



**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: June 4, 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

DocuSigned by:
Mona Miyasato
41846F5C725B460...

Contacts:

Brittany Odermann, Deputy CEO
Nancy Anderson, Chief ACEO

SUBJECT: Update on Cannabis Taxation, Compliance, and Enforcement – Third 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 and file 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 third quarter of fiscal year 2023-24 (January 1, 2024, to March 31, 2024). This report includes a summary on the implementation of the County’s cannabis regulations, tax receipts, land use permitting, business license activity, enforcement, and

Board of Supervisors
June 4, 2024
Page 2 of 4

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 third quarter reporting period of fiscal year 2023-24 (taxes collected as of April 30, 2024, for the period January 1 to March 31, 2024), \$1.2 million in gross tax receipts were paid from cannabis operators holding State licenses. Table 1 of Attachment A compares third quarter revenues for the last three fiscal years. With three quarters of taxes having been collected, fiscal year end cannabis tax revenue is projected to total \$5.7 million, representing a shortfall of \$1.8 million on an adopted budget of \$7.5 million. Collections are lower than projected due to delayed retail opening dates and lower-than-expected retail receipts for the two existing open locations.

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 1,761 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 Q3. There have been several actions taken on existing approved cannabis entitlements; no new entitlements were issued for cannabis operations.

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 one new cannabis business license and twelve renewal licenses. One operation withdrew from the business license application process and four licensees did not renew their cannabis business license.

Retail Dispensaries

Board of Supervisors
June 4, 2024
Page 3 of 4

The County approved six dispensary retail locations through a competitive application process. County cannabis business licenses were issued to The Pharmacy Isla Vista on 11/29/22 and to The Pharmacy Santa Ynez on 1/3/23. Both are currently in operation. Four of the six locations are in various stages of the building permit process.

Dr. Greenthumb's: The Orcutt location has a business license application on file. The applicant plans to make interior tenant improvements to their storefront over the coming months; the estimated timeline to open is slated for FY24/25 Q2 (Oct-Dec).

Haven: The Los Alamos location has a business license application on file. The applicant's Conditional Use Permit was approved by the County Planning Commission on 12/6/23. Their building permit application was submitted; Planning & Development is awaiting payment of fees to start the plan check review for construction of the new building. The estimated timeline to open is slated for FY25/26 Q2 (Oct-Dec).

Island Drift/The Annex: The Eastern Goleta location has a business license application on file. The existing structure has been demolished. An application for grading associated with the construction of a new cannabis dispensary is being reviewed by the Public Works, Roads division. Additionally, a building permit application for the construction of a new building is in the final review process and comments were provided to the applicant on 2/27/24. The estimated timeline to open is slated for FY24/25 Q2 (Oct-Dec).

Santa Claus Lane: The Toro Canyon/Summerland location has a business license application on file. The project was appealed to the California Coastal Commission and the appeal was denied; the project was approved to move forward on 2/8/23. The South Board of Architectural Review provided final approval on 3/3/23. The Coastal Development Permit was issued on 10/12/23. The numerous appeals have delayed the project however, the applicant plans to submit a building permit application by June 2024 to accommodate several interior design changes and an exterior remodel construction. The estimated timeline to open is slated for FY24/25 Q4 (Apr-Jun).

Cannabis Enforcement

Over the last quarter, the Santa Barbara County Sheriff completed four enforcement actions against illegal cannabis activities, 259 pounds of cannabis product were confiscated totaling an estimated street value of \$261,000.00.

At the March 12, 2024, Board Hearing, Supervisor Hartmann requested an update from the Sheriff's enforcement team on how the illegal cannabis landscape is evolving. Santa Barbara County Sheriff's Office provided the following update regarding enforcement activities:

Initially, the enforcement branch of the Sheriff's Cannabis Compliance team encountered large illegal non-conforming cannabis grows which resulted in the eradication of hundreds of thousands of cannabis plants and/or large quantities of processed cannabis products. The team has transitioned into now concentrating more on the illegal "street" cannabis dealers, with a focus of always trying to identify their source. This is an important area for the team to focus because this is one of the most common ways youth in Santa Barbara County are gaining access to marijuana products.

The team has also encountered a large amount of non-volatile cannabis extraction labs, both large- and small-scale operations. They are seeing less of the large-scale illicit cannabis grows, although they did encounter several "cartel/trespass" style grows in the back country last year. Instead, they are finding smaller indoor grow operations, either in a residence or a commercial style

Board of Supervisors
June 4, 2024
Page 4 of 4

building. These types of operations allow the suspects to “hide in plain sight” and are more difficult to locate, often resulting in lengthier investigations. The team is also encountering the use of “burner distros” locally, which is a problem statewide. The use of burner distros allows large amounts of product to move from the legal cannabis market to the illicit market where if it is moved out of state or out of the country its value increases tremendously. In addition, there have been instances of licensed cannabis businesses in the county diverting cannabis to the illicit market through means other than the use of a “burner distro.” Though it’s hard to quantify, the enforcement team has not seen a decrease in the amount of cannabis being sold on the illicit market and continue to actively pursue illegal activity.

Emerging Issues

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

1. Changes to the tax measure and any adjustments needed to Chapter 50.
2. County implications for the upcoming cannabis rescheduling from schedule I to schedule III (equal to Tylenol with codeine as an accepted medical use).

Objectives for the Upcoming Quarters

1. Implement State audit general recommendations to enhance current processes and procedures as they relate to cannabis licensing.
2. Review and propose Chapter 50 ordinance amendment(s) to address outstanding issues including: aligning live scan and criminal background checks with DCC State regulations.
3. Integrate compliance efforts to include use of State track and trace (Metric Viewer) data and frequent inter-departmental compliance site visit check-ins.
4. Track Use-it-or-Lose-it acreage.
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.
6. Prepare for potential changes to the cannabis taxation method if approved by the Board of Supervisors and if subsequently voter approved.

Attachments

Attachment A: Cannabis Taxation, Compliance, and Enforcement, 3rd Quarter Report FY 2023/2024

Authored by:

Carmela Beck, Cannabis Program Manager