

# UPDATE ON CANNABIS

## Compliance, Enforcement & Taxation

FIRST QUARTER – FY 2020-21

Board of Supervisors  
December 15, 2020



County Executive Office

# TODAY'S REPORT

- Tax Revenues
- Land Use Planning Permits
- Business Licenses
- State Licenses
- Enforcement
- KPMG Recommendations & Implementation
- Emerging Issues & Challenges
- Objectives for Upcoming Quarters

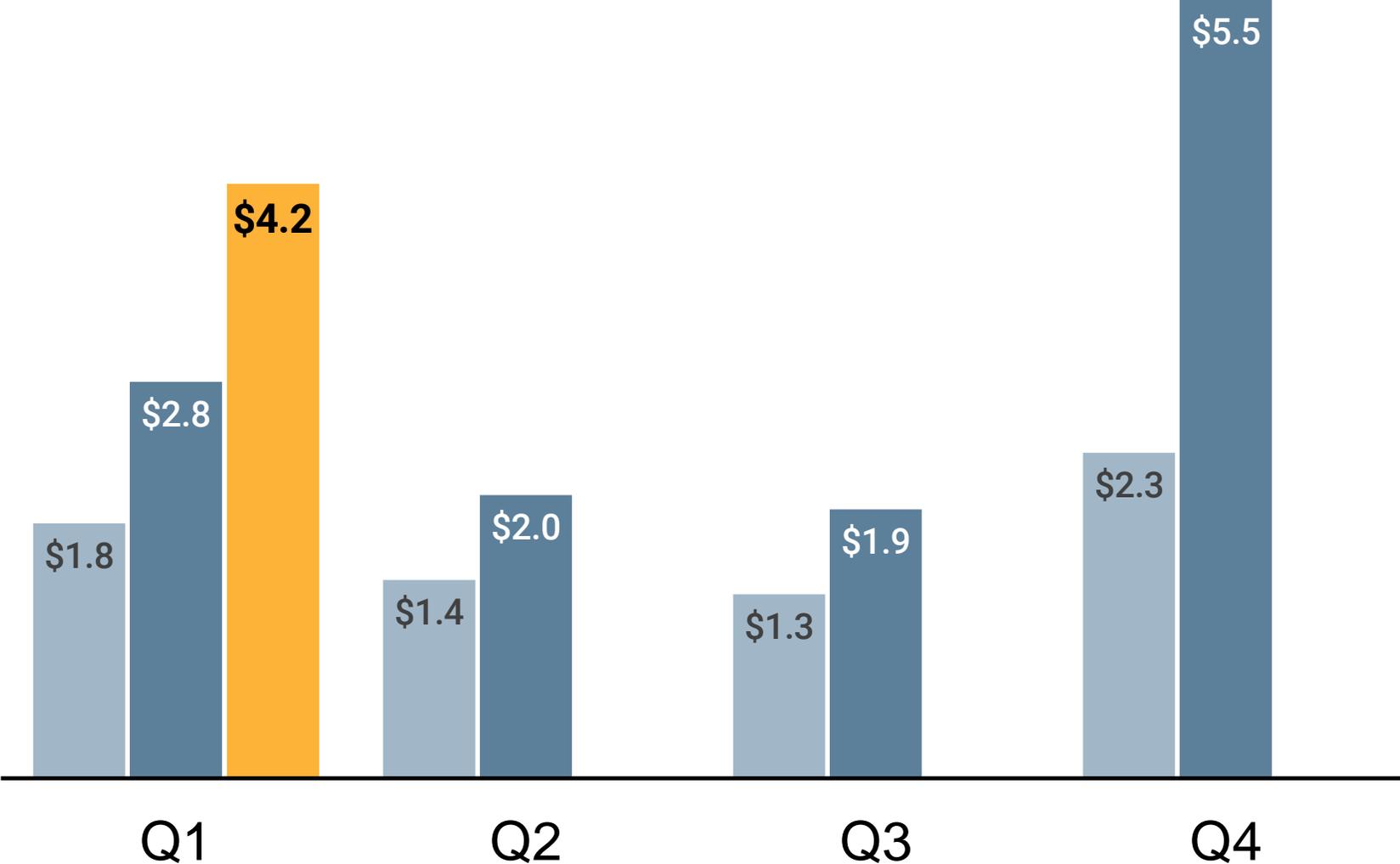
# RECOMMENDED ACTIONS

- Receive an update on the status of cannabis tax collection, land use permitting, business licensing, State licensing, and enforcement;
- Direct the County Executive Office in concert with the Treasurer-Tax Collectors Office to work with KPMG to review the cannabis tax revenue cycle and pursuant to that review, evaluate appropriate staffing, pursuant to emerging issues #5 and #6 contained in this report;
- Determine pursuant to CEQA Guidelines Section 15378(b)(5) that the proposed actions are not a project under CEQA

