

# R-16

January 5, 2021

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Receive and file a report on the Cannabis Equity Program; direct the City Attorney to prepare an Ordinance to allow shared-use cannabis manufacturing in Long Beach; and, direct staff from the City Manager Department to prepare a feasibility analysis on licensing and regulating non-storefront (delivery-only) cannabis retail facilities in Long Beach. (Citywide)

## DISCUSSION

On July 7, 2020, the City Council requested staff to explore ways to further strengthen the cannabis equity program to expand equitable business ownership opportunities in the City of Long Beach (City). In response to this request, on August 5, 2020, staff released a memorandum to the City Council, which identified policy options for the City Council to consider for improving cannabis ownership opportunities locally (Attachment A).

On December 1, 2020, the Economic Development and Finance (ED&F) Committee received a presentation from staff regarding the cannabis equity program. Following this presentation, the ED&F Committee referred the following recommendations to the City Council:

1. Direct the City Manager to work with the City Attorney to prepare an Ordinance to allow shared-use manufacturing in the City of Long Beach; and,
2. Direct the City Manager to prepare a feasibility analysis for the licensing and regulating of non-storefront (delivery-only) cannabis retail facilities in the City of Long Beach.

The ED&F Committee also requested staff to return to the committee for future discussion on the possibility of creating additional adult-use cannabis storefront retail licenses in Long Beach for equity applicants. City Council action on adult-use cannabis storefront retail is not recommended at this time, pending further consideration by the ED&F Committee.

Additional information on the ED&F Committee recommendations regarding shared-use manufacturing and non-storefront (delivery-only) cannabis retail is provided in Attachment A to this letter.

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In addition, staff released a feasibility analysis on shared-use manufacturing to the City Council on July 31, 2020 (Attachment B). The feasibility analysis provides a review of the potential impacts of allowing shared-use manufacturing and is intended to assist the City Council in determining whether to allow this license type in Long Beach. Should the City Council wish to proceed, the next step in the process would be to direct the City Attorney to prepare an Ordinance to allow cannabis shared-use manufacturing in the City.

A similar analysis has not yet been prepared for non-storefront (delivery-only) retail. As a result, the Chair of the ED&F Committee has referred a recommendation to the City Council for staff to prepare a feasibility analysis on delivery-only retail, prior to the City Council making a formal recommendation on whether to allow this license type. Due to the workload involved in preparing a feasibility analysis for non-storefront (delivery-only) retail, City Council support for initiating the study is necessary to ensure that staff resources are properly prioritized for this purpose.

This matter was reviewed by Deputy City Attorney Arturo Sanchez and Budget Manager Grace H. Yoon on December 16, 2020.

### TIMING CONSIDERATIONS

City Council action is requested on January 5, 2021.

### FISCAL IMPACT

This recommendation requests the City Manager to work with the City Attorney to prepare an Ordinance to allow shared-use manufacturing in Long Beach. As part of the shared-use manufacturing feasibility analysis, staff determined that implementation of a shared-use manufacturing program is feasible under existing staffing levels, with some minor modifications to the application process. The revenue impact of allowing for shared-use manufacturing is unclear, due to uncertainty around the number of shared-use facilities that may seek to open within the City. However, based upon FY 20 revenues collected from existing cannabis manufacturing facilities in Long Beach, staff estimate that on average, every new licensed manufacturing facility may generate an additional \$6,638 in annual General Fund tax revenues for the City. Implementing this portion of the recommendation is anticipated to result in a minimal impact to staff hours beyond normal budgeted scope of duties and a minimal impact on existing City Council priorities.

This recommendation also requests the City Manager to prepare a feasibility analysis for the licensing and regulating of non-storefront (delivery-only) cannabis retail facilities in Long Beach. Should the City Council choose to allow for non-storefront (delivery-only) cannabis retail in Long Beach, the fiscal impact would depend on various policies yet to be determined by the City Council, including whether to set a cap on the number of available licenses, where the facilities may locate, hours of operation, and other key considerations. Implementing this portion of the recommendation is anticipated to result in a moderate impact to staff hours beyond normal budgeted scope of duties and a minimal impact on existing City Council priorities.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. Modica', written in a cursive style.


THOMAS B. MODICA  
CITY MANAGER

KJ:AK

ATTACHMENTS: A – CANNABIS EQUITY BUSINESS OWNERSHIP OPTIONS  
B – CANNABIS SHARED-USE MANUFACTURING FEASIBILITY ANALYSIS

Date: August 5, 2020

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager 

Subject: **Cannabis Equity Business Ownership Options**

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On July 7, 2020, the City Council requested staff to explore ways to further strengthen the cannabis social equity program (Equity Program) to expand equitable ownership opportunities in Long Beach. This memorandum provides a status update on the Equity Program and identifies policy options for the City Council to consider for improving cannabis ownership opportunities. In developing these recommendations, staff focused primarily on policy options that could be adopted through City Council action, and would not require voter approval through a ballot initiative.

### **Nexus Between Cannabis and Equity**

On June 23, 2020, the City Council adopted a Resolution acknowledging Racism as a Public Health Crisis. As part of this Resolution, the City Council recognized the disproportionate impact the enforcement of cannabis laws has had on the African American community in Long Beach. The consequences of a criminal conviction and incarceration for cannabis may include the permanent loss of property, disqualification from employment opportunities, reduced earnings potential, exclusion from public benefits, such as housing assistance or student financial aid, and other impacts. The goal of social equity for the cannabis industry is to help provide communities impacted by federal cannabis drug enforcement policies an opportunity to benefit from the growth of the newly legalized industry.

### **Background on the Cannabis Equity Program**

The Equity Program was adopted by the City Council on July 10, 2018, as part of an Ordinance authorizing recreational (adult-use) commercial cannabis activity in Long Beach. The purpose of the Equity Program is to promote opportunity in the cannabis industry for individuals and communities negatively impacted by the prior criminalization of cannabis. These opportunities include business ownership and employment in the cannabis industry. To qualify for the program, an individual must meet the following criteria:

- Have a family income below 80 percent of the Area Median Income (AMI);
- Have a net worth below \$250,000;
- Satisfy at least one of the following:
  - Lived in a Long Beach census tract for a minimum of three years where at least 51 percent of current residents have a household income at or below 80 percent of the AMI;

- Was arrested or convicted for a crime relating to the sale, possession, use, or cultivation of cannabis in Long Beach prior to November 8, 2016 that could have been prosecuted as a misdemeanor or citation under California law; and/or,
- Is a Long Beach resident currently receiving unemployment benefits.

To promote business ownership, individuals who qualify for the program are eligible to receive the following defined benefits, as approved by the City Council through the adult-use Ordinance:

- Application Workshops – Eligible equity applicants can meet individually with staff from the Office of Cannabis Oversight (OCO) to receive detailed information and resources on how to successfully complete the business license application and permitting process. These workshops typically last 1-2 hours, and provide the applicant an opportunity to ask specific questions from City staff.
- Application fee waivers – Approximately \$5,900 worth of application fees are waived for Equity applicants. Fee waivers include annual regulatory fees, application review fees, background investigation fees, and other charges.
- Plan check fee waivers – Equity applicants are eligible to receive up to \$5,000 in fee waivers during the facility plan check process. Typically, plan check fees can range anywhere from \$5,000 to \$10,000.
- Incubation support – Adult-use cannabis businesses that do not qualify for the Equity Program are required to submit a plan to the City describing how they will support Equity-owned businesses. Incubation plans are then made available to eligible Equity applicants through an online portal. Eligible equity applicants may contact licensed adult-use cannabis businesses to receive the support services identified in each incubation plan. Thus far, the City has received approximately 150 incubation plans. Incubation plans have included such proposed services as business plan guidance, product shelf space, legal support, financial support, software services, operational training, and other types of assistance.

In a memorandum dated February 14, 2020, staff provided the City Council with a status update on the cannabis Equity Program. Staff acknowledged some of the challenges with implementation of the Program, specifically as it relates to creating ownership opportunities. Since program inception, the City has verified a total of 60 individuals as eligible for equity business ownership. Among this group, approximately 30 equity workshops have been held with prospective applicants to provide them with information and assistance regarding the licensing process. Despite notable interest in the Program, the City has received only four business license applications from verified equity business owners and issued just one business license to an equity-owned business.

