



## CITY COUNCIL STAFF REPORT

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**TO:** Honorable Mayor and City Council      **DATE:** May 10, 2021

**FROM:** Matthew Bronson City Manager

**PREPARED BY:** Bruce Buckingham, Community Development Director  
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**SUBJECT:** Commercial Cannabis Update and Policy Issues

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### **RECOMMENDATION**

Receive an update on the implementation of the City's commercial cannabis ordinances and regulatory processes and provide direction on permitting changes, onsite consumption, and cannabis tax rates along with other related issues.

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### **BACKGROUND**

This agenda item is an update on the City of Grover Beach's work since 2016 to establish the commercial cannabis industry in a safe and responsible way and a discussion of policy issues where staff is seeking Council input and direction. The last such update provided to the Council was on May 20, 2019 and the industry has been further established since then with 12 businesses currently operating which generate an estimated \$2.3 million annually in cannabis tax revenue. This is a timely topic given the importance of this industry as part of the City's Economic Development Major City Goal and in recognition of the turnover in Council Members since 2019. For the Council's reference, the City's website has information about commercial cannabis uses located at <https://www.groverbeach.org/333/Commercial-Cannabis-Permits>. Staff has conducted outreach with cannabis businesses prior to this agenda item and has also worked with the South County Chambers of Commerce on cannabis industry outreach as well.

The City's efforts began in July 2016 when the Council directed staff to work on a draft ordinance to regulate commercial medical cannabis uses consistent with the Council's 2016-17 Goals and Work Program. Subsequently, the Council held meetings in August and September 2016 to provide direction on the framework for a draft ordinance that would allow and regulate commercial medical cannabis uses. The Council also placed Measure L-16 on the November 2016 ballot to establish a gross receipts tax on medical and non-medical commercial cannabis uses and a square footage tax on cultivation which was approved by 70% of voters. The Council adopted an ordinance in February 2017 to formally establish the cannabis tax approved by voters in 2016.

In May 2017, the City Council enacted ordinances to allow commercial medical cannabis uses in the city. The land use ordinance established requirements that allow medical cannabis uses, including cultivation, manufacturing, distribution, testing laboratories and initially up to two retailers subject to approval of a Use Permit (this limit was subsequently increased to four retailers). The regulatory ordinance established the regulatory framework for those uses subject to approval of a Commercial Cannabis Permit. On January 22, 2018, the Council began issuing

Use Permits and Commercial Cannabis Permits for commercial cannabis businesses. In July 2018, the City Council further amended its ordinances to include the following components:

- Adult use (recreational) products for sales, manufacturing, cultivation, and distribution of commercial cannabis;
- Type 2 volatile substance manufacturing (now referred to as Manufacturer 2);
- Permit streamlining for commercial cannabis Use Permits, and
- Updated Fire and Life Safety requirements for commercial cannabis uses.

With the Council's leadership and guidance and staff's focus on effective implementation, Grover Beach has become a leader in establishing the commercial cannabis industry in a thoughtful, responsible, and safe manner. Since January 2018, the City Council and the Planning Commission have approved 27 Commercial Cannabis Use Permits and staff anticipates an additional Use Permit application to be submitted in May. There has been a decrease in application submittals from the peak of submittals seen in 2018 and 2019. Attachment 1 includes a map of commercial cannabis businesses located throughout the city and below is a breakdown of the commercial cannabis entitlements:

- Four retailers;
- Three manufacturers;
- Three distributors;
- Eight manufacturers and distributors;
- Six manufacturers and cultivation;
- One cannabis microbusiness (distribution, cultivation, and manufacturing); and
- Two testing labs.

Of these 27 approved applications, 12 business are currently operational including the following:

- 805 Beach Breaks (Retailer)
- Natural Healing Center (Retailer)
- Urbn Leaf (Retailer)
- Mary's Medicinal (Manufacturer)
- The Hive/Highland Oil Company (Manufacturing)
- Lab Tested Grover Beach (Manufacturer)
- N-Fuzed (Manufacturer)
- BS & RG Holdings LLC (Manufacturer)
- America's Best Cannabis (Distribution)
- Gold Coast Distributors (Distribution)
- Coastal Business Distribution (Distribution)
- Pacific Coastal Production (Microbusiness)

Additionally, staff expects the fourth retailer Milkman (which will now open as Beyond Hello following a partial ownership change in 2020 with Jushi Holdings, Inc.) to open by the end of 2021 following the completion of building improvements. A testing laboratory business (Confidence Analytics) has received City approval for its Commercial Cannabis Permit and is continuing to work with the State Bureau of Cannabis Control (BCC) on the required State licensing. A testing lab operating in Grover Beach would be a significant benefit to both current and future cannabis businesses located in the city. Other building permit applications currently in progress include a distributor and a manufacturer.

