

Cannabis Cultivation Choices Committee (C4)

Convened by the Santa Cruz County Board of Supervisors
701 Ocean Street, Room 520 • Santa Cruz, CA 95060
www.scc4.us

Members

Steve Premo
First District

Bob Kennedy
Second District

Eric Hoffman
Third District

Nick Bulaich
Fourth District

Eric Hammer
Fifth District

Colin Disheroon
Association for Standardized
Cannabis

D'Angelo C. Roberto
Responsible Cultivation
Santa Cruz

Kim Sammet
Santa Cruz Mountains for
Sustainable Cannabis
Medicine

Patrick Malo
Cannabis Advocates
Alliance

Jason C. Sweatt
Santa Cruz Veterans
Alliance

Tom Burns
At-Large

Rahn Garcia
At-Large

Shebreh Kalantari-Johnson
At-Large

Consultant to C4

Eric Olsen
eric.olsen@scc4.us

Staff to C4

Susan Pearlman
County Administrative Office
cao037@santacruzcounty.us

Proposed Agenda

Thursday, January 14, 2016 – 10:30 – 3:00

Parks, Open Space & Cultural Services - Simpkins Family Swim Center
979 17th Avenue, Santa Cruz, CA 95062

1.0 10:30 a.m. - Roll Call

2.0 Changes to the Agenda - Members

3.0 Consideration and Approval of Summary Notes

4.0 Oral Communications. – Any person may address the Committee during this period. Presentations are limited to three minutes in length, and individuals will have an opportunity to address the Committee one time. Oral communications must be directed to an item not listed on today's agenda and must be about subjects within the jurisdiction of the Committee. Committee members will not take actions or respond immediately to any oral communications presented, but may choose to follow up at a later time. The time set aside for oral communications is not intended to exceed twenty minutes. If at the end of this period, additional persons wish to address the Committee, the oral communications period will be continued to the last item on the Agenda. If you wish to present written material, please bring sufficient copies for the members. A white board will also be available to record your comments.

5.0 Context for Conversation & Staff Report – C4 Consultant, Staff (10:45-11:00)

6.0 Subcommittee Reports (11:00-12:00)

Indoor Cultivation

Cultivation on Land Zoned for Agriculture

Rural Neighborhoods

Registration Program

7.0 Policy implications from Subcommittees: Registration program in conjunction with developing additional license categories, including commercial indoor cultivation on commercial land and other matters associated with comprehensive license program approach, key issues, design matrices and consideration of schedule (12:00-12:30)

8.0 Recess (12:30-1:00)

9.0 Policy implications continued (1:00-2:00)

10.0 Timeline for County processes, continued policy development on County Code Chapters 7.128 and 7.126, including advisory role (2:00-2:45)

11.0 Schedule and Distribution of Materials (Standing Agenda Item)

11.0 Recess (3:00)

ACCOMODATIONS FOR PERSONS WITH DISABILITIES

The County of Santa Cruz does not discriminate on the basis of disability, and no person shall be denied the benefits of its services, programs or activities. All meetings of the Committee will be located in accessible facilities. If you are a person with a disability and wish to attend the meeting and you require special assistance in order to participate, please contact the County Administrative Office at 831/454-2100 at least 48 hours in advance of the meeting to make arrangements. As a courtesy to those affected, please attend the meeting smoke and scent free.

**Proceedings of the Santa Cruz County
Cannabis Cultivation Choices Committee (C4)
December 15, 2015
DRAFT Action Summary Minutes**

