



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Department No.: 012
For Agenda Of: May 1, 2018
Placement: Administrative
Estimated Time: NA
Continued Item: Yes
If Yes, date from: April 10, 2018
Vote Required: Majority

TO: Board of Supervisors

FROM: Department: Mona Miyasato, County Executive Officer
Director(s)
Contact Info: Dennis Bozanich, Deputy County Executive Officer

SUBJECT: Adoption of an Ordinance adding Chapter 50 establishing a Commercial Cannabis Business License

County Counsel Concurrence

As to form: Yes

Other Concurrence: Treasurer-Tax Collector

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors (Board):

- a) Consider the adoption (Second Reading) of an Ordinance of the Board of Supervisors of the County of Santa Barbara adding Chapter 50 to the Santa Barbara County Code, Establishing a Commercial Cannabis Business License (Attachment 1); and
- b) Make the attached findings and determine for the purposes of CEQA that:
 - i. These actions are within the scope of the Cannabis Land Use Ordinance and Licensing Program, and the Cannabis Land Use Ordinance and Licensing Program Final Programmatic Environmental Impact Report (PEIR) [Case No. 17EIR-00000-00003, State Clearinghouse No. 2017071016] adequately describes this activity for the purposes of CEQA.
 - ii. Pursuant to CEQA Guidelines section 15162(a), after considering the PEIR certified by the Board of Supervisors on February 6, 2018, that no subsequent EIR or Negative Declaration is required (Attachment 2) because: i) no substantial changes are proposed which require major revisions of the PEIR; ii) no substantial changes have occurred with respect to the circumstances under which the ordinance is undertaken which require major revisions of the PEIR; and iii) no new information of substantial importance concerning the ordinance's significant effects

or mitigation measures, which was not known and could not have been known with the exercise of reasonable diligence at the time that the PEIR was certified, has been received.

Summary Text:

In February, the Board approved amendments to Chapter 35 of the County Code establishing land-use zoning, permitting and development standards for cannabis operations in the unincorporated area of Santa Barbara County and asked staff to return with information on possible retail caps. On February 27, 2018, the Board also asked staff to return with options for cultivation caps. On March 20, 2018, the Board received public comment on an ordinance to add Chapter 50, Licensing of Commercial Cannabis Operations to the County Code. On April 10, 2018, a first reading of the ordinance occurred following revisions directed in March 2018. This second reading of the ordinance will allow the Board to adopt the ordinance (Attachment 1).

Background:

On March 20, 2018, the Board received public comment on an ordinance to add Chapter 50, Licensing of Commercial Cannabis Operations to the County Code. The Board directed staff to make specific changes to the ordinance and return on April 10, 2018. As directed, staff made the following changes to the ordinance and is asking you to consider introduction of the Ordinance. The changes requested include:

- A cap of zero acres of outdoor cannabis cultivation in the Coastal Zone of Santa Barbara County;
- A cap of 186 acres of indoor or mixed light cannabis cultivation within the boundaries of the Carpinteria Agricultural Overlay District as established by ordinance in 2004;
- Revisions to the energy conservation section to allow for purchase of renewable energy credits;
- Revisions to simplify the appeals process; and
- Wording additions on personal cultivation location indoors and mature plants being those that are flowering to align with cannabis land use permitting amendments.

If adopted by the Board, the Licensing of Commercial Cannabis Operations Ordinance (Attachment 1) will:

- Add Chapter 50 to the County Code;
- Require a local Cannabis Business License for anyone engaged in any commercial activity, recreational or medicinal, including the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or retail sale of cannabis and cannabis products;
- Require that Cannabis Business Licenses to be renewed every year and are non-transferable;
- Establish that a license is required for each entity conducting a commercial cannabis operation on each parcel;

- Establish the cannabis cultivation caps noted above and a retail license cap and a selection process for those that may seek a capped cannabis cultivation or retail license;
- Require licensees to maintain their operations in compliance with their land use permits, state cannabis licenses and require that they pay their taxes;
- Establish clear roles and procedures for cannabis businesses, and county departments, as they engage in processes of applying, reviewing, inspecting, approving or denying, renewing, suspending, revoking or appealing cannabis business licenses;
- Establish a multi-departmental cannabis compliance team from Planning & Development, Sheriff, Agricultural Commissioner, Fire, and Public Health to support the County Executive approving or rejecting applications and renewals and the Treasurer-Tax-Collector in issuing the cannabis business license or noticing the applicant of a denial;
- Establish standards for operations, compliance reviews, as well as, enforcement and penalties for failure to comply with cannabis business license requirements;
- Will become effective on the later of the two dates: 1) Thirty days after adoption by the Board (Second Reading) or 2) for portions of the ordinance effective in the Coastal Zone, the date the ordinance is certified by the Coastal Commission; and
- Will become operational only if the County Treasurer is able to open an account in a suitable financial institution to deposit moneys related to cannabis.

Performance Measure:

NA

Contract Renewals and Performance Outcomes:

NA

Fiscal and Facilities Impacts:

Budgeted: Ordinance development has been budgeted in the current year operating budget. The staffing augmentations for application processing, compliance monitoring and enforcement will be part of the Recommended Budget for Fiscal Year 2018-19. **Fiscal Analysis:**

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund		\$ 1,936,136.00	
State			
Federal			
Fees		\$ 2,372,996.00	
Other:			
Total	\$ -	\$ 4,309,132.00	\$ -

Narrative:

Adopting the Cannabis Business Licensing Ordinance will require additional costs for staffing that are not budgeted in the current Fiscal Year 2017-18 Adopted Budget. The current estimate of additional staffing costs is approximately \$2.4 million annually when permitting and licensing begins. Fee revenue will be generated from license application and compliance fees charged to those applying for and receiving a

cannabis business license. Following Board adopted budget policies, the fees will fully recover the cost of the licensing and compliance program. This additional revenue and expense is not likely until FY 2018-19 and is contingent on the Treasurer-Tax Collector opening a bank account in a suitable financial institution. Following adoption of the Cannabis Business License Ordinance, staff will refine the staffing requirements based on the approved scope of responsibilities approved by the Board. A request for any required new legal positions, a fee study and a fee ordinance will be finalized and brought back to the Board for approval on May 8, 2018. If approved by the Board and pending any further direction at the April Budget Workshops, staffing costs for licensing, compliance and enforcement will be included on the FY 2018-19 Recommended Budget.

Key Contract Risks:

None

Staffing Impacts:

Legal Positions:

FTEs:

Special Instructions:

Publish notice as required by this ordinance.

Attachments:

Attachment 1 – Ordinance Adding Chapter 50, Licensing Of Commercial Cannabis Operations, To the Santa Barbara County Code

Attachment 3 – CEQA Findings

Authored by: Dennis Bozanich, Deputy County Executive Officer, 805-568-3400