



CALL OF SPECIAL MEETING/WORKSHOP

Antioch City Council Special Meeting/Workshop

Pursuant to Government Code section 54956, I hereby call a Special Meeting/Workshop of the Antioch City Council. Said Meeting/Workshop shall be held on the following date, time and place:

DATE: Saturday, May 5, 2018

TIME: 9:00 A.M. Special Meeting

**PLACE: Nick Rodriguez Community Center
213 F Street
Antioch, California 94509**

The only items of business to be considered at such special meeting shall be set forth on the Special Meeting/Workshop Agenda.

Dated: March 30, 2018



**SEAN WRIGHT, Mayor
City of Antioch**

*Regular Meetings:
2nd and 4th Tuesday
of each month*

*Agenda prepared by:
Office of the City Clerk
(925) 779-7009*



SPECIAL MEETING OF THE ANTIOCH CITY COUNCIL

UPDATED AGENDA

WORKSHOP

**Nick Rodriguez Community Center
213 F Street
Antioch, CA 94509**

**SATURDAY
MAY 5, 2018
9:00 A.M.**

9:00 A.M. ROLL CALL

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

- 1. WORKSHOP TO CONSIDER DRAFT COMMERCIAL CANNABIS
ORDINANCE.**

ADJOURNMENT

The City Council meetings are accessible to those with disabilities. Auxiliary aides will be made available for persons with hearing or vision disabilities upon request in advance at (925) 779-7009 or TDD (925) 779-7081.

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STAFF REPORT

ADJOURNMENT

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Commercial Cannabis Industry Overview and Economic Evaluation

Staff

Jeff Kolin, Senior Advisor

Larry Bergkamp, Senior Technical Advisor

The Proposition 64

Statewide Vote:	Yes: 57.1%	No: 42.9%
County of Contra Costa:	Yes: 60.7%	No: 39.3%
City of Antioch:	Yes: 60.1%	No: 39.9%

What: Legalizes adult nonmedical use of marijuana

What About Locals: Does not change local governments' ability to regulate and/or place taxes on medical or non-medical marijuana.

When did Recreational Cannabis Businesses Activities Begin:

January 1, 2018

SB 94: Reconciled Medical Cannabis Regulations and Safety Act with Adult Use of Marijuana Act of 2016 (AUMA) Prop. 64

Restrictions

Smoking marijuana

Processing marijuana for personal use

Growing and giving away marijuana

Where Can Consumption Take Place:

Smoking marijuana in a private residence or at a business licensed for on-site marijuana consumption.

How Much Can be Possessed: Up to 28.5 grams (about one ounce) of Marijuana and up to 8 grams of concentrated marijuana (such as hash).



Where Can the Plants be Grown for Personal Use and How Much:

Growing up to six living marijuana plants and keeping the marijuana produced within a private residence.



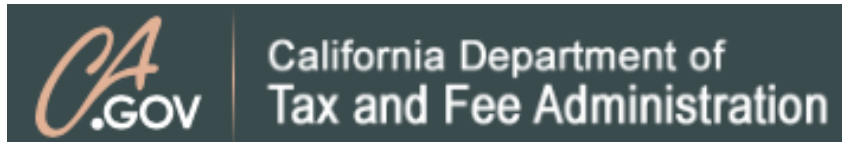
- Lead Agency
- Distributors
- Retailers
- Microbusinesses
- Testing Laboratories
- Temporary Cannabis Events



- Cultivators
- Track and Trace System



- Manufacturers



- Excise Taxes
- Sales and Use Taxes



- Ban or authorize any or all segments of the commercial cannabis industry.
- Regulate commercial cannabis businesses and personal cultivation.

