



Delivering Revenue, Insight  
and Efficiency to Local Government

**Commercial Cannabis in Los Gatos:  
Potential Revenues, Regulatory Costs, and  
Comparative Data**

Prepared for  
the  
**Town of Los Gatos**

June 16, 2022

## **Introduction**

The Town of Los Gatos currently prohibits the establishment or operations of any commercial cannabis businesses within town limits. In early 2022, the Town Council engaged the services of HdL Companies (HdL) to prepare a fiscal impact analysis for allowing commercial cannabis businesses to operate within Los Gatos. The analysis is intended to inform the Council's decision-making process regarding whether to allow commercial cannabis activity locally, the costs associated with regulating cannabis businesses, and potential revenues that could be generated from adopting a cannabis tax measure.

The fiscal impact analysis is broken down into three sections:

- Revenue Analysis
- Expenditure Analysis
- Comparison to Other Jurisdictions

Additional information regarding comparable jurisdictions can be found in Attachment A to this report.

## **Revenue Analysis**

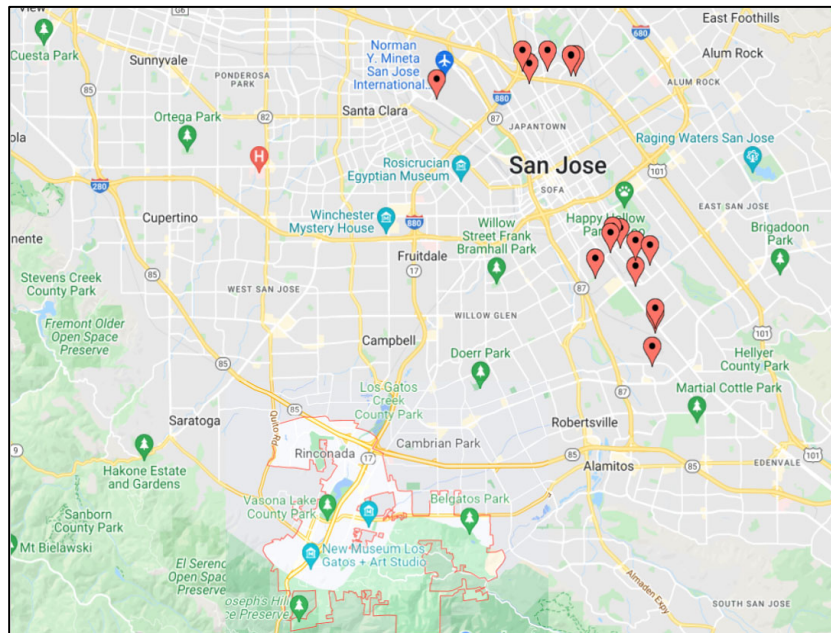
HdL's revenue analysis is focused on the potential impacts of allowing commercial cannabis retailers in the Town of Los Gatos. Consideration for other cannabis license types – collectively referred to as “wholesalers,” which includes cultivators, manufacturers, distributors, and testing laboratories – is not included in this report. Should the Town of Los Gatos wish to explore permitting wholesale operators locally, HdL may update the revenue projections based upon the type and number of businesses desired.

Pursuant to State law, commercial cannabis retailers are authorized to sell cannabis goods directly to consumers, either through delivery or on-site purchases. In contrast with wholesalers, who supply cannabis products to the statewide market, retailers are the only cannabis business type that specifically serves the local community. As a result, the ideal number of retailers for a community will be proportional to the local population of the host city and the surrounding service area.

The Town of Los Gatos is situated on the west side of Santa Clara County at the base of the Santa Cruz Mountains. The City has a population of 33,529 people<sup>i</sup> and sits at the southwest edge of Silicon Valley. Adjacent and nearby cities and communities include the cities of San Jose, Campbell, Monte Sereno and Saratoga and the unincorporated areas of Cambrian Park and Lexington Hills.

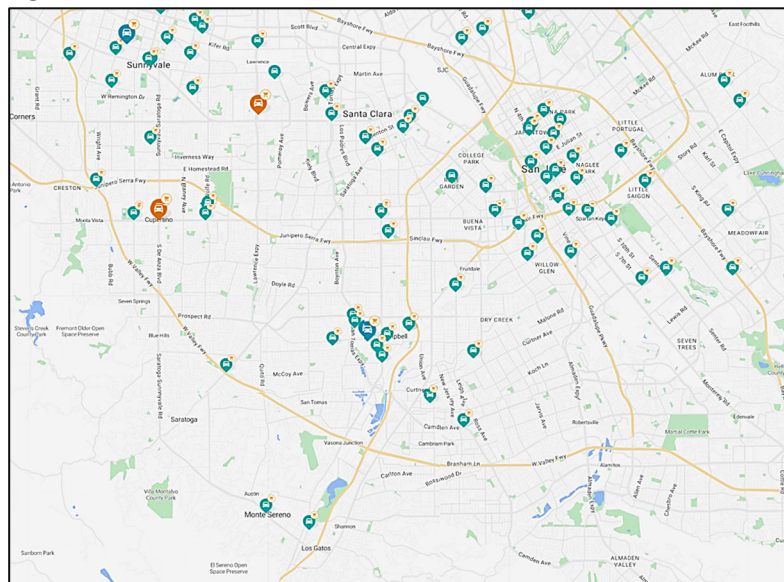
The City of San Jose is the only jurisdiction in all of Santa Clara County that currently allows licensed commercial cannabis businesses of any kind. The Department of Cannabis Control (DCC) currently shows 16 licensed cannabis retailers located within the City, of which 8 are storefront retailers and 8 are microbusinesses which may conduct a variety of cannabis business activities, including retail. All San Jose storefront cannabis retailers are allowed to also conduct sales via delivery. The locations of these cannabis retailers are shown in Figure 1.