- I. The meeting was called to order at 9:35 p.m. and all members were marked present
- II. *Changes to the Agenda* – There were no changes to the agenda
- III. *Accept Summary Notes:* Summary notes from the meetings on 11/17, 11/24, 12/1 and 12/3 were accepted as submitted.
- IV. *Oral Communications* – Staff invited the public to address the Committee for a period of up to three minutes on items not on today’s agenda, and four members of the public provided comment.
- V. *Context for Conversation* – Facilitator Eric Olsen provided slides that thanked members for their thoughtful contributions to the process, reminded all that good communication will be key to future efforts including those to address the role of 3rd party certification, considerations of the “A-O” provisions in CC Chapter 7.126, personal grows, governance and regulatory structure, resources for Licensing and compliance, recommendations re: taxes and fees. Looking forward, C4 will recommend a program that protects youth, neighborhoods and the environment while ensuring high quality, affordable, and safe products for patients. The program will promote Santa Cruz values, best practices, and leadership in thinking that will yield an appropriately scaled medical cannabis sector that can serve as a model for other communities.
- VI. *Reflections and Comments on 12/8/15 Public Hearing and County Code Section 7.128:* The facilitator led a plenary session during which members discussed their perception of the process that led to the adoption in concept of the “placeholder” commercial cultivation license program proposed by County Counsel by the Board of Supervisors on 12/8, with final adoption to occur today. During this session a number of members expressed concern about the Committee’s ability to influence policy development, and a sense that the proposal ultimately adopted included only part of what C4 had been discussing and without attributing many of the concepts to C4. Some expressed surprise that the Board took the actions on 12/8 and 12/15 to adopt a placeholder ordinance without sufficient input from C4, and many expressed a desire to have a more open line of communication with County Counsel going forward. Members expressed they had been led to believe that C4 was going to have time to comment on 7.128, but given the actions taken by the Board on 12/8 and 12/15, there was no opportunity to do so. Written materials from RCSC, CAA, and Herbal Cruz Collective were

distributed and discussed. Comments were solicited from the public.

Motion: It was m/s/a that C4's facilitator will draft a letter to the Board of Supervisors reiterating that C4 was supporting the current CC Chapter 7.128 only as a placeholder to meet the March 1st deadline under MMRSA, and that prior to the issuance of any license under the ordinance, C4 will forward to the Board of Supervisors recommendations for a comprehensive license program for commercial cultivation of medical cannabis, and other license categories under MMRSA; further, to communicate to the Board that many of the concepts included in County Counsel's proposed placeholder ordinance came directly from the Committee.

Recess: Consideration of item 7 was deferred until after Item 8, a brief recess.

VII. *Planning for 2016 – developing additional license categories, including commercial indoor cultivation on commercial land, small group work, and design matrices to guide the work of small groups:* Member Burns provided information about a matrix design that he had developed (which was distributed) as a tool to guide deliberations and recommendations for commercial cultivation tiers under a license program, with each category divided so that both indoor (greenhouse and warehouse), and outdoor grows were addressed.

VIII. *Recess*

IX. *Planning for 2016 Continued:* There was continued discussion, which included input from the public, as to how to move forward briskly to address other commercial cultivation tiers under a comprehensive license program, which should be presented to the Board of Supervisors no later than early March 2016, and it was determined that members organize into small groups with specific subject areas. Future C4 agendas will include a standing report from each group. Staff also expressed the need to change the meeting day of the week from Tuesday, due to on-going conflicts with Board of Supervisors' meetings and other matters. After discussion, members agreed to meetings on Thursdays, with a start-time not to occur before 10:00 or 10:30 a.m., and to adjourn before commute traffic. The committee agreed to establish 4 small groups.

Motion: It was m/s/a that 4 Subcommittees are established for the purpose of developing recommendations for Indoor Cultivation, Larger Grows on Ag Land, Rural Neighborhoods, and a Registration Program.

Members self-selected the Subcommittee they were interested in serving on, and worked together to establish subject matter and dates to meet prior to the next C4 meeting, which was scheduled for Thursday, January 14, from 10:30

to 3:00, with meetings to occur weekly after that. The subcommittees are as follows:

Indoor Cultivation: Jason, Cricket, Steve, Nick, Colin, Tom

Large Ag: Cricket, Colin, Nick, Tom

Rural Neighborhoods: Eric Hoffman, Pat, Kim, Rahn, Shebreh, Bob

Registration: Cricket, Pat, Rahn, Bob, Eric Hammer

- X. *Distribution of Materials*: In addition to matrices for planning purposes, and several articles about the initiative process, written materials were distributed by RCSC, CAA and Herbal Cruz Collective.
- XI. *Recess*: The meeting was recessed at approximately 1:32 p.m.