The primary reason for the discrepancy between interest and ownership through the Program is the substantial amount of capital necessary to start a cannabis business. Cannabis businesses typically require a minimum of \$500,000 in start-up funding to complete the licensing process. This problem is further compounded by the fact that cannabis retail (dispensary) licenses are no longer available in Long Beach. Retail licenses provided the most viable pathway for equity-owned businesses, due to the limited amount of start-up capital

necessary to construct a retail facility, relative to other business types. The remaining license types available in Long Beach (Cultivation, Manufacturing, Laboratory Testing, and Distribution) are capital intensive, highly specialized sectors of the industry. Start-up costs for these business types include, but are not limited to:

- Construction (e.g., electrical upgrades, advanced HVAC systems, etc.)
- Heavy equipment (e.g., high-intensity lights, extraction equipment, etc.)
- Professional services (e.g., architectural design, legal support, etc.)
- Business insurance (e.g., worker's compensation, general liability, etc.)
- Real estate (i.e., lease or purchase in Green Zone areas of the City)

Recently, the City was awarded grant funds from the State of California (State) to assist equity applicants with start-up costs. As previously authorized by the City Council, grant funds will be used to provide direct grants, fee waivers, and direct technical assistance to equity applicants. Specifically, the following grants have been made available to equity applicants as they complete each phase of the application process:

- Equity status verification - \$5,000
- Equity workshop attendance - \$5,000
- Submittal of a business license application - \$20,000
- Completion of Conditional Administrative Use Permit - \$35,000
- Issuance of a Building Permit - \$50,000
- Issuance of a Certificate of Occupancy - \$20,000
- Issuance of a Cannabis Business License - \$80,000

The one-time infusion of grant funds will be available to equity applicants until they are exhausted, or until the State-mandated expiration of the grant program on August 31, 2021, whichever occurs sooner. Staff anticipates that some additional grant funds may be made available by the State in FY 21. However, it is unclear whether Equity Program grants to local jurisdictions will be extended thereafter.

Due to ongoing barriers to entry into the cannabis industry and the temporary availability of the grant program, staff cautions that the additional resources may not result in a significant increase in the number of equity-owned businesses without further changes to the Equity Program. Recognizing this challenge, staff has identified ways to further strengthen the Program to increase pathways to ownership for equity applicants.

### **Community Feedback**

Before discussing options identified by staff, it is important to first acknowledge the general feedback received from equity applicants, and from members of the community through the Framework for Reconciliation sessions held in July 2020, relating specifically to cannabis business ownership. This feedback helped form the basis of identifying options for the City

Council on ways to expand cannabis ownership opportunities in Long Beach. A summary of community feedback on cannabis business ownership is as follows:

- Increase the availability of cannabis retail licenses – The City maintains a limit on the total number of available cannabis retail licenses. That limit of 32 was reached in 2017 through the selection process established by the medical cannabis voter driven ballot initiative (Measure MM). As a result, there are currently no opportunities available for equity applicants to obtain a cannabis retail license in Long Beach.
- Allow for shared-use manufacturing in Long Beach – Shared-use (Type S) manufacturing is a license type authorized by the State, that is currently not permitted in Long Beach. Type S manufacturing is similar in concept to a shared commercial kitchen, in that it allows multiple businesses to operate out of a single facility at designated times. The Type S license creates opportunities for equity businesses to share in the cost of operating a facility, or to utilize existing licensed cannabis facilities in Long Beach, with the approval of the business owner.
- Offer direct grants or loans to equity applicants – The cost to construct a cannabis facility can be prohibitive for most equity applicants. Equity applicants requested access to funds to offset a portion of the costs for building a cannabis business.
- Assist with securing Green Zone property – Cannabis businesses are authorized to operate in defined areas of Long Beach, often referred to as “Green Zones.” Property owners in Green Zones typically charge a premium to lease or purchase their property to cannabis businesses. This premium has effectively priced many equity owned businesses out of the real estate market.
- Expand access to technical assistance and business accelerator/incubation programs – The City currently offers workshops to help equity applicants understand and navigate the application process. These workshops are hosted by City staff, and focus primarily upon the regulatory process. However, as stated earlier, many applicants lack access to other services, including architectural design, legal support, commercial real estate brokerage, accounting, and other professional services. Third-party business incubation programs could address these areas, and also be used to qualify applicants for State grant funds.
- Greater community involvement in shaping the Equity Program – Applicants and community members requested the ability to provide further input into the design of the Equity Program, as the City Council considers any potential policy or programmatic changes.
- Identify sustainable funding sources to support the Equity Program – Funding can be used for business investment, inclusive entrepreneurial support, and workforce training.
- Other regulatory changes to the cannabis program – Explore other regulatory changes to expand opportunities for cannabis entrepreneurship, such as issuing licenses to cannabis delivery, special events, consumption lounges, and other business types, with licenses earmarked for social equity applicants.