**Figure 1:**



Though the region is already reasonably served by licensed storefront cannabis retailers located in San Jose, there are also a number of cannabis delivery services operating in the area. Figure 2 shows a map of cannabis delivery providers, advertised on the cannabis platform Weedmaps as of May 2022, available for at-home deliveries in Santa Clara County. Providers are displayed by the areas they deliver, rather than their 'home' location, so a single delivery service may be represented multiple times on the map.

**Figure 2:**



To determine the potential gross receipts of cannabis retailers located in the Town of Los Gatos we must first identify the approximate area that these retailers would serve. As with any other type of retailer,

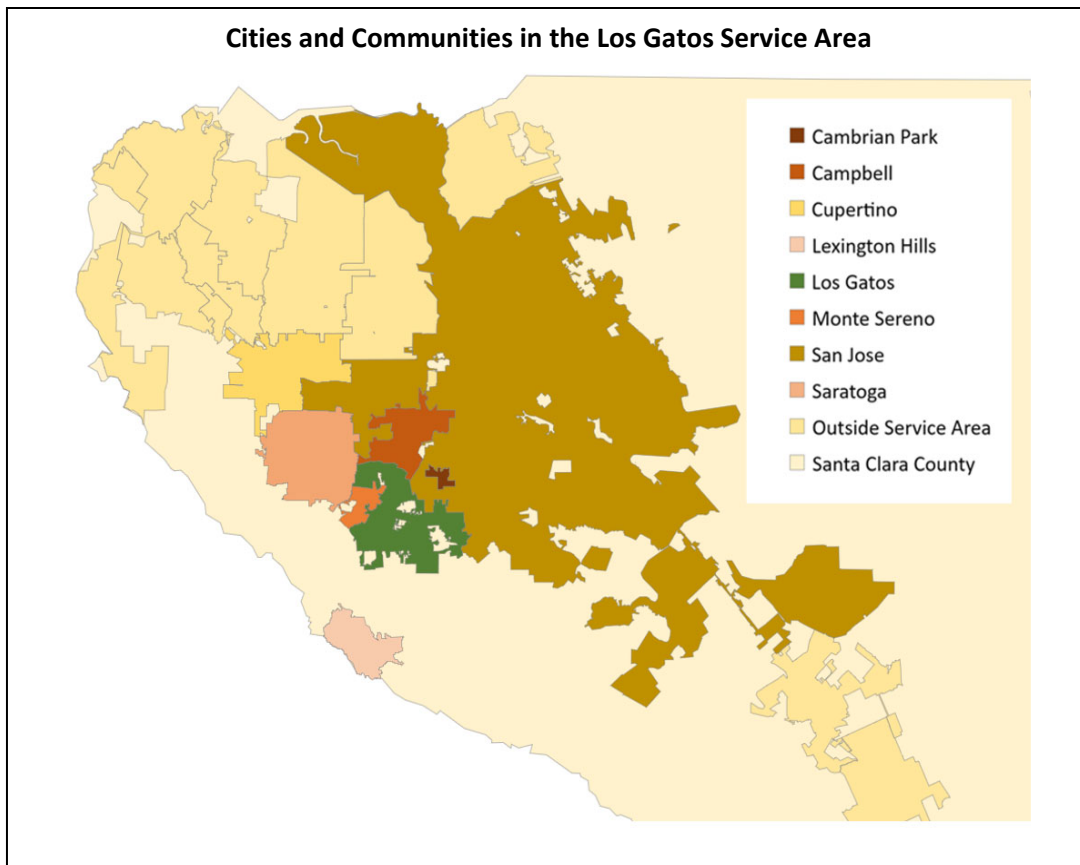
cannabis retailers are not limited to serving the residents of their host communities. Customers may drive from other nearby cities to reach their nearest store. In addition, cannabis retailers may deliver products within a wider service area.

Retail studies show that 93% of consumers are willing to travel 15 to 20 minutes to make most routine purchases<sup>ii</sup>, meaning that storefront retailers in Los Gatos would be able to capture cannabis tax (and sales tax) from some portion of the surrounding area. The cities of Monte Sereno, Campbell, and Saratoga all fall within this distance, as do the unincorporated areas of Cambrian Park and Lexington Hills.

In addition, we note that all of the cannabis retailers in the City of San Jose are located East of the Highway 87 corridor, other than one near the airport. This suggests that a broad portion of cannabis consumers in San Jose would likely find it more convenient to travel to Los Gatos to make their purchases. This includes portions of the neighborhoods of Cambrian, Almaden, Blossom Valley, Willow Glen and West San Jose. For purposes of our analysis, we conservatively estimate that approximately 10% of the population of San Jose falls within the Los Gatos service area.

Because there are no other options for cannabis consumers in the South Bay Area, we anticipate that retailers in Los Gatos may capture some portion of cannabis sales from cities such as Cupertino and parts of Sunnyvale and Santa Clara. The proximity of these other cities is shown in Figure 3, below.

