

MARCH 16, 2021

CCP Program Update

City Council Presentation



ORDINANCE NO. 700

- Established Chapter 5.61 (Commercial Cannabis Businesses) was adopted by the Commerce City Council on September 4, 2018. Ordinance No. 700 established the set of regulations that permitted cannabis businesses must abide by in the City of Commerce.
- Commercial Cannabis Permittees are authorized through individual development agreements and ordinances.



DEVELOPMENT AGREEMENTS – STATUS

Businesses Operating

- 1) GE United
- 2) Summit Manufacturing
- 3) Claremont
- 4) NotStanLA
- 5) Green Rush
- 6) Synergy
- 7) Asceend

Businesses still in Plan Check (including State & County agencies such as Fire)

- 1) Cannex
- 2) Corvette LLC
- 3) Cure
- 4) VK Labs
- 5) J&L
- 6) New Era
- 7) ABC Commerce

Businesses still in Plan Check (continued..)

- 8) Golden Perspective
- 9) Commerce Cann. Company
- 10) A&E

Suspense/Plan Check

- 1) 2SBK – Also needs to relocate
- 2) Commerce Concentrates – Also needs to relocate
- 3) MCR – Relocating
- 4) New Earth – Relocating
- 5) High Note – Relocating

Pending Applicants without a Dev. Agreement

- 1) RD Commerce
- 2) RS Innovations
- 3) California Green World



ORDINANCE NO. 700 REVENUES

- As of March 8, 2021 with only seven (7) operators cleared for business, including four (4) that are only partially approved for some license types and not their full set of approvals under their development agreements, the City has received **\$6,112,874** in revenues from the Commercial Cannabis Permit Program. The table that follows provides a breakdown of those revenues in 3 different categories.

Commercial Cannabis Permit Program Revenues	Amount
Community Benefits	\$861,070.64
Ongoing Fees	\$2,211,452.76
Program Fees (cost-recovery, i.e. staff, external costs)	\$3,040,350.60
Grand Total	\$6,112,874.00



ORDINANCE NO. 700 REVENUES (Continued..)

- The following table provides a snapshot of the revenues received from the seven (7) operators that have gone through the City, County and State approval process and have been officially cleared to conduct business.

DA#	Applicant	Address	Activity	Payments
Operating				
711	GE United Technologies	5500 E. Washington Blvd.	RD	\$1,787,909
728	Synergy Business Management	6140 S. Eastern Ave.	MB: M/D/RD	\$550,299
720	Summit Manufacturing	3019 Vail Ave.	M/D	\$298,773
716	Claremont Capital Partners LLC	1538 S. Eastern Ave.	C/M/D/RD	\$146,130
709	LA Green Rush, LLC	1412 S. Gerhart Ave.	C/M/D/RD	\$130,048
725	NotStanLA	2620 S. Malt Ave.	M/D	\$102,205
730	Asceend	6251 Bandini Blvd.	C/M/D/RD	\$105,365



ORDINANCE NO. 700 EXPENDITURES



- The table that follows provides a breakdown of expenditures related to the program.

Activity	Total Expenditure
Program Costs - including:	
Contractual Services	\$595,432
General Advertising (Pursuant to Public Notice Requirements)	\$83,135
Legal Services	\$451,468
Personnel/Admin Charges	\$135,276
Grand Total	\$1,265,312

- The difference between the \$6,112,874 received in revenues from the program including community benefits and ongoing fees against the \$1,265,312 in expenditures related to the program expended by the City is \$4,847,562. Funds which the City has invested in community benefits, public programs and to help offset losses in other sectors.



OVER \$1.1 MILLION OF COMMUNITY BENEFIT FUNDS HAS BEEN DEDICATED TO PROGRAMS/EVENTS



- **Food Distribution**
- **Senior Meals**
- **Senior Rent Subsidy**
- **Emergency Rental/Utility/Food Assistance Program**
- **Altamed COVID-19 Testing**
- **Miss Commerce**
- **Las Mañanitas**



OVER \$1.1 MILLION OF COMMUNITY BENEFIT FUNDS HAS BEEN DEDICATED TO PROGRAMS/EVENTS

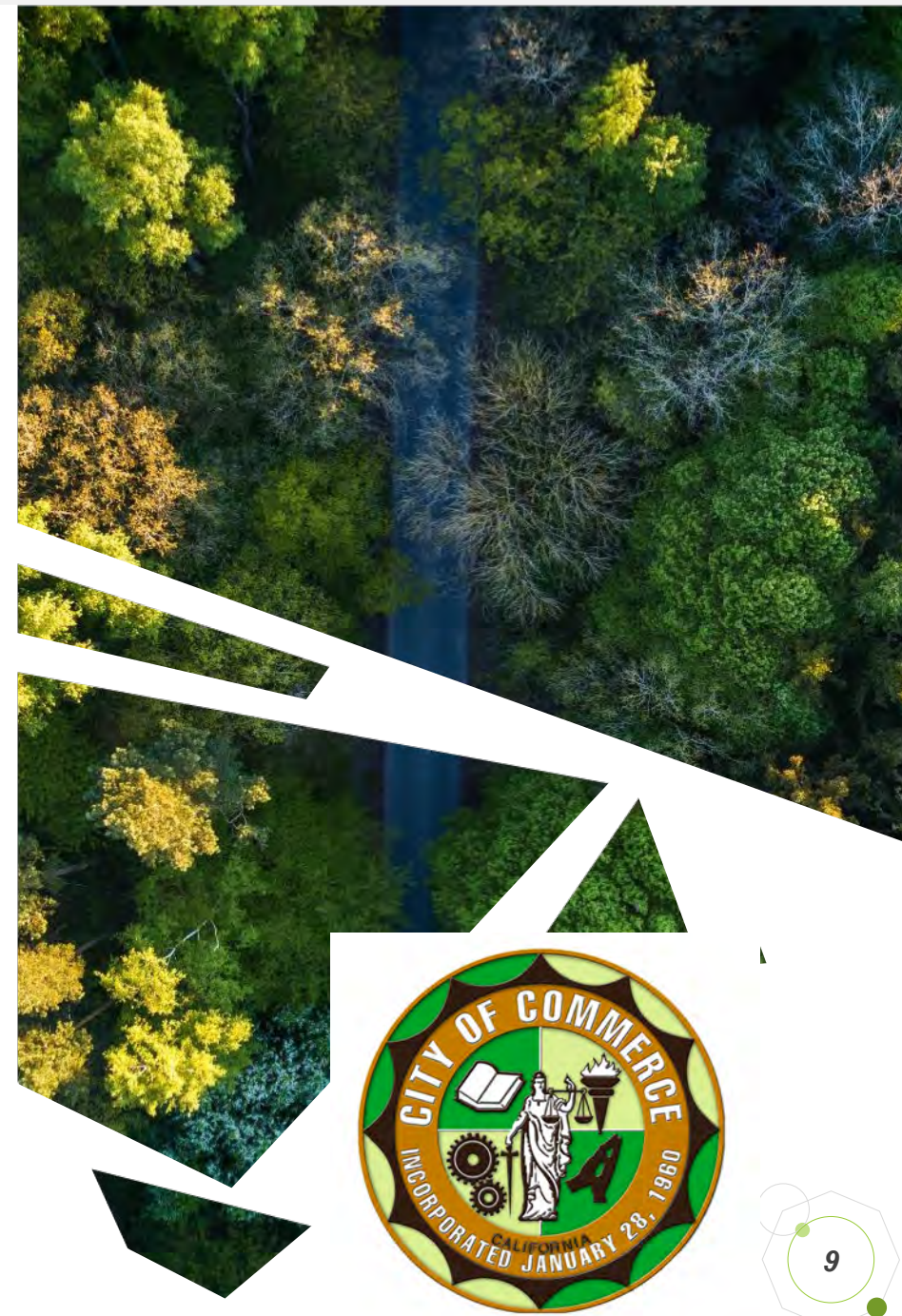


- **Holiday Decorations**
- **Tree Lighting Ceremony**
- **Snow Day Event**
- **Commerce Senior Golf**
- **Yoga and Exercise Classes**
- **Youth Travel Sports**
- **Water Polo Champions**