Lastly as described further in the staff report, the commercial cannabis businesses currently operating are projected to generate \$2.3 million in cannabis tax revenues in FY 2020-21 after

generating \$1.9 million in FY 2019-20 and \$950,000 in the initial year of operation FY 2018-19. The City estimates approximately \$2.4 million in cannabis tax revenues in the upcoming FY 2021-22 along with inflationary adjustments in future years. Cannabis tax revenues are now the City's third largest general revenue source at 15% and are a significant contributor to the City's sales tax revenues. The Council has been cautious in the use of these additional funds since this is a relatively new revenue stream along with the continued uncertainties in the cannabis industry and thus these funds have been used primarily for one-time needs like capital projects along with a pension liability cost paydown. The City's cannabis regulatory program includes approximately \$400,000 in costs totaling 1.7 full-time equivalent positions which is fully funded by cannabis regulatory permit fees and background check fees.

Building on this overview, staff has identified three topics for the Council's input and direction which are further described in this report: 1) Permitting Requirements, 2) Onsite Consumption, and 3) Cannabis Tax Rates. In addition, the Council may raise other policy issues or commercial cannabis ordinance changes not reflected on this list. Pending Council direction, staff would return to the Council at future dates to present more refined information on one or more of these items and/or bring an amended ordinance reflecting changes identified by the Council.

### **Permitting Requirements**

The City has made numerous changes to the cannabis permitting requirements to improve the regulatory process following adoption of the original cannabis ordinances in 2017. One additional area that staff would suggest changing is the timing of the Commercial Cannabis Permit renewal process. This suggestion is described further below along with information about the background review process which is shown as an example of process improvements over time.

#### **Commercial Cannabis Permit Renewals**

All commercial cannabis businesses are required to obtain a Use Permit which once approved is effective indefinitely if the business operates in compliance with the City's ordinances and conditions of approval. In addition, all cannabis businesses are required to have a Commercial Cannabis Permit (also referred to as regulatory permit) issued prior to the business becoming operational and renewed annually based on the date the business becomes operational.

Municipal Code Article III Section 4000.40 requires the City Manager to review the Commercial Cannabis Permit annually to ensure the business is operating in compliance with the City's ordinances. Potential reasons to revoke a Commercial Cannabis Permit include not operating in compliance with City ordinances, a business has not operated within the last four months or "good cause" as defined in the ordinance. The cost to review and renew the Commercial Cannabis Permit is approximately \$500. There are currently 12 cannabis businesses in operation with four additional businesses anticipated to open by the end of this calendar year as highlighted earlier. To date, the City Manager has renewed all Commercial Cannabis Permits as the operating businesses have met the code requirements for renewal.

Several businesses have not submitted their renewal applications in a timely manner because of confusion between the Commercial Cannabis Permit renewal date tied to the anniversary of the opening date of the business and the annual regulatory payment due on July 1 of every year. Staff has monitored pending Commercial Cannabis Permit expiration dates and had to contact businesses to remind them that they must resubmit an application for review by the City Manager prior to the expiration date. In order to avoid future confusion by cannabis business owners about the renewal date, staff is recommending the Council consider establishing a specific date for the renewal of all Commercial Cannabis Permits consistent with the payment of the annual regulatory

fee or business tax certificate which have a specific renewal date. Options for the Council to consider for the annual renewal of the Commercial Cannabis Permit include:

- Establish a renewal date of July 1 to coincide with the regulatory fee payment;
- Establish a renewal date of January 1 to coincide with the business tax certificate;
- Make no changes to the current process.

As more businesses open with different opening dates, staff is recommending the Council establish a specific date for all Commercial Cannabis Permit annual renewals. Staff believes that July 1 is a logical date because this coincides with the annual payment of the regulatory permit and all businesses would only need to remember one date for purposes of keeping their City permit valid and up to date. However, the Council could consider alternative dates and provide related direction to staff.

