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THE CITY OF SAN DIEGO

TODD GLORIA

MAYOR

RECEIVED

AUG 28 2024

PRESIDING

August 28, 2024

Honorable Maureen F. Hallahan
Presiding Judge of the Superior Court
1100 Union Street, 10th Floor
San Diego, CA 92101

Re: Grand Jury Report: "Cannabis in San Diego- How is it Going?"

Dear Judge Hallahan:

Pursuant to California Penal Code Section 933.05(a), (b), and (c), the City of San Diego provides the attached response to the findings and recommendations included in the above-referenced Grand Jury Report.

If you require additional information or have any questions, please do not hesitate to contact Kohta Zaiser, Council Affairs Advisor, at 619-236-6330.

Sincerely,

TODD GLORIA
Mayor
City of San Diego

Attachments:

1. City of San Diego Response to San Diego County Grand Jury Report Titled "Cannabis in San Diego- How is it Going?"

cc: Jonathan Vinoskey, Foreperson, 2023/2024 San Diego County Grand Jury
 Honorable Council President Sean Elo-Rivera and Members of the City Council
 Honorable City Attorney Mara Elliot
 Charles Modica, Independent Budget Analyst
 Paola Avila, Chief of Staff, Office of the Mayor
 Eric Dargan, Chief Operating Officer
 Christiana Gauger, Chief Compliance Officer

**City of San Diego Response to
San Diego County Grand Jury Report Titled
“Cannabis in San Diego – How is it Going?”**

Pursuant to California Penal Code Section 933(c), the City of San Diego provides the following response from the Mayor to the applicable findings and recommendations included in the above referenced Grand Jury Report.

RESPONSE TO FINDINGS:

Finding 1: *City cannabis tax revenues are negatively impacted by unlicensed cannabis delivery services and smoke shops selling “enhanced CBD,” operating throughout the City.*

Response: **The Mayor agrees with the Grand Jury’s finding.**

The sale of intoxicating hemp-derived products in retail outlets that do not require a conditional use permit or any other special permits has increased significantly over the past year and may be a primary reason why cannabis sales have decreased, as evidenced by the significant drop in cannabis tax revenue to the City—from approximately \$22.8 million in Fiscal Year 2022 to only \$17.2 million in projected revenues by the end of Fiscal Year 2024.

However, the Development Services Department’s cannabis inspector has been working to address the sale of intoxicating hemp-derived products by educating smoke shop staff and ownership about what state law allows; inspecting smoke shops to document the products for sale and verify permits, licenses, and tax certificates; and providing additional informational resources and contact information from the California Department of Public Health so that smoke shop owners can direct any questions they may have about specific products their stores may be carrying. In addition, cannabis inspectors inform smoke shop owners that any future complaints received regarding the availability of intoxicating hemp-derived products at their store will be referred to the San Diego Police Department (SDPD) for further enforcement action. The cannabis inspector works closely with SDPD’s Narcotics Unit and will conduct site visits to stores where SDPD may have responded to citizen complaints that allege the sale of intoxicating hemp-derived products. Finally, as the availability of intoxicating hemp-derived products continues to expand beyond inhalables, such as edible gummies, chocolates, and infused drinks, the City will continue to expand its outreach to include those markets that carry these products.

Finding 2: *Current Law Enforcement efforts against unlicensed delivery services and “enhanced CBD” are not effective.*

Response: **The Mayor disagrees with the Grand Jury’s finding.**

The San Diego Police Department (SDPD) has a dedicated marijuana enforcement team, which includes two detectives—one of which is an expert in this field—who have successfully eliminated hundreds of unlicensed storefront dispensaries in the city. The

team is now focused on unlawful CBD and delivery service operations. These investigations have led to 35 arrests, 20 successful prosecutions, and the seizure of approximately \$2 million in cash and assets, 1,500 pounds of marijuana, and 10 firearms.

Finding 3: *The City does not report all revenue, expenses, and impacts associated with cannabis legalization, leaving citizens unaware of the full fiscal impact of Measure N.*

Response: **The Mayor disagrees in part with the Grand Jury's finding.**

The City's Cannabis Business Tax is a general tax; general taxes are placed in the City's General Fund and are allocated through the City's annual budget process. The revenue from Cannabis Business Taxes, and the fees associated with the issuance of Conditional Use Permits and Operating Permits, are tracked via the City's financial system. The revenue is also reported publicly in the City's financial reports, which are available on the City's website. These reports provide insight into the revenue generated from cannabis businesses, reflecting one significant aspect of the financial implications of cannabis legalization.