## Options to Expand Cannabis Ownership Opportunities

Staff have initially identified three options to expand cannabis ownership opportunities. A description of each initial option is provided below. In addition, City staff are seeking further input from the City Council on ways to improve equity ownership outcomes beyond the initial options identified in this memorandum.

*Option #1: Shared-Use Manufacturing – Direct staff to work with the City Attorney's Office to prepare an Ordinance to allow shared-use manufacturing in Long Beach.*

In 2018, the California Department of Public Health (CDPH) issued regulations for a shared-use manufacturing license, which allows license holders to conduct manufacturing operations out of a shared-use facility. Shared-use operators are limited to the following activities:

- Infusing cannabis concentrates directly into a product;
- Packaging and labeling of cannabis products; and,
- Extracting the essential oils from the cannabis plant, using butter or food-grade oil.

The shared-use manufacturing license is comparable to a shared-commercial kitchen, whereby multiple businesses can rent a single facility, at separate times, to prepare their products for consumers. The advantage of this license type is that it provides small start-up businesses with the opportunity to manufacture products, without having to invest significant up-front capital to construct a facility. In addition, due to the low-intensity nature of shared-use activities, these operations are unlikely to have land-use impacts beyond the existing manufacturing license types already permitted in Green Zones.

On July 2, 2019, the City Council directed staff to prepare a feasibility analysis on licensing shared-use manufacturers in Long Beach. The feasibility analysis was released on July 31, 2020. For equity applicants, the shared-use manufacturing license type provides a viable pathway to licensure with a much lower barrier to entry than other cannabis license types currently available in Long Beach. In addition, this license type would allow existing cannabis manufacturing facilities in the city to rent their space out to other businesses, including equity applicants.

*Option #2: Non-Storefront (Delivery-Only) Retail – Direct staff to research the feasibility of licensing and regulating non-storefront (delivery-only) cannabis retail facilities in Long Beach, and refer findings to the City Council for input and policy direction.*

The City currently maintains a cap of 32 cannabis retail licenses citywide. This limitation was first established by Long Beach voters in 2016 through Measure MM, which authorized commercial medical cannabis activity in Long Beach. In 2018, the City Council adopted an Ordinance to apply the same 32 license limit to adult-use cannabis retailers. At that time, the primary reason for maintaining the cap was to limit any potential negative impacts from the overconcentration of cannabis retailers in the city, while still providing consumers with sufficient access to the medical and adult-use cannabis market.



However, because the Equity Program was approved in 2018, after Measure MM had already taken effect, equity applicants were effectively locked out of the cannabis retail market. This has created challenges for the Equity Program, as other cannabis business types require significantly more up-front capital and technical expertise than retail businesses. Non-retail license types – which include cultivation, manufacturing, distribution, and laboratory testing – have proven to be difficult market segments for equity applicants to break into.

The City Council has the authority to issue more adult-use cannabis retail licenses. However, it is important to note that many Long Beach residents continue to have concerns about the overconcentration of storefront cannabis retail in the city. Recognizing these concerns, while still seeking to create retail opportunities for equity applicants, the City Council may consider allowing adult-use non-storefront (also called delivery-only) retail activity in Long Beach.

Non-storefront retail businesses are authorized to sell cannabis goods to customers *exclusively* through delivery. Because these businesses must remain closed to the public, non-storefront retailers have less impact on the surrounding community than do storefront retailers. In addition, these business types require less up-front capital to build out, given their smaller footprint than other business types.

If the City Council were to authorize non-storefront retail opportunities in Long Beach, staff cautions against setting a cap on the number of available licenses, to be consistent with how the City treats most other cannabis business types. Local jurisdictions that have attempted to set a cap on the number of available licenses, and restrict those licenses to equity applicants only, have found it difficult to maintain the overall integrity of the licensing program. Specifically, these jurisdictions have uncovered predatory agreements and 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. The best way to avoid these challenges is to adopt a non-storefront retail program that does not place a cap on the number of available licenses, thus eliminating any incentive to engage in this type of behavior. Under such a licensing model, the total number of businesses would be determined by local consumer demand for cannabis delivery.

