

UPDATE ON CANNABIS

Compliance, Enforcement & Taxation

SECOND QUARTER – FY 2020-21

Board of Supervisors
March 9, 2020



County Executive Office

TODAY'S REPORT

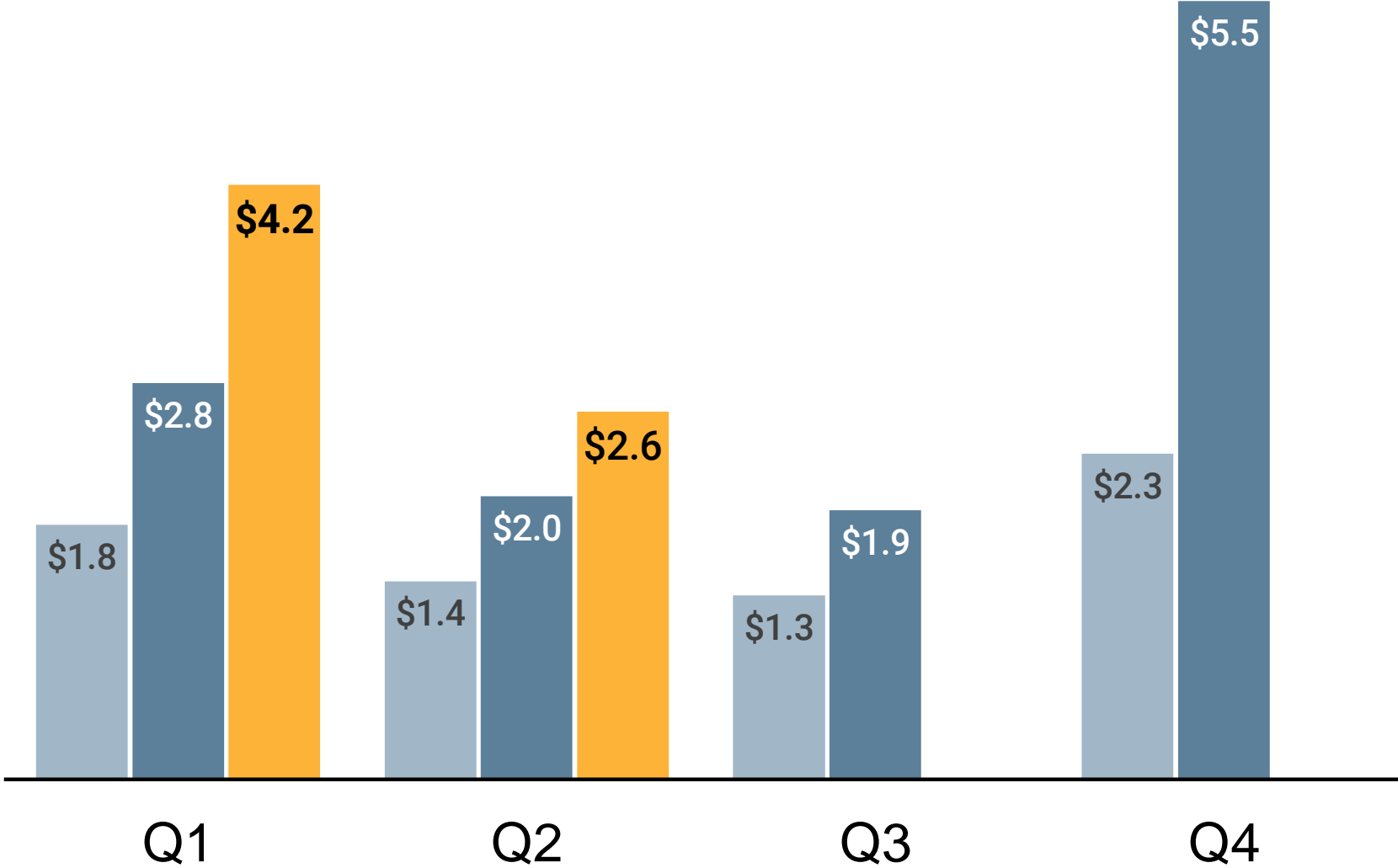
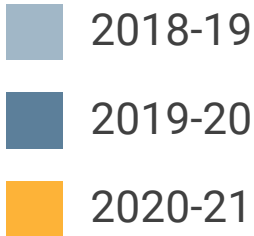
- Tax Revenues
- Land Use Planning Permits
- Business Licenses
- Retail Storefront Selection Process
- Enforcement
- KPMG Recommendations & Implementation
- Emerging Issues
- Objectives for Upcoming Quarters