ORDINANCE NO. 700 LESSONS

- As the City Council and public might expect with any newly established set of regulations, during the review and implementation process itself, challenges have identified that may be improved whether for efficiency, strength of enforcement, or streamlining with other similar types of approvals.
- The following slides will summarize some potential adjustments that staff has begun to analyze.



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Zoning Restrictions

Section and Existing Language	Proposed Language	Reason for Change
<p>5.61.060 – Commercial Cannabis Permit: authorized and lawful commercial cannabis business.</p> <p>Section currently provides standards and restrictions, however, no zoning restriction was previously set.</p>	<p>Proposed language requires that proposed businesses would only be considered within the M-2 zoning designation for any new applications for a CCP exhibit relocation. This would not affect a development agreement renewal for existing businesses already approved and not at M2 sites.</p>	<p>This increases the likelihood that proposed businesses are not closer to homes and/or sensitive uses.</p>



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Zoning Restrictions



Section and Existing Language	Proposed Language	Reason for Change
5.61.060 – Commercial Cannabis Permit: authorized and lawful commercial cannabis business.	Proposed language adds residential zoning districts as sensitive uses.	This amendment would further ensure distance from sensitive uses and addresses some of the concerns brought forth by the community as a compromise.

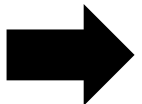


ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Number of CCP Businesses Authorized



Section and Existing Language	Proposed Language	Reason for Change
5.61.070 – Number of Commercial Cannabis Businesses Authorized	Proposed language would provide a maximum number for each type of license <i>or permits</i> in the city. These maximums would be established by the City Council at the time that the actual ordinance is considered.	The lack of a clear cap on the number of cannabis businesses has been raised as a community and City Council concern. This amendment would address that.



Commerce Cannabis Association Position Pending on this item.



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Labor Peace Agreement

Section and Existing Language	Proposed Language	Reason for Change
5.61.080 (c)(N)- Application requirements – Labor Peace Agreement - Current code requires LPA for those cannabis businesses over 20 employees.	Proposed language lowers the trigger for LPA to 10 employees.	This is aligned with the policy preference of the City Council as exhibited in the approvals granted by the City Council most recently in January 2020.



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Application Review



Section and Existing Language	Proposed Language	Reason for Change
5.61.090 (c)(3) – Application Review	Proposed language added extends when applications can be rejected to beyond the 3 phases.	Provides further clarification for fee collection in the interest of making the City’s fee collection process more explicit to operators and/or potential operators.



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Renewal Process

Section and Existing Language	Proposed Language	Reason for Change
5.61.120 (a) and (b)	Added language requires submittal of application renewals 60-90 days prior to expiration to allow city time for thorough review and to avoid going into expired period. Further clarifies that city could require that the applicant stop operations if still in review once the original application is considered expired.	Allows more time for review and encourages timely submittals for renewals by noting the ability to stop operations when expired even if being reviewed.



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Appeals

Section and Existing Language	Proposed Language	Reason for Change
5.61.140 (Appeals)	Revised language would make any City Manager decisions appealable to City Council not Planning Commission.	<p>This reassigns authority from the Planning Commission to the City Council. Normally only Planning Director Decisions are appealable to Planning Commission and the City Manager’s decisions are appealable to City Council. Furthermore, City Council makes the final decision on original applications so it makes sense that the appeals would be heard by City Council only.</p> <p>Lastly, the regulations in question are situated in the Municipal Code not Chapter 19 of the Zoning Code where provisions that are under the Planning Commission’s purview are typically located.</p>



