

BILL SUMMARY & FISCAL NOTE

Department:	Contact Person/Phone:	Executive Contact/Phone:
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1. BILL SUMMARY

Legislation Title: AN ORDINANCE related to the regulation of marijuana businesses; adding a new Chapter 6.500 to the Seattle Municipal Code; amending Ordinance 124648, which adopted the 2015 Budget, changing appropriations to various departments and budget control levels, making cash transfers between various City funds; and ratifying and confirming certain prior acts; all by a 3/4 vote of the City Council.

Summary and background of the Legislation: The proposed regulatory business license will ensure that city departments can inspect Title VI businesses and that businesses are fully compliant with our building codes, among other city regulations. Incorporating Washington State Liquor and Cannabis Board rules will allow city officials to enforce rules which are of concern to community members including operating hours, age verification and signage.

In addition, the combined effect of the regulatory license with the proposed marijuana enforcement resolution will allow city officials to address the problem of the metastasizing non-state licensed marijuana establishments. In the two and half years since Initiative 502 in passed in Washington State, there has been an uncontrolled growth of non-state licensed marijuana businesses in Seattle.

Since the passage of the Initiative 692, the City of Seattle has allowed patients, caregivers and designated providers to alleviate their pain and suffering with the medical use of cannabis. However, the proliferation of storefronts raises serious doubts as to whether those operating stores are taking advantage of the tolerance the City has shown towards medical marijuana and are providing marijuana for recreational purposes while circumventing the regulatory scheme for that product.

Among the concerns raised by community members, law enforcement and school district officials are: the increasing presence of marijuana edibles confiscated from students, armed robberies from dispensaries, and dispensaries that are providing marijuana to persons without medical authorization.

If a business is able to show that they established their operations before January 2013, that business will be able to continue operations, pending their adherence to the proposed Enforcement Resolution, without a Title VI license, until July 2016. The regulatory license makes clear that operations established after January 2013 must obtain a regulatory business license and as such must close soon after enactment of the proposed regulatory license. This key component of the proposal will allow the City of Seattle to reduce the size of this previously unregulated aspect of the marijuana market while still allowing sufficient access to medicine for

qualifying patients.

Further, the enforcement resolution provides clear operating guidelines for the approximately 45 businesses exempted from the requirement to obtain a regulatory business license so as to ensure that concerns about underage access, clustering of locations and quality controlled product for patients are addressed.

These proposals aim to address the significant public health and safety concerns raised by the marijuana industry while creating a clear set of rules that will allow scrupulous businesses to grow and thrive within the City of Seattle.

2. CAPITAL IMPROVEMENT PROGRAM

This legislation creates, funds, or amends a CIP Project.

3. SUMMARY OF FINANCIAL IMPLICATIONS

This legislation has direct financial implications.

Budget program(s) affected:				
Estimated \$ Appropriation change:	General Fund \$		Other \$	
	2015	2016	2015	2016
	\$86,000	\$145,000	\$240,000	\$392,000
Estimated \$ Revenue change:	Revenue to General Fund		Revenue to Other Funds	
	2015	2016	2015	2016
	\$0	\$0	\$168,000	\$247,000
Positions affected:	No. of Positions		Total FTE Change	
	2015	2016	2015	2016
	4.0	4.0	3.8	3.8
Other departments affected:				

3.a. Appropriations

X This legislation adds, changes, or deletes appropriations.

Fund Name and number	Dept	Budget Control Level Name/#*	2015 Appropriation Change	2016 Estimated Appropriation Change
FAS Operating Fund (50300)	FAS	Revenue and Consumer Protection (A4530)	\$154,000	\$277,000
Planning and Development Fund (15700)	DPD	Code Compliance (U2400)	\$68,000	\$97,000
Planning and Development Fund (15700)	DPD	Planning (U2900)	\$18,000	\$18,000
General Sub-fund (00100)	Finance General	Support to Operating Funds (2QE00)	\$86,000	\$145,000
TOTAL			\$326,000	\$537,000

Appropriations Notes:

FAS costs include 3.0 permanent positions and the associated office supplies, computers and system modifications beginning in July 2015. The positions include 2.0 Senior License and Standards Inspectors and 1.0 Administrative Specialist II.

DPD costs include a 0.8 Housing/Zoning Inspector, Sr. position for Code Enforcement, along with one-time costs for a vehicle and temporary labor for Planning Services to update code, policies and conduct a SEPA review. The Housing/Zoning Inspector, Sr. position is scheduled to sunset December 31, 2017.

The General Sub-fund appropriation transfers funds to support the DPD expenditures and FAS expenditures not otherwise covered by the anticipated revenue.

