

Capitola City Council

Agenda Report



Meeting: November 10, 2022

From: Police Department

Subject: Consider a Cannabis Delivery Ordinance Amendment

Recommended Action: Introduce, by title only, waiving further reading of the text, an ordinance amending Capitola Municipal Code Sections 5.36 and 9.61 allowing cannabis deliveries within the City of Capitola from any authorized licensed retailers physically located within Santa Cruz County.

Background: In November 2018, Capitola residents passed a ballot measure authorizing a tax on retail cannabis sales. Ordinance 1023 established a cannabis tax that was adopted on December 13, 2018. Capitola Municipal Code 9.61.040 (B) bans all commercial sales of cannabis without a retail cannabis license and a conditional use permit.

In December 2018, the City Council adopted Retail Cannabis Ordinance 1021, adding Capitola Municipal Code 5.36 outlining the regulations and licensing requirements for retail cannabis sales in Capitola. The ordinance allowed for two permits to be issued for two retail locations on 41st Avenue. Both authorized cannabis retailers in Capitola are in good standing and have passed annual inspections.

As other local jurisdictions in the County developed their cannabis retail licensing process, they restricted deliveries into their jurisdiction to only their local retail license holders. The purpose behind those regulations was to ensure that deliveries into the jurisdictions were both well-regulated and subject to appropriate taxes. The cities of Santa Cruz and Watsonville and the County all require deliveries come from entities licensed in their jurisdiction.

Recent discussions among the local city managers and the County Administrator have led to a regional plan where staff agreed to propose revisions to their local cannabis regulations to allow delivery from any legal cannabis business located in a Santa Cruz County jurisdiction. This plan would still ensure that deliveries are subject to local regulations and taxes.

The Santa Cruz City Council will be considering a similar ordinance amendment on November 11, 2022. Staff expects the remaining jurisdictions that permit retail cannabis sales will consider similar ordinances this Fall.

Discussion: The proposed amendments to Sections 9.61 and 5.36 of the Capitola Municipal Code would explicitly allow recreational cannabis deliveries from any licensed cannabis retailer within the County while prohibiting deliveries from outside the County.

The intent behind this change is to align the retail cannabis delivery requirements for the cities of Capitola, Watsonville and Santa Cruz and the unincorporated areas of Santa Cruz County. This change should simplify enforcement and compliance efforts for all jurisdictions.

The proposed ordinance also includes language that allows delivery of medical cannabis from businesses located anywhere within the State, as required by the newly adopted Senate Bill 1186. Senate Bill 1186 – Medicinal Cannabis Patients' Right of Access Act was signed into law on September 18, 2022. This bill enacts the Medicinal Cannabis Patients' Right of Access Act, which, on and after January 1, 2024, would prohibit local jurisdictions from adopting or enforcing any regulation that prohibits the delivery of medicinal cannabis to medicinal cannabis patients.

Staff contacted our two permitted cannabis retail establishments for feedback on the proposed amendment. Staff heard back from both retailers, and they fully support the proposed ordinance amendment. The retailer stated this amendment would allow the business to now deliver outside of the City of Capitola and that would create new sales opportunities so the proposed amendment would not

disadvantage the local business.

Attachments:

1. Proposed ordinance

Report Prepared By: Andrew Dally, Chief of Police

Reviewed By: Chloé Woodmansee, Assistant to the City Manager; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager