



Date: July 31, 2019

To: Mayor and Members of the City Council

From: Patrick West, City Manager *T.M.*

Subject: **City Council request for a 30-day update on policies to expand the tax base of non-retail cannabis businesses**

At its July 2, 2019 meeting, the City Council approved the following actions:

1. Direct staff to conduct a study of cannabis building design and zoning requirements and submit the study to the Planning Commission for further review. Refer recommendations to the City Council for final approval.
2. Direct staff to prepare a fiscal and jobs impact analysis on adjusting cannabis business license tax rates for Manufacturers, Testing Laboratories, and Distributors to 1 percent, 2 percent, and 3 percent of gross receipts.
3. Direct staff to research the feasibility of licensing and regulating shared-use manufacturing facilities in Long Beach.

The City Council requested that staff provide, within the next 30 days, an update on the process and timeline for completing each task. In response to this request, an update for each item is provided below.

Cannabis Building Design and Zoning Study

Planning Bureau staff estimate they will be able to complete the cannabis building design and zoning study by October 2019. Once complete, the findings will be presented to the Planning Commission for review. At that time, the Planning Commission may recommend changes to the Long Beach Municipal Code (LBMC) relating to cannabis building design and zoning requirements. Proposed changes to the LBMC will be referred to the City Council for final approval. Staff anticipate the City Council will be presented with Planning Commission recommendations by the end of calendar year 2019.

Fiscal Impact and Jobs Analysis

Office of Cannabis Oversight (OCO) staff estimate they will be able to complete the fiscal and jobs impact analysis (Fiscal Impact Report) by October 2019. The projected timeline is based upon the type of information requested by the City Council. Specifically, the City Council asked staff to include the following information in the Fiscal Impact Report:

- Potential impact of a 1 percent, 2 percent, and 3 percent tax rate on the number of cannabis businesses and jobs in Long Beach.
- Updated General Fund revenue projections for 1 percent, 2 percent, and 3 percent tax rates, accounting for anticipated growth in the number of cannabis businesses.

- Summary of General Fund expenditures supported by Measure MA revenues.
- Overview of the current cannabis job market, including position types, salaries, and benefits.
- Comparison of non-retail cannabis business tax payments and employment statistics to other industries in Long Beach.
- Availability of industrial property in areas where cannabis businesses may locate.
- Justification for taxing cultivation on a square footage basis, rather than as a percentage of gross receipts.

In the interest of maintaining the overall competitiveness of the Long Beach non-retail cannabis market, the City Council requested that staff complete the Fiscal Impact Report prior to the start of Phase 3 of the Los Angeles cannabis application process. Recently, the City of Los Angeles Department of Cannabis Regulation (DCR) announced that Phase 3 will begin in September 2019. Initially, however, the DCR will only accept new applications for retail and delivery businesses. The DCR has not yet announced when they will begin accepting Phase 3 applications for non-retail businesses, including cultivation, manufacturing, and distribution. Staff will update the City Council as more information becomes available.

Shared-Use Manufacturing Feasibility Study

Staff from the OCO will take the lead on researching and drafting the shared-use manufacturing feasibility study (Feasibility Study). In preparing the Feasibility Study, staff will seek input from other City departments involved in licensing and regulating cannabis manufacturing facilities. In addition, staff will contact other jurisdictions in California that currently license shared-use manufacturing businesses to learn from their experiences.

It is anticipated staff will be able to provide the Feasibility Study to the City Council within three months after release of the Fiscal Impact Report. This approach will allow the OCO to focus its efforts on completing the Fiscal Impact Report prior to the start of Phase 3 of the Los Angeles application process for non-retail cannabis businesses.

If you have questions, please contact Ajay Kolluri at (562) 570-6406 or via email at Ajay.Kolluri@longbeach.gov.

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