

UPDATE ON CANNABIS

Compliance, Enforcement, & Taxation

FIRST QUARTER – FY 2021-22

Board of Supervisors
December 14, 2021



County Executive Office

TODAY'S REPORT

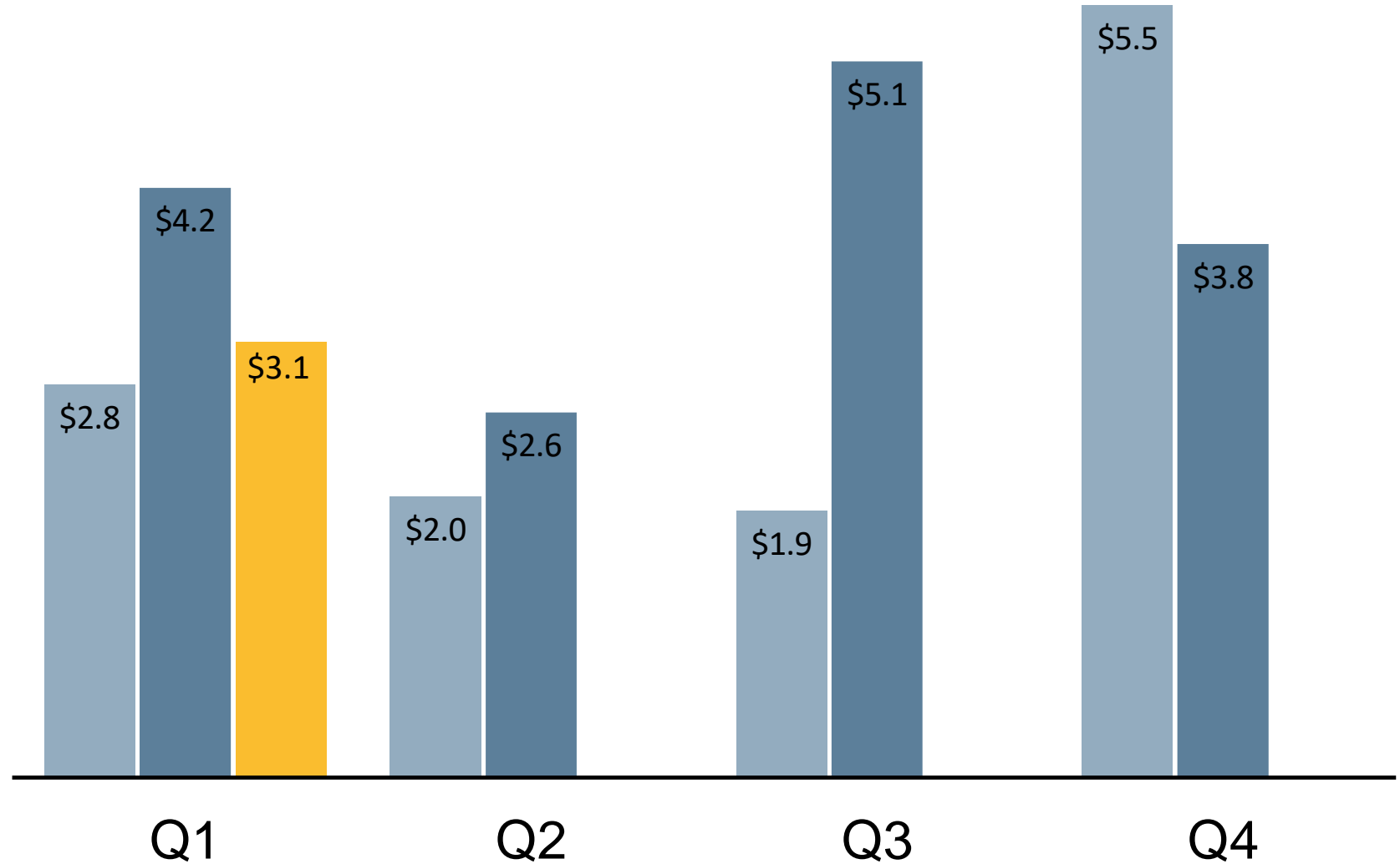
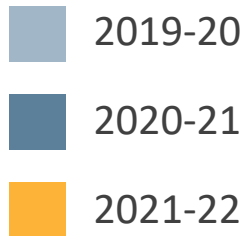
- Tax Revenues
- Land Use Planning Permits
- Business Licenses
- Enforcement
- Emerging Issues
- Objectives for Upcoming Quarters

