

City of Hesperia

STAFF REPORT



DATE: December 17, 2019

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager **SECOND READING AND ADOPTION**

BY: Mike Blay, Assistant City Manager
Tina Bulgarelli, Administrative Analyst

SUBJECT: Commercial Cannabis Program Stay

RECOMMENDED ACTION

It is recommended that the Council introduce and place on first reading Ordinance No. 2019-18, continuing the stay on the Commercial Cannabis Program.

BACKGROUND

In November 2017, the City Council adopted regulations to allow for Commercial Cannabis activity specific to Medicinal Non-Storefront Retailer Delivery Only Dispensaries.

On November 19, 2019, the City Council adopted Urgency Ordinance No. 2019-14, placing a stay on the Commercial Cannabis Program.

ISSUES/ANALYSIS

Fifty-five applications were accepted by the City prior to the stay. There are currently 32 active applications for Commercial Cannabis businesses and 12 open cannabis businesses totaling 44 cannabis businesses/applications. Below is a summary of cannabis activity including applications that are no longer going through the process due to denial, revocation or application that were withdrawn.

Part I Application being reviewed	Approved Part I-Pending Part II Submittal	Part II Application being reviewed	Withdrawn	Denied (due to stay) or Revoked for cause	Operating
16	6	10	3	7	12

* One of the revoked/denied licenses re-applied and is operating legally and is included in the twelve operating.

While there are now 32 applications going through the process, there continues to be a concern that Hesperia will end up with a disproportionate number of licenses in comparison to cities of the same size. There are also concerns that Hesperia is being used as a “hub” for cannabis operators to obtain a state license, who have no intention of serving Hesperia residents but intend to operate in other cities under their Hesperia license. The original intent of the cannabis program was to provide Hesperia residents safe access to cannabis medicine and at this time, staff does not believe that is what is taking place. Additionally, should all 44 businesses open and operate that would be one cannabis business per approximately 2,222 residents.

Finally, there are many components of the cannabis program, which take several levels of staff review to ensure compliance with state and City law. This review involves up to five different departments and at times, projects go through review many times in order to bring them into compliance with all regulations.

Continuing the stay on the program will allow any applicants who continue through the process to begin operating while seeing if Hesperia can support up to forty-four businesses at current staff and infrastructure levels and to preserve the original intent of the Ordinance by licensing operators who intend to serve Hesperia residents.

If adopted, this Ordinance would not allow any new applications to be accepted as of the Effective Date of the Urgency Ordinance – November 19, 2019. Applications that were received prior to the Effective Date will continue to be processed, except that no new permits will be issued for any applications which are denied or rejected, or which do not complete Part I and Part II of the approval process within specified time frames.

FISCAL IMPACT

Staying the program could result in a slight loss of revenue, however, not staying the program could result in a disproportionate number of cannabis businesses in Hesperia and the administration, police, code enforcement and staff support required to administer the program will likely outweigh any increase in revenue should the program continue.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Ordinance No. 2019-18