

Cannabis Dialogue Community Workshop 2021



EXHIBIT 1

Meeting Purpose

The Town Council seeks public input regarding the potential development and implementation of regulations that could allow commercial retail, cultivation production, processing, manufacturing, delivery and/or testing of cannabis (marijuana) products in Los Gatos.

*Commercial cannabis includes both medical and recreational cannabis.

CANNABIS WORKSHOP



How will today's input be used?

- Several workshops will be held until the end of the year.
- Each will cover the same topics and seek the same input.
- An online survey is available on the Town website.
- Following the workshops, a summary report will be prepared and presented to the Town Council.
- The Town Council will consider the public input as they decide how to proceed (or not) with the development of local cannabis regulations.

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Meeting Overview

- Before we ask for your input, we are going to begin today's meeting with:
- A Summary of applicable laws and regulations.
- An Overview of commercial cannabis industry.
- And Provide an opportunity to ask any questions that you may have.



What is Cannabis?

- Cannabis is a plant containing more than eighty biologically active chemical compounds that each have a different effect on the body.
- The Industry has shifted from term “marijuana” to “cannabis” (they are interchangeable).
- The most commonly known compounds are THC and CBD.
 - THC is the psychoactive compound that produces the high in recreational cannabis.
 - CBD does not produce any psychoactive effects and may have health benefits.



Dynamic History of Cannabis in US

- Medical & Industrial use of Cannabis was allowed and unregulated until 1937...
- Marihuana Tax Act of 1937
(Imposed a tax fines and penalties that effectively banned it, AMA opposed the act)
- Boggs Act of 1952 and Narcotics Control Act of 1956 (Provided for mandatory sentencing and increased punishment and fines).
- Controlled Substances Act of 1970- Schedule 1 classification with heroin, LSD, MDMA (ecstasy), mushrooms.



Recent History of Cannabis in California

- **1996:** Prop. 215 – Provided protection against prosecution for medical marijuana in California for qualified patients, with a doctor's recommendation.
- **2015** -The Medical Marijuana Regulation and Safety Act. Statewide regulatory system for medical cannabis businesses
- **2016:** Prop. 64 (Adult Use of Marijuana Act) – Voters Legalized recreational marijuana in California.



PROPOSITION 64 ELECTION RESULTS

Statewide

57.1% of voters supported;
42.9% opposed

Santa Clara County

58.3% of voters supported;
41.7% opposed

Town of Los Gatos

62% of voters supported;
38% opposed

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WHAT DOES PROP 64 ALLOW?

- Residents can grow up to 6 plants per household. For the Town the must be inside.
- Over 18 can legally buy and possess up to 1 oz. of cannabis with a Dr.'s recommendation.
- Over 21 can legally buy and possess up to 1 oz. of cannabis from a legal retail location.
- Cannabis cannot be consumed in public and cannot be carried across state lines.
- Cities and counties may completely prohibit commercial cannabis activity.
- No public consumption.
- Employers may prohibit marijuana use by employees.

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WHAT DOES PROP 64 ALLOW?

Requires State Licensing of Commercial Operations:

- All commercial cannabis businesses must have a state license to engage in any commercial cannabis activities.
- State licenses cannot be issued to an applicant whose operations would violate the provisions of any local ordinance or regulation.
- State licenses will be valid for one year.
- Separate state licenses are required for each business location.



Today's Legal Reality in- Los Gatos

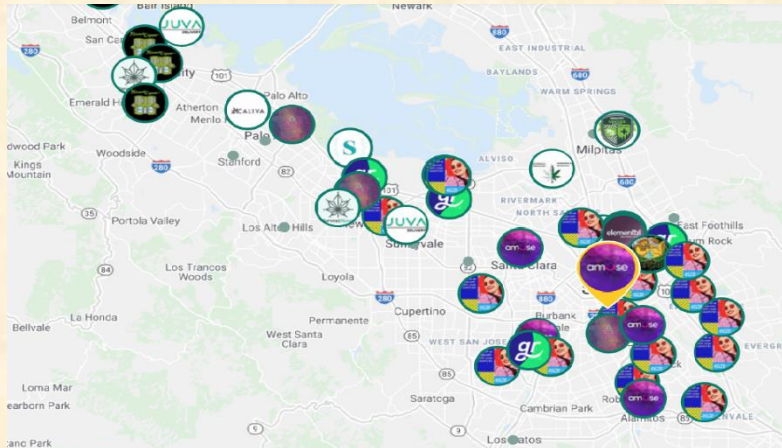
The Town's existing cannabis ordinance currently prohibits the establishment or operation of a business engaged in recreational or medical marijuana activity and the cultivation, production, and processing of cannabis within the incorporated areas of the Town, except for the personal cultivation of no more than six plants, indoors. The personal cultivation allowance is State mandated.