C 4 Meetings January - June 2016

Date	Time	Location
Thursday, 1/14	10:30-3:00	Simpkins
Thursday, 1/21	12:00-4:30	Simpkins
Thursday, 1/28		tbd
Thursday, 2/4	10:30-3:00	Simpkins
Thursday, 2/11	10:30-3:00	Simpkins
Thursday, 2/18	10:30-3:00	Simpkins
Thursday, 2/25		tbd
Thursday, 3/3	10:30-3:00	Simpkins
Thursday, 3/10	10:30-3:00	Simpkins
Thursday, 3/17	12:00-4:30	Simpkins
Thursday, 3/24		tbd
Thursday, 3/31	10:30-3:00	Simpkins
Thursday, 4/7		tdb
Thursday, 4/14	10:30-3:00	Simpkins
Thursday, 4/21	10:30-3:00	Simpkins
Thursday, 4/28		tbd
Thursday, 5/5	10:30-3:00	Simpkins
Thursday, 5/12	10:30-3:00	Simpkins
Thursday, 5/19	12:00-4:30	Simpkins
Thursday, 5/26	12:00-4:30	Simpkins
Thursday, 6/2	10:30-3:00	Simpkins
Thursday, 6/9	10:30-3:00	Simpkins
Thursday 6/16	10:30-3:00	Simpkins

305 Second Street
Watsonville, CA
January 12, 2016

Watsonville City Council
250 Main Street
Watsonville, CA 95076

re: Agenda Item #8B--"Medical Cannabis"--January 12, 2016 Meeting.

Dear Council Members:

I am a member of the Santa Cruz County Cannabis Cultivation Choices Committee ("C4") which was created by the Santa Cruz County Board of Supervisors ("Board") for the purpose of "providing policy recommendations" to the Board in regards to cannabis issues for the unincorporated County. Supervisor Greg Caput selected me to sit on C4.

C4 has met since September 2015, with most meetings occurring on a weekly basis with numerous guest speakers that have brought insight to us on the pros and cons of the cannabis industry. Due to the complexity of the issue and the need for further study, the Board recently voted to extend the term of C4 until June 2016.

It is understood that the State's "March 1, 2016 deadline" for local governments to have any rules in place to maintain local control might not be necessary based on comments from Assembly Member Jim Wood (Attachment 8 of Agenda Packet), but it would still be prudent for the City to adopt some "placeholder" standards to meet the deadline just in case the State does not remove said deadline and put the City in a position in which it might lose local control over the regulation of cannabis in the City.

Although the City should form an ad-hoc committee to further study the issue, the area of study for such a committee will be far smaller than that of C4 due to the fact there are far less zoning areas to deal with in the City limits as opposed to the unincorporated areas of the County which C4 is addressing. Thus, several months of study by the City's committee should give ample information for the City Council to consider in crafting a more detailed cannabis ordinance for the City.

For the purpose of this letter, I want it to be clear that I am speaking for myself and in no way whatsoever am representing or speaking on the behalf of C4.

This is one of the strangest issues I have ever seen in my years of political involvement. Cannabis is a product which the Federal government has deemed to be "illegal", yet at the same time the cultivation, sale, and usage of cannabis products are so prevalent across the entire country, that society has basically accepted it as a legal product.

In the last few years, numerous States have legalized cannabis products, mainly for "medicinal" purposes, that have led to regulations and increases in tax revenues for the respective governments involved. The State of California, with the passage of three bills in 2015 and the signing of said bills by the Governor, has now jumped onto the "legalize it" cannabis bandwagon. Numerous cities and counties in the State will be doing the same thing to chase tax dollars and it appears Watsonville is no exception.

To make matters stranger, the cannabis industry is basically begging to be heavily taxed if only the government will allow them an opportunity to operate their businesses in an legitimate manner within a respective jurisdiction. Obviously there is a significant demand for their products and the City stands to financially benefit from such a demand.

From the City Staff Report, I see a recommendation for a proposed tax of 7% on cannabis sales and 2% on manufacturing of cannabis products with a recommended election date of November 2016 for the voters to decide on the possible passage of such taxes. In addition, Staff is recommending that the proposed taxes be considered "general taxes" which would go directly into the City's General Fund.

Since the industry is willing to support taxes on their products, it certainly appears like a wise decision to encourage a tax on such products, but it is not appropriate for such a tax to be put into the "General Fund." Tax dollars tend to rapidly disappear from intended funding areas when placed directly into the General Fund.

Therefore, I propose that the City seek a "special tax" on the sale of cannabis products and that the proceeds from the "special tax" be devoted to three City departments.

