



# **Feasibility Studies: Cannabis Delivery and Equity Storefront Dispensaries in Long Beach**

**City Council Meeting - October 12, 2021**

# Background

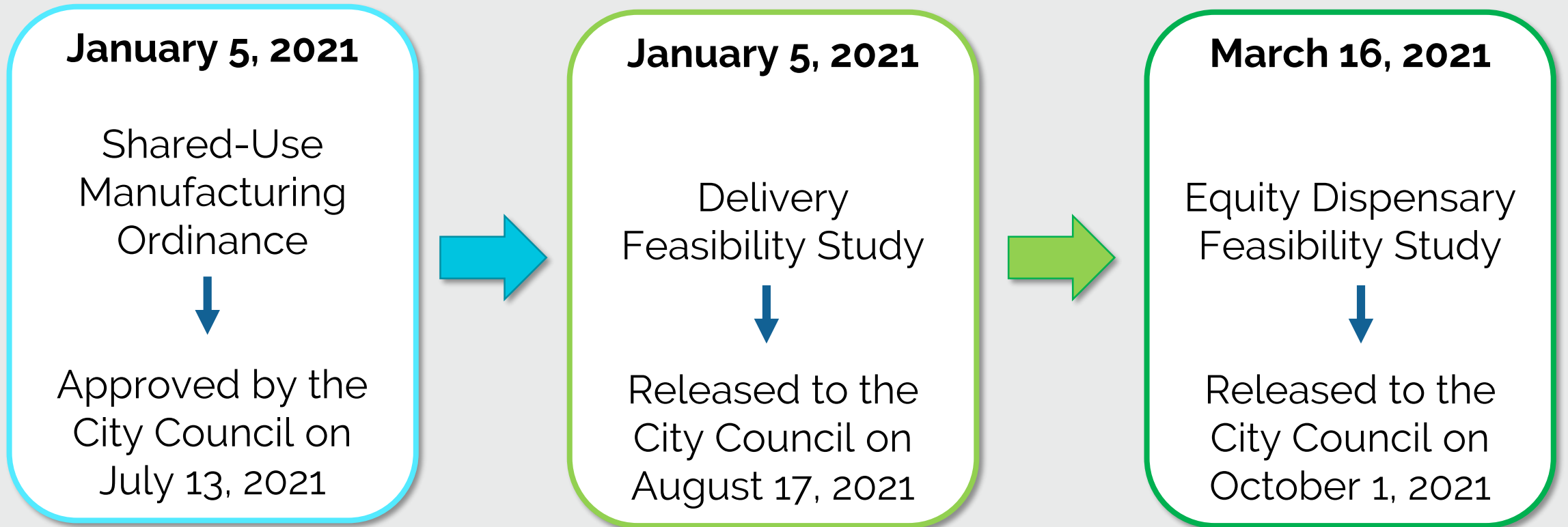
## Goal:

To promote opportunity in the cannabis industry for individuals and communities negatively impacted by the War on Drugs through business ownership and employment.

## Challenges:

- Lack of retail license types available
- High start up costs and need for capital
- Lack of available/viable property in Green Zone
- Lack of technical assistance
- Lack of community input

# City Council Actions



# Delivery Feasibility Study





## Cannabis Non- Storefront Retailers

- Businesses that sell cannabis goods to customers exclusively through delivery
- Delivery businesses must have a commercial licensed premises and must remain closed to the public.
- Deliveries are currently only allowed by licensed dispensaries in the city.

# Delivery: Policy Areas Under Consideration

1. Licensing Caps and Predatory Practices
2. Priority/Exclusivity for Equity Applicants
3. Location Requirements



Community Feedback



City Outreach



Research Laws



Internal Discussions

# Delivery: Licensing Caps and Predatory Practices

59%

Respondents believed that there should not be a cap on the number of delivery licenses.



Delivery businesses must remain closed to the public, reducing potential impacts to the community.

## Licensing Cap

- Increases predatory practices against equity applicants
- Reduces the opportunities for equity applicants
- Is inconsistent with how the City treats all other non-retail cannabis license types

# Delivery: Priority/Exclusivity for Equity Applicants

67%

Respondents **agreed** that delivery licenses should be **exclusive** to equity applicants.

