



# City of Culver City

Mike Balkman Council  
Chambers  
9770 Culver Blvd.  
Culver City, CA 90232

## Staff Report Details (With Text)

**File #:** 18-01448      **Version:** 1      **Name:**  
**Type:** Resolution      **Status:** Action Item  
**File created:** 6/26/2018      **In control:** City Council Meeting Agenda  
**On agenda:** 7/9/2018      **Final action:**  
**Title:** CC - Adoption of a Resolution Modifying the Allocation of Commercial Cannabis Business Permits Previously Established by Resolution 2018-R015, by Reducing the Maximum Number of Permits for Commercial Cannabis Cultivation by Two, Increasing the Maximum Number of Permits for Commercial Cannabis Manufacturing By One, and Increasing the Maximum Number of Permits for Commercial Cannabis Distribution by One.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 2018-07-09 ATT Proposed Resolution, 2. 2018-07-09 ATT Resolution 2018-R015.pdf

Date	Ver.	Action By	Action	Result
7/9/2018	1	City Council Meeting Agenda		

**CC - Adoption of a Resolution Modifying the Allocation of Commercial Cannabis Business Permits Previously Established by Resolution 2018-R015, by Reducing the Maximum Number of Permits for Commercial Cannabis Cultivation by Two, Increasing the Maximum Number of Permits for Commercial Cannabis Manufacturing By One, and Increasing the Maximum Number of Permits for Commercial Cannabis Distribution by One.**

**Meeting Date:** July 9, 2018

**Contact Person/Dept:** Jesse Mays / City Manager's Office

**Phone Number:** (310) 253-6000

**Fiscal Impact:** Yes ☐ No ☒

**General Fund:** Yes ☐ No ☒

**Public Hearing:** ☐      **Action Item:** ☒      **Attachments:** ☐

**Commission Action Required:** Yes ☐ No ☒      **Date:**

**Public Notification:** (E-Mail) Meetings and Agendas - City Council (07/03/18); GovDelivery e-mail lists: Marijuana (06/27/18)

**Department Approval:** John Nachbar, City Manager (07/02/18)

## RECOMMENDATION

Staff recommends the City Council adopt a resolution modifying the allocation of commercial cannabis business permits previously established by Resolution 2018-R015, as follows:

1. Reduce the maximum number of Cultivation (Indoors) permits by two.
2. Increase the maximum number of Manufacturing permits by one.
3. Increase the maximum number of Distribution permits by one.

## **BACKGROUND**

Culver City's Commercial Cannabis Regulation and Safety Ordinance establishes that the maximum number of each type of commercial cannabis business that is permitted to operate in the City is established by resolution of the City Council (see CCMC 11.17.105). On February 12, 2018, the City Council adopted Resolution No. 2018-R015; Exhibit A attached to the Resolution established the maximum number of non-storefront retail cannabis business locations by business type, as follows:

Permit Type	Maximum Number of Permits (Current)
Delivery-only Retail	5
Manufacturing	6
Distribution	6
Cultivation (Indoors)	3
Testing Laboratory	4
<b><i>Maximum Number of Permits</i></b>	<b>24</b>

The Resolution also established that delivery permits issued to a storefront retail cannabis business will not count towards the maximum number of delivery-only permits. Furthermore, distribution and/or delivery permits issued to a manufacturing permit holder (pertaining to its manufacturing business and on the same property) will not count towards the maximum number of distribution of delivery-only permits allowed. (The maximum number of storefront retail permits (3) was established by a separate Resolution: 2018-R-014.)

## **DISCUSSION**

The City began accepting applications for non-storefront retail cannabis businesses on April 9, 2018, and closed the initial application period on May 9, 2018. The City received 15 applications: seven manufacturers, seven distributors, and one delivery-only retailer. There were no applicants for cultivation or testing laboratory permits. All seven of the manufacturing applicants also applied for distribution permits (which do not count towards the maximum), and four also applied for delivery-only permits (which do not count towards the maximum). Four of the seven distribution permit applicants also applied for delivery-only permits (which count towards the maximum). The number of applicants by permit type compared to the maximum number of permits allowed is as follows:

Permit Type	Number of Applicants	Maximum Number of Permits Allowed
Delivery-only Retail	5	5

Manufacturing	7	6
Distribution	7	6
Cultivation (Indoors)	0	3
Testing Laboratory	0	4

As of mid-June, the City is about to complete its Step One review of the 15 applicants, which includes a Live Scan criminal background check of owners and managers and a multi-departmental review of business, safety, security, neighborhood compatibility, odor, and waste management plans. It is possible that all 15 applicants may meet the Step One criteria for cannabis business permit eligibility. Those businesses that are approved in Step One are allowed to proceed to Step Two, which includes applying for required building, mechanical, electrical, and plumbing permits, as well as an L.A. County Environmental Health permit. The applicant then completes Step 3, which is buildout a final cannabis business inspection. Applicants completing Step 3 are issued a permit.

Because the number of qualified manufacturing and distribution applicants exceeds the maximum number of permits, currently the City may only allow six manufacturing and six distribution applicants to proceed to Step 2. Since a non-storefront cannabis business permit is determined via a ministerial process, the City's best option under the current caps is to use a lottery system to determine which six manufacturing and six distribution applicants are allowed to proceed.

Staff updated the City Council Cannabis Subcommittee on this situation on June 12<sup>th</sup>. After discussion, the Subcommittee recommended that instead of using a lottery to eliminate two applicants, the City could add one additional permit in each category, so that all current applicants may proceed to Step 2, if all are qualified under Step 1. At the same time, the Subcommittee recommended that the maximum number of cannabis cultivation permits be reduced by two, so that the overall total maximum number of cannabis business permits allowed in Culver City is not increased. The maximum number of non-storefront retail cannabis permits allowed would remain at 24. The actual number of businesses, in the event all current applicants are approved for their final permit, would be 15. The proposed allocation is as follows:

Permit Type	Maximum Number of Permits (Proposed)
Delivery-only Retail	5
Manufacturing	7
Distribution	7
Cultivation (Indoors)	1
Testing Laboratory	4
<b><i>Maximum Number of Permits</i></b>	<b><i>24</i></b>

## **FISCAL ANALYSIS**

Approval of this item may result in additional general fund revenue via the cannabis business tax revenue resulting from allowing one additional cannabis manufacturing business and one additional cannabis distribution business, compared to the City using a lottery to eliminate one manufacturing business and one cannabis distribution business from permit eligibility. The amount of revenue depends on the gross receipts of the cannabis businesses.

## ATTACHMENTS

1. 2018-07-09 ATT Proposed Resolution
2. 2018-07-09 ATT Resolution 2018-R015

## MOTION

That the City Council:

Adopt a Resolution modifying the allocation of commercial cannabis business permits for commercial cannabis cultivation, manufacturing, and distribution, previously established by Resolution 2018-R015, by reducing the maximum number of commercial cannabis cultivation permits to one, increasing the maximum number of manufacturing permits to seven, and increasing the maximum number of distribution permits to seven.