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Assigning Ownership

Section and Existing Language	Proposed Language	Reason for Change
5.61.150(a) – Commercial cannabis permit – Non-assignable and nontransferable	Added language references new language in following two sections allowing provisions for transferring with City Council approval if certain criteria are met. ** The Association supports but further requested review by Planning Commission only**	Consistency with proposed sections following this. Makes process objective related to transferring/change of ownership but still subject to City Council review.
5.61.170 – Change in ownership of commercial cannabis business. And, 5.61.180 – Change in ownership when the permittee is a partnership or corporation.	Approved as long as the owner receives City Council’s approval according to the objective criteria already required to be met for change in ownership requests and original ownership applications for that matter. **Association requested review of CCP Exhibit or Addendum by Planning Commission.	If the proposed owners comply with state law and pass background check, and vice versa, decision is objective. There’s really no discretionary decision to be made. However, City Council is still the decision-making authority for change of ownership requests through a more streamlined process for the sake of practicality. This meets the intent of the requested change which is to order to make the process as objective as possible and remove lengthier process.



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Relocation and Public Noticing

Section and Existing Language	Proposed Language	Reason for Change
5.61.160 – Change in Location of Commercial Cannabis Businesses	Language would allow relocation of an existing CCP operator to a previously approved CCP site or a site located in the M-2 Zone.	Makes process objective related to relocating to a previously approved CCP site. Limiting to the M-2 zone addresses some of the concerns brought forth by the community.
5.61.160 – Change in Location of Commercial Cannabis Business	Noticing requirement for change in location is amended from 21 days to 10 days.	Provides consistency with projects that are categorically exempt from CEQA.



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Definitions – Distribution/Delivery

Section and Existing Language	Proposed Language	Reason for Change
Definition – “Retailer-delivery only”	The definition is updated to note that any operator possessing only a non-storefront retail delivery license also possesses a distribution license that allows delivery for the product that entity manages in the City of Commerce.	Currently ambiguity exists for the sole non-storefront retail delivery entity in the city as to whether or not a license to distribute their own supply or product has been granted to them.



ORDINANCE NO. 700 PROPOSED ADJUSTMENTS

Other Revisions for the sake of discussion

Section and Existing Language	Proposed Language	Reason for Change
5.61.060 – Commercial Cannabis Permit: Authorized and lawful commercial cannabis business	Addition or Change of uses to existing development agreements would require a CCP Exhibit or Addendum which would be approved by the City Council.	Makes process objective related to adding or changing cannabis uses to a previously approved CCP site. Approved uses must be in compliance with applicable federal, state and local laws, including state cannabis laws.



CANNABIS INDUSTRY – CHANGES ON THE HORIZON

- In December 2020, the House voted for the first time to federally decriminalize and levy a tax on marijuana sales.
- Decriminalizing marijuana would remove it from the list of drugs regulated under the federal Controlled Substances Act.
- It would also eliminate federal criminal penalties for individuals who manufacture, distribute or possess marijuana, and impose a tax on cannabis products.

Los Angeles Times

54 GETS YOU 4 MONTHS
FREEDOM OF THE PRESS EVENT

POLITICS

In a first, House votes to federally decriminalize marijuana



CORONAVIRUS, VACCINES AND PANDEMIC >

Clinics across U.S. wait to vaccinate farmworkers: 'Our hands are tied'

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The House for the first time on Friday voted to decriminalize and levy a tax on marijuana. (Seth Perlman / Associated Press)



CANNABIS INDUSTRY – CHANGES ON THE HORIZON

- The industry faces challenges from high tax rates and the unregulated market. Assemblymember Rubio has proposed legislation that would introduce a \$30,000 per day fine for unlicensed cannabis businesses. This bill is scheduled to be voted on this session.
- Assemblymember Rob Bonta has introduced a bill which ultimately did not move forward last legislative session to cut the state excise tax on sales from 15% to 11%.