**Figure 3:**



In Figure 4, below, we have added up the total population of the projected service area for cannabis retailers in the Town of Los Gatos. We estimate the total population of this area at a little under 1.2 million

people. However, when we account for only serving a portion of the population of San Jose and Cupertino, the service area population comes down to around 235,000. Dividing that figure by the number of existing retailers serving the area yields a retail density of 14,666 people per retailer.

**Figure 4:**

Service Area Population					
City/Community	Population	Est. % in Service Area	Adjusted Population	Retailers	Population Per Retailer
Cambrian Park	3,719	100%	3,719	0	N/A
Campbell	43,959	100%	43,959	0	N/A
Cupertino	60,381	25%	15,095	0	N/A
Lexington Hills	2,492	100%	2,492	0	N/A
Los Gatos	33,529	100%	33,529	0	N/A
Monte Sereno	3,479	100%	3,479	0	N/A
San Jose	1,013,240	10%	101,324	16	6,333
Saratoga	31,051	100%	31,051	0	N/A
<b>Service Area Population</b>	<b>1,191,850</b>		<b>234,648</b>	<b>16</b>	<b>14,666</b>

Data from the California Department of Tax and Fee Administration (CDTFA) gives the total cannabis retail sales for each county as well as the sales per capita, derived by dividing the total sales by the population. From this, we are able to see the relationship between the retail density (population per retailer) and the sales per capita. CDTFA reports \$220 million in retail cannabis sales in Santa Clara County (1.9M population) over the last 12 months, which equals sales per capita of \$114 per person<sup>iii</sup>. Applying this to our service area population would yield \$27 million dollars in sales.

In Figure 5, on the next page, we have provided a general scenario to estimate a reasonable range of cannabis tax revenues that the Town of Los Gatos may be able to generate from a projected 2 licensed cannabis retailers. Starting with our service area population of 234,648 people, we then apply a range of assumptions for the percentage of the population that uses cannabis on a regular basis. These estimates vary from around 10%<sup>iv</sup> to 13%<sup>v</sup>, up to as high as 22%<sup>vi</sup>. This percentage is influenced by social acceptance of cannabis within the local community. Applying these estimates to our estimated consumer base yields between roughly 23,000 and 52,000 potential cannabis consumers.

Cannabis retailers typically average around 120 customers per day<sup>vii</sup>. Data shows that a typical cannabis consumer makes a purchase of \$73 with an average frequency of twice a month<sup>viii</sup>. Applying this to our range of cannabis consumers yields monthly sales of between \$3.4 million and \$7.5 million, which works out to annual gross receipts of between \$41 million and \$90 million.

However, the existing retailers in the City of San Jose will likely continue to capture some portion of sales, as will licensed and unlicensed cannabis delivery services operating throughout the area. To account for this, we have assumed an additional 30% leakage for each of these markets, which brings our estimate of total gross receipts down to a range of \$12 million to \$27 million.

Applying our recommended retail cannabis tax rates to this range of total gross receipts yields a range of revenue projections. Applying HdL's recommended "low" tax rate of 4.0% would yield between \$490,000 and \$1.1 million in annual cannabis tax revenue for the Town of Los Gatos, with a best estimate of

\$640,000. Applying a rate of 5.0% would yield between \$617,000 and \$1.4 million, with a best estimate of \$800,000 in annual revenue. Applying HdL's recommended "maximum" rate of 6.0% would yield between \$860,000 and \$1.9 million, with a best estimate of \$1.1 million in annual cannabis tax revenue for the Town.

In addition, retail cannabis sales would also generate between \$123,000 and \$271,000 in Bradley-Burns sales tax revenue for the Town. These estimates are all shown in Figure 5, below.

**Figure 5:**

Revenue Projections for Cannabis Retailers			
	Low Estimate	"Best" Estimate	High Estimate
Population of Los Gatos	33,529	33,529	33,529
Population of surrounding service area	201,119	201,119	201,119
Total population of service area	234,648	234,648	234,648
Percentage of population that uses cannabis	10%	13%	22%
Number of cannabis users	23,465	30,504	51,623
Average transaction amount	\$73	\$73	\$73
Transaction frequency (per month)	2	2	2
Monthly gross receipts	\$3,425,864	\$4,453,624	\$7,536,902
Annual gross receipts	\$41,110,373	\$53,443,485	\$90,442,821
Est. leakage to other licensed retailers (30%)	\$8,222,075	\$10,688,697	\$18,088,564
Est. leakage to black market (30%)	\$20,555,187	\$26,721,743	\$45,221,411
Adjusted annual gross receipts	\$12,333,112	\$16,033,046	\$27,132,846
Cannabis business tax rate:			
4.00%	\$493,324	\$641,322	\$1,085,314
5.00%	\$616,656	\$801,652	\$1,356,642
7.00%	\$863,318	\$1,122,313	\$1,899,299
Bradley-Burns 1.0% local sales tax	\$123,331	\$160,330	\$271,328

## The Costs of Permitting, Regulating and Enforcing Cannabis Businesses

HdL's expenditure analysis is intended to provide a general overview of the types of costs that the Town of Los Gatos may incur through the permitting, regulating and enforcing of cannabis businesses. Costs include, but are not limited to, the following:

