

# UPDATE ON CANNABIS

## Compliance, Enforcement & Taxation

FOURTH QUARTER – FY 2019-20

Board of Supervisors  
September 1, 2020



County Executive Office

# TODAY'S REPORT

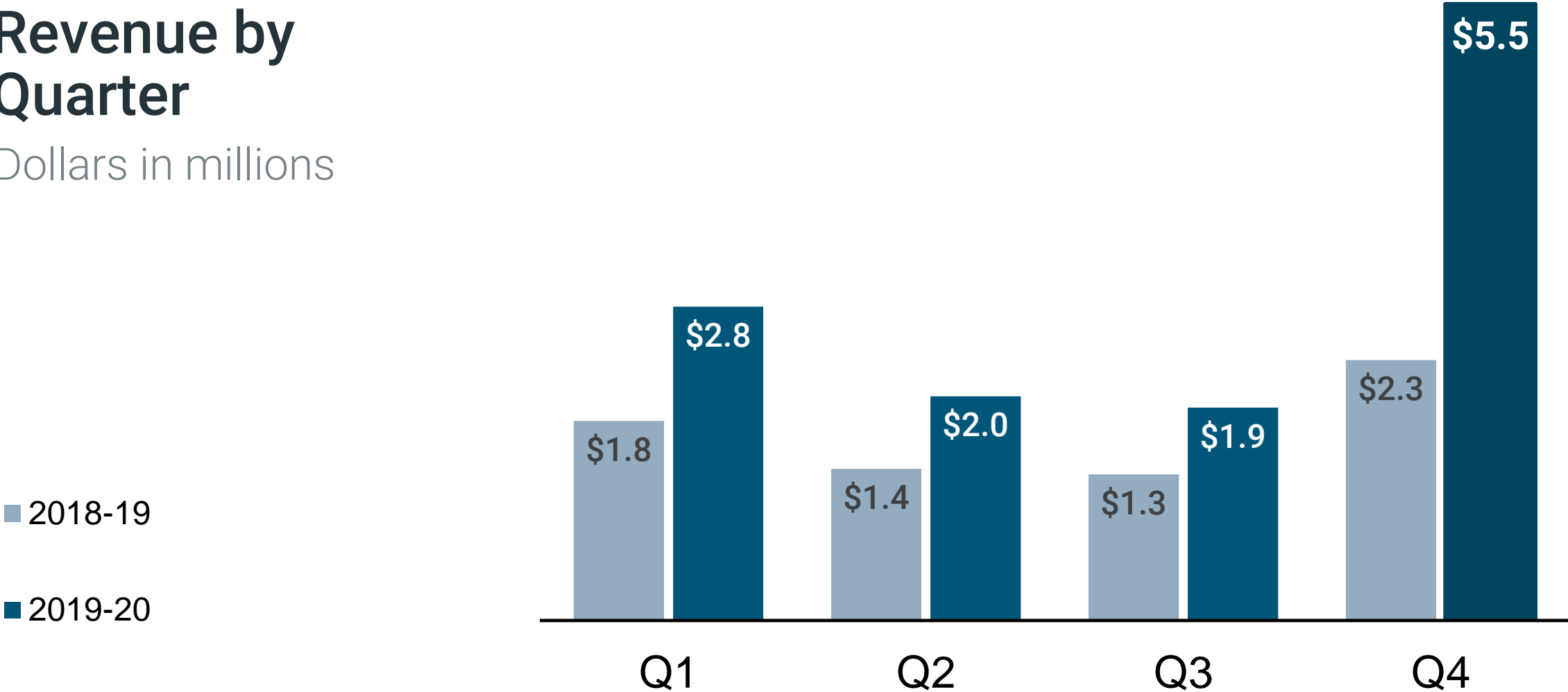
- Tax Revenues
- Land Use Planning Permits
- Business Licenses
- State Licenses
- Enforcement
- Emerging Issues & Challenges
- Next Steps

# RECOMMENDED ACTIONS

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

# Cannabis Tax Revenue by Quarter

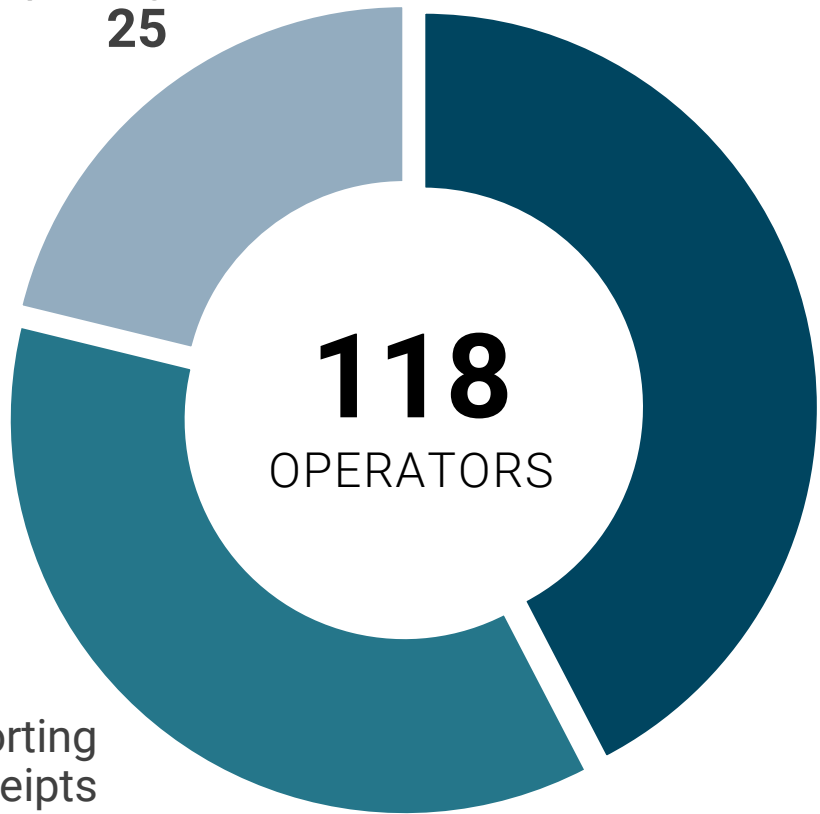
Dollars in millions



# Cannabis Tax Receipts

FY 2019-20 Q4

Operators Not Reporting  
**25**



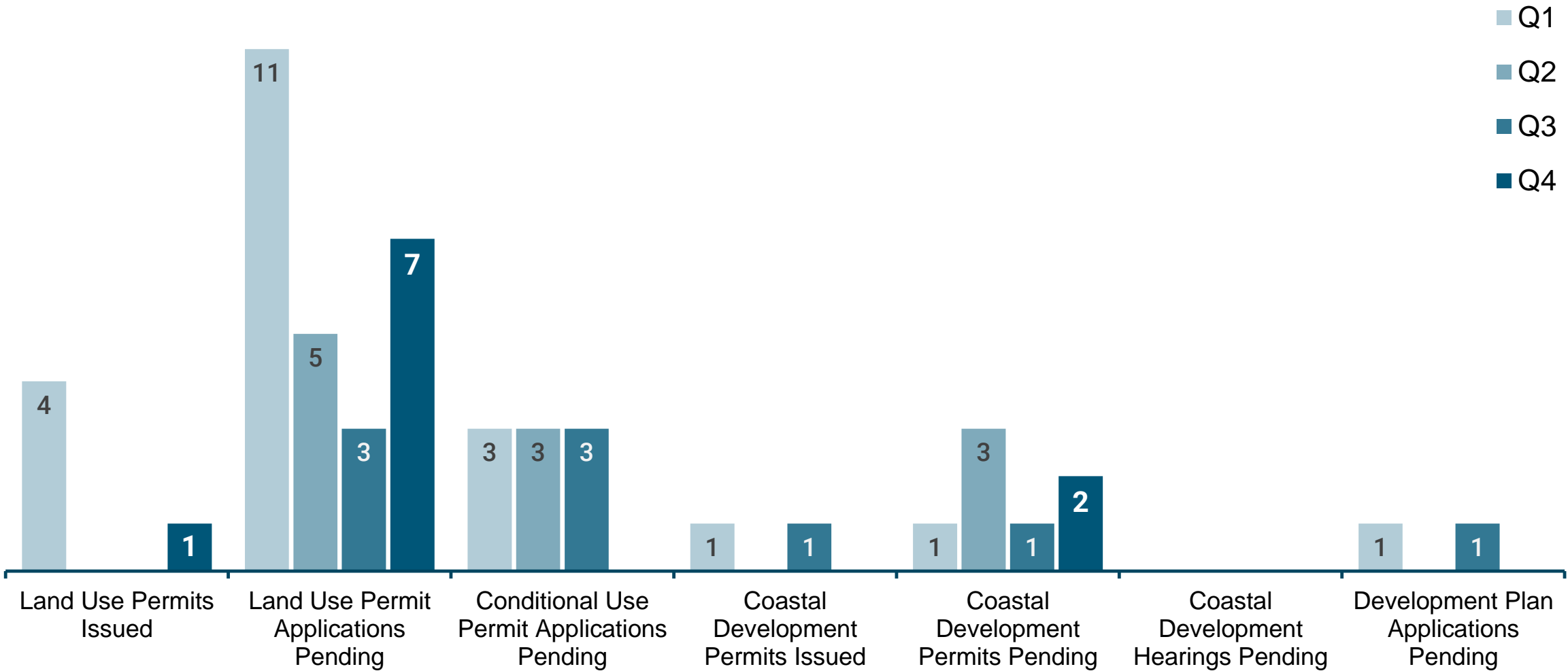
Operators Reporting  
Gross Receipts  
**50**