RECOMMENDED ACTIONS

- Receive an update on the status of cannabis tax collection, land use permitting, business licensing, and enforcement;
- Determine pursuant to CEQA Guidelines Section 15378(b)(5) that the proposed actions are not a project under CEQA

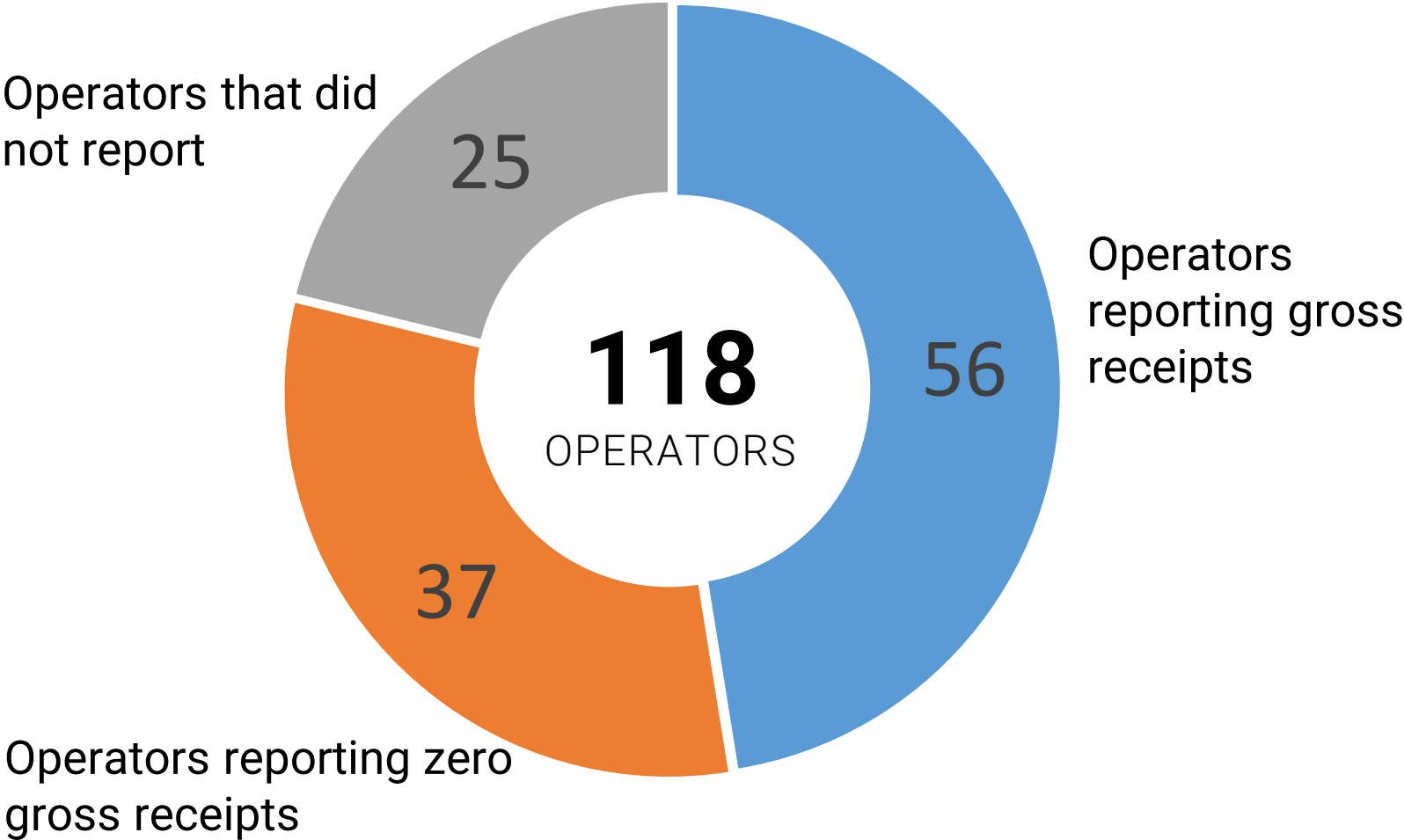
Cannabis Tax Revenue by Quarter

Dollars in millions



Cannabis Tax Receipts

FY 2020-21 Q2



Land Use Planning Projects by Status

	FY20-21 Q2 (New)
New Projects Submitted	6
Approved Projects Appealed	5
Approved Projects Pending Issuance	2
Project Permits Issued	1