# Cannabis Tax Revenue by Quarter

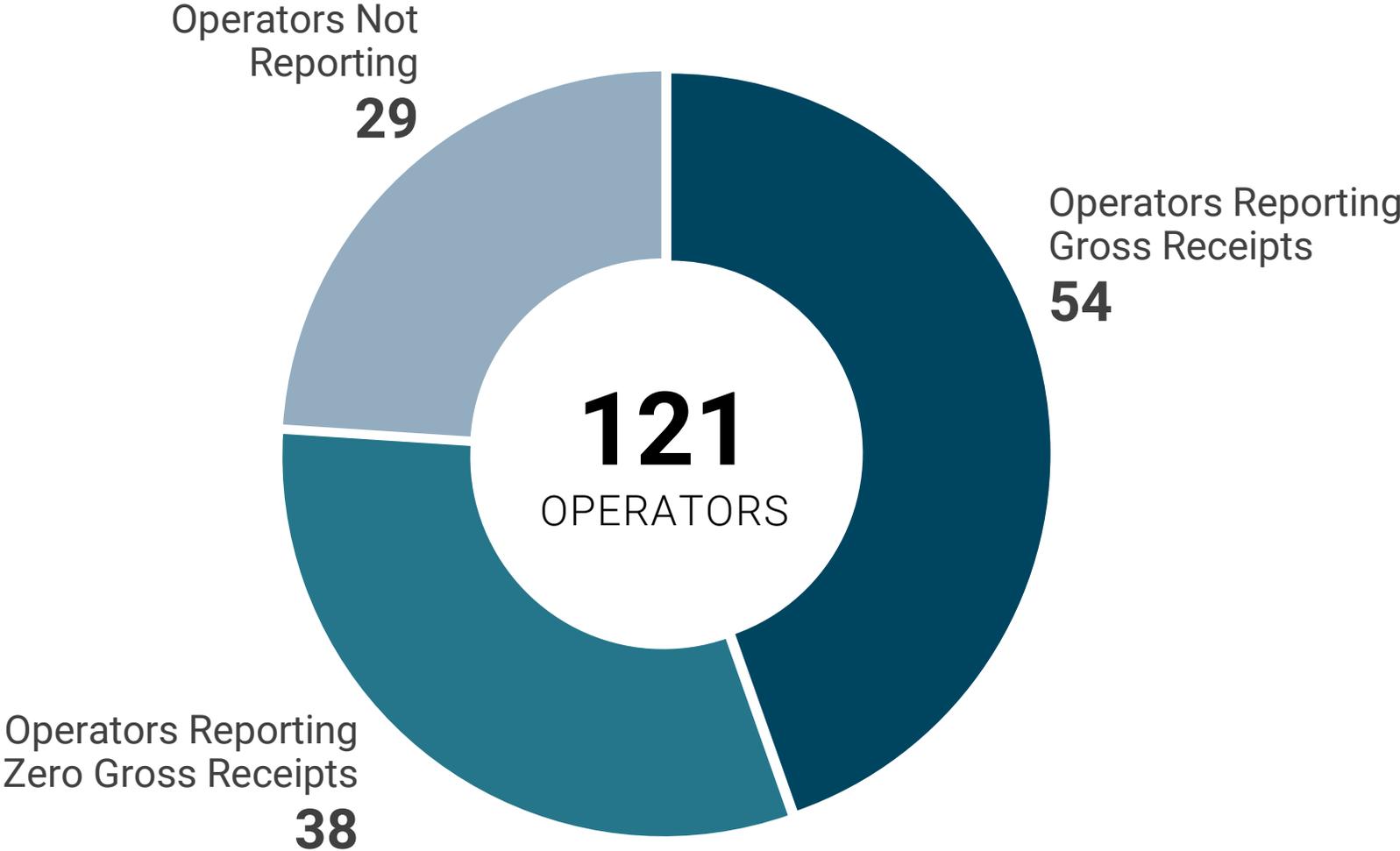
Dollars in millions

- 2018-19
- 2019-20
- 2020-21



# Cannabis Tax Receipts

FY 2020-21 Q1



# Land Use Planning Permits by Status

	FY19-20 Q1	FY20-21 Q1 (New)	Total to Date
Land Use Permits Issued	4	4	21
Land Use Permit Applications Pending	11	3	82
Conditional Use Permit Applications Pending	3	0	35
Coastal Development Permits Issued	1	0	4
Coastal Development Permits Pending	1	3	36
Coastal Development Hearing Pending	0	0	7
Development Plan Applications Pending	1	0	24
<b>Total</b>	<b>21</b>	<b>10</b>	<b>209</b>