### Background Investigations

Part of the cannabis permitting process is to conduct background investigations of all owners and employees at each cannabis business. The background requirements are covered under the BCC regulations, California Business and Professions Code 26057 and under Grover Beach Municipal Code Article III, Chapter 18, Section 4000.60. Since the establishment of regulations for the commercial cannabis program, the Police Department has conducted background investigations into all owners and employees with 800 background investigations processed since 2018. Of this number, 460 were new employee backgrounds, 85 were new owner backgrounds, and 260 were background renewals. Police staff processes between 5-10 backgrounds each week with an employee turnover rate of approximately 25%.

The background investigation is the first step to ensuring public safety by helping to provide a safe and successful cannabis industry in Grover Beach. The background investigation for an owner goes into their personal criminal history and their business history and plans. Items that are investigated for an owner include, but are not limited to the following eight items:

- (1) Full criminal history
- (2) Address history
- (3) Previous business history
- (4) Any civil litigation within the last 5 years
- (5) Any insurance claims within the last 5 years
- (6) Previous business licenses
- (7) Personal references
- (8) Tax and financial documents

The background investigation for an employee includes, but is not limited to the following five items:

- (1) Full criminal history
- (2) Address history
- (3) Previous employment history
- (4) Any civil litigation within the last 5 years
- (5) Personal references

In 2018, the background regulations were implemented by the State and BCC. However, the State and Federal procedures to conduct the background investigation were not widely accepted and took almost a year to gain acceptance. At that time, it would normally take Police staff around 30-

60 days to complete a background investigation. The length of time depended primarily on the State and Federal Departments of Justice to process the fingerprints and clear the release of the criminal history information to the Police Department.

However, Police staff over the past two years has been able to streamline the background investigation process by using more technology in the form of computer applications and software programs. The Police Department runs multiple software programs that help the background investigator process the applicant's background quickly. Police staff has also developed relationships with many agencies to share information faster between cannabis background investigators. To date, the biggest delay still lies with the State and Federal Department of Justices, but the time it takes to process a background investigation is about seven days now compared with the 30-60 days in the beginning.

Recently, staff reviewed the Master Fee Schedule for cannabis background investigation fees. Staff calculated the time and costs associated with completing a background investigation and determined the City was able to reduce most background investigation fees by 20-30% because of the streamlined background process (the fee for initial owner backgrounds remained at \$675.00 given the time spent in this process). The following table identifies the reduction in cannabis background fees as included in the Master Fee Schedule adopted by the Council on April 26:

2020-21 Master Fees Schedule		2021-22 Master Fee Schedule	
Initial Employee	477.00	Initial Employee	391.00
Owner Renewal	325.00	Owner Renewal	252.00
Employee Renewal	255.00	Employee Renewal	182.00

Lastly, staff would note that the Police Department background investigations into both cannabis owner and employee applicants has been able to identify criminal elements that attempted to become employed within the Grover Beach cannabis industry. Police staff identified several applicants with violent criminal histories, several applicants that used fake identifications and false names on their applications and three applicants with involvement in criminal street gang enterprises. The Police Department background process is thorough and efficient which allows staff to assist cannabis businesses identify potential criminal, civil and regulatory liabilities before applicants can become employed to ensure safety for both the public and cannabis businesses.

### **Onsite Consumption**

California law prohibits the consumption of cannabis in public, which includes parks, sidewalks, in vehicles and in most businesses. In California, a property owner who rents residential space can prohibit the use of cannabis in their residential units. These restrictions, in addition to the law prohibitions, do not allow many options for a cannabis user to legally consume cannabis products. However, the rapidly growing and diversifying landscape of cannabis businesses has created an emergence of onsite consumption lounges across the state. Metropolitan areas such as the San Francisco Bay Area and Los Angeles area have several cannabis lounges already operating in multiple jurisdictions. By law, a cannabis lounge is a licensed retailer that has a lounge area located within the retail location or immediately adjacent to the retail floor. Cannabis lounges have become popular because, like bars serving alcohol, they create a space where cannabis products can be legally consumed by both recreational and medicinal users.

California Health and Safety Code section 26200(g) allows a local jurisdiction to authorize the smoking, vaporizing and ingesting of cannabis or cannabis products on the premises of a retailer or microbusiness licensed by the BCC. BCC regulations allow such consumption if all the following conditions are met:

- (1) Access to the area where cannabis consumption is allowed is restricted to persons 21 years of age or older.
- (2) Cannabis consumption is not visible from any public place or nonage-restricted area.
- (3) Sale or consumption of alcohol or tobacco is not allowed on the premises.

