58% of the dispensary permits in the State.

# Unregulated Programs

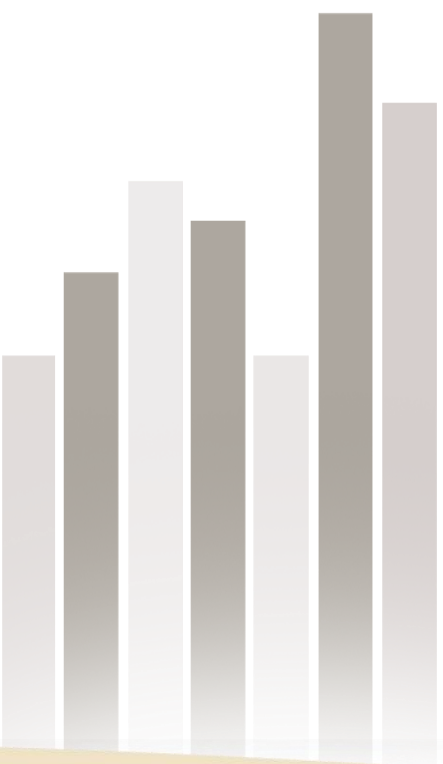
- 
- Squatter businesses operating without local, state and federal agencies authorization.
  - Obtained local business license under false pretense.
  - Does not invest in infrastructure and just tries to get by before being evicted by landlord or local agency.
  - High security risk and red flag for public safety.
  - Most likely not in compliance with Cole Memo.



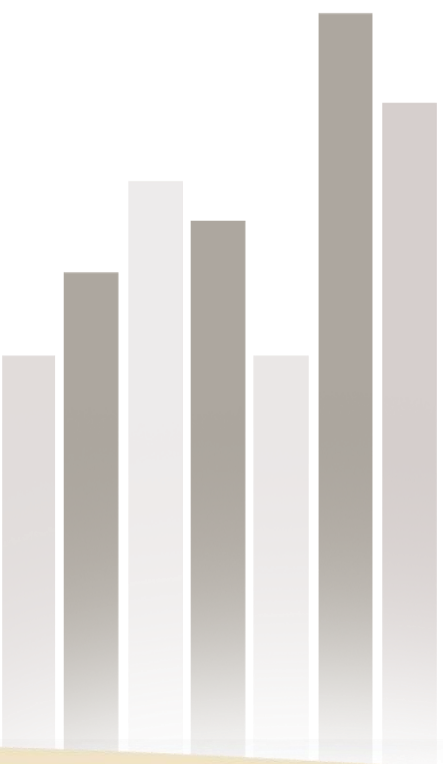
# Unregulated Deliveries in Yuba City



# PUBLIC SAFETY CONCERNS

- 
- Business models created around marijuana:
  - Tour groups
  - Hospitality (Bud & Breakfast)
  - Special or social events
  - Rental cars/hotels
  - Youth exposed to grow sites in residential property