Los Angeles Times

California weighs steep new fines to combat illegal cannabis sellers



A Los Angeles County sheriff's deputy loads evidence bags into a van after raiding an illegal cannabis dispensary in Compton in 2018. State lawmakers are considering new fines for landlords and advertisers that aid illegal pot shops. (Jae C. Hong / Associated Press)

By PATRICK MCGREEVY | STAFF WRITER
JULY 20, 2020 | 9 AM

SACRAMENTO — Alarmed that unlicensed cannabis sellers continue to dominate California's pot market, state lawmakers are moving toward imposing steep new fines

CORONAVIRUS >

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Here's why COVID-19 has made arts education so problematic

An expert debunks myths about wearing face masks to combat the coronavirus

What we are wondering: Updates, goals, links, numbers and distractions (free)

NIH delves into COVID-19 racial disparities with 'All of Us'

Cases statewide »

401,148 confirmed	7,786 deaths
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As of July 21, 2:20 p.m. Pacific



CANNABIS INDUSTRY – CHANGES ON THE HORIZON

- In 2019, the City of Long Beach City Council voted to lower the tax rate for cannabis businesses from 6% to 1%. That change took effect in 2020.
- Since then, cannabis businesses say they've felt a boom from the lower tax rate. Long Beach has already realized increased revenues despite the lower tax.
- Other cities have also turned to lower tax rates as a way to support the legal industry and to make themselves more competitive destinations for cannabis businesses.



AFTER LOWERING ITS CANNABIS TAXES, LONG BEACH SAW A WINDFALL



ORDINANCE NO. 709-739 FEES

Non-Storefront Delivery Fees

Section and Existing Language	Proposed Language	Reason for Change
NEW 5.61.370 – Cannabis business operational fees	Sliding Scale for Non-Storefront Retail Delivery so long as the minimum fee is met.	Economies of scale allow for a reduced fee in light of the challenges facing the industry and the surrounding market.

Total Purchase	\$100
State Excise Tax @ 15%	\$15.00
Commerce Fee @ 5%	\$5.00
Local Sales Tax @10.25%	\$10.25
Total Taxes and Fees	\$30.25

Transaction total cost including taxes: \$130.25



ORDINANCE NO. 709-739 FEES

- The most substantial adjustment being considered deals with the fee structure for non-storefront delivery. We are seeking to be competitive without adjusting the minimum rate and also applying the same fee structure for all operators.

City	Delivery Tax/Fee Rate	Cultivation Tax/Fee Rate	Manufacturing	Distribution
		\$13 Sq. Ft (canopy space)		
Commerce*	5%		3%	3%
Cudahy	1%			
Long Beach*	1%	\$13.20 Sq. Ft. (under cultivation)	1% gross receipts	1% gross receipts
Malibu*	1.5%	Not permitted	Not permitted	Not permitted
Montebello	2%	\$10 Sq. Ft. (canopy space)	2% gross receipts	2.5% gross receipts
Lynwood*	2.5%	\$10 Sq. Ft. (canopy space)	2% gross, max \$140,000	1.5% gross receipts
El Monte*	4% *	\$12 Sq. Ft. (canopy space)	6% gross receipts	2.5% gross receipts
	5%	\$12 Sq. Ft. (canopy space)	4% gross receipts (up to 6%)	
Culver City				
	7.50%	Commercial cultivation: 7/17: \$15/sq. foot; 7/20: increasing each fiscal year by \$2.50 per square foot (max \$25/sq foot.); Nurseries: 7/17: \$2/sq. foot; 7/20: \$1.50 per sq. foot for each additional year (max rate \$5)	7/17: 5% of all gross receipts, 7/20: tax rate automatically increase 2.5% (max 10%)	7.5% (7/17: 5% of all gross receipts, 7/20: tax rate automatically increases 2.5% (max 10%))
Bellflower				

* Cities issue development agreements.