Staff recently met with cannabis retailers in the city and some have expressed an interest in opening a cannabis lounge connected to their retail operation. Staff also previously conducted research trips to other jurisdictions in California that allow cannabis lounges. Based on this information, staff believes there are possibilities of allowing regulated cannabis lounges in Grover Beach if the Council wanted to explore this further. There are no onsite consumption lounges currently within the region, which could create an opportunity for Grover Beach to allow this use in a safe and responsible way particularly as a “cannabis tourism” destination similar over time to a wine tourism destination. Given the new cannabis retailers in San Luis Obispo and Morro Bay, there will be greater competition for cannabis businesses which would likely impact the City’s cannabis tax revenues for retail uses. Onsite consumption could continue to develop the city’s cannabis industry and create additional business opportunities and revenue sources.

Staff has brought this topic previously to the Council in April 2018 and in May 2019 where the Council expressed its openness to the idea of allowing onsite consumption lounges in the city and asked staff to return to the Council with more information at a future date. Staff intended to do so in 2020 though COVID-19 and related business restrictions delayed this effort. After hearing renewed interest from cannabis retailers and given lessening of business restrictions, staff is bringing this topic back to the Council now for consideration. If Council ultimately decided to allow cannabis lounges, some considerations that staff will need to explore include:

- The number of retail permits is limited to four in Grover Beach. An expansion into cannabis lounges may require a change to the allowed number of retail permits given the requirement for cannabis lounges to be tied to retail permits.
- The City’s cannabis overlay zone in the industrial zoned areas offers minimal access to public transportation that would help prevent impaired driving compared with more commercial areas like West Grand Avenue. Safe transportation through shuttles or shared ride services could be explored with retail operators.
- Grover Beach regulations for lounges would need to be developed in accordance with current State law and BCC regulations.

An additional consideration is if the BCC will allow food and non-alcoholic drink consumption to occur in a lounge area. Current BCC regulations do not allow for “non-cannabis products” from being sold or consumed in a lounge area. Staff would have to work with the BCC and interested local retailers to come up with a solution that would allow food and non-alcoholic drink consumption to occur near the lounge so that consumers do not experience medical issues or dehydration while visiting the lounge. Staff will need to identify proper safety and training protocols with the interested retailers to ensure over consumption does not occur at the lounges.

### **Cannabis Tax Rates**

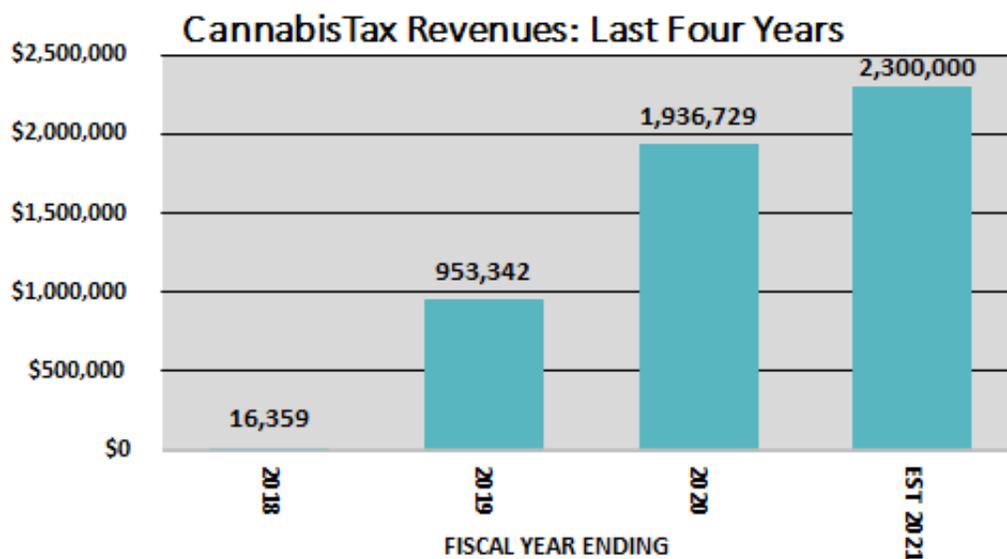
The third topic that staff is bringing to the Council for review is the cannabis tax rates. The current tax rates are 5% of gross receipts for retailers and 3% of gross receipts for other cannabis businesses except for cultivators which are taxed at \$5 per square foot based on floor area of the business. These rates were established by Council resolution in May 2018 to lower the rates approved by voters with Measure L-16 in November 2016 which were 10% of annual gross receipts for adult use businesses and \$25 per square foot for cultivators. The Council’s action in 2018 was taken after a review of other cannabis tax rates in nearby jurisdictions along with others

