



Staff Report

File #: REPORT 22-0326, Version: 1

Honorable Mayor and Members of the Hermosa Beach City Council Regular Meeting of May 24, 2022

CITY STAFF RECOMMENDATIONS ON CANNABIS POLICY OPTIONS

(City Manager Suja Lowenthal)

Recommended Action:

Staff recommends City Council:

1. As entitled to by law, consider a formal City Council action to oppose the cannabis industry sponsored initiative filed with the City Clerk on November 17, 2021;
2. Direct staff to begin preparations to submit a ballot measure to the voters at the General Municipal Election to be held on November 8, 2022, adding a business license tax on cannabis sales should the ban be lifted;
3. Direct staff to develop an informational impact report for educational purposes covering policy, safety, and health considerations; and
4. Provide staff with other direction, if so desired.

Executive Summary:

On November 17, 2021, the Hermosa Beach City Clerk received a petition from the cannabis industry for the purposes of adopting an initiative that would repeal Hermosa Beach's existing ban on all commercial cannabis business operations and allow commercial cannabis operations in the City. Having obtained the signatures of 10 percent of registered voters, the industry sponsored initiative will be submitted, without alteration, to the voters on the November 8, 2022 Municipal Election ballot.

Given the substantial engagement process and the diversity of viewpoints on this policy matter, staff recommends City Council oppose the industry sponsored initiative; ensure fiscal sustainability by updating the business license tax should the ban on cannabis sales ever be lifted through this initiative or the City Council; continue to educate the electorate on policy, safety, and health considerations; or provide other direction if desired.

Background:

On November 17, 2021, the Hermosa Beach City Clerk received a petition from the cannabis industry for the purposes of adopting an initiative that would repeal Hermosa Beach's existing ban on all commercial cannabis business operations and allow commercial cannabis operations in the City. At City Council's regular meeting on November 23, 2021, Mayor Detoy requested, and a unanimous vote of the City Council supported, directing staff to place on the next regular session agenda an item

addressing the City's options.

At its December 14, 2021 meeting, City Council directed the City Manager to form an Advisory Group, subject to the Brown Act, to explore policy issues and provide City Council with input on whether the City's current ban on cannabis business operations should be modified. The diverse group of stakeholders, leaders, and residents-reflecting a wide array of experience and community opinions on the topic of cannabis-was convened. The group held a total of six public meetings and at its sixth and final meeting on March 29, 2022, the Cannabis Advisory Group arrived at its final input and recommendations regarding whether the City's current ban on cannabis business operations should be modified. With all nine members present, the group unanimously agreed that they are opposed to the cannabis industry initiative and the group's final report and recommendations were presented to the City Council at its April 12, 2022 meeting. City staff thanks every member of the Advisory Group for their diligence and substantial volunteerism on this important topic.

At its March 22, 2022 meeting, the City Council opted not to adopt the cannabis industry initiative by ordinance and instead submit the ordinance, without alteration, to the voters in the November 8, 2022 Municipal Election. The ballot materials will be presented to the City Council later this summer for inclusion on the November ballot, at which time the voters can decide whether to lift the local ban in favor of the industry initiative.

Past Council Actions

Meeting Date	Description
November 23, 2021 (Regular Meeting)	Under Future Agenda Items, Mayor Detoy requested City Council consider directing staff to place on the December 14, 2021 agenda an item addressing the City's options in light of the cannabis industry initiative filed with the City Clerk. The request was supported by a unanimous vote of the City Council.
December 14, 2021 (Regular Meeting)	City Council directed the City Manager to form an Advisory Group, subject to the Brown Act, to explore policy issues and provide City Council with input on whether the City's current ban on cannabis business operations should be modified.
April 12, 2022 (Regular Meeting)	City Council received the final report and recommendations from the Hermosa Beach Cannabis Advisory Group.
March 22, 2022 (Regular Meeting)	City Council opted not to adopt the cannabis industry initiative by ordinance and instead submit the ordinance, without alteration, to the voters in the November 8, 2022 Municipal Election.