- Costs associated with the development of a commercial cannabis regulatory program:
  - Initial outreach and exploration
  - Ordinance development
  - Environmental review
  - Meeting costs and development of staff reports and other materials
  - Development of application procedures and guidelines
  - Development of appropriate fees
  - Development of regulatory protocols and administrative procedures



- Costs associated with the review and permitting of individual cannabis businesses:
  - Development of an RFP for cannabis businesses (if utilized)
  - Conducting application reviews and applicant interviews
  - Background checks
  - Land use permitting and entitlements, including CUP hearings (if needed)
  - Processing building permits
  - Pre-license inspections
  - Consultant costs associated with any of the above
- Costs associated with ongoing monitoring and permit renewals:
  - Regulatory compliance inspections
  - Other routine inspections that may be required (public health, fire department, etc.)
  - Annual revenue audits to ensure proper reporting and remittance of fees/taxes
  - Permit renewal processing
  - Program administration
- Costs associated with enforcement and appeals:
  - Regulatory enforcement of any findings of non-compliance
  - Processing and conducting any appeals of enforcement actions
  - Law enforcement actions against licensed cannabis businesses where necessary

Each of the costs identified above may be fully offset through regulatory fees charged to cannabis businesses. Typically, after approval of a regulatory ordinance, local jurisdictions will adopt a cannabis fee schedule that represents 100% full cost recovery for administrative oversight and enforcement of the cannabis industry. These fees are charged to licensed cannabis business owners, applicants and licensees, who are the direct beneficiaries of the commercial cannabis program.

Beneficiaries of the cannabis program will vary by regulatory activity. For example, development of the regulatory program benefits those who are permitted to operate a business that would otherwise be prohibited. Processing of applications and land use permits benefits the applicants of the proposed businesses, regardless of whether they ultimately receive a license. The cost of monitoring existing businesses for compliance and processing permit renewals benefits the business as it allows them to continue to operate.

Because the Town is still in the exploratory phase of developing a cannabis ordinance, it is currently unknown how many commercial cannabis businesses might be allowed, what methodology will be used to select eligible businesses, in what locations they will be permitted, and under what level of oversight they will be regulated. Given this uncertainty, it is not yet possible to calculate the specific permitting and regulatory costs that Town will incur in developing and implementing a cannabis program, or the fees necessary to recover those costs. As a result, the simplest way of estimating a range of possible Town expenditures is to conduct a survey of various cost recovery fees that have been adopted by other jurisdictions.

Fees are generally divided into three categories that include; 1) initial application fees; 2) permitting and land use entitlement fees; and 3) annual regulatory fees. Each of these general categories may include

multiple fees to cover distinct costs or services, not all of which would be applied in every case. Ultimately, fees will vary by jurisdiction, depending upon a variety of local factors.

Initial application fees can vary greatly depending upon the details of the application process required by the jurisdiction. Some cities or towns choose not to limit the number of cannabis businesses or to process applications on a “first-come, first-served” basis. Others may solicit applications for a limited number of permits, which will then be reviewed on either a quality assurance (pass/fail) basis or merit-based (high-low score) basis. Final selection of permittees may be performed either through a discretionary process or via lottery, where permittees are chosen at random from a pool of qualifying applicants.

The table below provides a comparison of application fees charged per cannabis business across various jurisdictions:

<b>Agency (Year of Adoption) <sup>1</sup></b>	<b>Application Fee</b>
Culver City (2018)	\$28,189
San Luis Obispo (2018)	\$24,744
Chula Vista (2019)	\$24,063
Redwood City (2018)	\$22,604
Goleta (2019)	\$14,901
Santa Ana (2017)	\$14,282
Palm Springs (2017)	\$10,984
Oceanside (2021)	\$8,452
Placerville (2019)	\$8,336
Watsonville (2020)	\$7,900
Modesto (2018)	\$6,380
San Jose (2017)	\$5,461
Vista (2019)	\$4,318
Salinas (2017)	\$3,145
Oakland (2017)	\$3,011
<b>Average Application Fee:</b>	<b>\$12,451</b>
<i>(1) Year of adult-use cannabis program adoption.</i>	

In this table, HdL has identified average cannabis business license application fees for 15 cities from around California. The fees range from a high of \$28,189 for the City of Culver City, to a low of \$3,011 for the City of Oakland. Generally, these fees represent the full cost, per applicant, for reviewing and selecting businesses to proceed through the permitting process. As such, the fees provide a rough estimate for the per business cost the Town of Los Gatos could expect for developing and administering a cannabis application process.

Once applicants have been selected to move forward into the permitting process, the land use entitlement and building permit process is no different than it would be for other, similar businesses. The amount of Town staff time (and thus the cost) may vary greatly depending upon the specific location, needed construction or tenant improvements and other building requirements. As with any other construction process, the costs associated with site plan review, conditional use permits, facility plan check, and on-site inspections would be fully recovered through zoning, building and fire review fees.



Annual permit fees vary significantly from jurisdiction to jurisdiction, based upon the desired level of regulatory oversight and administration. Jurisdictions may require that businesses submit to one or more regulatory compliance inspections per year, as well as annual cannabis revenue audits to ensure the business is reporting and remitting the proper portion of gross receipts to the host city. In addition, some jurisdictions choose to place certain regulatory roles within law enforcement, which may include POST certified officers. This can greatly increase the cost for these regulatory services.