statewide indicated that the voter-approved rates were higher than most jurisdictions and thus the City needed to create a more competitive tax structure as the first cannabis businesses were beginning to operate in Grover Beach.

Now in the third full fiscal year, cannabis tax revenues have been strong and are projected to generate approximately \$2,300,000 this fiscal year compared with the initial budget estimate of \$1,500,000. Retail businesses represent approximately 70% of the cannabis tax revenue, followed by manufacturing (22%) and distribution (8%). These revenues reflect 11 businesses in operation this year as the 12<sup>th</sup> operating business (Pacific Coastal Productions microbusiness) just recently began operating and has not yet remitted tax revenues to the City. The City does not release tax generation by business due to confidentiality of business records.

For next fiscal year 2021-22, the City is estimating \$2.4 million in cannabis tax revenues which reflects an acknowledgement that the City continues to receive significant revenue but also does not assume a significant increase in revenues. This estimate is a recognition of continued uncertainty in the cannabis industry as cannabis businesses begin operating in nearby cities and the industry in general continues to face significant pressure from an illegal market that is not taxed or regulated. Cannabis tax revenue is now the third largest revenue source for the City at 15% after property and sales tax revenue and are general City revenues allocated by the Council to support City services and projects that benefit the community. Table 1 shows the cannabis tax revenues for the last four fiscal years:

Table 1



As part of this update, staff researched cannabis tax rates in 35 jurisdictions both in the region and across the state. These comparisons are shown in Attachment 2 and include retail, manufacturing, distribution, testing, cultivation, nursery, and microbusiness tax rates. In general, the City's tax rates are below average among this group of jurisdictions unlike in 2018 where the City's rates were considered above average. Attachment 3 shows a chart comparing retail tax rates by city with the City's 5% rate below the average of 7% in this group.

Staff has received concerns from industry representatives about the competitiveness of the City's tax rates and requests for the City to lower its rates particularly for distribution and manufacturing businesses. These requests are often expressed with an assertion that new businesses would locate or start in Grover Beach if there was a lower tax structure. As noted earlier, the City earlier

lowered its rates in 2018 after a review of tax rates from other jurisdictions indicated that the City's initial rates were higher than average. In looking at the current rates in other jurisdictions shown in Attachment 2, the City is below average in each category of business use unlike in 2018 which may lessen the need to make significant changes to all rates under the current tax structure.

Staff would note that reduction in tax rates could produce a revenue loss to the City from existing businesses with a presumption that new businesses would eventually offset if not increase revenues. For reference, a 1% reduction in the manufacturing tax rate could lead to an estimated \$136,000 in reduced tax revenue based on estimated tax revenues this year for the existing manufacturers with a 1% reduction in the distribution tax rate leading to an estimated \$78,000 in reduced tax revenue. These estimates are noteworthy as the proposed budget for FY 2021-23 being finalized for presentation on June 14 is based on revenues generated by the City's current tax rates and changes to the rates made now would have an impact that would need to be addressed in the upcoming budget.

However, staff would note that while the City is particularly below average in retail and manufacturing rates, the City is closer to the average level for distribution and testing rates. With distribution, the City's rate of 3% is higher than many jurisdictions in the region including San Luis Obispo City (2%), Santa Barbara County (1%), Santa Barbara City (4%), Carpinteria (1%), and Lompoc (capped at \$30,000 per business). In addition, distribution can be more of a statewide industry as manufacturers reportedly use distributors farther away if lower rates led to lower costs. The distribution rate may be one for the Council to consider lowering to remain competitive for current and prospective distribution businesses and other cannabis businesses who rely upon them. Staff is aware of a potential distribution business which has begun investing in property within the city and interested in establishing a sizeable operation depending on the tax rate.