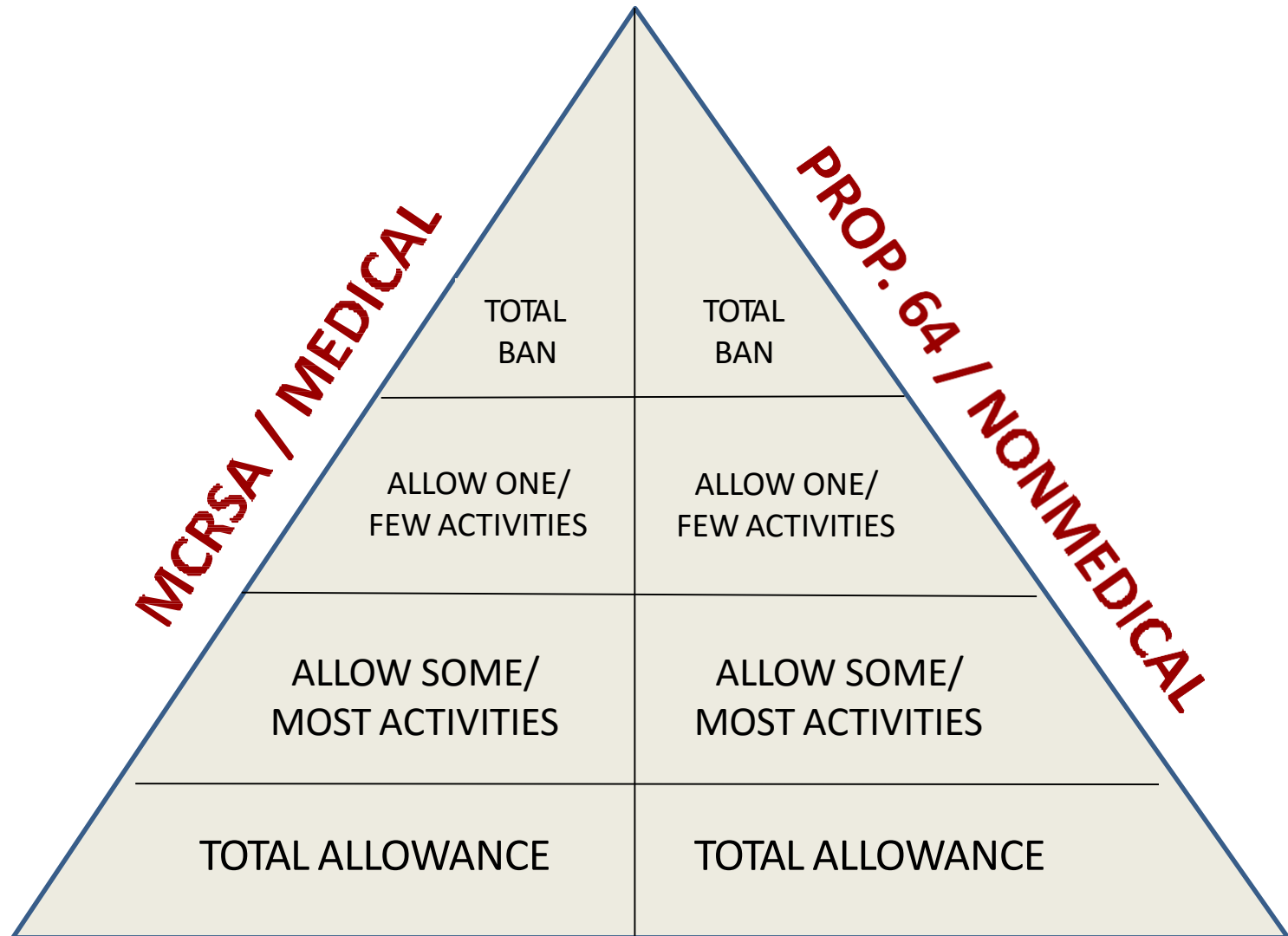
# PUBLIC SAFETY CONCERNS (Cont'd)

- 
- Black market diversion/inversion
  - Illegal cultivation activities
  - Illegal business activities
  - Overdose and public health impacts
  - Driving while impaired

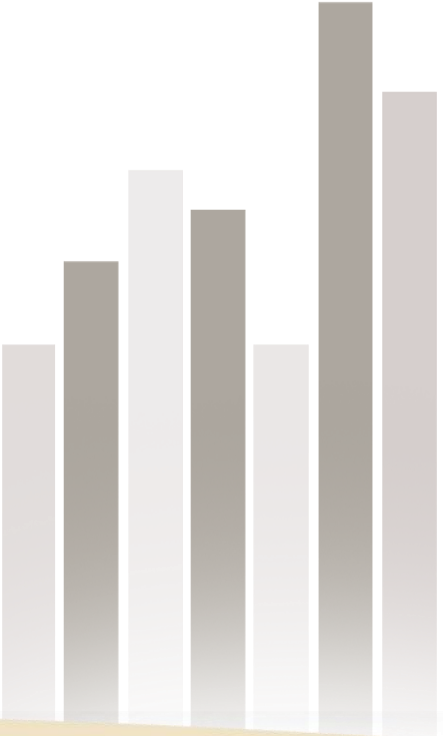
# **ALLOWANCE OF ANY OR ALL LICENSE TYPES**



