



City of Needles, California Staff Report

☒ PLANNING COMMISSION

☒ Regular ☐ Special

Meeting Date: December 6, 2023

Title: State of Cannabis Industry- City of Needles

Background: In 1996, California recognized the medicinal value of cannabis with the passage of the Compassionate Use Act through Proposition 215, legalizing its use, possession, and cultivation for patients with a physician's recommendation

Timeline of Significant Cannabis Policy Events:

- **2012 Measure S:** City voters overwhelmingly approved the Marijuana Business Tax Ordinance, allowing for the collection of a 10% tax on gross receipts from marijuana businesses. This measure received an 81% approval rate.
- **2015 Medical Marijuana Regulation and Safety Act:** Statewide regulations were established for licensing, cultivating, processing, transporting, testing, and distributing medical cannabis. Local control was maintained through a dual licensing system requiring both local and state approval.
- **2016 Ordinance 574-AC:** The City enacted legislation to regulate Marijuana Businesses in accordance with state law, ensuring the safety and welfare of residents and businesses within the City. This led to the creation of Section 12A of the NMC.
- **2016 Proposition 64:** Legalized the possession, cultivation, and use of marijuana for personal use and allowed for the sale and taxation of recreational marijuana. 60% of Needles Residents voted in favor of the Statewide Ballot Measure.
- **2018 Ordinance 606-AC:** The City introduced legislation allowing the sale, cultivation, and manufacturing of adult-use (recreational) cannabis.
- **2020 Ordinance 629-AC:** Additional retail cannabis businesses and onsite cannabis consumption were permitted under this legislation.
- **2022 Ordinance 656-AC:** This ordinance streamlined application requirements and made amendments related to grounds for license denial and identification card issuance.

Over the period spanning from 2017 to the present, the city has granted a total of 93 Conditional Use Permits for cannabis business enterprises, encompassing a substantial 941,721 square feet dedicated to cannabis-related businesses. Presently, the City of Needles hosts a cannabis sector with 34 operational businesses (269,981 sq. ft.). There is a total of 120,000 sq. ft. that is under construction and anticipated to come online within the next year.

This diverse landscape consists of:

- 1 Consumption Lounge
- 3 Manufacturing Facilities
- 7 Cannabis Retail Businesses
- 5 Distribution Facilities
- 18 Cultivation Facilities

The City has not only leveraged the advantages of cannabis tax revenue to propel economic growth, ensure regulatory adherence, and improve our community's infrastructure, but it has also drawn in businesses, resulting in the creation of 586 jobs in the industry itself and indirectly

created the need for additional jobs in the restaurant and hotel/motel industries as their contractors came to Needles. This underscores how responsible cannabis taxation and regulation have not only enhanced our community's well-being but also stimulated employment opportunities and business growth.

Financial Impacts: In 2012, the City took a significant step forward by implementing a cannabis tax collection system. Under Measure S, the Marijuana Business Tax Ordinance was established, which imposed up to a 10% gross receipts tax on the revenue of cannabis businesses.

In the inaugural year of 2013, the city initiated the tax collection process, and through a self-reporting system, approximately \$14,920 in revenue was collected. The following year, in 2014, an essential shift occurred as the City Manager took proactive measures, initiating a thorough audit of reported gross receipts, which revealed an additional \$56,520 in revenue. Since the inception of Measure S, the city has collected a total of \$18 million in cannabis tax revenue. Additionally, the city has experienced an increase in sales tax (186% since FY 14) as a result of the city receiving its share of state sales tax. The above has produced a steady growth of revenue for the City improving its long-term financial sustainability.

The City invested revenues generated by cannabis in furtherance of community enhancement and to improve the quality of life for Needles' residents. Cannabis revenues have been instrumental in supporting various aspects of our community, contributing to both its growth and development while establishing a healthy level of reserves. Some examples of community enhancement and programs funded by cannabis revenue include the following:

- **Economic Development Program:** The City allocates 10% of Cannabis Tax Revenues to an Economic Development Program. This initiative is dedicated to fostering the expansion and creation of non-cannabis businesses within our community and so far has assisted with the development of an 82 room Hampton Inn Hotel, a new 66,560 Sq. Ft. boat storage facility, and a renovated coffee shop at an auto service center.
- **Street Improvements:** Progress has been made with respect to the City Council's goal of improving the quality of life for Needles' residents in that cannabis revenues have funded \$8 million in essential street improvements.
- **Infrastructure Improvements:** With aging infrastructure needing to be addressed the cannabis tax revenue provided interim funding for the \$1.2 million Arizona Bridge Reconstruction.
- **Cannabis Compliance:** A portion of the revenue is invested in critical aspects of law enforcement and code enforcement to ensure that cannabis-related activities are in compliance with established regulations.
- **Philanthropy:** In addition to the above, various cannabis owners as individuals have given back to the City by participating in community events (BMX Freestyle Event, Trunk or Treat, Holiday present giveaways) and have donated to the City of Needles (recreation center basketball hoops and donations to the animal shelter).

