



Date: April 9, 2019

To: Economic Development and Finance Committee

From: Councilmember Rex Richardson, Ninth District, Chair

Subject: **Non-Retail Cannabis Businesses Report & Pilot Program**

RECOMMENDATION:

Recommendation to receive and file a status update on non-retail type cannabis businesses, and request staff to refer to the City Council within 30 days a report on the feasibility of the creation of a 24-month pilot program to expand the tax base of non-retail cannabis businesses by streamlining processes, adjusting tax rates, and providing incentives.

Discussion

Following the enactment of Measures MM, MA, and Ordinance 17-0011, the City of Long Beach has received numerous applications to establish marijuana cultivation, distribution, manufacturing, and testing businesses. Being that the City has restricted the number of medical and/or recreational dispensaries to 32, 16 businesses are currently active. This limit, however, does not apply to non-retail cannabis businesses (cultivation, distribution, manufacturing, and testing). In fact, of the applications pending, roughly 15 sites aggregate all “other” type licenses now operational in the City.

The Problem

Administrative red tape such as development standards can often slow the process for non-retail cannabis businesses to become active. In addition, the business license tax rate for cannabis manufacturing, distribution, and lab testing in Long Beach is currently 6% of gross receipts. This burden to produce tax revenue is currently placed on dispensaries as there aren’t many “other” type businesses in operation. The City’s tax rate for cannabis businesses is the highest in the region, compared to Los Angeles, which is set at 2% for manufacturing and 1% for both distribution and lab testing.

The Opportunity

The Cannabis Social Equity Program was designed to support equal opportunity in the cannabis industry through job creation and business ownership for



communities most impacted by the criminalization of cannabis. Non-retail businesses have shown low impacts on local communities and the potential to increase job and ownership opportunities. Likewise, reducing the tax base for these uses allows Long Beach businesses to remain competitive; thus, growing the tax revenue. As the industry emerges, we want to ensure the process is efficient and consistent. This feasibility study should assess job opportunities, tax revenue, and any additional benefits from streamlining the licensing process and adjusted tax rates for non-retail cannabis businesses.