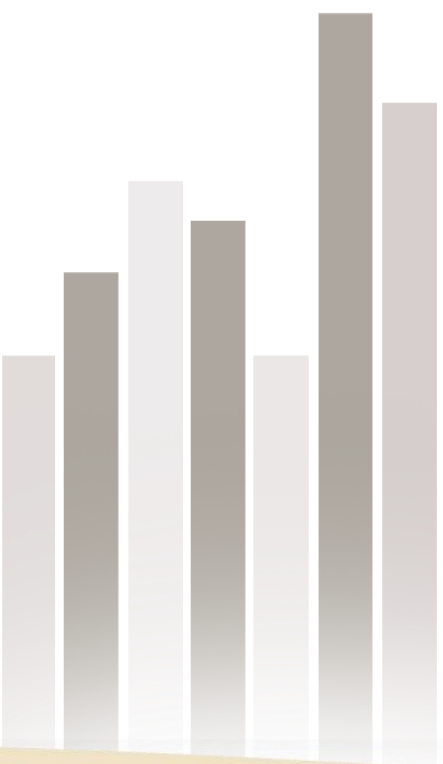
# REGULATORY OPTIONS



# Regulated Programs

- 
- License granted by the local agency
  - Applicants must comply with more robust requirements
  - More accountability for security and product safety
  - Reduces intervention from the Federal Government

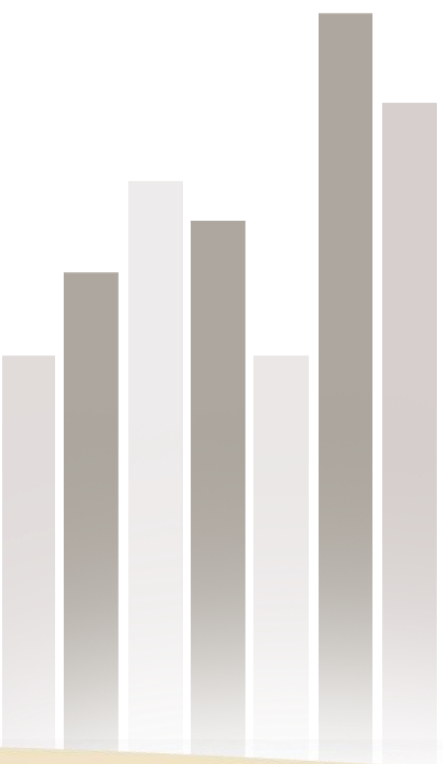
# DEVELOPMENT OF REGULATORY ORDINANCE



Local jurisdictions should develop ordinances which address:

- Time
- Place
- Manner

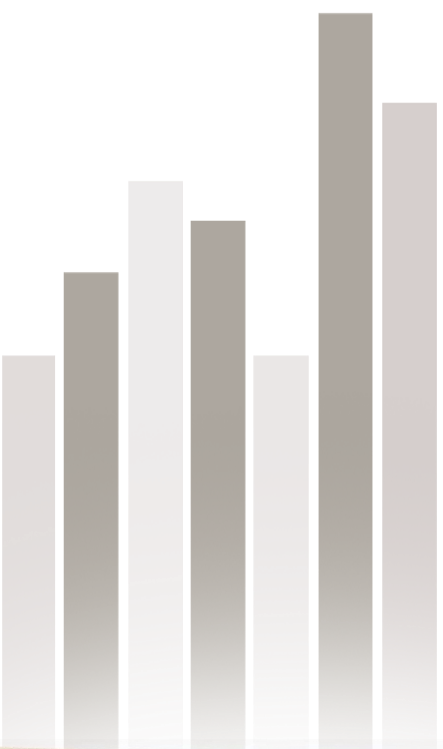
# LOCAL CONTROL OF COMMERCIAL BUSINESSES

- 
- May prohibit or regulate any of the 19 permit activities/ businesses licensed by the State.
  - Examples:
    - Prohibition of outdoor cultivation for commercial and personal use.
    - Prohibition of Type 5 (large) Permits or Microbusinesses
    - Prohibition of additional regulation of a variety of land uses such as distances from sensitive areas.
    - Prohibition or additional regulation of delivery, but cannot prohibit use of city roads B&P 26090 (C)
  - Prop 64 does not properly define premise or canopy space; local agencies may need to clarify this in the code.