# Land Use Planning Permits by Status

In Acres

	Inland Area	Coastal Zone
<b>Permitted</b>	<b>316</b>	<b>27</b>
<b>In Pipeline</b>	<b>2,427</b>	<b>207</b>
<b>Q1 Total</b>	<b>2,743</b>	<b>234</b>
<b>Change from Q4</b>	<b>+129</b>	<b>+19</b>
<b>Cap</b>	<b>1,575</b>	<b>186</b>

# Business Licenses

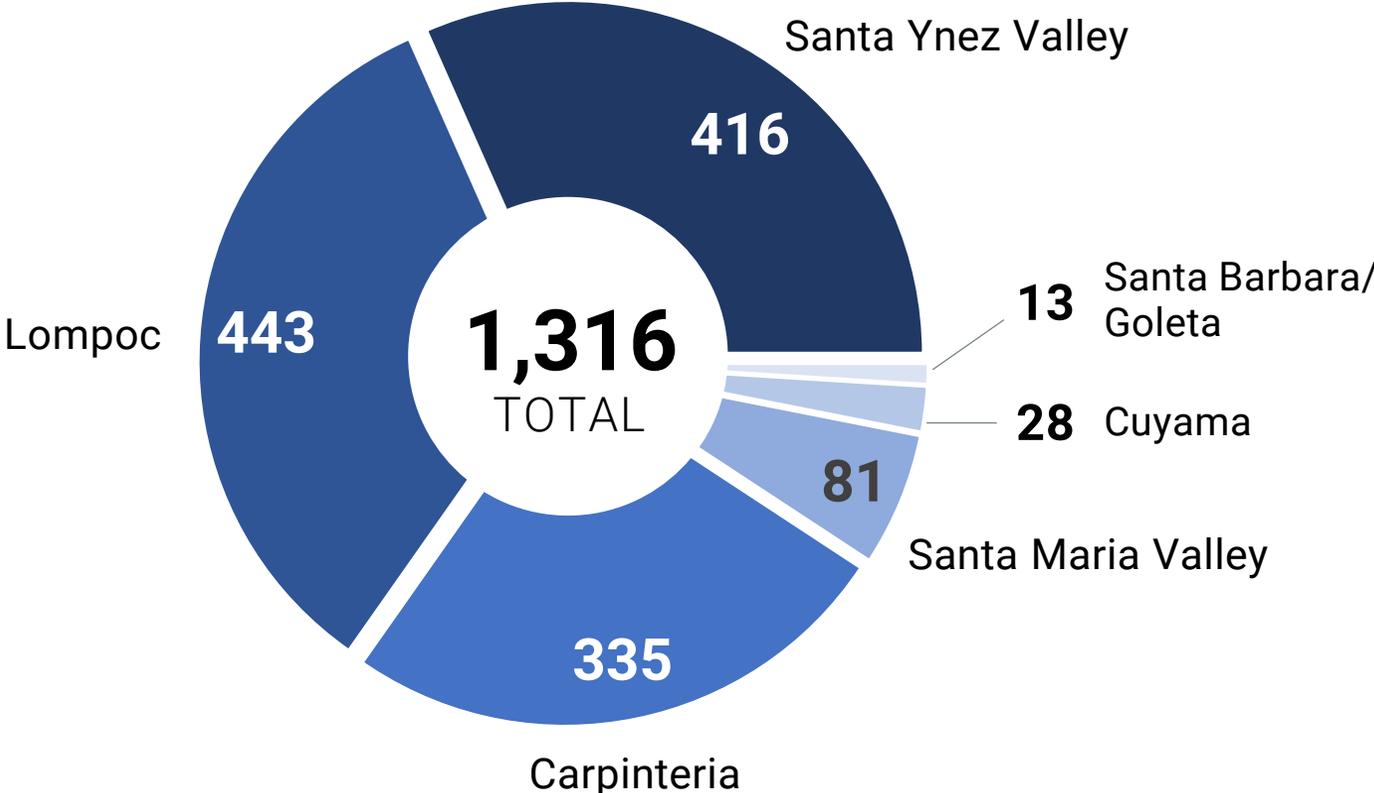
10-of-11 licensed operators are considered “new operators” and did not establish legal nonconforming status