Operators Reporting  
Zero Gross Receipts  
**43**

# Land Use Planning Permits by Status

	Q4	Total to Date
Land Use Permits Issued	1	17
Land Use Permit Applications Pending	7	79
Conditional Use Permit Applications Pending	0	35
Coastal Development Permits Issued	0	4
Coastal Development Permits Pending	2	33
Coastal Development Hearing Pending	0	7
Development Plan Applications Pending	0	24
<b>Total</b>	<b>10</b>	<b>199</b>

# Land Use Permitting Status by Quarter



# Land Use Planning Permits by Status

In Acres

	Inland Area	Coastal Zone
<b>Permitted</b>	<b>260</b>	<b>22</b>
<b>In Pipeline</b>	<b>2,354</b>	<b>193</b>
<b>Q4 Total</b>	<b>2,614</b>	<b>215</b>
<b>Change from Q3</b>	<b>+162</b>	<b>+2</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

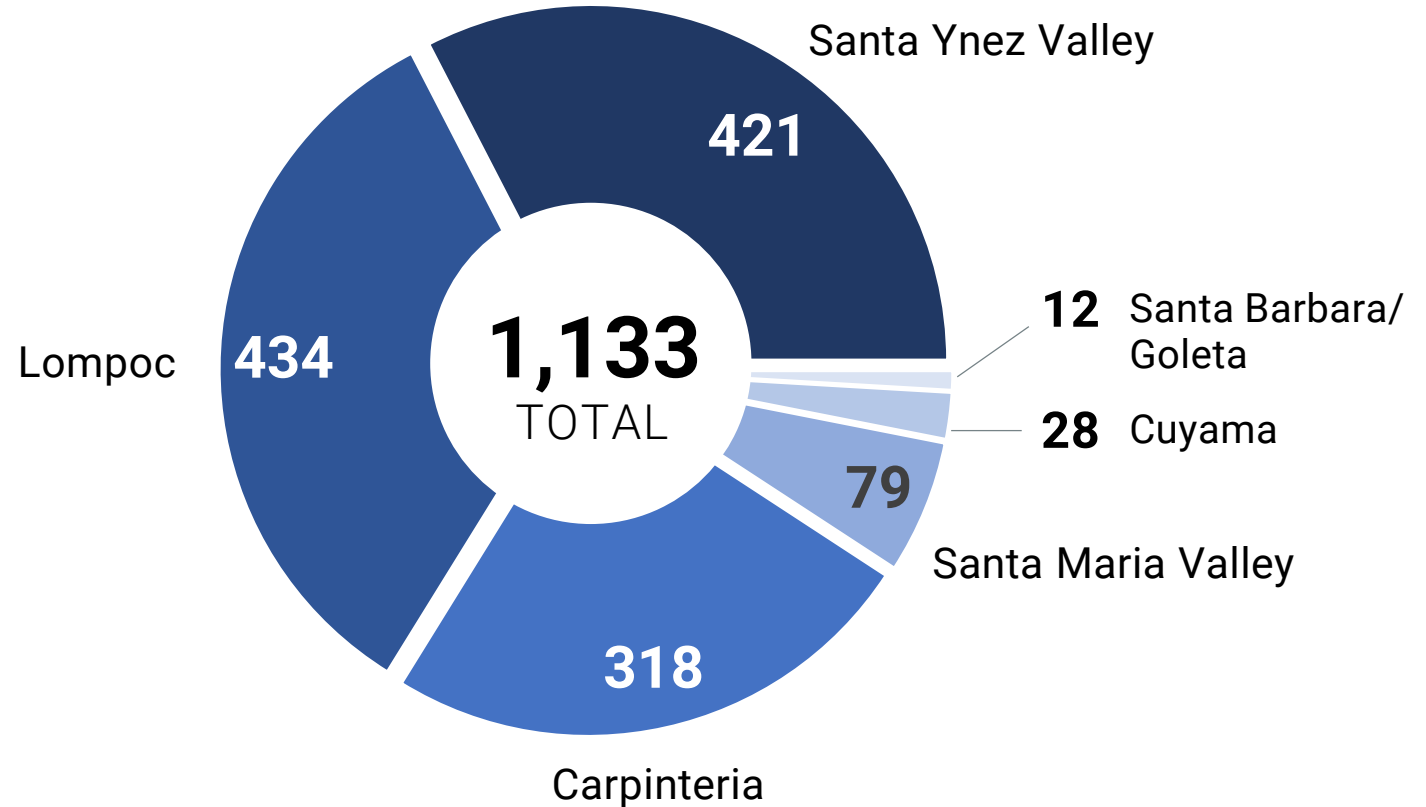
	Application Submitted	Issued	Pending
Cultivator	43	8	35
Nursery	23	7	16
Manufacturer	1	0	1
Retailer Non-Storefront	2	1	1
Distributor	6	0	6
<b>Q4 Totals</b>	<b>75</b>	<b>16</b>	<b>59</b>
<b>Change from Q3</b>	<b>+3</b>	<b>+6</b>	<b>+3</b>

