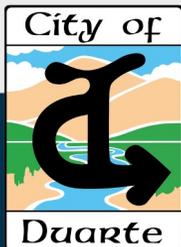


# Cannabis Ballot Initiative

February 13, 2024



# Workshop Outline

- City Manager Introduction
- City Attorney discusses the ballot initiative
- Assistant City Manager discusses HdL analysis
- HdL presentation
- City Cannabis Survey presentation
- City Manager/City Attorney discuss the options with initiative withdrawal and Council direction on next steps



# Cannabis Ballot Initiative Process So Far

- April 11, 2023: City Attorney's impartial summary and title for ballot initiative sent to proponent.
- July 25, 2023: City Council approves HdL agreement to conduct fiscal impact analysis of ballot initiative.
- September 11, 2023: Proponent withdraws ballot initiative (proponents had until October 9, 2023, to submit signatures).
- Due to the withdrawal, there are no mandated timelines for consideration of cannabis issues at this time.



# HdL Companies Contract

- Duarte has worked with HdL for many years on Sales Tax and Property Tax auditing and projecting
- HdL Companies has direct experience establishing and implementing cannabis regulatory and taxation programs
- HdL prepared a report on the potential impacts of the initiative to better inform future decision-making by the Council.



# HdL Companies

*Impact Report on  
the Duarte Marijuana Retail Sales  
Regulation and Taxation Measure*



# Ballot Measure Analysis

## About HdL

- Municipal finance consulting firm providing revenue and economic insights to local governments
- HdL Serves
  - 303 cities
  - 48 counties
  - 108 transaction districts
- We provide sales tax, property tax, business licensing, economic development, and cannabis management
- HdL has provided consulting services to over 175 local agencies to help develop cannabis policies
- Team includes former policymakers, law enforcement and cannabis regulators with State, County and local level experience



# Purpose of the Ballot Measure Analysis

To consider the potential impacts of the initiative to better-inform decision making by the City Council

- Summary and overview of the ordinance
- Impacts on land use, zoning and specific plans
- Likely demand for permitted uses
- Cannabis tax revenues
- Fiscal Impacts to the City
- Impacts on crime, safety and public health
- Economic impacts, including impacts on other businesses
- Lighting, noise, traffic and odor impacts



# Overview of the Initiative

## The Duarte Marijuana Sales Regulation and Taxation Measure

- Would be placed on November 2024 ballot
- Amends Chapter 5.91 of the Duarte Municipal Code
- Allows up to 5 cannabis retailers by right in certain zones
- Establishes a cannabis business tax
  - 4.0% of gross receipts for adult use cannabis sales
  - 0.5% for medicinal sales
  - Rates may be increased or decreased to a max of 4.0%



# Overview of the Initiative

- Would disallow cannabis deliveries into the City from outside
- Does not address other cannabis business types
  - Cultivation, manufacturing, distribution, etc.
  - Current prohibition of these businesses would continue
  - Would not prevent the City from allowing such businesses if it chose to in the future
- Includes detailed application requirements
- Allows City to develop fees to recover all costs associated with permitting and regulating cannabis businesses



