



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council **Item No. _____**

FROM: City Manager

SUBJECT: Commerce Commercial Cannabis Permit Program Status Update

MEETING DATE: July 21, 2020

RECOMMENDATION:

Receive and file a status update regarding the Commerce Commercial Cannabis Permit Program under Chapter 5.61 Commercial Cannabis Businesses and at Council's discretion provide direction to staff.

ANALYSIS:

Ordinance No. 700, establishing Chapter 5.61 (Commercial Cannabis Businesses) was adopted by the Commerce City Council on September 4, 2018. Ordinance No. 700 established the set of regulations that permitted cannabis businesses must abide by in the City of Commerce. The Ordinance also set forth the process by which applications were considered, reviewed, amended. Finally, Ordinance No. 700 also outlines the City's enforcement provisions which are supplemented by individual development agreements that the City enters into with individual operators.

On May 7, 2019 after review by the Planning Commission, the City Council approved twenty-two (22) development agreements and subsequently approved another development agreement on July 2, 2019. Twenty-two (22) of these twenty-three (23) development agreements are in effect, as one operator failed to follow through with execution of their development agreement due to the relocation provisions imposed on their site, the same operator was subsequently disqualified for failure to pay required fees and their development agreement amendment was repealed by the City Council.

Four (4) of these approved operators have subsequently sought development agreement amendments which will be submitted to the City's voters for approval on November 3, 2020. The City's voters will also have an opportunity to vote on two (2) new development agreements which would bring the total number of operators to twenty-four (24).

As of June 30, 2020 with only four (4) operators cleared for business, including two (2) that are only partially approved for some license types and not their full set of approvals under their development agreements, the City has received \$4,230,957.15 in revenues from the

Commercial Cannabis Permit Program. The table that follows provides a breakdown of those revenues as of June 30, 2020.

Commercial Cannabis Permit Revenues	Amount
Community Benefits	\$761,445.64
Ongoing Fees	\$445,160.91
Program Fees	\$3,024,350.60
Grand Total	\$4,230,957.15

It is worth noting that the books aren't entirely closed on program-related expenditures for Fiscal Year 2019-2020, but the following table provides a brief overview of expenditures as of June 30, 2020.

Commercial Cannabis Permit Activity	Expenditures
Community Benefits	\$900,496
Program Costs - including:	\$1,148,002
Contractual Services	\$582,365
General Advertising	\$79,171
Legal Services	\$351,363
Personnel/Admin Charges	\$135,104
Grand Total	\$2,048,499

The Commercial Cannabis Permit Program continues to be self-sustainable with only a positive impact on the City's finances.

As is the case with most newly established sets of regulations, during the review and implementation process itself, items were identified within the ordinance that could be improved whether for efficiency, strength of enforcement, or streamlining with other similar types of approvals. Accordingly, the City Council is asked to consider the amendments indicated in the matrix below so that staff may adequately review and propose draft amendments to Ordinance No. 700 in the future. While further details will be presented at the City Council meeting, the matrix provided on the following page provides an overview and explanation for the reason each particular change may be considered by the City Council in the future.

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Proposed Amendments to Chapter 5.61 (Commercial Cannabis Businesses)

Section and Existing Language	Proposed Language	Reason for Change
Throughout 5.61 – “City Administrator”	“City Manager”	Consistency within Municipal code for changes made to title to City Manager
Throughout 5.61 – “Public Works and Development Services Department”	“Economic Development and Planning Department”	Consistency with the change in name for Department
5.61.080 (c)(N)- Application requirements – Labor Peace Agreement - Current code requires LPA for those cannabis businesses over 20 employees.	Proposed language lowers the trigger for LPA to 10 employees.	This is consistent with the latest round of approvals granted by the City Council in January 2020.
5.61.120 (a) and (b)	Added language requires submittal of application renewals 60-90 days prior to expiration to allow city time for thorough review and to avoid going into expired period. Further clarifies that city could require that the applicant stop operations if still in review once the original application is considered expired.	Allows more time for review and encourages timely submittals for renewals by noting the ability to stop operations when expired even if being reviewed.
5.61.150(a) – Commercial cannabis permit – Nonassignable and nontransferable	Added language references new language in following two sections allowing provisions for transferring with City Manager approval.	Consistency with proposed sections following this. <i>Streamline business friendly process for a decision that really is not discretionary so long as the transferee or new representative meets same standards met by previous individual.</i>
5.61.160 – Change in location of commercial cannabis business	Noticing requirement for change in location changed from 21 days to 10 days.	Provides consistency with projects that are categorically exempt from CEQA.
5.61.170 – Change in ownership of commercial cannabis business. And, 5.61.180 – Change in ownership when the permittee is a partnership or corporation.	Changes decision making body from City Council to city manager for change in ownership requests.	If the proposed owners comply with state law and pass background check, and vice versa, decision is objective. There’s really no discretionary decision to be made, thus no real need for City Council consideration.
Definition – “Retailer-delivery only”	The definition is updated to note that any operator possessing only a non-storefront retail delivery license also possesses an ancillary distribution license that allows delivery for the product that entity manages in the City of Commerce.	Currently ambiguity exists for the sole non-storefront retail delivery entity in the city as to whether or not a license to distribute their own supply or product has been granted to them.
None. NEW 5.61.370 – Cannabis business operational	Creates Section 5.61.370 to establish more specific	Operating fees are set within each adopted Development

fees	language re: fees and the ability for administration to make changes to fees agreed upon within the Development Agreements consistent with a new sliding scale for Non-Storefront Delivery.	Agreement, this section provides City the ability to capitalize on economies of scale and also support the larger grossing operators and makes the City more competitive with surrounding jurisdictions.
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ALTERNATIVES:

The City Council may:

- 1) Receive and file report; or
- 2) Direct staff to further study any or all of the proposed amendments as necessary for future City Council action; or
- 3) Provide alternative direction related to Chapter 5.61 for future City Council action.

FISCAL IMPACT:

None.

Recommended/Prepared by: CCP Staff
 Respectfully submitted: Edgar P. Cisneros, City Manager