



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive Office
Department No.: 012
For Agenda Of: March 12, 2024
Placement: Departmental
Estimated Time: 20 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director
Mona Miyasato, County Executive Officer
Nancy Anderson, Assistant County Executive Officer
Brittany Odermann, Deputy CEO

SUBJECT: Update on Cannabis Taxation, Compliance, and Enforcement – Second Quarter FY 2023-24

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: NA

Risk Management

As to form: NA

Recommended Actions

That the Board of Supervisors:

- a) Receive an update on the status of cannabis tax collection, land use permitting, business licensing, and enforcement;
- b) Provide any other direction to staff regarding the County’s cannabis program; and
- c) Find that the proposed actions are administrative activities of the County, which will not result in direct or indirect changes to the environment and therefore are not a “project” as defined for the purposes of the California Environmental Quality Act (CEQA) under State CEQA Guidelines Section 15378(b)(5).

Summary:

This item provides the Board and public an update for the second quarter of fiscal year 2023-24 (October 1, 2023 to December 31, 2023). This report includes a summary on the implementation of the County’s cannabis regulations, tax receipts, land use permitting, business license activity, enforcement, and objectives for the current fiscal year. Attachment A, includes detailed reporting on these items including comparisons to prior quarters and past fiscal years.

Cannabis Taxes

In the second quarter reporting period of fiscal year 2023-24 (taxes collected as of January 31, 2024, for the period October 1 to December 31, 2023), \$2.3 million in gross tax receipts were paid from cannabis operators holding State licenses. Table 1 of Attachment A compares second quarter revenues for the last three fiscal years.

Cannabis Compliance

Land Use Entitlements

The County, via the Planning and Development Department (P&D) has approved approximately 171 acres of cultivation in the Carpinteria Agricultural Overlay Area and 1,797 acres of cultivation in the remaining unincorporated area. Table 3 of Attachment A lists the precise acreage approved compared to the total amount of proposed acreage submitted for permits and the total issued permit acreage. There are currently three active appeals including Sugarhill Cannabis Cultivation and Island View Cannabis Cultivation, which are on appeal to the County Planning Commission, and Moriarty Cannabis Cultivation, which is on appeal to the Board of Supervisors. Table 4 of Attachment A summarizes the project applications that are currently on appeal to the Planning Commission and the Board. No appeals were resolved in Q2. Four cannabis entitlements were approved in Q2, including the Haven Cannabis Storefront Retail in Los Alamos.

Acreage Caps

The Board adopted two cultivation acreage caps: 1) in the Carpinteria Agricultural Overlay District (capped at 186 acres), and 2) the remaining unincorporated area (capped at 1,575 acres.) The County Executive Office tracks acreage of eligible cannabis operations against the cap on an Eligibility List. For a commercial cannabis operator to be placed on the Eligibility List the operator must: 1) have an approved land use entitlement; 2) request placement on the list by submitting the Eligibility List Placement Request Form to the County Executive Office; 3) submit a complete cannabis business license application within 30 days of land use entitlement issuance that has been accepted and determined to be complete by the County Executive Office; and 4) pay all required cannabis business licensing fees/deposits. Table 3 of Attachment A highlights how many acres of cannabis cultivation are currently in the land use entitlement process and how many acres have been permitted. Table 5 details the Acreage Cap Eligibility List by area, listing the operators that have secured their place on the Eligibility List by meeting the aforementioned criteria. A commercial cannabis operation on the Eligibility List remains on the list while permit appeals are processed, however, their spot is nontransferable and subject to annually renewing their interest to remain on the list.

County Business Licensing

The County issued no new cannabis business licenses and two renewal licenses. One operation withdrew from the business license application process and one licensee did not renew its cannabis business license.

Cannabis Enforcement

The Santa Barbara County Sheriff completed five enforcement actions against illegal cannabis activities, 303 pounds of cannabis product were confiscated totaling an estimated street value of \$304,500.00.

Emerging Issues

County staff are continuing to research and address the following emerging issues:

1. Consider development of fee schedule for code violations to allow the ability to issue citations to address compliance issues

2. Implications of Senate Bill 833 and Department of Cannabis Control (DCC) allowance for cannabis operators to fallow ground and pause state licenses for reduced fees.
3. Potential changes to the local cannabis taxation method that will be considered by the Board on March 12, 2024.
4. Odor abatement plan implementation, successes and challenges

Objectives for the Upcoming Quarters

1. Review and propose Chapter 50 ordinance amendment(s) to address outstanding issues including: aligning live scan and criminal background checks with DCC State regulations.
2. Integrate compliance efforts to include use of State track and trace (Metric Viewer) data and frequent inter-departmental compliance site visit check-ins.
3. Track Use-it-or-Lose-it acreage.
4. Continue the financial monitoring and tax audit process.
5. Continue to improve the Business License application process by 1) focusing on Accela enhancements to improve new and renewal application uploads, 2) working with operators to ensure operational changes are reviewed and approved prior to implementation, and 3) improving processes for efficiency.

Fiscal and Facilities Impacts

Budgeted: Yes

Attachments

Attachment A: Cannabis Taxation, Compliance, and Enforcement, 2nd Quarter Report FY 2023/2024

Authored by:

Carmela Beck, Cannabis Program Manager