

Crescent City examining new commercial cannabis ordinance

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Crescent City staff earlier this week presented the initial draft of a new commercial cannabis ordinance after months of hammering out the details.

Public Works Director Jon Olson and Garry Rees, a planner with Eureka-based SHN, presented the planning commission's recommendations to the Crescent City Council, ones that were developed in monthly meetings since August.

The first priority was location. Rees said the planning commission recommended that commercial cannabis use permits be limited to the downtown business zone, the general commercial zone on the eastern side of the city, the waterfront commercial area, and the highway service districts south of Front Street.

The next limitation for the permits was their uses, including micro-cultivation (in a facility of no more than 2,000 square feet), retail sales, processing facilities and testing laboratories. "Volatile manufacturing

(substances that have explosion potential) and mobile or drive-thru sales should remain prohibited in the city limits,” Rees said.

The planning commission next recommended that all commercial cannabis uses require a permit subject to an annual review by staff and/or the commission.

Meantime, Rees said the commission did not want to cap the number of use permits issued for commercial cannabis businesses. “They believe the market will dictate the number of uses that will occur in the city,” he said.

“The city should also not require greater setbacks for cannabis uses than those required by state law, which is a 600-foot buffer near schools, day-care centers and youth centers. Some jurisdictions have chosen to add to that list parks, recreation facilities and bus stops,” Rees said.

But Councilor Jason Greenough said he didn’t think the 600-foot setback went far enough. “I really do believe the setback needs to be ratcheted up to 1,000 feet to (include) school properties, parks, churches, maybe even our city (Fred Endert Municipal) pool.

“My intention is not to make this prohibitive. My intention is to protect our youth.”

Other recommendations included restricting access to ages 21 and older, making consumption not visible from public places, and to preclude the sales and consumption of tobacco and alcohol on the same premises.

Crescent City Mayor Blake Inscore had several recommendations of his own before a commercial cannabis ordinance is finalized.

He agreed that recreation facilities with a high concentration of youths should have larger buffer zones, and that they should be expanded to include the public pool and bowling alley.

Inscore also wanted to know if the proposed ordinance would require a regular business license or a special license for cannabis operators. “In my research of municipalities, one of the things I learned down south is they didn’t put a tax on theirs to begin with in the cities of Eureka and Arcata.

“They made the business license costly enough that they felt like that was where they were going to generate the revenue to cover the staff time to manage all this, as opposed to taxing the people who are using it - putting the cost on these business owners up front,” Inscore said.

Olson said the planning commission didn’t discuss anything beyond the basic business license.

Rees presented a closer look at those taxes already in place. Del Norte County has a retail tax of 2% to 6% and a manufacturing tax of 1% to 3%, he said. Meanwhile, Humboldt County taxes only indoor cultivation, at \$3 per square foot.

“The planning commission didn’t necessarily want taxes or other fees, through licenses or whatever, to be prohibitive. They recommended a 3% retail tax and a 0% to 3% tax for a manufacturer. No cultivation tax.

“Generally, they feel the cannabis industry is already overly regulated and overtaxed enough, and didn’t want to add to that burden,” Rees said.

“In talking with other jurisdictions, they basically argued that if you’re paying a 30% tax for a cannabis business, at that point it’s an incentive to be in the black market,” he added.

Rees ticked off the other taxes that cannabis retailers face, should Crescent City consider adding one of its own. State taxes include a 15% excise tax and a sales tax between 8% and 10%. Local jurisdictions add a local tax by ballot initiative, which varies from 5% to 15%. And Del Norte County currently has 6% retail tax.

“So, when you look at that, you already have 23% to 25% taxes on top of cannabis uses,” he said.