

City of Lathrop

Cannabis Update

CITY COUNCIL REGULAR MEETING
JULY 12, 2021
ITEM 2.3





Background

- An initial Regional Cannabis Update was presented to the City Council on February 8, 2021.
- Vice Mayor Torres-O'Callaghan requested information about the tax on the delivery of cannabis and how cities collect a tax. Responsive information was provided to Vice Mayor Torres-O'Callaghan via email on March 17, 2021 and May 27, 2021.
- Councilmember Diallo requested to see the different cannabis licenses available in the State. Responsive information was provided to Councilmember Diallo via email on March 17, 2021 and May 27, 2021.



- Councilmember Diallo also requested actual numbers from surrounding cities that have adopted commercial cannabis licenses. Responsive information was provided to Councilmember Diallo via email on March 17, 2021 and May 27, 2021.
- Mayor Dhaliwal asked whether surrounding cities had pros and cons of selling commercial cannabis and whether credit unions allow accounts to be opened for businesses that sell commercialized cannabis.



- Staff contacted ten credit unions in surrounding cities to ask whether they allow businesses that sell commercialized cannabis to open accounts.
- All ten credit unions confirmed they do not allow those type of accounts.
- Staff contacted ten surrounding cities to gather information regarding their regulation of the sale of commercialized cannabis. The following is a summary of the information provided.



- City of Ceres
 - Allows the sale of commercial cannabis within City limits.
 - Requires monthly sales tax reports and charges 8.38% based on gross receipts.
 - Assesses a public benefit fee of \$20k per month or 5% of monthly gross receipts (whichever is greater), up to \$75k per month.
 - Requires all commercial cannabis businesses to have Development Agreements.
 - Total revenue to the City from all cannabis related business activity, including applications tax, etc.
 - F/Y 18/19 - \$2,225,060
 - F/Y 19/20 - \$2,090,000
 - F/Y 20/21 - \$1,460,000
 - **3 current businesses within City limits.**
 - **2 retail / delivery**
 - **1 manufacturing**
 - Ceres City Council does not want oversaturation, therefore, only 3 businesses have been approved to sell commercial cannabis within City limits.
 - No reported pros or cons.



- City of Escalon
 - Prohibits the sale of commercial cannabis within City limits.
 - Allows a business license for delivery of commercial cannabis.
 - **No current issued business licenses.**
 - No additional tax on delivery.
- City of Lodi
 - Prohibits the sale of commercial cannabis within City limits.
 - Prohibits the application or approval of business licenses for the delivery of commercial cannabis within City limits.
 - **No current business licenses.**
- City of Manteca
 - Prohibits the sale of commercial cannabis within City limits.
 - Allows a business license for delivery of commercial cannabis.
 - **No current issued business licenses.**
 - No additional tax on delivery.



- City of Modesto
 - Allows the sale of commercial cannabis within City limits.
 - Requires retailers to obtain a permit for delivery of commercial cannabis within City limits.
 - Business license set fee of \$160 plus 8% retail sales tax per year.
 - Total revenue to the City from all cannabis related business activity, including applications tax, etc.
 - Requested from Finance Department, but have not provided.
 - **12 current businesses within City limits.**
 - **3 cultivation**
 - **7 retail (3 delivery)**
 - **1 micro-business retail**
 - **1 micro-business cultivation / manufacturing**
 - No reported pros or cons.
- City of Ripon
 - Prohibits the sale of commercial cannabis within City limits.
 - Prohibits the application or approval of business licenses for the delivery of commercial cannabis within City limits.



• City of Patterson

- Allows the sale of commercial cannabis within City limits.
- Allows 5 businesses (pilot program).
- All commercial cannabis businesses have Development Agreements.
- Fees based on gross receipts according to their Master Fee Schedule (MFS).

■ Business license Retail Fees:

Gross Receipts		License Tax
0	4,999	21
5,000	14,999	26
15,000	29,999	29
30,000	44,999	45
45,000	99,999	68
100,000	149,999	114
150,000	249,999	143
OVER	250,000	171

■ Manufacturing Fees:

Gross Receipts		License Tax
0	99,999	71
100,000	199,999	100
200,000	299,999	129
300,000	399,999	156
400,000	499,999	199
500,000	599,999	257
600,000	799,999	286
800,000	899,999	344
900,000	999,999	371
OVER	1,000,000	399

- Total revenue to the City from all cannabis related business activity, including applications tax, ect.
 - Requested from Finance Department, but have not provided .
- **3 current businesses within City limits.**
 - **2 retail**
 - **1 retail with manufacturing**
 - **NO current delivery licenses**
- No reported pros or cons.



- City of Stockton
 - Allows the sale of commercial cannabis within City limits.
 - Requires 5% tax for dispensary/delivery based on monthly gross receipts.
 - No limit to the number of permits for delivery of commercial cannabis.
 - Limit of two new permits (by lottery) annually for commercial cannabis dispensary.
 - Total revenue to the City from all cannabis related business activity, including applications tax, etc.
 - Requested from Finance Department, but have not provided.
 - **14 current businesses within City limits.**
 - **3 cultivation**
 - **6 retail / store front**
 - **5 delivery / no store front**
 - No reported pros or cons.