Agency (Year of Adoption) <sup>1</sup>	Annual Permit Fee
San Jose (2017)	\$147,645
San Luis Obispo (2018)	\$41,065
Chula Vista (2019)	\$31,275
Redwood City (2018)	\$29,530
Culver City (2018)	\$27,771
Placerville (2019)	\$22,841
Modesto (2018)	\$21,740
Vista (2019)	\$19,967
Oakland (2017)	\$16,676
Santa Ana (2017)	\$12,529
Goleta (2019)	\$11,879
Palm Springs (2017)	\$10,984
Salinas (2017)	\$9,854
Oceanside (2021)	\$8,511
Watsonville (2020)	\$3,700
<b>Average Annual Permit Fee:</b>	<b>\$27,731</b>
<i>(1) Year of adult-use cannabis program adoption.</i>	

The table above provides the annual regulatory permit fees for the same 15 cities cited previously. Fees range from a high of \$147,645 for the City of San Jose to a low of \$3,700 for the City of Watsonville. We note that the regulatory fees for some jurisdictions may vary depending upon the specific types of cannabis businesses allowed. In such cases, the table displays the highest cost. Among this sample set, the average annual permit fee is \$27,731 per year. However, this average is skewed by the fees for the City of San Jose, which are more than three-times higher than the next highest fees. We regard this as an outlier as it is not representative of the overall range. When we exclude the fees from the City of San Jose, the average annual permit fee among our sample set of California cities and counties comes down to \$19,166. We believe this lower figure is more representative of actual annual regulatory costs per business.

Annual permit costs reflect the direct per-business cost for each jurisdiction to provide its desired level of regulatory oversight for permitted cannabis businesses, including regulatory monitoring and inspections, revenue audits, annual permit renewals and overall administration of its cannabis business regulatory and tax program. Where the Town falls within the range of possible outcomes identified in the table above will depend upon the specific design of the local cannabis regulatory program.

In addition to direct regulatory costs, the Town may incur additional impacts to the community through externalities associated with cannabis businesses. These externalities may include, but are not limited to:

- Traffic impacts
- Public health impacts
- Public safety impacts
- Nuisance impacts

Due to limited research available in these areas, HdL is not able to provide cost projections for the potential negative externalities identified above. According to recent surveys of available research on cannabis legalization in the US, “evidence is inconsistent and, in some cases, inconclusive regarding how recreational cannabis legalization affects outcomes significant to public health, including cannabis use, cannabis use disorder, cannabis related hospitalizations and poisonings, driving safety, and other substance use.” Depending upon the study, findings may vary from “significantly positive, significantly negative, to insignificant relationship” between cannabis legalization and various public health outcomes.<sup>x</sup> This lack of available research is caused, in part, by the ongoing classification of cannabis as a Schedule I controlled substance, which limits funding opportunities available to researchers studying cannabis related topics.

Similarly, there is little consensus regarding the public safety impacts from allowing licensed cannabis businesses to operate locally. Some studies have found an association between the density of cannabis retailers and neighborhood crime rates.<sup>x</sup> Other studies have found a negative relationship between dispensary allowances and property crime rates.<sup>xi</sup> One study even found that cannabis retailers closings were associated with increases in crime in the surrounding areas.<sup>xii</sup> Due to these inconsistent findings, HdL is not in a position to provide the Town with cost estimates for the broader social and public health impacts of transitioning consumers from the illicit market to the licensed and regulated cannabis marketplace.

### **Comparison to Other Jurisdictions**

The following analysis provides additional information on nine cannabis regulatory programs in California. The jurisdictions were selected due to their proximity to the Town, and/or the fact that they share similar demographic characteristics to Los Gatos (e.g. population, density, income level, etc.). The regulatory programs include:

- City of Burlingame, CA
- City of Pacifica, CA
- City of Martinez, CA
- City of Fairfax, CA
- City of Goleta, CA
- City of Novato, CA
- City of Mountain View, CA
- City of Encinitas, CA
- City of Santa Barbara, CA

The goal of the analysis is to provide Town Council with a summary of key policy decisions made by other jurisdictions during the development of their local cannabis regulatory programs. This information may serve as a reference point for Town policymakers when deciding; 1) whether to adopt a cannabis program; and 2) what provisions to include/exclude in a regulatory ordinance.

Categories of comparison include:

1. Method of Program Adoption
2. Permitted License Types
3. License Caps
4. License Issuances
5. Licensing Process
6. Zoning Requirements
7. Sensitive Use Buffers and Distances
8. Cannabis Business License Tax Rates

Findings from the analysis can be found in Attachment A to this report. A summary of key observations from the analysis is provided below:

Council Adoption vs. Citizen Initiative: Most of the jurisdictions identified for comparison adopted their cannabis programs through Council action. HdL has observed a recent uptick in the number of small jurisdictions dealing with voter driven ballot initiatives to legalize commercial cannabis activity (e.g. Redondo Beach, El Segundo, Dana Point, etc.). However, these efforts appear mostly limited to the Southern California region at this time. Of the comparable jurisdictions identified, only one (1) of the programs was approved through Citizen Initiative (Encinitas). In general, Citizen Initiatives place fewer restrictions on the number, location and operation of cannabis businesses than ordinances that are adopted by City Councils. Citizen Initiatives may only be amended through voter approval, which limit the ability of cities to adjust regulatory requirements for cannabis businesses over time. For this reason, HdL recommends against adopting cannabis programs through the initiative process.

