

# UPDATE ON CANNABIS COMPLIANCE, ENFORCEMENT & TAXATION

FIRST QUARTER – FY 2019-20

Board of Supervisors  
January 28, 2020



County Executive Office

# TODAY'S REPORT

- Previous Board Actions
- Land Use Planning Permits
- Business Licenses
- Enforcement
- Tax Revenues
- Emerging Issues & Challenges
- Next Steps

# RECOMMENDED ACTIONS

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

# Previous Board Actions

## **2016 Board prohibited all cannabis operations**

Pre-existing operations were given legal, non-conforming status as long they had been (and remained) in compliance with State cannabis licensing laws

## **2018 Board amended the land use codes to establish zoning, development standards, and permitting requirements for cannabis operations**

## **2018 Board adopted an ordinance establishing a commercial cannabis business licensing system**

Requires application review, site visits, compliance checks, compliant assessment and resolution among other important activities



## Previous Board Actions

**2019** Board provided conceptual direction on possible amendments to commercial cannabis operations licensing

Merit-based retail storefront selection process to be considered on February 11, 2020

**2019** Board directed staff to return during Budget Workshops with funding options for potential uses of FY 2018-19 cannabis tax revenue received in excess of budgeted amount

## Land Use Planning Permits by Status

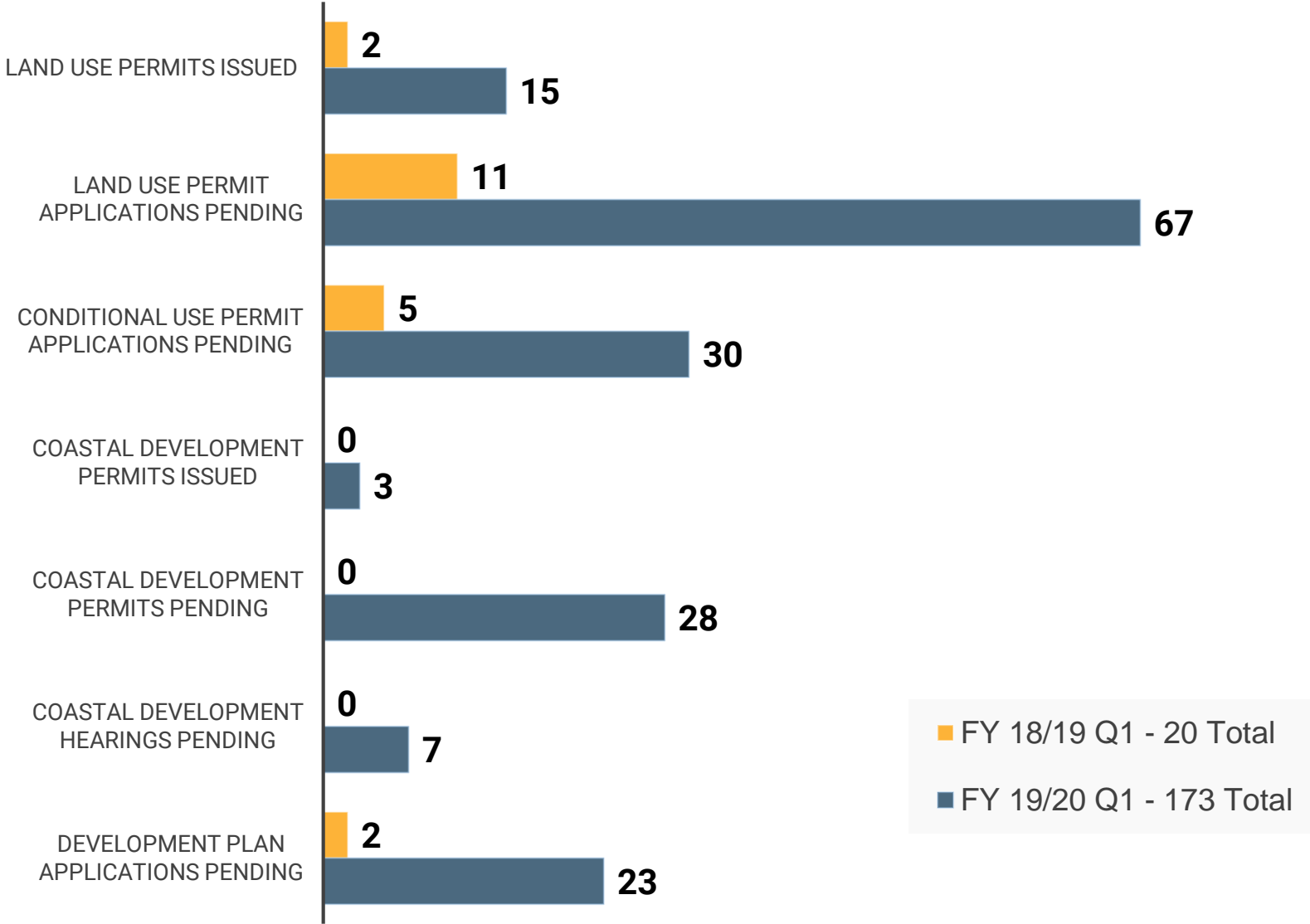
Land Use Permits Issued	15
Land Use Permit Applications Pending	67
Conditional Use Permit Applications Pending	30
Coastal Development Permits Issued	3
Coastal Development Permits Pending	28
Coastal Development Hearing Pending	7
Development Plan Applications Pending	23
<b>Total</b>	<b>173</b>

# Land Use Planning Permits by Status

In Acres

	Inland Area	Coastal Zone
<b>Permitted</b>	<b>221</b>	<b>22</b>
<b>In Pipeline</b>	<b>1,772</b>	<b>182</b>
<b>Total</b>	<b>1,993</b>	<b>204</b>
<b>Cap</b>	<b>1,575</b>	<b>186</b>

# Q1 Permitting Year-Over-Year Comparison



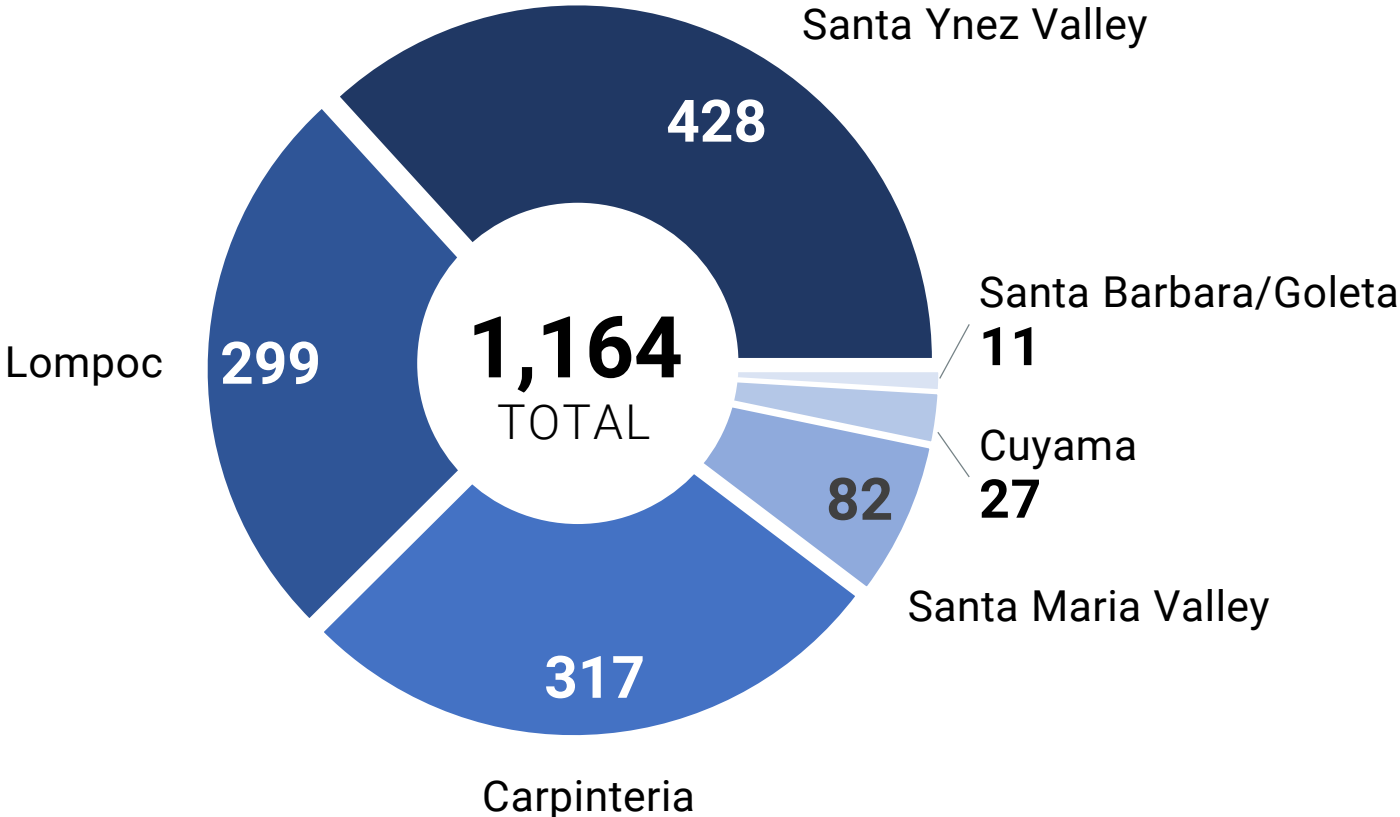


# State Licenses in Unincorporated Area

County with second highest number of licenses and acreage in California

*Data as of January 8, 2020*

### Number of Active Cultivation Licenses by Region

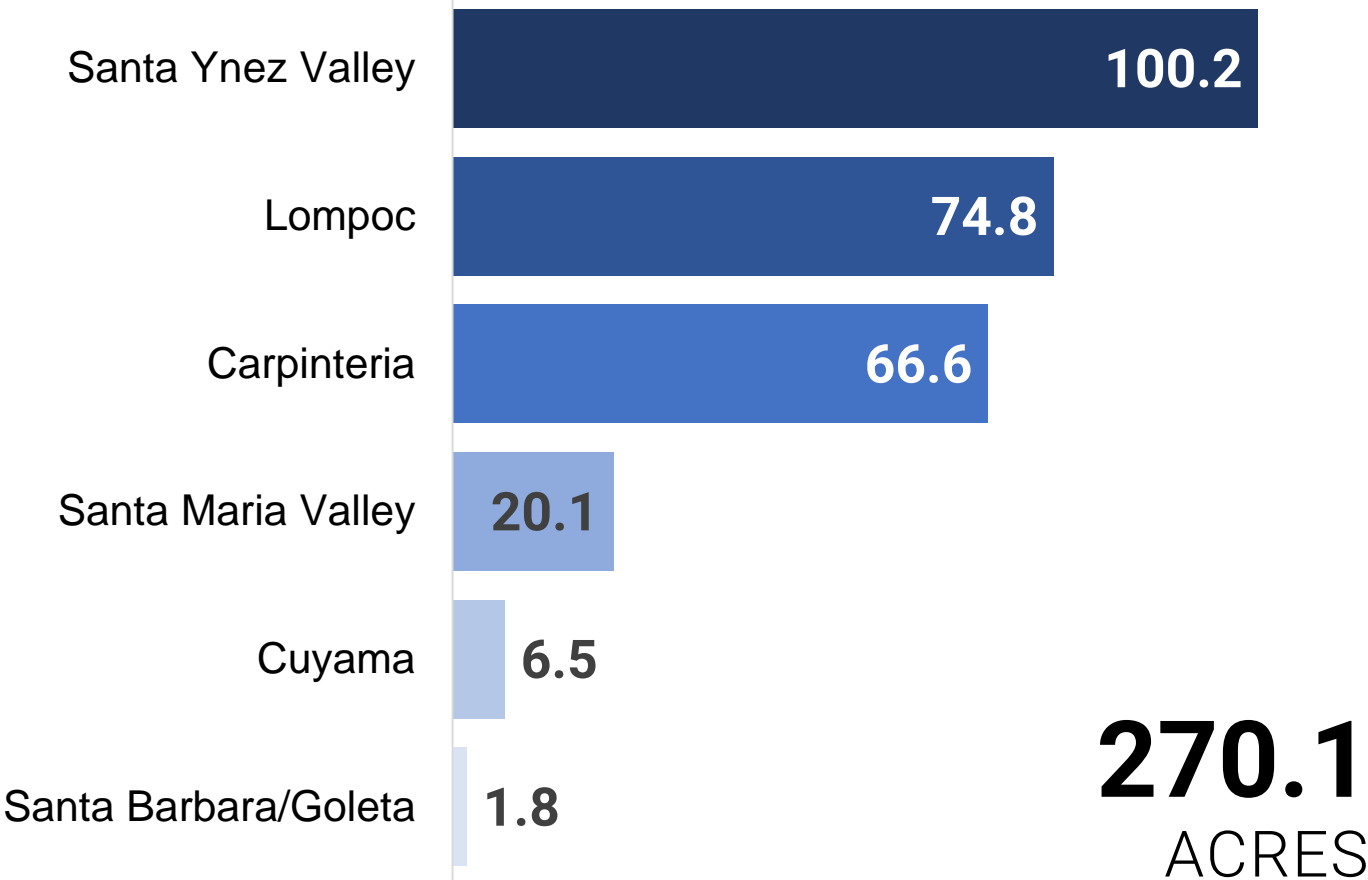


# State Licenses in Unincorporated Area

County with second highest number of licenses and acreage in California

*Data as of January 8, 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

- **133** 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

# Business Licenses

<b>Business License Applications</b>	<b>25</b>
<b>Business Licenses Issued</b>	<b>5</b>
Cultivation (Los Alamos)	2
Cultivation (New Cuyama)	1
Nursery (Unincorporated Goleta)	1
Retail Non-Storefront (Vandenberg Village)	1
<b>Business Licenses Due for Renewal*</b>	<b>1</b>
<b>Operators Participating in Concurrent Process</b>	<b>5</b>

# Retail Storefront Selection Process

- Board voted to adopt an ordinance amendment to the Business Licensing Ordinance to establish a merit-based selection process
- Staff will return on February 11, 2020 to present:
  - Scoring sheet criteria for business operations proposals and neighborhood compatibility plans
  - Projected timeline for the selection process

