



Staff Report

City Council

Item No. {{section.number}}.C

Meeting Date: September 11, 2024

From: Charles McClendon, City Manager

Title: Update on the August 5, 2024 Meeting of the Cannabis Task Force

RECOMMENDATION:

This item is presented for information, discussion and direction only.

BACKGROUND:

The Cannabis Task Force is a committee appointed by the City Manager and comprised of seven members – three industry representatives, three resident members and the City Manager who serves as chair of the committee. The purpose of the committee is to review and discuss topics related to the operation and regulation of the cannabis industry in Cathedral City and provide advice to the City Council. The most recent meeting of the Cannabis Task Force was held on Monday August 5, 2024 at 4:00 pm.

DISCUSSION:

The following agenda items were reviewed by the task force:

State of the Cannabis Industry in Cathedral City – Staff provided an overview of the current state of the cannabis industry in Cathedral City. It was reported that, as of the date of the meeting, there were 80 licenses in Cathedral City, with 52 of those attached to operating businesses and 28 identified as not operating. By license type they break down as follows:

- Dispensary – 15 total licenses of which 11 are operating businesses and 4 identified as not operating

- Cultivation – 51 total licenses of which 32 are operating businesses and 19 are not operating

- Manufacturing – 14 total licenses of which 9 are operating businesses and 5 are not operating

Staff also reported that preliminary numbers showed that cannabis taxes paid for the year ending June 30, 2024 totaled about \$2.84 million.

The committee discussed an array of issues related to the state of the industry including

banking issues faced by businesses, high operating costs, effects of the black market and the over saturation of retailers. Items identified for future agendas included a possible follow-up survey of businesses to gather further information on the state of the industry and research on recent news articles regarding testing and what the state is doing to improve the reliability of testing.

Update on Ordinance Governing Cannabis Businesses – The task force was provided with an overview on the recent action of the City Council to amend the Municipal Code related to the renewal of inactive dispensary licenses. Section 5.88.070 B.4 of the Municipal Code now provides that retail businesses must prove they are operating to be eligible to renew their license. The committee also discussed continuing requests to operate delivery businesses without a retail license, which the code does not allow. After discussion the task force did not express any interest in allowing delivery by non-retail businesses.

Update on Odor Control Issues – Staff provided an overview of the code requirement that all cannabis businesses have and adhere to an odor control plan. The city continues to receive complaints from certain areas of the city regarding odor issues. Code Enforcement recently a letter to all cultivator reinforcing the odor control requirements. The city will continue to monitor and address odor complaints and Code Enforcement is developing an improved protocol for inspecting and addressing odor issues.

FISCAL IMPACT:

There is no fiscal impact with this update. For FY 23-24 the cannabis industry paid about \$2.84 million in taxes (preliminary numbers).

FIVE-YEAR STRATEGIC PLAN:

Goal F - EMBRACING, INCLUSIVE COMMUNITY

Objective: Cathedral City is valued and respected as a community that welcomes and embraces diversity, has an abundance of high quality and affordable housing options and vibrant businesses. Our neighborhoods are attractive, well-maintained, and issues surrounding homelessness have been compassionately

F-11 Implement a code compliance program that proactively identifies and responds to code compliance complaints.