# State Licenses in Unincorporated Area

County with second highest number of licenses and acreage in California

*Data as of August 19, 2020*

## Number of Active Cultivation Licenses by Region

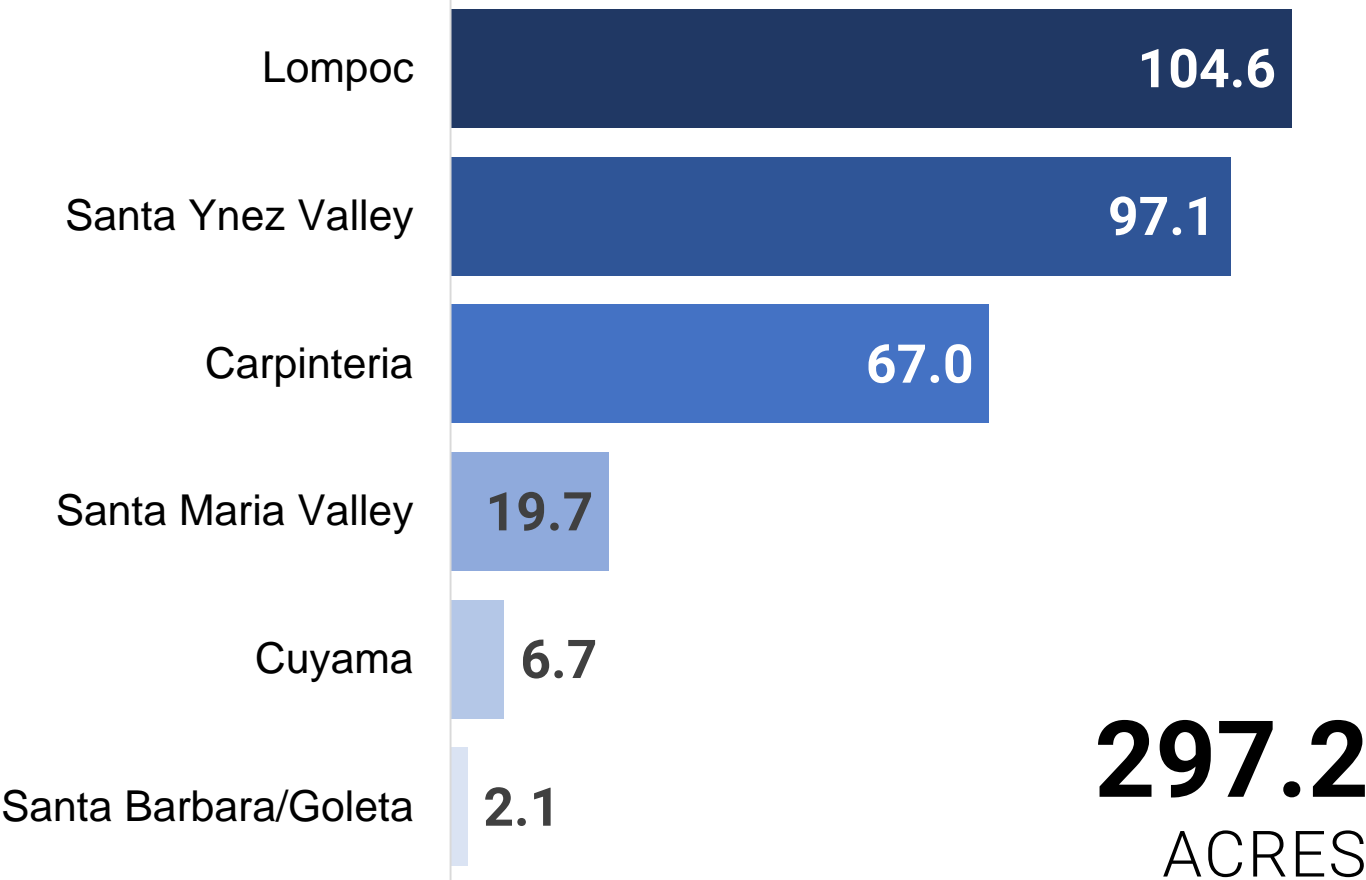


# State Licenses in Unincorporated Area

County with second highest number of licenses and acreage in California

*Data as of August 19, 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

- **80 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
  - We have not issued any letters of intent to withdraw during this quarter, primarily due to timing issues related to COVID. We are working with county counsel and the CDFR to finalize an appropriate due process protocol.

# Cannabis Enforcement

	FY 2018-19 Totals	FY 2019-20 Q4	FY 2019-20 Totals
# of Enforcement Actions	46	7	32
# Live Plants Confiscated	984,597	3,100	19,884
Live Plants Value (\$)	\$223.7M	\$775K	\$5.0M
Dried Product Confiscated (lbs.)	64,839	5,430	8,492
Dried Product	\$64.8M	\$4.7M	\$8M

# Retail Storefront Selection Process

- Community Engagement meetings held virtually for each community plan area in the month of July due to COVID-19 pandemic
- Staff presented to the Board in August an updated selection process timeline and scoresheet criteria for the Business Operations Proposal and Neighborhood Compatibility Plan
- Staff anticipates making the retail storefront selection application available approximately mid-September
- Staff anticipates opening the application submittal period approximately mid-October

# Emerging Issues

- Continue to better align the land use permitting process and the business license process.
- Encourage and incentivize operators that have submitted land use entitlement applications to take advantage of concurrent processing.
- Review those operations who do not comply with County regulations to determine whether they should retain their County letter of authorization to support any state-issued license.
- Encourage operators to submit business license applications through the Accela public facing portal.



# Objectives for Upcoming Quarters

- Commence the retail storefront license selection process.
- Present the KPMG findings and implementation plan 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.
- Continue the Business Licensing process improvement project to streamline the licensing process.

# Next Steps

- Make the Retail Storefront selection process application available and open the application submittal period.
- Bring back amendments to the Business License Ordinance (Chapter 50) to the Board
- Complete a structure for conducting tax audits using an independent evaluator

# QUESTIONS

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