



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Angelique Gaeta

**SUBJECT: MEDICAL MARIJUANA -
EXTENSION OF DEADLINE
FOR COLLECTIVES TO BECOME
REGISTERED WITH THE CITY**

DATE: May 15, 2015

Approved

Date

5/15/15

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

The purpose of this memorandum is to respond to concerns raised in an April 17, 2015 memorandum from Councilmember Rocha regarding the City's regulation of Collectives.

BACKGROUND

On April 17, 2015, Councilmember Rocha issued a memorandum raising a number of concerns regarding the City's Medical Marijuana Program (Program) regulating Collectives. Those concerns stemmed from conversations the councilmember had with representatives within the medical marijuana industry and the councilmember felt that said concerns may warrant additional analysis by the staff or possible future City Council policy direction and/or clarification on the City's expectations for compliance with the City's Regulatory Ordinance. They included:

- 1) The potential need for an extension for Collectives to comply with the Regulatory Ordinance;
- 2) The potential need for Collectives to have additional time to grow product and become fully operational;
- 3) The ability of Collectives to exchange product with each other and with other vendors;
- 4) The ability of Collectives to manufacture edibles and concentrates at their off-site cultivation location;
- 5) The ability of Collectives to acquire product from patient vendors;
- 6) The potential need for an extension of the February 15th annual deadline for Collectives to submit audited financials to the City; and
- 7) The ability of Collectives to carry-over and sell product that they have on hand when the deadline to comply with the Regulatory Ordinance is reached.

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For a complete description of the above concerns, please see Councilmember Rocha's memorandum at: <http://sanjoseca.gov/DocumentCenter/View/42467>.

On April 20, 2015, during the City Council's Medical Marijuana Study Session, the Administration informed the Council that it would be looking into the concerns raised by the councilmember. This memorandum responds to those concerns.

ANALYSIS

Concern #1 - Extension for Collectives to Comply with the Regulatory Ordinance:

The Regulatory Ordinance requires Collectives operating in the City to register with the City and be in full compliance with the ordinance requirements by July 17, 2015. As stated in its May 7, 2015 memorandum, on May 19, 2015 the Administration will be bringing forward for Council approval an ordinance that, among other things, extends that July 17, 2015 deadline to December 18, 2015.

Concerns #2 & #7 – Additional Time to Grow Product/Carry-Over:

The Regulatory Ordinance also requires Collectives to dispense only that medical marijuana which was collectively cultivated by its members at the location designated for cultivation by the Collective. Collectives have informed the Administration that the cultivation process, from seed to harvest, can take between three and five months. Although Collectives have indicated their intent to be in full compliance with the Regulatory Ordinance by the City's deadline, Collectives are concerned that once they become registered with the City, they will need time to plant seeds and cultivate medical marijuana. To address the issue, the Administration will be updating the City Manager Regulations to allow Collectives an additional five months, from the date they become registered, to comply with the requirement that they dispense only medical marijuana that was cultivated by their members at the Collectives' designated cultivation site. During the five-month cultivation process, each Collective will be allowed to dispense medical marijuana that the particular Collective has in stock at the time it became registered.

Issues #3, #4 & #5 – Exchanging Product with Other Collectives/Acquiring Product from Commercial & Patient Vendors/Manufacturing Edibles and Concentrates Off-Site:

As discussed during the April 20th study session, the Regulatory Ordinance was crafted to contemplate a closed-loop system where medical marijuana can be tracked from seed to transfer in a manner that is both compliant with the state's Medical Marijuana Program Act and takes into consideration the U.S. Attorney General's enforcement guidelines for marijuana. Until the City's Program is fully operational, it is impossible to know how Collectives will operate under its requirements. As such, the Administration does not recommend expanding the Program to allow the trading of product between Collectives, the acquisition of product from commercial and patient vendors, or the manufacturing of edibles and concentrates off-site. However, as it has done in the past, the Administration will continue to engage in conversations with Collectives to better understand their operations so that necessary amendments to the Program

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can be brought forward. In addition, the Administration will continue to provide monthly updates to the Council during implementation of the Program and following full registration by Collectives so that the Council remains informed about Program implementation, Collectives' compliance with its requirements and necessary enforcement actions by the City.

Issue #6 – Extension of the February 15 Deadline to Submit Financials to the City:

As indicated in its May 7, 2015 memorandum, on May 19, 2015 the Administration will be recommending Council approve an ordinance that, among other things, changes the date by when a Collective needs to submit its annual audit of its financial operations from February 15 to April 15 of each year.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

/s/

ANGELIQUE GAETA

Assistant to the City Manager

For questions, please contact Angelique Gaeta, Assistant to the City Manager, at (408) 535-8253.