City of Hayward

Authorized Business Activities: (Medical and Adult Use)
Indoor Cultivation - Manufacturing (volatile prohibited) –
Distribution – Delivery – Testing - Retail Dispensaries (Limited to 3)
Gross Receipts Tax not to exceed 15% (Has not set an effective rate)

City of Berkeley

Authorized Business Activities: (Medical and Adult Use)
Retail/Dispensaries (Limited to 3)
Non-Medical Businesses: Gross Receipts Tax of 10% (2/13/18 –
Considering lower to 5%)
Medical Businesses: Gross Receipts Tax of 2.5%

City of Oakland

Authorized Business Activities: (Medical and Adult Use)
Indoor Cultivation - Manufacturing – Distribution – Delivery –
Testing - Retail Dispensaries
Gross Receipts Tax of 5%

Medicinal "M" or Adult-Use "A" licenses in closed systems:

Beginning July 1, 2018, A-licensees shall only conduct business with A-licensees and M-licensees shall only conduct business with M-licensees, except for testing laboratories.

Medicinal: Ultimately sold to purchasers 18 year or older that possess a valid doctor's prescription or California Medical Identification Card.

Adult-Use: Ultimately sold to purchasers 21 years or older.

Category (Annual Fee)	Outdoor	Indoor	Mixed-Light
Specialty Cottage	Up to 25 plants (\$1,205)	Up to 500 sq ft (\$1,830)	Up to 2,5400 sq ft (\$3,035 - \$5,200)
Specialty	Up to 5,000 sq ft or 50 plants (\$2,410)	Up to 5,000 sq ft (\$19,540)	Up to 5,000 sq ft (\$5,900 - \$10,120)
Small	5,001 – 10,000 sq ft (\$4,820)	5,001 – 10,000 sq ft (\$35,410)	5,001 – 10,000 sq ft (\$11,800 - \$20,235)
Medium	10,001 sq ft to 1 acre (\$13,990)	10,001 – 22,000 sq ft (\$77,905)	10,001 – 22,000 sq ft (\$25,970 - \$44,517)
Large (Not issued until 2023)	Greater than 1 acre (Not Established)	Greater than 22,000 sq ft (Not Established)	Greater than 22,000 sq ft (Not Established)
Nursery	No size limit defined in statute (no canopy) (\$4,685)		
Processor	Conducts only trimming, drying, curing, grading, or packaging of cannabis and nonmanufactured cannabis products (\$9,370)		

License Type	Operations (\$Max. Per License)	Annual Fee Per License
Manufacturer	up to 100,000	\$ 2,000
	from 100,001 to 500,000	\$ 7,500
	from 500,001 to 1.5 million	\$ 15,000
	from 1.5 million to 3 million	\$ 25,000
	from 3 million to 5 million	\$ 35,000
	from 5 million to 10 million	\$ 50,000
	over 10 million	\$ 75,000
Testing Laboratory	up to 50 million	\$ 20,000
	greater than 50 million to 500 million	\$ 45,000
	greater than 500 million	\$ 90,000
Distributor	up to 2 million	\$ 1,200
	greater than 2 million to 8 million	\$ 5,000
	greater than 8 million to 80 million	\$ 36,000
	greater than 80 million	\$ 125,000
Distributor Transport Only Self-Distribution	up to 2 million	\$ 500
	greater than 2 million to 8 million	\$2,000
Distribution Transport Only	up to 2 million	\$ 800
	greater than 2 million to 8 million	\$2,500
Retailer	up to 0.5 million	\$ 4,000
	greater than 0.5 million to 1.5 million	\$ 12,000
	greater than 1.5 million to 4.5 million	\$ 36,000
	greater than 4.5 million	\$ 75,000
Microbusiness	up to 0.5 million	\$ 5,000
	greater than 0.5 million to 1.5 million	\$ 15,000
	greater than 1.5 million to 4.5 million	\$ 42,000
	greater than 4.5 million	\$120,000

Contra Costa County Commercial Cannabis Summary (As of 2/23/18)