Discussion:

Repealing Hermosa Beach's existing ban on all commercial cannabis business operations and allowing commercial cannabis operations in the City could have impacts on law enforcement, City operations, and our community character. Given the complexity of the issue, the City conducted a substantial engagement process including policy experts, key stakeholders, and residents. In total, discussion and feedback were received at four City Council meetings and six Cannabis Advisory Group meetings.

The cannabis policy issue was also included in the March 2022 community survey for budget priority setting, policy issues, and customer satisfaction. Thank you to the hundreds of residents that took the time to participate. Survey results indicate that there are a variety of viewpoints on the cannabis policy issue.

Considering the Cannabis Advisory Group's recommendations, the survey findings, and the City's commitment to fiscal sustainability, staff recommends City Council oppose the cannabis industry initiative; direct staff to prepare a ballot measure to establish a business tax on cannabis sales in the City should the ban be lifted; and direct staff to develop an impact report covering policy, safety, and health considerations for the purpose of education to the Hermosa Beach community.

The cannabis industry initiative does not stipulate a tax on cannabis operations separate and apart from the City's standard business tax. A fiscally responsible approach would be for the City to propose a City sponsored measure for a corresponding local cannabis tax; under Proposition 218, such a tax must be approved by the voters. This would ensure that should the existing ban on cannabis sales ever be lifted through this initiative or the City Council that any cannabis business will pay their fair share of City services through a local business license tax. The deadline to place the tax measure on the ballot with this initiative would be early August for the November 2022 election.

Staff presented City Council with a full list of options at its December 14, 2021 meeting (**Attachment 2**). Based on the current status of the cannabis industry initiative, City Council's remaining options include:

- Take No Further Action;
- Initiate a City Cannabis Ordinance;
- Initiate a City Sponsored Cannabis Measure;
- Initiate a City Sponsored Measure for a Cannabis Business Tax; or
- Consider the Cannabis Industry Withdrawal Proposal.

Under the Elections Code, initiative proponents are allowed to withdraw a qualified initiative, even after the Council has voted to place it on the ballot. The cannabis industry proposal (**Attachment 5**) offers such a withdrawal in exchange for Council's agreement to place an alternative measure on the ballot that is not objectionable to the proponents. Staff does not recommend acceptance of the

proposal and instead recommends voters be allowed to decide whether to lift the local ban in favor of the industry initiative.

General Plan Consistency:

This report and associated recommendation have been evaluated for their consistency with the City's General Plan. Relevant Policies are listed below:

Governance Element

Goal 1. A high degree of transparency and integrity in the decision-making process.

Policy:

- **Open Meetings.** Maintain the community's trust by holding meetings in which decisions are being made, that are open and available for all community members to attend, participate, or view remotely.

Goal 2. The Community is active and engaged in decision-making processes.

Policy:

- **2.4 Public participation guidelines.** Establish parameters and guidelines to ensure public participation is promoted through diverse methods

Fiscal Impact:

There is no immediate fiscal impact associated with the recommended action. Should the Council approve the staff recommendation to add a business license tax on cannabis sales in the event the ban is lifted, staff would return to Council with materials to place a tax measure on the ballot and provide the associated fiscal impacts. Fiscal impacts associated with any option that may be explored by Council would be evaluated upon receiving further direction.

Attachments:

1. Link to November 23, 2021 City Council Agenda
2. Link to December 14, 2021 City Council Staff Report
3. Link to April 12, 2022 City Council Staff Report
4. Link to March 22, 2022 City Council Staff Report
5. Cannabis Industry Withdrawal Proposal

Respectfully Submitted by: Angela Crespi, Deputy City Manager

Noted for Fiscal Impact: Viki Copeland, Finance Director

Legal Review: Mike Jenkins, City Attorney

Approved: Suja Lowenthal, City Manager