ORDINANCE NO. 709-739 – PROPOSED FEE ADJUSTMENTS

NON-STOREFRONT RETAIL, DELIVERY								
	A	B	C	D	E	F	G	G - A
Up to and Including...	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%	
3,000,000.00	92,218.00	92,218.00	92,218.00	105,000.00	120,000.00	135,000.00	150,000.00	57,782.00
13,000,000.00	260,000.00	325,000.00	390,000.00	455,000.00	520,000.00	585,000.00	650,000.00	390,000.00
23,000,000.00	460,000.00	575,000.00	690,000.00	805,000.00	920,000.00	1,035,000.00	1,150,000.00	690,000.00
33,000,000.00	660,000.00	825,000.00	990,000.00	1,155,000.00	1,320,000.00	1,485,000.00	1,650,000.00	990,000.00
43,000,000.00	860,000.00	1,075,000.00	1,290,000.00	1,505,000.00	1,720,000.00	1,935,000.00	2,150,000.00	1,290,000.00
53,000,000.00	1,060,000.00	1,325,000.00	1,590,000.00	1,855,000.00	2,120,000.00	2,385,000.00	2,650,000.00	1,590,000.00
63,000,000.00	1,260,000.00	1,575,000.00	1,890,000.00	2,205,000.00	2,520,000.00	2,835,000.00	3,150,000.00	1,890,000.00
100,000,000.00	2,000,000.00						5,000,000.00	
	CURRENT STRUCTURE UNDER ORDINANCE 700							
	POTENTIAL FUTURE AMENDMENT TO ORDINANCE 700							
	PROPOSED -- COMMERCE CANNABIS ASSOCIATION							
G - A	COMPARISON -- COMMERCE (5.00%) VS. COMMERCE CANNABIS ASSOCIATION PROPOSED (2.00%)							
	CITY'S MINIMUM FEE							



ORDINANCE NO. 709-739 – PROPOSED FEE ADJUSTMENTS

DISTRIBUTION / MANUFACTURING						
	A	B	C	D	E	E - A
Up to and Including...	2.00%	2.25%	2.50%	2.75%	3.00%	
3,000,000.00	92,218.00	92,218.00	92,218.00	92,218.00	92,218.00	-
13,000,000.00	260,000.00	292,500.00	325,000.00	357,500.00	390,000.00	130,000.00
23,000,000.00	460,000.00	517,500.00	575,000.00	632,500.00	690,000.00	230,000.00
33,000,000.00	660,000.00	742,500.00	825,000.00	907,500.00	990,000.00	330,000.00
43,000,000.00	860,000.00	967,500.00	1,075,000.00	1,182,500.00	1,290,000.00	430,000.00
53,000,000.00	1,060,000.00	1,192,500.00	1,325,000.00	1,457,500.00	1,590,000.00	530,000.00
63,000,000.00	1,260,000.00	1,417,500.00	1,575,000.00	1,732,500.00	1,890,000.00	630,000.00
100,000,000.00	2,000,000.00				3,000,000.00	
	CURRENT STRUCTURE UNDER ORDINANCE 700					
	POTENTIAL FUTURE AMENDMENT TO ORDINANCE 700					
	PROPOSED -- COMMERCE CANNABIS ASSOCIATION					
E - A	COMPARISON -- COMMERCE (3.00%) VS. COMMERCE CANNABIS ASSOCIATION PROPOSED (2.00%)					
	CITY'S MINIMUM FEE					



ORDINANCE NO. 709-739 PROPOSED FEE ADJUSTMENTS

MICROBUSINESS						
	A	B	C	D	E	E - A
Up to and Including...	2.00%	2.50%	3.00%	3.50%	4.00%	
3,000,000.00	92,218.00	92,218.00	92,218.00	105,000.00	120,000.00	27,782.00
13,000,000.00	260,000.00	325,000.00	390,000.00	455,000.00	520,000.00	260,000.00
23,000,000.00	460,000.00	575,000.00	690,000.00	805,000.00	920,000.00	460,000.00
33,000,000.00	660,000.00	825,000.00	990,000.00	1,155,000.00	1,320,000.00	660,000.00
43,000,000.00	860,000.00	1,075,000.00	1,290,000.00	1,505,000.00	1,720,000.00	860,000.00
53,000,000.00	1,060,000.00	1,325,000.00	1,590,000.00	1,855,000.00	2,120,000.00	1,060,000.00
63,000,000.00	1,260,000.00	1,575,000.00	1,890,000.00	2,205,000.00	2,520,000.00	1,260,000.00
100,000,000.00	2,000,000.00				4,000,000.00	
	CURRENT STRUCTURE UNDER ORDINANCE 700					
	POTENTIAL FUTURE AMENDMENT TO ORDINANCE 700					
	PROPOSED -- COMMERCE CANNABIS ASSOCIATION					
E - A	COMPARISON -- COMMERCE (5.00%) VS. COMMERCE CANNABIS ASSOCIATION PROPOSED (2.00%)					
	CITY'S MINIMUM FEE					