Permitted License Types: Six (6) of the nine (9) cities that HdL analyzed allow multiple business types to operate within their jurisdiction. The most common allowable license types include Retail (9) and Manufacturing (6). The least common allowable license type includes Cultivation (3). This is likely due to the larger footprint required for this activity, and its potential to have a greater neighborhood impact than other use types (e.g. odor, facility design, etc.). Most of the cities analyzed placed a cap on the number of allowable Retail business types. For other license types (i.e. Cultivation, Manufacturing, Distribution, and Testing), cities have generally allowed the market and/or zoning restrictions to dictate the number of licenses issued.

Licenses Issued: For most cities identified, the actual number of cannabis business licenses issued has been less than the total number available. For Retail license types, this is likely due to fact that cities require a significant amount of time to design and implement a competitive application process. The intense industry competition involved in the Retail application process can create delays due to the number of application reviews involved and/or appeals filed by businesses that are unable to receive a license. HdL anticipates that all of the jurisdictions identified will reach the maximum number of allowable Retail businesses. For non-Retail businesses (e.g. Manufacturing, Distribution, Testing, etc.), HdL has observed a sharp decrease in demand for these license types due to the oversaturation of the wholesale

market. As a result, HdL anticipates that the Town of Los Gatos would receive limited interest for these license types, even if the Town Council were to decide to make wholesale license types available to applicants.

Licensing Process: In situations where cities have placed a hard cap on the number of available licenses, different processes have been used to determine which businesses would be eligible to receive a license. Specifically, cities have used a non-competitive (1), merit-based (5), first-come first-served (1), and public lottery (2) process. For most local jurisdictions, HdL recommends using a hybrid merit-based/lottery approach, that allows for initial screening of applicants followed by random selection through public lottery.

Zoning Restrictions: Zoning restrictions for cannabis businesses vary by city. Some cities (6) allow cannabis businesses to operate in some combination of Commercial, Industrial and Mixed-Use zones. Other cities (2) limit cannabis business activity to commercial areas only. One (1) city allows cannabis businesses in Industrial Zones only. Generally, HdL recommends allowing Retail businesses in Commercial Zones, and non-Retail businesses (cultivation, manufacturing, distribution, etc.) in Industrial Zones only.

Sensitive Use Buffers: The most common types of sensitive-use buffers recognized by the cities identified are schools, day care centers and youth centers, which are the default buffers recommended by the State. Some cities recognize additional buffers, including playgrounds, tutoring centers, and residential zones, which go beyond the minimum State standard. In practice, HdL has observed that the recognition of additional buffers beyond the State default can have the unintended effect of driving up the price of real estate in remaining areas of the Town (i.e. “Green Zones”) that fall outside sensitive use buffer zones. Additionally, overly restrictive buffer requirements may increase the likelihood of overconcentration of cannabis businesses in areas of the Town that remain eligible for cannabis activity. For these reasons, it is important that Town staff to create “buffer maps” for Town Council consideration, before making any decisions on appropriate buffer distances between cannabis businesses and sensitive uses.

Cannabis Tax Rates: Cities identified for comparison have adopted cannabis tax rates that range from 3.5% to 6% of gross receipts for Retail, and 0% to 6% for non-Retail cannabis activity. In addition, once (1) city charges a square footage tax on cultivation, that ranges from \$2 to \$10 per square foot of canopy, depending on whether to cultivator is licensed for indoor, outdoor, mixed light, or nursery activity.

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<sup>i</sup> United States Census Bureau “Quick Facts; Saratoga city, California; Campbell city, California; Los Gatos town, California; Santa Clara County, California; San Jose city, California” Population Estimates July 1, 2021  
<https://www.census.gov/quickfacts/fact/table/saratogacitycalifornia,campbellcitycalifornia,losgatostowncalifornia,santaclaracountycalifornia,sanjosecitycalifornia/PST045221>

<sup>ii</sup> Ross Marchant (2014) “Consumers will Travel 17 Minutes to Reach a Local Business”  
<https://www.brightlocal.com/2014/05/01/local-business-travel-times/> Bright Local

<sup>iii</sup> California Department of Tax and Fee Administration “Cannabis Sales by County”  
<https://www.cdtfa.ca.gov/dataportal/dataset.htm?url=CannabisSalesByCounty>

<sup>iv</sup> Substance Abuse and Mental Health Services Administration, 2019-2020 National Surveys on Drug Use and Health <https://www.samhsa.gov/data/release/2020-national-survey-drug-use-and-health-nsduh-releases>

<sup>v</sup> CBS News (2018) “17 stoner states: Where’s marijuana use highest?” <https://www.cbsnews.com/pictures/17-stoner-states-wheres-marijuana-use-highest/9/>

<sup>vi</sup> Christopher Ingraham (April 20, 2017) “How many Americans regularly use pot? The number is, errr, higher than you think” Sacramento Bee <http://www.sacbee.com/news/nation-world/national/article145681414.html>

<sup>vii</sup> Eli McVey, et al. (2017) “*Marijuana Business Factbook 2017*” Marijuana Business Daily

<sup>viii</sup> Eli McVey, et al. (2017) “*Marijuana Business Factbook 2017*” Marijuana Business Daily

<sup>ix</sup> Cannabis Legalization In the US: Population Health Impacts, Health Affairs Health Policy Brief, July 1, 2021.