If the Council were to consider such a reduction in the distribution rate, this could be an across-the-board reduction for all distributors, a tiered rate reduction for distributors generating a certain level of gross receipts, or some combination of options. If the Council wanted to consider changes to this rate and/or other tax rates, staff would return to the Council this fall following the start of the new fiscal year with more information and options for modifying the tax structure.

### **Other Potential Issues and Summary**

The City has a successful record of implementing the commercial cannabis industry in a thoughtful way focused on maximizing economic opportunity while ensuring community safety and mitigating other impacts. This update is intended to convey to the Council the City's efforts in continually refining its policies and practices in regulating this new industry and providing an environment for cannabis businesses to be successful. Topics highlighted in this report for specific Council direction included permitting requirements, onsite consumption, and cannabis tax rates. The Council can raise other topics for discussion such as whether to affirm or change previous Council direction to not allow retailers without a physical storefront to operate in the city, keep the maximum number of retailer permits issued to four, and not expand the location of cannabis businesses beyond the current zoning of industrial areas given the degree of investment made.

Pending Council direction on the topics highlighted in this report and/or others, staff would return to the Council at future meetings this fall on each of the topics identified for direction. As an example, staff would bring an ordinance amendment to the Council for action on the requested change in permitting requirements while bringing the topics of onsite consumption and/or tax rates for further direction and ultimately action. Allowing onsite consumption would require amendments to both the cannabis land use and regulatory ordinances along with approval by the Coastal Commission for areas located within the Coastal Zone.

## **FISCAL IMPACT**

There is no specific fiscal impact from this agenda item as fiscal impacts from related actions in the future will be identified at that time.

## **ALTERNATIVES**

The Council has the following alternatives to consider:

1. Receive an update on the implementation of the City's commercial cannabis ordinances and regulatory processes and provide direction on permitting changes, onsite consumption, and cannabis tax rates along with other related issues; or
2. Provide staff with further direction.

## **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act.

## **Attachments**

1. Map of Current and Approved Commercial Cannabis Businesses
2. Comparison of Cannabis Tax Rates
3. Chart of Cannabis Retail Tax Rates



# Commercial Cannabis Locations

City of Grover Beach | 154 South 8th Street | Grover Beach, CA | 93433 | www.groverbeach.org



Number	Business Name	Address	Cannabis Type
1	Urbn Leaf	239 South 3rd Street	Retailer
2	Natural Healing Center	998 Huston Street	Retailer
3	805 Beach Breaks	1053 Highland Way	Retailer
4	Highland Oil Co.	949 Highland Way	Manufacturing / Distribution
5	Lab Tested	939 Highland Way	Manufacturing / Distribution
6	BS&RG Holdings	1141 Highland Way #B	Manufacturing
7	Coastal Business Distribution	1141 Highland Way #A	Manufacturing / Distribution
8	Mary's Medicinal	927 South 4th Street	Manufacturing / Distribution
9	Nluzed	650 Farroll Street #A	Manufacturing / Distribution
10	America's Best Cannabis	930 Huber Street #H	Distribution
11	Gold Coast Distribution	930 Huber Street #A	Distribution
12	Jushi	923 Huber Street	Retailer
13	Pacific Coastal Production	451 Leoni Street	Microbusiness
14	Definitive Labs	650 Farroll Street #B	Testing Lab
15	Tonnnn, Inc	871 South 4th Street	Distribution
16	Confidence Analytics	1030 Huston Street #E	Testing Lab*
17	Legends Grover Beach	821 South 4th Street	Manufacturing / Distribution
18	Mello Mills	930 Huber Street #G	Manufacturing
19	Central Coast Clear Source	1091 Highland	Manufacturing / Distribution
20	The Hive Kitchen	948 Huston Street	Manufacturing / Distribution
21	Mega Capital Venture	928 Huston Street	Manufacturing / Distribution / Cultivation
22	Expo Capital Venture	938 Huston Street	Manufacturing / Distribution / Cultivation
23	Farroll Capital Venture	943 Huston Street	Manufacturing / Distribution / Cultivation
24	Master Capital Venture	953 Huston Street	Manufacturing / Distribution / Cultivation
25	Classic Capital Venture	963 Huston Street	Manufacturing / Distribution / Cultivation
26	Huston Capital Venture	973 Huston Street	Manufacturing / Distribution / Cultivation
27	1071 Highland LLC	1071 Highland Way	Manufacturing / Distribution