However, the Grand Jury is correct that the City does not currently provide a comprehensive report detailing expenditures and other impacts associated with cannabis legalization. Although cannabis legalization has impacted various aspects of society, including health, education, and safety, there are several reasons why the City does not agree that a comprehensive report is necessary, as explained in the response to Recommendation 2.

Finding 4: *The County does not report the non-financial costs (e.g., health and law enforcement impacts) of legalized cannabis, leaving citizens unaware of the full non-fiscal impacts of cannabis legalization.*

This finding applies to the County of San Diego. Therefore, a response is not provided.

Finding 5: *Legalized cannabis has had significant health impacts on school-aged children and senior citizens.*

This finding applies to the County of San Diego. Therefore, a response is not provided.

RESPONSE TO RECOMMENDATIONS:

Recommendation 1: *The San Diego Police Department and San Diego County Sheriff's Department should collaborate to develop and implement strategies to target unlicensed delivery services and smoke shops selling enhanced CBD products.*

Response: **The recommendation has been implemented.**

Both the San Diego Police Department and the San Diego County Sheriff's Department use similar enforcement techniques that have been developed through collaboration between the two departments. SDPD's marijuana enforcement team has worked with the San Diego County Sheriff's marijuana enforcement team on cases of unlicensed marijuana dispensaries, delivery services, and enhanced CBD shops, especially when the illegal operator has multiple businesses spanning both county and city jurisdictions. Both departments continue to work cases of mutual interest while using the strategies developed in collaboration with each other.

Recommendation 2: *The San Diego Mayor should direct the city staff to develop and publish reports that document the fiscal and law enforcement impacts of cannabis legalization.*

Response: **The recommendation will not be implemented because it is not warranted.**

The City disagrees with this recommendation. In summary, the development of comprehensive reports on the fiscal and law enforcement impacts of cannabis legalization would require considerable resources to produce and would likely not provide information that differs from the reports already produced by the State of California. Further details regarding the City's position are provided below.

First, given the current budgetary constraints and pressing priorities the City is facing, the resources needed to produce such reports would be better allocated towards more immediate and critical needs, such as public safety and infrastructure maintenance. Second, there are already numerous studies and reports available at the state and national levels that provide detailed analyses of the impacts of cannabis legalization. The California Bureau of Cannabis Control, for example, regularly publishes comprehensive reports that cover various aspects of cannabis regulation, including fiscal impacts and law enforcement issues. Rather than duplicating these efforts, the City proposes leveraging existing data to inform local policy decisions. Third, the legal and regulatory environment surrounding cannabis is rapidly evolving. Any report produced today might quickly become outdated as new laws, regulations, and market dynamics emerge. It is more practical to continuously monitor and adapt to these changes through a flexible, responsive approach rather than committing to a static reporting process. Finally, addressing the impacts of cannabis legalization is a complex issue that requires collaboration across multiple levels of government and with various stakeholders, including law enforcement agencies, public health organizations, and community groups. The City believes that fostering these collaborative efforts and participating in broader, statewide initiatives would be more effective than isolated, city-specific reporting.

Recommendation 3: *The San Diego Mayor should direct the city staff to create a public education campaign that details the impacts of cannabis use on children and seniors.*

Response: The recommendation will not be implemented because it is not warranted.

This recommendation is not warranted as there are already public education campaigns created by government agencies in place to detail the impacts of cannabis use. Specifically, the California Department of Public Health has the [Youth Cannabis Prevention Initiative](#), which uses public health data to analyze the legal, social, and environmental impacts of youth and adult cannabis use. Through this initiative, the Cannabis Education and Youth Prevention Program provides health education and prevention to reduce the negative impacts and consequences of cannabis use. As the City does not directly have access to public health data, it would not be feasible for City staff to create a public education campaign at the local government level. Instead, the City suggests that this recommendation be reviewed by the County of San Diego, since the County is the lead Health and Human Services agency for the region and may have direct access to public health data for use in creating the recommended public education campaign.

Recommendation 4: *The San Diego County Board of Supervisors should direct the county staff to develop reports that document the health and law enforcement impacts of cannabis legalization.*

This recommendation applies to the County of San Diego. Therefore, a response is not provided.