64%

Respondents **disagreed** that delivery licenses should be **prioritized** for a defined period or up to a defined number of licenses.

Offering this license type exclusively to equity applicants would provide them an opportunity to gain access to the retail market without competition from non-equity applicants.



# Delivery: Location Requirements

## Equity Business Property Challenges

- Overly restrictive zoning and buffer regulations
- Properties in compliance are very limited
- Equity applicants often lack credit or lease history
- Property owners are not educated about Equity Program
- Property owners often charge a premium or write predatory lease agreements



Securing property in the City's "**Green Zone**" has consistently been a primary barrier for equity applicants to enter the cannabis market.



The number of delivery locations would impact the City's zoning determination; therefore, further analysis will need to be conducted.

# Delivery: Enforcement

***Current cannabis business license enforcement model and existing staff capacity cannot effectively detect or prevent illegal delivery businesses.***

## Challenges

- Difficult to identify illegal delivery operations from legal ones
  - Businesses outside Long Beach can legally deliver cannabis to Long Beach customers
  - Technology platforms allow for anonymity, or disguising of illegal businesses, with no identifiable location
- The nature and extent of the illicit delivery market in Long Beach is unknown at this time, and may change with licensed delivery

## Approach

- \$25,000 needed for outreach/research by consultant if new approach to enforcement is desired
- Staff analysis to recommend an appropriate enforcement approach with associated resource requirements
- Approach would consider effectiveness, safety, and cost
- Any model would likely include a significant additional cost above current budget

# Delivery: Policy Recommendation

Policy Option	Key Points	License Cap	Exclusive to Equity
<b>No Licensing Cap and Exclusive Licensing for Equity Applicants (Recommended)</b>	<ul style="list-style-type: none"> <li>• Greatest impact on equity ownership</li> <li>• Consistent with community expectations</li> <li>• Moderate risk of predatory practices</li> </ul>	No	Yes
No Licensing Cap and Priority Licensing for Equity Applicants	<ul style="list-style-type: none"> <li>• Competition between equity and non-equity businesses</li> <li>• Short-term competitive advantage for equity applicants</li> <li>• Low risk of predatory practices</li> </ul>	No	No
Licensing Cap and Exclusive Licensing for Equity Applicants	<ul style="list-style-type: none"> <li>• Restricts equity business ownership</li> <li>• Requires competitive application process</li> <li>• High risk of predatory practices</li> </ul>	Yes	Yes



# Equity Dispensary Feasibility Study

JOIN US FOR THE  
EQUITY DISPENSARY  
**COMMUNITY MEETING**  
WEDNESDAY, JULY 28<sup>TH</sup>  
5:00 pm - 7:00 pm Online via Zoom

The Office of Cannabis Oversight will be hosting a community meeting for the public to share input about adding additional equity-owned retail cannabis storefront businesses in Long Beach.

Topics of discussion include:

- Competitive Selection Process
- Location Requirements
- Predatory Practices

The Community Meeting will be held virtually via Zoom ([register here](#))

Help us develop policy options for the Long Beach City Council!

**CITY OF LONG BEACH**

We are very excited to hear from you! To find out more information about the status of the retail project or fill out a survey on this topic, please visit our Retail Dispensary Feasibility Analysis website at the link below.

# Equity Dispensary: Background



## Equity Dispensary

- 32 licensed dispensaries in the City
- All 32 dispensaries are owned by non-equity individuals
- No retail opportunities currently available to equity applicants

# Equity Dispensary: Community Feedback



## Virtual Community Meeting

**48** Attendees



## Virtual Roundtables

LB Forward • Long Beach Collective Association • Catalyst  
Long Beach Cannabis Commerce Council • United Cambodian Community



## Online Survey

**135** Responses • **67** Long Beach Residents • **43** Equity Applicants  
**23** Cannabis Business Owners • **2** Others

# Equity Dispensary: Policy Areas Under Consideration

- 1 Licensing Caps
- 2 Expanding the “Green Zone”
- 3 Competitive Application Processes
- 4 Predatory Practice Protections



**Community Feedback**

**City Outreach**



**Research Laws**

**Internal Discussions**



# Equity Dispensary: Licensing Cap

## Recommendation: 8 Licenses (20% Equity)

### Community Feedback

- Average of 34 equity dispensaries, in addition to 32 licensed dispensaries.
- A greater number of dispensaries might impede the success of these businesses and the entire cannabis market in Long Beach.
- The number should be sustainable for the new equity businesses owners as well as the existing dispensary businesses.