*Option #3 – Storefront Retail – Provide staff with general input and policy direction on allowing additional adult-use cannabis storefront retail locations in Long Beach.*

In addition to non-storefront retail, the City Council also has the authority to issue more adult-use storefront retail licenses in Long Beach. Any new storefront locations would be in addition to the 32 medical and adult-use cannabis storefront retail locations already identified in the city. However, unlike the existing 32 retail locations, any new cannabis storefront retailers approved by the City Council would only be able to sell adult-use cannabis. This is because Measure MM set a cap on the number of medical cannabis retailers in Long Beach. The maximum number of medical cannabis retail locations in the city could only be changed through voter approval.

## Cannabis Equity Business Ownership Options

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One factor for the City Council to consider when determining whether to issue more adult-use cannabis storefront retail licenses is the significant workload involved in developing and overseeing a competitive application process, whereby multiple businesses seek to gain access to a finite number of licenses. For comparison, the process the City implemented in 2017 to determine which businesses would be eligible to obtain a medical cannabis retail license required the support of multiple staff from different departments. That process has still not been completed. Of the 32 businesses identified as eligible to obtain a license, 25 have received a license to operate, 6 are still under construction, and 1 is undergoing final inspection. The City has a deadline of October 1, 2020 for these businesses to obtain a license. Any business unable to obtain a license by October 1, 2020 will have their application deemed null and void. The City will refer to the Public Lottery "Pending/Ineligible" list to determine which replacement applications will be able to proceed through the licensing process, until the cap of 32 cannabis storefront retail licenses has been reached. Staff intends to provide the City Council with more information on the deadline policy, and options available to amend this policy, prior to October 1, 2020.

Given the complexity of the storefront retail licensing process, staff is seeking general input and policy direction from the City Council on whether to allow additional adult-use cannabis storefront retail locations in Long Beach. City Council input may include whether this policy option is worth pursuing, the number of licenses that might be made available, the type of competitive process that could be used to select businesses as eligible to receive a license, and other important policy considerations. General direction from the City Council in this area will allow staff to develop more specific recommendations for the City Council to consider at a future date.


If you have questions, please contact Kevin Jackson, Deputy City Manager, at (562) 570-5028 or via email at [Kevin.Jackson@longbeach.gov](mailto:Kevin.Jackson@longbeach.gov).

KJ/AK

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MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #R20-0578)  
DEPARTMENT HEADS

Date: July 31, 2020

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager 

Subject: **Cannabis Shared Use Manufacturing Feasibility Analysis**

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On July 2, 2019, the City Council directed staff to prepare a feasibility analysis on licensing and regulating shared-use cannabis manufacturers in Long Beach, and to refer the findings to the City Council for input and policy direction. This request was part of a larger package of policy proposals from the City Council on ways to expand the tax base of non-retail cannabis businesses in the City. Other policy changes requested by the City Council at that time included adjusting business license tax rates and amending cannabis building design and zoning requirements.

On July 31, 2019, staff provided a memorandum to the City Council stating the requested analyses would need to be completed in phases, due to the significant workload involved. On December 3, 2019, staff presented the fiscal impact analysis for reducing cannabis tax rates for non-retail businesses. On April 14, 2020, staff presented the City Council with proposals to amend cannabis building design and zoning requirements. This memorandum addresses the City Council's third and final request for a feasibility analysis on licensing shared-use manufacturers in Long Beach. The memorandum concludes with next steps for licensing shared-use manufacturing facilities in Long Beach, should the City Council decide to move forward with allowing this license type.

### **Shared-Use Manufacturing Definition**

Cannabis manufacturers are businesses that compound, blend, extract, infuse, or otherwise prepare cannabis. These products include edibles, beverages, vaporizers, lotions, and other types of consumable goods. Cannabis manufacturers are not authorized to sell cannabis goods directly to consumers. Instead, manufacturers must sell cannabis goods at wholesale, for distribution to licensed retailers located anywhere in the state. In this way, cannabis manufacturers are comparable to alcoholic beverage producers, whose products are distributed to other retail businesses.

Currently, the City of Long Beach (City) offers licenses to both medical and adult-use cannabis manufacturers in industrial zones of Long Beach. However, pursuant to Long Beach Municipal Code (LBMC), only one cannabis manufacturer may operate from a single premise.

In 2018, the State of California Department of Public Health (CDHP) created a new manufacturing license type, called "Type S - Shared Use Manufacturing." Type S Manufacturers operate from a shared-use facility, in which multiple businesses can manufacture products from a single space. The shared-use facility is required to post and adhere to an occupancy schedule that defines the dates and times that each Type S business

is designated to use the space, with only one business allowed to use a designated shared-use space at any given time. In comparison to the food industry, shared-use manufacturers are similar to shared-commercial kitchens, whereby any number of businesses can rent a single facility to prepare consumable products, such as brownies, cakes, cookies, or other goods.

