



CCP Program Update

July 21, 2020

City Council Meeting

RECOMMENDATION:

Receive and file a status update regarding the Commerce Commercial Cannabis Permit Program under Chapter 5.61 Commercial Cannabis Businesses and at Council's discretion provide direction to staff.



ORDINANCE NO. 700

- Ordinance No. 700, establishing 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.



ORDINANCE NO. 700 → DEVELOPMENT AGREEMENTS

- Commercial Cannabis Permittees are authorized through individual development agreements and ordinances.
- On May 7, 2019 after review by the Planning Commission, the City Council approved twenty-two (22) development agreements and subsequently approved another development agreement on July 2, 2019. Twenty-two (22) of these twenty-three (23) development agreements are in effect.
- Four (4) of these approved operators have subsequently sought development agreement amendments which will be submitted to the City's voters for approval on November 3, 2020. The City's voters will also have an opportunity to vote on two (2) new development agreements which would bring the total number of operators to twenty-four (24).



ORDINANCE NO. 700 REVENUES

- As of June 30, 2020 with only four (4) operators cleared for business, including two (2) that are only partially approved for some license types and not their full set of approvals under their development agreements, the City has received \$4,230,957.15 in revenues from the Commercial Cannabis Permit Program. The table that follows provides a breakdown of those revenues.

Commercial Cannabis Permit Program Revenues	Amount
Community Benefits	\$761,445.64
Ongoing Fees	\$445,160.91
Program Fees (cost-recovery, i.e. staff, external costs)	\$3,024,350.60
Grand Total	\$4,230,957.15



ORDINANCE NO. 700 EXPENDITURES



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

Activity	Total Expenditure
Community Benefits	900,496
Program Costs - including:	1,148,002
Contractual Services	582,365
General Advertising	79,171
Legal Services	351,363
Personnel/Admin Charges	135,104
Grand Total	\$2,048,499

- Delta between revenues and expenditures = \$2,182,458.15
- Community Benefits includes senior rent subsidy, Human I-T computers, expanded Yoga and Qui Jong classes, Altamed COVID-19 testing and more.





ejma Planning + Development 7349 Milliken Ave. Suite #140-259
 310.494.1845 Rancho Cucamonga, California
 91730
 United States

Billed To
 Vilko Domic
 City of Commerce
 2535 Commerce Way
 Commerce, California
 90040
 United States