<sup>x</sup> Shi, Y., Meseck, K., & Jankowska, M. M. (2016). Availability of medical and recreational marijuana stores and neighborhood characteristics in Colorado. *Journal of Addiction*, 2016, 1–7. <https://doi.org/10.1155/2016/7193740>

<sup>xi</sup> Hunt, P., Pacula, R. L., & Weinberger, G. (2018). High on crime? exploring the effects of marijuana dispensary laws on crime in California counties. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3193321>

<sup>xii</sup> Chang, T. Y., & Jacobson, M. (2017). Going to pot? the impact of dispensary closures on crime. *Journal of Urban Economics*, 100, 120–136. <https://doi.org/10.1016/j.jue.2017.04.001>

**ATTACHMENT A-1**
**COMPARISON OF CANNABIS REGULATORY PROGRAMS - LICENSING**

City	Method of Adoption	Permitted License Types	License Cap	DCC Licenses Issued <sup>(1)</sup>	Retail Licensing Process
Burlingame, CA	- City Council Adoption (2021)	- Retail Non-storefront	- Retail Non-storefront: 4 Total	- 0 (1 currently under review)	- Non-competitive. Operators Permit & Conditional Use Permit
Pacifica, CA	- City Council Adoption (2017)	- Retail - Manufacturing - Testing	- Retail: 6 Total - Manufacturing: No Cap - Testing: No Cap	- Retail: 5 Licenses - Manufacturing: 0 - Testing: 0	- Chronological Order of Date Received.
Martinez, CA	- City Council Adoption (2019)	- Retail - Manufacturing - Distribution - Testing Laboratory - Non-Storefront Retail	- Retail: 2 Total - Manufacturing: 1 Total - Distribution: 1 Total - Testing Laboratory: 1 Total - Non-Storefront Retail: 1 Total	- Retail: 2 Licenses - Manufacturing: 1 License - Distribution: 1 License - Testing Laboratory: 0 - Non-Storefront Retail: 0	- Competitive - Scored/Ranked - Points Awarded by Proposal Review Committee
Fairfax, CA	- Town Council Adoption (2019)	- Retail	- Retail: 2 Total	- Retail: 1 License	- Competitive - Scored/Ranked - Points Awarded by Planning Commission
Goleta, CA	- City Council Adoption (2019)	- Cultivation - Distribution - Manufacturing - Nurseries - Retail - Testing	- Cultivation: No Cap - Distribution: No Cap - Manufacturing: No Cap - Nurseries: No Cap - Retail: 15 Total - Testing: No Cap	- Cultivation: 2 Licenses - Distribution: 3 Licenses - Manufacturing: 1 License - Nurseries: 0 - Retail: 3 Licenses - Testing: 0	- Competitive - Scored/Ranked - Points Awarded by City Director
Novato, CA	- City Council Adoption (2019)	- Non-Storefront Retail - Testing - Manufacturing - Indoor Cultivation - Microbusiness - Distribution	- Non-Storefront Retail: Unlimited - Testing: 2 - Manufacturing: 2 - Indoor Cultivation: 2 - Microbusiness: 3 - Distribution: 1 (No limit if ancillary to another activity)	- Non-Storefront Retail: 0, (1 in review) - Testing: 0 - Manufacturing: 0 - Indoor Cultivation: 0, (1 in review) - Microbusiness: 0, (1 in review) - Distribution: 0	- Competitive - Scored/Ranked - Points Awarded by Proposal Review Committee
Mountain View, CA	- City Council Adoption (2019)	- Non-Storefront Retail - Retail	- Non-Storefront Retail: 3, <u>or</u> - Retail: 3, or combination thereof.	- Non-Storefront Retail: 0 - Retail: 0	- Applications Screened - Qualified Applications Placed in Lottery - Zoning Administrator Randomly Selects Applications
Encinitas, CA	- Voter Driven Initiative (2020)	- Retail - Cultivation - "Product Manufacturing" - "Cannabis Kitchens" - Distribution	- Retail: 4 - Cultivation: No Cap - Manufacturing: No Cap - Distribution: No Cap	- Retail: 0 - Cultivation: 0 - "Product Manufacturing": 0 - "Cannabis Kitchens": 0 - Distribution: 0	- Competitive Lottery - Applicants Graded and Placed into Tiers - Applicants in 1st Tier Randomly Selected - 1st Tier Exhausted, Applicants in 2nd Tier Randomly Selected
Santa Barbara, CA	- City Council Adoption (2018)	- Indoor Cultivation - Manufacturing - Distribution - Retail Storefront - Testing	- Indoor Cultivation: No Cap - Manufacturing: No Cap - Distribution: No Cap - Retail Storefront: 3 - Testing: No Cap	- Indoor Cultivation: Not Avail. - Manufacturing: 2 - Distribution: 3 - Retail Storefront: 3 - Testing: 0	- Competitive - Scored/Ranked - Points Awarded by Permit Application Evaluator

(1) Note: Current license data is based primarily upon information from the Department of Cannabis Control (DCC). DCC data reflects issuance of a State license, which may or may not coincide with final issuance of a local license. As a result, actual number of businesses currently in operation within each jurisdiction may differ from figures indicated above. In addition, DCC data does not currently include manufacturing license totals by City. As a result, manufacturing license totals shown above are based upon amounts reported on City cannabis websites and/or recent news articles published within those jurisdictions.