# HdL Companies

*Land Use Impacts*

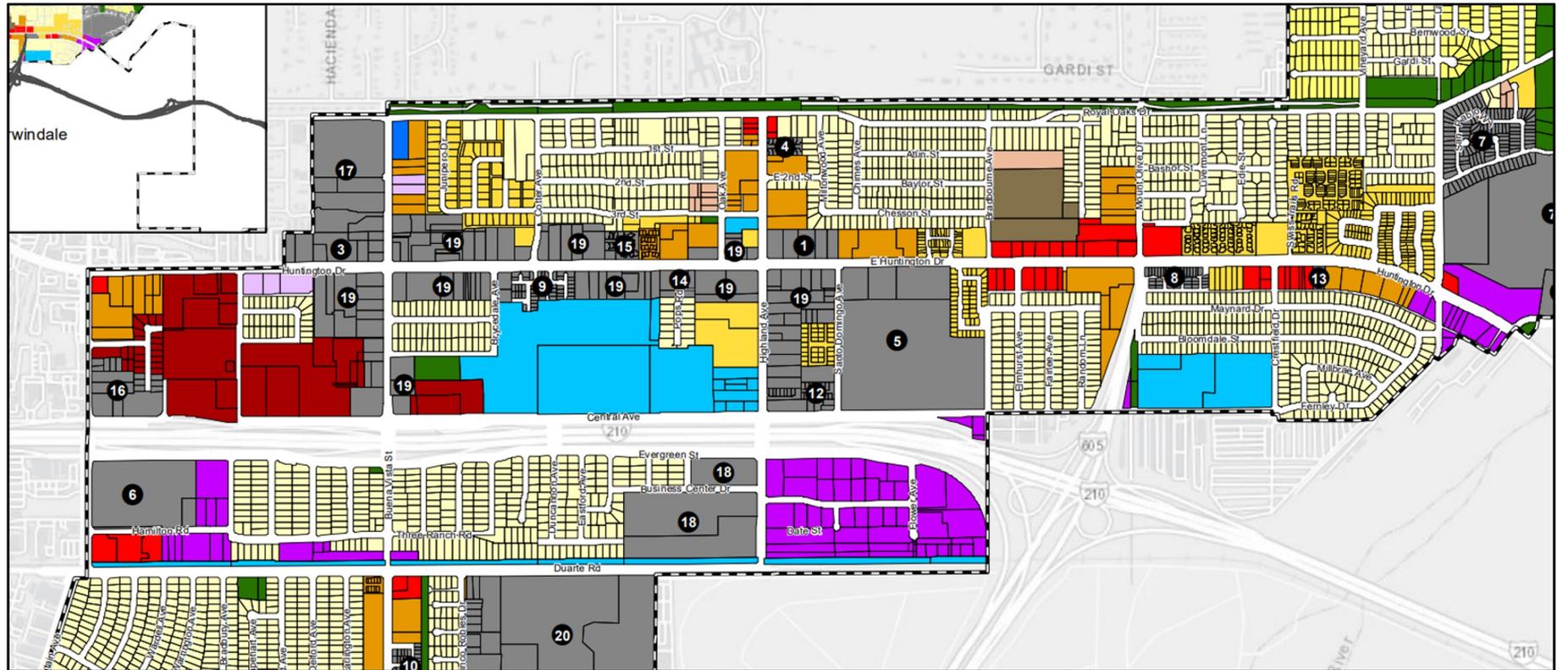


# Land Use Impacts

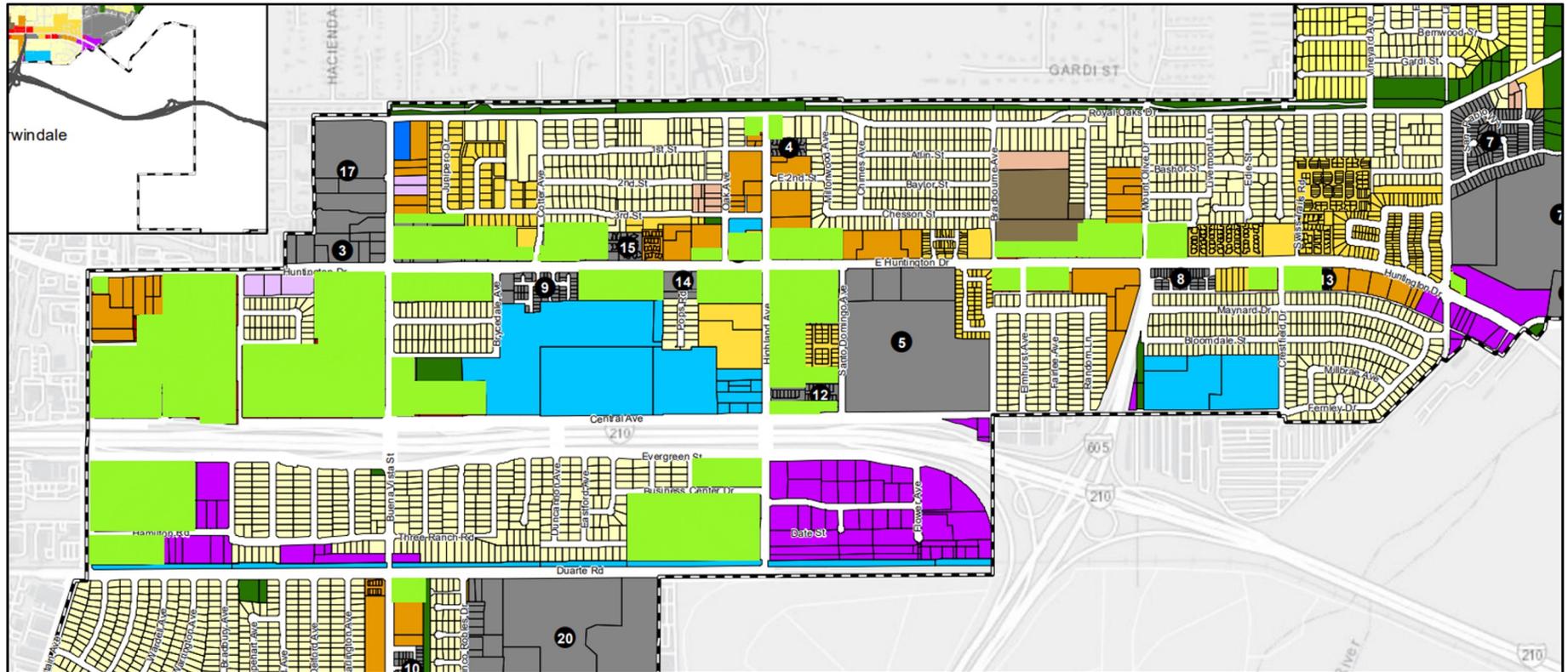
- The 5 cannabis retailers would be allowed in 2 of the City's 3 commercial zones and 5 specific zoned areas.
  - Commercial-General (C-G)
  - Commercial-Freeway (C-F)
  - Huntington/Highland (SP-1)
  - Mountain/Evergreen (SP-6)
  - Mountain/Central (SP-16)
  - Duarte Station Specific Plan (SP-18)
  - Town Center Specific Plan (SP-19)



# Zoning and Specific Plans



# Zoning and Specific Plans



# Permit Requirements for Commercial Zones

Alcohol and tobacco sales are allowed in both CG and CF zones as an accessory use or subject to CUP or MUP.

Cannabis retailers would be allowed by right subject to only ministerial approval.

Commercial Zone Allowable Uses and Permit Requirements			
Allowable Uses	P = Permitted By Right A = Permitted as Accessory Use MUP = Minor Use Permit CUP = Conditional Use Permit — = Not Allowed		
	C-P	C-G	C-F
Alcohol Sales (off-sale)	—	CUP	CUP
Alcohol Sales (on-sale)	A	A	A
Tobacco Product, Electronic Cigarette and Vaping Devices, Electronic Cigarette and Vaping Accessories, and Tobacco Paraphernalia Sales	—	A	A
Tobacco Shop	—	MUP	MUP
Bars, Lounges, Nightclubs, and Taverns	—	CUP	CUP
Tobacco Smoking Establishments	—	CUP	—
Pharmacy	P	—	P
<b>Cannabis Retailer</b>	<b>—</b>	<b>P</b>	<b>P</b>

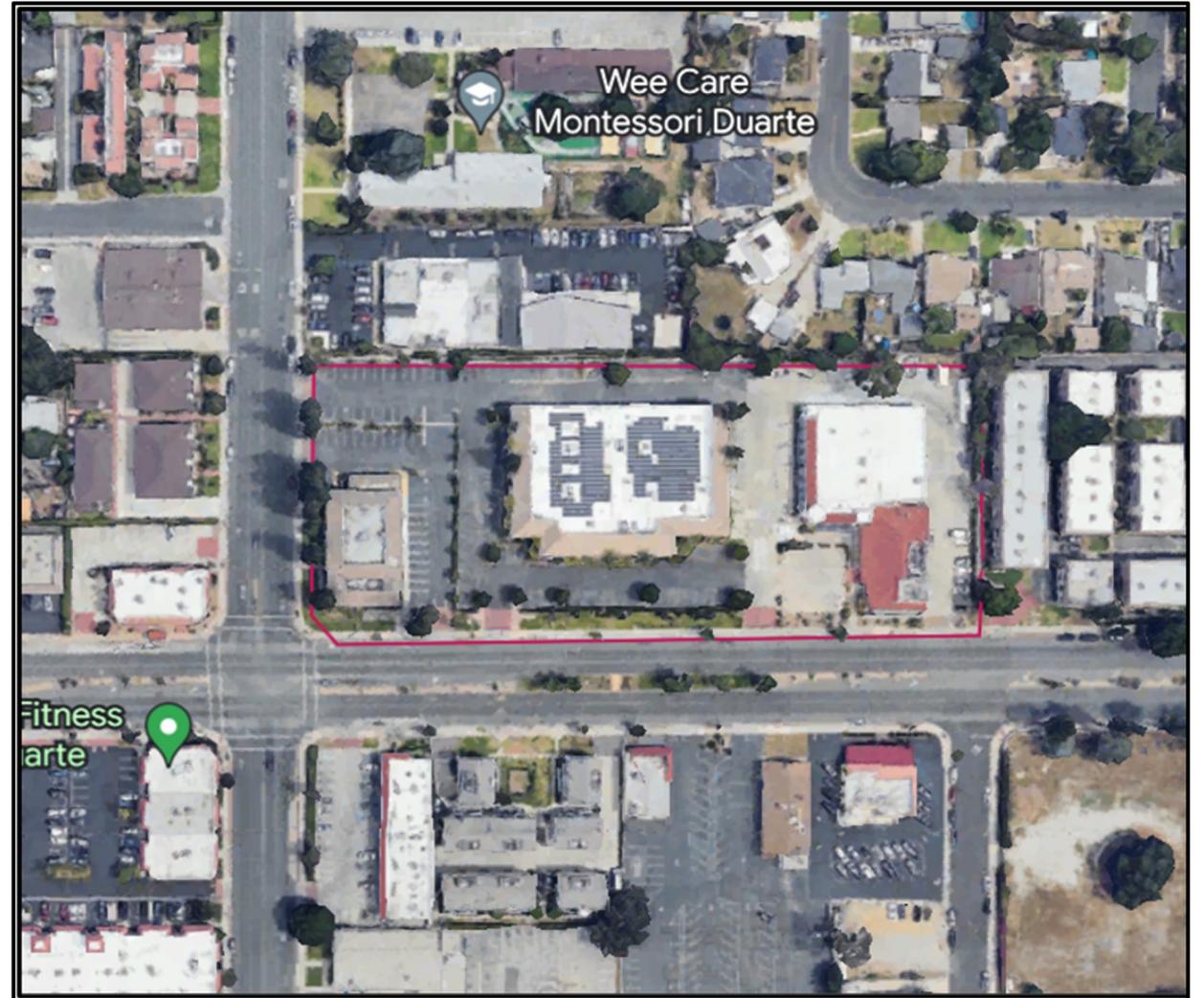


# Huntington/Highland (SP-1)

Each specific plan has different allowable uses and permitting requirements.

SP-1 allows both on-sale and off-sale alcohol as a conditional use.

Nearby uses include a few taverns and restaurants, as well as light manufacturing, a church, family counseling services and a residential area.