**Comparison of Cannabis Tax Rates  
Per Gross Receipts Unless Noted  
May 10, 2021**

**Attachment 2**

City	Retail	Manufact.	Distribution	Testing	Cultivation	Nursery	Microbusiness	Comments
Adelanto	3%	3%	3%	3%	\$1.25 sq ft	\$1.25 sq ft		Increased manufacturing, distribution, and testing rates from 1% on 9/9/20. Non storefront delivery rate of 3%.
California City	6%	6%	6%	2%	\$1-\$7 sq ft	\$.50 sq ft	6%	
Carpinteria	6%	3%	1%		4%	1%	6%	
Davis	10%	3%-5%	10%	3%-5%	10%	10%		
Desert Hot Springs	10%				\$25.50 sq ft			\$25.50 first 3,000 sqft, \$20.20 sq ft > then 3,000 sq ft
Dixon	5%	5%	5%					Cannabis business required to enter into a development agreement with City. The tax rate is established by the agreement. The rates are up to 15% currently it is a set amount or 5% of gross receipts, whichever is greater.
Greenfield	10%				\$2.20-\$2.58 sq ft.	.50 sq ft		
<b>Grover Beach</b>	<b>5%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>\$5 sq ft</b>		<b>*</b>	<b>Microbusinesses taxed at respective rates for different uses</b>
Hayward	7%	7%			7%			
Lemoore	5%	\$15 sq ft*			\$6 sq ft	\$2 sq ft		* With a minimum fee of \$45k. Other non-dispensary commercial cannabis operations: \$10sq ft for the first 3,000sq ft; \$8 sq ft for 3,001-5,000sq ft, and \$6 sq ft over 5,000sq ft.
Lompoc	6%				1%	1%	6%	Total cap of 6% of all gross receipts for micro-businesses. Flat rate of \$15K if \$2M net income annually and flat rate of \$30K if net income is above \$2M for Manufacturing and distribution.
Long Beach	7%	1%	1%	1%	\$13.20 sq ft			Amended rates 1/7/20 lowering the business license tax rate for medical and adult-use cannabis, manufacturers, distributors, and lab testing facilities from 6% of gross receipts to 1% of gross receipts.
Modesto	8%	4%	6%	3%	3%		4%	
Morro Bay	5%							Retail only
Oakland	5%	5%	4.50%		5%			Below \$500k .12% for all categories
Ojai	3%	3%			3%			
Oxnard	6%	4%						Up to \$10 sq ft for cultivation
Pacifica	6%	6%	6%	6%	6%	6%	6%	After 2nd year of operation, tax may increase or decrease up to 10%
Palm Springs	10%	2%			\$10 sq ft.			
Perris	10%	10%	10%		\$25 sq ft			
Pittsburgh		10%		10%				Retail & cultivation prohibited
Point Arena	7%	7%	7%	7%	7%	7%	7%	Retail is 7% recreational and 3% medical
Port Hueneme	5%							
Richmond	5%	5%			5%			
Sacramento	4%	4%			4%			
Salinas	5%	5%			\$15 sq ft	\$2 sq ft		Delivery 5%, Nursery may be increased to \$5 sq ft 1/1/21
San Diego	8%	8%			8%			Initially 5%, increased to 8% on 7/1/19
San Jacinto	15%	15%	\$10 sq ft	\$10 sq ft	\$5-\$15 sq ft		15% + \$10 sq ft	Outdoor cultivation \$5 sq ft, Indoor cultivation \$15 sq ft
San Jose	10%	3%	2%		4%			
San Leandro	10%	10%						Cultivation prohibited
San Luis Obispo City	6%	2.50%	2%	1%			6%	Delivery 6%, Microbusiness non retail 2.5%
San Luis Obispo County	8%	8%			8%			Raised 2% every year for 10% max, 7/1/21 will increase to 10%
Santa Barbara City	6%	4%	4%	4%	2%			Delivery 6%
Santa Barbara County	6%	3%	1%		4%	1%	6%	
Santa Cruz	7%	6%	2%	1%	6%			
Watsonville	5%	2.50%			\$1 & \$10sq ft			Cultivation Nursery \$1 sq ft, Cultivation flowering \$10 sq ft.

<b>Average 7%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>4%</b>	<b>6%</b>	
<b>Sq Ft Average</b>				<b>\$8.86</b>	<b>\$1.25</b>		

Cannabis Tax Rate by City - Retail