- City of Tracy
 - Allows the sale of cannabis within City limits.
 - Outdoor cultivation is prohibited.
 - \$10k permit application fee assessed to cover the cost of processing.
 - Conditional use permit application fee is an additional \$5,000 - \$6,000.
 - Additional cannabis tax 6-15%.
 - Total reported revenue. (all revenue is from application fees, none from sales)
 - 2019 - \$0
 - 2020 - \$0
 - 2021 - \$421,200
 - **No current cannabis businesses open.**
 - **No max on number of delivery businesses**
 - **No max on number of manufacturing businesses**
 - **Only 4 retailers allowed**
 - There have been over 40 commercial cannabis permit applicants of various types since 2020 but only 4 retail applications have been approved. No applications for other uses have been approved. Businesses are now pending an appeals process before being allowed to open.
 - No reported pros or cons.



- City of Oakland

- Allows the sale of commercial cannabis within City limits.
- Cannabis regulatory fees:
 - <\$500k = \$3,154; second permit \$1,164
 - \$500k - \$999k = \$5,812; second permit \$2,162
 - >\$999k = \$11,301; second permit \$5,635
 - Second permit must be same operator.
 - Commercial cannabis dispensary fee \$15,151
 - Commercial cannabis on-site consumption fee \$2,133
- Business tax:
 - Charge 5% of monthly gross sales for medicinal cannabis .
 - Charge 10% of monthly gross sales for recreational cannabis.



- Total revenue to the City from all cannabis related business activity, including applications tax, etc.
 - 2015 - \$3.61 million (70 businesses)
 - 2016 - \$4.64 million (77 businesses)
 - 2017 - \$7.48 million (85 businesses)
 - 2018 - \$8.07 million (139 businesses)
 - 2019 - \$12.85 million (195 businesses)
 - 2020 - \$8.89 million (252 businesses)
 - 2021 - \$13.47 million (187 businesses) *through May 26, 2021
- **187 current businesses within City limits including:**
 - **Retail**
 - **Delivery**
 - **Manufacturing**
 - **Indoor / outdoor cultivation**
 - **Distribution**
- No reported pros or cons.



State license type and description.

- Type 1 = Cultivation; Specialty outdoor; Small.

Outdoor cultivation using no artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises, or up to 50 mature plants on noncontiguous plots.

- Type 1A = Cultivation; Specialty indoor; Small.

Indoor cultivation using exclusively artificial lighting less than or equal to 5,000 square feet of total canopy size on one premises.

- Type 1B = Cultivation; Specialty mixed-light; Small.

Cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, of less than or equal to 5,000 square feet of total canopy size on one premises.

- Type 2 = Cultivation; Outdoor; Small.

Outdoor cultivation using no artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.



- Type 2A = Cultivation; Indoor; Small.

Indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premise.

- Type 2B = Cultivation; Mixed-light; Small.

Cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.

- Type 3 = Cultivation; Outdoor; Medium.

Outdoor cultivation using no artificial lighting from 10,001 square feet to one acre, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.



- Type 3A = Cultivation; Indoor; Medium.

Indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.

- Type 3B = Cultivation; Mixed-light; Medium.

Cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.

- Type 4 = Cultivation; Nursery.

Cultivation of medical cannabis solely as a nursery. Type 4 licensees may transport live plants.

- Type 6 = Manufacturing 1.

For manufacturing sites that produce medical cannabis products using nonvolatile solvents.



- Type 7 = Manufacturing 2.

Manufacturing sites that produce medical cannabis products using volatile solvents. The State Department of Public Health shall limit the number of licenses of this type.

- Type 8 = Testing.

Testing of medical cannabis and medical cannabis products. Testing licensees shall have their facilities licensed according to regulations set forth by the division. A testing licensee shall not hold a license in another license category of this chapter and shall not own or have ownership interest in a facility licensed pursuant to this chapter.

- Type 10 = Dispensary; General.

Facility where medical cannabis, medical cannabis products, or devices for the use of medical cannabis or medical cannabis products are offered, either individually or in any combination, for retail sales, including an establishment that delivers, pursuant to express authorization by local ordinance, medical cannabis and medical cannabis products as part of retail sale.



- Type 10A = Dispensary; No more than three retail sites.

Dispensers who have no more than three licensed facilities. This license shall allow for delivery where expressly authorized by local ordinance.

- Type 11 = Distribution.

Distribution of medical cannabis and medical cannabis products from manufacturer to dispensary. A Type 11 license shall hold a Type 12, or transporter, license and register each location where product is stored for the purposes of distribution. A Type 11 license shall not hold a license in cultivation, manufacturing, dispensing, or testing license category and shall not own, or have an ownership interest in, a facility licensed in those categories other than a security interest, lien, or encumbrance on property that is used by a licensee. A Type 11 licensee shall be bonded and insured at a minimum level established by the licensing authority.

- Type 12 = Transporter.

Transporters of medical cannabis or medical cannabis products between licensees. A Type 12 licensee shall be bonded and insured at a minimum level established by the licensing authority.