The economic model implemented by the City has effectively cultivated a business-friendly environment, resulting in a noteworthy influx of businesses to Needles. This surge in business activities, primarily driven by the cannabis economy, has substantially contributed to job creation and population growth within the City. Moreover, this economic synergy extends its reach, indirectly bolstering and supporting other sectors, including the hospitality and restaurant industries. The cannabis industry's growth has brought forth a multitude of secondary economic benefits, notably elevating the City's total property value by a remarkable 72% (equivalent to \$224 million) since 2017, with a recent year-over-year increase of 9.1% (\$45 million). This upsurge can be directly attributed to the heightened demand for lodging services and dining establishments resulting from the construction of cannabis-related facilities.

Utilities: The Needles Public Utility Authority which manages the utilities for the City has also benefited from the growing cannabis industry. In 2017, the NPUA required that all cannabis businesses provide a \$100,000 per/MW deposit to the NPUA to assist financially in completing certain related electrical facilities which provided the cannabis projects with electrical power. The residents of the City have benefited greatly from improving the electric delivery system and expanding it to meet the needs of the new cannabis businesses that were brought online. The following projects were completed to improve system reliability and deliver power:

- NPUA increased its power allotment allocation from 30 MW to 60MW which provides the City with the opportunity to grow and expand.
- City has increased load from a peak max of 9 MW to 23 MW per hour which provides additional revenue to the NPUA for the sale of electrical power. NPUA budget has doubled in the last five years to (\$15 Mil. Projected FY 24)
- \$1.2 Mil. Bill Yoney Substation Replacement
- \$1.8 Mil. Intertie to South Needles
- \$1.2 Mil. Murl Shaver Needles Substation (New)
- Replaced over 60 outdated, 1950's vintage insulators
- Initiated a system wide pole replacement program to improve system reliability
- The \$100,000 per/MW deposits have helped fund engineering work, equipment and assisted in performing future improvements to our electric grid necessitated by the growth of the cannabis industry in the City.

The NPUA has worked closely with the Cannabis businesses to ensure that they are successful. However, factors such as market saturation, economies of scale, and competition from the illicit market have contributed to fluctuations in the cannabis market with the result that some cannabis businesses have fallen behind on utility and other payments owed to the City. The NPUA's Terms and Conditions allow for a long-term payment arrangement for utility accounts that are delinquent for all residents and business. Out of the 34 operating cannabis businesses, only 4 have needed to utilize the long-term payment plan allowed by the NPUA Terms and Conditions. The largest of those payment plans was with the MIH entities for past due utilities and past due taxes. The total amount of past due utilities was \$848,976 and the total amount of past due taxes was \$914,862. The MIH entities are currently up to date on the payments due under their payment plan, but still owe approximately \$848,000 with the final payment being due in June of 2024.

Enforcement: The City has a robust Code Enforcement Program, ensuring compliance with regulations among cannabis facilities. Each facility is inspected at least monthly. The Code

Enforcement Officer oversees various permit requirements and conditions, including inventory and sales documentation for the cannabis businesses.

The Code Enforcement Department has issued 186 citations for violations of the municipal code. Violations encompass issues such as odor, tax delinquency, the absence of an active state license, odor and non-compliant signage. The City has and will continue to take aggressive enforcement action, ranging from issuance of citations to license revocation, against cannabis entities that violate the City Municipal Code or fail to pay sums owed to the City/NPUA.

Furthermore, the City actively combats illegal operators attempting to bypass regulations. Approximately nine (9) illicit cannabis code enforcement actions have been taken, resulting in the closure of each illegal operation. The City has aggressively mitigated illicit cannabis activity and has worked with the various agencies to shut them down.