**ATTACHMENT A-2****COMPARISON OF CANNABIS REGULATORY PROGRAMS - ZONING**

<b>City</b>	<b>Retail Zoning</b>	<b>Non-Retail Zoning</b>	<b>Sensitive Use Buffers</b>
Burlingame, CA	- "Rollins Road" / "Inner Bayshore": Mixed Use, Commercial, Light Industrial	- N/A	- Residential Use, Schools: 600 feet - Day Care, Youth Centers: 600 feet
Pacifica, CA	- "Cannabis Operation Overlay District": Neighborhood Commercial, Service Commercial, Planned Development, Community Commercial	- Manufacturing: Service Commercial - Testing: Community Commercial, Service Commercial	- Schools, Daycare Centers: 600 feet - Youth Centers: 200 feet
Martinez, CA	- Light Industrial, Neighborhood Commercial, Controlled Industrial, Thoroughfare Commercial	- Manufacturing: Controlled Industrial, Light Industrial, - Distribution: Controlled Industrial, Light Industrial, - Testing Laboratory: Controlled Industrial, Light Industrial, Research and Development	- Schools, Daycare Centers: 600 feet - Youth Centers: 600 feet
Fairfax, CA	- Highway Commercial, Central Commercial, and Limited Commercial	- N/A	- School, Youth Center: 600 feet - Daycare, Tutoring Center: 300 feet - Delivery Only: School, Youth Center: 250 Feet
Goleta, CA	- Community Commercial, General Commercial, Old Town, and Regional Community	- Cultivation: Business Park, Industrial General, Service Industrial - Distribution: Business Park, Industrial General, Service Industrial - Manufacturing: Business Park, Industrial General, Service Industrial - Nurseries: Business Park, Industrial General, Service Industrial - Testing: Business Park, Industrial General, Service Industrial	- School: 600 feet - Residential Land Use: 100 Feet
Novato, CA	- Light Industrial/Office, Commercial/Industrial, Business and Professional Office	- Cultivation: Light Industrial / Office, Commercial / Industrial - Distribution: Light Industrial / Office, Commercial / Industrial - Manufacturing: Light Industrial / Office, Commercial / Industrial - Nurseries: Light Industrial / Office, Commercial / Industrial - Testing: General Commercial, Downtown Core Retail, Light Industrial / Office, Commercial / Industrial, Downtown Core Business, Business and Professional Office	- School, Youth Center: 600 feet
Mountain View, CA	- Commercial Service, General Industrial, Limited Industrial, Corridor Areas, Core Character Area, General Character Area, Edge Character Area	- N/A	- School: 600 feet - Childcare Center: 250 feet
Encinitas, CA	- Commercial, General Commercial, Commercial Mixed Use, Mixed Use Land Use	- Cultivation: Agriculture - "Product Manufacturing": Light Industrial, Agricultural - "Cannabis Kitchen": Business Park, Light Industrial, Agriculture, General Commercial - Distribution: Business Park, Light Industrial	- Daycare, Playground, Other Retailer, School: 1,000 feet - Youth Center: 600 feet - Exceptions allowed for "geographic barriers" between cannabis business and sensitive use
Santa Barbara, CA	- Light Manufacturing	- Light Manufacturing	- Schools, Daycare, Youth Center: 600 feet

**ATTACHMENT A-3****COMPARISON OF CANNABIS REGULATORY PROGRAMS - TAX RATES**

City	Retail	Non-Retail
Burlingame, CA	- 5% of gross receipts.	- N/A
Pacifica, CA	- 6% of Gross Receipts	- Manufacturing: 6% of Gross Receipts
Martinez, CA	- Negotiated through Community Benefit Agreement (CBA) - Most Recent CBA: 6% of Gross Receipts	- Negotiated Through CBA - Most Recent CBA: None available on record
Fairfax, CA	- <i>Information not readily available</i>	- <i>Information not readily available</i>
Goleta, CA	- 5% of Gross Receipts	- Cultivation: 4% of Gross Receipts - Distribution: 1% of Gross Receipts - Manufacturing: 2% of Gross Receipts - Nurseries: 1% of Gross Receipts - Testing: 0% of Gross Receipts
Novato, CA	- Negotiated through Community Benefit Agreement (CBA) - Most Recent CBA: 3.5% of Gross Receipts	- Negotiated Through CBA - Most Recent CBA: 1.5% of Gross Receipts (Testing), 3-4% of Gross Receipts (Microbusiness)
Mountain View, CA	- 9% of Gross Receipts	- N/A
Encinitas, CA	- Pending Voter Approval - 4% to 6% of Gross Receipts	- Pending Voter Approval - Retail: 6% of Gross Receipts (Max) - Cultivation: \$10/sq. ft. of canopy indoor, \$7/sq. ft. of canopy greenhouse, \$4 per square foot of canopy outdoor, \$2/sq. ft. of canopy nursery (Max) - Distribution: 3% of Gross Receipts (Max) - Manufacturing: 4% of Gross Receipts (Max) - Testing: 2% of Gross Receipts (Max)
Santa Barbara, CA	- 5% of gross receipts.	- Distribution: 4% of gross receipts - Testing: 4% of gross receipts - Cultivation 2% of gross receipts - Manufacturing: 3% of gross receipts