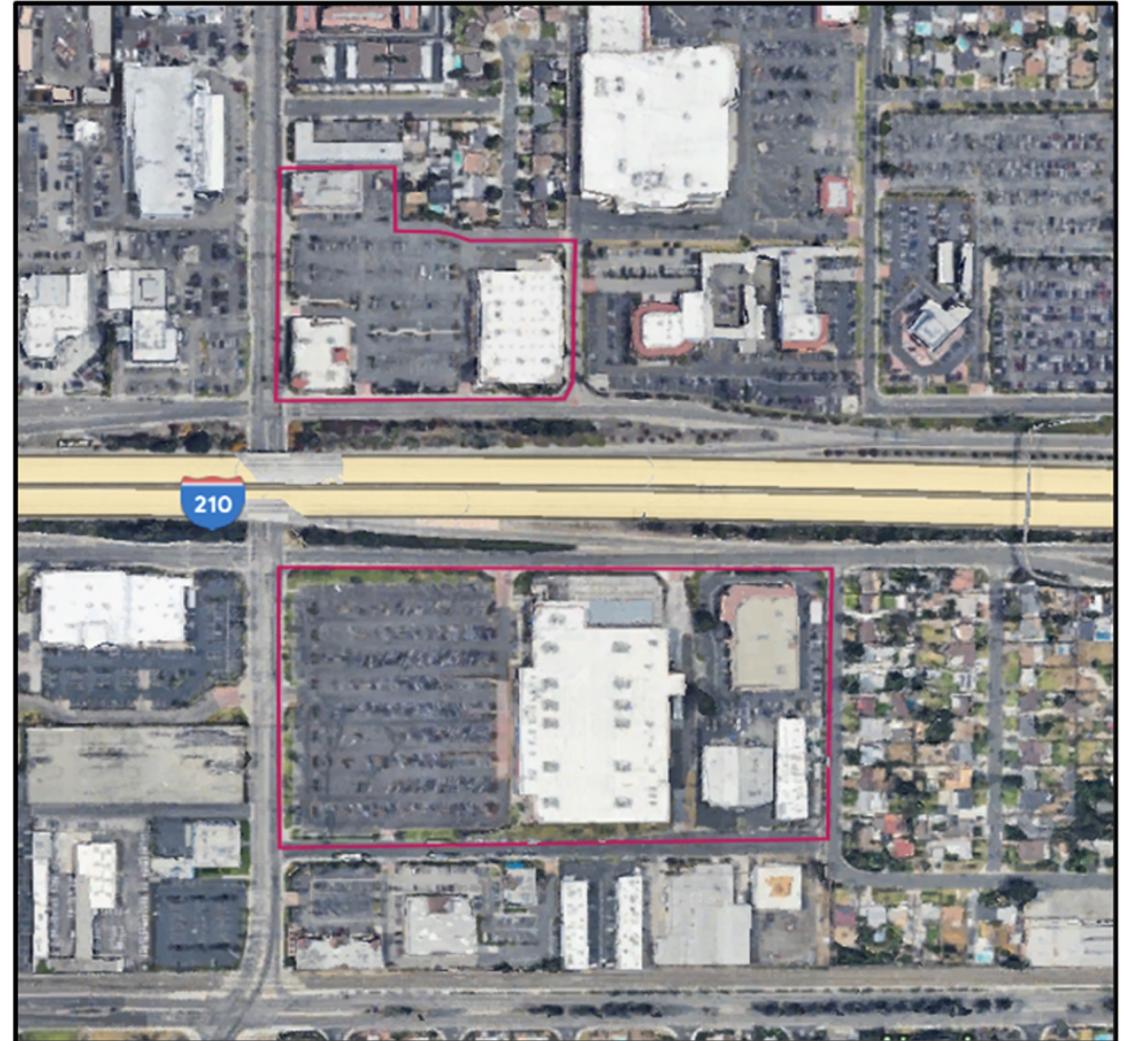
# Mountain/Evergreen, Mountain/Central

The Mountain/Evergreen and Mountain/Central Specific Plans are both intended to capitalize on their easy freeway access.

On and off-sale alcohol are allowed with a CUP.

Mountain/Evergreen likely most appropriate for non-storefront delivery-only retailer.

Mountain/Central currently occupied by large-format retail.

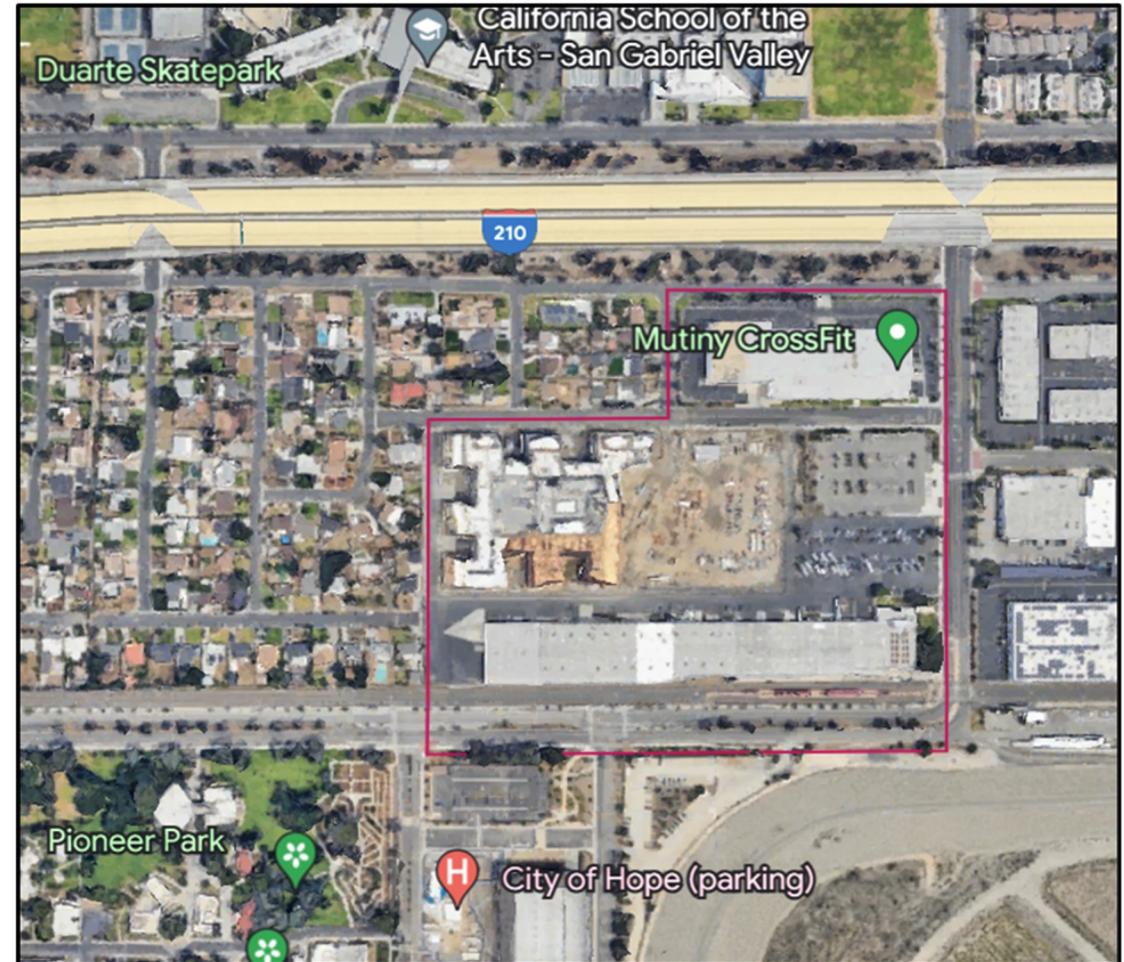


# Duarte Station Specific Plan (SP-18)

Intended to create a vibrant, mixed-use, transit-oriented village.