ORDINANCE NO. 709-739 PROPOSED FEE ADJUSTMENTS

CULTIVATION								
	A	B	C	D	E	F	G	G - A
Up to and Including... (IN SQUARE FEET)	\$ 10.00	\$ 10.50	\$ 11.00	\$ 11.50	\$ 12.00	\$ 12.50	\$ 13.00	
5,000.00	92,218.00	92,218.00	92,218.00	92,218.00	92,218.00	92,218.00	92,218.00	-
7,500.00	92,218.00	92,218.00	92,218.00	92,218.00	92,218.00	93,750.00	97,500.00	5,282.00
10,000.00	100,000.00	105,000.00	110,000.00	115,000.00	120,000.00	125,000.00	130,000.00	30,000.00
12,500.00	125,000.00	131,250.00	137,500.00	143,750.00	150,000.00	156,250.00	162,500.00	37,500.00
15,000.00	150,000.00	157,500.00	165,000.00	172,500.00	180,000.00	187,500.00	195,000.00	45,000.00
17,500.00	175,000.00	183,750.00	192,500.00	201,250.00	210,000.00	218,750.00	227,500.00	52,500.00
20,000.00	200,000.00	210,000.00	220,000.00	230,000.00	240,000.00	250,000.00	260,000.00	60,000.00
22,001.00	220,010.00						286,013.00	
	CURRENT STRUCTURE UNDER ORDINANCE 700							
	POTENTIAL FUTURE AMENDMENT TO ORDINANCE 700							
	PROPOSED -- COMMERCE CANNABIS ASSOCIATION							
G - A	COMPARISON -- COMMERCE (\$13.00 PER SQ FT) VS. COMMERCE CANNABIS ASSOCIATION PROPOSED (\$10.00 PER SQ FT)							
	CITY'S MINIMUM FEE							



COMMUNITY AND OPERATOR BENEFITS



Commerce Community	CCP Operators
<ul style="list-style-type: none">• Zoning restrictions• Residential classified as a sensitive use to discourage future relocations• Cap on the number of cannabis businesses• Labor Peace Agreement required for 10 employees encourages local higher quality jobs.• Community Programs and Events	<ul style="list-style-type: none">• Streamlined business friendly process for relocations and ownership changes and use changes.• A more straightforward and objective process• Lower tax rates to support the cannabis industry and to be a more competitive destination for quality operators.



DISCUSSION/QUESTIONS



- City Council Discussion/Questions

RECOMMENDATION

- Provide staff with feedback on any of the revisions being discussed that the City Council is willing to consider further or those City Council is not willing to consider for the Commerce Commercial Cannabis Permit Program under Chapter 5.61 so that staff may draft revisions accordingly

and/or

- direct staff to finalize the ordinance adjustments and bring back to City Council at a later date.

or

- Receive and file with a thank you to planning and finance staff for their diligent work on the subject matter.



ORDINANCE NO. 700 FUTURE ADJUSTMENTS

Control Measures for the sake of discussion

Section and Existing Language	Proposed Language	Reason for Change
5.61.360 – Unlawful Business Prohibited	Preclude any unpermitted cannabis business that has operated within the last five (5) years from applying for a CCP license. Would preclude an address that has been the site of an illegal cannabis business in the past 5 years from being a CCP site.	