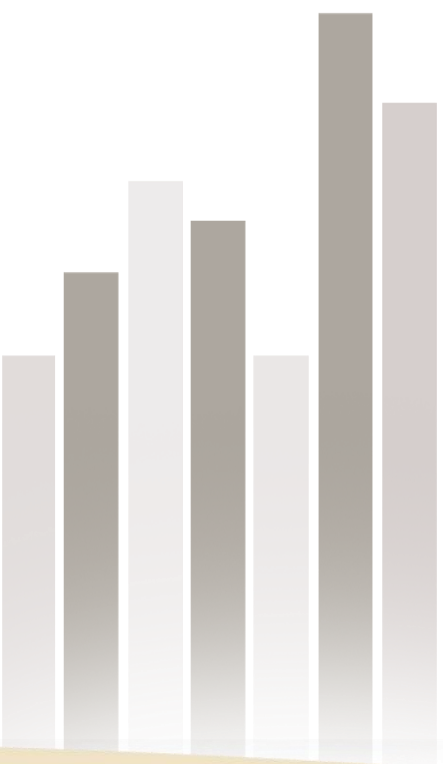
# CATEGORIES OF USES

	MEDICAL	NON-MEDICAL
Cultivation	YES / NO	YES / NO
Manufacturing	YES / NO	YES / NO
Testing (Quality Control)	YES / NO	YES / NO
Dispensary/Retailer	YES / NO (Dispensaries)	YES / NO (Retailers)
Distribution	YES / NO	YES / NO
Transporting/Microbusiness	YES / NO (Transporting)	YES / NO (Microbusiness)

# Cannabis Economic Trends

- 
- It is predicted that the Cannabis Industry will generate \$7.6 Billion in California by 2020.
  - Local economy is growing in some communities as a result of the Cannabis Industry.
  - Commercial companies have been here for decades but not necessary in the light and the local agency is not benefitting financially.
  - Residential growers have been able to compete in the market and will until MCRSA and AUMA is implemented.

# Cash Crops Valuation



• Prunes per acre	\$ 1,491
• Rice per acre	\$ 1,760
• Almonds per acre	\$ 3,320
• Walnuts per acre	\$ 4,965
• Cannabis per acre	\$1,596,000

- These figures reflect net revenue after all cost associated with production have been take into consideration.

# PROP 64 TAXES

<b>Taxation</b>	<b>Non-Medical</b>	<b>Medical</b>
State Sales Tax	Yes	No*
Local Sales Tax	Yes	No*
Other Local Tax <sup>1</sup>	Yes	Yes
State Excise Tax <sup>2</sup>	Yes	Yes
State Cultivation Tax	Yes	Yes

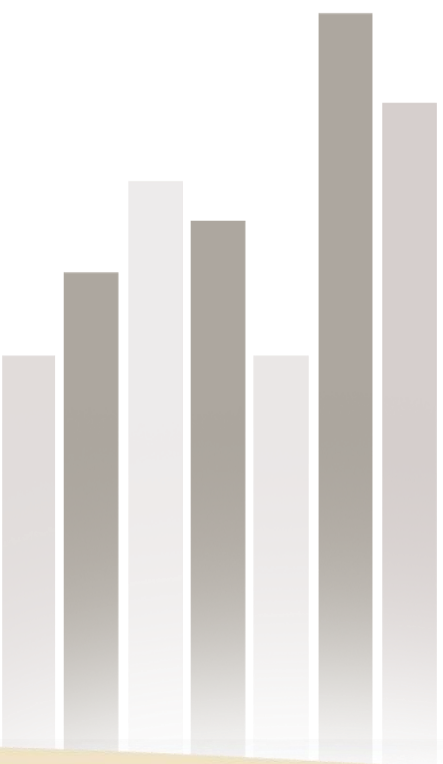
\* H&S 11362.71 Exempts individuals from paying state and local sales tax if they have a State issued patient identification card. Currently in Sutter County there are no records of anyone participating in the program.

