



## Legislation Text

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**File #:** 21-1059, **Version:** 1

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Recommendation to receive and file a report on the cannabis non-storefront retail (delivery) and storefront retail (dispensary) feasibility analyses;

Direct City Attorney to prepare an ordinance to allow cannabis delivery and equity dispensary facilities in Long Beach; 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. (Citywide)

On July 7, 2020, the City Council requested staff to explore ways to strengthen the Cannabis Social Equity Program (Equity Program) to expand equitable business ownership opportunities in Long Beach. In response to this request, on August 5, 2020, staff released a memorandum to the City Council identifying policy options for the City Council to consider for improving cannabis ownership opportunities locally (Attachment A). These policy options included licensing and regulating shared-use manufacturing, non-storefront retail (delivery), and additional storefront retail (dispensary) businesses, and prioritizing or making them exclusive to verified equity applicants in the Equity Program.

On July 31, 2020, staff released the feasibility analysis on shared-use cannabis manufacturing to the City Council (Attachment B). On January 5, 2021, the City Council directed the City Attorney to prepare an Ordinance to allow shared-use cannabis manufacturing in Long Beach and directed staff to prepare a feasibility analysis on licensing and regulating cannabis non-storefront retail (delivery) facilities in Long Beach. As part of its motion, the City Council requested staff explore reserving Phase 1 of cannabis delivery licenses to equity applicants and explore the feasibility of a cap on delivery licenses. On March 16, 2021, the City Council further directed staff to prepare a feasibility analysis on licensing and regulating up to eight additional cannabis storefront retail (dispensary) businesses in Long Beach to be made available exclusively to verified equity applicants.

On July 13, 2021, the City Council passed the cannabis shared-use manufacturing Ordinance (Attachment C). As part of the Ordinance, equity applicants are prioritized in the shared-use manufacturing application process. Applications for shared-use manufacturing operator licenses will only be accepted from verified equity applicants for a period of one year, or until 15 licenses have been issued, whichever occurs sooner. The City Council may extend the timeframe for accepting equity applications at any time.

On August 17, 2021, staff released the feasibility analysis on cannabis delivery licenses to the City Council (Attachment D). The attached feasibility analysis outlines the potential impacts of allowing delivery services in Long Beach and details policy options on how the City of Long Beach (City) could license and regulate delivery businesses. The policy options emphasized equity ownership opportunities but also identified concerns surrounding an enforcement model for illicit delivery businesses, which could require additional City resources. On September 30, 2021, staff released the feasibility analysis on equity dispensary licenses to the City Council (Attachment E). The feasibility analysis provides a review of the impacts of additional equity dispensaries in Long Beach as well as ways to strengthen the Equity Program throughout the equity dispensary licensing process, including expanding eligible areas where dispensaries can locate in the city, conducting a hybrid application process that includes a Request for Proposals and lottery, and providing additional education, training, and technical assistance for applicants throughout the licensing process.

To effectively accommodate this expansion of the Equity Program, a technology solution would be needed to accept equity verification applications digitally, send out automatic notices to applicants, track benefits and grant administration, and provide comprehensive reports on key performance indicators of the program. Staff anticipate this software development to have a one-time cost of approximately \$75,000 and it would take an estimated three to four months to implement. Staff also expect a need for an additional 2.0 full-time equivalent positions (FTEs) for a total estimated annual ongoing/structural cost of \$230,000 to support the expansion of the Equity Program and licensing and regulation of the cannabis delivery and additional dispensary facilities. Staff would need to be hired as soon as possible in FY 22 and the anticipated cost for FY 22, after taking into consideration hiring time, is approximately \$172,000. This staffing is necessary as the City Council adopted FY 21 budget included significant reductions to the cannabis program staffing with the expectation that the cannabis workload and new initiatives would decline. Thus, initiating new initiatives will require dedicated staffing to implement new programs.

Additional anticipated costs for the equity dispensary license type include a one-time cost of \$50,000 for a consultant to assist in engaging the community on the design of the equity dispensary licensing process and a one-time cost of \$200,000 to support consultants providing education, training, and direct technical assistance to equity applicants participating in the dispensary licensing process.

Should the City Council wish to proceed with allowing delivery and additional dispensary businesses in Long Beach, the next step in the process would be to direct the City Attorney to prepare an Ordinance.

This matter was reviewed by Deputy City Attorney Arturo D. Sanchez on September 22, 2021 and by Budget Management Officer Rhutu Amin Gharib on September 24, 2021.

City Council action is requested on October 12, 2021, to ensure timely amendment to the

Long Beach Municipal Code.

The recommendations in the delivery and equity dispensary feasibility analyses will result in total one-time costs of \$325,000 and an expected cost of \$172,000 for 2.0 FTEs for a portion of FY 22. The structural cost of the 2.0 FTEs will be included as part of the FY 23 budget development process and are estimated at \$230,000 for a full year. These FTEs will support the expansion of the Equity Program and licensing and regulation of cannabis delivery and additional dispensary facilities on an ongoing basis. An appropriation adjustment for the unbudgeted FTEs is not requested at this time. The City Manager and Financial Management Departments will return to the City Council in FY 22 to request a budget adjustment for the unbudgeted costs of the 2.0 FTEs, as needed.

The one-time costs include \$75,000 for an Equity Program technology solution, \$50,000 for a consultant to assist in engaging the community on the design of the equity dispensary licensing process, and \$200,000 to support consultants providing education, training, and direct technical assistance to equity applicants participating in the dispensary licensing process. An appropriation increase is requested for \$325,000 in the General Fund Group in the City Manager Department, offset by expected revenue due to the cannabis business license tax increase.

These one-time and ongoing costs are proposed to be offset by a 0.25 percent increase on cannabis business license taxes for all cannabis businesses charged a percentage of gross receipts. This tax increase is expected to result in additional revenues estimated at \$609,000 annually, based on FY 21 tax revenue estimates of \$9.2 million. The increased tax rate would be necessary to support the costs of the program while cannabis delivery and equity dispensary businesses become licensed and operational. Once delivery businesses are operational, the City could review fee revenues and make further market adjustments.

Delivery operators will be charged the same tax rate as medical and adult-use dispensaries, 6 percent of gross receipts for medical sales and 8 percent of gross receipts for adult-use sales. Net new revenues from this license type will not be realized until businesses begin to be licensed and operating, likely beginning in the Summer of 2022. In addition, given the length of time it will take to design a robust equity dispensary licensing program and award licenses, net new revenues from this license type will not be realized until likely early FY 23. Staff will monitor these additional revenues and anticipated costs and factor that into future projections and appropriation requests. This recommendation has moderate staffing impacts beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. The number of additional local jobs associated with this recommendation is unknown.

Approve recommendation.

[Enter Body Here]

THOMAS B. MODICA  
CITY MANAGER

APPROVED:

THOMAS B. MODICA  
CITY MANAGER