RECOMMENDED ACTIONS

- Receive an update on the status of cannabis tax collection, land use permitting, business licensing, and enforcement;
- Provide any other direction to staff regarding the County's cannabis program; and
- 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).

Cannabis Tax Revenue by Quarter

Dollars in millions

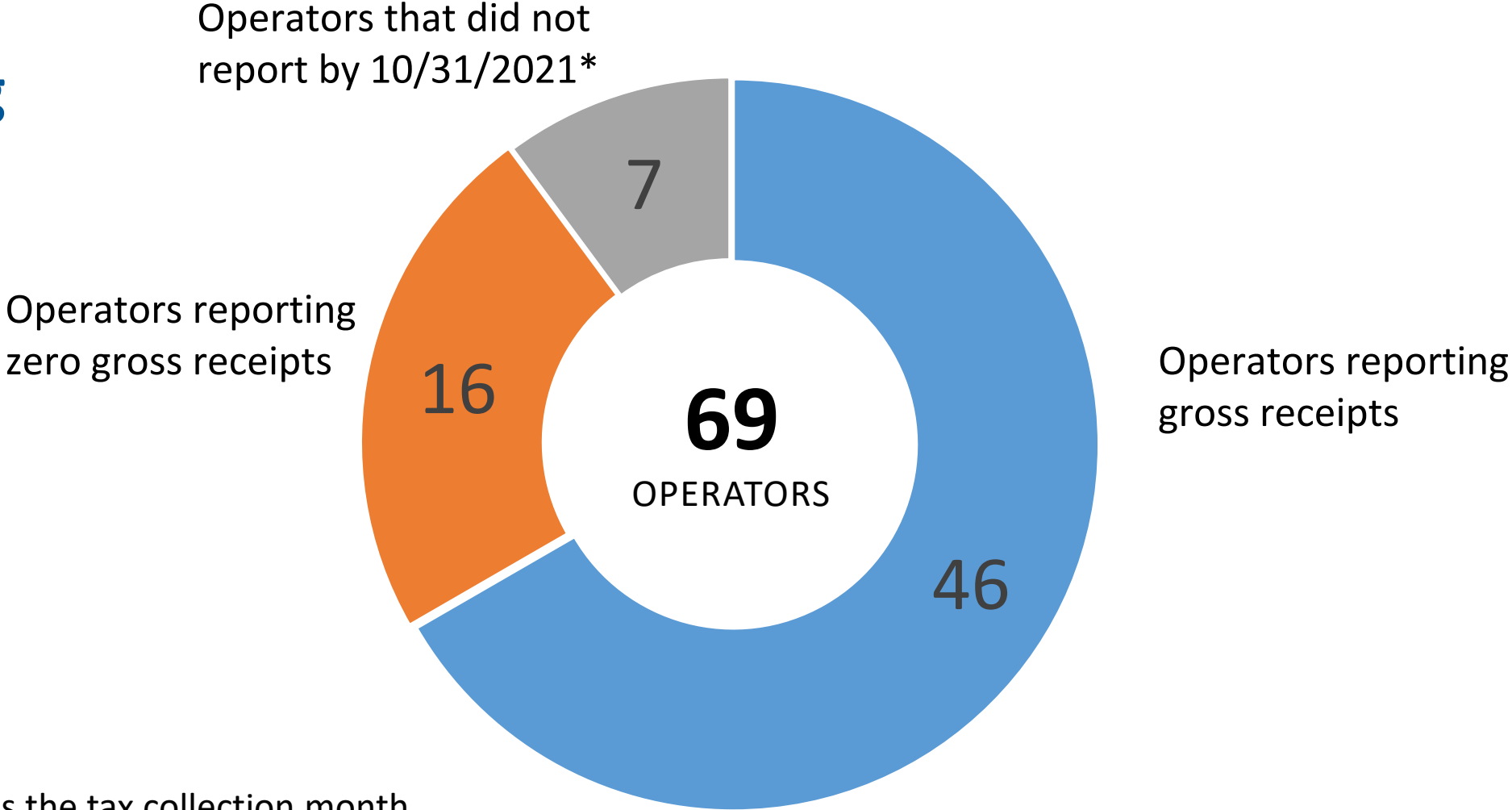


Cannabis Tax Revenue

- The \$3.1 million collected represents a 25% decrease in the tax amount collected from the same quarter of the last fiscal year and a 17% decrease over the fourth quarter of FY 20-21
- Local operators continue to indicate that product supply exceeds demand
- Lack of retail locations (statewide) remains an issue since product cannot cross state lines

Cannabis Tax Reporting

FY 2021-22 Q1



* 10/31/2021 is the tax collection month deadline

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
Proposed Permit Acreage ¹	3,173	214
<i>Approved</i> Permit Acreage ²	1,860	122
<i>Issued</i> Permit Acreage ³	543	64

1. Proposed permit acreage can fluctuate based on project redesigns or changes to proposed cultivation areas.
2. An applicant may apply for a business license upon approval of their land use entitlement.
3. The “Issued Permit Acreage” is a subset of the “Approved Permit Acreage”. A land use entitlement can only be issued after it has been approved.

Land Use Planning Projects on Appeal

	FY21-22 Q1 (New)
Cannabis Projects on Appeal to Planning Commission	16
Cannabis Projects on Appeal to Board of Supervisors	6
Total of Appealed Projects	22

Business Licenses By Status

	Total Applications Received thru FY21-22 Q1	Business Licenses Issued thru FY21-22 Q1	Applications with <i>Issued</i> Permits* FY21-22 Q1
Cultivator	90	15	21
Nursery	52	11	10
Distributor	14	0	1
Retail Non-Storefront	3	1	1
Total	159	27	33

* These applications have an issued land use entitlement and are eligible for final business license issuance.

Enforcement Update

Sheriff's Team summary:

Fiscal Year 2021 - 2022	Q1
# of Enforcement Actions	8
# Live Plants Confiscated	3,253
Live Plant Value \$\$	\$1.6M
Dried Product Confiscated (lbs.)	1,205