Jurisdiction	Type	Retail	Delivery Only	Cultivation			Manufacturing	Testing	Distribution
				Indoor	Outdoor	Mixed Light			
Contra Costa County	Medical	P	P	P	P	P	X	X	X
	Adult	P	P	P	P	P	X	X	X
Antioch	Medical	P	P	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
Brentwood	Medical	P	P	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
Clayton	Medical	P	P	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
Concord	Medical	P	A	P	P	X	X	X	X
	Adult	P	P	P	P	X	X	X	X
Danville	Medical	P	P	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
Hercules	Medical	P	P	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
El Cerrito	Medical	A	A	P	P	P	P	P	P
	Adult	A	A	P	P	P	P	P	P
Lafayette	Medical	P	P	P	P	P	P	P	P
	Adult	X	X	X	X	X	P	P	P
Martinez	Medical	A	X	X	P	X	X	X	X
	Adult	X	X	X	X	X	X	X	X
Moraga	Medical	P	A	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
Oakley	Medical	P	A	P	P	P	X	X	X
	Adult	P	X	P	P	P	X	X	X
Orinda	Medical	P	X	X	P	X	X	X	X
	Adult	P	X	X	P	X	X	X	X
Pinole	Medical	P	P	P	P	P	X	X	X
	Adult	P	P	P	P	P	X	X	X
Pittsburg	Medical	P	P	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
Pleasant Hill	Medical	P	A	P	P	P	X	X	X
	Adult	X	X	P	P	P	X	X	X
Richmond	Medical	A	A	A	P	P	A	X	X
	Adult	A	A	A	P	P	A	X	X
San Pablo	Medical	P	P	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
San Ramon	Medical	P	P	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P
Walnut Creek	Medical	P	A	P	P	P	P	P	P
	Adult	P	P	P	P	P	P	P	P

Cannabis Support Services

Working for local government.

Administration 🌿 Education 🌿 Revenue 🌿 Compliance

Regional Commercial Cannabis Activities

A = Authorized

P = Prohibited

X = Not Expressly Authorized or Prohibited

 Considering Authorization

 No Operating Businesses

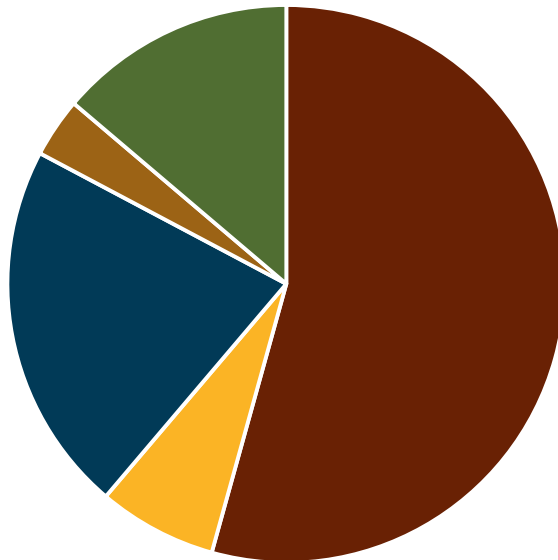
Approved 10% Gross Receipts Tax

Approved 5% Gross Receipts Tax

Sales and Use Tax

7.25% +

(Applies to non-medical)*



- State General Fund (3.9375%)
- Local Public Safety Fund (.50%)
- Local Revenue Fund (1.5625%)
- County Transportation Fund (.25%)
- City/County Operations Fund (1.00%)

State Cannabis Excise Taxes

(Applies to medical and non-medical)

Retail Tax

15%
Gross
Receipts of
Retail Sales

Cultivation Tax

\$9.25/oz.
Flowers
\$2.75/oz.
Leaves
\$1.29/oz.
Fresh

City Excise Taxes

(Can apply to medical and/or non-medical)