	Application Submitted	Issued	Pending
Cultivator	46	10	36
Nursery	24	7	17
Manufacturer	1	0	1
Retailer Non-Storefront	2	1	1
Distributor	7	0	7
<b>Q1 Totals</b>	<b>80</b>	<b>18</b>	<b>62</b>
<b>Change from Q4</b>	<b>+5</b>	<b>+2</b>	<b>+3</b>

# State Licenses in Unincorporated Area

Includes CDFA & BCC licensing data

### Number of Active Licenses by Region

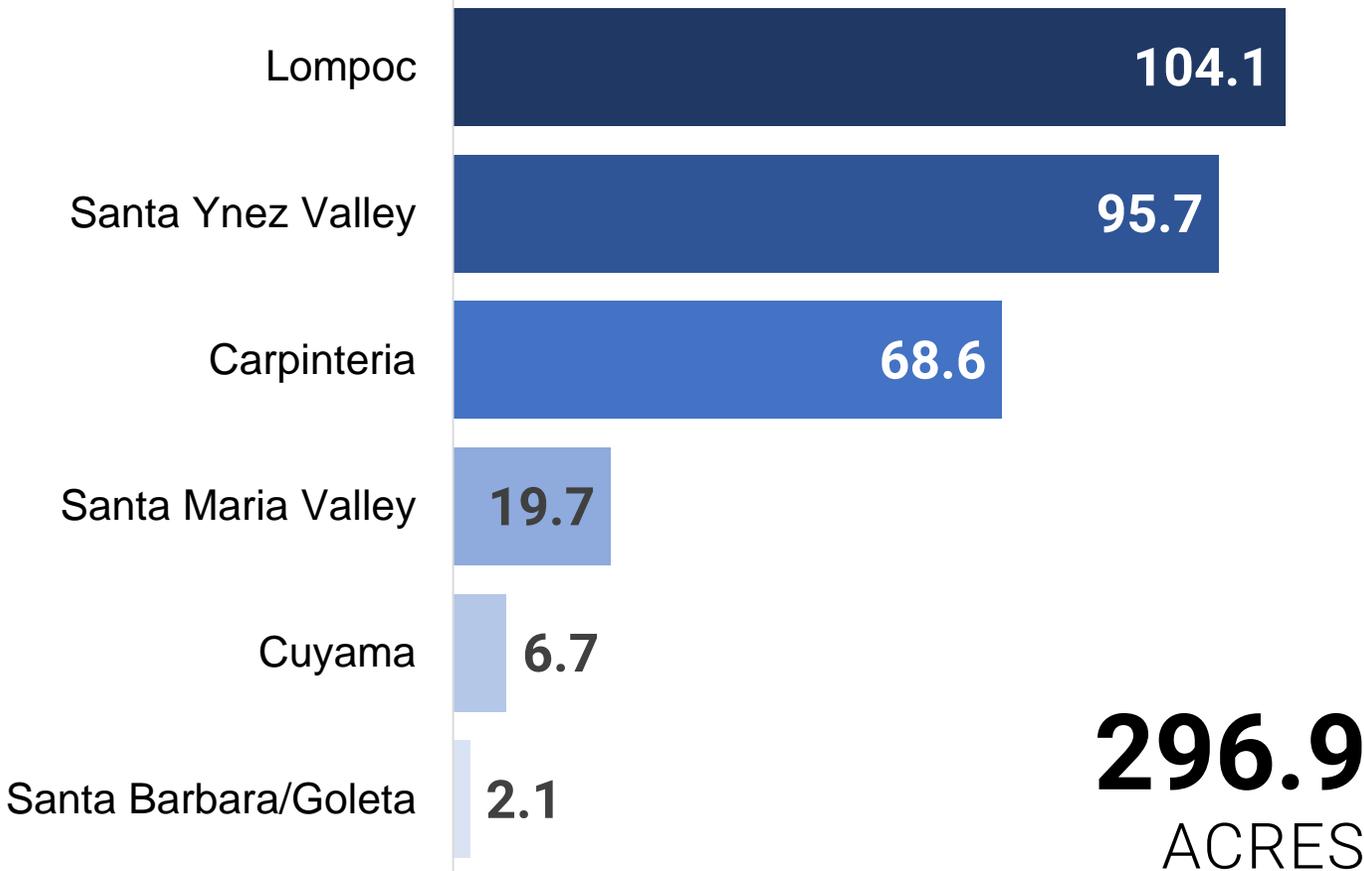


# State Licenses in Unincorporated Area

County with second highest number of licenses and acreage in California

*Data as of December 2, 2020*

### Acres of Active Licensed Cultivation by Region



# State Provisional License Criteria

- Held a State Temporary License
- Submitted either
  - a) Permit application accepted for processing by P&D; or
  - b) Obtained a land use entitlement for the proposed cannabis operation and submitted a complete application for the corresponding cannabis business license
- Submitted an application and all required documents for State Annual Licensing

## State Licenses Due to Expire

- **35 licenses** expiring within 60 days of today's report

Staff will review the status of those licenses to determine whether we continue to support their application

- **5 Notices of Non-Compliance** to withdraw local authorization issued; 1 hearing pending.

# Cannabis Enforcement

	<b>FY 2019-20 Q1</b>	<b>FY 2019-20 Totals</b>	<b>FY 2020-21 Q4 (New)</b>
<b># of Enforcement Actions</b>	12	32	5
<b># Live Plants Confiscated</b>	16,684	19,884	7,220
<b>Live Plants Value (\$)</b>	\$4.2M	\$5.0M	\$3.6M
<b>Dried Product Confiscated (lbs.)</b>	1,157	8,492	250
<b>Dried Product</b>	\$1.2M	\$8M	\$250K

# Retail Storefront Selection Process

- Staff completed the Phase I review to determine accepted applications. A list of all 23 accepted applications has been posted to the County's cannabis website.
- Summary of applications by Community Plan Area:
  - Eastern Goleta Valley = 2
  - Isla Vista/Goleta = 8
  - Los Alamos = 2
  - Orcutt = 6
  - Santa Ynez = 3
  - Summerland/Toro Canyon = 2

## Retail Storefront Selection Process (Cont'd)

- Accepted applications will advance to Phase II of the selection process, which includes a review of the Business Operations Proposal by HdL and the Business Licensing Team. Applicants that achieve an aggregate score of 85% or higher advance to Phase III.
- 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.

# KPMG

## Recommendations & Implementation

- The CEO's office and P&D should work together to ensure the permitting software, Accela, and workflows are complementary;