Alcohol businesses are only allowed as an accessory use.

Assuming off-sale alcohol is the closest comparable use, a cannabis retailer would likely be incompatible with the intent of this specific plan.

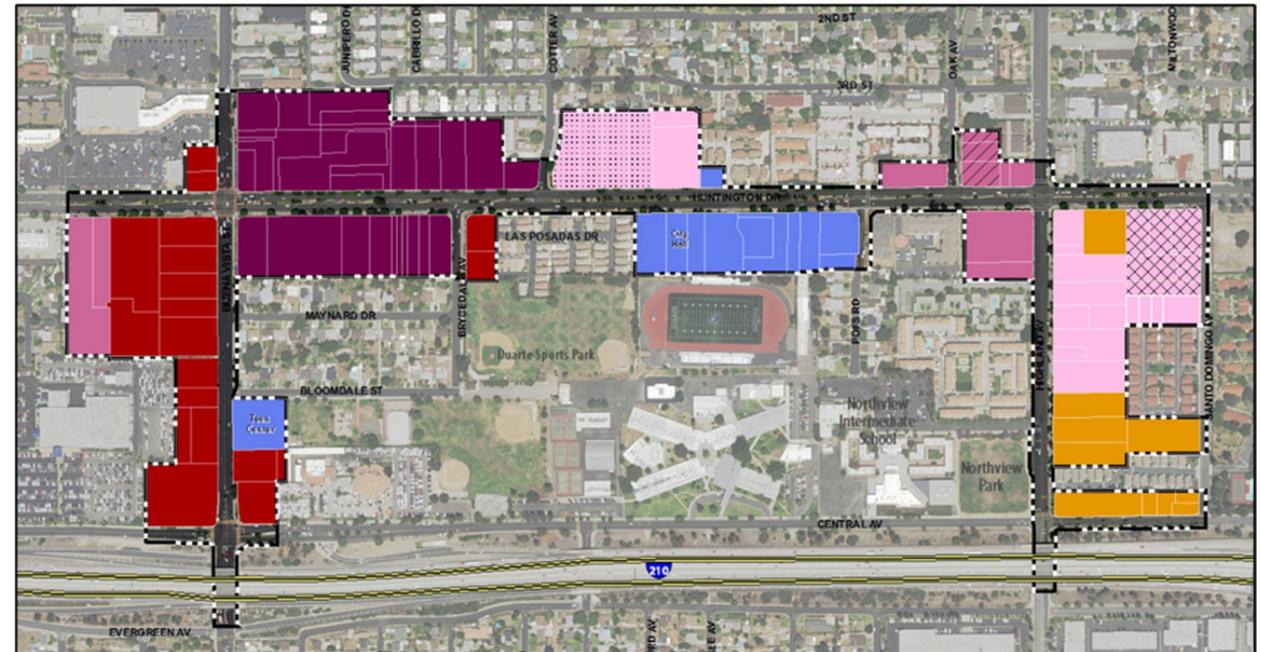


# Town Center Specific Plan (SP-19)

Includes a wide range of residential, mixed-use, town center and public facility land use designations to create a downtown environment.

Bars, taverns and wine tasting allowed with a CUP, but liquor stores are specifically prohibited.

Cannabis retailers would likely be consistent with the specific plan.



# HdL Companies

*Likely Demand for Permitted Uses*



# Likely Demand for Permitted Uses

Over 560 cannabis retailers in Los Angeles County.

The vast majority are located in the City of Los Angeles.

Of 88 cities in LA County, only 18 currently allow cannabis retailers.

Roughly two-thirds of cannabis microbusinesses include a retail component.

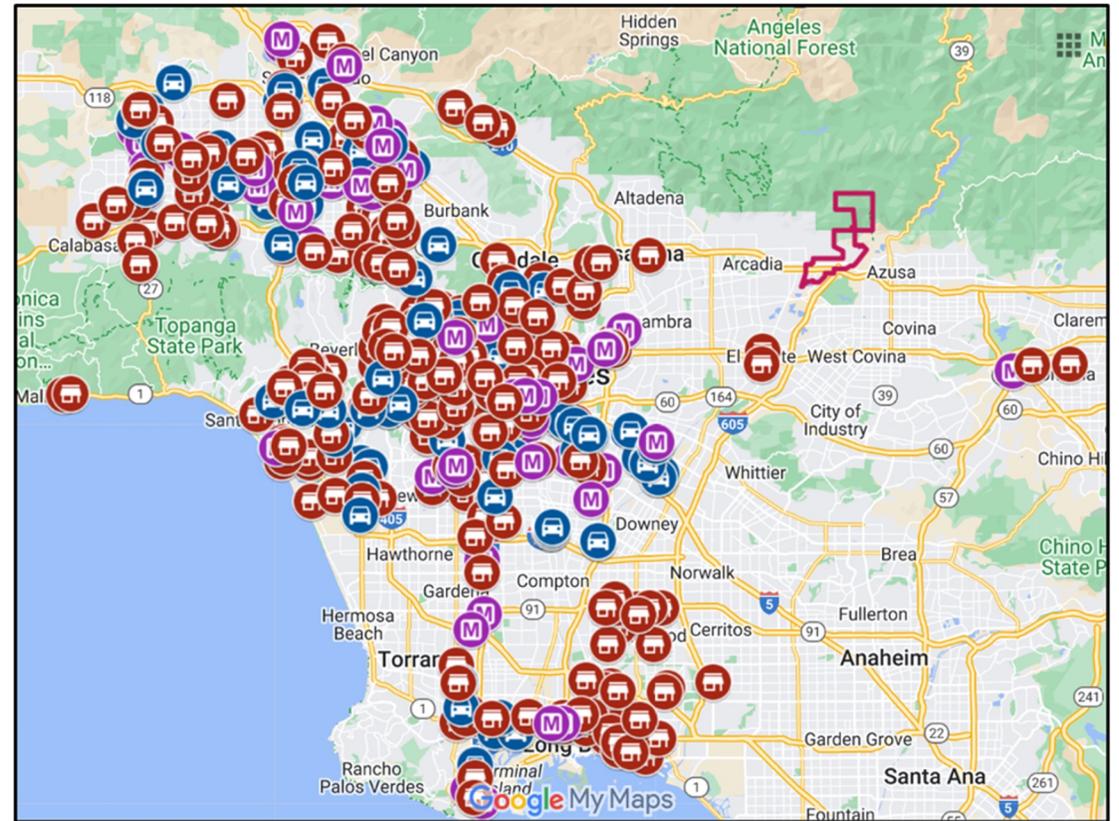
Cannabis Retailers in Los Angeles County				
City	Retail - Storefront	Retail - Non-Storefront	Microbusiness	Total
Bellflower	4	0	0	4
Commerce	0	4	2	6
Cudahy	0	0	1	1
Culver City	0	4	1	5
El Monte	3	0	0	3
Gardena	0	0	1	1
Huntington Park	1	0	0	1
Long Beach	28	0	10	38
Los Angeles City	252	110	77	439
Los Angeles County	11	10	1	22
Lynwood	0	8	0	8
Malibu	2	0	0	2
Maywood	2	1	3	6
Montebello	0	7	4	11
Pasadena	2	0	0	2
Pomona	2	0	1	3
Santa Monica	1	0	0	1
Torrance	1	0	0	1
West Hollywood	11	0	0	11
<b>Total</b>	<b>320</b>	<b>144</b>	<b>101</b>	<b>565</b>