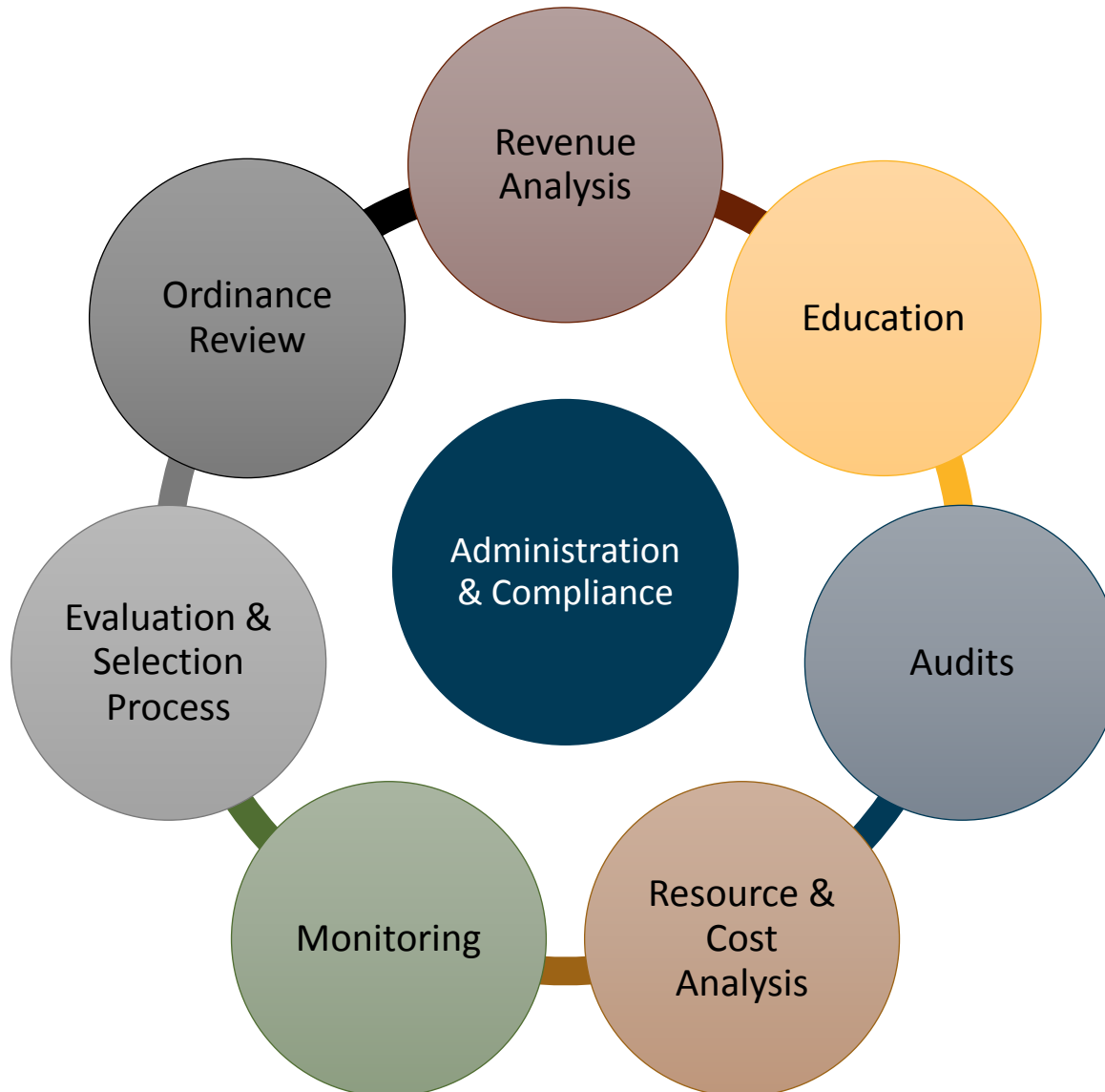
Cultivation/Retail/
Manufacturing/
Broker, Testing

XX% of Gross Receipts
\$XX per Square Footage
\$XX per Quantity

City Administrative Fees

(Can apply to medical and non-medical)

\$XX Application Fee
\$XX License Fee
\$XX Renewal Fee
\$XX Administration Fee
(Cost Recovery)



**Planning
Code enforcement
Finance
Police
Fire
Economic Development
City Attorney
Public Health
Public Utilities**

**With this team in place, the
city gets most upstanding and
best business partnerships
possible.
(NO SHADY CHARCTERS)**



Know what resources will be required to develop and administer a cannabis program.

