



Legislation Text

File #: 22-0522, **Version:** 2

Adopt resolution authorizing City Manager, or designee, to establish a Request for Proposals (RFP) for cannabis retail storefront (dispensary) business licenses for the Cannabis Social Equity Program. (Citywide)

On May 10, 2022, the City Council received a presentation from staff on the Equity Dispensary Ordinance and Resolution, which will allow eight (8) additional cannabis dispensaries in Long Beach to be owned exclusive by verified equity applicants as part of the Cannabis Social Equity Program (Equity Program).

Following the staff presentation, public comment, and City Council discussion, the City Council passed a motion to:

- Amend the proposed Equity Business ownership requirements to prohibit Equity Businesses from transferring more than 51 percent ownership interest to a non-equity individual for ten years from the date the Equity Business submits a cannabis business license application to the City; and
- Amend the Equity Dispensary RFP Guidelines to only allow equity applicants who were verified on or before May 10, 2022, to submit a proposal. Equity applicants who received their verification after May 10, 2022, are not eligible to participate in the RFP process; and
- Amend the Equity Dispensary RFP Guidelines to add a provision to give priority to equity applicants who were selected in a previous lottery on September 10, 2010 and/or September 28, 2017. In order to be eligible to receive additional points in the RFP process, an equity applicant must have received their verification letter on or before May 10, 2022 and be listed on the original business license application(s) as an owner/managing member.

The attached Equity Dispensary Ordinance and Resolution includes these amendments to the Equity Business Ownership Requirements and Equity Dispensary RFP Guidelines.

This matter was reviewed by Deputy City Attorney Arturo D. Sanchez and Budget Manager Grace H. Yoon on May 12, 2022.

City Council action is requested on May 17, 2022, to ensure timely amendment to the LBMC. Should the City Council adopt the proposed Ordinance, staff estimates the RFP process to select the eight equity applicants will begin in July 2022 after the Ordinance takes effect. The

eight equity applicants will likely be awarded to proceed through the business license process in December 2022 after the RFP process has concluded.

Given that it takes over a year on average to open a cannabis dispensary in Long Beach, staff estimates that cannabis sales from the additional licensed dispensaries would be realized likely starting in FY 24.

It is anticipated that this new license type will result in an increase in business license tax revenues from equity dispensary operators. However, it is unclear how much revenue will be collected from these operators as it is largely based on market demand. Equity dispensary operators will be charged the same tax rate that other dispensary operators are charged - 6 percent of gross receipts from medical sales and 8 percent of gross receipts from adult-use sales. Revenues from this new license type will not be realized until businesses are licensed and operating, beginning approximately in FY 24. City staff will monitor these additional revenues and factor any potential impact into future projections. This recommendation has no staffing impact 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 currently unknown.

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Approve recommendation.

THOMAS B. MODICA
CITY MANAGER