- 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;
- Encourage simultaneous review of use permits and business licenses;

# KPMG Recommendations & Implementation (Cont'd)

- Improve the application review process for use permits;
- Strengthen business license fee procedures; and
- Modify the cannabis-based website (landing page) to provide a clearer path for applicants.

## Emerging Issues

1. Continue to work to better align the land use permitting process and the business license process.
2. As part of the process to encourage and incentivize operators that have submitted land use entitlement applications to take advantage of concurrent processing, the CEO's Office and P&D are working on a methodology to standardize plan approval and acceptance.

## Emerging Issues (Cont'd)

3. 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.
4. Encourage operators to submit business license applications through the Accela public facing portal – 11 applications have been submitted via Accela to date.

## Emerging Issues (Cont'd)

5. In concert with the Treasurer-Tax Collector's Office, work with KPMG to complete a review of the County's cannabis tax revenue cycle and assess their recommendations regarding the delineation of the roles and responsibilities between the County Executive and Treasurer-Tax Collector's offices and the County's outside consultants.
6. Subject to the potential recommendations contained in KPMG's review noted above, work with Human Resources and the Treasurer-Tax Collector's office to evaluate the appropriate staffing to support an optimized revenue cycle/process.

# Objectives for Upcoming Quarters

- Complete the retail storefront license selection process.
- Implement the KPMG recommendations relating to their assessment of the County's cannabis permitting and business licensing processes.
- Phase-out the 12 cultivation operations located within EDRNs that have submitted land use entitlement applications, per the recently adopted Land Use and Development Code (LUDC) ordinance amendments.

## Objectives for Upcoming Quarters (Cont'd)

- Continue the Business Licensing process improvement project to identify bottlenecks, inefficiencies, and redundancies in an effort to streamline the licensing process.
- Commence the tax audit process utilizing consultant HdL.
- Bring back amendments to the Business License Ordinance (Chapter 50) to the Board.

# QUESTIONS

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