- **Planning and Permitting**
- **Initial and On-going Inspections – building and safety, fire and hazmat, public health**
- **Tax and Compliance Audits**
- **Prevention Programs**
- **Education Programs**
- **Public Relations/Media**
- **Data Collection and Interpretation**
- **Evaluate the existing workload for City Staff**

- **Must be used to recover the reasonable costs for issuing licenses and permits, performing investigation, inspections, audits to enforce the regulations.**
- **Application fees can be tiered or phased to allow participation by different levels of operators.**
- **Annual fees can tailored to each type of business operation.**

Gross Receipts

- Percentage of Gross Receipts
- Audits are needed to verify cash sales
- Impacted by price fluctuations
- Can be applied to all commercial cannabis businesses
- Common for Retailers and Wholesalers
- Provides information on business activities

Square Footage

- Can be applied to all commercial cannabis businesses
- Not impacted by price fluctuations
- Less complex
- Will not represent volume of business activities
- Common for cultivation and manufactures
- Easy to estimate future revenues

FACTORS THAT CAN IMPACT TAX REVENUE

- Business Operators
- Tax rate
- Change in product price
- Size, number and type of business operations
- Consumption
- Competition
- Black market
- Competent business operators

Commercial cannabis tax revenues depend on, but not limited to, the following factors:

- **Number and consumption of cannabis consumers**
- **Number, type and size of authorized commercial cannabis businesses**
- **Will retailer business attract both resident and non-resident customers.**
- **Will non-retail businesses serve cannabis businesses located within and outside the City.**









(702) 209-2429 info@digipathlabs.com 6450 Cameron St. #113 Las Vegas, NV 89118

CERTIFICATE OF ANALYSIS

MME: NV Medical Group Production
MME ID: P044

Name: Sequoia Strawberry (Rosin)
Sample Type: Non-solvent Extract

Sample ID: N20160309-03-1
Report Date: 3/10/2016
Batch/Lot #: 7NMG291-MXSSROSIN

Potency Test Results

Potential Total THC*	819.86 mg/g
Potential Total CBD*	1.68 mg/g

Cannabinoid	% mass	mg/g
CBC	0.000	0.000
CBD	0.000	0.000
CBDa	0.192	1.920
CBDV	0.234	2.340
CBG	0.554	5.540
CBGA	3.137	31.370
CBN	0.050	0.500
d9THC	0.948	9.480
d8THC	0.207	2.070
THCV	0.000	0.000
THCa	92.40	924.0

Potential Total d9THC*	82.0 %
	0.17 %

Terpenoid	% mass	mg/g
α-bisabolol	0.031	0.310
α-humulene	0.268	2.677
α-pinene	0.105	1.047
α-terpinene	0.000	0.003
β-carophyllene	0.483	4.831
β-myrcene	0.063	0.629
β-pinene	0.156	1.555
camphene	0.034	0.337
carophyllene oxide	0.011	0.110
delta-3-carene	0.001	0.007
gamma-terpinene	0.003	0.033
geraniol	0.004	0.035
guaiol	0.000	0.000
isopulegol	0.031	0.312
limonene	0.409	4.086
linalool	0.290	2.903
trans nerolidol	0.059	0.589
ocimene	0.003	0.031
p-cymene	0.000	0.000
eucalyptol	0.000	0.000
terpinolene	0.004	0.039

City Tests
Pass
Not Tested
Not Tested
Not Tested
Pass
Not Tested
%

Scan to View Results at DigiPathLabs.com

CANNABINOIDS LABELING SUGGESTION PER NAC 453A.508

THC	82.0 %	CBD	0.17 %
CBN	0.050 %		

This sample has been tested by DigiPath Labs. All results are reported on AS-IS basis.