Submitted By: Patrick Martinez, City Manager

Recommended Action: Information Item

City Management Review: Patrick J. Martinez

Date: 11-29-23

Approved: <input type="checkbox"/>	Not Approved: <input type="checkbox"/>	Tabled: <input type="checkbox"/>	Other: <input type="checkbox"/>
			Agenda Item: <u>3</u>

City Growth Through Cannabis Innovation



City of Needles
December 6, 2023



City of Needles Cannabis Business Timeline

1996 Proposition 215: The Compassionate Use Act legalized the use, possession, and cultivation cannabis by patients with physician's recommendation.

2010: Six cannabis retail businesses opened in Needles without permits or approvals. In response the City Council adopted a ban on such places. The City initiated review of the issue by appointed a citizens committed to study the matter.

2012 Measure S: The City voters approved the adoption of the Marijuana Business Tax Ordinance and authorized the collection of a Marijuana Business Tax at 10% of gross receipts. Approved by 81% of the voters.

2015 Medical Marijuana Regulation and Safety Act: Established statewide regulatory scheme for the licensing, cultivating, processing, transporting, testing, and distrusting of medical cannabis. The act protected local control by providing for a dual licensing scheme needed local and state approval.

2016 Ordinance 574-AC: Enacted new City legislation to regulate Marijuana Businesses operating within the City in accordance with state law, in order to protect the health, safety, and general welfare of the residents and businesses within the City creating Section 12A of the NMC.

2016 Proposition 64: Legalized the possession, cultivation, and use of marijuana for personal use and allowed for the sale and taxation of recreational marijuana.

2018 Ordinance 606-AC: Enacted new City legislation to allow the sale, cultivation, and manufacturing of Adult-use (recreational) cannabis.

2020 Ordinance 629-AC: Enacted new City legislation to allow additional retail cannabis businesses and cannabis consumption onsite.

2022 Ordinance 656-AC: Removed duplicative application requirements and amended convictions that constitute grounds for denial of a license and/or identification card.



City Economic Indicators



A Population Increase to 6,125, in 2023, up from 5,044 in 2017



93 Land Use Entitlements Issued by the City Council for Cannabis Businesses



277,451 Sq. Ft. of Cannabis Industry Operational Today

173,015 Sq. Ft. of Cannabis Industry Operational within Next Six Months

491,254 Sq. Ft. of Potential New Cannabis Industry to the City

941,721 Sq. Ft. Total Permitted Cannabis Businesses

(As of 09/19/2023)



1	1 Ice House Rd (Bldg 5)	Cultivation
2	105 W. Broadway	Cultivation
3	111 "D" St. (Phase I)	Cultivation
4	1203 E. Broadway	Cultivation
5	219 I Street	Cultivation
6	2204 Needles Hwy	Cultivation
7	250 Balboa St. (Building 1 Suite C)	Cultivation
8	2701 Columbus Drive (Building 1)	Cultivation
9	2701 Columbus Drive (building 2)	Cultivation
10	318 San Clemente	Cultivation
11	3241 Ndls Hwy (Building 1)	Cultivation
12	3253 Ndls Hwy (Building 3)	Cultivation
13	708 Quinn Court 138 (Phase 1)	Cultivation
14	HWY 95 (Victory & Broadway) Bldg B (1)	Cultivation
15	101 E. Spikes Road (Suite B)	Cultivation
16	1105 Lilly hill	Cultivation
17	3515 Ndls Hwy (Building 2)	Cultivation
18	2109 Ndls Hwy (Suite B)	Cultivation
19	2205 Needles Highway Suite 101	Disp. & Lounge
20	1005 E Broadway	Dispensary
21	1400 Needles Hwy Suite 100	Dispensary
22	2208 Needles Highway Building 1 Phase 1	Dispensary
23	221 H Street	Dispensary
24	300 J Street	Dispensary
		Dispensary Micro
25	101 E. Spikes Road (Suite A)	
26	101 E. Spikes Road (Suite D)	Distribution
27	2109 Ndls Hwy (Suite A)	Distribution
28	2205 Needles Highway Suite 100	Distribution
29	3247 Ndls Hwy (Bldg 2/Suite E)	Distribution
30	1100 E. Broadway Suite B (Phase 1)	Distribution
31	110 Cibola	Manufacturing
32	1100 E. Broadway Suite C (Phase 1)	Manufacturing
33	3247 Ndls Hwy (Bldg 2/Suite A)	Manufacturing

Presently, the City of Needles hosts a thriving cannabis sector with 34 operational businesses (271,106 sq. ft.). This diverse landscape consists of:

- 1 Consumption Lounge
- 3 Manufacturing Facilities
- 7 Cannabis Retail Businesses
- 5 Distribution Facilities
- 18 Cultivation Facilities



City's Economic Development Strategy

Create a
Business-
Friendly
Environment

Attract
Businesses
and Create
Jobs

People Need
Housing

Increases
Population

Brings
Developers
and Retailers
to Follow



Cannabis Businesses Stimulate New Jobs



☐ **586 Actively Working Employees**

Active Employee Location

☐ **118 Needles Residents**

☐ **340 Arizona Residents**

☐ **22 Nevada**

☐ **106 Other**

(As of 08/30/2023)

*Serving
Mohave County*

June 2018

Volume 18 Issue 4

COMPLIMENTARY

Economic Development

JOURNAL

of Mohave County



Needles economy on path to rapid recovery

NEEDLES, Calif. – There are clear signs that city of Needles, Calif., which has been in steady economic decline in recent years, is bouncing back because of new commercial developments that will generate approximately 3,200 new jobs with a projected payroll estimated at \$115 million in the next three years.

“Now, that doesn’t sound like

much in some quarters, but the city lost \$50 million in property valuations since the recession so we’re taking a big bite out of that loss,” said Needles City Manager Rick Daniels. The 3,200 new jobs are also significant because the current entire workforce of the city of Needles is roughly 2,000.

Since the middle of June 2016, the Needles City Council

approved a total of 53 cannabis permits and more than 40 buildings totaling over 600,000 square feet of commercial space on approximately two-dozen pieces of property.

“Right now, we have eight buildings that are operating and six under construction,” said Daniels, “and those are just cultivating and

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Economic Development

JOURNAL

of Mohave County



City of Needles earns coveted statewide Economic Development Excellence Award



**California Association for
Local Economic Development**

By Michelle Stephens

NEEDLES, Calif. – The City of Needles was recently informed that it has been selected as the 2019 Economic Development Award of Excellence winner in the Game-changer category by the California Association for Local Economic Development (CALED).

The Economic Development

Excellence Award is the highest in this category. The Game-changer award identifies an impactful economic development project that was transformational to the community and local economy. The award will be presented at CALED's annual conference in late March.

"The City Council, previous councils and the community have

worked diligently over many years to create new private investment economic opportunities for our residents and businesses. We are happy that CALED recognizes that effort," said Mayor Jeff Williams.

The City of Needles was invited to apply for its "City of Needles "Green" Cannabis-