### Implications

- Grant funds are limited, and dispensaries need as much funding as possible.
- An equity dispensary would only be able to obtain an adult-use license.

### Other Jurisdictions

- Allocating between 20%-50% of licenses to equity.

*"The city should allow just as many equity retail licenses as current retail licenses."*

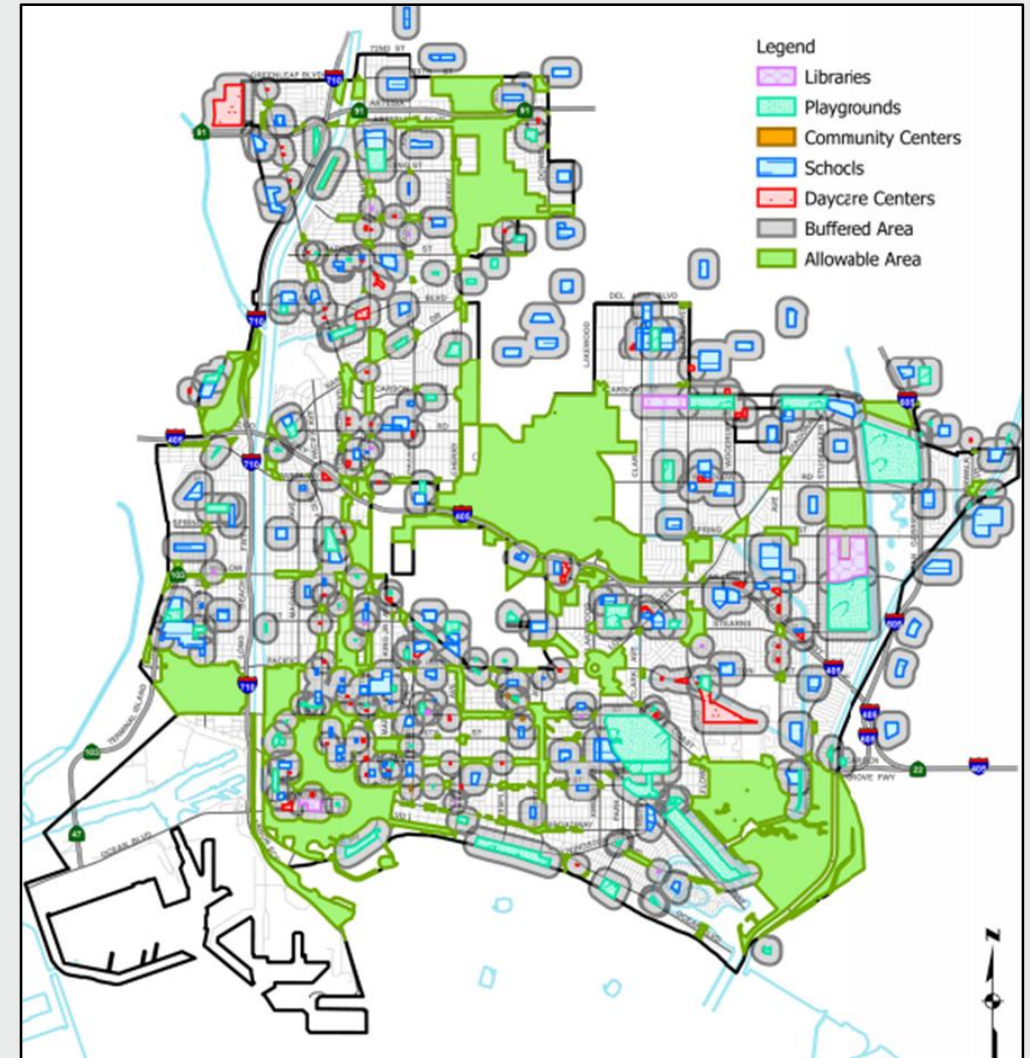


# Equity Dispensary: Expanding the “Green Zone”

Current Buffers	Recommendations
Schools: 1,000 ft	Schools: 600 ft
Day care centers: 600 ft	Day care centers: 600 ft
Parks: 600 ft	Parks: 0 ft
Libraries: 600 ft	Libraries: 600 ft
Beaches: 1,000 ft	Beaches: 0 ft
Playgrounds: 0 ft	Playgrounds: 600 ft
Community Centers: 0 ft	Community Centers: 600 ft