Lab Manager Signature:

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digipathLabs

MPG provides that annual average sales per square foot for a cannabis dispensary/retail business range from \$800.00 to \$1,000.00 per sq. ft. (Average = \$900.00)

MPG provides that a cultivation and manufacturing businesses would expect to have annual revenues of between \$2M - \$15M.

Average cannabis business sales information is not generally available. Most local jurisdictions do not separately list/show cannabis business taxes.

Estimating future tax revenues for commercial cannabis business activities is difficult but not impossible. It is important to understand and evaluate the complexities and changing cannabis industry environment when making revenue projections. Additionally, the City's determination on the type, size, location and number of cannabis businesses will also impact the expected tax revenue. Dispensaries are generally similar in size to a small convenience store, and will likely range from approximately 1,000 sq. to 3,000 sq. ft.

- Average Gross Receipts per Dispensary: \$900,000 – \$2,700,000
- A local tax rate of 5% would generate approximately \$45,000 - \$135,000 in revenue for the city.

- Security
 - Appropriate staff coverage
 - Limited access to cash and facilities
 - Video and camera placement
 - Facility evaluation
 - Documentation and verification
 - Separation of Duties
- Staff health and safety concerns
 - Specific safety supplies
 - Adequate ventilation
 - Limited exposure to cash
 - Cleaning supplies
- Specialized equipment
 - Cash counting machines
 - Storage safes
- Transportation
 - Armored Car services

Banking currently characterized by stopgap measures until Federal government reclassifies cannabis and opens access to federal system

Solutions:

Bank or credit union - “don’t ask don’t tell”, compliance often expensive.

Armored car - safe, reduces counting, but expensive

Smart safes / kiosk – on premise, requires co-mingling

Money service business – money order, low ceiling on transaction

Third party payment system – similar to PayPal, closed system

Considerations:

Protect the safety of cannabis business and government employees

Easily accessible?

Handle large dollar volumes and multiple accounts easily

Minimize risk of loss of revenue-receiving agencies

Permit agencies to deposit funds in financial institutions

Future federal enforcement is unclear

Lobbying effort to eliminate all cannabis specific taxes (as with alcohol or tobacco)

Traditional banking access still limited – asset seizure potential limits lending

Emerging cashless sales options are not fully tested

Continued impact of the black market

Economic stability of the commercial market

Public health and safety issues – DUI, CUD, development of adolescent brain

Available internal and/or external resources

Business goals:

- Profitability
- Protection from unlicensed competition
- Low taxes
- Low crime
- Simple, streamlined licensing
- Dependable, trained workforce
- Secure environment for employees and property
- Harmony with neighbors and other businesses
- Legal standing
- Ability to bank

Community goals:

- Public health and safety
- Access to medical cannabis
- Educational and prevention programs
- Limit youth use
- Increase equity licensing
- Personal liberty
- Freedom from arrest and prosecution
- Minimal nuisance and smell
- Limitations on signage and advertising
- Input or limitations on retail presence

- Cannabis businesses employ individuals with specialized skill sets
- Cannabis businesses will also employ traditional business staff
- Average cannabis specific salaries: \$20,000 to \$200,000
- Each cannabis business type has different employment needs
- New jobs will be dependent on the number, type and size of authorized businesses.
- City can included a scoring component related local employment

- Collect Data
- Solicit Feedback
- Plan to make changes in your ordinances and regulations based on your experiences

**City of
Antioch**



Cannabis Support Services

Working for local government.

Administration * **Education** * **Revenue** * **Compliance**

Thank You