Data from the Department of Cannabis Control as of June 1, 2023



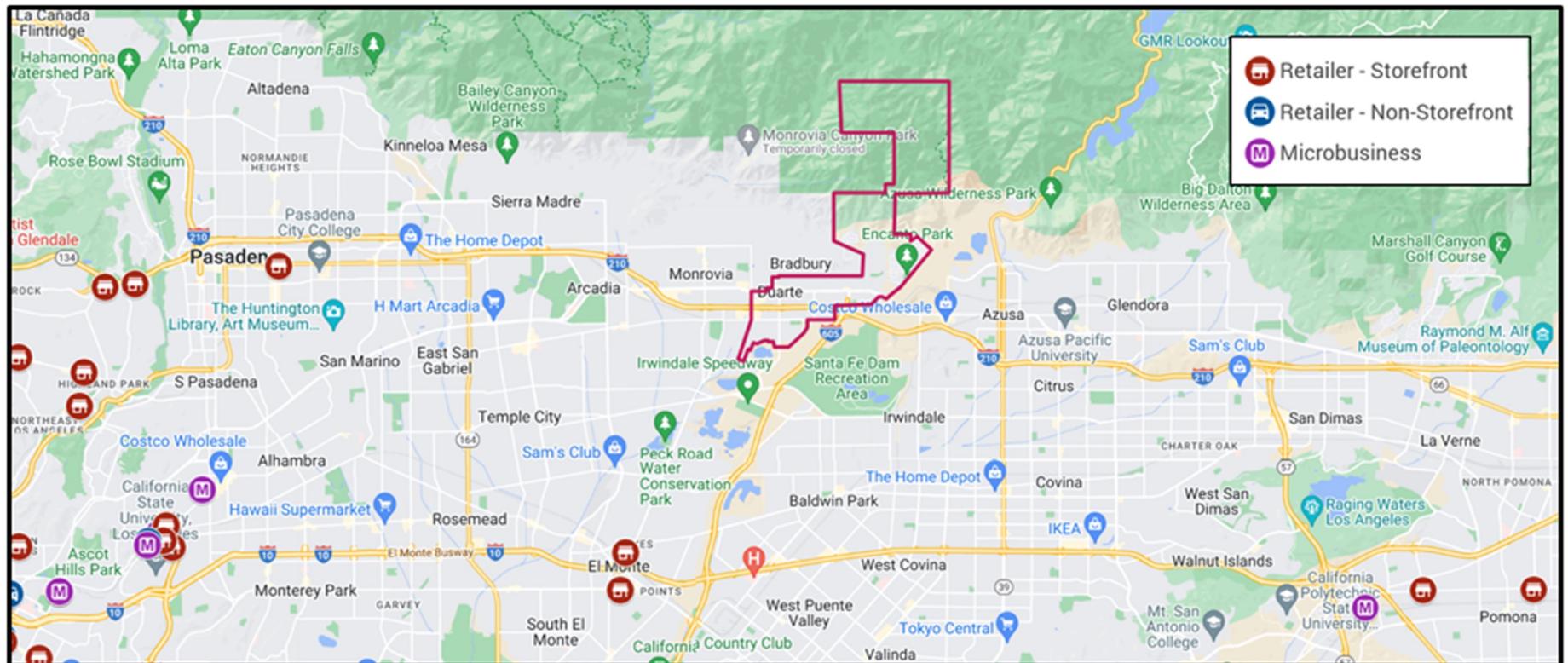
# Likely Demand for Permitted Uses

Almost all of the cannabis retailers in the County are located west of the City of Duarte.



# Likely Demand for Permitted Uses

- Consumers will only drive 15-20 minutes for most routine purchases.
- Currently only 8 licenses cannabis retailers within this service area.



# HdL Companies

*Cannabis Tax Revenues*



# Cannabis Tax Revenues

- Estimate total service area population of 272,000.
- Assume 50% leakage to retailers in other cities.
- Estimate \$21 million in sales
- \$870,000 in cannabis tax
- \$200,000 in base sales tax
- \$160,000 in Measure D tax
- Total of \$1.25 million in tax revenue from cannabis sales

Revenue Projections for Cannabis Retailers	
	Estimate
Population of Duarte	22,000
Population of surrounding area	250,000
Total population of service area	272,000
Leakage to retailers in nearby cities	50%
Service area population adjusted for leakage	136,000
Percentage of population that uses cannabis	13%
Number of cannabis users	17,680
Average transaction amount	\$73
Transaction frequency (per month)	2
Monthly gross receipts	\$2,581,280
Annual gross receipts	\$30,975,360
Leakage to illicit market (30%)	\$9,292,608
Adjusted annual gross receipts	\$21,682,752
Cannabis Business Tax: 4.0%	\$867,310
Bradley-Burns 1.0% Local Sales Tax	\$216,828
0.75% Transaction and Use Tax (Measure D, 2020)	\$162,621
<b>Total</b>	<b>\$1,246,758</b>



# HdL Companies

*Fiscal Impacts*



# Fiscal Impacts

- The Initiative creates certain administrative obligations for the City
- Allows the City to develop and implement fees as appropriate to fully recover the City's costs.
- Fees may be established by resolution of the City Council
- The actual costs to the City would be determined by the level of oversight the City wishes to apply to the initial application process, compliance monitoring, audits and annual permit renewals.



# Fiscal Impacts

- Recoverable costs may include, but are not limited to, any or all of the following:
  - Costs associated with implementation of the commercial cannabis regulatory program:
  - Costs associated with the review and permitting of individual cannabis businesses:
  - Costs associated with ongoing monitoring and permit renewals:
  - Costs associated with mitigating external impacts to the community or the environment:
  - Costs associated with enforcement and appeals:



# Fiscal Impacts

Agency	Annual Permit Fee
San Jose	\$147,645
Davis	\$42,359
San Luis Obispo (City)	\$39,634
Chula Vista	\$31,275
Redwood City	\$29,530
Culver City	\$27,771
Placerville	\$22,841
Modesto	\$21,740
Sacramento (City)	\$20,800
San Diego (City)	\$20,803
Grover Beach	\$20,000
Vista	\$19,967
Oakland	\$16,676
Santa Ana	\$12,529

Goleta	\$11,879
Palm Springs	\$10,984
Salinas	\$9,854
Oceanside	\$8,511
Los Angeles (City)	\$9,735
Vallejo	\$8,288
Santa Barbara (County)	\$6,945
San Luis Obispo (County)	\$6,836
San Francisco	\$4,354
Monterey (County)	\$4,355
Santa Cruz (County)	\$4,000
Watsonville	\$3,700
Calaveras County	\$2,606
<b>Average Annual Permit Fee:</b>	<b>\$20,789</b>
<b>Excluding San Jose:</b>	<b>\$16,076</b>



# HdL Companies

*Other Impacts*



# Impacts on Crime, Safety and Public Health

Cannabis crime is pre-existing  
Licensed cannabis retailers  
can reduce crime associated  
with the illicit market.

Despite over 400 licensed  
retailers in Los Angeles, LAPD  
served 1,271 search warrants  
of unlicensed businesses over  
3 years.

- Over 3,200 arrests
- Over 400,000 pounds seized
- Over \$8 million in cash

Enforcement Method	Number of Actions from 2018 to 2021
Criminal Search Warrants	1,271
Cease-and-Desist Letters to the Business*	781
Fire Code Inspections	466
Locations Inspected for Building Code Violations^	398
Utility Disconnects	408
Cease-and-Desist Letters to the Property Owner*	290
Installing Protective Devices	8

Source: Available data

\*LAPD did not start

^LADBS building code

Search Warrant Outcomes	Number
Felony Arrests	1,516
Misdemeanor Arrests	1,698
Currency Seized	\$8,084,725
Guns Recovered	482
Pounds of Cannabis Seized	418,860

Source: LAPD. Available data from 2018 to 2021



# Impacts on Crime, Safety and Public Health

- Public health risks from cannabis exist regardless of legalization.
- Allowing licensed cannabis retailers does not appear to increase cannabis use in the community.
- Unlicensed retailers more likely to sell to minors.
- Unlicensed retailers more likely to sell unregulated product
- Access to legal cannabis may be associated with a 25% reduction in opioid use.
- No increase in motor vehicle fatalities.
- Data and research on health impacts is still inconclusive.



