

REPORT TO THE CITY COUNCIL



DATE: February 5, 2019

TITLE: Discussion on Cannabis Storefront and Non-Storefront Retail

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RECOMMENDATION

Provide Staff direction.

Should the City Council desire to move forward with allowing Non-storefront Retail use as presented, City Staff can be directed to prepare an Ordinance to amend Chapter 17.180 of the Desert Hot Springs Municipal Code (“DHSMC”) to:

- 1) Replace “dispensaries” with “Storefront Retail,” without changes to permit requirements, including the limit of 16 currently approved applicants.
- 2) Add “Non-storefront Retail” as a permitted conditional use in the Industrial zone, with sales/delivery only to recipients outside of the City, and uses to include manufacturing, distribution, and cultivation limited to 99 plants.

BACKGROUND

The purpose of this discussion is to obtain direction from the City Council regarding permitted cannabis retail sales within the City.

Currently, the DHSMC only allows cannabis retail sales within the Commercial district and refers to such establishments as “dispensaries.” Each dispensary must possess both a Conditional Use Permit and a Regulatory Permit. Through prior actions, the City Council has limited the number of permitted dispensaries to 16 specific applicants.

The state of California has removed references to the word “dispensaries” and now licenses two types of cannabis retail, based on whether or not the business has a storefront. The two types of retail establishments are (1) Storefront Retail and (2) Non-storefront Retail. A Storefront Retail state license is comparable to the City’s local dispensary permit; a Non-storefront Retail state license applies to businesses (without a storefront) that will utilize delivery as their method of sales. Further details regarding Storefront and Non-storefront Retail are provided in Exhibit 1.

DISCUSSION

The City has been contacted by several cannabis developers located in the Industrial zone who wish to add Non-storefront Retail activities to their business models. Many are conducting cannabis manufacturing activities and want to move their products statewide, via sales/delivery and distribution. Sales/delivery activities require a state Non-storefront Retail license, which requires sales transactions to be permitted at the business premises (even when transactions take place online or via delivery). However, the DHSMC does not have a non-storefront business use. Instead, the DHSMC only refers to “dispensaries” (which in essence are Storefront Retail establishments). Therefore, City Council action is needed to allow for Non-storefront Retail use activities.

There are both anticipated benefits and issues, when considering Non-storefront Retail. The benefits come from attracting businesses who wish to augment their business models to allow for a non-storefront sales/delivery component. Such sales reaching beyond the local market will provide increased revenues to the City, via the current 10 percent tax on proceeds from the sales or provision of cannabis. Most issues created by allowing non-storefront cannabis retail

are currently addressed via the zoning regulations in the City's Industrial zone, designated for cannabis cultivation, manufacturing, and distribution. Since non-storefront sales do not have a walk-in retail component, but rather utilize delivery (incorporating several vehicle trips), Staff believes such use would be best suited in the Industrial districts in the City. Additionally, Staff believes limiting Non-storefront Retail sales/delivery to recipients outside of the City provides reasonable consideration to the City's current dispensary establishments.

FISCAL IMPACT

City revenues will increase by an unknown amount (at this time), via new Non-storefront Retail sales that will be subjected to the City's 10% tax on cannabis sales.

EXHIBIT(S)

1) Definition and Use Descriptions