Land Use Planning Projects by Status

	Total to Date
Projects Withdrawn/Closed (No Action)	30
Projects Denied (Final Action)	1
Project Permits Issued	25
Project Permits Pending Issuance	5
Projects Currently on Appeal	10
Projects Pending Action/Under Review	103
Total	174

Land Use Planning Permits by Status

In Acres

Cap	
Carpinteria Ag Overlay	186
Inland and Coastal Unincorp.	1,575

	Inland and Coastal Unincorp.	Carpinteria Ag Overlay
Permitted	355	27
In Pipeline	2,495	207
Q2 Total	2,850	234
Change from Q1	+107	0

Cannabis Enforcement

	FY 2020-21 Q1	FY 2020-21 Q2 (New)	FY 2020-21 YTD Totals
# of Enforcement Actions	5	6	11
# Live Plants Confiscated	7,220	64	7,284
Live Plants Value (\$)	\$3.6M	\$32K	\$3.63M
Dried Product Confiscated (lbs.)	250	180	430
Dried Product	\$250K	\$315K	\$565K

Retail Storefront Selection Process

- Staff and third party consultant completed Phase 2 review and scoring of accepted applications.
- Applicants that achieved a score of 85% or higher progress to Phase 3.
- A list of Phase 3 accepted applications has been posted to the County's cannabis website.
- Summary of Phase 3 applications by Community Plan Area:
 - Eastern Goleta Valley = 2
 - Isla Vista/Goleta = 6
 - Los Alamos = 2
 - Santa Ynez = 3
 - Summerland/Toro Canyon = 2
 - Orcutt = 5

Retail Storefront Selection Process (Cont'd)

- Phase III consists of review, scoring and forced-ranking of applications by an Internal Selection Committee based on the Neighborhood Compatibility Plan and site inspections.
- Staff anticipates completion of the ranking process by April 2021, the highest ranked applicant in each CPA will be invited to start the process to obtain a land use permit and retail business license.

KPMG Recommendations & Implementation

- The CEO's office and P&D should work together to ensure the permitting software, Accela, and workflows are complementary

Status: The CEO's office completed transition to the use of Accela for the business license process, and procured a consultant to improve system process, workflows, and ease of use. Full integration of P&D and CEO instance(s) of Accela is planned in the next 1-2 years.

- Expand the existing Subdivision Development Review Committee's function and membership to ensure all cannabis applications get a thorough review from all reviewing departments early in the process

Status: Currently delayed due to COVID; the business license review team plans for implementation in Fiscal Year 21/22.

- Encourage simultaneous review of use permits and business licenses
- Improve the application review process for use permits

Status: Recent Chapter 50 ordinance amendments clarify that applicants need an approved premise diagram and site security plan to improve concurrent processing; adjustments to review process are ongoing as additional streamlining opportunities are identified.

KPMG Recommendations & Implementation (Cont'd)

- Strengthen business license fee procedures

Status: The CEO's office completed initial conversations with affected departments and is working to propose revisions to the fee structure to ensure full cost recovery over the next 6-12 months.

- Modify the cannabis-based website (landing page) to provide a clearer path for applicants

Status: Cannabis website update will be addressed as part of the larger countywide website improvement project expected to be completed in late 2021.

Emerging Issues

1. Continue to better align the land use permitting process and the business license process.
2. Where appropriate, review operator's compliance with County regulations to determine whether they should retain their County letter of authorization given in support of the state provisional license.

Emerging Issues (Cont'd)

3. Subject to final conclusions of the KPMG review of the cannabis revenue process, recommend the appropriate staffing in the Treasurer-Tax Collector's office to support an optimized revenue cycle, after conferring with Human Resources.

Objectives for Upcoming Quarters

- Complete the retail storefront license selection process.
- Upgrade and enhance Accela with the assistance of a third-party consultant.
- Receive all business license applications through the Accela public facing portal; including complete conversion of all pending legacy, paper-based applications into Accela.
- Evaluate California Cannabis Authority (CCA) Membership as a means of receiving data analytics to assist in cannabis oversight, administration, and regulation.

Objectives for Upcoming Quarters (Cont'd)

- Continue implementation of the KPMG recommendations relating to their assessment of the County's cannabis permitting and business licensing processes.
- Review and propose Chapter 50 ordinance amendment to address business license application renewals, modifications, revisions, and acreage cap eligibility.
- Continue the tax audit process utilizing consultant HdL.

QUESTIONS

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