Date of Issue
 03/03/2020

Due Date
 04/02/2020

Invoice Number
 0000104

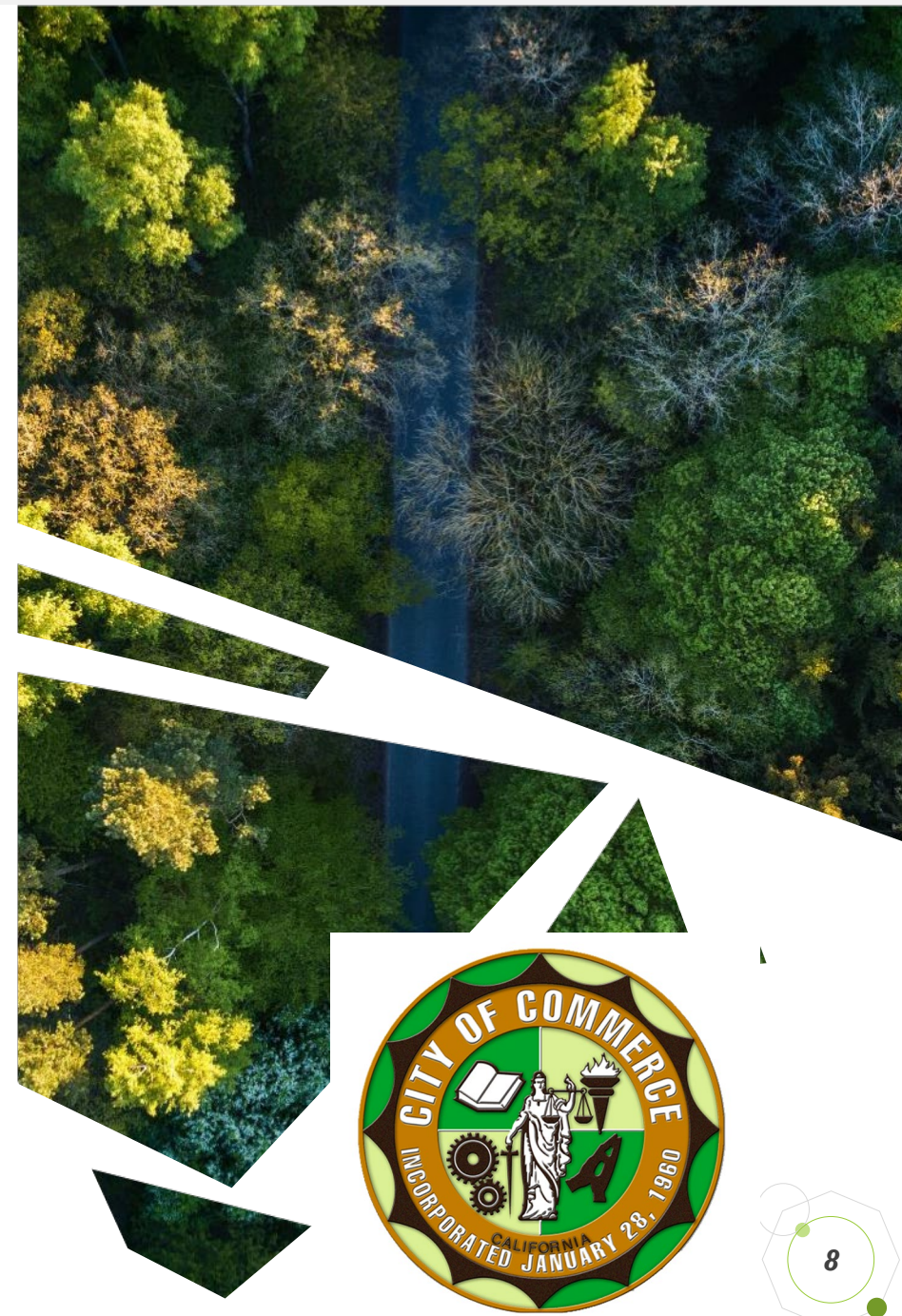
Amount Due (USD)
\$18,300.00

Description	Rate	Qty	Line Total
Project Management (City of Commerce)	\$0.00	5	\$0.00
Building Inspection (City of Commerce) Nicholas Burge – Nov 7, 2019 2sbk 18-017/DA717 property relocation inspection	\$1,850.00	1	\$1,850.00
Project Management (City of Commerce) Nicholas Burge – Dec 2, 2019 GE United Incomplete Plans Update	\$175.00	0.5	\$87.50
Meetings (City of Commerce) Ebony McGee Andersen – Dec 10, 2019 City Council Meeting Prep, CCM pre-meeting with staff, CCM	\$195.00	5	\$975.00
Building Inspection (City of Commerce) Nicholas Burge – Dec 10, 2019 GE United Operational Inspection #2	\$175.00	4.5	\$787.50
Project Management (City of Commerce) Ebony McGee Andersen – Dec 13, 2019 monthly project management; communications with staff, city council preparation and report review	\$195.00	5	\$975.00
Meetings (City of Commerce) Nicholas Burge – Dec 17, 2019 City Council Meeting + Post Meeting Follow Up	\$175.00	6	\$1,050.00