# General Economic Impacts

- Cannabis retailers support other businesses.
  - Bookkeepers, accountants, tax preparers, parcel services, marketing, personnel services, maintenance, security, etc.
- Cannabis retailers tend to pay competitive wages.
- Store manager around \$65,000 per year
- Retail associate around \$35,000 (\$17.50/hr) per hour.
- 5 retailers could potentially generate arounds \$2.5 million in annual payroll.



# Lighting, Noise, Traffic, and Other Impacts

- Initiative requires a Neighborhood Compatibility Plan to address traffic, noise, odor and lighting issues.
- Odor issues generally not significant with retailers.
- Traffic, noise and lighting issues would be subject to requirements of the City's development code and municipal code.
- Cannabis retailers unlikely to generate traffic, noise or lighting issues outside of anticipated range for commercial zones.



Thank You!

**Mark Lovelace**

Senior Cannabis Policy Advisor

[mlovelace@hdlcompanies.com](mailto:mlovelace@hdlcompanies.com)

714-879-5000



# HdL Companies

*Questions?*



# Flashvote Cannabis Survey

## Focus of the Survey

- Community's attitude toward allowing and regulating cannabis sales
- Location of storefronts
- Range of permit caps
- Overall perspectives and trends



# Flashvote Cannabis Survey

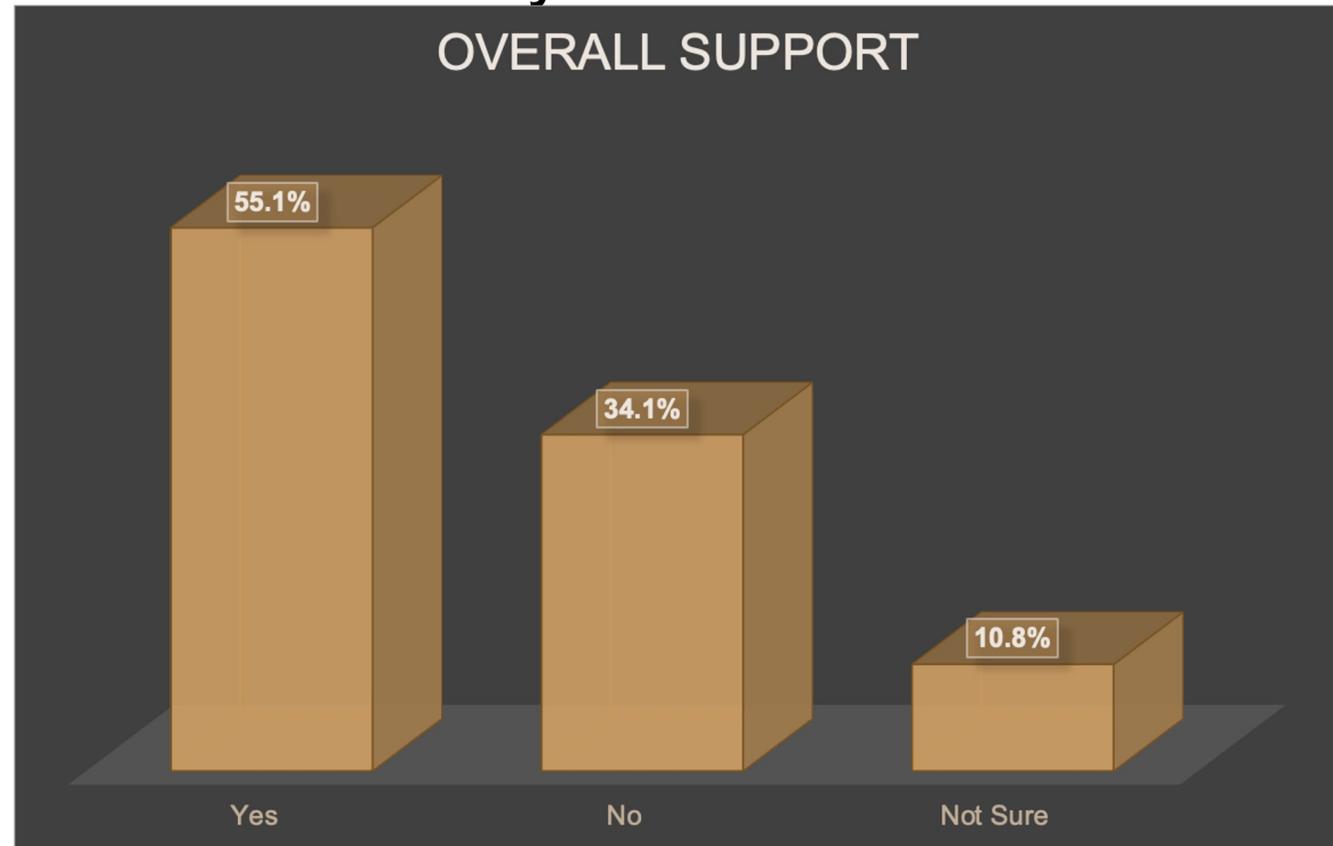
## Methodology

- Survey conducted by Flashvote
  - Experience conducting polls for Duarte
- Text message invitations sent out to all residents to be part of panel
- Survey conducted between January 17-January 19
- Sent to a panel of 634 residents, of which 211 participated



# Flashvote Cannabis Survey

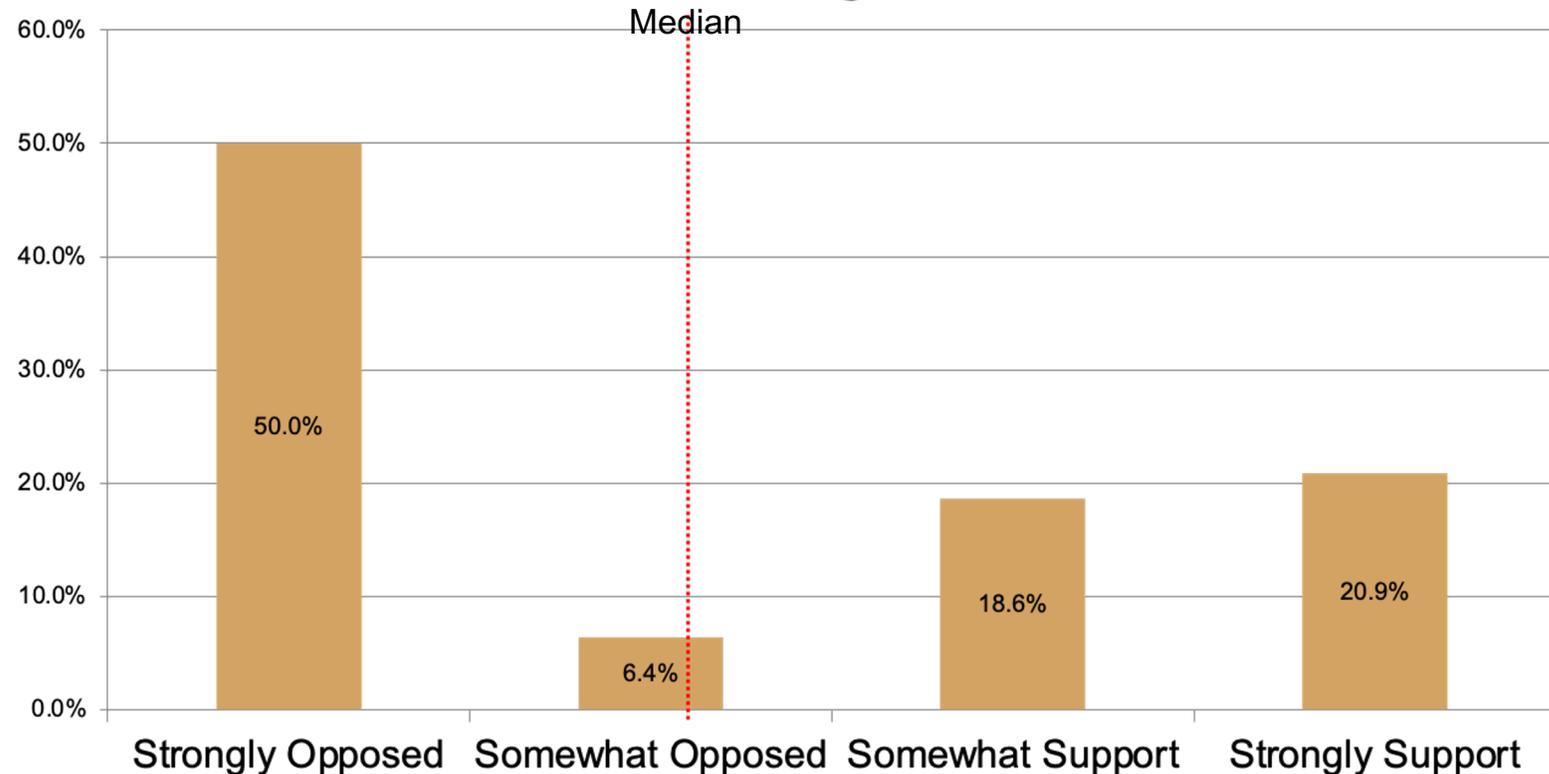
In general, are you in favor of cannabis being legal for recreational use by adults?



