

EXECUTIVE SUMMARY

Medical Marijuana Regulatory Structure Costs and Fees (Updated)

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: March 25, 2011

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City Council Docket Date: March 28, 2011

Item Number: 200

On Monday March 28, 2011 the City Council is being asked to adopt two ordinances related to Medical Marijuana. The first would amend the City's Land Development Code and Local Coastal Program pertaining to medical marijuana cooperatives and the second would amend the Municipal Code relating to medical marijuana regulations for qualified patients, caregivers, and consumer cooperatives. The two ordinances result from the review and recommendations made by the City Council, Medical Marijuana Task Force, Land Use & Housing Committee (LU&H), Public Safety & Neighborhood Services Committee (PS&NS), Community Planners Committee, and the City Planning Commission.

At the April 28, 2010, PS&NS Committee meeting, the Medical Marijuana Task Force reported on its recommended guidelines for medical marijuana patients and police department enforcement. At that meeting, the Committee directed the City Attorney to provide legal recommendations, and the Office of the IBA to review the implementation, costs, fee structure, and the proper departmental jurisdiction for the Task Force recommendations. In response to this request, the IBA released report #10-45 Medical Marijuana Regulatory Structure Costs and Fees which was presented to the PS&NS Committee on May 26, 2010. This report updates report #10-45 to reflect additional information that has become available since the release of our original report. Items of note in our report:

- Existing regulatory structures within the Police Department, Development Services, and the Treasurer's Office that could be employed to address the recommended regulatory actions included in the ordinances.
- To date the Mayor's office has not provided an implementation plan that includes options for full cost recovery needed to minimize City expenses associated with the regulation of collectives and cooperatives. The Council will need to direct the Mayor to come back at a later date with an implementation plan for review.
- Permit fees charged to cooperatives for operation and/or initial permitting by other California cities/County range from \$400 to \$30,000 annually.
- When reviewing a Cost Recovery fee for cooperatives, the City Council will need to consider the City's policy to grant an exemption to some Non-Profit organizations. The draft Medical Marijuana ordinances require medical marijuana consumer cooperatives to operate as Non-Profit organizations.