General - (City of Commerce) Christian Hinojosa – Dec 23, 2019 update to reports	\$160.00	0.25	\$40.00
Project Management (City of Commerce) Nicholas Burge – Jan 9, 2020 GE United Operational Inspection #3	\$175.00	3	\$525.00
CEQA Review (City of Commerce) Christian Hinojosa – Jan 24, 2020 NOE's revisions and sent to Principal.	\$160.00	2.5	\$400.00
Building Inspection (City of Commerce) Nicholas Burge – Jan 27, 2020 GE United Operational Inspection #4	\$175.00	3.5	\$612.50
Project Management (City of Commerce) Nicholas Burge – Jan 27, 2020 GE United Operational Inspection Report	\$175.00	1	\$175.00
Meetings (City of Commerce) Ebony McGee Andersen – Jan 30, 2020 meeting with ccp team re: workshop; reviewed previous ppt for edits with team; met with finance re: fee collection; presentation/workshop overview	\$195.00	4	\$780.00
Project Management (City of Commerce) Nicholas Burge – Jan 30, 2020 Meeting	\$175.00	5	\$875.00
Project Management (City of Commerce) Ebony McGee Andersen – Jan 31, 2020 general project/program management; communications with staff and/or operators	\$195.00	4	\$780.00
General (City of Commerce) Ebony McGee Andersen – Jan 31, 2020 legislative update review; CDTFA review for presentation materials	\$195.00	2.5	\$487.50
Project Management (City of Commerce) Ebony McGee Andersen – Feb 5, 2020 workshop prep	\$195.00	3.5	\$682.50
Meetings (City of Commerce) Ebony McGee Andersen – Feb 6, 2020 Meeting with state re: policy updates	\$195.00	2.5	\$487.50
Project Management (City of Commerce) Ebony McGee Andersen – Feb 7, 2020 workshop prep	\$195.00	4	\$780.00
Admin/General (City of Commerce) Ebony McGee Andersen – Feb 8, 2020 powerpoint presentation for workshop; workshop handouts; finalized graphics for powerpoint; managed invites	\$195.00	6.5	\$1,267.50

ORDINANCE NO. 700 LESSONS

- As is the case with most newly established sets 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.



ORDINANCE NO. 700 FUTURE 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 CM approval.	Streamline business friendly process for a decision that really is not discretionary as long as the transferee or new representative meets same standards met by previous individual representing the license.
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.	Changes decision making body from city council to city manager, with decisions appealable to the City Council.	Staff is recommending a ministerial approval. If the proposed owners comply with all state laws and municipal laws including passing a background check, then the City’s response is objective not discretionary. Alternatively the action could remain with City Council, with understanding that its discretionary.



ORDINANCE NO. 700 FUTURE ADJUSTMENTS

Public Noticing



Section and Existing Language	Proposed Language	Reason for Change
5.61.160 – Change in location of commercial cannabis business	Noticing requirement for change in location changed from 21 days to 10 days.	Provides consistency with projects that are categorically exempt from CEQA.



ORDINANCE NO. 700 FUTURE 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 FUTURE 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.



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 will not be moving forward this 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 | 5 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

As of July 21, 2:20 p.m. Pacific



ORDINANCE NO. 700 FUTURE ADJUSTMENTS

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 @9.5%	\$9.50
Total Taxes and Fees	\$29.50



ORDINANCE NO. 700 FUTURE ADJUSTMENTS



NON-STOREFRONT 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	100,810.00	100,810.00	100,810.00	105,000.00	120,000.00	135,000.00	150,000.00	49,190.00	
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				G - A				COMPARISON -- COMMERCE (5.00%) VS. MONTEBELLO (2.00%)
	PROPOSED AMENDMENT TO ORDINANCE 700								CITY'S MINIMUM FEE -- NEXT YEAR

ORDINANCE NO. 700 Non-Storefront Delivery 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.

Sales Tax/Fee Rate for Surrounding Cities
Cudahy 1%
Long Beach = 1% * (reduced from 6% Jan. 2020)
Lynwood = 1.5% *
Malibu = 1.5%
Montebello = 2%
El Monte = 4% *
Commerce = 5% *
Culver City = 5%
Bellflower = 7.5%

* Cities issue development agreements.



ORDINANCE NO. 700 Non-Storefront Delivery Fees

NON-STOREFRONT 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	100,810.00	100,810.00	100,810.00	105,000.00	120,000.00	135,000.00	150,000.00	49,190.00	
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				G - A				COMPARISON -- COMMERCE (5.00%) VS. MONTEBELLO (2.00%)
	PROPOSED AMENDMENT TO ORDINANCE 700								CITY'S MINIMUM FEE -- NEXT YEAR



DISCUSSION/QUESTIONS



- City Council Discussion/Questions or Direction
- Recommendation: Receive and file a status update regarding the Commerce Commercial Cannabis Permit Program under Chapter 5.61 Commercial Cannabis Businesses and at Council's discretion provide direction to staff.