# Flashvote Cannabis Survey

Do you support or oppose the presence of retail cannabis storefronts in Duarte? (Median 2.12)

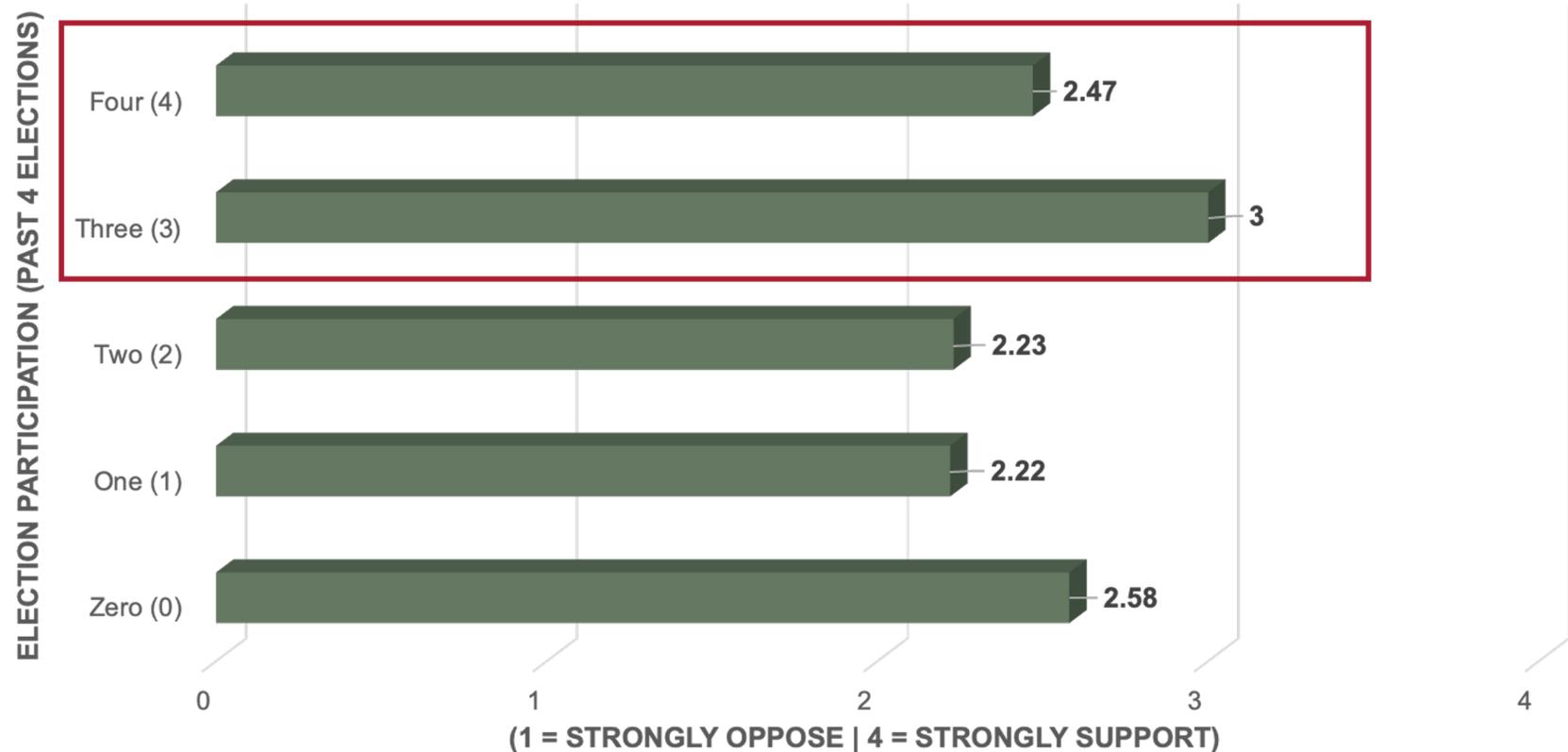
## Retail storefronts offering cannabis in Duarte



# Flashvote Cannabis Survey

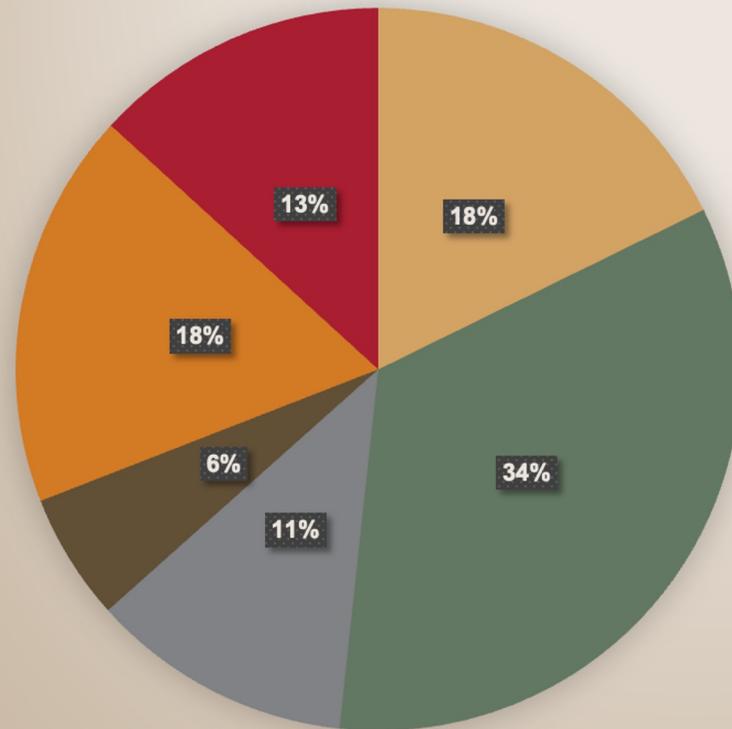
## Breakdown by voter behavior

Registered and Likely Voters



# Flashvote Cannabis Survey

If storefront retail cannabis businesses were allowed in Duarte, where would be the best places to locate them?