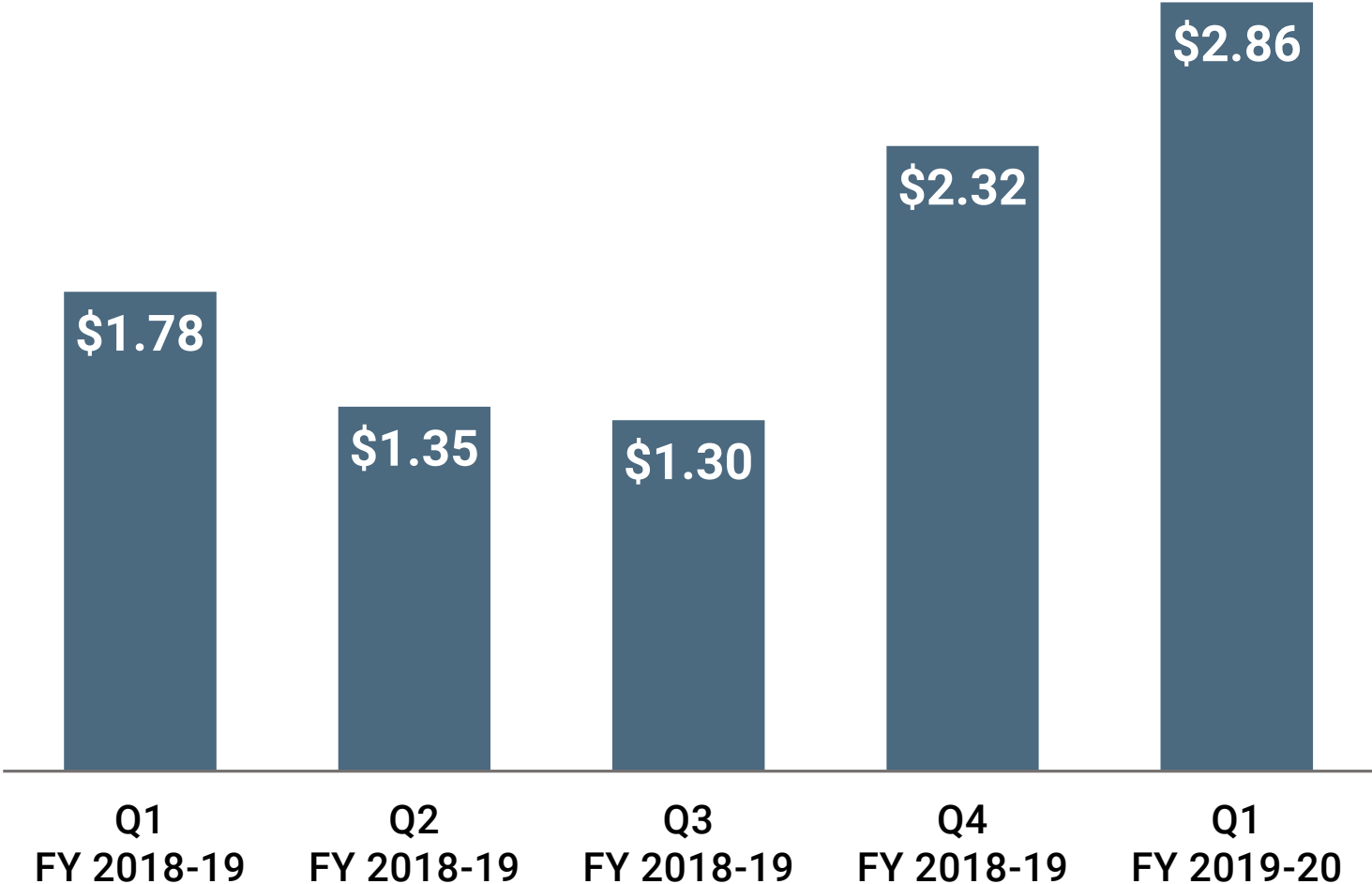


# Cannabis Enforcement

	Q1 FY 18-19	Q2 FY 18-19	Q3 FY 18-19	Q4 FY 18-19	Q1 FY 19-20	Totals
# of Enforcement Actions	10	12	12	12	12	58
# Live Plants Confiscated	417,771	56,400	38,800	471,626	16,684	1,001,281
Live Plants	\$88.9M	\$7.1M	\$9.7M	\$118M	\$4.2M	\$227.9M
Dried Product Confiscated (lbs.)	-	-	14,900	49,939	1,157	65,996
Dried Product	\$0	\$0	\$14.9M	\$49.9M	\$1.2M	\$66.0M

# Cannabis Tax Revenue by Quarter

Dollars in millions



# Emerging Issues

- Take steps to encourage applicants to make use of the dual use process
- Ensure that applicants who are appearing before the Planning Commission are in full compliance with all requirements
- Review provisional licenses that are due to expire
- Participate in the State's Track & Trace Beta test

# Challenges

- Odor issues remain a challenge
- Select a tax compliance auditing firm

# Next Steps

- Cannabis Policy Group
- Cannabis legal review
- Cannabis Enforcement team modifications

# QUESTIONS

**Barney Melekian**

Assistant County Executive Officer  
bmelekian@countyofsb.org

**Steven Yee**

Fiscal & Policy Analyst  
shyee@countyofsb.org