

**MEETING DATE** August 11, 2021

**ITEM TITLE** CANNABIS WORKSHOP #2

**DIRECTOR/DEPARTMENT** Marlene Best, City Manager

**SUMMARY**

At the City Council Planning Retreat on March 9, 2021, the City Council established a priority to review economic development and regulatory options for possible cannabis businesses in Santee. This priority was confirmed by the City Council at the City Council meeting on March 24, 2021. The City currently does not allow cannabis businesses to operate within City boundaries. The cannabis industry is highly regulated and the laws have evolved relatively quickly. Many cities across the state are similar to Santee, in that they have restricted cannabis businesses within the City and are now beginning to reconsider such restrictions.

At the City Council meeting on May 12, 2021 staff presented information on the current status of the cannabis industry in California and within various local cities. Council directed staff to bring back additional information to assist in the consideration of allowing cannabis businesses to operate in Santee. The issue of retaining local control with informed decision making, as opposed to the threat of being subjected to State legislation or a voter initiative, was raised by several Council members.

The focus of this workshop will be to present information and to receive Council direction regarding the specific types of cannabis businesses warranting further consideration in the City including: cultivation, manufacturing, testing, distribution, retail (i.e., dispensaries), microbusinesses and cannabis lounges. With this direction, staff will return to the Council with specific information related to land use, regulatory requirements and CEQA considerations, best practices and fiscal impacts/potential revenues, should the Council choose to continue pursuing the concept of allowing cannabis businesses in Santee.

**FINANCIAL STATEMENT** *mb*

There is no fiscal impact at this time.

**CITY ATTORNEY REVIEW**  N/A  Completed

**RECOMMENDATION** *KV for MB*

Consider the information presented and provide direction to staff on specific types of cannabis businesses to be considered, if any, and other related matters.

**ATTACHMENT**

Staff Report



**STAFF REPORT  
CANNABIS WORKSHOP #2**

**CITY COUNCIL MEETING  
August 11, 2021**

**DISCUSSION**

At the City Council Planning Retreat on March 9, 2021, the City Council established a priority to review economic development and regulatory options for possible cannabis businesses in Santee. This priority was confirmed by the City Council at the City Council meeting on March 24, 2021. The City currently does not allow cannabis businesses to operate within City boundaries. The cannabis industry is highly regulated and the laws have evolved relatively quickly. Many cities across the state are similar to Santee, in that they have restricted cannabis businesses within the City and are now beginning to reconsider such restrictions.

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The focus of this workshop is to present information and receive Council direction regarding the specific types of cannabis businesses that the City Council may wish to consider in the City, if any. Once direction is received, staff will return to the Council with specific information such as land use, regulatory and CEQA considerations, best practices and fiscal impacts/potential revenues.

Following is a list of cannabis business types that the City Council may wish to consider. Most if not all of these businesses can be limited to medicinal use only or to include adult (recreational) use.

Cultivation: Cannabis cultivation operations can be located outdoors, indoors or in mixed-light (greenhouses). As of May 5th, 2021, the California Department of Food and Agriculture shows 4,783 active cultivation licenses statewide, held by 2,669 distinct businesses comprising 909 acres of cultivation which are conservatively estimated to be capable of producing over 8.5 million pounds of cannabis per year. This is more than three times the estimated 2.5 million pounds per year consumed by all Californians, combined.

There are currently eight licensed cannabis cultivation businesses in San Diego County, all of which conduct cultivation either indoors or in mixed-light greenhouses. In addition, there are six cannabis microbusinesses that include cultivation of up to 10,000 square feet of cannabis.

Manufacturing: Cannabis manufacturing includes the production or packaging of a variety of cannabis products such as edibles, topicals, extracts, cartridges, flowers, pre-rolls or concentrates. There are currently 911 cannabis manufacturing businesses statewide, of which 22 are located in San Diego County.

Testing Laboratories: Cannabis testing labs test cannabis products to ensure they are safe for human consumption and to provide information to consumers regarding the potency and purity of cannabis products. These private businesses perform a quasi-regulatory function and are prohibited from having any economic interest in any other cannabis business activities.

Distribution: Cannabis distributors serve a pivotal role in the cannabis supply chain, transporting cannabis and cannabis products between licensed cannabis businesses, such as from a manufacturer to a retailer. This is not to be confused with cannabis delivery services (non-storefront retailers) that deliver cannabis products directly to consumers.

There are currently 25 licensed cannabis distributors in San Diego County, of which 20 are located in the City of San Diego, with the other five located in Oceanside and Santa Ysabel. In addition, there are six microbusiness in the County which all include distribution as one of their business activities.

Retail: Cannabis retail establishments can be licensed to operate as a storefront retailer, which is open to walk-in customers, or as a non-storefront retailer, which can only sell cannabis by delivery to the customer. There are 1,058 cannabis retailers statewide, of which 734 are storefront retailers and the remaining 324 are non-storefront delivery services. Storefront retailers are also allowed to conduct sales via delivery to the customer. It is estimated that Santee could support up to three cannabis retail establishments, based on a ratio of one per 20,000 residents.

There are currently 56 licensed cannabis retailers in San Diego County, including four retailing microbusinesses. These 56 retailers serve a population of 4.34 million people, which equals one retailer for roughly every 60,000 people. The vast majority of these retailers are located in the cities of San Diego, Vista and La Mesa, with just 11 retailers serving the communities of Ramona, Santa Ysabel, Chula Vista, El Cajon, Escondido, Lemon Grove and Oceanside.

Microbusinesses: A cannabis microbusiness is one that operates in at least three of the four business types referenced above (with the exception of testing laboratories, which must be independent). There are currently six microbusinesses in San Diego County, all of which include manufacturing and distribution, four of which conduct retail sales, and four of which include cultivation of up to 10,000 square feet.

Cannabis Lounges: As of May 2021, cannabis consumption lounges are allowed in seven U.S. states. The Department of Cannabis Control doesn't specifically regulate cannabis lounges, but a myriad of existing state regulations prohibit the consumption of alcohol or tobacco on site or the serving of food infused with cannabis, and require that patrons must be 21 years or older. National City recently became the first City in San Diego County to allow cannabis lounges, and they are only allowed in one small area. National City prohibits cannabis consumption from being visible from outside the lounge, requires that patrons must buy their cannabis on-site, requires a security guard must be working during the hours of operation, and requires that applicants provide an "anti-drugged driving plan".

## **CONCLUSION**

Should the City Council choose to pursue allowing cannabis businesses to operate in Santee and provide direction regarding the specific types of businesses of interest then staff will return with a more detailed analysis of the land use, regulatory, CEQA, fiscal and best practices considerations for the specific business types.