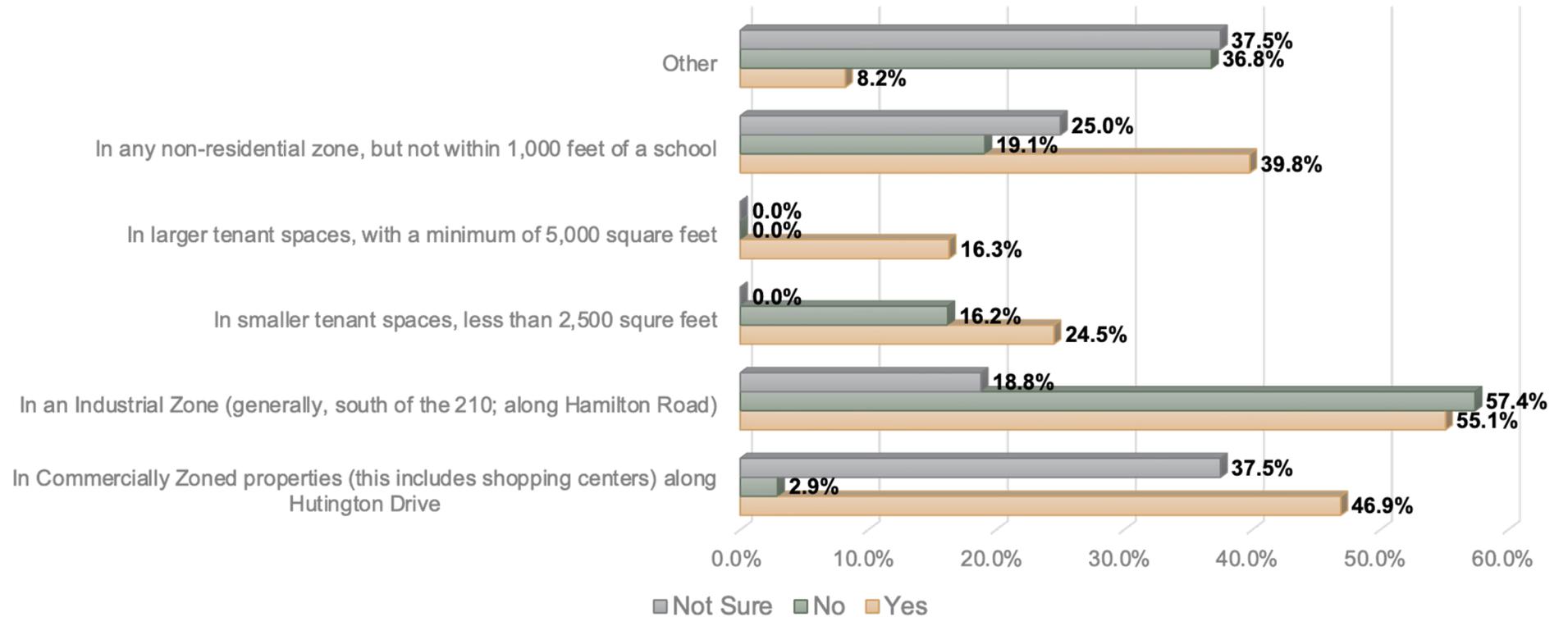


- In Commercially Zoned properties (this includes shopping center along Huntington Drive)
- In an Industrial Zone (generally, south of the 210; along Hamilton Road)
- In smaller tenant spaces, less than 2,500 square feet
- In larger tenant spaces, with a minimum of 5,000 square feet
- In any non-residential zone but not within 1,000 feet of a School
- Other



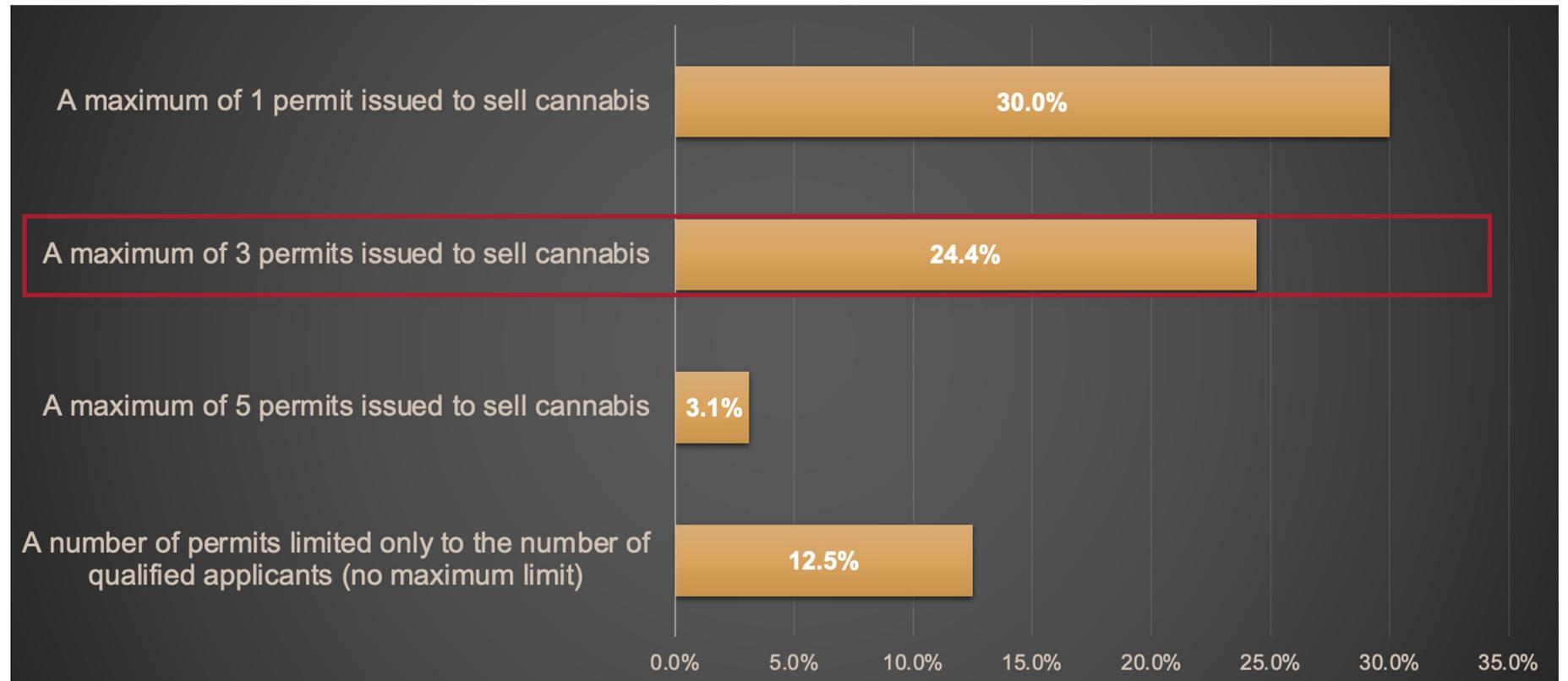
# Flashvote Cannabis Survey

## Placement question layered with filter question



# Flashvote Cannabis Survey

## Maximum number of permits



# Flashvote Cannabis Survey

## Key Takeaways

- Slight opposition to storefront retail sales in Duarte
  - Centralizes when factoring in likely voters
- Median preference of allowed permits is 3
- Preference to place in an industrial zone
  - Consensus among both sides



# City Council Options After Initiative Withdrawal

- Option 1: Take no action relating to cannabis issues.
- Option 2: Direct City staff to prepare a November ballot measure that regulates or prohibits cannabis.
- Option 3: Direct staff to work with the ballot initiative proponents to come to a mutually agreeable cannabis program.
- Option 4: Direct staff to amend the City's current cannabis ordinance to allow dispensaries.
- Option 5: Direct staff to conduct further research and obtain additional information regarding the impacts of cannabis dispensaries.