Currently, the City does not issue Type S Manufacturing business licenses. Each cannabis manufacturer is required to build and maintain its own separate and distinct premise. For small businesses, the amount of time and capital necessary to design and construct a cannabis facility can be cost prohibitive. Shared-use manufacturing has the potential to reduce this barrier to entry by allowing multiple businesses to share in the cost of building and maintaining a manufacturing facility, or to rent space within an existing manufacturing facility already licensed by the City.

### **CDPH Shared-Use Manufacturing Regulations**

At the state level, the CDPH oversees the regulation of shared-use manufacturers. Pursuant to state regulations, Type S manufacturers are limited to specific activities, which include the following:

- Infusing cannabis concentrates directly into a product;
- Packaging and labeling of cannabis products; and,
- Extracting the essential oils from the cannabis plant, using butter or food-grade oil only.

These activities are considered low-intensity uses, in that they do not utilize any volatile (i.e., flammable) chemical extraction processes. In addition, the CDPH will only issue a shared-use manufacturing license to businesses with an annual operating revenue of less than \$1,000,000. This limitation restricts the availability of shared-use license types to small businesses only.

Each shared-use manufacturing facility is required to have a "Primary Licensee," who is responsible for oversight of the overall shared-use space and liable for any violation found at the facility. The Primary Licensee is required to enter into a written user agreement with each Type S business that utilizes the space. The user agreement outlines the area the Type S licensee is authorized to use, the days and hours the Type S licensee can operate, the types of activities the Type S licensee is eligible to engage in, and other terms restricting use of the facility. The Primary Licensee is also responsible for providing the CDPH with an updated occupancy schedule that identifies which Type S licensee is authorized to use the space at any given time. Finally, the Primary Licensee must provide a separate locked storage area for each Type S licensee operating out of the facility.

### **Other Jurisdictions that Allow Shared-Use Manufacturing**

Currently, only two other jurisdictions in California license and regulate shared-use manufacturing facilities – the City of Sacramento and the County of Santa Cruz. Staff contacted each jurisdiction to learn more about their regulatory program. A general description of each program is provided below:

City of Sacramento – The City of Sacramento has licensed one shared-use manufacturing facility to date. In that facility, there are currently eight Type S businesses that utilize the space, each at different times. All eight of the Type S businesses produce edible cannabis products, by infusing cannabis oil directly into baked goods such as cookies, brownies, cakes, and other types of foods. The Type S businesses package the products themselves, and distribute those products through the Primary Licensee, who also holds a separate distribution license with the city. In addition to distributing the products, the Primary Licensee also supplies the Type S businesses with cannabis oil, produced from a separate wing of the facility, accessible only to the Primary Licensee.

The City of Sacramento follows the same business license application process for Primary Licensees as it does for other cannabis manufacturing business types. This process includes application submittal, plan check, construction, inspection, and license issuance. However, for Type S businesses, the City of Sacramento offers a more expedited process with reduced fees. Type S applicants do not have to go through the plan check or construction process, as the facility has already been approved for shared-use occupancy. Type S applicants are instead required to submit a business license application, which includes a signed agreement with the Primary Licensee to use the space, as well as an updated schedule of the facility, indicating when each Type S business is authorized to use the space. Upon approval of the business license, the Type S licensee may begin operating at the pre-approved shared-use facility.

County of Santa Cruz – The County of Santa Cruz has approved only one shared-use facility. The facility contains two separate commercial kitchens. Each kitchen can be used by a separate Type S licensees at any given time. The Primary Licensee at the site holds a distribution license, and is responsible for purchasing cannabis oil produced offsite, and delivering the oil to Type S licensees for infusion into various types of food products. Unlike the shared-use facility in the City of Sacramento, the Primary Licensee does not produce cannabis oil onsite.

Similar to the City of Sacramento, the County of Santa Cruz follows the same application process for Primary Licensees as it does for other cannabis manufacturing business types. This includes application submittal, plan check, construction, inspection, and license issuance. Type S applicants are not required to go through the plan check, construction or inspection processes. Instead, Type S applicants must submit a business license application that includes a lease agreement with the Primary Licensee, as well as a copy of their food handling certificate. Shared-use facilities are inspected on a quarterly basis to ensure ongoing compliance with state and local regulations.

