



TO: T.C. Broadnax, City Manager
FROM: Brian Boudet, Planning Manager, Planning and Development Services Department
Peter Huffman, Director, Planning and Development Services Department
COPY: City Council and City Clerk
SUBJECT: Ordinance – Extension of Marijuana Interim Regulations – Requested City Council Date:
September 23, 2014
DATE: September 8, 2014

SUMMARY:

An ordinance for the six-month extension of the interim land use regulations concerning the production, processing, and retail sale of recreational marijuana.

STRATEGIC POLICY PRIORITY:

Keeping the interim regulations in effect will continue to facilitate the City’s review of marijuana license applications and support continued evaluation of the operations and impacts of the licensed marijuana businesses. This is best aligned with the following strategic policy priority:

- Foster neighborhood, community, and economic development vitality and sustainability.

BACKGROUND:

Initiative 502, approved by Washington voters in November 2012, provides a framework for licensing and regulating the production, processing, and retail sale of recreational marijuana. The Washington State Liquor Control Board (“WSLCB”) was tasked with establishing rules and procedures to implement Initiative 502 and determining a “maximum number of retail outlets that may be licensed in each county.” The WSLCB was scheduled to release the rules and procedures and begin accepting applications for all license types in November 2013.

On November 5, 2013, the City Council enacted the interim land use regulations concerning the production, processing, and retail sale of recreational marijuana, effective for one year from November 17, 2013, to November 16, 2014. The interim regulations were intended to provide policy and regulatory guidance to facilitate the review, in a proactive and timely manner, of those marijuana license applications within the City limits that were expected to come forward starting December 2013. The interim regulations were also intended to provide adequate time for the City to evaluate the operations and impacts of the licensed marijuana businesses and allow the state to rectify the outstanding problems with the existing, largely unregulated medical marijuana system before deliberating a permanent local regulatory resolution.

The WSLCB began issuing marijuana production and processing licenses in March 2014 and marijuana retailing licenses in July 2014. As of early September 2014, two production/processing licenses and three retail licenses within Tacoma have been issued. While the state legislature deliberated potential changes to address the medical marijuana industry in 2014 they did not adopt any changes. Considering the fledgling stage of recreational marijuana licensing and operation within the city, the unresolved issues regarding medical marijuana at the state level, and the unresolved conflict between Initiative 502 and federal law, it is premature to develop a permanent regulatory resolution. Therefore, it is in the best interest of the City to keep the interim regulations in effect upon their expiration in November 2014.

ISSUE:

Pursuant to RCW 36.70A.390 and Tacoma Municipal Code Section 13.02.055, interim regulations may be renewed for an unlimited number of six-month intervals and prior to each renewal, a public hearing shall be held by the City Council and findings of act are made which support the renewal. The City



Council is scheduled to conduct the public hearing on September 16, 2014, to receive public comments. The current interim regulations expire on November 16, 2014, and the six-month extension would be effective November 17, 2014, through May 16, 2015.

ALTERNATIVES:

Alternatives to extending the interim regulations could include letting the interim regulations expire, modifying the interim regulations, or enacting permanent regulations. Simply letting the interim regulations expire would discontinue the desired and necessary local land use and zoning controls of the matter. Developing and adopting permanent regulations or modifying the existing interim regulations would involve a longer process and is considered premature as the WSLCB has not completed its licensing process and the effectiveness of the current interim regulations has not been fully evaluated.

RECOMMENDATION:

The City Council is requested to consider the first reading of an ordinance on September 23, 2014, followed by the final reading on September 30, to extend for a period of six months the interim land use regulations for recreational marijuana uses. The current interim regulations expire on November 16, and if extended, would continue to be effective through May 16, 2015.

FISCAL IMPACT:

The full impacts of Initiative 502 implementation, including any local regulations, remain largely unknown as this involves the formation of a completely new industry, based on new, untested rules and an undetermined level of demand. While according to the WSLCB's guidelines, there may be up to eight retail outlets licensed in Tacoma, it is hard to predict when this "quota" will be met as retail outlets have been slow to open up and sufficient marijuana supplies have been slow to develop. In addition, while the City's interim regulations may create a small enforcement impact at the local level, most of the standards regarding recreational marijuana uses will exist at the state level and the state's role in enforcement remains unclear. In addition, one of the stated goals for legalization and regulation has been the anticipated reduction in enforcement burdens associated with the illegal marijuana industry.

With regards to taxation, all of the excise tax revenue generated by this new industry is being captured at the state level. While the City will likely benefit from the incremental portion of sales tax collected on this newly regulated commercial activity, these are inherently difficult to project or quantify right now for this new industry.