**3.1 sq. mi. added to the Green Zone!**



# Equity Dispensary: Application Process Options

## Merit-Based Review

- Awards licenses based on a full discretionary review of applications
- Potential to use the City's Request for Proposals (RFP) process
- Applicants that score or rank the highest are selected to move forward

2.0 FTEs  
required for  
each option &  
additional one-  
times for some

## Simple Lottery

- Ministerial review of applications to ensure minimum qualifications of the program are met
- Applicants that meet these minimum P/F qualifications would then be selected completely by chance in a fully transparent lottery

## First Come, First Served

- Review of applications in the order in which they are received to determine completeness, up to a pre-determined number of licenses

*"Successful applicants should be able to discuss the community impact of the business."*

## Hybrid

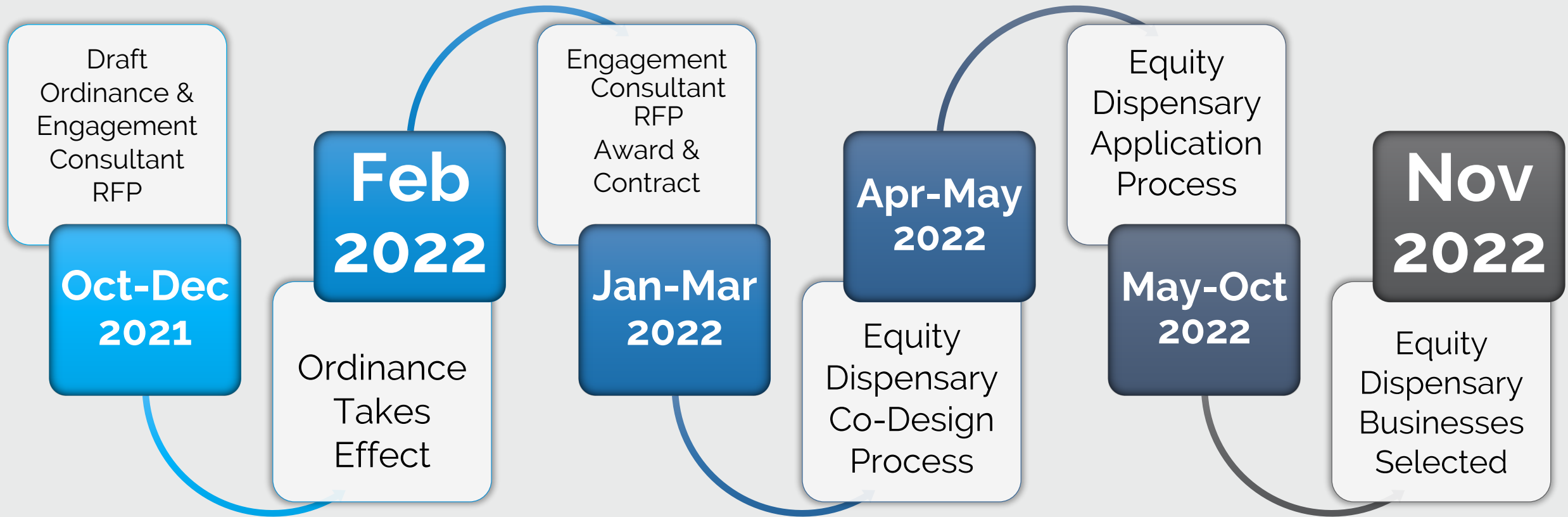
- A combination of any of the options listed above. For example, performing a merit-based review and then conducting a lottery

# Equity Dispensary: Application Process Recommendation

## Hybrid Model: Merit-Based RFP Process + Lottery





# Equity Dispensary: Application Process Timeline



# Equity Dispensary: Predatory Practice Protections

Predatory practices are predatory agreements or other unfair business practices utilized by individuals seeking to partner with equity applicants, who would otherwise not qualify for a business license without that partnership.