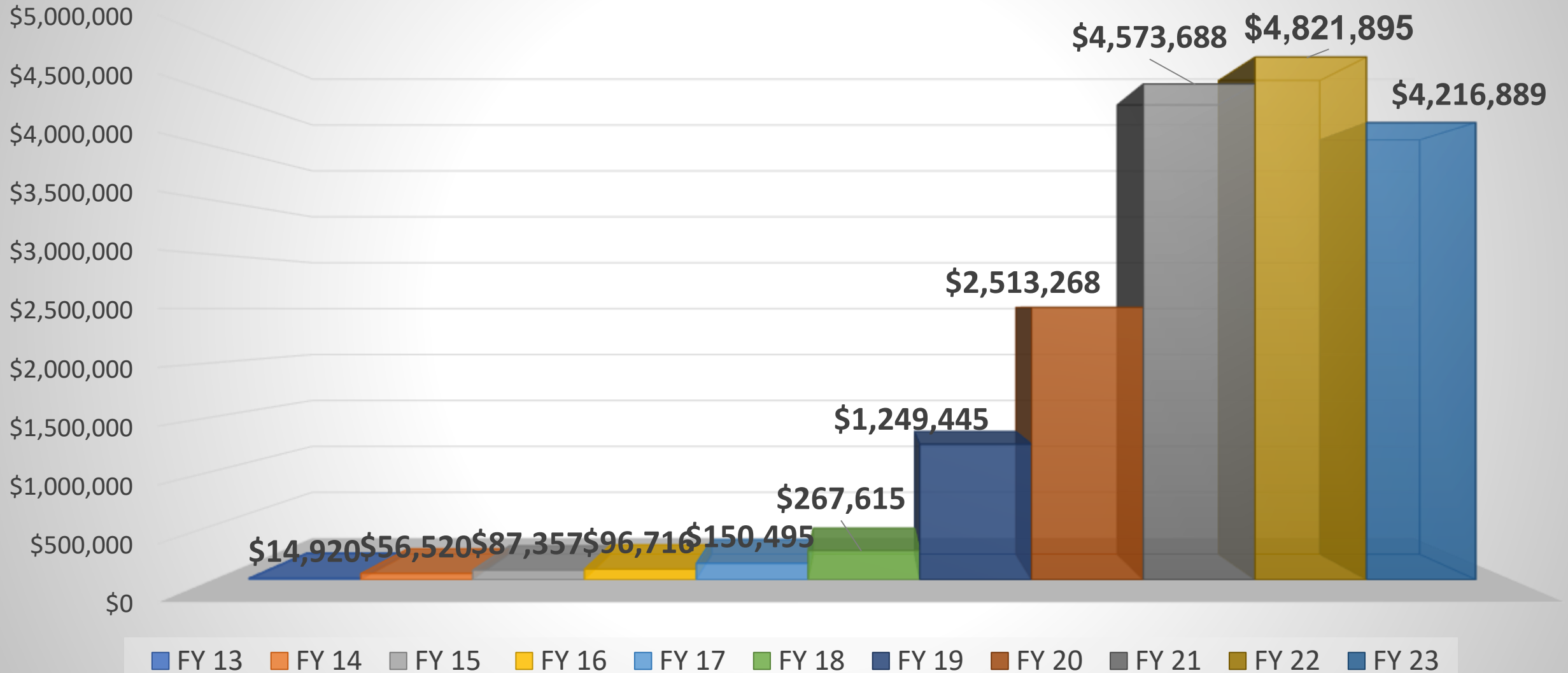
See Award, Page 4

**2019 Economic Development Award
of Excellence winner "Gamechanger"**



The 2023 City of Needles Total Property to be Valued at \$536 Million Increased by 72% (\$225 mil.) from the 2017 Assessment Roll and 9.1% from 2022 (\$45 mil.)

Needles, CA Cannabis Tax Revenues



Needles has received \$18 Million in Tax Revenues since Measure S was approved by the voters.



Business

The New York Times

MONDAY, DECEMBER 10, 2018

A nearly forgotten stop along Route 66 looks to cannabis as a way to bring in jobs and revenue.



JOE BUDEWILC FOR THE NEW YORK TIMES

Almost every block in Needles, Calif., has a run-down building like this former hotel, which is being converted into a cannabis growing facility. Four stores already sell marijuana to the public.

A Desert Town's Green Gamble

By NATHANIEL POPPER

NEEDLES, CALIF. — Jeff Williams, the incoming mayor of this small desert city near the Arizona border, arrested a lot of people for selling marijuana in his days as a county sheriff. He voted against legalizing the stuff in a 2016 state-wide referendum.

But Mr. Williams also knows the city he has called home since he was in second grade has seen better days. The railroad jobs have mostly gone away. And people don't stop off on the old Route 66 as they used to.

So Mr. Williams, 54, has become the unlikely leader of Need-



les's unlikely effort to turn itself into a new kind of industry town dedicated to the growing business of cannabis.

"If a small community like this isn't growing, it's dying — and that's what we were doing," Mr. Williams said. "We needed to do something."

The City Council in this solidly Republican community of 5,000 people has approved 81 permits for cannabis businesses since 2015. Four stores are selling marijuana to the public — about 100 times the number of dispensaries per person over the entire state.

Almost every block in Needles

has a run-down building like the old Relax Inn, which is being converted into a cannabis growing facility. Or a new building going up for manufacturing oils and edibles. If all the projects pan out, local officials hope they will generate more jobs — an estimated 2,100 — than Needles has altogether right now.

"You would be hard-pressed to find someone in town who their brother, uncle, sister, aunt, cousin or themselves isn't involved in the industry," Rick Daniels, the city manager, said in an interview at Needles's single-story City Hall.

CONTINUED ON PAGE B8



Hampton Inn

Hampton Inn (Now Open)



Needles Marina Storage



The Filter Change
Coffee and Automotive




**YOUR CANNABIS
TAX DOLLARS AT WORK!
\$3 MILLION
STREET IMPROVEMENTS**

MAYOR JEFF WILLIAMS	CITY COUNCIL TONA BELT TIM TERREL ZACHERY LONGACRE KRISTEN MERRITT ELLEN CAMPBELL
VICE MAYOR EDWARD PAGET M.D.	