Obviously this will need a two-thirds voter approval in order to be enacted, but the cannabis issue is a controversial one among many people in the community and the goal should be to show as many voters as possible that there is a guarantee on where the tax dollars will be spent to protect the community from any potential problems that might arise with the further increase of cannabis businesses in the community.

Thus, I propose that the City vote to place a "special tax" on the November 2016 ballot made up of a 7% tax on "medical cannabis dispensaries and any other legal cannabis dispensary" and a 2% tax on the "manufacture of any cannabis product."

In respect to the language I added ("and any other legal cannabis dispensary") to the Staff's wording for the proposed 7% tax, it is a strong possibility that the voters of California will, in the very near future, pass a State proposition allowing the recreational usage of specific cannabis related products. Since Staff wording is limited to "medical" transactions, the adding of the extra language to the tax proposal would allow the City to collect taxes on possible future recreational sales without having to go to the voters again for the approval of an additional tax.

If the City were to add such language to the proposal, it would also require the City to fine-tune their definitions for "dispensary", "dispensing", "manufacturer" and other applicable definitions in any proposed ordinance to include the possibility of collecting taxes from dispensaries who legally sell recreational cannabis if passed by State voters.

The two largest areas which should have funding devoted to them for dealing with any problems that might arise with the increased sales of cannabis products will be "crime prevention" and "youth prevention." The City should ensure that taxes brought in from the sales of cannabis products go to such areas of prevention.

The proceeds from the "special tax" should be divided as follows:

- 50% for the Police Department**
- 25% for the Parks & Recreation Department**
- 25% for the Public Library**

By devoting the funds in such a manner, it will ensure additional funding to assist our Police Department to deal with appropriate crime prevention related to cannabis and it will give additional funding to the most important Departments that offer services to our youth that would create a deterrence to drug usage. Keeping the youth preoccupied at our Libraries or involved in activities from the Parks and Recreation Department would be an excellent deterrence to drug usage.

In order to limit the possibility for any City Council to decrease the budgets of the three aforementioned Departments after the passage of such a "special tax", a baseline percentage average should be determined of recent budgets for the three Departments to that of the General Fund. It should then be stated in the language of the "special tax" proposal that the City cannot go below such percentages of the respective budgets for the three Departments after the passage of the "special tax."

Fire, building, and other departments will be able to get funding from the fees enacted by the City on the respective cannabis businesses that are allowed to operate within the City. Said fees should be easily justified by a "fee study" that should show what each of those respected departments will have in costs to directly oversee and inspect the cannabis businesses to protect the community from fires and other issues. I do not believe a "fee study" can legally justify giving much, if any, money to the Police, Parks & Recreation, or Library Departments which is why it is better to use a "special tax" to fund such departments to deal with "crime prevention" and "youth prevention."

Due to the fact that the City cannot use public funds to campaign for the passage of a tax, in all likelihood it will be the cannabis industry that will be funding and running some sort of campaign to encourage Watsonville voters to enact a cannabis tax. The Council should carefully consider what type of political campaign might be needed in order to encourage the passage of the tax and deal with any possible opposition to such a tax.

It is not fair to the responsible members of the cannabis industry, which might get involved in such a campaign, to put their support and financial resources behind a tax measure that will have no guarantee whatsoever to deal with issues of irresponsible behavior that might be out of their control connected with the further legalization and acceptance of their industry within the City. Nor is it fair to the community to be fed a line about the need to adopt such a tax with the usual dishonest "general tax" language that says something about the proceeds could go to fund "such departments as police and libraries" when there is no guarantee such funds will go to those departments.

If it is the intention of the Council to allow cannabis related businesses to set up shop in the City, then the Council should support a "special tax" devoted to the three Departments I earlier mentioned. In addition, the Council should encourage the involvement of the cannabis industry and members of the community to support the passage of such a tax to properly fund such City Departments that will be dealing with the issues that are likely to arise with the increase of cannabis businesses in the City.

Sincerely yours,



Nick Bulaich
(831) 728-5640

cc: City Clerk
City Manager
City Attorney
Chief of Police
Parks & Recreation Director
Library Director
Register-Pajaronian
Santa Cruz Sentinel
Santa Cruz County C4