



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Grant Yates, City Manager

Prepared by: Justin Kirk, Assistant Community Development Director

Date: January 22, 2019

Subject: Policy Discussion on Cannabis Land Uses

Recommendation

By motion, provide policy direction as to potential future amendments to the City's regulation of Cannabis Uses relating to limitations on percentage of gross proceeds and number of facilities in the M-1 and M-2 zones.

Background

In December, 2017 the City Council passed an Ordinance adopting Chapter 17.156 (Cannabis Uses to the Lake Elsinore Municipal Code (LEMC)(s) allowing up to ten (10) cannabis-related businesses in the City of Lake Elsinore. At that time, it was anticipated that each applicant would likely apply for 22,000 square foot facilities (20,000 for cannabis production and 2,000 for office/administrative services based on interpretation of State Law), roughly equating to 220,000 SF. On December 11, 2018, the City Council approved 10 Cannabis businesses with a total area of 115,204 SF.

Discussion

Code Amendments

In processing the initial applications, staff has identified provisions of LEMC Chapter 17.156 that may merit further consideration. At this time, Staff is seeking preliminary policy direction on potential future code amendments that could improve the City's regulatory framework as it pertains to cannabis related land uses.

The first area of consideration is the limitation on the gross sales. As currently written, the LEMC states, "Cannabis dispensaries shall be permitted as an accessory use to either a cannabis cultivation facility or cannabis manufacturing facility. In no case shall either the gross floor area of the dispensary exceed 25 percent of the total area of the business or 50 percent of gross proceeds of the business." These limitations were similarly applied to the distribution component of the facilities as well. The limitation on sales was originally contemplated as a measure to safeguard against the development and establishment of cannabis facilities that were largely geared towards retail sale dispensaries that could negatively impact the City's industrial areas by introducing commercial uses. While well intended, the practical application and enforcement of the gross sales limitation is administratively cumbersome and difficult, requiring the City to perform an auditing function in connection with entitled cannabis uses. The intention of reducing and limiting

the potential impacts of the commercial aspects of cannabis facilities in industrial zones is largely achieved through the limitation on the area of the business allocated to the retail sales. Therefore, staff requests policy direction from the City Council regarding the elimination of the limitation on the gross proceeds from the LEMC cannabis regulations that could be prepared and submitted to the City Council as part of a future Code Amendment.

The second area of consideration is the limitation on the number of cannabis facilities in specific land use designations. Currently the LEMC restricts the number of cannabis business permits in the M1 and M2 zone districts to five (5) each, with a provision that allows for an increase in the number of permits, subject to further justification. The intent of the restriction was to prevent the inundation of cannabis-related uses in existing industrial parks and to avoid pricing out existing industrial uses as seen in other communities. The practical application of this provision has not resulted in the limitation or allocation of these uses as intended. Furthermore, market forces largely regulate and limit the number of these uses and pricing in industrial areas without the need for additional city regulation. Based upon observations in the initial applications, staff is seeking policy direction from the City Council regarding the possible elimination of the limitation on the number facilities from the LEMC cannabis regulations that could be prepared and submitted to the City Council as part of a future Code Amendment.

Implementation Changes

The processing of the initial phase of cannabis related land use entitlements proved to be rather daunting and took a significant amount of time and resources to bring these applications to completion. Fortunately, some of the time it took to process said applications was due to the creation of new processes, agreements, and analysis measures. Since we have completed this first phase, time efficiencies will be gained as the underlying framework and documents have been completed, specifically the Fiscal Impact Analysis, Development Agreement, Conditions of Approval, and evaluation criteria. The City initially took a position that the processing of Cannabis related land use entitlements should be done in a group setting. This position was largely due to the unknown parameters of the land uses and potential complications of processing applications without established precedence. Now that there is clear precedence and direction, subsequent processing of these applications will be done on a case by case basis, similar to the City's practice for all other land use entitlements. The combined effect of the previous work and the breaking up of the applications into individual reviews should largely reduce the timeframes to complete the entitlement process.