Option	Examples	Fiscal Impact	Supported by Community
<b>Strengthening the LBMC</b> <i>(Recommended)</i>	<ul style="list-style-type: none"> <li>Setting a time limit before an equity business can transfer ownership</li> <li>Allowing multiple equity applicants to have a majority ownership in a license</li> </ul>	None	
<b>Education, Training, and Direct Technical Assistance</b> <i>(Recommended)</i>	<ul style="list-style-type: none"> <li>Informational workshops from industry experts</li> <li>Attorneys to review legal agreements and business documents before signing</li> </ul>	\$200,000 to support consultants providing direct technical assistance	
<b>Business Document Review Upon Application Submission</b>	<ul style="list-style-type: none"> <li>Review of business structure documents and agreements, leases, financial statements, etc. as part of the application submission</li> </ul>	Unknown - review would likely have to be conducted by third-party professionals with expertise	

# Equity Dispensary and Delivery: Fiscal Impact

## Recommendation

• 2.0 FTEs	\$230,000
• Equity Program Software	\$75,000
• Equity Community Engagement Consultant	\$50,000
• Direct Technical Assistance	\$200,000

<b>Total One-Time:</b>	<b>\$325,000*</b>
<b>Total Structural:</b>	<b>\$230,000</b>

These resources would support the licensing and regulation of delivery businesses and additional equity dispensaries.

*\* Does not include \$25,000 for outreach/research if new approach to enforcement is desired.*

# Equity Dispensary and Delivery: Funding Source

## Increase Cannabis Tax (Measure MA) Revenues

Proposed Tax Increase Options (Annual)					
Business Type	.2% Increase	<b>(Recommended) .25% Increase</b>	.3% Increase	.4% Increase	.5% Increase
Dispensary	246,876.34	<b>384,749.76</b>	370,314.51	493,752.67	617,190.84
Non-Dispensary (excludes cultivation)	240,384.00	<b>180,027.68</b>	360,576.00	480,768.00	600,960.00
<b>Total</b>	487,260.34	<b>609,075.42</b>	730,890.51	974,520.67	1,218,150.84

*Based on FY 21 tax revenue estimates of \$9.2 million.*

# Expanding Equity Ownership Opportunities

## Recent policy changes and recommendations further support the goals of the Equity Program

- ✓ Increase the availability of cannabis retail licenses
- ✓ Allow for shared-use manufacturing in Long Beach
- ✓ Offer direct grants or loans to equity applicants
- ✓ Assist with securing Green Zone property
- ✓ Expand access to technical assistance and business accelerator/incubation programs
- ✓ Greater community involvement in shaping the Equity Program



# Conclusion

1. Allow delivery with **no licensing cap** and make licenses available **exclusive to equity applicants**.
2. Expand the **Green Zone** for dispensaries in Long Beach.
3. Allocate **eight** new adult-use dispensary licenses (20 percent) to verified equity applicants.
4. Use a **hybrid** application process, including a **merit-based review and lottery**, to select which equity applicants can move forward in the dispensary licensing process.
5. Strengthen the LBMC and provide additional **education, training, and direct technical assistance** to equity applicants.
6. Add **2.0 FTEs** at an annual estimated cost of **\$230,000** and **one-time funds of \$325,000**.
7. Increase the cannabis business license tax by **.25%** for all cannabis businesses charged a percentage of gross receipts.
8. Report back on the status of the new equity license types in **24 months**.

## Should the City Council wish to allow delivery and equity dispensaries in Long Beach:

- Direct the City Attorney to prepare an Ordinance allowing delivery and additional equity dispensaries; and,
- Increase appropriations in the General Fund Group in the City Manager Department by \$325,000, offset by an increase in cannabis business license taxes, for software development to support the Cannabis Social Equity Program, and stakeholder engagement services and direct technical assistance funding for the equity dispensary licensing program.



**Thank you**

**Emily Armstrong  
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