



Date: November 9, 2016

To: Mayor and Members of the City Council

From: Patrick H. West, City Manager *T.H.W.*

Subject: Information on Measure MM, Proposition 64 (AUMA), and Measure MA

The following provides information on the Department of Financial Management's preparation and response to the apparent passage of three pieces of legislation related to marijuana businesses.

Measure MM – Regulation of Medical Marijuana Businesses

Local ballot Measure MM, Regulation of Medical Marijuana Businesses, appears to have passed. Staff anticipates that the certification of the results will go before the City Council on December 13, 2016. Per Section 9217 of the California Elections Code, the initiative will go into effect ten days later on December 23, 2016. Financial Management staff is in the process of developing application materials and processes, and anticipates having business license applications for medical marijuana businesses available in early January of 2017.

Per Measure MM, there are priority groups for medical marijuana dispensaries that will have the opportunity to apply and be evaluated first based on their priority status. The criteria for priority status is as follows:

Priority Group 1

- Filed an application for a Medical Marijuana business under former Chapter 5.87 of the Long Beach Municipal Code (LBMC) and were successful in the September 2010 permit lottery conducted by the City.
- Were allowed by the City Council to operate after February 14, 2012, pursuant to LBMC 5.89.055, which provided a temporary exemption until August 12, 2012.
- Have the right to occupy the same location(s) occupied on February 14, 2012.

Priority Group 2

- Filed an application for a Medical Marijuana business under former Chapter 5.87 of the LBMC and were successful in the September 2010 permit lottery conducted by the City.
- Were allowed by the City Council to operate after February 14, 2012, pursuant to LBMC 5.89.055, which provided a temporary exemption until August 12, 2012.
- No longer have the right to occupy the same location occupied on February 14, 2012.

Applicants with priority status have six months to apply after the City first begins to accept applications, and the City must evaluate and process the Priority Group 1 and 2 applications before any other medical marijuana dispensary application. Non-priority dispensary applications have a 30-day period to apply after the City first begins to accept applications; however, they will not be evaluated until the six-month period allowed for priority applications has concluded. At that time, the City will evaluate non-priority dispensary applications in the order of receipt to determine compliance with mandatory buffer zones (near schools, parks, libraries, etc.) and assess point scores in order to issue the remaining available permits, if any.

Staff is making final adjustments to a map that will display all the buffers outlined in Measure MM, and will also map the 24 identified marijuana businesses who were allowed to continue to operate under the temporary exemption according to LBMC 5.89.055. We anticipate this map being completed by the end of this week.

Proposition 64 – Control, Regulate and Tax Adult Use of Marijuana Act (AUMA)

The State of California appears to have approved Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), which creates a licensing and regulatory framework for non-medical marijuana commercial establishments similar to the framework for medical marijuana establishments known as the Medical Cannabis Regulation and Safety Act (MCRSA). Like MCRSA, the State will likely begin issuing licenses for AUMA commercial establishments on January 1, 2018. Cities, including Long Beach, will need to determine what the appropriate regulatory framework, if any, might be for these AUMA commercial establishments.

As discussed above, staff is currently working to swiftly implement Measure MM, which created a medical marijuana regulatory framework for the City. At present, because there is no similar regulatory framework for non-medical marijuana establishments within Long Beach, the Zoning Code would effectively prohibit the acceptance of business license applications for non-medical commercial establishments. City staff will do their best to inform any interested parties about the City's Zoning Code and the State's timeline, and will establish a call back list for interested individuals seeking AUMA permits.

It should be noted that although the City's Zoning Code does not effectively permit AUMA non-medical commercial establishments, this will not guarantee that unpermitted or unregulated commercial marijuana stores will not open within the City. In the event that this does occur, enforcement will be conducted with the resources available and commencing with civil code enforcement actions.

Measure MA – Long Beach Marijuana Taxation

Local ballot Measure MA, Long Beach Marijuana Taxation, appears to have passed with more affirmative votes than Measure MM. Measure MA was placed on the ballot by the City Council as a competing tax measure in order to propose alternative marijuana tax rates to

those in Measure MM. Measure MA updates these tax rates to: six to eight percent (6-8%) of gross receipts for medical marijuana dispensaries; eight to twelve percent (8-12%) of gross receipts for non-medical (i.e., recreational) marijuana dispensaries; six to eight percent (6-8%) of gross receipts for processing, distributing, transporting or testing marijuana and marijuana-related products; and twelve to fifteen dollars (\$12-15) per square foot for marijuana cultivation. All marijuana businesses would be required to pay a minimum tax of one thousand dollars (\$1,000.00) annually. As specified by Measure MA, once the results are certified, the initial tax rates for medical marijuana businesses will be set at the lower end of the ranges. The taxes set by Measure MA could be increased or decreased within the established ranges by the City Council, provided the maximum rates listed above are not exceeded.

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