City of Needles

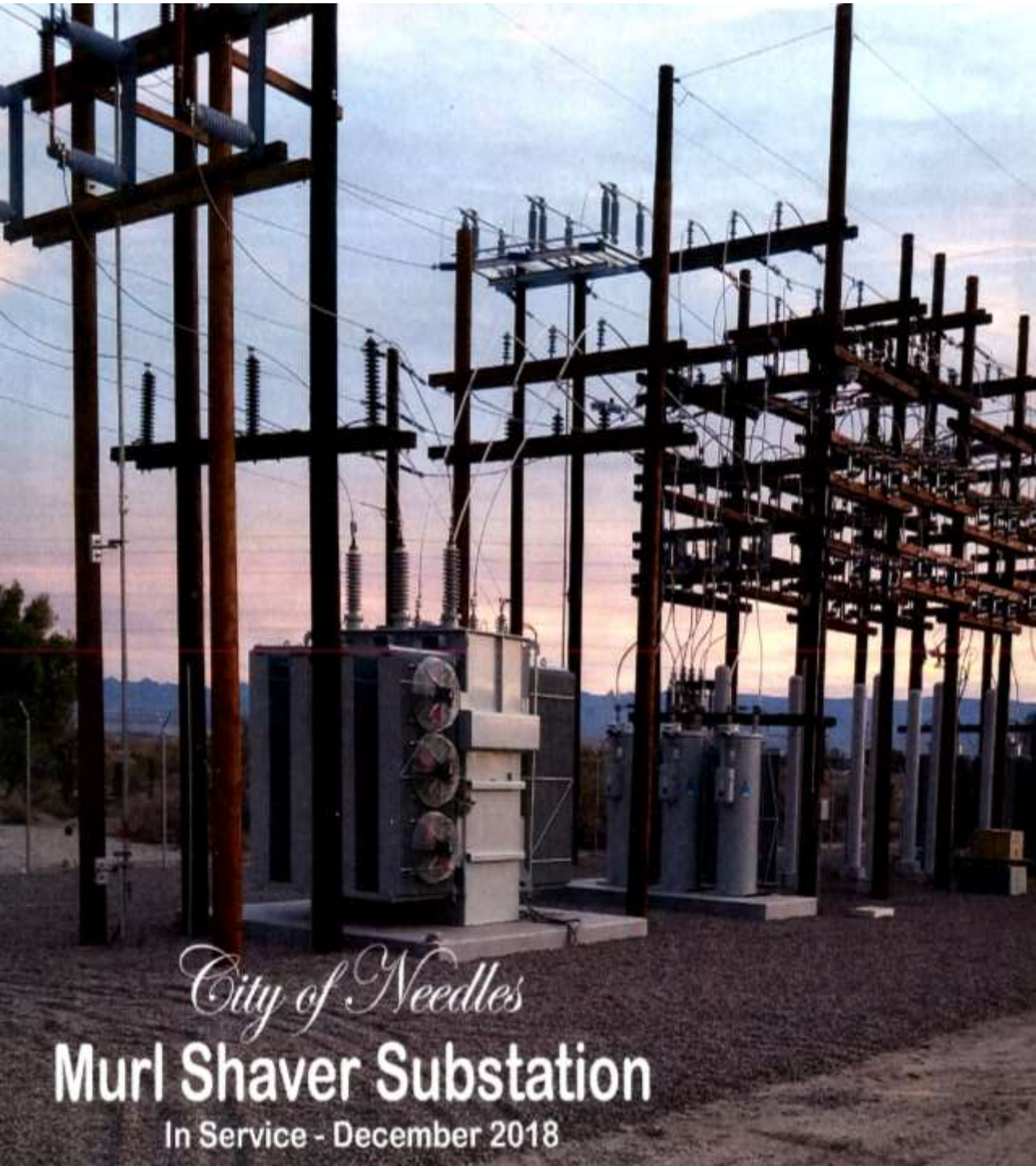


WATER & STREET IMPROVEMENTS

CANNABIS
TAX DOLLARS AT WORK
\$2,050,000

CITY COUNCIL
JEFF WILLIAMS, Mayor
EDWARD PACET, Vice Mayor
TONA BELT
ZACHERY LONGADRE
KRISTEN MERRITT
ELLEN CAMPBELL
WADE EVANS

For More Information:
Call (760) 326-5740 x160
or
www.cityofneedles.com



City of Needles
Murl Shaver Substation
In Service - December 2018



City of Needles
YONEY SUBSTATION
In Service January 2018



City-wide System Reliability Upgrades
Yoney and Shaver Substation



City-wide System Reliability Upgrades
Yoney to Spikes Road Intertie