### **City Departments Responsibilities**

The following sections outline primary department responsibilities for licensing and regulating cannabis manufacturing in Long Beach, and how department processes might change with the allowance of shared-use manufacturing:

### Financial Management

The Department of Financial Management (Financial Management) is responsible for processing, reviewing, and approving all cannabis business licenses in Long Beach. This includes reviewing cannabis business license applications for completeness, forwarding applicants to the plan check and construction phase of the application process, coordinating the billing of applicable fees and taxes, and conducting final inspections before issuance of the cannabis business license.

For the Primary Licensee of a shared-use manufacturing facility, Financial Management will follow standard processes to review and approve cannabis manufacturing businesses in Long Beach, with some minor modifications. Specifically, Financial Management will require the Primary Licensee to self-identify as a shared-use facility in the application, and require the Primary Licensee to acknowledge specific CDPH regulations relating to common-use areas, shared-use equipment, and occupancy schedules. Upon issuance of the Primary shared-use manufacturing business license, Financial Management will also indicate on the license that the facility was approved for shared-use.

For Type S Licensees, Financial Management will implement a much more streamlined process for approving the business license. Specifically, Type S applicants will not be required to go through the plan check and construction phase of the application process, because the facility will already have been approved for shared-use manufacturing through the Primary License. Thus, the Type S business will be eligible for final inspections once the application is deemed complete, and all taxes and fees have been paid. The Type S licensing process will also allow multiple Type S applicants to apply to operate at a single shared-use manufacturing facility, which is not currently allowed under the LBMC.

### Department of Health and Human Services

The Department of Health and Human Services (Health Department) is responsible for plan checking and inspecting cannabis manufacturing facilities in Long Beach, to ensure compliance with health and safety standards. This includes food handling, sanitation, personnel hygiene, materials and equipment quality control, and other cannabis manufacturing standards.

From a plan-check and construction standpoint, shared-use manufacturing facilities are no different than other cannabis manufacturing license types already licensed in Long Beach. As a result, Primary Licensee applications for shared-use manufacturing will follow the same Health Department application review process as other cannabis manufacturing applications. The fee charged to Primary Licensees to receive plan check and inspection services will be the same as for other cannabis manufacturing businesses.

For Type S applicants, the Health Department will require each business to obtain a separate Health permit during the application review process. This will ensure that each Type S licensee has received the necessary training, and understands the standard policies and procedures, to operate safely in the approved space.

In addition, upon receipt of each Type S license application, the Health Department will re-inspect the shared-use facility to ensure that the occupancy schedule is up to date, the facility provides separate storage areas for each Type S operator, and all necessary health and safety standards continue to be followed.

### Other Departments

Other departments responsible for regulating cannabis businesses in Long Beach include the Development Services Department and the Fire Department. These departments are responsible for plan checking and inspecting cannabis facilities in the application process, to ensure compliance with building, electrical, mechanical, plumbing, fire, energy, and other codes. As stated earlier, the construction standards for shared-use manufacturing facilities are no different than other cannabis manufacturing facilities already authorized by the City. The fact that multiple businesses will be utilizing the shared-use space does not impact the processes already in place within these departments to approve and regulate cannabis manufacturing facilities. However, as a precaution, the Fire Department proposes to re-inspect the shared-use cannabis facility with each Type S application that is received by the City. If these re-inspections are later determined to be unnecessary, the Fire Department may instead decide to inspect licensed share-use facilities on an annual basis, as is currently done with other cannabis manufacturing facilities in Long Beach.

### **Conclusion**

Based upon discussions with the departments involved in licensing and regulating cannabis manufacturing activities, staff have concluded that implementation of a shared-use manufacturing program is feasible under existing staffing levels, with some minor modifications to the application process. Staff would also need to work with the City Attorney's Office to modify the LBMC to allow for shared-use manufacturing in Long Beach.

Should the City Council wish to allow for shared-use manufacturing in Long Beach, staff recommends that the City Council direct the City Manager to work with the City Attorney's Office and other departments to amend the LBMC to license and regulate Type S manufacturing in Long Beach.

If you have questions, please contact Kevin Jackson at (562) 570-5028 or via email at [Kevin.Jackson@longbeach.gov](mailto:Kevin.Jackson@longbeach.gov).

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DEPARTMENT HEADS