<sup>1</sup> Rev & Tax 34021

<sup>2</sup> Excise Tax will be 15% on purchasers shared with public safety agencies.



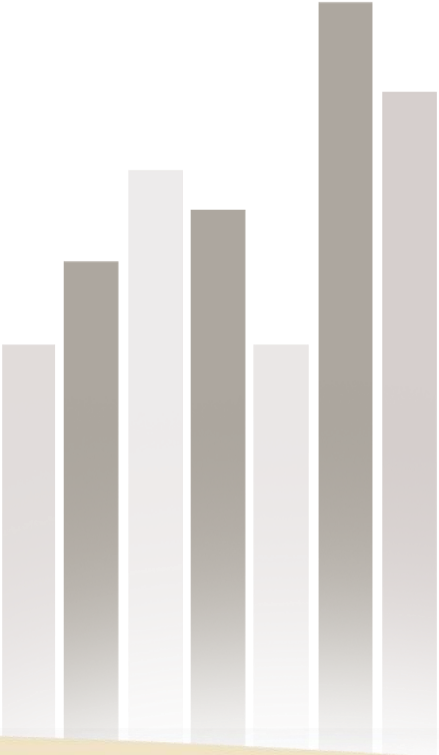
# Annual Revenue Scenario Estimates



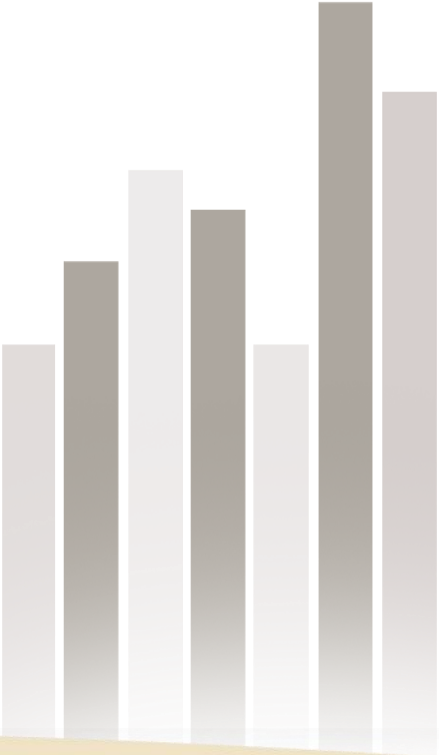
• Very Conservative	\$ 960,000
• Conservative	\$1,040,000
• Aggressive	\$1,360,000

\*These figures are based on four (4) cultivation facilities with 10,000 square feet of canopy space taxed at \$4, \$6, \$10 per square foot each. This also includes four (4) manufacturers who on average each generate \$3 million in gross receipts and two (2) dispensaries which are taxed at 4%, 5% and 6% respectively.

# If a Policy Decision is Made To Regulate or Tax Locally Create A Strategic Plan

- 
- Establish a Marijuana Management Program.
  - Create an ordinance which is well thought out and creates good policies for the long term.
  - Develop regulatory fees which address all your staffing resources and complies with Prop 26.

# Create A Strategic Plan (Cont'd)

- 
- Take baby steps to full implementation.
  - Making sure that you have good actors in your city.
  - Develop good regulatory and taxing policies.
  - Don't get so focused on the economic benefits that you end up with the unintended consequences.
  - Create a progressive strategy which maintains best practices for land use and public safety.

# THE DECISION IS YOURS



*Thank you!*

# CONTACT INFORMATION

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909.861.4335