Dried Product Value \$\$	\$1.8M

- Agricultural Commissioner's Office continues investigations into worker health and safety, and pesticide use.
- P&D opened four new cannabis enforcement cases, and responded to 339 odor complaints.
- CEO Office started collecting API keys from operators to gain access to their State track-and-trace data.
- Detailed data review and establishing protocols for compliance and enforcement activities will begin in early 2022.

Emerging Issues

- Processing a high volume of business license applications in coordination with P&D and the rest of the licensing team in an efficient, and timely manner.
- Determining timelines for finalizing acreage issued, allowing for operation phasing, following, and phasing out legal non-conforming operators.
- Operator's requests for change in ownership, clarity on license transferability, and new entity formation.

Emerging Issues

- Regular review of operators' compliance with County regulations to determine whether they should retain their County business license, if issued; or retain the County letter of authorization in support of State licenses.
- Inconsistent definitions of the area of cultivation compared to canopy and acreage between Chapter 50 and the State.

Objectives for Upcoming Quarters

- Removing processing activities from the acreage cap calculation.
- Transition the cannabis quarterly update to an appendix in the CEO's quarterly budget updates to the Board.
- Continue with Accela enhancements to facilitate transparency in the form of applicant reporting, application renewals, modifications, and amendments as necessary.

Objectives for Upcoming Quarters

- Review and propose Chapter 50 ordinance amendment(s) to address outstanding issues including: acreage definitions, changes in ownership, acreage cap eligibility, phasing out legal non-conforming uses
- Use data from California Cannabis Authority to target compliance efforts and better understand the local industry.
- Continue the financial monitoring and tax audit process utilizing consultant HdL.

QUESTIONS

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