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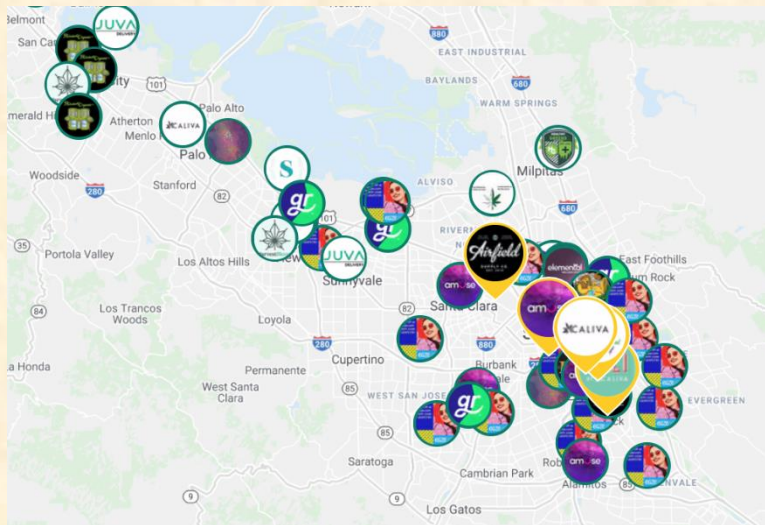


Where is the Cannabis Industry in the Region

28 Delivery locations



41 Dispensary locations



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Commercial Industry Overview

- Cultivation
- Processing and Manufacturing
- Testing
- Distribution
- **Retail sales**

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Cultivation

Indoor Cultivation:

- Grow room or greenhouse
- Soil and fertilizer
- Water
- Overhead lighting
- Exhaust fan(s)
- Monitoring equipment

Outdoor Cultivation:

- Land
- Soil and Fertilizers
- Water
- Pesticides

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Manufacturing and Processing

- Requires drying after harvest.
- Requires heat and pressure.
- Essential Oil (for vaporizing or edibles) either butane, carbon dioxide, or oxygen).
- Other products similar to cooking/baking.

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Testing

- Laboratory work.
- Tests for the presence or absence of various analytes, including cannabinoids, residual solvents, micro-organisms, pesticides, heavy metals, and mycotoxins; water activity and moisture content; and filth and foreign material.
- Labs must be accredited by the International Organization for Standardization.



State Taxation

- A State excise cannabis tax of 15% of the gross receipts of any retail sale.
- A State cultivation tax is set at \$9.25 per ounce for marijuana flowers and \$2.75 per ounce for marijuana leaves.
- Sales and use tax (exemption applies to the retail sales of medicinal cannabis under certain circumstances).



LOCAL FISCAL IMPACT

Four potential revenue/fee sources:

- Local tax (Gross Receipts Business Tax/Square footage tax).
- Sales & Use Tax.
- Business License Fee.
- Development (Community Benefit) Agreement.

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LOCAL TAX REVENUE PROJECTIONS

- Estimating future tax revenues for commercial cannabis business activities is difficult but not impossible.
- The Town's determination on the type, size, location and number of cannabis businesses will impact tax revenue.
- Initial research-Receipts per potentially generate between approximately \$250,000 to \$1,500,000 in revenue for the Town.



POSSIBLE COMMUNITY CONCERNS

- Public Safety Impacts
- Impacts on Youth
- Noise, Lighting and Odor Impacts.
- Environmental Impacts
- Traffic Impacts



POSSIBLE COMMUNITY CONCERNS

Public Safety Impacts

- Limit hours of operation.
- Locations away from residential neighborhoods.
- Require surveillance systems.
- Require security guards.
- Require compliance inspections.



POSSIBLE COMMUNITY CONCERNS

Impact on Youth

- Limit hours of operation.
- Require 1,000-foot buffer from sensitive uses.(
Schools, Youth centers,
Daycare facilities).
- Regulate signage and appearance.
- State prohibits employment, access or advertising to anyone under 21.



POSSIBLE COMMUNITY CONCERNS

Noise, Lighting and Odor Impacts

- Limit noise levels after certain hours.
- Limit to industrial areas where noise and odor may be acceptable.
- Require odor control systems.
- Limit cultivation to indoors.
- Require exterior lighting standards.



POSSIBLE COMMUNITY CONCERNS

Environmental Impacts

- Limit to industrial areas where similar activities are permitted and mitigated.
- Require energy conservation measures.
- Require water conservation measures.
- Require energy from renewable sources.



POSSIBLE COMMUNITY CONCERNS

Traffic Impacts

- Limit to locations with appropriate access and parking infrastructure
- Require adequate onsite parking standards



Group Discussion

- What should the Town's objectives and goals be with respect to cannabis?
- What should the Town's vision be for Los Gatos business districts and adjacent neighborhoods if commercial/retail cannabis businesses were allowed?
- What are the top issues of concern related to cannabis use and sales that the Town may be able to address through its regulations?
- If allowed, how many commercial/retail cannabis businesses should be allowed in the Town?



Group Discussion (cont.)

- If allowed, in which zoning districts should commercial/retail cannabis businesses be allowed in the Town?
- If allowed, what type of restrictions should be placed on each of the operations?
- If allowed, what concerns, if any, with commercial cannabis cultivation, manufacturing, testing, and distribution in the Town of Los Gatos.
- Do you have different concerns for indoor vs. outdoor cultivation?
- Do you have different concerns for manufacturing/processing vs. cultivation?



Next Steps

- Following the public workshops, community meetings and town advisory board meetings, a summary report will be presented to The Town Council.
- The Town Council will determine whether to proceed with drafting cannabis regulations.
- If the Town Council elects to proceed, the process will be open to the public, with ample opportunity to provide input on the details and specifics.



Wrap Up

- Take the online survey!

www.losgatosca.gov/2689/Cannabis

- Stay informed
- Periodically check the Town website for updates on this effort
- Thank you for being involved!

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