3.b. Revenues/Reimbursements

 X This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2015 Revenue	2016 Estimated Revenue
FAS Operating Fund (50300)	FAS	Title 6 License Revenue	\$168,000	\$247,000
TOTAL			\$168,000	\$247,000

Revenue/Reimbursement Notes:

Each Marijuana Retail and Producer/Processor business will be required to obtain a Title 6 Business License. Businesses located within the City of Seattle will be charged \$1,000 per year and those located outside the City which do business within City limits will be charged \$500 per year. It is estimated that there are about 118 businesses which will be permitted to operate within City limits which will apply for the Title 6 license and 100 businesses operating outside City limits and selling products within the City. These businesses include retailers as well as producer/processors. In 2016, businesses which are currently pending authorization under I-502 are expected to begin operations which will increase the business count and licensing revenue.

These program related revenues will be part of FAS operating revenues to cover the program enforcement costs.

In addition, the State Legislature is currently considering House Bill 2136 which would direct the State to share marijuana tax revenue with local governments. The Association of Washington Cities estimates that if this bill were passed as proposed, the City of Seattle would receive approximately \$300,000 per year.

3.c. Positions

X This legislation adds, changes, or deletes positions.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2015 Positions	2015 FTE	Does it sunset?
New	License and Standards Inspector	FAS Operating Fund (50300)	Revenue and Consumer Protection (A4530)	FT	1.0	1.0	No
New	License and Standards Inspector	FAS Operating Fund (50300)	Revenue and Consumer Protection (A4530)	FT	1.0	1.0	No
New	Admin Spec II	FAS Operating Fund (50300)	Revenue and Consumer Protection (A4530)	FT	1.0	1.0	No
New	Housing/ Zoning Insp., Sr.	Planning and Development Fund (15700)	Code Compliance (U2400)	FT	1.0	0.8	Yes
TOTAL					4.0	3.8	

Position Notes:

The work generated by the enactment of the accompanying enforcement Resolution, this Council Bill to create Chapter 6.500 and the Council Bill to amend Section 5.55.230 of the Seattle Municipal Code requires additional staff in the Revenue and Consumer Protection Division of the FAS Department. Two License and Standards Inspector positions are needed to perform inspections to document and process the businesses selling marijuana and shut-down those which are non-compliant. In addition, data compilation and analysis requires an Administrative Specialist II to document and record the actions taken and to identify other businesses selling marijuana without license to do so.

In addition, DPD will require a 0.8 FTE Housing/Zoning Inspector, Sr. which will sunset at the end of 2017 after the major enforcement and inspection effort is completed.

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

The Law, Development and Planning and Finance and Administrative Services Departments anticipate additional costs for legal process, set up of systems for additional reporting functionality, and changes to code. Some of these costs are still unknown and will depend on the initial processing of non-compliant businesses. If needed, additional resources will be requested by departments through the 2016 budget process.

- b) **Is there financial cost or other impacts of not implementing the legislation?**

Aside from police response to burglaries, robberies and other associated public safety issues that have been related to unregulated marijuana businesses it is unclear what the direct cost is to the City of Seattle. However, communities are concerned about rise in property crime surrounding some marijuana businesses and how the impact of 3-4 businesses in the same building or block have been changing the character of their neighborhoods. Also, there has been an attendant rise in the marijuana confiscations at Seattle Public Schools which reports that 77% of all drug/alcohol disciplinary actions are now marijuana related.

Finally, by allowing unregulated, untaxed marijuana businesses to continue unabated the City will lose the potential revenue to be gained from the legal marijuana businesses which acquire business licenses and pay B&O and Sales taxes.

- c) **Does this legislation affect any departments besides the originating department?**

The Department of Finance & Administrative Services, Department of Planning and Development, Seattle Fire Department, Seattle Police Department and the Hearing Examiner will all have responsibilities related to inspections or enforcement as a result of this legislation.

- d) **Is a public hearing required for this legislation?**

No.

- e) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

- f) **Does this legislation affect a piece of property?**

No.

g) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

Initiative 502 was passed in Washington State in large part as a way to address the disproportionate impact criminal prosecutions for marijuana possession and distribution has on ethnic and low-income communities in the state. This legislation seeks to further that goal by creating greater authority for City departments to utilize civil code enforcement to avoid the negative consequences of enforcement of the criminal code alone.

h) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.

When combined with the proposed marijuana enforcement resolution, the main goal of this new effort at regulating marijuana establishments in Seattle will be to close the approximately 54 non-state licensed storefronts that have opened since January 2013. Another goal is to ensure that access to marijuana by those under 21 or non-qualifying patients from these unregulated establishments is significantly reduced or eliminated entirely.

How these program goals will be measured, primarily related to timeline and data collection, has yet to be determined. These issues will be addressed by the interdepartmental team working on marijuana enforcement.

i) Other Issues:

None.

List attachments below: