

Public Comment #35
BOS Recd. 9-11-23

From: Tracy Doyle <tracyoilsistas@gmail.com>
Sent: Sunday, September 10, 2023 5:33 PM
To: BOS-Clerk of the Board
Subject: Cannabis Ordinance

Supervisors:

I am writing in to let you know I support the much needed reform to the cannabis ordinance concurrent to the requests made by the Growers Alliance. I do not believe the current policy aligns with the intent of the law passed by voters.

Five years ago your electors we the people voted overwhelmingly to legalize cannabis. Since then, one new cannabis business is up and running. Just one!!

The county has made it too prohibitive for people to get licensed by charging exorbitant fees, and polishes that delay projects for years. The Fees assessed by the County excessive and punitive costing \$200k-300k. 3-4 years to get licensed is absolutely ridiculous.

The intent of the legalization was/is to reduce illegal grows in our county and these fees and delays are having the opposite effect.

It is your duty to streamline this process and reform the prohibitive policies.

It is also not fiscally responsible to delay/prevent licensing from occurring. You are leaving millions on the table. This is lost revenue that can't be made up.

Regards,

Tracy Doyle

--
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From: Joshua Reiwitch <joshuareiwitch@gmail.com>
Sent: Sunday, September 10, 2023 8:41 PM
To: BOS-Clerk of the Board
Subject: Cannabis Meeting on Sept 12th Comment

[You don't often get email from joshuareiwitch@gmail.com. Learn why this is important at <https://aka.ms/LearnAboutSenderIdentification>]

Hello,

I am a resident of El Dorado county and emailing to comment on the upcoming meeting about cannabis regulation in our county.

We need to reduce the required setback for cultivation. Many small mom and pop operations are unfairly priced out of entering the legal market in El Dorado county because of the outrageous 800ft set back requirements. We need to make it easier to get licensed for all cannabis operations to give the small farmers a fair chance.

Small farmers are unfairly being pushed out by big corporations that have much more capital for the huge initial investment required to currently enter the legal market because of uncertainty government over regulation. El Dorado county has the hardest requirements in the state. Leaving the small farmers behind.

Thank you for your consideration,

Joshua Reiwitch

From: Clare Dusek <cdusek@jps.net>
Sent: Monday, September 11, 2023 10:45 AM
To: BOS-Clerk of the Board
Cc: cdusek@jps.net
Subject: Agenda Item 23-1501 C-Cannabis Workshop Response

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Thank you for considering my response.

#1. My experience as a secondary public school teacher of over thirty years prompts me to state that consumption of cannabis harms the thought processes of students who consume it. I have personally worked with students before and after consumption and have witnessed impaired mental acuity. It's NOT just another agricultural crop.

#2. Proper setbacks are crucial to protect families who may be adjacent to cannabis grows. Reducing setbacks would allow approximately 3000 additional grows (according to testimony from one of the growers at the Planning Commission). I doubt the previous voters who wanted to decriminalize cannabis were considering such an invasion.

#3. I support the position of the El Dorado County Sheriff's Association concerning existing regulation of cannabis grows.

Please do not yield to requests by cannabis growers who stand to profit financially from reducing current regulations,

Sincerely,

Clare Dusek

From: Rich Silva <rsilva.info@gmail.com>
Sent: Monday, September 11, 2023 10:24 AM
To: BOS-Clerk of the Board
Subject: Please ease restrictions

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We definitely understood the need for heavy restrictions a few years back but many who dedicate a lot of time and money to enter the business legally and safely lost big.

Easing restrictions will allow those that were dedicated in the first place to realize their dream. At this point restrictions on legal businesses are only hurting the county and keeping the black market alive.

From: Ruth Carter <ruthcarterhangtown@gmail.com>
Sent: Monday, September 11, 2023 11:22 AM
To: BOS-District V; BOS-District IV; BOS-District III; BOS-District II; BOS-District I; BOS-Clerk of the Board
Subject: Item #35 - Support of Cannabis Ordinance reform

Good morning esteemed members of the board,

I am writing to wholeheartedly endorse the modernization of our cannabis ordinance, aiming to recognize cannabis growers as a vital component of our agricultural landscape. Some of the proposed changes would align their treatment in terms of sales tax, packaging, and processing with the norms afforded to other agricultural producers. It's important to note that this adjustment would be in harmony with the current background policy of the Sheriff's office, including their recommended measures for spousal background checks.

Navigating this complex issue requires sensitivity and thoughtful consideration. As a dedicated member of our local community, I genuinely appreciate the nuanced nature of the decisions we face and the responsibility we bear in forging a path forward for our legal cannabis growers.

Let us seize this opportunity to create a fair and equitable framework that not only respects the Sheriff's recommendations but also acknowledges the vital role legal cannabis cultivation plays in our region's agricultural tapestry. By doing so, we can foster a thriving and sustainable future for all stakeholders involved.

Thank you for your time and dedication to addressing this important matter positively and constructively.

Respectfully,
Ruth Carter

From: Ali Jones <jones.ali.138@gmail.com>
Sent: Monday, September 11, 2023 2:50 PM
To: BOS-Clerk of the Board; bosone@edc.gov; bostwo@edc.gov; bosthree@edc.gov;
bosfour@edc.gov; bosfive@edc.gov
Subject: Public Comment on Agenda Item 23-1501

[You don't often get email from jones.ali.138@gmail.com. Learn why this is important at <https://aka.ms/LearnAboutSenderIdentification>]

To the Clerk of the Board and the County Supervisors,

I am writing today in support of the El Dorado Growers Advocacy Alliance's proposed amendments to the cannabis ordinance. As a member of the Alliance, the local cannabis community, and a member of the public who voted on the cannabis ballot measures in 2018, I feel as though it is time to see the ordinance reflect the intent of the voting public. The ordinance as it stands is restrictive in a number of ways that create unreasonable barriers of entry into the industry for our local community. Small business agriculture is the backbone of our community. Cannabis growers are no different and deserve an equal opportunity to participate in the broader agricultural community. Amending the ordinance to create a more inclusive industry allows for the opportunity for economic growth in a fair legal market.

Please consider the value of a responsible, fair and reasonable cannabis ordinance to our community in your discussions and decisions.

Kind regards,
Ali Jones

From: Robin Barron <agastache@att.net>
Sent: Monday, September 11, 2023 3:37 PM
To: BOS-Clerk of the Board
Subject: Cannabis growing in EDC.

[You don't often get email from agastache@att.net. Learn why this is important at <https://aka.ms/LearnAboutSenderIdentification>]

Board of Supervisors,
El Dorado County, CA

I understand that there's a decision coming up today about the numbers and locations of marijuana grow locations. I don't have an objection to those on private property if the property is large enough for the activity to not annoy their neighbors.

I certainly don't want commercial growers as neighbors.

I support the position of the El Dorado County Sheriff's Association concerning existing regulation of cannabis grows.

Please do not yield to requests by cannabis growers who stand to profit financially from reducing current regulations,

Sincerely,
Annie Walker
1731 Country Lane
Placerville, CA 95667

From: kevinwmccarty@pm.me
Sent: Monday, September 11, 2023 3:52 PM
To: BOS-Clerk of the Board
Cc: BOS-District I; BOS-District II; BOS-District III; BOS-District IV; BOS-District V
Subject: Board of Supervisors Meeting - Sep 12, 2023 - Agenda Item #35 - File #23-1501
Attachments: Archon Farms Inc - Public Comment - Board of Supervisors Agenda Item 23-1501 - 09.11.2023 - Signed.pdf; DCC Update on CEQA and Provisional Licensing _ Mendocino Cannabis Alliance.pdf; ORD18-2 EIR18-0001 Cannabis PC SR.pdf; impact-of-california-cannabis-taxes-on-legal-market.pdf; SCCS Final Report 03-08-22.pdf

You don't often get email from kevinwmccarty@pm.me. [Learn why this is important](#)

ATTN: El Dorado County, Clerk of the Board of Supervisors:

Attached is a letter submitted as a public comment on Agenda Item #35, file #23-1501, regarding proposed revisions to existing cannabis ordinance forwarded by the Planning Commission.

Also attached are the following supporting documents, for reference:

1. *Sacramento Comprehensive Cannabis Study*, EPS Final Report, March 8th, 2022.
2. *The Impact of California Cannabis Taxes on Participation within the Legal Market*, Reason Foundation, May 2022.
3. Nevada County Planning Commission Staff Report (Adoption of EIR for Cannabis Cultivation), April 11th, 2019.
4. Mendocino County Bulletin from DCC (Notice of EIR to be commissioned for cannabis cultivation), June 29th, 2023.

Please ensure this public comment and supporting documents are added to the record and included for consideration at the Board meeting set for tomorrow, September 12th, 2023.

Regards,

Kevin McCarty
CEO / Managing Member



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Final Report

Sacramento Comprehensive Cannabis Study

The Economics of Land Use



Prepared for:

City of Sacramento, Office of Cannabis Management

Prepared by:

Economic & Planning Systems, Inc. (EPS)

March 8, 2022

EPS #212060

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1. Introduction

The City of Sacramento (City) has retained a team led by Economic & Planning Systems, Inc. (EPS) to conduct a comprehensive cannabis study (SCCS/Study). The Study is directed to the City and is intended to inform public policy pertaining to land use, fiscal/economic, and other regulatory/policy topics. The industry is continually on the verge of significant change. After only a handful of years of legalized adult cannabis consumption in Sacramento, the timing for this Study is ideal as the City considers regulatory options. The Study revolves around the following four questions:

1. What is the scale of the industry and its constituent elements in Sacramento?
2. How does the industry affect the City's economy, real estate, and neighborhoods?
3. Does the industry cover its related City service costs and generate surplus revenue to the City?
4. Based on the literature and case studies, what are some possible directions to explore regarding appropriate municipal oversight of the industry?

After a brief overview of the footprint of the industry in Sacramento, national, State of California (State), and local industry performance metrics and trends are discussed relative to industry performance and tax receipts. Case studies of other jurisdictions and key literature review findings are included, providing the basis for comparing and contrasting industry regulatory techniques. Several qualitative trends and issues are examined to establish a foundation on which the components of a successful regulatory framework can be identified. For example:

- Where and under what conditions have jurisdictions regulated industry to ensure sustained health, resulting in a sustainable source of revenue?
- Can big tobacco, big pharma, or private equity be combined with local stakeholders in a strategy to capture wealth in the local community?
- What tools and techniques are jurisdictions using successfully to ensure that significant benefits accrue to communities in need?
- What is the most direct path to wealth creation? What cities have tried other approaches, and how do the results contrast with Sacramento's? For example, does it make sense to facilitate major industry interests if the result is a larger and more stable flow of tax proceeds, with expanded funding for local causes or entrepreneurial support beyond the cannabis industry?

The ideal regulatory framework for the City depends on the City's expressed priorities. Cannabis is a dynamic, complex, new industry, highly subject to changes in market conditions and federal regulations. There is a total of 5 years of data on operating adult use cannabis in California. It is often cited as an engine for social restitution, economic development, health/wellness, and public services provision. Yet, industry and government are often not aligned in these efforts, which also reflects its relative newness and its challenge to long-time social convention, as well as legitimate concerns regarding youth exposure and other societal ills.

The cannabis industry has been prominent in California for many decades, and the illicit market remains dominant today. The State has been roundly criticized for its high excise tax, which places legal cannabis in California at a consumer price disadvantage and contributes to an overall cost burden that has become problematic for small and medium-sized operations in Sacramento, and which favors larger players with deep pocket investors that can survive a period of minimal or negative cash flow while gaining market share. Cultivating and growing a local niche of small Cannabis Opportunity, Reinvestment and Equity (CORE), woman-owned, and other sought-after owner groups in Sacramento may require a concerted effort, expanded Office of Cannabis Management (OCM) resources, and supportive policies addressing the headwinds these firms face.

A legitimate case can be made for leveraging Sacramento's excellent geographic and political position in the State to allow arguably inevitable large firm growth to facilitate the generation of more stable and predictable tax revenue. Again, being precise about intended outcomes will help the City sort through candidate options and approaches.

Study Focus Areas, Approach, and Methodologies

A major priority of the Study is to understand how other jurisdictions have handled these issues and options, as well as understanding the greater body of literature on the emerging practice of cannabis regulation. EPS organized its review of policy approaches across the following categories:

1. **Land Use Regulation.** Comparable city land use regulations related to the location of the various cannabis industry sectors and adjacent uses.
2. **Ownership: Structure and Ability to Transfer.** Explore the range of ownership structures in the industry from sole proprietors to large organizational models with the intent to understand current trends and operational specifics across the range. In particular, how is ownership controlled and monitored by various jurisdictions?

3. **Taxation and Fees.** Investigate trends regarding the primary sources of tax revenue generation from the cannabis industry. In particular, decreasing or increasing reliance on the use of any types of taxes, changes in the tax rates applied since legalization, and the introduction of exemptions. Identify other jurisdictions' strategies for allocating additional tax revenues.

A variety of methodologies are leveraged to provide a comprehensive overview of industry dynamics. More specific and detailed discussions of methodologies are included in the following chapters. Highlights are provided here:

- **Multi-City Case Studies.** Following an initial period of evaluation, several cities were chosen to serve as primary case studies, including Long Beach, Oakland, Seattle, and Denver. Case studies were carried out to compare the industry and regulations comprehensively, including but not limited to dispensary ownership regulations and approaches. These case-study findings are woven into the ensuing report on a topical basis. Interviews were held with City cannabis management leaders in Oakland and Long Beach covering a full range of topics as case-study follow-ups.
- **Literature Review.** As an augmentation of case studies and interviews, EPS conducted a comprehensive literature review. A list of documents accessed is provided in the Bibliography. Documents were drawn from a combination of academic, industry, government, and popular press sources.
- **Stakeholder and Key Informant Interviews.** The EPS team conducted wide-ranging and confidential interviews among industry practitioners and representatives, government officials, academics, industry associations, Property and Business Improvement Districts (PBIDs), developers, consultants, lobbyists, neighborhood activists, and community members.
- **Real Estate Performance Evaluations (Leasing and Sale Trends).** EPS conducted detailed evaluations of all cannabis concentrations in the City, focusing on performance metrics applying to both commercial district and residential neighborhood impacts. A variety of commercial database applications were used in these evaluations, as described in **Chapter 5**.
- **Fiscal Impact Analysis.** EPS examined the impact of Sacramento's cannabis industry on the General Fund of the City to evaluate how the complete set of revenues generated by the industry and related activities relates to public service costs caused by the industry. It should be noted that the analysis builds on departmental funding levels currently in place; however, sensitivity analysis is provided, testing increased service levels for certain departments most acutely impacted by the industry.

- **Economic Impact (Input-Output) Analysis (EIA).** The EIA measures the total economic contribution of the industry to Sacramento County,¹ in terms of jobs and economic output. This metric includes primary buyer/supplier transactions with the entire spectrum of entities doing business with the industry, as well as the expenditure of employee salaries in the local economy.

Issues Overview

The Study represents an effort to identify best practices in the regulatory oversight of the industry and to assess various options for the City.

The industry is continuously evolving. Over time, it is expected that federal decriminalization and regulation will substantially change the industry dynamics. In anticipation of sweeping changes, the industry is moving quickly to consolidate and vertically integrate² to thrive in a larger but increasingly competitive market.

Consumer acceptance is partially a function of innovative design, packaging, marketing, and branding. Small entrepreneurs are hard pressed, with pressure from larger corporate-backed interests on one side and the black market on the other. Even highly organized and competent enterprises operating in this space in Sacramento are often unable to turn a profit and in some cases are behind on State and federal taxes.

Hence, small locally owned enterprises are also under pressure from both market conditions and tax burdens. Calibrated tax rates and reduced barriers to entry may be needed to bolster these businesses. However, the best opportunity for the industry to fund targeted programs may be reliant on the inevitable advent of big business. On one hand, this may appear to contradict several public policy objectives, including the ongoing goals of the City's CORE program, but may provide a larger, long-term pool of revenue to fund alternative entrepreneurial and restitutive programs.

Can the City effectively incent collaboration to reduce front-end infrastructure costs? How have other cities managed to sort through these and other challenges? How can the City best harness market forces and an understanding of industry economics to benefit its local citizens and business community?

¹ The federal Bureau of Economic Analysis county-based data provide the basis for input-output multiplier analysis; therefore, analysis by county or groupings of counties is more reliable than sub-county areas.

² Vertically integrated businesses combine one or more industry functions, typically to achieve greater efficiency or to support increased market share.

Cities such as Denver offer some clues. Several years ahead of Sacramento and other California cities in legalization of both medical and recreational cannabis, Denver has effectively assimilated the industry and the culture around it and become a related tourist destination of sorts. Retail districts are replete with upscale cannabis storefront dispensaries that blend in with a variety of other boutiques.

From an economic development perspective, a key consideration is the spillover effect the industry may have on other sectors in the Sacramento economy. Is cannabis a viable and worthwhile pursuit as an industry providing broad benefit to the City? Further, is it an appropriate industry worthy of directing persons or groups/cohorts toward, or should more broad-based skills be emphasized across more general categories of employment and business management/ownership?

An integrated approach to regulation and taxation will produce maximum benefits such as optimal usage of tax revenues and other industry-generated funds supporting reduced barriers to entry. Tax rates in Sacramento are not excessive compared to other major cities studied. The most vulnerable community entities are highly sensitive to costs of all types, including tax rates. The strongest vertically integrated users have comparatively little sensitivity to tax rates and other imposed costs.

Cannabis is a complex and challenging industry, and not a “training ground” for the inexperienced. Later in this study, EPS posits that training initiatives be spread more broadly across multiple skill sets and industries.

Based on research conducted for and represented by this report, the local legalization and taxation of the industry is related to the following interrelated issues and factors:

1. **Restitution.** The War on Drugs is generally accepted to have damaged individuals, households, and cultures. There is a national effort among many jurisdictions, including Sacramento, to make reparations through increased access to business equity ownership in a young and volatile cannabis industry.
2. **Economic and Community Development.** Does cannabis contribute to or harm the City's efforts to grow and diversify and to train its labor force? How does it affect the neighborhoods proximate to industry facilities? Does it support growth in asset values, attract tourists, and contribute to the local arts and culture milieu? What is the importance of the industry to the City and regional economy?
3. **Fiscal.** The industry generates significant revenues to the City General Fund, but are current tax rates sustainable in terms of facilitating a healthy and growing local cannabis sector?
4. **Health and Well-Being.** For many, cannabis-derived products offer alternative and potentially low-harm benefits for medical uses and may offer a growing range of applications as further research and analysis continues.

This Study concerns itself primarily with topics #2 and #3 stated above. While topic #1 will be further evaluated in planned follow-ups to this analysis, case-study information provided from other U.S. cities is presented as a facilitation of further study. Topic #4 will be informed over time as additional research commences, potentially at such time federal prohibition of cannabis is lifted.

2. Chief Findings

A considerable portion of the unregulated industry is large and sophisticated, sharing many practices and a common long-standing culture with the emerging legal industry. Certainly, for elements of the unregulated market that routinely damage the environment, violate labor practices, and create other societal harms as a basis of their operational strategies, a viable case could be made for reduction of illegal grows and their portion of supply. Nevertheless, beyond basic common-sense measures, the correction of the legal cannabis market cannot be based on, or even primarily focused on, enforcement.

Economic incentives are the primary solution. However, the City cannot unilaterally correct the cannabis policy headwinds originating from the State, a partner with which to lobby for reduced excise taxes, introduction of a percentage cultivation tax, and strategic enforcement.

A central problem confronting these businesses is the amount of periodic debt over income. It is not uncommon to see otherwise viable small operations in Sacramento struggling to pay State and federal income taxes. Current Internal Revenue Service (IRS) provisions (Section 280E) preclude otherwise common business practices such as asset depreciation. For Sacramento's local owners and operators, might it make sense to reduce costs of operation and start-up in support of creating a thriving local culture ahead of the gold rush in the offing?

Large and vertically integrated interests are gaining momentum in North America, with a deeply financed mergers and acquisition wave sweeping the U.S., and California in particular. Sacramento is a major focal point in the State's cannabis industry and has a strong position for future growth, if desired. Is there a rational policy regime the City can advance that provides additional support to vulnerable small and local operations over the next 3 to 5 years, while the industry and the government sort out the rules and regulations on which locals and their investors can base investment decisions?

Success in Sacramento may require the ability to command price premiums and an experiential package that goes beyond cannabis and extends to local culture. Denver has established success in this regard. Dispensaries in Denver are welcomed in their communities, similar to the mostly positive reception in Sacramento's Midtown. Increased quality of experience, brand awareness (local preference) on the revenue side, and appropriate training, financial assistance, and reduced unit costs through economies of scale (shared facilities) are further explored in this report based on case studies of other cities.

These case studies and supporting research suggest that cannabis revenues can be targeted to the local equity/entrepreneurial culture, facilitating the opportunity to leverage their skills into emerging opportunities.

Primary Conclusions

1. *The industry is growing and diversifying rapidly at the local, regional, State, national, and global levels.*

Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento took in more than \$800 million in 2021. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018. Consumer spending at Sacramento's cannabis retailers has increased rapidly, with annual year-over-year increases of 51 percent and 42 percent, respectively, in the past 2 years.

2. *Dispensary sales indicate Sacramento is a net exporter of cannabis to the region and other parts of California.*

With approximately \$270 million in estimated taxable (excluding medical use) sales in Fiscal Year (FY) 2020/21, Sacramento experienced sales exceeding \$500 per person in the City. As discussed in this report, reliable estimates of legal per capita consumption are under \$200, indicating that about 60 percent of sales are oriented to other jurisdictions in the region and to pass-through buyers. As a result, an increase in the number of dispensaries will further strengthen Sacramento's export position in the short term by adding \$40 million to \$60 million in additional sales to be profitable. However, it is likely additional jurisdictions may enter the market to compete for a share of the potential tax revenue. In addition, local dispensaries are losing market share to delivery services (also known as "non-storefront dispensaries"), a category that is gaining market share following the e-commerce model.

3. *A short-lived spike in industrial rents following legalization appears to have eased.*

Many of the industrial areas that are well-suited for cannabis production facilities experienced dramatic spikes in asking lease rates in 2018 on the heels of legalization. The rent spikes, which likely were due to a combination of real demand and speculation, appear to have moderated, though pricing pressure resulting from the growth of e-commerce and distribution remains.

4. *Cannabis businesses have not had a negative impact on other nearby retail or industrial uses.*

An analysis of lease rates for retail and industrial uses in the areas surrounding cannabis businesses found no pattern of negative impact on the marketability of surrounding areas, as demonstrated by asking lease-rate trends for available spaces.

5. *Cannabis businesses have not had a negative impact on nearby home values.*

A comparison of home sales values within one-quarter mile of dispensaries and those within larger control groups for the same areas found that proximity to dispensaries does not reduce home values relative to other homes in the same general area.

6. *Cannabis businesses have not created increases in crime beyond the levels generated by other businesses.*

The proliferation of cannabis businesses in Sacramento has not generated a proportional increase in crimes targeting these businesses, suggesting that the enhanced security measures employed by these businesses are a strong deterrent to crime.

7. *Cannabis is important to the City General Fund.*

Cannabis generates a fiscal surplus nearing \$20 million annually to the City General Fund. The contribution of cannabis to the City's General Fund indicates potential to increase OCM resources as needed, including various services to smaller minority- and woman-owned operations that are vulnerable in today's economic and policy environment, including incentives to sustain CORE entrepreneurs.

8. *Cannabis is a significant driver of the Sacramento County and City economies.*

The industry generates \$2.3 billion in economic activity in Sacramento County, supporting approximately 12,500 jobs annually. Based on the City's share of total Sacramento County economic activity, it is estimated that \$2.0 billion and 11,000 jobs are located in the City.

9. *The industry is on the cusp of a profound change with federal legalization combined with massive and ongoing technological innovation.*

Vertically integrated companies with deep pockets are already establishing a position in Sacramento and the State. Large, well-capitalized players are able to sustain major losses as they gain market share and future control of the industry. Even without near-term legalization, major research efforts have ramped up, informing diversified product development. Of notable concern, the imposition of additional federal excise taxes on legalization could further create pressure on the industry absent corresponding reductions in costs at the State or local level.

10. Smaller local players may be partially protected through “protectionist” policies of the City.

Local industry interests have indicated margins are too thin to be sustainable. Larger corporate interests are also losing money in many cases, often as an overt strategy to gain market share. Examples of useful steps to protect smaller players may include reduced costs across the board, training subsidies, and other tools and techniques suggested by case-study research, combined with assistance and incentives to create local marketing/branding premiums. Absent local intervention, large firms will use deep pockets of funding and operational efficiencies to gain market share and drive small players out. The causes are manifold and cannot be attributed to a single cause. High State excise taxes, combined with federal tax and banking restrictions, as well as the imposition of local industry taxes of normal magnitude all combine to create a cost burden that needs to be addressed. Importantly, current City limitations on the granting or transfer of ownership is problematic for local operators, and (as discussed in this report), a “hybrid” approach discouraging “permit flipping” such as the City of Oakland’s may strike the right balance.

11. A major cultivation oversupply is working its way through the market, with prices dropping precipitously.

Contributing to the problem, unregulated grows in California maintain an unregulated price advantage, while contributing to a current glut of supply (both legal and illegal). Cultivation in Sacramento has increased dramatically since 2018. However, the high cost burden for legal production makes it infeasible to compete with the unregulated market. Multiple sources report that California cultivators are growing three times as much cannabis as can be consumed in the State, which is both flooding the market and feeding product to the illicit market.³ Something akin to “price parity” between the legal and illicit market will need to be achieved to eradicate the problem, similar to what Colorado has achieved.

12. Sacramento is well positioned to command a strong position in the State’s trade of legal cannabis, even after federal legalization.

Sacramento is well-located in the State, appealing to the powerful distribution functions, which are at the heart of the industry’s economics. Access to large Northern California consumer populations, relatively low costs of labor and land, and access to State policy makers all place Sacramento in strong position for future cannabis growth and development. However, given the advent of major greenhouse cultivation sites emerging throughout the State’s coastal valleys, it seems likely cultivation will gradually seek out other locations, reducing pressure on Sacramento’s industrial districts.

³ Forbes, Chris Roberts, “It’s gonna be a bloodbath”: Epic Marijuana Oversupply Is Flooding California, Jeopardizing Legalization, August 31, 2021.

13. The industry does not appear to produce negative economic effects on commercial and residential districts.

The industry has settled into most districts with minimal negative impact. In many cases, the capital investments in cannabis business facilities and other neighborhood improvements have resulted in positive overall impact. Detailed analysis of commercial and neighborhood economic effects in the City's areas of concentration (Districts 2 and 6 in particular) indicate the industry has not substantially changed local market behavior. Over time, the industry will seek to migrate to areas having a competitive advantage. The Denver case study suggests the industry is likely to be economically and culturally assimilated into the City over time. One important area raised by stakeholders is continued efforts to ensure that youth are protected from inappropriate marketing, such as billboards that promote cannabis use.

14. Local areas of potential saturation concern include cultivation and delivery services in Districts 2 and 6.

This analysis looked at several indicators of over-concentration, including an examination of the root zoning causes of the issue, as well as other measures such as ratios of establishments to population and interviews of stakeholders. However, as discussed in this report, it is likely that the market will "shake out" over time, and it may not be necessary or productive to place barriers on these uses. Cultivation is currently capped at 2.5 million square feet (approximately 10 percent of total industrial space). While CUPs have been granted for the total amount, space used for cultivation is well below the cap, at about half of the allowed square footage. As discussed in this report, demand for this use in Sacramento appears to have tapered somewhat, suggesting that the cap may not be reached.

15. Many small and local firms need assistance in funding start-up capital or ongoing operations.

The City can help to sustain the local industry until significant business opportunities open up with relaxed federal regulation. In some cases, incentives for providing shared capital benefitting multiple firms can be explored. There is potential for techniques such as creating a local revolving loan fund, seeded by above-referenced General Fund proceeds generated by the industry. Other options for expenditure of tax revenue might include improved City services needs (public safety, permitting times, etc.).

16. While OCM has been successful in obtaining major grants from the State to fund specific needs, a sustained allocation of revenue for said purposes will be more predictable than the pursuit of grants.

OCM budget needs should be further examined, and case-study lessons from Oakland and other locales may offer lessons regarding the need to monitor or enforce the complex types of equity transfers and investment activity that are transpiring in the industry. Also, business operating permits (BOPs) struggle to keep pace with ownership transfers and complex shared-use arrangements

of business operations. Based on supplemental discussion and analysis, the City could increase its OCM resources. At the same time, simplification of ownership transfer and other requirements may reduce demands on staff time. A range of ownership options are offered by Oakland and Long Beach, as discussed in this report.

Additional Considerations

In addition to using the fiscal surplus identified in this report as seed funding for a revolving loan fund program for all cannabis start-ups to reduce operational costs and barriers to entry, it may be advisable to open up the range of industry-funded benefits to establish a broad, cross-sectional skill base for victims of the war on drugs to allow for both non-management employment in this industry and to open the door to participation in other industries.

Sacramento is on the precipice of a new era in its economic development, with epochal projects such as Aggie Square and others expected to grow and diversify several industries related to the life sciences cluster. A strategy of providing broad-based skills training to communities in need may be appropriate as a path to directing interested CORE applicants back into a cannabis industry facing continued federal illegality, intense economic pressures and transformation, and major corporate consolidation and vertical integration.

A potential exists for Sacramento to leverage competitive advantage to extract maximum benefit from the evolving industry as it takes residence in Sacramento and simultaneously provide real opportunities for social equity applicants to gain market share and generate wealth. The question is, how can CORE equity participants and applicants be best served? Existing CORE permit holders absolutely need the ability to transfer ownership to be viable. Currently, all CORE members can transfer ownership interest in their businesses in the same manner as non-CORE businesses, with the exception of the new Storefront permits, which must stay 51 percent CORE for 10 years. However, to retain CORE benefits, the business must stay at least 51 percent CORE.

Similar to a land trust incorporating deed restrictions in the field of affordable housing to the exclusion of realized capital gains, should these permit holders be denied the same opportunity as non-CORE owners to realize their maximum potential nest egg as they sell their business? The 3-year vesting period as is being considered for Oakland social equity owners may be an avenue to providing this opportunity without the threat of permit flipping being seen in Chicago. The argument against CORE owners selling 100 percent of their dispensary ownership to the highest bidder is that if the purchasing owner is a non-CORE owner, then a CORE opportunity is removed from the pool. This is solely predicated on Sacramento's dispensary limits.

An alternative scenario may be possible, whereby Sacramento positions itself to accommodate the industry on its regulatory terms, with the goal of levying the maximum sustainable taxes to generate funds applied to a broadened range of training across multiple industries. Tax rates in Sacramento are relatively consistent with other major cities studied. The most vulnerable community entities are highly sensitive to costs of all types, including tax rates. In contrast, the strongest vertically integrated users have comparatively little sensitivity to tax rates and other imposed costs.

Should the City support local players for a defined period of time or pivot to accommodate the large and powerful industry that will influence the industry in Sacramento and California? Depending on expressed priorities, both options are possible. If well integrated, industry forces may be marshaled to constitute a strengthened and better funded local policy program to the benefit of those in need.

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3. Overview of Cannabis in Sacramento

Growth of the Industry

Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento is estimated to have generated more than \$800 million in gross receipts in 2021, as shown in **Table 1**. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018. Delivery, distribution, and cultivation now represent a significant portion of the legitimate cannabis economy, accounting for 12 percent, 21 percent, and 24 percent of the total cannabis industry's income in 2021, respectively. In addition, these 3 sectors all took in more than \$100 million in gross receipts in 2021.

Table 1. City of Sacramento Gross Receipts by Industry Function Group

Industry Function Group	Note	Estimated Gross Receipts (Millions, per year)								
		2013	2014	2015	2016	2017	2018	2019	2020	2021
Dispensary	[1]	\$35.9 M	\$57.5 M	\$84.2 M	\$117.4 M	\$129.9 M	\$138.8 M	\$161.0 M	\$219.9 M	\$295.8 M
Delivery	[2]	-	-	-	\$0.001 M	\$0.001 M	\$7.5 M	\$25.2 M	\$60.6 M	\$102.0 M
Distribution	[3]	-	-	-	-	-	\$6.7 M	\$23.4 M	\$93.9 M	\$173.3 M
Testing	[4]	-	-	-	-	-	\$0.5 M	\$1.5 M	\$4.1 M	\$9.0 M
Microbusiness	[5]	-	-	-	-	-	-	\$0.9 M	\$2.9 M	\$3.8 M
Manufacturing	[6]	-	-	-	-	-	\$49.2 M	\$40.7 M	\$8.9 M	\$41.0 M
Cultivation	[7]	-	-	-	-	\$0.0 M	\$15.8 M	\$36.3 M	\$69.0 M	\$195.5 M
TOTAL		\$35.9 M	\$57.5 M	\$84.2 M	\$117.4 M	\$129.9 M	\$218.6 M	\$289.0 M	\$459.3 M	\$820.4 M

Source: City of Sacramento; EPS.

[1] Dispensary includes storefront only.

[2] Delivery to consumer.

[3] Distribution between industry functions; includes broader logistical services.

[4] Testing of cannabis products.

[5] Microbusiness is a small operation with activities crossing functional areas.

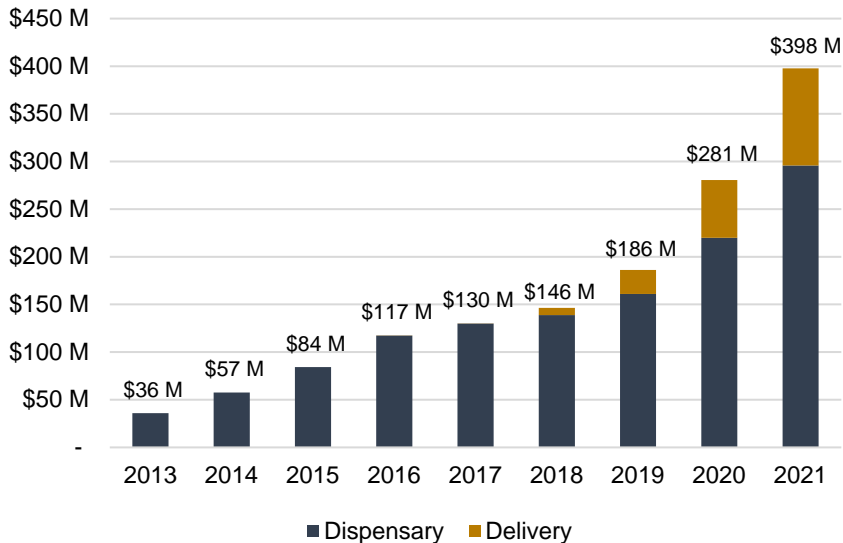
[6] Manufacturing includes processing of raw ingredients and production of products.

[7] Cultivation is growing and harvesting cannabis plants; only allowed indoors in Sacramento.

Consumer spending on cannabis products in Sacramento, measured by gross receipts at delivery and dispensary businesses, was nearly \$400 million in 2021, as shown in **Figure 1**. The share of consumer spending on cannabis products at delivery-only dispensaries has grown from 10 percent of spending in 2018 to 40 percent in 2021, with nearly \$200 million in spending at delivery-only dispensaries in 2021.

For context, bars and restaurants in Sacramento took in approximately \$744 million and liquor stores took in approximately \$80 million in 2021. Spending at Sacramento dispensaries in 2021 was roughly comparable to spending at gas stations (\$408 million) and more than double the spending at clothing stores (\$198 million) in 2021, as shown in **Figure 2**.⁴

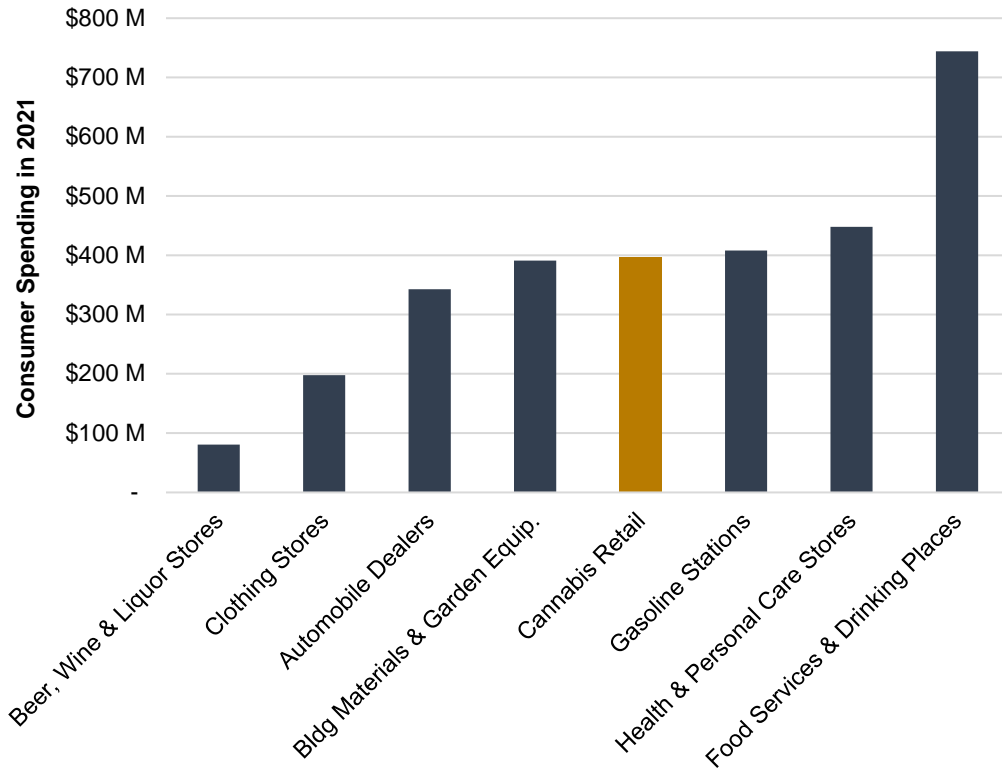
Figure 1. Consumer Cannabis Spending at Sacramento Retailers



Source: City of Sacramento Office of Cannabis Management, EPS.

⁴ 2021 consumer spending in other categories based on ESRI Business Analyst's Retail Profile.

Figure 2. City Sacramento Consumer Spending in 2021



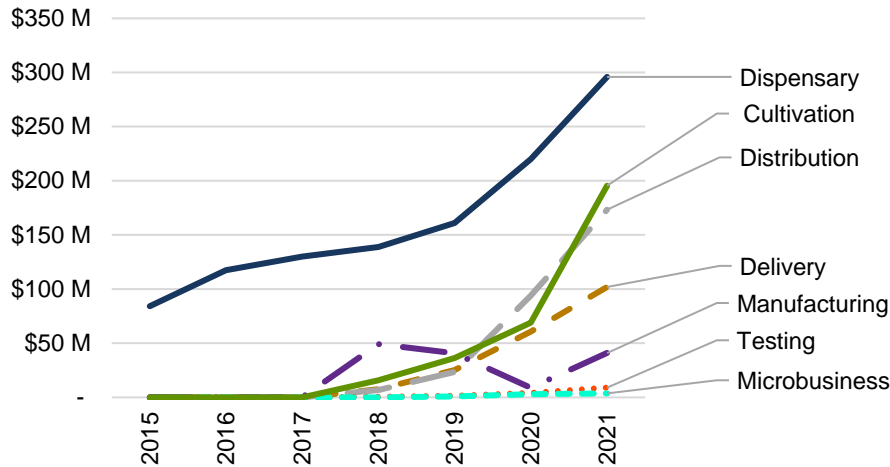
Source: City of Sacramento Office of Cannabis Management, ESRI Business Analyst Retail Marketplace, EPS.

Gross receipts across most types of cannabis businesses in Sacramento have increased every year since legalization. The various permitted activities in the cannabis industry are generally categorized into 7 major groupings, known as Industry Function Groups (IFGs),⁵ which are described in detail and summarized in **Table 5** later in this chapter). **Table 1** and **Figure 3** provide citywide summaries of gross receipts for each of the IFGs.

Gross receipts for manufacturers have not followed the same growth trend as the other IFGs. In the first year of legalization, manufacturing was the second-largest cannabis business sector in the City by gross receipts, taking in nearly \$50 million. However, revenues for manufacturers have not matched the growth of the overall industry, with manufacturers taking in only \$41 million in gross receipts, although this figure is a marked increase over their performance in 2020, when they took in approximately \$9 million.

⁵ A vertically integrated business may include multiple functions, but each function area generally will require a separate business operating permit, unless it is a microbusiness.

Figure 3. Gross Receipts by Industry Function Group



Source: City of Sacramento, EPS.

Based on results from a survey of cannabis businesses conducted by the City's OCM, it is estimated there are approximately 8,000 people employed directly by the cannabis industry in the City, as shown in **Table 2**. Further, it is estimated that more than half (53 percent) of those employed in the industry are in the cultivation sector, making this by far the most labor-intensive sector of the industry in Sacramento.

Table 2. Cannabis Employment by Industry Function Group (2021)

Industry Function Group	Square Feet per Full Time Employee (FTE) [1]	Estimated Employee FTE's
Cultivation	375	4,224
Manufacturing	450	457
Distribution	150	1,363
Retail	150	709
Delivery	100	1,216
Total		7,970

Source: City of Sacramento; EPS.

[1] Square feet per employee assumptions are based on initial data provided by the Office of Cannabis Research pertaining to a survey of local cannabis businesses within the City.

As shown in **Table 3**, cannabis is in the top 10 industries by number of employees in the City, contributing significantly to the local economy. For further discussion of the cannabis industry’s impact on the larger economy and the finances of the City, see **Chapter 6**.

Table 3. Top 10 Industries by Employment in City of Sacramento (2021)

Rank	Industry	Number Employed in City of Sacramento [1]
1	State Government	25,000
2	Local Government - Education	11,500
3	Transit and Passenger Transportation	11,400
4	Individual and Family Services	10,800
5	Full-Service Restaurants	9,000
6	Hospitals	8,900
7	Limited-Service Restaurants	8,500
8	Employment Services	8,300
9	Cannabis	8,000
10	Other Real Estate	7,800

Source: IMPLAN, EPS.

[1] IMPLAN is a private economics firm that provides data and software for analyzing local and regional economies. Employment data from IMPLAN is available at the County level - City estimates for Sacramento were produced from this data by adjusting IMPLAN totals based on the proportion of total County residents that live within the City (83 percent) and rounded to the nearest 100.

In addition to increasing gross receipts overall, the number of cannabis businesses has increased each year since legalization in 2018, with particularly strong growth in 2020, when the 112 new licenses issued more than double the amount of licensed cannabis businesses from 2019. Growth in 2021 has slowed somewhat, with only 46 new businesses added.

As shown in **Table 4** and **Figure 4**, the number of cannabis businesses has increased every year since legalization. Cultivation businesses now account for 35 percent of all licensed cannabis businesses, up from 23 percent in 2019, and growth in delivery businesses has been strong as well, mirroring the growth in delivery businesses' gross receipts. Despite issuing zero licenses for delivery dispensaries in the first year of legalization, there are now 58 licensed delivery dispensaries, making it the second largest industry function group by number of licenses.

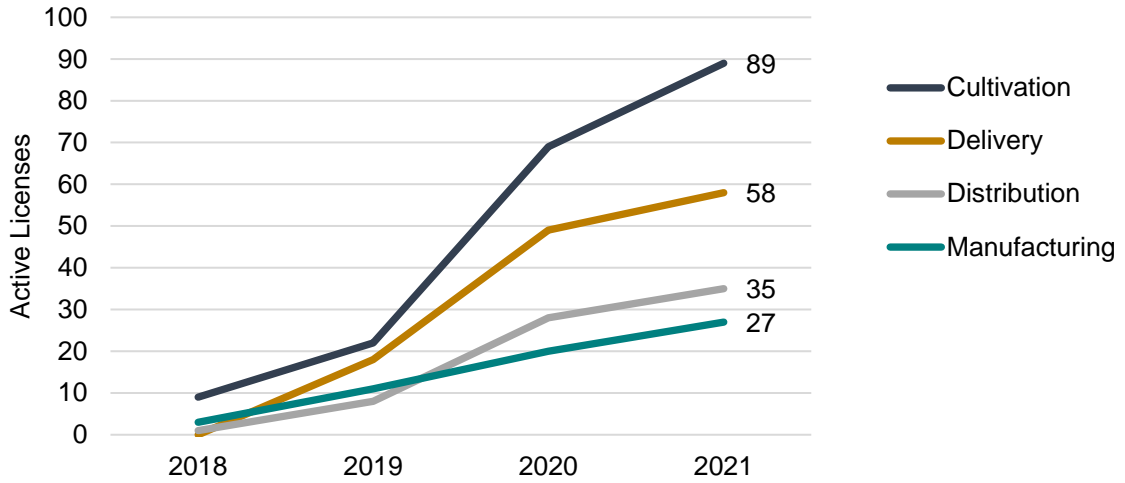
Table 4. Licensed Cannabis Businesses per Year⁶

	2018		2019		2020		2021	
	New	Total	New	Total	New	Total	New	Total
Industry Function Group								
Cultivation	9	9	13	22	47	69	20	89
Distribution	1	1	7	8	20	28	7	35
Manufacturing	3	3	8	11	9	20	7	27
Transport	0	0	1	1	2	3	0	3
Micro	0	0	0	0	3	3	3	6
Lab	4	4	0	4	0	4	0	4
Delivery	0	0	18	18	31	49	9	58
Storefront	30	30	0	30	0	30	0	30
Total	47	47	47	94	112	206	46	252

Source: City of Sacramento Office of Cannabis Management, EPS.

⁶ Real estate, floor area, and crimes analysis is based on data provided by the City's OCM in July 2021. Data provided in January 2022 show 264 licensed cannabis businesses—to be consistent throughout the Study, any discussion of cannabis businesses in Sacramento refers to the data provided in July 2021.

Figure 4. Trends in Licensed Cannabis Businesses per Year⁷



Source: City of Sacramento, EPS.

⁷ Storefront dispensaries were not included in this chart because their numbers have not changed since legalization. Microbusinesses, testing laboratories, and transport-only businesses were excluded as there are relatively few of these businesses, and excluding them improves the chart's legibility. See **Table 4** for more detailed information.

The major IFGs are summarized below:

- **Cultivation.** Indoor cultivation in Sacramento is heavily concentrated in the City's industrial zones in Council Districts 2 and 6. Cultivation expanded rapidly in Sacramento and elsewhere in the last few years; however, long-term trends point toward extensive indoor grow operations in California's coastal regions. While cultivation is land intensive and can introduce odor concerns, it continues to be an important component of smaller-scale, vertically integrated "microbusinesses" that prefer to directly control product from seed to final product. Capital costs are very high at the outset. The use generates a substantial fiscal benefit to the City. While some continued growth is likely advisable for the health of the industry, cities around the country are beginning to place limits on this use.
- **Manufacturing.** While manufacturing is a relatively small use in terms of industry footprint, it makes a useful contribution to the City's local economy with skills and other crossovers to other manufacturing. This use is at the center of the creative process in the cannabis industry and features high start-up costs and specific technical skills among employees. Progress on IRS depreciation limitations and banking limitations will be helpful to this function. Shared facilities are a potential necessity, offering the possibility of pairing CORE participants and other small operators with larger vertically integrated firms where proper incentives can be put in place.
- **Distribution and Logistics.** Characterized by warehouse, office, and fleet parking uses, distributors occupy a central position in the industry as the "connective tissue" between cultivators, manufacturing, and retail. Distributors pay cultivation and excise taxes to the State and are at the center of the "burner permit" problem in California, whereby product is legally purchased (and taxes paid) from cultivators, then sold in the unregulated market. Current lawsuits allege the State has turned a blind eye to excessive cultivation resulting in California while realizing the benefits of the flat tax on cultivation (itself an identified problem). This use is a natural fit in the Sacramento Region and generates major fiscal benefits to jurisdictions. Operator interviews indicate that sustaining operations is more difficult than start-up challenges. The industry requires sophisticated executive skills and relies on various emerging software products. Multi-State Operators (MSOs) are prevalent in this sector.

- **Non-Storefront Dispensaries (Delivery).** Delivery services are growing quickly and steadily gaining market share relative to bricks-and-mortar dispensaries. This function has very low barriers to entry and uses mostly unskilled labor, with the exception of management. Like dispensaries, these services provide a major fiscal benefit to the City. These services are heavily concentrated in industrial areas such as District 6. It is expected that these establishments will undergo considerable shake out as the market matures.
- **Dispensaries.** Effectively retail operations, these stores are major fiscal contributors and are heavily staffed by modestly paid and trained “budtenders” and management personnel. Current limitations on the transfer of ownership to non-CORE firms in Sacramento have inhibited the ability of local owners to find buyers.⁸ Along with non-retail dispensaries, an estimated 60 percent of product is sold to consumers outside the City. An additional 10 dispensaries, as allocated by Sacramento, would increase the export share and could be met with additional regional competition as additional jurisdictions enter the market. Other cities offer some interesting alternatives to qualifying their respective “equity participants,” as discussed in this chapter. The City of Oakland is considering using a 3-year vesting period⁹ after initial BOP issuance to help eradicate “permit flipping” among applicants not otherwise interested in owning and operating. Oakland currently allows an open transfer of ownership for non-equity owners, but only allows equity owners to sell their business to other equity owners. As part of this approach, if a local brand for CORE products can be established which commands a price premium which loyal customers are willing to pay, all manner of retail cannabis outlets in Sacramento may have a basis to compete more effectively on an ongoing basis, providing the potential to continue operations without selling to outside investors.

⁸ A 1-year moratorium on all ownership transfers is set to expire in May 2022. Otherwise, ownership interest in a permit is allowed to change provided there is continuity in ownership. The permit may not be “sold”.

⁹ Oakland adopted a 1:1 non-equity to equity ownership policy for all cannabis permits.

Table 5 provides a synopsis of the characteristics of these components of the cannabis industry in Sacramento.

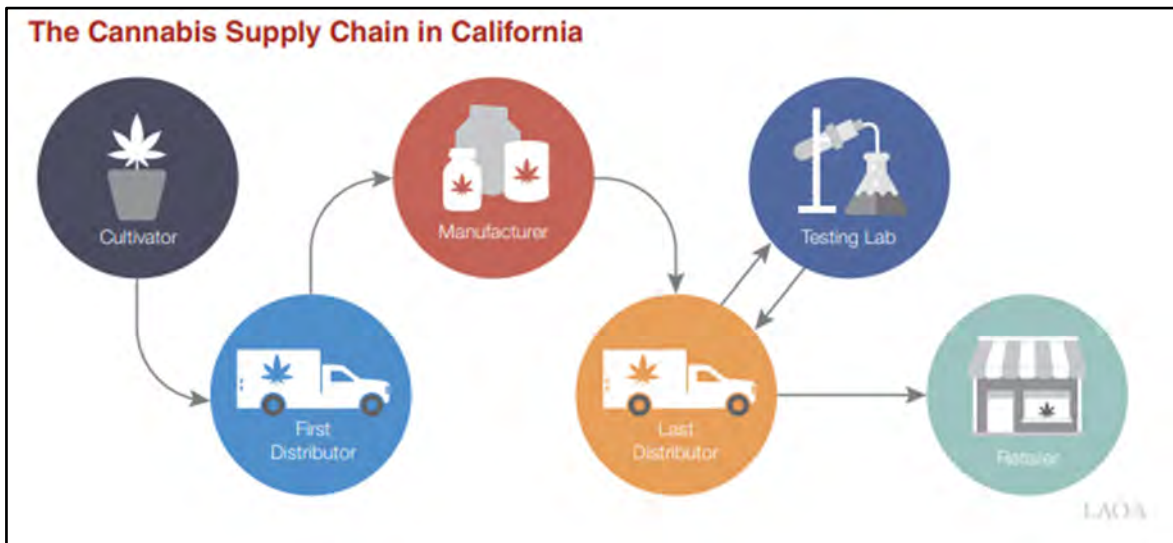
Table 5. Overview of Cannabis Industry Function Groups (IFGs)

IFG (1)	Characteristics
Cultivation	Sacramento - indoor only High power requirements for indoor operations Odor draws neighborhood complaints from certain facilities Evolved into element of sophisticated corporate operations Some concern of underutilization of urban industrial land
Manufacturing	Industrial facility small to medium size Contribution to City economic structure High start-up costs, significant infrastructure Requires working knowledge of technical processes Seamlessly integrated into vertically integrated businesses Good technical sector with cross-over, retain and encourage Supports other sectors of economy
Distribution & Logistics	Warehouse, fleet parking, office Sales, marketing, marketing, customer care, functions High security requirements and costs Farmer, manufacturing, and sale outlet relationships Can arrange logistics around testing, packaging, other value adds Can be vertically integrated with emphasis on distribution, Sophisticated multi-disciplinary operations Executive level skills, knowledge of industry, taxation, packaging, testing, and all other aspects of industry Regional coverage beyond Sacramento Sacramento viable as distribution location - good fundamentals
Non-retail dispensaries (delivery service)	Warehouse plus office Unskilled labor with exception of management 50% drivers, also dispatch and management Gaining significant market share from dispensaries following e-commerce trends in general Have created significant concentrations in industrial areas
Dispensary (bricks and mortar)	Effectively a retail operation Performs well in a variety of retail environments Losing market share to delivery companies Significant start-up costs Owners transitioned from medicinal to recreational, capped at 30 Major movement among MSOs to control market share (M&A) Budtenders make minimum wage plus or slightly more plus tips Sacramento = major exporter to region

(1) Excludes "microbusinesses", which are a combination of above components, often in a campus.
 Also excludes testing, which is normally located in standard office and R&D uses.

Figure 5 below illustrates the linkages between these major components by way of the industry supply chain. Of note in the supply chain is the relative importance of the distribution function. These entities collect and pay cultivation and excise taxes to the State and have control over what product gets to market through their relationships with cultivators, manufacturers, and retail dispensaries. They are increasingly MSOs as these entities seek market share in California and other domestic U.S. cities ahead of expected federal legalization. This trend is further detailed in **Chapter 4**.

Figure 5. Cannabis Supply Chain Diagram



Graphic reprinted from the Legislative Analyst's Office December 2019 report, "How High? Adjusting California's Cannabis Taxes."

Location of Industry Function Groupings

As shown in **Figure 6**, the cannabis industry is not distributed evenly throughout the City. The central areas of the City, such as Midtown, contain a large proportion of the City's licensed storefront dispensaries, while Districts 2 and 6 contain the majority of cannabis production, manufacturing, and distribution uses, as shown in **Table 6**. Based on the new City Council districts adopted in December 2021, Council District 8 is the only district in the City without a licensed cannabis business. However, Council Districts 1, 3, and 7 only have a total of 4 cannabis businesses between them.

Figure 6. City of Sacramento Distribution of IFGs

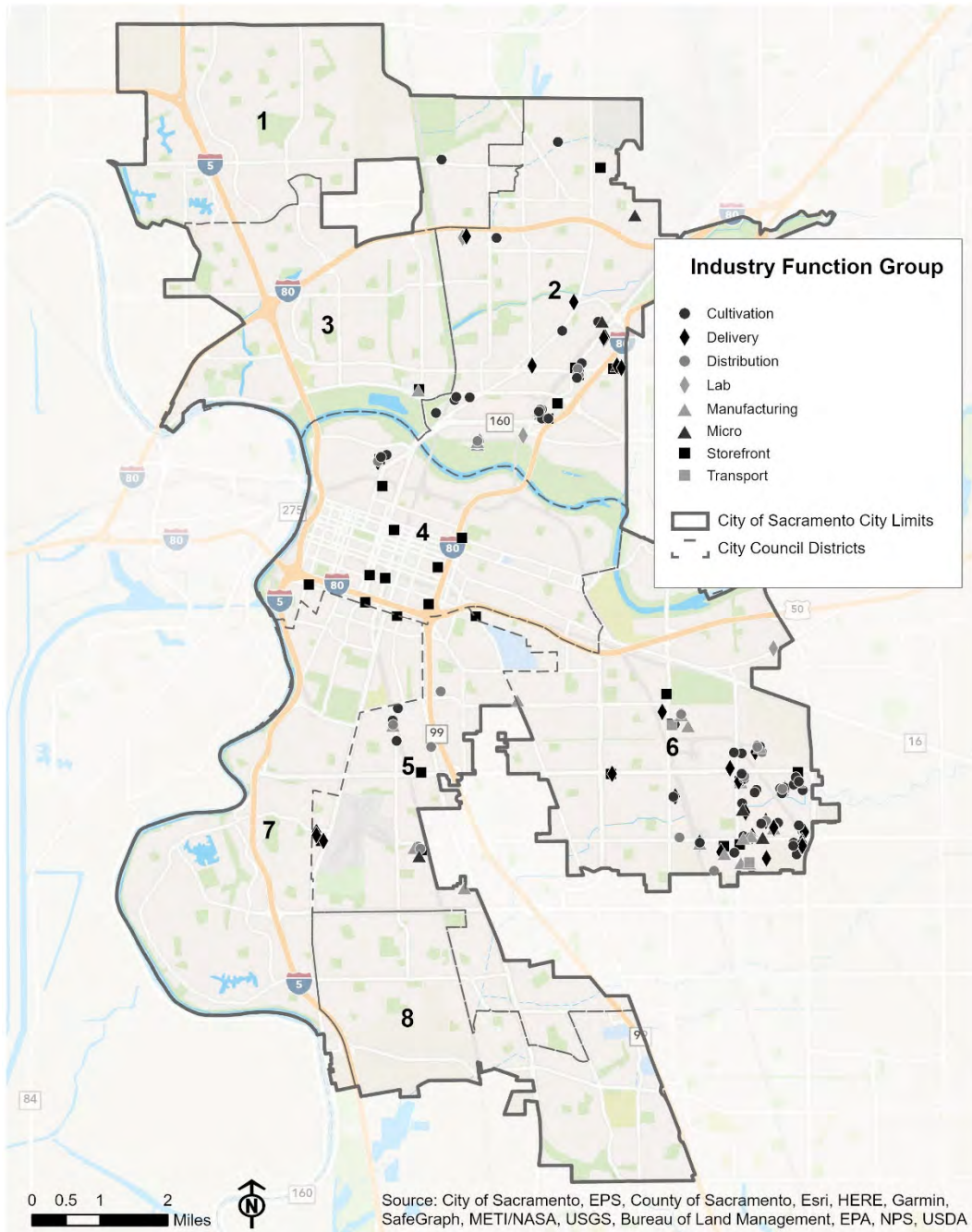


Table 6. Cannabis Businesses by Function Group per Council District

	City Council District							Total
	1	2	3	4	5	6	7	
Industry Function Group								
Cultivation	1	19	0	2	4	63	0	89
Distribution	0	7	0	2	5	21	0	35
Manufacturing	0	6	1	1	4	15	0	27
Transport	0	0	0	0	0	3	0	3
Micro	0	3	0	0	1	2	0	6
Subtotal Production	1	35	1	5	14	104	0	160
Lab	0	3	0	0	0	1	0	4
Delivery	0	10	0	11	3	34	0	58
Storefront	0	7	1	10	3	8	1	30
Total [1]	1	55	2	26	20	147	1	252

Source: City of Sacramento Office of Cannabis Management, EPS.

[1] Includes businesses with active licenses as of July 2021.

The uneven distribution and concentration of cannabis businesses is due to 2 primary factors: (1) the location of zoning districts that permit cannabis uses and (2) the location and availability of industrial buildings well-suited for cannabis business users. **Table 6** shows the distribution of cannabis businesses across the Council Districts. Neighborhood and real estate impacts as a result of this distribution are explored in further detail in **Chapter 6**.

Key Chapter Findings

- The industry is growing and diversifying rapidly at the local, regional, State, national, and global levels. Based on taxes remitted to the City by cannabis businesses, the cannabis industry in Sacramento took in more than \$800 million in 2021. The industry's 2021 income is more than 3.5 times the income of the industry during the first full year of legalization in 2018. Consumer spending at Sacramento's cannabis retailers has increased rapidly, with annual year-over-year increases of 51 percent and 42 percent respectively in the past 2 years.
- While consumer spending at storefront cannabis dispensaries grew steadily from 2013 to 2021, spending on cannabis delivery sales has grown dramatically in the last 4 years, accounting for more than a quarter of cannabis retail sales in Sacramento in 2021.
- The cannabis industry is now among the top 10 employment sectors in the City, with approximately 8,000 workers, half of whom are estimated to be in the cultivation sector.
- Council District 4 (Midtown) continues to have the highest concentration of storefront dispensaries in the City, while District 6 contains more than half of the City's non-storefront delivery dispensaries.
- District 6 contains a majority of production-related cannabis operations, with 104 of the 160 such operations in the City (as of July 2021); District 2 has the next highest production concentration with 35 operations (as of July 2021).

4. Economic Trends in the Cannabis Industry

Introduction

This chapter describes overarching trends in the industry, followed by trends nationally, statewide, and in the City. It includes case studies of Long Beach, Oakland, Denver, and Seattle on issues of ownership, taxation, concentration, and social equity initiatives.

Macro-Level Trends

For centuries, cannabis has been used for its medicinal, as well as psychotropic, effects. Two events in the 20th century—the 1925 International Opium Convention, which effectively banned its exportation worldwide, and the 1937 Marijuana Tax Act, which banned hemp and cannabis production in the United States—effectively created a worldwide prohibition on cannabis cultivation, distribution, and consumption. During this prohibition, cannabis continued to be cultivated and consumed illegally worldwide. In the 1970s in the Netherlands, cannabis began to be used legally, both medicinally for cancer treatment (and later HIV/AIDS) and recreationally following decriminalization. Over the past half century, cannabis has become increasingly important for both its therapeutic and mood-enhancing qualities.

International Market Dynamics

Increasing legalization for both medicinal and recreational cannabis is driving a global market that is projected to grow from \$28.3 billion in 2021 to \$197.7 billion in 2028, an annual growth rate (CAGR) of 32 percent.¹⁰ North America dominates the international market and was valued at \$16 billion in 2020.

As the first of the G12 (industrially advanced) nations to fully legalize cannabis, Canada has become the leader in the medical cannabis sector. During the past couple of years, the nation's federally licensed industry has expanded into medical cannabis markets such as Australia, Germany, and Brazil. Canadian capital and operating experience are being leveraged in more than a dozen overseas markets.¹¹

¹⁰ <https://www.fortunebusinessinsights.com/industry-reports/cannabis-marijuana-market-100219>

¹¹ Ibid.

A 2018 report discussed the dynamic of cross-border stock listings, merger and acquisition deals, partnerships between entities from different countries, and breakthrough export and import policies allowing international movement of cannabis products, primarily for medicinal purposes.¹² However, the international picture is evolving rapidly; cannabis usage is at varying stages of legality and decriminalization in several countries in Europe, South America, and parts of Asia. In many countries though, cannabis is expected to remain illegal in the near term.

International research and development are contributing to an evolving product market. Continuous developments in extraction and infusion, along with standardization of products, is contributing to global popularity and demand for both medicinal and recreational cannabis products. More than 130 cannabinoids have been isolated in cannabis plants, and those have fueled wide-ranging research and development efforts for both medical and recreational purposes. Super clone plants are being developed with the intent to highlight specific elements and significantly increase tetrahydrocannabinol (THC) percentages through concentrates.

Multi-national corporations are consolidating and expanding into international markets. Arena Pharmaceuticals, Inc., a biopharmaceutical company, is focused on developing and delivering medicine to American and Swiss patients. In addition, it's expanding into the Asian market via a partnership with Everest Medicines.¹³ In December 2021, Arena Pharmaceuticals, Inc. was acquired by pharmaceutical giant Pfizer for \$100 per share in an all-cash transaction, for a total equity value of approximately \$6.7 billion.

Recently, increased legalization and product development have attracted major multi-national corporations across a wide range of interests, including pharmaceuticals, beverages, and plant sciences. **Table 7** shows the top multi-national interests in the industry.

¹² An Overview of Cannabis Legalization Around the World, Omar Sacirbey, MJBizDaily Report, 2018.

¹³ Bojana Petković, Insider Monkey, August 13, 2019.

Table 7. Key Multinational Cannabis Companies

Name	Location	Market Capitalization (\$Billions)	2021 Earnings (\$Billions)	Core Product Offerings	Notes
Aphria	Ontario, Canada	N/A	-\$0.5 B	Medical Consumables	2020 Merger with Tilray Ongoing, Publically Traded Under TLRY Ticker
Scotts Miracle-Gro	Ohio, US	\$8.9 B	\$0.8 B	Cannabis Cultivation Aids	
Innovative Industrial Properties	California, US	\$6.0 B	\$0.1 B	Cannabis Real Estate	
Trulieve Cannabis	Florida, US	\$4.9 B	\$0.3 B	Medical	
Green Thumb Industries	Alberta, Canada	\$4.7 B	\$0.2 B	Recreational Consumables	
Canopy Growth	Ontario, Canada	\$3.8 B	-\$0.8 B	Medical	
Tilray	Ontario, Canada	\$3.7 B	-\$0.2 B	Recreational Consumables	Joint Venture with AB InBev
Cresco Labs, Inc.	Illinois, US	\$2.9 B	-\$0.4 B	Medical	500 Dispensaries in California through recent acquisition
Aurora Cannabis	Alberta, Canada	\$1.2 B	-\$0.4 B	Recreational Consumables	
OrganiGram	New Brunswick, Canada	\$0.6 B	\$0.6 B	Cannabis Cultivation	
HEXO	Ottawa, Canada	\$0.3 B	-\$0.2 B	Medical	
Charlotte's Web Holdings	Colorado, US	\$0.2 B	\$0.0 B	Recreational Consumables	
Greenlane	Florida, US	\$0.1 B	-\$0.1 B	CBD/Hemp Consumables	
The Green Organic Dutchman	Ontario, Canada	\$0.1 B	\$0.0 B	Cannabis Ancillary Products	
				Medical	Largest Publically Traded Organic-Only Cannabis Grower
				Recreational Consumables	

Source: Zippia, CompaniesMarketCap.com

Before legalization of recreational cannabis in California, the State was already considered an international epicenter of cannabis production. This has not changed as a result of legalization. To the contrary, international companies have significantly increased their pursuit and acquisition of California cannabis businesses throughout the supply chain.

Developing a National Industry

Across the nation, the legal cannabis industry has naturally organized itself in a range of industry function groups (IFGs) that make up the seed-to-sale supply chain, as described in **Chapter 3**. As the industry evolves, new IFGs are becoming more clearly defined as research and development (R&D) becomes increasingly important to the industry and support for consumption lounges potentially generate a new retail IFG.

Cultivation

Cultivation is becoming increasingly sophisticated, gravitating toward greenhouse mixed-light cultivation as a more sustainable approach to indoor growing and producing the highest quality flower product. Mixed-light cultivation focuses on the plant's growth and maturity with the goal of harvesting high-quality flower in

significantly reduced growth cycles using a fraction of the electricity and minimizing water usage through advanced irrigation techniques and treating and reusing irrigation water.

Sacramento vertically integrated cannabis company Natura has erected multiple new greenhouses as part of their master plan expansion. Glass House Farms, near Carpentaria, has the capacity to produce 113,000 dry pounds of sellable cannabis with its more than 500,000 square feet of greenhouse space. With its recent acquisition of 5.5 million square feet of former tomato greenhouses in Camarillo, Glass House Farms expects the facility to produce more than 180,000 dry pounds of sellable cannabis. The facility includes an on-site well, water treatment facilities, an automated roof-washing system, supplemental lights, and natural gas cogeneration facilities producing power, heat, and CO₂, and at 6 million total square feet, Glass House Farms is the largest California cannabis cultivator.

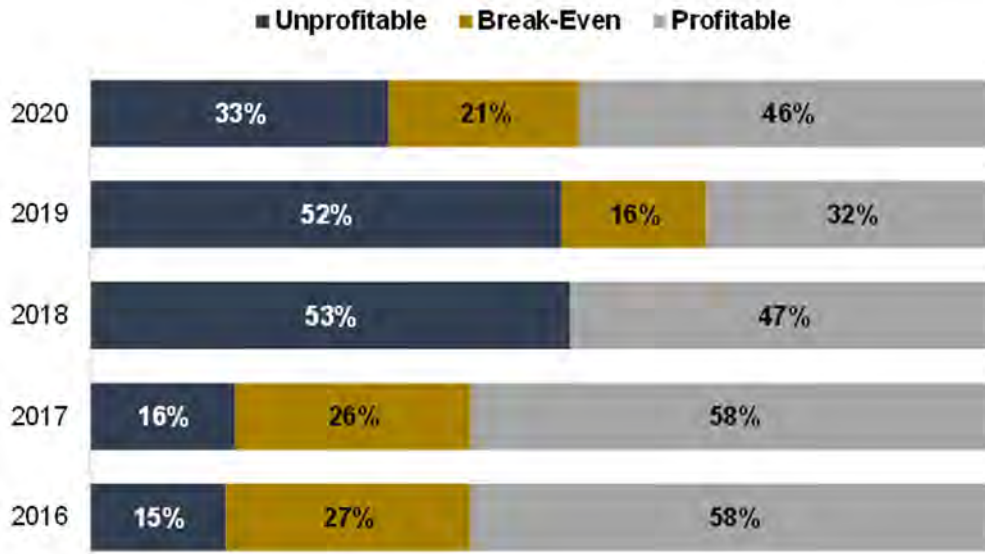
NUGS, a vertically integrated corporation, recently signed a Memorandum of Understanding (MOU) to acquire a Sacramento cannabis cultivation facility spanning more than 15,600 square feet, with the potential to accommodate an estimated 500 grow lights. It is estimated to produce 2 to 3 pounds of premium exotic cannabis flower per light per harvest across an estimated 5.75 harvests per year, suggesting an upside potential of more than 7,000 pounds of premium cannabis flower per year, or more than 14 pounds per light. At 2021 prices (\$1,800/lb. for premium flower), that represents \$12,600,000 per year.

Simon Yu, CEO of NUGS, commented, "This deal represents the potential to sharply increase our premium cannabis production capacity and materially augment our status as an emerging leader in the vertically integrated California cannabis marketplace. We have already amassed years of experience refining our cultivation methods and strains in an outdoor framework with our NUGS Farm North site. Adding a top-tier indoor cultivation operation stands to help us further build upon that success and drive more volume in the premium flower market, which has powerful implications, given our recent expansion into the dispensary marketplace with our MDRN Tree downtown LA dispensary location. The combination grants NUGS expanding operations at both ends of the farm-to-sale model."¹⁴

Although the trend is moving toward more sustainable practices, cultivation continues to include both outdoor and indoor production of cannabis flower. Nationally, wholesale cultivation has been under severe operational pressure in recent years as the price of flower has dropped dramatically as the number of legal cultivators has increased, but illicit product has continued to circulate in the market. Additional pandemic-related challenges resulted in significant levels of unprofitability in 2020, as shown in **Figure 7**.

¹⁴ Preeti Singh, SA News Editor, SeekingAlpha.

Figure 7. Wholesale Cultivator Profitability



Source: Marijuana Business Factbook.

Manufacturing

Bioavailability is essentially absorption of a product as a percentage of the dose of the product being consumed. In the cannabis industry, increasing bioavailability is driving manufacturing R&D. With vaporizing bioavailability at 36 percent to 61 percent, smoking flower at 25 percent to 27 percent, and edibles at 4 percent to 12 percent, one of the primary areas of R&D in cannabis manufacturing revolves around increasing bioavailability in manufactured products. In cannabis, flower is flower (packaging is the primary area where manufacturing engages flower products), and all other products are manufactured. “Traditionally there were only three types of cannabis products available to most consumers on the black market: flower, hash, and homemade edibles. While flower remains the top-selling product category in today’s legal market, production of concentrates and infused foods and beverages has become more sophisticated over the years, and a much wider array of tetrahydrocannabinol (THC) containing goods—from transdermal patches to dry powder inhalers—are now accessible.”¹⁵

One evolving area of extraction technology has been focused on better bioavailability of cannabinoids and the elimination of less desirable and more harmful delivery methods such as smoking or vaping. Other methods of delivery that help with the bioavailability of cannabinoids by circumventing metabolism (including sublingual, or below the tongue; transdermal patches; and topical sprays or creams) continue to be developed and are increasingly in demand by

¹⁵ John S. Forrester, Lisa McTigue Pierce, Bob Sperber, May 27, 2021, PowderBulkSolids.com.

consumers. The isolation of molecules is an extremely high value product as it's been reported that both cannabigerol (CBG) (16) and cannabinol (CBN) (17) isolates, for example, can bring between approximately \$30,000 and \$50,000 per kilo.¹⁶

These extraction and manufacturing practices are generating infused products ranging from topicals (skin products) to highly concentrated consumables. Unlike the more established cultivation landscape, this product area is highly unpredictable in terms of consumer demand preferences and is subject to the watchful interest of established consumer packaged goods companies. Even with highly publicized efforts announcing household names in alcoholic beverages investing in infused beverage product lines, market surveys of industry revenue figures indicate that consumers have not made a measurable shift towards cannabis infused products at the expense of established competitors. This leaves the door open for smaller regional enterprises to consider developing carefully crafted products, but such initiatives should likely be of a restrained nature to avoid the crippling losses that are more tolerable for publicly traded companies with stable international product lines.

In the City, there are 26 active BOPs ranging from boutique social equity manufacturers to large-scale infusion manufacturers, creating gummies, candies, tinctures, topicals, tablets, and capsules, as well as major extraction facilities. Nearly all Sacramento manufacturers are operating out of pre-existing industrial buildings. These manufacturers are involved in extraction, infusion, and production, with some providing distribution and services directed at cultivators, as well as vertically integrated seed-to-store operators. Manufacturing in the Sacramento cannabis industry provides broad opportunities in an extremely dynamic market.

Distribution

Distribution companies in the California cannabis product chain have three fundamental responsibilities: collect the pre-sale dry cultivation taxes from the cultivator when they pick up the product, document the track-and-trace sequence through manufacturing and testing, and collect the excise tax from the retail dispensary when delivering the retail product to market. Many of the larger companies provide manufacturing and testing facilities as well.

This vertical integration provides opportunities to develop partnerships with favorable brands and control supply to retail dispensaries. Others develop relationships with premium cultivators and manufacturers, providing them with packaging, storage, quality control, testing, and distribution, in addition to inventory management, order scheduling/tracking, and cash collection services.

¹⁶ May 5, 2021, David Hodes Cannabis Science and Technology, May 2021, Volume 4, Issue 4, pages 20 to 26.

The State's Type 11 license allows the distributor to provide a wide range of services. The largest of these offer their services statewide, with business relationships extending to hundreds of cultivators, manufacturers, and dispensaries.

The increasing importance of the distribution function is one of the most significant national trends in the cannabis industry. Within the industry, significant competition for market share has led to a drive toward vertical integration, particularly among the manufacturing and distribution IFGs. The prospect of future national legalization provides added incentive for this consolidation, to both respond to new national competition and expand into other markets in anticipation of a national logistics chain.

The industry's prospects for future profitability are demonstrated by the recent mergers & acquisitions (M&A) activity, with larger corporate or other equity-backed entities seeking to maximize market share across state lines and national borders, even in the absence of any federal regulatory framework enabling interstate commerce. For example, Cresco Labs (Cresco), a Chicago-based vertically integrated company valued at more than \$5.8 billion, is making major acquisitions in both the medical and recreational arenas.

Cresco's cultivation footprint across 8 states is in excess of 828,000 square feet with 221,000 of that in California. In addition, their acquisition of Origin House is unique in that "Cresco wasn't looking to simply buy retail licenses, grow farms, and processing sites. Rather, it found that the best way to grow sales and infiltrate the largest marijuana market in the world (California) was to acquire one of the very few companies to hold a cannabis distribution license in the Golden State. Buying Origin House allows Cresco Labs to get its products into approximately 575 California dispensaries, representing about 65% of all legal retail locations in the state." In addition, as the nation's largest legal market and a State synonymous with high-quality marijuana, comparable to its reputation in the wine industry, large cannabis interests from other states and other countries are motivated to find a way to enter the California market.

As the legal cannabis industry continues to expand in California (about 36 percent of California communities allow some form of cannabis), consolidation will continue, and smaller operators will face intensifying competition.

The State also provides Distributor Transport Only licenses, which allow the distributor to transport cannabis goods between non-retail licensees but not to any licensed retailer (or the retailer portion of a licensed microbusiness), except for immature cannabis plants or seeds. A Distributor Transport Only licensee has the option to select "Self-Distribution" during the application process. This distributor may only transport cannabis goods that the licensee has cultivated or manufactured. In addition, a Distributor Transport Only self-distribution licensee is not permitted to transport cannabis goods cultivated or manufactured by other

licensees or to hold title to any cannabis goods, unless they are authorized to do so under another State-issued license.

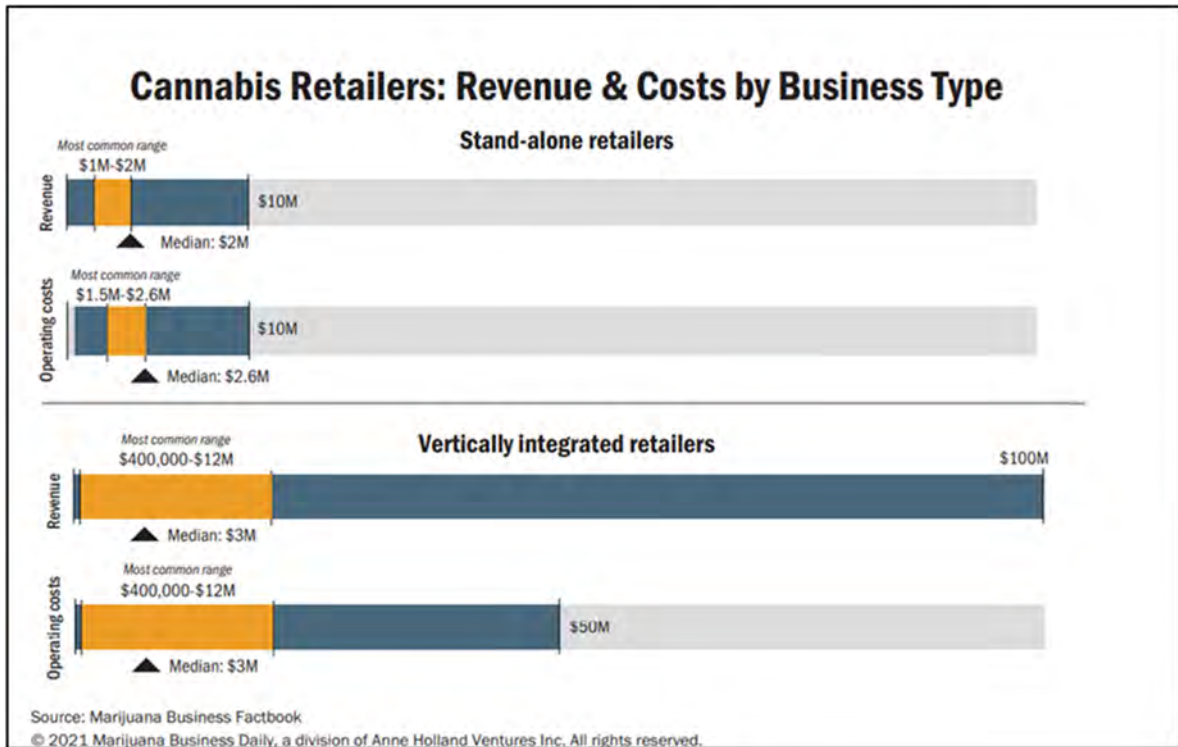
Testing Labs

Testing labs provide the services to ensure the cannabis product that gets to the market is consistent with the requirements of the California Department of Cannabis Control. They test for terpenes, pesticides, potency, microbial contaminants, residual solvents, heavy metals, mycotoxins, and water activity. Some will also offer their customers other services whether they are looking to develop a new product, perfect an existing one, identify potential contamination in their facility, or identify a new strain they are developing. There are only 4 BOPs in Sacramento. With the increased emphasis on new product research, this IFG would appear to have growth potential.

Storefront Retail Dispensaries

Retail storefront dispensaries are the only public onsite venue for cannabis users to view finished product, discuss various strains with budtenders, and purchase cannabis products. Like any retail establishment, they range from extravagant destination centers with classes and events to no-nonsense, low-cost outlets in industrial districts. Upon entering and checking in with a receptionist, customers are often led from the reception area into the primary retail area and greeted by a budtender who provides one-on-one service. Today, dispensaries carry many products such as nearly all forms of cannabis for consumption, equipment, and company lifestyle items.

Figure 8. Cannabis Retailer Revenues and Costs



Graphic reprinted from MJBizDaily Factbook.

Non-Storefront Retail Delivery

Retail delivery businesses fall into two categories. Most dispensaries operate delivery like mail carriers. Stores receive orders, which are then loaded into a vehicle and sent to the customer. Called “hub and spoke,” this delivery method is reliable and low-cost, but often slow, much to the frustration of the store and consumer alike. There is a large untapped market in California. The State legalized recreational marijuana in 2016, but it is only sold in 35 percent of the State. The remaining 65 percent does not have access to a dispensary. This could be for several reasons, including lack of resources to develop regulations or a legal prohibition on the sale of cannabis in retail stores.

However, in a 2020 ruling, a Fresno, California, judge affirmed the right to deliver to these areas by dismissing a lawsuit by 24 California cities seeking to ban deliveries.¹⁷ Some delivery-only dispensaries are carrying an inventory of product in the vehicle. California allows operators to work out of a vehicle with \$3,000 worth of inventory, and \$5,000 worth if the merchandise includes pre-orders. There are legislative efforts to increase the in-vehicle inventory size to between \$10,000 and \$25,000. With these mobile dispensaries, customers order on an app

¹⁷ Matt Burns@mjburnsy / 8:32 AM PST • November 16, 2021

from the available inventory in a nearby vehicle. But the predominant trend in the industry is to have a bricks-and-mortar warehouse for product and vehicle storage, as well as an office and dispatch center. With this model, customers can order from the entire inventory that the delivery dispensary has on hand.

Consumption Lounges

New California legislation enables local jurisdictions to allow the preparation or sale of non-cannabis food or beverage products by a licensed retailer or microbusiness in an area where cannabis consumption is allowed. This new legislation has the potential to significantly alter the cannabis consumption/food service landscape. A cannabis consumption lounge license in California allows the following activities:

- Smoke, vaporize, and ingest cannabis or cannabis products on the premises of a retailer or microbusiness.
- Prepare and sell non-cannabis food or beverage products in compliance with all applicable provisions of the California Retail Food Code by a retailer or microbusiness.

A cannabis consumption lounge license in California also has multiple restrictions, including age restrictions, visibility, alcohol and tobacco prohibitions, and other operational restrictions.

A cannabis consumption lounge license in California, is a Type 10-Retailer license with a specific consumption cafe/lounge destination. At this time, consumption on site is not allowed in Sacramento. However, the integration of consumption lounges into the City has the potential to significantly increase opportunities for entry into the industry as license holders could partner with existing restaurants and create shared facilities with minimal up-front capital.

Vertical Integration

Eventual federal legalization and the ongoing expansion of legalization in other countries will continue to drive vertical integration in the industry. As it rapidly evolves into a mature industry with a growing global presence, it will begin to resemble other mature industries. The geographic distribution of activities along the supply chain will begin to align along patterns similar to other consumer product industries, as functions gravitate toward locations that provide the optimal combinations of production inputs and costs. For example, large scale cultivation will tend to seek lower land costs and ideal weather conditions (low humidity and cool nights), larger consumables manufacturing facilities will tend to gravitate toward metro fringe locations, and major distribution operations will expand their presence across the transportation network.

National Trends

The efforts of an increasing number of states to adopt cannabis legalizing frameworks in light of the ongoing federal prohibition and continued listing of cannabis as a Class 1 Drug has led to a patchwork of regulations in each state, without federal oversight.

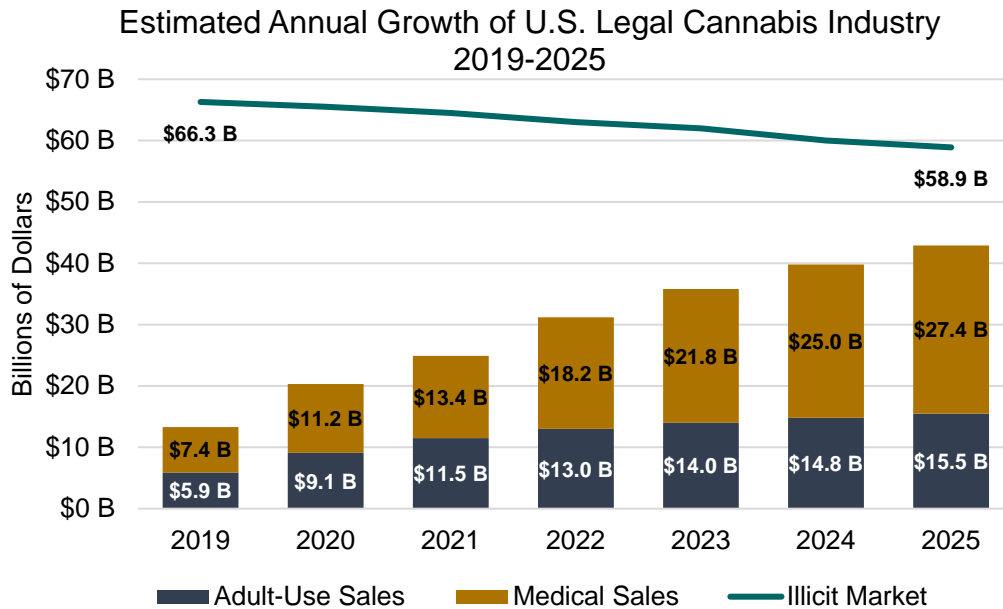
The legal recreational and medical cannabis industry in the United States developed over the past decade, beginning with Colorado and Washington in 2012. Following legalization in those 2 states, the US Department of Justice issued the Cole Memorandum, stating that the federal government would only intervene in state-sanctioned cannabis production in instances of failure to prevent criminal involvement, sales to minors, or illegal diversion to other states.

These first 2 states were joined by Oregon and Alaska in 2014. All 4 states instituted market-based licensing systems, similar to the regulation of alcohol sales in states without state-run alcohol monopolies. Since then, all but 13 states have legalized medical cannabis sales, and the number of states allowing adult-use sales will likely continue to grow, resulting in estimates of \$100 billion in economic impacts annually within the next 5 years.¹⁸

¹⁸ MJBizDaily Factbook.

The figure below illustrates recent and projected growth in legal adult-use and medical cannabis sales in the U.S., compared with declining sales of illicit cannabis, as most states that have legalized marijuana sales have seen notable decreases in illicit market sales. Of the remaining illicit sales nationwide, California continues to be a primary supplier.¹⁹

Figure 9. Annual Growth of Legal Versus Illicit Cannabis Sales in the US



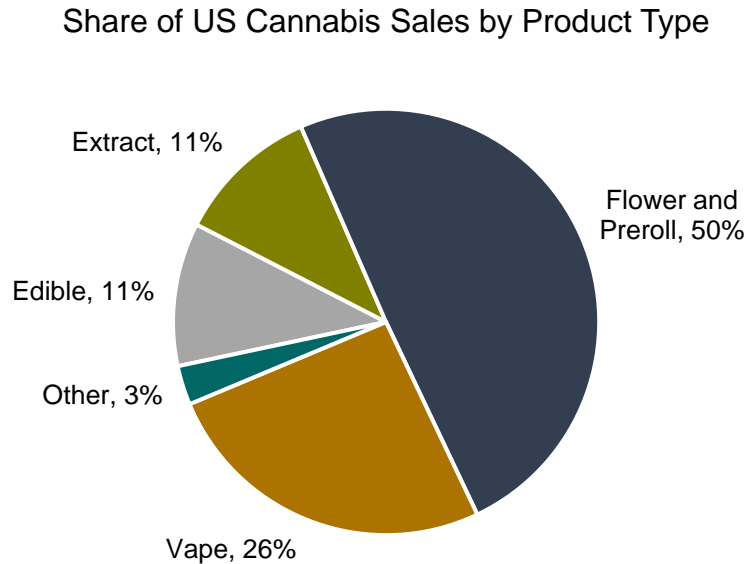
Graphic Data Courtesy of New Frontier Data
 2021 Mid-Year Market Update

As the demand for cannabis products has increased, the composition of the product preferences has also evolved, with growth in edible products from 8 percent of total sales in 2018 to 11 percent in 2021. A spike in vaping in 2019 has reduced moderately but continues to account for about a quarter of sales. Flower product for smoking remains approximately half of sales volume.

Figure 10 provides an illustration of the composition of cannabis product sales.

¹⁹ MJBizDaily California Market Woes.

Figure 10. Cannabis Product Composition



Graphic Data Courtesy of New Frontier Data 2021
Mid-Year Market Update

Data preceding widespread legalization found that 30 percent of users in the United States drive approximately 70 percent of demand for cannabis.²⁰ The extent to which these heavier users drive legal versus illicit sales is not clear. However, it has been found that storefront dispensaries tend to be frequented by older consumers (aged 38+), likely out of a combination of ability to pay higher prices and stronger aversion to illicit activity.

Following the end of Prohibition in the 1930s, the achievement of price parity between legal and illicit alcohol markets was the primary factor reducing the size of illicit operators, and the same patterns will likely hold true for cannabis. Price parity will be the primary path toward eradication of the illicit markets that exist across the country, most notably in California, with its entrenched illegal industry. In addition, consumers are likely to prefer legal products if there is a perception of good quality control.

But the unregulated industry remains sophisticated in its scale and interstate logistical capabilities, sharing many operating practices and sometimes supply chain partners with their established in-state legal counterparts. Certainly, elements of the unregulated market that systematically damage the environment, violate labor practices, and threaten public safety as a result of their operational practices are prime targets for stepped-up enforcement at the State and local

²⁰ Marijuana Policy Group data cited in June 24, 2016, Econlife article by Elaine Schwartz, "How Price Changes in Marijuana Markets."

levels. However, the daunting challenge of transforming large swaths of labor and resources that power the illicit industry into a legalized framework is more likely to be accomplished by thoughtful regulatory policy design than any targeted surge of law enforcement activity.²¹

Regulatory requirements for licensing and operating guidelines in some of the largest State cannabis markets have facilitated vertical integration and consolidation of supply chains within plant-touching functions. However, the absence of federal legalization and existing local regulations have prevented these market actors from absorbing licensed medical dispensaries, recreational retailers, specialty product manufacturers, and complementary functions such as technology and transportation. These typically smaller businesses outnumber the vertically integrated ones by an estimated ratio of approximately 10:1, as they are protected in the near-term by the absence of economies of scale (e.g., interstate transportation networks, unrestricted use of complicated transnational financial services) that federal legalization will eventually provide.²²

State Trends

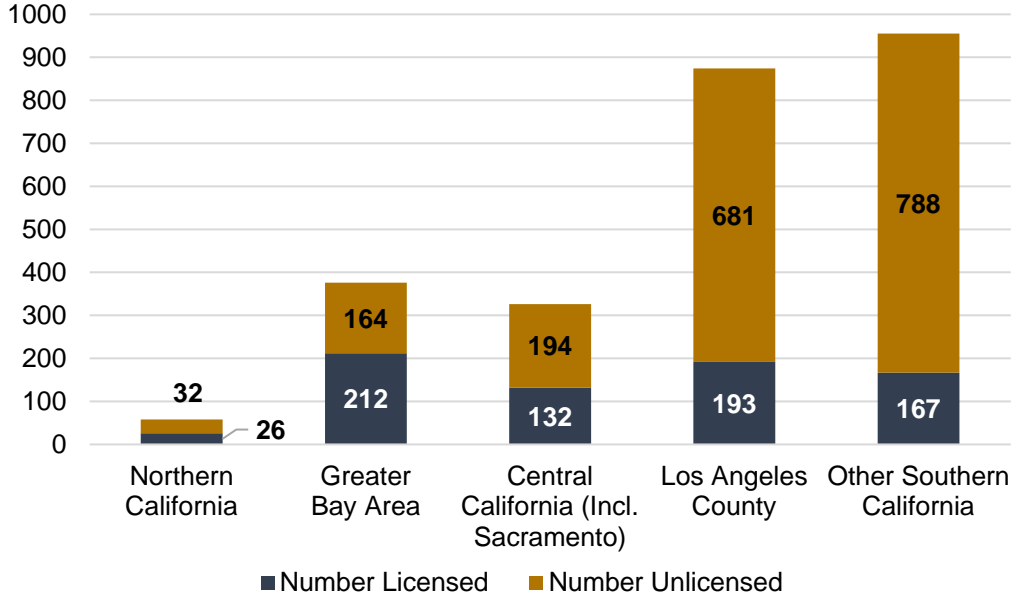
California's illicit marijuana industry has existed for decades and continues to compete with licensed cannabis businesses across the State, in addition to supplying a significant share of the market in states where cannabis remains illegal. As noted previously, while other states that have legalized cannabis have seen illegal activity decline precipitously, the illegal market remains strong in California. The entrenched nature of the industry, combined with the continued demand from states where marijuana remains illegal, contributes to the continued strength of the illegal sector in California. However, both the continued prohibition of sales in many jurisdictions and the impact on product pricing from State taxes help drive the illicit market in the State.

The charts below illustrate the sizable share of unlicensed retailers in various regions of the State and the pricing differentials between licensed and unlicensed purveyors of marijuana flower for storefront and delivery sales.

²¹ North Bay Business Journal.

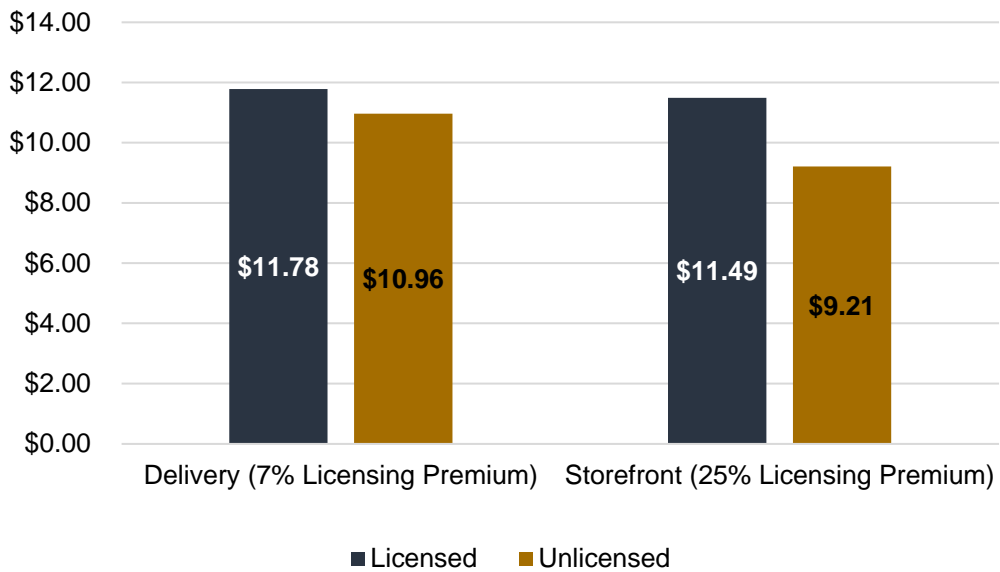
²² Marijuana Business Factbook.

Figure 11. Estimated Licensed and Unlicensed Retailers by Region



Source: Goldstein et al, Giannini Foundation of Agricultural Economics, University of California.

Figure 12. Average Price for Cannabis Flower by Retail Type



Source: Goldstein et al, Giannini Foundation of Agricultural Economics, University of California.

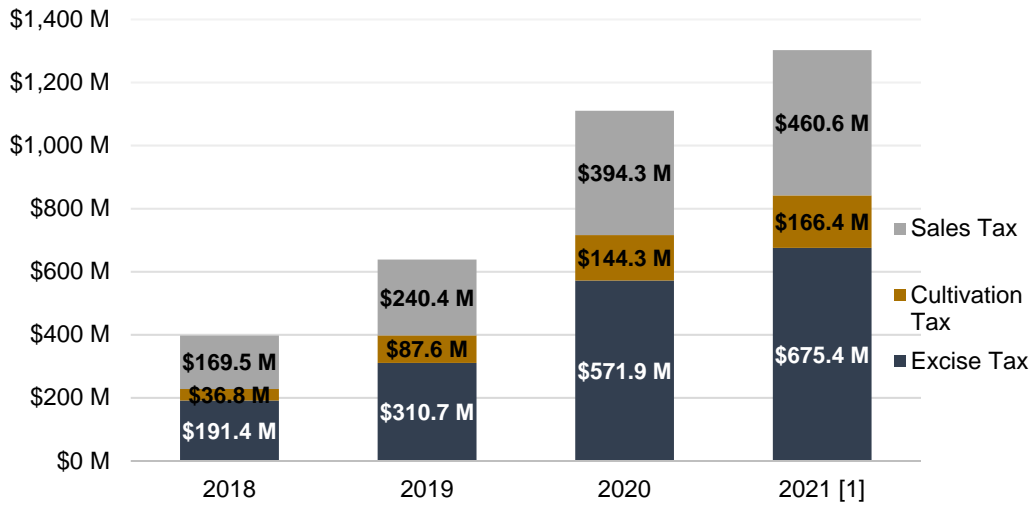
In addition to impacting taxable sales by licensed retailers, the illicit industry contributes to the current oversaturation of the market for raw cannabis leaf. However, the dramatic increase in licensed cultivation over the last few years is also a key factor. The current oversupply of flower is inducing rapidly falling prices for the commodity. According to the Northern California Cannabis Alliance, prices of \$1,400 to \$1,500 per pound (dry weight) are necessary for a profitable cultivation operation. With prices falling well below these levels, a structural oversupply has emerged.

The State has rolled out a flawed, unpopular regulatory system for cannabis and a tax structure that is fueling the illicit market. A key point of contention among the oldest, most entrenched community of cannabis businesses in Northern California starts at the beginning of the supply chain: cultivation, cannabis concentrate extraction, and manufacturing. Many business owners allege that the State failed to accomplish the goals set out in Proposition 64 by allowing large uncapped grows in the wake of its 2018 emergency regulations. Unlike the widespread appreciation by many long-time business owners for the State's implementation of medical marijuana use legalization in Proposition 215, the combination of Proposition 64's lack of specific small business initiatives and the patchwork nature of localities' ordinances has seemed to favor a certain kind of new entrant: capital-rich corporations that can successfully absorb the cost of a high compliance burden and market fluctuations in the price of flower. More specifically, many experienced business owners report that potential licensed growers are deciding to go back to the unregulated market in a frustrated reaction to some of the administrative roadblocks, as well as the effective tax rates that result from combined assessments at all levels of government.

The recent commitment by the Governor to reduce the State tax burden to support the industry should benefit the industry, particularly if the flat cultivation tax is eliminated. Legislation proposed in February 2022 would discontinue imposition of the cultivation tax as of July 1, 2022. However, the bill would increase the excise tax by an additional 1 percent starting at some point between July 1, 2025, and July 1, 2026. The Department of Finance estimates will generate half the amount of revenue that would have been collected with the cultivation tax. While the elimination of the cultivation tax would benefit wholesale cultivation businesses or functions, the additional State excise tax will create a further disadvantage for retailers relative to the illicit market. It is unclear how the State will use the excise tax revenues.

Despite the issues noted above, the State has experienced strong year-over-year tax receipt growth. However, major concerns are emerging regarding the effects of falling commodity prices, and it is expected that growth rates could diminish or potentially turn negative. The chart below illustrates the growth in cannabis-derived taxes collected by the State from 2018 to 2021. While revenue continued to increase from 2020 to 2021, the rate of growth was significantly below that of the previous 2 years.

Figure 13. State of California Cannabis Tax Revenues—2018-2021



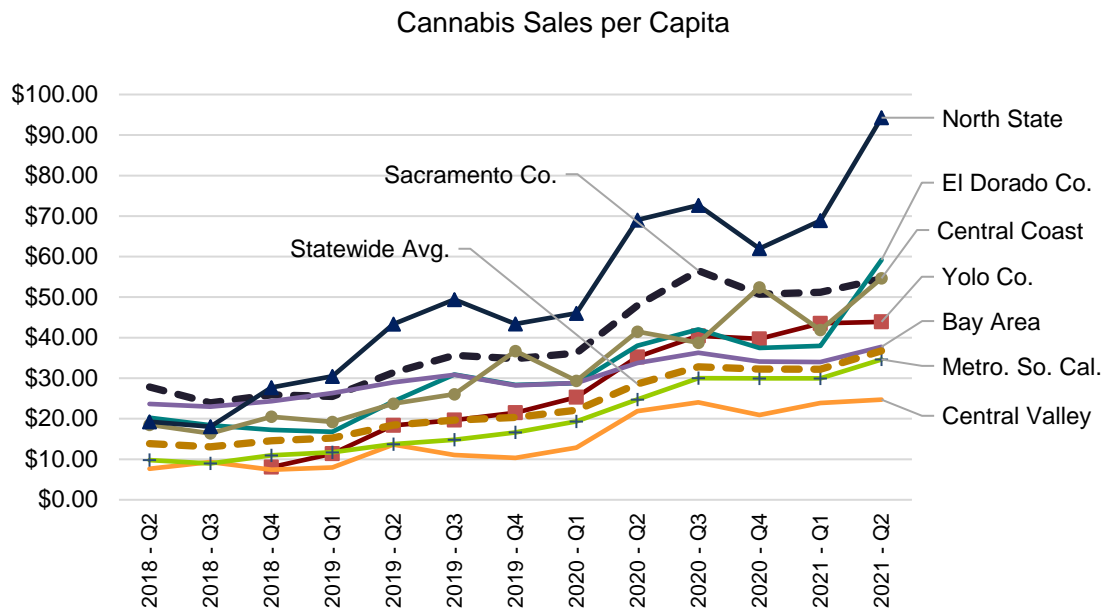
[1] 2021 estimates extrapolated from Q1-Q3 revenues.

Source: CDTFA; EPS.

State Cannabis Sales Dynamics

The 8 northernmost counties in California with licensed cannabis as a group have the highest per capita cannabis sales in the State. The area is known for high-quality cannabis and is a net exporter. Per capita cannabis sales in Sacramento County have typically been close behind those of the northern counties, in part likely because of sales to residents of Placer and lower El Dorado Counties. Sales in El Dorado County increased dramatically in the second quarter of 2021, possibly because of resumption of tourism to South Lake Tahoe.

Figure 14. Quarterly Licensed Cannabis Sales per Capita by California Region



Source: CDTFA; EPS.

Annual spending per capita in each of the regions from 2018 through 2021 is detailed in the table below.

Table 8. Annual Licensed Cannabis Sales per Capita 2018–2021

County/ Region [1]	Annual Per Capita Sales [2]			
	2018 <i>Extrapolated</i>	2019	2020	2021 <i>Extrapolated</i>
Sacramento County	\$103.57	\$127.34	\$191.42	\$202.81
Yolo County	\$10.76	\$70.89	\$140.74	\$168.31
El Dorado County	\$74.55	\$100.32	\$146.32	\$186.64
Greater Sacramento [3]	\$97.83	\$118.32	\$181.29	\$197.41
Bay Area [4]	\$94.55	\$114.37	\$132.95	\$140.44
Central Coast [5]	\$73.84	\$105.68	\$162.01	\$180.62
Central Valley [6]	\$32.53	\$42.95	\$79.65	\$94.20
Metropolitan Southern California [7]	\$39.67	\$56.89	\$104.04	\$127.57
North State [8]	\$86.72	\$166.66	\$249.72	\$318.18
Other [9]	\$43.35	\$57.23	\$131.20	\$154.62
Statewide Average	\$55.30	\$73.64	\$115.75	\$134.82

Source: CDTFA; EPS.

[1] Counties without recorded cannabis sales data excluded.

[2] Data covering 3 quarters each for 2018 and 2021 extrapolated into annual estimates.

[3] Includes Sacramento, Yolo, and El Dorado counties.

[4] Includes the nine counties included in ABAG.

[5] Includes Santa Cruz, Monterey, San Luis Obispo, and Santa Barbara counties.

[6] Includes Fresno, Kern, Kings, Merced, San Joaquin, Stanislaus, and Tulare counties.

[7] Includes Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura counties.

[8] Includes Butte, Humboldt, Lake, Mendocino, Mono, Shasta, Siskiyou, and Trinity counties.

[9] Includes Calaveras, Nevada, and Imperial counties.

State Tax Trends

A comparison of the taxes for all states that have approved legal adult-use cannabis yields a range of potential approaches, both at the State and local level. Some states like California charge wholesale taxes (which are cumulative and built into the purchase price); many states also charge excise taxes (which are cumulative and are built into the purchase price), and most states have state sales taxes and local sales taxes. Alaska’s tax is based purely on weight.

Based on the comparison by state, California is on the high end of recreational cannabis taxes at the State level, and largely is consistent with other states at the local and county level. The State’s 6 percent sales tax mandates an additional 1.5 percent local sales tax and allows an additional 2.5 percent optional local tax.

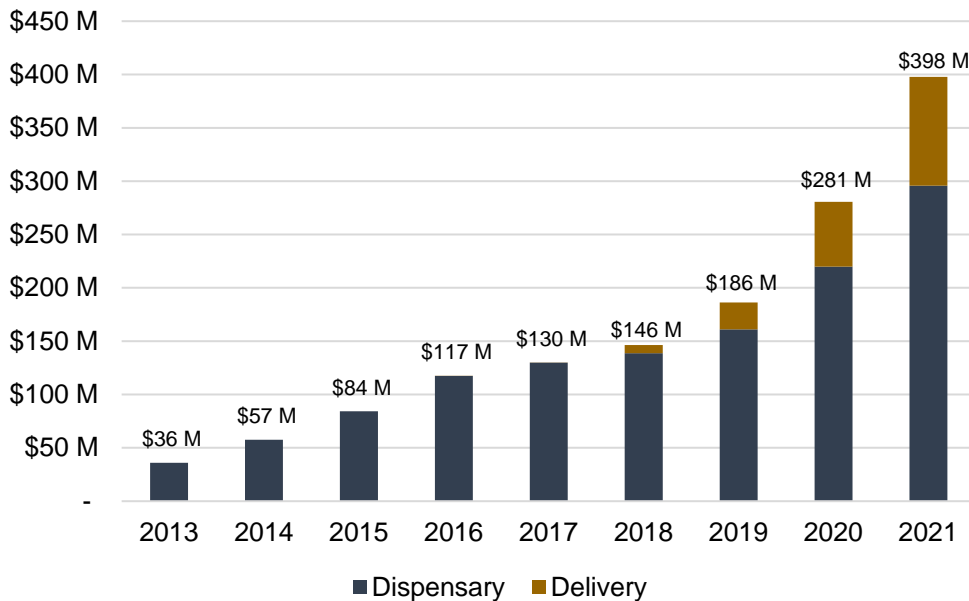
Local Trends

Sacramento's cannabis industry reveals strong growth in consumer demand and receipts, but local cultivators, retail storefront owners, and delivery operators are struggling with high taxation, the price pressures of an aggressive and successful illicit market, and the financial pressures of lack of access to banking and the current limitations on outside investment.²³ Much of this is due to federal restrictions, 280E, and State taxation. But there are areas of local taxation, ownership, and ownership restrictions that are under the control of Sacramento policies. These local trends are explored and compared to the case-study cities of Seattle, Denver, Oakland, and Long Beach.

Industry Metrics

Consumer spending at cannabis dispensaries in the City has grown steadily, with a CAGR of 30 percent between 2013 and 2021. Since 2018, however, spending on cannabis delivery has grown far more dramatically, with a CAGR of 138 percent.

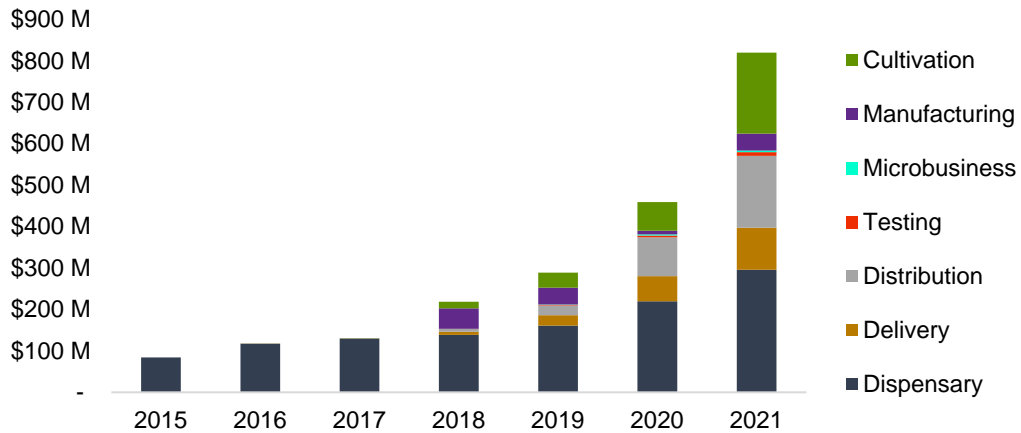
Figure 15. Consumer Spending on Legal Cannabis in Sacramento (2013-2021)



²³ Storefront retailers are under a 1-year moratorium that prohibits changes in ownership interest. It will expire in May 2022.

Gross receipts have increased dramatically across most IFGs in Sacramento since legalization in 2018, but manufacturing has experienced a much greater degree of variability than other IFGs. Microbusinesses, which include a range of functions including manufacturing, have also experienced greater variability. Much of the decline in manufacturing revenues during 2020, however, likely was due to pandemic-related production interruptions.

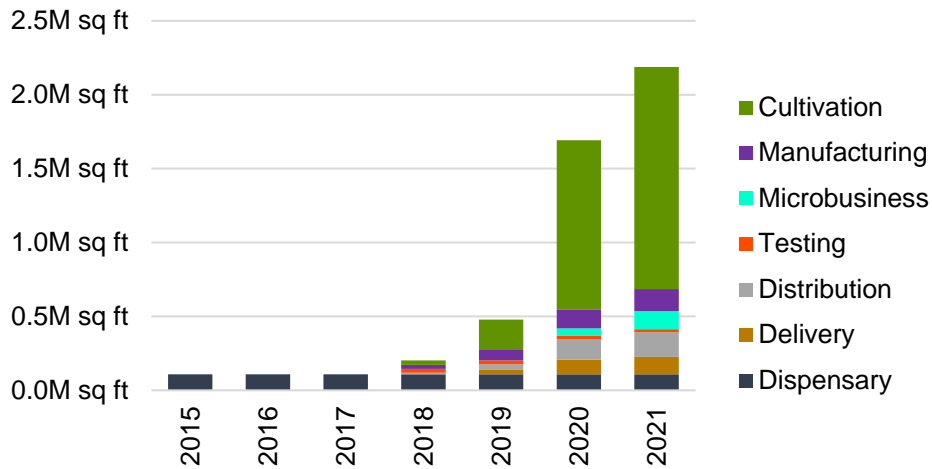
Figure 16. City of Sacramento Gross Receipts by Industry Function Group



Source: City of Sacramento Office of Cannabis Management, EPS.

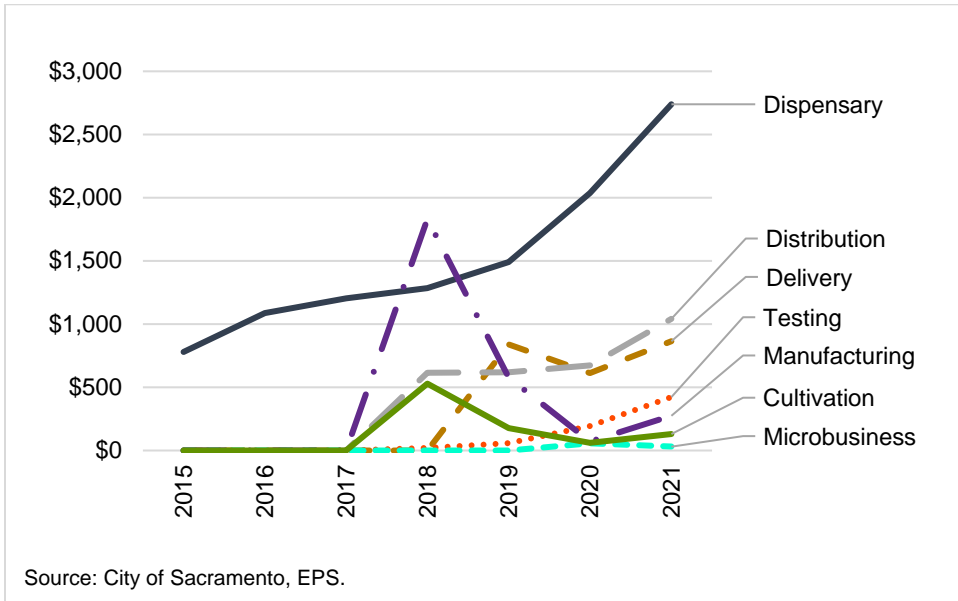
For some IFGs, a correlation exists between gross receipts and the amount of space occupied in the City. However, the space occupied by cultivation has increased far more dramatically than the gross receipts from cultivation, primarily because of falling prices of marijuana leaf because of both overcultivation and pressure from the illicit market. Conversely, dispensary square footage has been static in recent years as gross revenues have continued to grow. As a result, revenue per square foot of cultivation space has declined, while revenue per square foot of dispensary space has increased, as shown below.

Figure 17. City of Sacramento Occupied Square Footage by IFG



Source: City of Sacramento Office of Cannabis Management, EPS.

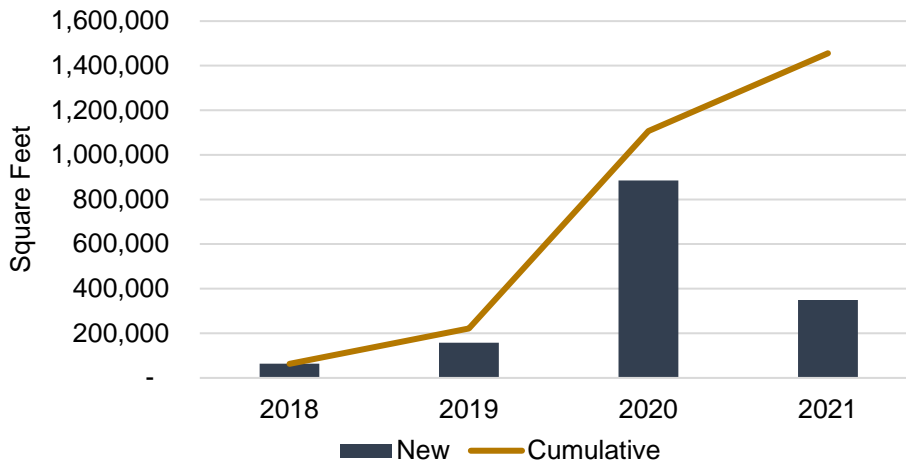
Figure 18. City of Sacramento Gross Receipts per Square Foot by IFG



The 2018 spikes in revenues per square foot for several IFGs, particularly manufacturing, correspond with spikes in asking lease rates (rents) in industrial zones throughout the City in 2018, as discussed in **Chapter 5**.

The chart below illustrates the increase in cultivation floor area between 2018 and 2021. The dramatic expansion of cultivation area in 2020 coincided with the severe decline in flower prices throughout the State, potentially contributing to the much smaller expansion of cultivation area since.

Figure 19. City of Sacramento Cultivation Floor Area Growth



Source: City of Sacramento Office of Cannabis Management, City of Sacramento Planning Department, EPS.

Sacramento Industry Function Group Characteristics Overview

The range of IFGs that make up the seed-to-sale supply chain in Sacramento are consistent with both the national and State trends. These IFGs are considered for their particular regulatory, economic, employment, land use, physical plant, and locational advantages and characteristics, as well as issues of taxation, ownership, and concentration. **Table 9** below condenses these characteristics for comparison. As the industry evolves, new IFGs are becoming more clearly defined as R&D becomes increasingly important to the industry and support for consumption lounges potentially generates a new retail IFG.

Table 9. Industry Function Group Characteristics

Taxation, Ownership, and Concentration Characteristics of Sacramento Cannabis Industry Functional Classification (IFG)

IFG	Characteristics	Taxation
Cultivation	<p>Sacramento - indoor only, substantial range in size</p> <ul style="list-style-type: none"> High power requirements for indoor operations Vertically integrated may have more merit than stand-alone for Sac <ul style="list-style-type: none"> Can buy cheaper elsewhere Only important to extent needed to control quality Land intensive Odor draws neighborhood complaints from certain facilities Resource intensive (may be changing - water conservation tech) High infrastructure cost at front end <ul style="list-style-type: none"> - relatively high barriers to entry across board 	<p>Major fiscal benefit</p> <p>State excise tax on weight needs to be dynamic, not flat</p> <ul style="list-style-type: none"> Required at front end Compound effect as "tax on tax" State applies 1.8% mark-up <p>City could lobby State regarding reduction/change</p> <p>Combine forces with other cities as appropriate</p>
Manufacturing	<p>Industrial facility small to medium size</p> <p>Contribution to City economic structure</p> <p>High start-up costs, significant infrastructure</p> <p>Requires working knowledge of technical processes</p> <ul style="list-style-type: none"> Can be advanced - R&D and testing: scientist to "executive chef" Mature processes can be automated/limited training requirements <p>Small scale facilities and land requirement compared to cultivation</p> <p>Seamlessly integrated into vertically integrated businesses</p>	<p>Modest fiscal benefit, important economic driver</p> <p>Possible to control tax exposure by taking possession but not title</p> <p>IRS 280E (limiting write-offs) is particularly large issue</p> <p>Consider reduction of local tax burden to equity participants and higher value added manufacturing operations (economic dev)</p>
Distribution & Logistics	<p>Warehouse, fleet parking, office</p> <p>Sales, marketing, marketing, customer care, functions</p> <p>Compliance software designed for cultivators</p> <p>Storage, trucking functions paramount</p> <p>High security requirements and costs</p> <p>Ideally located on central point in freeway system (trucking)</p> <p>Farmer, manufacturing, and sale outlet relationships</p> <p>Can arrange logistics around testing, packaging, other value adds</p> <p>Can be vertically integrated with emphasis on distribution, but with multiple BOPs</p> <p>Uses owned or leased vehicle fleet</p> <p>Truck driver and warehousing jobs</p>	<p>Major fiscal benefit</p> <p>Pass through of State cultivation tax</p> <p>Collect on cultivation side, collect State excise from retailer, provide both to the State (outside of City taxes)</p>
Non-retail Dispensaries (delivery service)	<p>Warehouse plus office</p> <p>12,000 SF facility can provide Statewide service</p> <p>Target range similar to grocery delivery radius</p> <p>Unskilled labor with exception of management</p> <p>50% drivers, also dispatch and management</p> <p>Gaining significant market share from dispensaries following e-commerce trends in general</p> <p>Consumer credit transactions - Ledger Green/MC - viable (also disp)</p>	<p>Major fiscal benefit</p> <p>Collects 15% SET from consumer, State/local sales tax, Sac BOT sales tax</p> <p>Incidence of SET payment to distributor presents cash flow hit</p> <p>Also pays taxes on vehicles and fuel</p> <p>Sensitive to rising fuel costs</p>
Dispensary (bricks & mortar)	<p>Effectively a retail operation</p> <p>Performs well in a variety of retail environments</p> <p>Requires an estimated \$4 to \$6 million in gross sales</p> <p>10 additional stores implies capture of \$40-60 million in spending</p> <p>Losing market share to delivery companies</p> <p>Budtenders make minimum wage plus or slightly more plus tips</p> <p>Declining margins resulting in reduced benefits in urban locations</p> <p>Sophisticated operators unable to pay income taxes and maintain profit</p> <ul style="list-style-type: none"> Many waiting for investor buy-out Investor buy-outs are often calibrated to accrued debt levels Debt to net income is becoming unsustainable Potential for continued retail dispensary cash flow issues Future shaky for operations needing to sell asset to raise cash <ul style="list-style-type: none"> Unable to obtain loans (banking restrictions) IRS 280E (write-off restrictions) <p>Significant start-up costs</p> <p>Complex staffing, payroll, etc.</p>	<p>Major fiscal benefit</p> <p>Collects 15% SET from consumer, State/local sales tax, Sac BOT sales tax</p> <p>Amounts to 28% wholesale price up front</p> <p>Incidence of SET payment to distributor presents cash flow hit</p> <p>May need to reduce local sales taxes to compete with illicit market</p> <p>Price parity with unregulated market required to "move the needle"</p> <p>Can possibly avoid local tax reduction if State reduces SET</p>

Source: EPS.

Taxation, Ownership, and Concentration Characteristics of Sacramento Cannabis Industry Functional Classification (IFG)
 (continued)

IFG	Ownership	Concentration/Land Use
Cultivation	Initially controlled by legacy illicit cannabis farmers in rented facilities Limited control on leasing costs Evolved into element of sophisticated corporate operations Consider limiting to: 1) vertically integrated 2) owner occupied	Appropriate use of industrial land? Small vertically integrated firms may prefer control Denver issued moratorium in over concentrated neighborhoods Long Beach, no constraints other than buffers WA has a 2 million square foot limit on cultivation Critical to install appropriate security Offsite grows in coastal regions (e.g., Glass House) - key trend
Manufacturing	Shared facilities avoid duplicating infrastructure What models most applicable? Market versus subsidized? Induce through tax incentives and grant funding? Shared manufacturing ordinance could facilitate equity participation in certain facets, with specialized training Some vertically-integrated firms interested in incubating equity participants	Limited concentration issues particular to this use Volatile extraction - special fire protection considerations Good technical sector with cross-over, retain and encourage Supports other sectors of economy
Distribution & Logistics	Sophisticated multi-disciplinary operations Executive level skills, knowledge of industry, taxation, packaging, testing, and all other aspects of industry Regional coverage beyond Sacramento Primary acquisition target for large industry Multi-State Operators (MSOs) are prevalent Potentially some opportunities for equity participants	Storage function is of potential concern Sacramento viable as distribution location - good fundamentals Central point on transportation grid Low cost of operating Proximity to major population Improving manufacturing prospects would be mutually reinforcing Compares favorably to cultivation if there is a need to limit uses
Non-retail Dispensaries (delivery service)	High concentration of small operators Origin with medical cannabis, have scaled up with recreational product Easy to form business and initiate operations, challenge in sustaining Candidate for operational assistance in the form of low interest loans - good opportunity for equity participants	Significant concentrations in industrial areas High concentrations of establishments/capita Likely to see continual stream of new entrants sans limit Potential preference accruing to major players Amazon? Uber? How long will the current model last?
Dispensary (bricks & mortar)	Major movement among MSOs to control market share (M&A) Owners transitioned from medicinal to recreational, capped at 30 CORE members have fees waived (remove barrier to entry) Moratorium to be released - attract business partners Concern: permit flippers Oakland approach: merit-based with 3 year hold Eligibility is from police beats - arrest rate stats Long Beach: Census Tract with socio-economic criteria New social equity permits: Interview favored over lottery	Major export sector - 60% leaves City New entrants in Sacramento County and elsewhere likely C-1 areas may need to be phased-in as blight is addressed Midtown developers and brokers have accepted this use Compares favorably to many other uses Success in integrating with retail/entertainment Positive evidence of investment in area Consumption lounges worth exploring

Source: EPS.

Ownership Considerations

The nascent legal cannabis industry is evolving so rapidly that it is almost impossible to capture a current profile of the industry before a new significant development alters the landscape. With states legalizing both through ballot measures and legislative actions, new laws and regulations are expanding the national cannabis footprint, and there is significant pressure at the national level in support of full legalization.

States and cities are creating new legislation based on what they perceive as the best legislative efforts of other states and cities. Sacramento and the case-study cities analyzed for this report have ownership structures that are as dynamic as the industry in that they are experiencing the significant financial pressures of volatile wholesale flower prices, dramatic increases in extraction products, State taxation rates well beyond any other industry, and competition from thriving illicit operators. This discussion looks to contrast and compare Sacramento's ownership limitations, tracking, and transfer.

Local Ownership

Major corporate interests are absorbing small local stakeholders nationwide to gain market share. Because it remains illegal to transport cannabis across state lines, major operators must establish a market footprint in each state to build a national presence. California's size makes it an extremely valuable part of the national market. Within the State structure of the law, it is useful to consider paths that Sacramento can take to both provide support to local craft entrepreneurs and capture the economic benefits of a nationalized industry.

The California Department of Cannabis Control is the agency that issues and regulates State licensing for all aspects of cultivation, manufacturing, distribution, testing, and sale of cannabis products. While the State also regulates the taxes and other industry specifics (see **Appendix D**), it is silent on issues of ownership, deferring to each community to craft its own regulations. California was able to look to the early legalization efforts of Washington, Colorado, Alaska, and Oregon to craft the State proposition, but these efforts did not foresee how dynamic the industry has become.

The City's OCM is responsible for granting and monitoring BOPs and ownership requirements for all cannabis businesses in the City. Both the State-granted licenses and City-granted BOPs are based on the individual applicant's/entity's qualifications and have no value. They cannot be transferred, sold, or assigned. The State language does allow ownership in a cannabis business to be transferred. Partial ownership transfer is allowed when the new owner is deemed to be qualified by the State. Full transfer requires a new license.

Sacramento does not limit the number of permits an individual or entity can have, with the exception of retail storefront dispensaries in which no single person or entity is allowed to have ownership interest in more than one dispensary. In the current cap of 30 dispensaries, past practices of ownership entities have compromised the ownership restrictions, resulting in a consolidation of several licenses under multi-corporate ownership. The 10 new CORE dispensary BOPs will also be subject to this restriction. There are other limiting factors on the issuance of BOPs, which are discussed below in the Concentration section of this chapter.

In the seed-to-sale discussion, Sacramento does not prohibit current dispensary owners from vertical integration. These owners have the opportunity to obtain licenses and BOPs throughout the supply chain, including cultivation, and when the moratorium on transfer of non-CORE dispensary licenses ends, they will be allowed to be acquired or partner with larger corporate interests as part of the national consolidation trend.

Tracking Ownership

Sacramento city code requires that every director and any individual/entity who owns more than 20 percent of a cannabis business, regardless of their authority over that business, must submit for a background check and be tracked by the OCM. If the cannabis business is a storefront dispensary, every director and owner, regardless of percentage of ownership, must be tracked. When surveying most of the cannabis businesses licensed in the City, it is clear that an overwhelming majority have opted to structure themselves as corporations.

As has been seen in multiple City documents, many of these corporate entities have the potential themselves to be owned by other corporate entities and even holding companies. This multi-layering of ownership presents considerable challenges in uncovering and tracking a complete ownership structure. The importance of this in all IFGs except retail storefront dispensaries is primarily limited to qualifying owners through the background check. Recently proposed adjustments to Sacramento's ordinance will simplify this further for background check purposes. But for the retail storefront dispensaries, ownership in more than one dispensary is prohibited, and with a cap on dispensaries, ownership can be extremely valuable. Identifying individual ownership in complex corporate structures and holding companies will require significant resources to ensure that individuals have ownership in only one retail storefront dispensary. And as the City cannot restrict ownership individuals or entities from adopting corporate structures, other solutions will need to be explored.

Transfer of Ownership

The City allows the transfer of part or all of a cannabis business ownership with the exception of retail dispensaries. There is a moratorium on selling dispensary ownership that is set to expire May 11, 2022. For businesses other than storefront dispensaries, transfer of ownership must be reported to the OCM on the Cannabis

Business Information Change Form, which must be completed with both the information of any entity relinquishing ownership, regardless of the percentage owned, and the information of any potential new ownership.

Language from the form reads, “List any new person who has an aggregate ownership interest of 20% or more in the cannabis business. If a holding company has an ownership interest of 20% or more in the business, that holding company and its ownership percentage must be listed as well as the individuals that own the company. The CEO and members of the board of directors of the cannabis business and any holding company must be listed regardless of the percentage of their ownership interests.”

Ownership Case Studies

As the national and State cannabis industry continues to evolve, ownership structures will most likely continue the trend of consolidation. Vertical integration and market share expansion are important trends in the industry. Denver, Oakland, and Long Beach are among the many cities that allow for outside investment and vertical integration. Unlike Seattle, which does not allow cannabis producers to provide retail sales, Sacramento’s allowance of vertical integration from seed to sale is consistent with national and State trends.

It is useful to consider the experiences of other regulators wrestling with the travails of managing the fiscally lucrative cannabis industry.

The following case-study discussions provide a range of tools and techniques being used by various jurisdictions. To capture the maximum range of content and ideas for consideration, creative State policies have been evaluated in addition to those of cities and counties.

Seattle

Seattle Ownership

The Washington State Liquor and Cannabis Board (WSLCB) is the licensing authority for the state’s cannabis program that combines the recreation and medical markets. The WSLCB is not accepting applications for new retail, producer, or processor licenses. There are 3 primary cannabis business license categories in Washington: production/cultivation, processing, and retailing. Companies can grow and process cannabis, but producers can’t also sell cannabis, and retailers can’t grow and process their own cannabis. In addition to not allowing for full seed-to-sale vertical integration, Washington cannabis businesses cannot accept investment from non-Washington state entities. Individuals must live in Washington state for at least 6 months before applying for a cannabis license. All business entities applying for a cannabis license must be formed in Washington and all individuals listed as “true parties of interest” must meet and

maintain the Washington state residency requirement. There are more than 100 producer/processor licenses in Seattle and 77 dispensary licenses.²⁴

Until recently, Seattle did not have a social equity program and conducted a Cannabis Equity Survey and Analysis. This has led to the recently appointed Social Equity Task Force that is working to provide recommendations to the WSLCB to establish the social equity program. Recently, the state has directed that all cannabis retail licenses that have been subject to forfeiture, cancellation, or revocation or licenses that were not previously issued by the WSLCB will be filled through the Cannabis Social Equity Program.

The WSLCB is also accepting applications for new Transportation and Research licenses and new Cannabis Cooperative registrations. The practice of home cultivation for adult use is prohibited in Washington state, though limited home grows are permitted for medical marijuana patients. There is a growing effort to change this, although a recently introduced bill to allow it failed.

Seattle has also seen at least one financial institution, a credit union, make a full transition to supporting the cannabis industry, including:

- Cash management checking accounts with designated Account Managers providing one-on-one service.
- Employee accounts.
- Online banking and vendor payments.
- Direct deposit payroll.
- Remote deposit capture via check scanner with same day credit.
- Cash pick-up and delivery services.
- ACH transfer processing.

Seattle Ownership Tracking

Washington has multiple levels of ownership, including sole proprietorship partnerships, corporations, multi-level structures, and nonprofits. The tracking of ownership is done both at the initial application process and through their transfer of ownership process. These applications require the listing all true parties of interest. The WSLCB conducts financial and criminal background investigations on all true parties of interest, including:

- Sole proprietorship—the sole proprietor.
- General partnership—all partners.

²⁴ <http://magazine.cannabisbusinesstimes.com/article/june-2021/state-of-washington-state-cannabis.aspx>

- Limited partnership, limited liability partnership, or limited liability limited partnership—all general partners and all limited partners.
- Limited liability company (LLC)—all LLC members and all LLC managers.
- Privately held corporation—all corporate officers and directors (or persons with equivalent title) and all stockholders.
- Multilevel ownership structures—all persons and entities that make up the ownership structure.
- Any entity(ies) or person(s) with a right to receive revenue, gross profit or net profit, or exercising control over a licensed business—any entity(ies) or person(s) with a right to receive some or all of the revenue, gross profit, or net profit from the licensed business during any full or partial calendar or fiscal year, and any entity(ies) or person(s) who exercise(s) control over the licensed business.
- Nonprofit corporations—all individuals and entities having membership rights in accordance with the provisions of the articles of incorporation or bylaws.

In addition, it tracks married couples' ownership and stipulates that a married couple may not be a true party of interest in more than 5 retail marijuana licenses, more than 3 producer licenses, or more than 3 processor licenses. A married couple may not be a true party of interest in a marijuana retailer license and a marijuana producer license or a marijuana retailer license and a marijuana processor license.

Seattle Ownership Transfer

Washington allows working with existing licensed businesses to either purchase a licensed business through a new entity, which is called an Assumption, or purchase some or all interest of a licensed business via a Change in Governing People, Percentage Owned, or Stock/Unit Ownership. Applications and qualifications of license ownership are required to be secured through the state before purchasing any interest in the business.

Oakland

Oakland Ownership

The City of Oakland took a very different road to ownership in the industry. Oakland has been a national leader in creating systems that help cannabis businesses thrive. In 2015, in an attempt to create an institutional culture shift toward placing greater weight on equity and inclusion of historically marginalized communities, the Oakland City Council voted to create the nation's second Department of Race and Equity (following Portland) and tasked it with analyzing policies and systems through a racial equity lens. The City of Oakland decided on a policy that would award permits to equity applicants and general applicants on a 1:1 ratio. It also put an initial cap on dispensary permits at 4 and included a

provision for the Oakland City Administrator to allow up to 8 new dispensary licenses per year. It also directs that no individual or entity shall have a direct or indirect interest in more than 2 dispensary permits. The process for general applicants to obtain a dispensary permit is via scoring of the application by city staff. Equity applicants who submit complete applications are selected through a public drawing. There are 14 storefront dispensary permits in the city and an additional 12 that are approved but not yet operational. The City of Oakland did not put the caps on non-storefront retail delivery permits, and there are no other limits on the number or type of permits individuals or entities can hold. The City of Oakland allows for both outside investment and vertical integration.

Oakland Ownership Tracking

The City of Oakland does not expressly define a methodology of tracking ownership other than the information that is required in the initial application. The application requires definition of the type of business structure being used, as well as a list all persons directly or indirectly interested in the permit sought, including all officers, directors, general partners, managing members, stockholders, and partners. Equity applicants are required to file additional qualifying information.

Oakland Ownership Transfer

Oakland does not limit the sale of cannabis ownership for general permit holders. It does require any new ownership interest to acquire State licensing. In addition, the Oakland zoning code states that permits only “apply to the premises and the entities or individuals originally specified, except upon written permission of the City Administrator’s Office granted upon written application to the City Administrator’s Office made in the same manner as required in the original application process.” Anyone with a direct or indirect interest in the permit that was not listed on the original application must undergo a live scan background check, and inspections of the originally permitted premises by relevant agencies may be required. In other words, a general applicant can transfer their ownership in a cannabis business to anyone, provided the new permittee submit their own application and go through the permit process.

The city’s general business transfer code has language that the city interprets to preclude transfer of their interest to a non-equity business; however, the city is exploring allowing the transfer of equity permits to anyone after a 3-year vesting period. Because of Oakland’s initial requirement of 1:1 equity to general cannabis permits, the pool of equity owners will continue to be replenished.

Long Beach

Long Beach Ownership

When Long Beach set their original ordinance, the city limited dispensary licenses to 32, which were quickly spoken for by the existing medical dispensaries. It did not set caps on other permits, although it did not allow for non-storefront retail

delivery permits. It also does not allow for processor cultivation permits. The city allows for vertical integration under the State's microbusiness license designation, and it does not have language in its ordinance limiting the number of cannabis businesses any single individual or entity can own.

In its efforts to provide social equity applicants a path to entry into the industry, Long Beach is introducing 8 new dispensary permits, shared manufacturing uses, and introducing an unlimited number of retail delivery opportunities exclusive to equity applicants. The goal is to provide equity applicants opportunities in the industry with lower initial capital investment requirements than the higher initial investment cultivation and retail dispensary opportunities.

Long Beach Ownership Tracking

The City of Long Beach does not expressly define a methodology of tracking ownership other than the information that is required in the initial application. The application requires definition of the type of business structure being used, as well as a list of all owners and managers in the permit sought, including all officers, directors, general partners, managing members, stockholders, and partners. Equity applicants are required to file additional qualifying information.

The city does define what constitutes an owner in its ordinance. "Owner" means any of these:

- Any person with an ownership interest of 10 percent or more in the Adult-Use Cannabis Business applying for a permit.
- The chief executive officer of an entity, including nonprofits.
- A member of the board of directors of a for-profit or nonprofit entity.
- All persons in an entity that have a financial interest of 10 percent or more in the proposed Adult-Use Cannabis Business, including but not limited to:
 - A general partner of an Adult-Use Cannabis Business that is organized as a partnership.
 - A non-member manager or managing member of an Adult-Use Cannabis Business that is organized as a LLC.
 - Any person holding a voting interest in a partnership, association, or LLC.
 - All officers or directors of an Adult-Use Cannabis Business that is organized as a corporation, and all shareholders who individually own more than 10 percent of the issued and outstanding stock of the corporation.

Long Beach Ownership Transfer

Long Beach allows for the transfer of ownership of cannabis permits through a process with the Office of Financial Management. A Minor Cannabis Transfer of Ownership Application is required when a business is adding owners to their

license whose ownership percentage totals between 10 percent and 49 percent of the business. The City of Long Beach Office of Financial Management does not stipulate a process for more than 49 percent but does have an application and review process when a business owner is transferring their interest to another party through a business license application. It is an administrative process, and the policy has generated multiple brokers advertising businesses for sale. The new equity-focused shared use is not intended as a salable license but rather an opportunity to provide equity applicants an existing facility in which to operate without significant start-up costs. Long Beach is crafting the ordinances for non-storefront delivery and the 8 new equity applicant retail dispensaries. In interviews, they are working through how the ordinance will address sales of equity dispensary ownership.

Denver

Denver Ownership

Denver, along with Seattle, approved recreational cannabis on January 1, 2014, but had allowed medical cannabis since 2000. Denver has more than 1,100 cannabis licenses operating out of nearly 500 locations.

Denver's moratorium on licensing new medical marijuana stores and medical marijuana cultivation facilities continues to be in effect; however, the bill reserves new applications for new medical marijuana products manufacturer, medical marijuana transporter, and retail marijuana business licenses from social equity applicants until July 1, 2027, to provide social equity applicants an opportunity for ownership of cannabis businesses. Denver is only accepting applications from non-social equity applicants for a medical or retail testing facility or R&D license or is applying for a retail marijuana business license that will be co-located with a medical marijuana business of the same type.

In addition, Denver has instituted a consumption lounge pilot program that will provide additional ownership opportunities.

Denver Ownership Tracking

Denver keeps a database for active individual and business licenses, as well as inactive licenses; however, it is for all business license types and is limited to identifying the applicant. It does not address ownership structure. As Denver rolls out its opportunities for social equity applicants and attempts to regulate the transfer of social equity ownership to maintain 51 percent social equity through July 1, 2027, a more advanced tracking system will be imperative.

Denver Ownership Transfer

In general, all cannabis businesses are transferable from one person to another on approval by the Director of Marijuana. There are additional requirements for transfers of marijuana transporter businesses, which are subject to limitations set by Colorado state law. Transfer of ownership of cannabis off-premises storage

facility permits or cannabis delivery permits have additional requirements. Denver recently adopted language so that before July 1, 2027, equity applicants are allowed to transfer business interests to either other social equity applicants or to non-social equity applicants, as long as 51 percent or more of the business is held by one or more social equity applicants. After July 1, 2027, businesses held by social equity applicants are transferable either to other social equity applicants or non-social equity applicants following an approval process. Non-social equity owners are not limited and can transfer their entire interest to another individual/entity.

Denver also has a common ownership restriction in that if one or more licenses share the same licensed premises, an application to transfer ownership of any one of the licenses shall not be approved if the transfer would result in that license no longer having common ownership with the licenses sharing the same licensed premises.

Ownership Conclusions

The case studies on ownership, ownership tracking, and transfer of ownership provide several important comparisons to be made.

Ownership

There are distinct attributes of how ownership has a direct correlation with how the initial cannabis ordinances were crafted:

- Seattle is, on the one hand, the most restrictive in the sense of requiring a 6-month residency requirement, prohibiting outside investment, and not allowing seed-to-sale vertical integration. Ownership requirements initially did not include an equity component and were among the least restrictive, favoring well-capitalized legacy owners. The state is now focused on a social equity program and is identifying ownership opportunities dedicated to social equity applicants.
- Both Sacramento and Long Beach placed caps on dispensaries in particular and allowed the previous medical permit holders to convert to recreational permits, effectively closing out any new ownership opportunities. Both cities are using similar social equity initiatives to create a more diverse ownership playing field through additional dispensary ownership opportunities. Long Beach is taking this a step further through their shared manufacturing facility program and opening non-storefront retail opportunities for social equity applicants.
- Denver was also without a social equity program and implemented a dynamic and fast-growing cannabis industry that was market driven and allowed to succeed and fail based on consumer preference. While current ownership is rapidly consolidating through major mergers and acquisitions, Denver has

selectively identified several IFGs for new social equity ownership, including a consumption lounge pilot program.

- Oakland's approach to requiring a 1:1 social equity to general ownership model for all cannabis permits is widely considered one of the most innovative and fair in the country. In addition, allowing up to 8 additional dispensaries per year provides a growth approach that is measurable and adjustable.

Some interesting opportunities exist for Sacramento to build on the success of previous policy initiatives and interesting new initiatives in the industry:

- The potential to adopt a 1:1 social equity to general ownership model for all IFGs moving forward.
- The potential to identify ownership growth areas in the industry and direct those opportunities to social equity applicants.
- The potential to adopt a more fluid and less reactive approach to ownership by allowing "up to" growth models for the IFGs.
- The potential to open an entirely new IFG and perhaps restaurant niche in the space of consumption lounges, combined with food production and service.

Ownership Tracking

Given the complex ownership structures of both individual IFG owners, as well as vertically integrated corporations already establishing footholds in Sacramento, ownership tracking is one of the more difficult puzzles to solve in the current ownership cap structure, while allowing for vertical integration. There appear to be 3 potential avenues for the City to explore:

1. Hire an outside consultant/firm to manage and implement the tracking through IRS, banking, and other industry methods.
2. Create a position or positions in the OCM, and hire experienced staff to manage and implement the tracking in house.
3. Remove the one permit restriction on retail storefront dispensary ownership and streamline the individual/entity ownership reporting requirements to promote transparency.

Avenues 1 and 2 both would require significant resources to implement but, given the complexity of the corporate structures, may be necessary to uphold the provision of the ordinance. A hybrid approach would be to hire a consulting firm to train staff to manage and implement the tracking internally, but this would still require significant additional resources. The threat of Avenue 3 is that the recent trends of publicly traded companies buying multiple dispensary licenses in locales contribute to a consolidation and monopolization of the market. This is only exacerbated by the allowance of vertical integration. A remarkable example of this

is the Florida-based and Canadian-traded company Trulieve. Following the recent acquisition of a major competitor, they will now have 149 retail locations in 11 states, including Florida, and more than 3.1 million square feet of cultivation, with 6 of those dispensaries in California.

Ownership Transfer

Each of the case studies have some version of ownership transfer and, with the exception of Seattle, they all offer vertical integration and outside ownership. Denver, Sacramento, and Long Beach all provide protection for social equity ownership interests to maintain the social equity aspect of the permits. Oakland's ordinance provides for an ongoing social equity ownership model and is looking to see how to allow social equity businesses to sell to the highest bidder.

If Sacramento looks to make adjustments to the ownership model in line with Oakland's (1:1 ratio and an "up to" policy), selling a dispensary should not reduce the social equity pool of ownership. Under the current policy, Sacramento will need to look to other ways to allow social equity dispensary owners to maximize their investment.

Taxation Considerations

The cannabis industry is federally illegal, and the product is taxed at the State level at higher rates than other "sin" products, largely out of tax generation aspirations. Early states to legalize have generated high excise taxes that they have directed to the General Fund. California pursued this approach as discussed in the State Taxation Trends, and as a result, Sacramento and other California communities have real dilemmas regarding their relationship to the State taxes, their local concerns, and the health of the industry.

The confusing nature of the opt in/opt out State legalization structure creates different taxation metrics across counties and cities. This decentralized approach pits communities against each other to reduce local tax rates in an effort to capture market share.

The table below provides a comparison of Sacramento to neighboring jurisdictions. It is important to note that while a significant number of these communities do not allow cannabis, the lure of cannabis tax revenue has many of them contemplating entering the market, which will potentially put additional pressure on Sacramento's local tax rates.

Table 10. Local Tax Comparison

County/City [1]	Local Taxes
Sacramento County	Does not allow.
Sacramento	4% gross receipts for all cannabis businesses.
Sutter County	Does not allow.
Yolo County	4% gross receipts for cultivation. 5% gross receipts for all other activities.
Davis	10% gross receipts for retail, distribution, and cultivation. For Manufacturing, R&D, and Testing: 5% for receipts between \$0 - \$50,000/month; 4% for receipts from \$50,001 - \$100,000/month.
West Sacramento	No adopted cannabis business tax; taxes levied via development agreements.
Woodland	No cannabis business tax.
Solano County	Does not allow.
Benecia	1% gross receipts for testing and distribution. Manufacturing: 2% gross receipts Year 1; 2.5% gross receipts Year 2; 3.5% gross receipts Year 3. Cultivation: \$5 PSF Year 1; \$6 PSF Year 2; \$7 PSF Year 3.
Dixon	15% gross receipts for businesses that do not obtain a Development Agreement or CUP. No cannabis business tax otherwise.
Rio Vista	No cannabis business tax.
Vallejo	7% gross receipts for retail. 5% gross receipts for cultivation. 5% gross receipts for manufacturing. 2% gross receipts for distribution.
Yuba County	Does not allow.
Marysville	Cultivation: \$10 PSF for artificial lighting; \$7 PSF for mixed lighting; \$4 PSF for natural lighting; \$2 PSF for nursery. 2.5% gross receipts for testing. 6% gross receipts for retail. 3% gross receipts for distribution. 4% gross receipts for manufacturing.

County/City [1]	Local Taxes
Placer County	Does not allow.
Colfax	\$7 PSF for cultivation. 4% gross receipts for retail. 2% gross receipts for distribution. 2.5% for manufacturing and testing.
El Dorado County	Cultivation: \$2 PSF for natural light; \$4 PSF for mixed light; \$7 PSF for indoor; 4% gross receipts for nursery. Manufacturing: 2.5% gross receipts for Level 1 (solvent manufacturing); 0% for Level 2 (non-solvent manufacturing). 4% gross receipts for retail. 2% gross receipts for distribution. 0.5% gross receipts for testing. No cannabis business tax.
South Lake Tahoe	No cannabis business tax.
Amador County	Does not allow.
Calaveras	Cultivation: \$2 PSF for natural and mixed light; \$5 PSF for indoor. 7% gross receipts on retail and manufacturing.
Angels Camp	Does not allow.
San Joaquin County	No set tax rate. Development agreement required through which County may establish gross receipts impact fees. PA-20000070 sets rates at 3.5 percent gross revenue for all cannabis businesses.
Stockton	5% gross receipts for retail. 1% gross receipts for distribution. 3% gross receipts for manufacturing. 5% gross receipts for cultivation. 0% gross receipts for testing. 5% gross receipts for microbusiness.
Contra Costa County	Cultivation: \$7 PSF for indoor; \$3 PSF for mixed-light; \$2 PSF for outdoor; \$1 PSF for nursery. 2% gross receipts for distribution. 2.5% gross receipts for manufacturing. 4% gross receipts for retail. 0% gross receipts for testing. 4% gross receipts for microbusiness (2.5% if not including retail).

County/City [1]	Local Taxes
Richmond	5% gross receipts for all businesses.
Pittsburg	10% gross receipts.
Oakley	Does not allow.
Antioch	No cannabis business tax.
Concord	No cannabis business tax.
El Cerrito	No cannabis business tax.
Martinez	No cannabis business tax.
Napa County	Does not allow.
City of Napa	Does not allow.
American Canyon	No cannabis business tax.

[1] Tax rates for counties apply to unincorporated portions of that county only. Cities within each county may set their own tax rates for cannabis businesses within their city limits.

In addition, several nearby cities such as West Sacramento have no specific cannabis business tax but collect cannabis tax revenues through development agreements. Under California law, retail delivery of cannabis cannot be prohibited by local jurisdictions. Therefore, delivery services in communities with lower taxes (and resulting lower sales prices) can deliver into areas with higher taxation, potentially impacting the gross sales and resulting local taxes from Sacramento's retail dispensaries and delivery companies.

Sacramento Tax Revenues

Overall, Sacramento charges 13.75 percent on retail sales, made up of 8.75 percent State and local sales tax and a 4 percent business operating tax. Sacramento's estimated \$27.3 million in cannabis industry General Fund revenues comes from a combination of the 4 percent BOP tax, as well as licensing fees and fines, property taxes, utility taxes, and transient occupancy taxes. The General Fund expenditures due to cannabis businesses operating in the City are estimated at \$7.5 million, resulting in net revenue of \$19.8 million to the City General Fund. (See **Chapter 6** for discussion of the fiscal impact analysis.)

In addition to the General Fund revenues attributable to cannabis, Sacramento's neighborhood responsibility plan fee, which seeks to mitigate negative impacts from "novel business activities" like marijuana, has imposed a fee equivalent to 1 percent of gross revenues on cannabis businesses. The neighborhood responsibility plan fee is estimated to generate an additional \$5.2 million in revenues for Fiscal Year 2021/2022, not included in the City's General Fund.

State Grant Programs

Some State tax revenues are returned to the City through State grant programs. Sacramento was recently awarded a grant of up to \$5.78 million, authorized by Senate Bill (SB) 129 Local Jurisdiction Assistance Grant Program, to assist business owners with meeting California Environmental Quality Act (CEQA) requirements, enabling licenses to transition from provisional to permanent.²⁵ Clearing CEQA requirements has been a major hurdle in transitioning the provisional licenses across the range of IFGs. In addition, in May 2021, the Governor announced a \$15 million grant program to support community social equity efforts.

Tax Revenue Case Studies

To provide information for future study, here are approaches that other cities have used in developing their cannabis tax structures. The City of Oakland has structured a policy that is both variable in regard to social equity and size and directs a portion of tax revenues to equity owners.

Each of the case-study cities was considered in terms of how they are allocating cannabis tax revenue. In addition, several new states that allow legal recreational cannabis are developing policies for tax expenditures, and they are found in **Appendix B**.

The Oakland Case

All cannabis tax proceeds in Oakland are deposited into the General Fund. In 2017, the Oakland City Council determined that a loan program was needed to assist historically marginalized cannabis operators, given the lack of personal wealth in low-income communities and federal restrictions on bank lending. The Equity Loan Program re-invests cannabis tax revenue into economic opportunities for those most impacted by the War on Drugs.

Oakland's 2020 tax has yielded \$13.7 million for the General Fund, of which \$3.4 million is dedicated toward technical assistance and the revolving no-interest loan program for low-income cannabis "equity applicants." Sacramento also uses a revolving no-interest loan fund. The CORE Capital Loan Program is funded with more than \$3 million.

Loan Program Summary

Oakland's loan program establishes tiers of business development that are awarded specific amounts of funds up to a cumulative maximum of \$115,000.00 for 100 percent social equity businesses. The Equity Loan Program consists of

²⁵ Sacramento was earmarked for the fourth highest allocation in the State at \$1,813,612.38. The funding has not yet been received. While the funding cannot be set aside for social equity members only, it is anticipated that social equity members will be a primary beneficiary of the programs launched with the grant.

public funds, and repayments need to be made to make loans to equity applicants in the future. The program has seen mixed results as several loan participants have not made repayments and have been sent to collections.

Sacramento's loan program, CORE Capital, is a 6-year interest-free loan program for cannabis businesses made available through grant funds from the Governor's Office of Business and Economic Development (Go-Biz). The largest amount available for an initial, or first-time, loan is \$50,000 if an applicant has a signed business lease for a location/premise or owns a location. Loan applicants may apply for additional loans ("Follow-on Loans") in increments of up to \$50,000, without fully repaying their prior loan(s), as long as they have spent the funds on eligible expenses, are not delinquent, and are compliant with CORE requirements.

In 2019, Oakland lowered the tax rate to 0.12 percent per year for all equity businesses with gross receipts under \$1.5 million. It also created a phased-in system that lowered the tax rates for non-equity businesses and larger equity businesses to between 2.5 and 5 percent for non-equity businesses by 2022, depending on the size and sector of the business. In addition, non-equity businesses can receive 0.5 percent rebates for equity activities such as incubating an equity business, local hiring, equity supply chain contractors, and workforce quality of life. However, businesses are limited in the number and frequency of rebates they can receive and still must pay a minimum tax rate of 2.5 percent in 2022. Most business tax classifications in Oakland pay below 2 percent per year. Cannabis businesses assessed at 2.5 percent will pay the highest business tax rate in Oakland, followed by the classification for "Firearms Dealers" that pay 2.4 percent. So far, the 0.5 percent rebate program has not yielded the intended results as operators see the reporting requirements outweighing the benefit.

While Oakland's tax reductions for IFGs across the board initially reduce the city's cannabis tax revenue, it is argued that they further strengthen the local industry's ability to be profitable, compete with the illicit market, and have the potential to generate higher revenues if demand for regulated product increases.

The Long Beach Case

In 2019, a broad-based coalition of cannabis industry professionals, policy advocates, patients, consumers, and city officials came together to support the city's legal cannabis industry in reducing taxes. In the face of a significant budget deficit, the Long Beach City Council voted in 2019 to lower the tax rate for cannabis businesses from 6 percent to 1 percent. The city collected \$10.3 million in cannabis tax revenue for the fiscal year with the tax revenue flowing into the City's General Fund. This was a \$6.3 million surplus over the \$4 million in projected revenue. According to a report, local dispensaries "felt a boom" from the lower tax rates, and a city analysis projects that some levels of increased

sales will continue.²⁶ Just as Sacramento is, Long Beach was facing increased pressure from the illicit market and sought to reduce taxes to be more competitive, preserve jobs in the legal industry, and reduce public safety concerns.

Sacramento and Long Beach share nearly the same amount of retail storefront dispensaries. However, Sacramento has a significant non-storefront retail delivery IFG that is only recently being proposed in Long Beach. Extrapolating the incremental success of Long Beach's tax reduction to revenue increase over Sacramento's retail sales has the potential to increase the viability of the retail IFGs, produce additional revenue, and provide more stiff competition with the illicit market.

The Denver Case

Denver cannabis tax is imposed with a 15 percent state excise tax and a local tax of 9.81 percent. The City of Denver collected more than \$70 million in sales tax revenue from \$715 million in cannabis sales in 2020, a 17 percent jump from the \$60 million collected in 2019, according to the Department of License and Excise. Denver is projected to earn the same amount of tax revenue in 2021.

In November 2013, Denver voters approved adding a special sales tax on retail marijuana that could vary from 3.5 percent to 15.0 percent. The tax is in addition to standard sales tax and all other applicable state taxes. Since 2017, retail marijuana is exempt from the state standard sales tax but is subject to both state and local special sales taxes:

- Denver standard sales tax: 4.31%.
- Denver special sales tax on retail cannabis: 5.50%. This tax can fluctuate between 3.5% and 15% by Denver City Council authorization.
- State special sales tax on retail cannabis: 15.0%.
- Total retail cannabis sales tax: 24.81%. Since 2017, 10% of the state special sales tax has been shared with local jurisdictions.²⁷

During the 2021 elections, two ballot measures, one state and one local to increase taxes on cannabis were defeated as opponents debated the health of the industry against programs the taxes would fund. Yet in the face of one of the highest major city tax structures in the industry, there appears to be little momentum to lower taxes. Instead, Denver is experiencing continued illicit cannabis production and sales throughout the city.

²⁶ CalliforniaCityNews.org, After Lowering its Cannabis Taxes Long Beach Saw a Windfall, 2/23/2021.

²⁷ The Denver Collaborative Approach, Leading The Way In Municipal Marijuana Management, 2020.

What is relevant in Denver's tax model is how the revenues are spent, with 37 percent allocated to homeless housing, 6 percent to education, and 5 percent to public health. This is a significant investment in homeless housing as Denver grapples with many of the same homeless issues confronting communities throughout the state.

The Seattle Case

Washington taxes cannabis with a 37 percent excise tax and an optional 10 percent local tax. As approved by voters in 2012, Initiative Measure No. 502 did not set aside any money for local governments when it legalized recreational cannabis in Washington. City and county officials later asked the legislature for a share of the state's marijuana tax revenue with the goal of helping to defray some of the costs they might accrue from the new law, such as the cost of enforcing the ban on using marijuana in public places. The legislature reworked the state's legal cannabis laws significantly in 2015 and, as part of that overhaul, gave local jurisdictions a share of the tax money, provided they did not ban cannabis businesses within their boundaries. Seattle is receiving a reported \$30 million per year in revenues.

Like California, Washington has dedicated funds toward social equity programs. The cannabis revenues must allocate \$1,650,000 for Fiscal Year 2022 and the same amount for Fiscal Year 2023 to the Department of Commerce to fund the marijuana social equity technical assistance competitive grant program. In addition, Washington has established a fund for mentors as part of the cannabis social equity technical assistance grant program.

Nearly half of all cannabis revenues for Fiscal Years 2015 through 2020 went to Washington's Basic Health Plan Trust Account. That account is described by the Office of Financial Management as providing "necessary basic health care services to working persons and others who lack coverage, at a cost to these persons that does not create a barrier to the utilization of necessary health care services."

Washington, and by extension Seattle, has the highest excise tax in the nation on retail sales; however, there is no wholesale tax, as is the case with California and, by extension Sacramento. The Seattle model places the entire tax burden on the retail transaction and relieves the cultivator from having to pay taxes on raw product with variable pricing. This effectively eliminates the incentive to grow and distribute to the illicit market to avoid wholesale taxation.

Options for Sacramento

As noted previously, the State levies a flat cultivation tax based on product weight, not value. This flawed approach places a tremendous burden on small cultivators when the sales price of raw product declines and pressures local jurisdictions to lower tax rates to sustain the viability of local cannabis businesses. It has also incentivized the sale of raw product into the illicit market through what

is known as burner permits²⁸ and “track-and-trace” manipulation.²⁹ However, the Governor of California’s recent commitment to make adjustments to State regulations and taxes could allow Sacramento greater leeway in adjusting the local tax to support local programs. A proposed bill being circulated would eliminate the wholesale cultivation tax entirely and increase the retail excise tax initially to 50 percent of the anticipated revenue of the cultivation tax and then raise to capture 100 percent of the cultivation revenue.

It is uncertain how the bill will look once passed through the State legislature, and what impact it will have on retail pricing; however, it will certainly benefit the viability of cultivators. This significant tax adjustment makes it difficult to predict what, if any, adjustments to the Sacramento tax model should be made.

As seen in **Table 10**, several Northern California communities add an additional tax on cultivation, primarily by square footage. While this method, or a tax on sales price, are more predictable than the State’s tax by weight, they create additional pressure for cultivators to sell to the illicit market.

Sacramento’s 4 percent local tax does not appear to be out of line with other nearby communities, although it will bear watching how neighboring communities contemplating allowing cannabis businesses set their local taxes, as this development could have a direct impact on local sales and tax revenue.

Taxation Conclusions

- Sacramento could look to a modified Oakland model and reduce the 4 percent local tax for all social equity businesses while maintaining the current tax for non-equity.
- Sacramento could look to the success of Long Beach and reduce the local tax across the board as a means to stimulate sales revenue in the regulated market.
- If the cultivation tax is eliminated and the excise tax is increased by half of the projected cultivation tax revenues, Sacramento could increase the local sales tax by an increment that would fall within 50 percent of the cultivation tax. This approach would need to be re-evaluated once the excise tax reverts to 100 percent of the cultivation tax revenues.

²⁸ Burner permits are associated with distributors who purchase raw product from a cultivator, pay the cultivation tax to the states, and sell the product to the illicit market.

²⁹ Track-and-trace manipulation is when cultivators track only a fraction of the actual flower produced by a plant and then sell the rest to the illicit market.

Concentration

Land use regulations, sensitive receptor buffers, and facility availability are the primary drivers of cannabis business concentration. Many cities have used zoning in industrial areas to create what are known as “green zones,” where the cities allow all cannabis IFGs to locate. Cultivation, distribution, manufacturing, and testing businesses are industrial in nature and are better located in industrial districts. Delivery is dependent on proximity to its regional market business size, but it is also primarily a small warehouse-type use. Dispensaries are essentially retail stores and are generally located in neighborhood retail areas or along commercial corridors. Sacramento’s ordinance also directs the industrial aspects of the cannabis community to specific land use zones, and these are primarily in Council Districts 2 and 6.

Chapter 5 of this Study details the concentration of the various IFGs and the real estate and neighborhood impacts. Sacramento is similar to other cities in that older industrial and residential districts are often adjacent and even comingled, as can be seen in both Districts 2 and 6. The land use tables in **Appendix C** identify the allowed zoning classifications for the range of IFGs. Sacramento has 2 additional concentration restrictions in District 6. In 2018, the City Council passed a limit on cannabis cultivation, capping it at 10 percent of the industrial real estate or approximately 2.5 million square feet. In addition, the City limits retail non-storefront delivery permits in the southeast industrial area to 50 permits. As shown in **Table 11 (Chapter 5)**, there are 34 active delivery BOPs in the district. One additional restriction in Sacramento limits retail storefront dispensaries to the C-2 General Commercial Zone and C-4 Heavy Commercial Zone and restricts it from the C-1 Limited Commercial Zone and the C-3 Central Business District Zone.

Looking to Other Cities

Denver has not limited its number of dispensaries. However, like Sacramento, some surrounding cities in the area didn’t allow recreational cannabis, allowing Denver to capitalize as the regional epicenter for the cannabis industry. Denver has effectively let the market decide what dispensaries survive. As the Denver cannabis industry has matured, the city has concerned itself with dispensary and cultivation oversaturation in neighborhoods, despite their generally positive reception. Now, Denver does not allow either of these licenses in the 5 most impacted neighborhoods, recalibrated each year. The impact is measured in the number of cannabis business permits per capita. In one of the most impacted neighborhoods, there is 1 business permit for every 91 inhabitants.

Oakland was about initial quantity limits, beginning with 4 dispensaries, and allowing up to 8 new dispensaries per year, with their social equity requirements in all other licenses requiring a 1:1 ratio of equity licenses to non-equity licenses and did not limit other licenses. Oakland used its zoning ordinance to create a

defined green zone and uses buffers from sensitive receptors as a second limiting factor. Growth has continued since legalization, but there does not appear to be any organized concern about oversaturation.

In Long Beach, available land with the correct zoning is their concern, and they are also introducing reduced buffers in some cases to expand their green zone. Long Beach doesn't limit concentration or location other than dispensaries must be a minimum of 1,000 feet apart. The City of Long Beach relies on consumer demand and available property to limit concentration. They have even recently allowed a dispensary in a residential mixed-use building. Previously, non-storefront retail delivery was not allowed in the city, but along with 8 new dispensaries for social equity applicants, they are opening the delivery business permit to social equity applicants as well. In discussion with their cannabis department, there was not a concern for overconcentration. This may be due in part to the overwhelming industrial footprint in the south Los Angeles area, including Wilmington.

Cultivation

With the exception of Seattle, the case-study cities have a range of approaches to concentration of cultivation licenses.

Initially, Denver's rush to the market saw cultivators swarm Denver's older industrial districts, with older Class B and Class C space. As their market has matured, Denver introduced a moratorium on the licenses and only recently opened new cultivation licenses to equity applicants. As discussed previously, Denver is maintaining moratoriums on those communities (top 5 each year) most impacted by concentration.

Long Beach does not limit the number of cannabis cultivation licenses, but according to the city's zoning restrictions, it is allowed in light, medium and heavy industrial zones and in general industrial areas but not in residential, institutional, park, commercial, and port zones, and the lack of available facilities limit the concentration.

Oakland limits cultivation licenses by zoning not by number, and facilities that meet the zoning are prolific as Oakland has an extensive industrial green zone with facilities appropriate to indoor cultivation. Cultivation is allowed by right in all industrial zones. The tables in **Appendix C** provide a summary of land use regulations for Sacramento and the case-study cities for comparison.

Sacramento has 93 cultivation BOPs producing far more product that is consumed in the City. Based on the consumption per capita data shown previously in **Table 8**, there appears to be far more product being cultivated than is locally consumed. However, cultivators are free to move their product throughout the State, and as such, it is not possible to say with certainty how saturated the Sacramento market is. In addition, the burner permits and the track-and-trace

manipulations discussed earlier make it even more difficult to assess. But with the number of cities and counties adjacent to Sacramento and the high number of non-dispensary delivery services, regional consumption will capture a percentage of the cultivation.

Manufacturing and Distribution

Manufacturing and distribution are both growth opportunities in Sacramento. These are complex industries on which the supply chain relies and are evolving daily. They are scientific, technological, logistical, fabricating, packaging, and marketing. Larger, well capitalized entities are well positioned to gain ownership in these components of the industry.

Would Sacramento be better served to welcome these large corporate companies and incorporate specific jobs training and local hiring practices into their licensing requirements? Colorado and Washington represent 2 different approaches.

Washington makes a concerted effort to limit consolidation and support small local businesses, but that may change soon as many fear that without outside capital investment, Washington will not be able to thrive in a national legal industry. Colorado invites the industry to “come on in” for investment, which appears to have resulted in significant consolidation.

What is clear is that these 2 IFGs are the center of vertical integration and will dominate this young industry through their relationships with cultivators and dispensaries, their abilities to continually advance product quality, and their brand control.

Retail

Retail dispensaries are simply retail stores, and there is little if any evidence of negative impacts on their surroundings in the case-study cities. In fact, these outlets tend to meld into their respective communities, as illustrated in Midtown Sacramento, and are good neighbors. However, there is clear and direct evidence from the interview process and recent press that many are struggling. When the moratorium on outside investment ends in May, outside investment will be important in stabilizing this aspect of the industry. With 10 new dispensaries coming online in the future, could the concentration concerns around these stores be lessened by opening up additional zoning and districts to them?

Non-storefront retail or delivery is being looked to by several cities as a means of increasing local ownership, particularly for social equity applicants. Long Beach is at the forefront of this as delivery has not been allowed in the city but will now open up to social equity applicants. According to one of the interviewees for this Study, larger examples of this business can make about 600 deliveries a day, with capital facilities including a warehouse to store product, a fleet of vehicles, an office, and dispatchers.

In contrast to the cost of cultivation and dispensaries, retail delivery businesses have a relatively low cost to entry but may face challenges in terms of high ongoing operational costs. While authorized to deliver to other markets in the State approved for sales, limits on carried inventory and practical considerations result in a high number of establishments serving local and even regional consumers.

With the growing use of online purchases and rapid delivery times, these delivery companies should continue to see growth. The threat to them in the near term appears to be a combination of rising costs, particularly fuel and insurance, the tax structure, and the volatility of the retail prices. In the long term, competition from large fleet, multi-platform companies such as UBER may prove to be a much larger threat. And with Amazon now backing federal legalization, it may be inevitable that these mega players will dominate the procurement and delivery sectors of the industry.

While there is concern, particularly in District 6, of an overconcentration of the delivery businesses, the City has already introduced policy to limit the number of these permits to 50, with 34 current BOPs.

Concentration Conclusions

- Concern with oversaturation in particular neighborhoods or districts of cultivation could be regulated in the same manner that the City is regulating the concentration of cultivation in District 6.
- With 10 new social equity dispensary permits approved, the City may need to open additional Council Districts and potentially the C-1 and C-3 zones to avoid overconcentration in Midtown and District 6.

Youth Impacts

Dispensary and Delivery Advertising and Packaging

There is general consensus among public health experts that abuse of cannabis among youth is associated with a range of negative consequences such as reduced high school graduation rates and certain mental and physical health outcomes.³⁰ In Sacramento, groups such as California Youth Forward and others have noted a tendency for billboards and other advertising that may be “suspect” in terms of messaging and imagery that could be construed as appealing to youthful sentiments. In addition, packaging and wrapping has come under fire for

³⁰ Fischer, Benedikt, et. al. 2022. Lower-Risk Cannabis Use Guidelines (LRCUG) for reducing health harms from non-medical cannabis use: A comprehensive evidence and recommendations update. *International Journal of Drug Policy*.

mimicking various candies (e.g., gummies), often appealing to youth in non-cannabis settings.

While these concerns are substantial, this issue is largely outside the purview of this Study. The State's Department of Cannabis Control is tasked with enforcing the advertising restrictions that were enacted by Proposition 64, which include bans on cannabis advertising within 1,000 feet of schools, daycare centers, or playgrounds. Local efforts to monitor product packaging targeted to children are likely to be ineffective, given that products are manufactured and sold throughout the State, although the City should lobby the Department of Cannabis Control to more strongly enforce Proposition 64's restrictions on youth-oriented packaging.

Clearly the City should evaluate its ability to influence advertising and packaging in its jurisdiction. These efforts could include allowing residents to report cannabis advertising that violates restrictions on youth-oriented advertising via the City's 311 service, or even explore adding an additional level of City review for cannabis billboards, as is being considered in the City of San Diego.³¹ Lastly, the City could enact a local ordinance restricting the location of cannabis advertising, similar to the City of Oakland's sign ordinance,³² which restricts outdoor tobacco and alcohol advertisements within 1,000 feet of schools, youth centers, and churches. However, enforcement of this measure would require a significant dedication of City resources. To the extent possible, the local industry could potentially be expected to follow certain guidelines in return for receiving City services.

However, it is less clear that the mere existence of dispensaries and delivery services has an influence on youth participation. While some research has indicated a possible relationship between knowledge of nearby cannabis resources and propensity to use cannabis,³³ one advantage of regulated cannabis is the ability to verify age. As discussed throughout this report, dispensary customers tend to skew toward older age groups, generally in their mid-30's and older, reflecting economic ability to shoulder the tax structure. The balance of consumer demand, including among youth, continues to be met through illicit supply, based both on price and availability.

Overall, there is limited evidence that legalization has influenced youth participation. As stated by the International City/County Management Association, "evidence that legalization of cannabis significantly changes patterns of youth use/abuse is lacking."

³¹ Garrick, David. 2018. San Diego plans to crack down on marijuana ads, especially billboards. *Los Angeles Times*. October 20, 2018.

³² City of Oakland Municipal Code Section 14.04.280.

³³ International City/County Management Association. 2018. Local Impacts of Commercial Cannabis. Available at https://icma.org/sites/default/files/Local%20Impacts%20of%20Commercial%20Cannabis%20Final%20Report_0.pdf

Many municipalities are applying substantial sums of both earmarked and General Fund resources to address a range of societal objectives related to childhood well-being. For example, the City of Santa Cruz recently asked its voters to approve a charter amendment, allowing for the creation of a Children’s Fund for early childhood development programs, funded by a permanent allocation of 20 percent of all cannabis tax revenue. Further examples of cities using cannabis tax revenues to fund youth well-being are the City of Santa Ana, Monterey County, and Humboldt County, as detailed in the California Cannabis Tax Revenues report.³⁴

³⁴ Youth Forward. 2020. California Cannabis Tax Revenues: A Windfall For Law Enforcement or an Opportunity for Healing Communities?

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5. Real Estate and Neighborhood Impacts

Overview

Of the original 30 medical cannabis dispensaries, 13 were located in or immediately adjacent to Midtown. Following legalization of adult-use cannabis, these locations transitioned into the first recreational cannabis retail options, cementing Midtown's role as a primary location for retail dispensaries. Other locations throughout the City are generally located along major commercial corridors. Other non-retail cannabis operations have largely been defined as industrial uses and have therefore located in the City's existing industrial zones in those Council Districts where they are allowed. As start-ups with cash flow limitations, the operations generally sought out less-expensive spaces in the smaller, older Class B and Class C industrial buildings common in several of the City's industrial areas.

The map shown below illustrates the geographic dispersion of the different IFGs in each of the Council Districts. For detailed descriptions of each of the IFGs, see **Chapter 3**.

As shown in **Figure 20** and **Table 11**, the majority of cannabis businesses are in Council Districts 2 and 6.³⁵ Only 8 of Sacramento's 93 licensed cultivation businesses are located outside of these 2 Council Districts, and 80 percent of the licensed production businesses are located in these 2 districts. In addition, half of the City's 30 storefront dispensaries are located in these 2 Council Districts as well.

³⁵ There are 264 licensed cannabis businesses in the City. The analysis in this section relies on data provided by the OCM in July 2021 when there were 252 licensed cannabis businesses in the City.

Figure 20. City of Sacramento Distribution of Cannabis IFGs

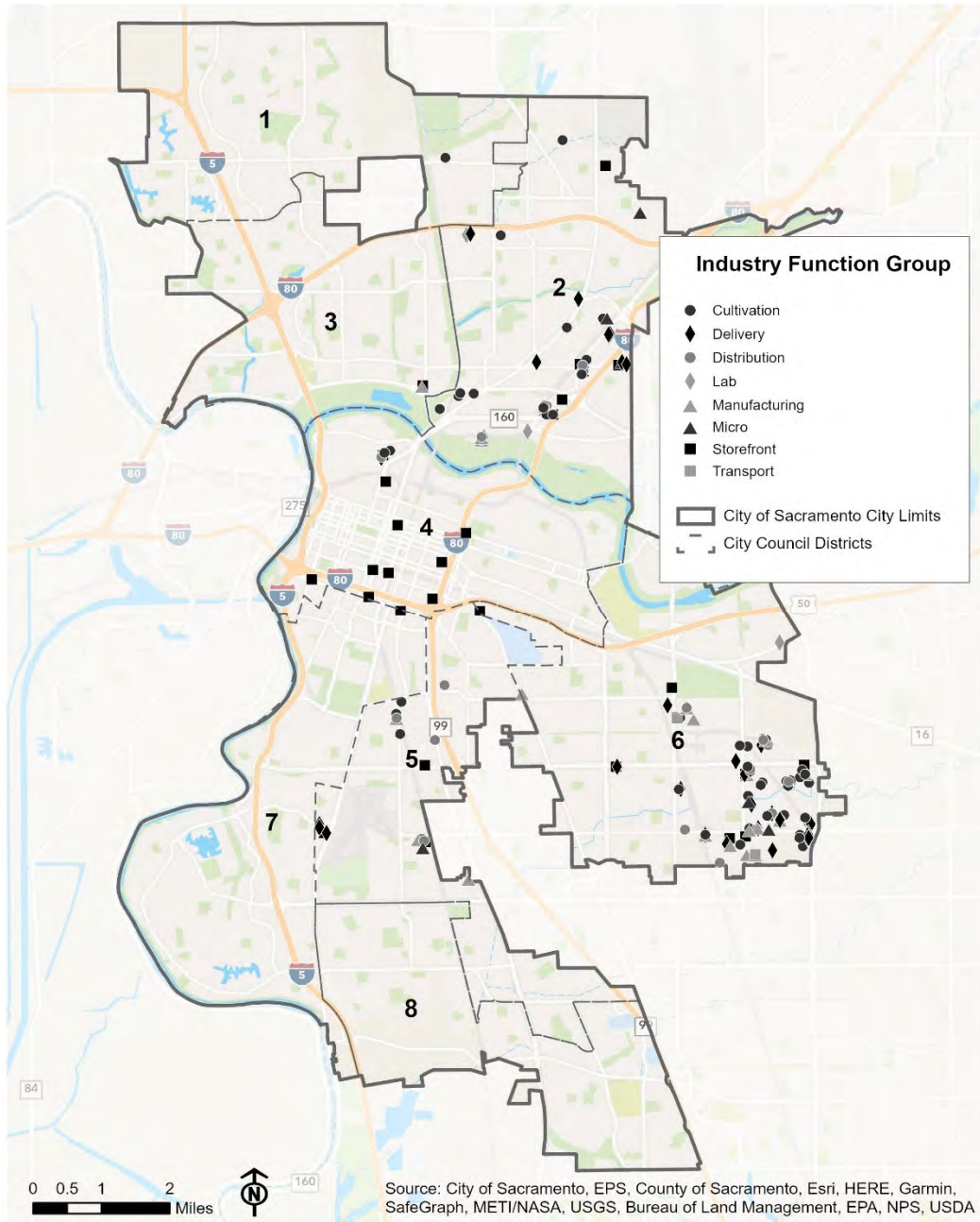


Table 11. Licensed Cannabis Businesses by Council District

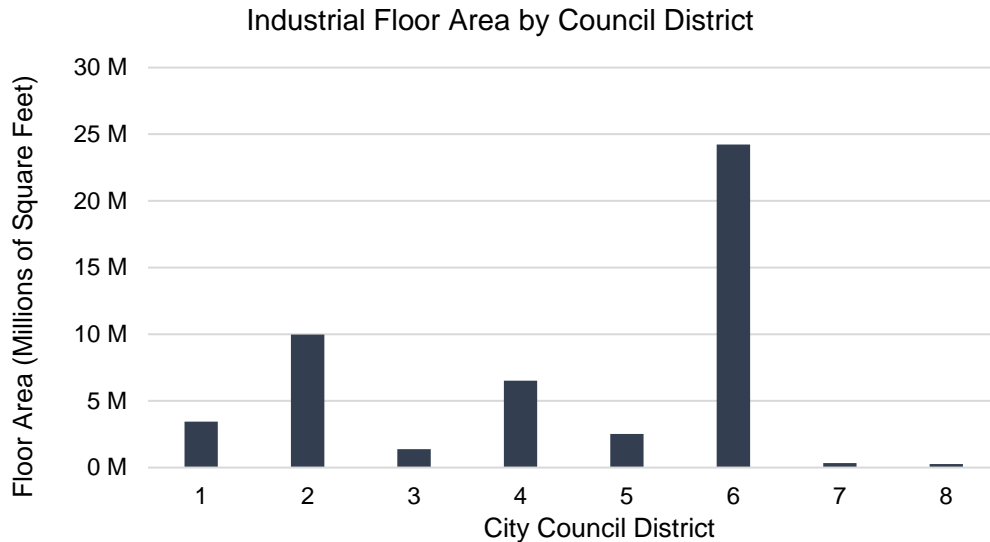
	City Council District							Total
	1	2	3	4	5	6	7	
Industry Function Group								
Cultivation	1	19	0	2	4	63	0	89
Distribution	0	7	0	2	5	21	0	35
Manufacturing	0	6	1	1	4	15	0	27
Transport	0	0	0	0	0	3	0	3
Micro	0	3	0	0	1	2	0	6
Subtotal Production	1	35	1	5	14	104	0	160
Lab	0	3	0	0	0	1	0	4
Delivery	0	10	0	11	3	34	0	58
Storefront	0	7	1	10	3	8	1	30
Total [1]	1	55	2	26	20	147	1	252

Source: City of Sacramento Office of Cannabis Management, EPS.

[1] Includes businesses with active licenses as of July 2021.

The existing Class B and Class C industrial buildings in Districts 2 and 6 are appealing for start-up operations, as the lower rents of these spaces puts less strain on low cash flows during the early stages of the business. As shown in **Figure 21**, these 2 Council Districts contain the vast majority of buildings and floor area classified as “Industrial” by the Sacramento County Assessor’s Office.

Figure 21. Industrial Floor Area by Council District

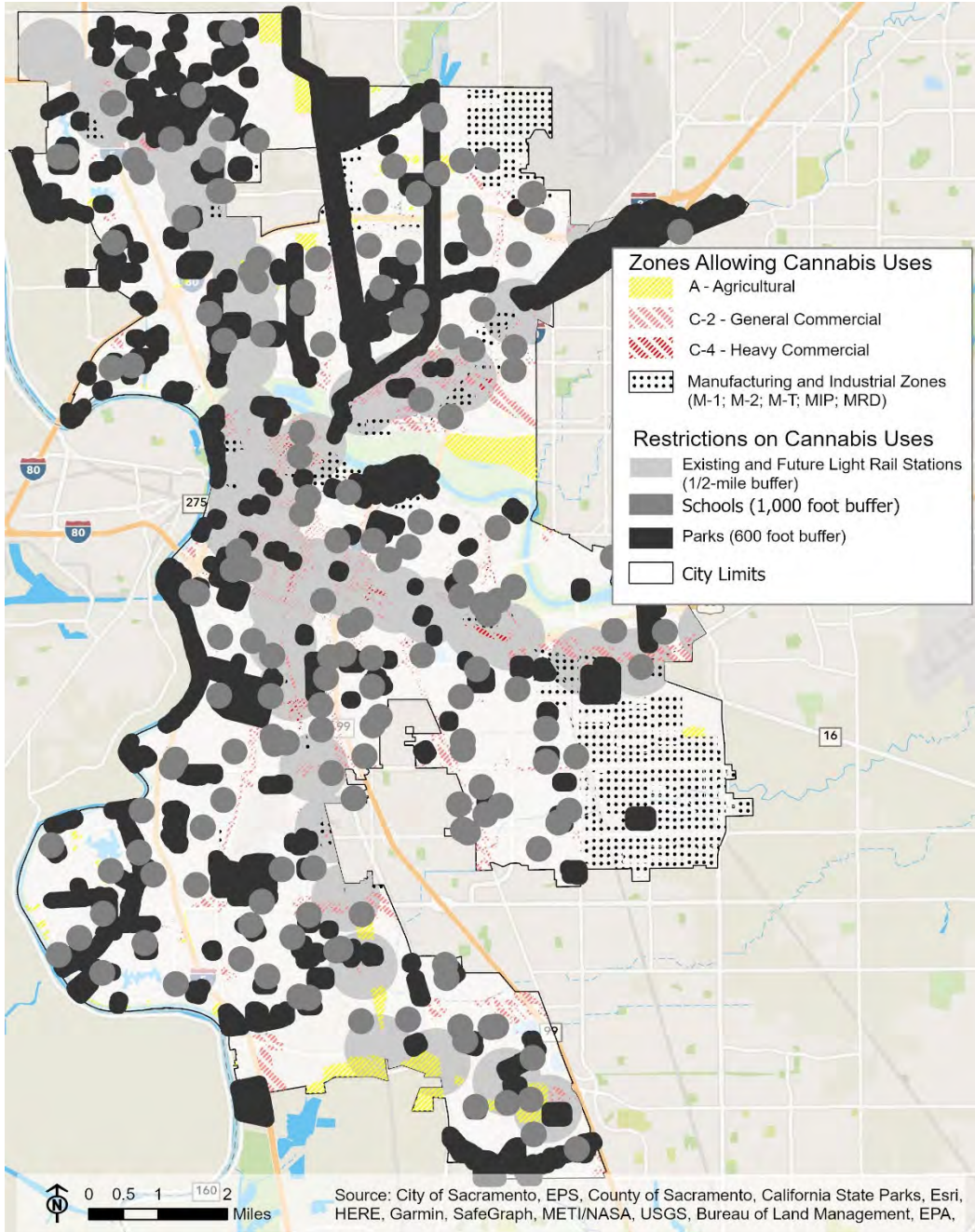


Source: City of Sacramento, Sacramento County Assessor’s Office, EPS.

The City’s zoning policy contributes to the concentrations of uses in Districts 2 and 6, as shown in **Figure 22**, with cannabis production uses allowed in the C-2 General Commercial, C-4 Heavy Commercial, A-Agriculture, or Manufacturing and Industrial zoning districts. Within the C-2 zoning district, manufacturing and distribution uses are limited to 6,400 square feet of floor area, and distribution cannot be a stand-alone use. In addition, all cannabis uses must be at least 600 feet away from any K-12 school, and businesses within ½-mile from any existing or future light rail station face additional permitting conditions.³⁶ In **Figure 22**, which shows the zoning districts where cannabis uses are permitted and where there are restrictions, the restriction on areas around schools is increased to 1,000 square feet to account for the distance from the center of the school to the edge of school grounds, from where the 600-foot regulatory buffer is measured.

³⁶ Per Sacramento Municipal Code Section 17.228.127, if within a ½-mile of an existing or future light rail station, the project must include “pedestrian features” such as lighting, benches, tree shading, and landscaping. If the project involves new construction, the City has several other requirements related to facade design and parking that the project must implement.

Figure 22. City of Sacramento Cannabis Buffers and Available Land



As seen in **Figure 22**, there are large areas with no restrictions on cannabis uses in the industrial zone at the eastern boundary of District 6, as well as at the northeastern edge of District 2. However, the northern half of the large industrial zone in the northeastern corner of District 2 is composed of vacant, undeveloped land with several development constraints, such as existing wetlands and the ownership of a large portion of the area by the federal government. Overall, 78 percent of cannabis businesses in the City are located in industrial zoning classifications, as shown in **Table 12**.

Table 12. Sacramento Cannabis Businesses by Zoning Classification

Zone [1]	M-1 Light Industrial Zone	M-2 Heavy Industrial Zone	C-4 Heavy Commercial Zone	C-2 General Commercial Zone	M-T Industrial and Transit- Area Zone
Industry Function Group					
Cultivation	25	54	5	3	2
Manufacturing	11	12	2	2	0
Micro	3	2	0	0	1
Distribution	9	20	4	2	0
Transport	1	2	0	0	0
Delivery	24	18	11	5	0
Storefront	10	4	3	13	0
Lab	2	0	0	2	0
Total	85	112	25	27	3

Source: City of Sacramento Office of Cannabis Management, City of Sacramento Open Data Portal, EPS.

[1] This analysis relies on the zoning dataset available on the Sacramento Open Data Portal dated January 6, 2022.

As seen in **Table 13**, the total floor area occupied by cannabis businesses reflects the concentration of cannabis businesses in Districts 2 and 6 and a lesser degree of concentration in District 3. As a result of cannabis businesses being largely concentrated in Districts 2 and 6, these districts have a much larger portion of their commercial floor area occupied by cannabis businesses. Approximately 3.6 percent of all commercial floor area in District 6 is occupied by licensed cannabis businesses.

The concentration of cannabis floor area in Districts 2 and 6 is the result of both the overall concentration of cannabis businesses in these districts, and specifically, the concentration of cultivation businesses in these districts, which require much more floor area than other business types. As noted in the August 17, 2021, staff report to the Law and Legislation Committee of the City Council, the amount of square footage that has received land use approval is much greater than the square footage currently occupied by licensed cannabis businesses.

Table 13. Cannabis Business Floor Area Concentration by Council District

Industry Function Group	Council District 1		Council District 2		Council District 3		Council District 4		Council District 5		Council District 6		Council District 7	
	Cannabis Commercial Space [1]	% of Total [2]	Cannabis Commercial Space [1]	% of Total [2]	Cannabis Commercial Space [1]	% of Total [2]	Cannabis Commercial Space [1]	% of Total [2]	Cannabis Commercial Space [1]	% of Total [2]	Cannabis Commercial Space [1]	% of Total [2]	Cannabis Commercial Space [1]	% of Total [2]
Cultivation	26,565		398,105		-		8,577		51,325		971,018		-	
Manufacturing	-		25,652		6,081		1,443		14,060		100,937		-	
Distribution	-		25,071		-		9,305		13,725		126,219		-	
Transport	-		-		-		-		-		12,413		-	
Micro	-		46,051		-		-		3,085		73,111		-	
Delivery	-		32,989		-		11,642		6,307		53,815		-	
Production Subtotal	26,565		527,868		6,081		30,967		88,502		1,337,514		-	
Storefront	-		27,305		4,000		34,394		9,811		29,265		3,232	
Lab	-		18,313		-		-		-		7,942		-	
Total	26,565	0.2%	573,486	2.5%	10,081	0.1%	65,361	0.1%	98,314	0.9%	1,374,721	3.7%	3,232	0.0%

Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

[1] Includes only the square footage of businesses with an active Cannabis Business Operating Permit

[2] Includes properties categorized by the Sacramento County Assessor's office as Industrial, Retail/Commercial, Office.

Potential Negative Concerns

Potential concerns with retail cannabis operations (dispensaries) cited by citizens, officials, and a study completed shortly after legalization (Matrix Consulting Group³⁷), range from blighting effects brought about by undesirable clientele in non-Midtown locations to gentrifying effects from increased retail activity and resulting higher retail rents because of Midtown retail cannabis facilities. Potential concerns with industrial cannabis uses vary depending on the function and Council District. A key concern in Council District 2, which includes older and comingled industrial and residential uses north of the Center City, is the impact cannabis production and distribution facilities have on the nearby residential uses. A key concern in Council District 6, which includes the Power Inn area, is the impact on industrial rents and the potential for displacing long-term tenants and their associated jobs and services.

To assess the potential negative impacts of cannabis businesses on the surrounding commercial uses, EPS analyzed commercial occupancy and leasing rate (rent) trends in the areas surrounding cannabis business operations relative to trends in their respective Council Districts and the City overall. Potential negative effects on residential property values were assessed through a comparison of home sales value trends in areas proximate to cannabis businesses relative to trends in the wider surrounding geographies.

³⁷ Completed in January 2019 by the Matrix Consulting Group, the Analysis of Cannabis Impacts study has a dedicated section reporting neighborhood impact concerns voiced by commercial and residential stakeholders at that point in time.

Details of the commercial leasing market analysis and the residential sales pricing analysis are discussed in their respective sections below.

Figure 23. Detail of Cannabis Businesses in Council District 2

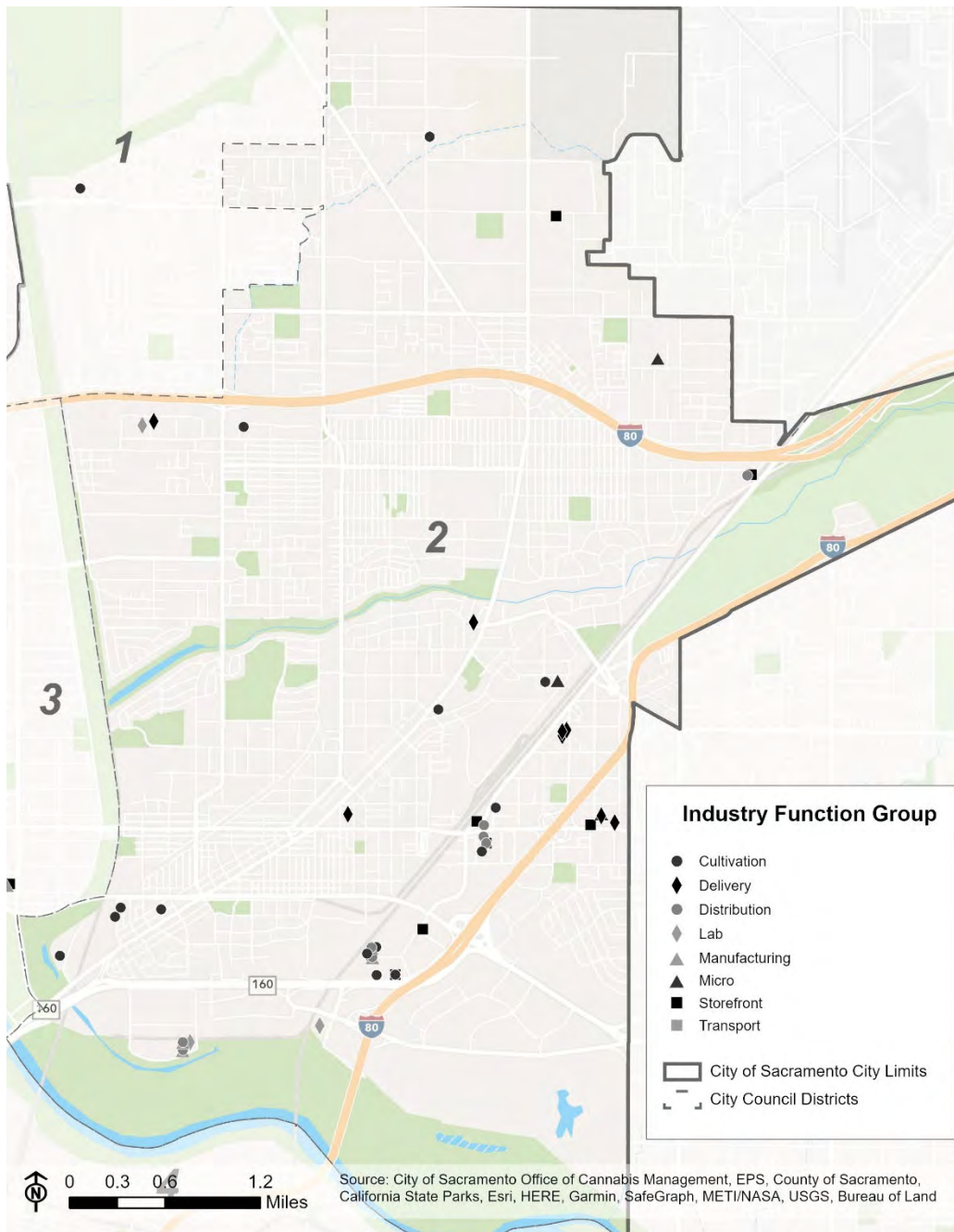


Figure 24. Detail of Cannabis Businesses in Council District 3

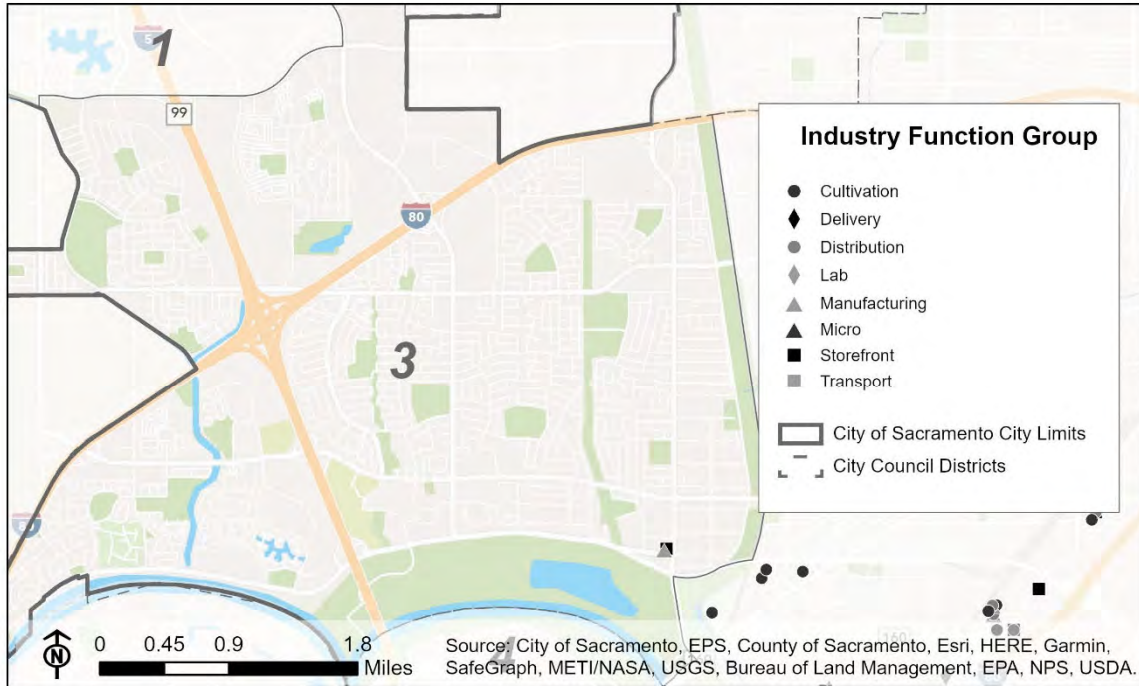


Figure 25. Detail of Cannabis Businesses in Council District 4



Figure 26. Detail of Cannabis Businesses in Council District 5

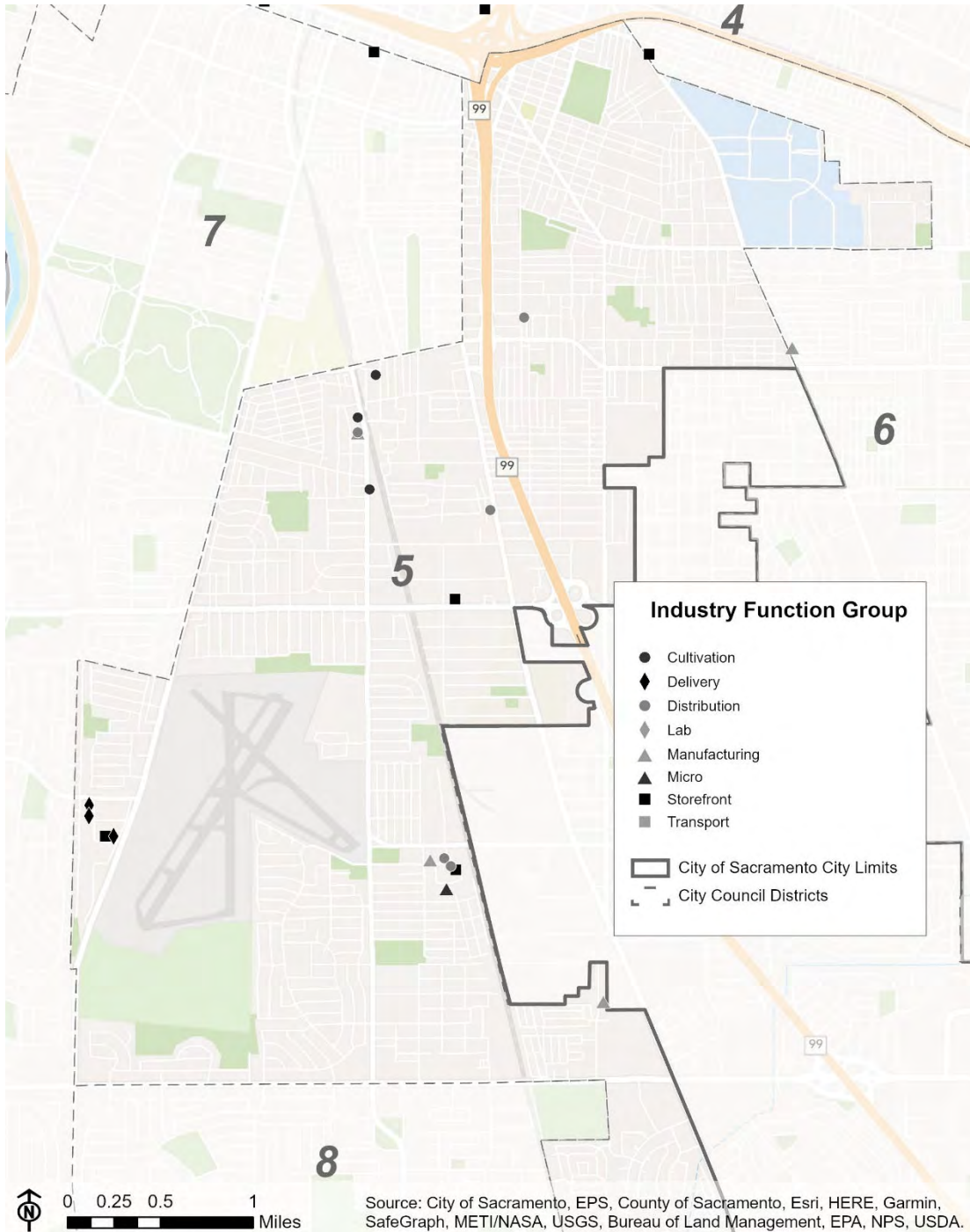
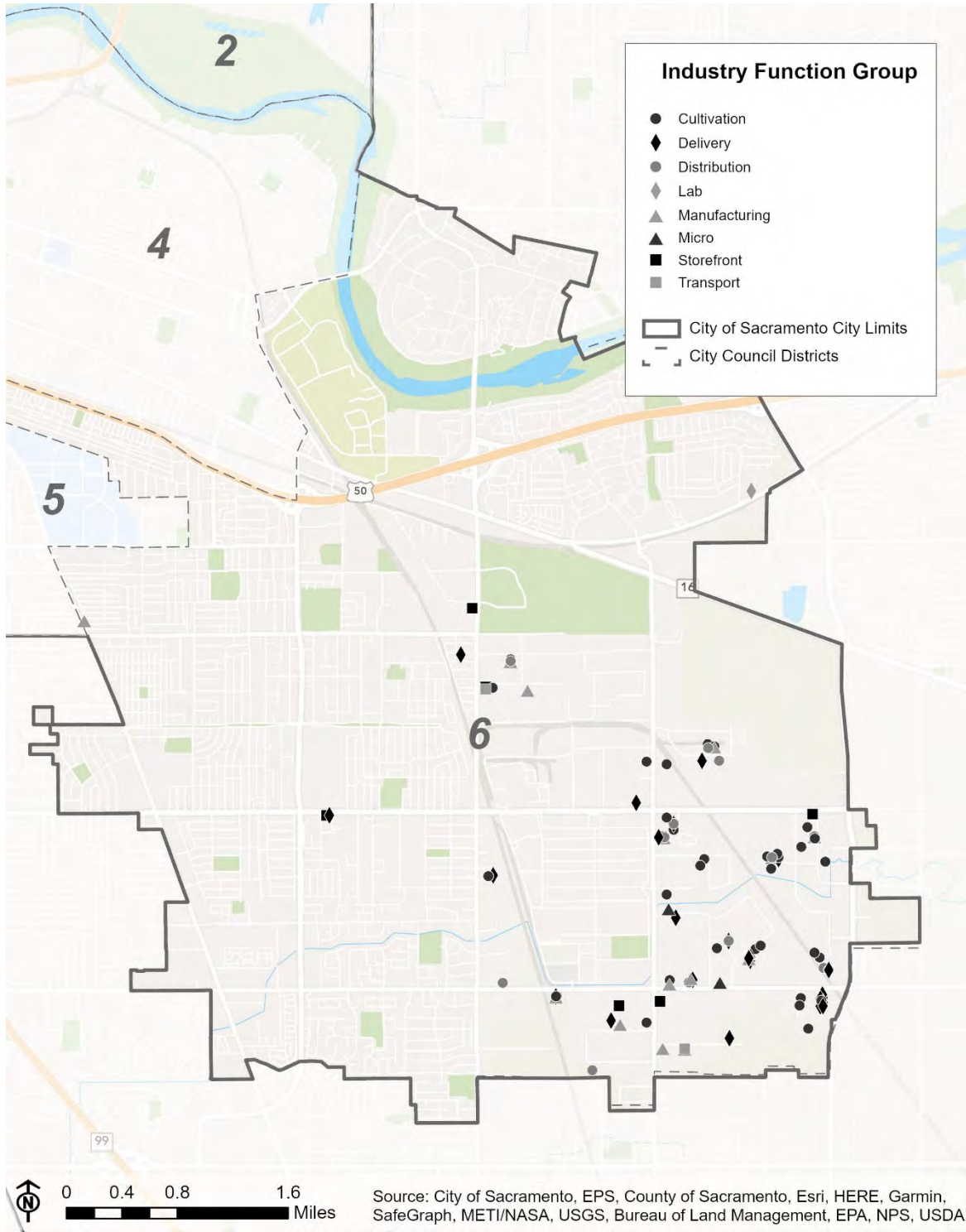


Figure 27. Detail of Cannabis Businesses in Council District 6



Contrasting Geographies: Long Beach, Seattle, Denver, and Oakland

Comparative Mapping Exhibits

Sacramento's approach is consistent with most other cities reviewed in that there are significant concentrations of industrial cannabis IFGs in the District 2 and 6 locations that have a large concentration of industrial zoning, although Sacramento is distinct in that the retail storefront dispensaries and in fact all cannabis activity is not allowed in some Council Districts.

Long Beach on the other hand does not limit the location of retail storefront dispensaries and allows them in any retail zone in the city. The core of the industrial footprint in Long Beach is concentrated in its southwest corner adjacent to the Port of Long Beach and the industrial community of Wilmington.

Oakland similarly focuses the industrial uses in the long industrial stretch along the Oakland Estuary and in the industrial areas of West Oakland, while allowing retail uses in any retail district in the city.

These patterns also hold true for Denver. However, because of concentration concerns, Denver now has a moratorium on licenses in the five most impacted communities for both dispensaries and cultivation.

Seattle also allows dispensaries in retail districts but identifies specific historic and cultural areas that prohibit all cannabis businesses.

Lessons Learned

- Sacramento is consistent with most other cities in terms of concentration and restrictions on industrial cannabis operations and, as a result, pushes these uses into existing industrial zones, causing potential overconcentration issues.
- Sacramento excludes retail dispensaries from the downtown district through zoning, when other cities allow them in any commercial zone, subject to buffers and other cultural restrictions.
- Denver, like Sacramento, is showing concern for over-impacted neighborhoods and is limiting concentrations of retail dispensaries and cultivation in 5 most impacted communities for each IFG.

Figure 28. Distribution of Cannabis Businesses in the City of Long Beach

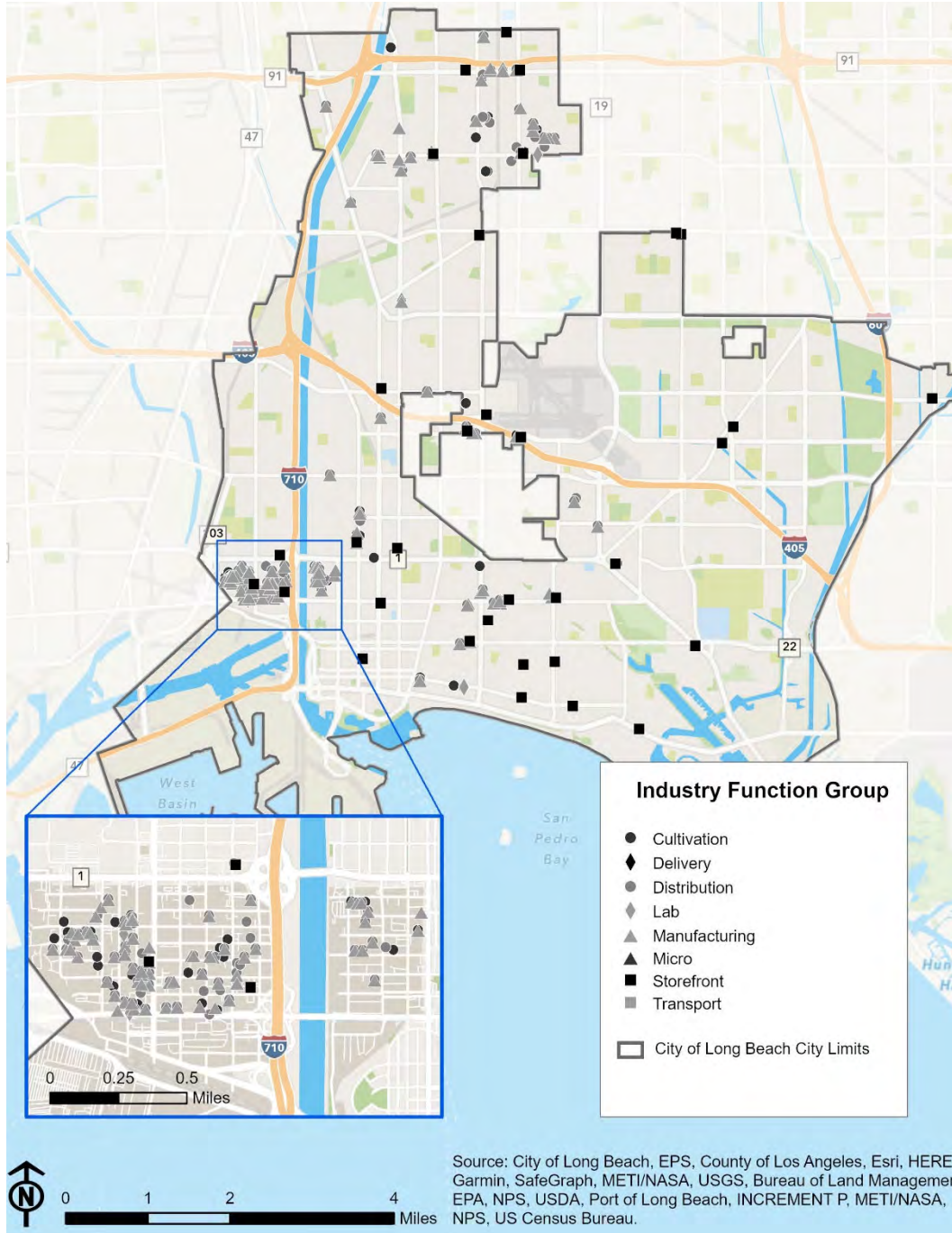
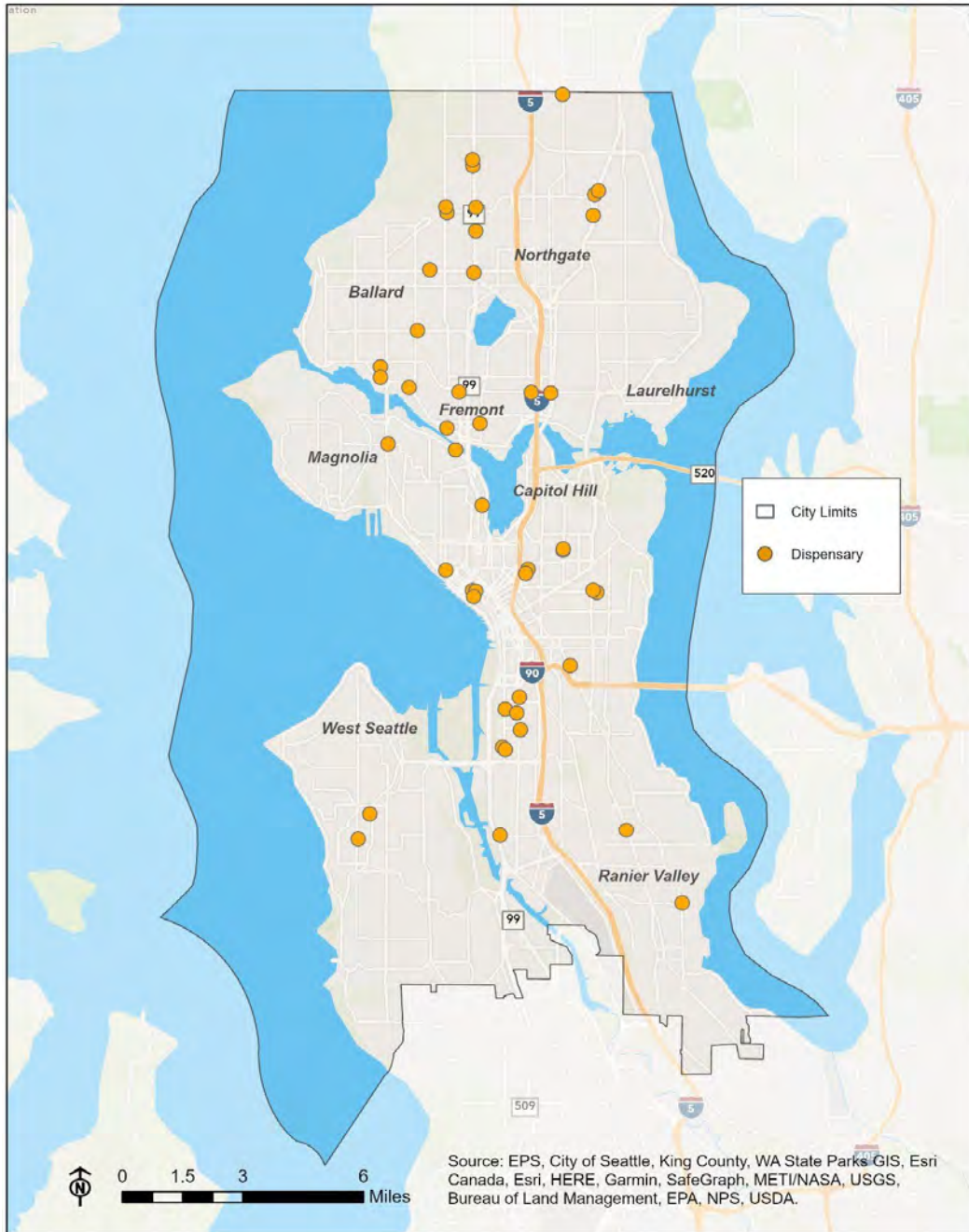


Figure 29. Distribution of Cannabis Dispensaries in the City of Seattle



Real Estate and Neighborhood Impact Indicators and Findings

The Analysis of Cannabis Impacts report, prepared for the City in January 2019 (Matrix Report), identified several potential impacts to neighborhoods that could result from the legalization of cannabis businesses in the City. The Matrix Report identified the following potential impacts:

- Increase in nonresidential rental and lease rates because of increased demand from cannabis businesses.
- Downsizing of employment opportunities because of a lower number of employees per square foot for cannabis production compared to other industrial businesses.
- Influence on neighborhood reputation because of stigma and stereotypes about cannabis businesses.
- Decreased residential property values for properties located near cannabis businesses.

At the time the Matrix Report was published, adult-use marijuana had been legal for only 1 year, an insufficient amount of time to analyze the impacts that cannabis businesses have had on these neighborhoods.

The Real Estate and Neighborhood Analysis is divided into 2 main sections below, with the first section focusing on potential effects of cannabis business clusters on commercial real estate, and the second section evaluating the potential effects on residential neighborhoods.

Real Estate Indicators and Findings

Commercial Real Estate

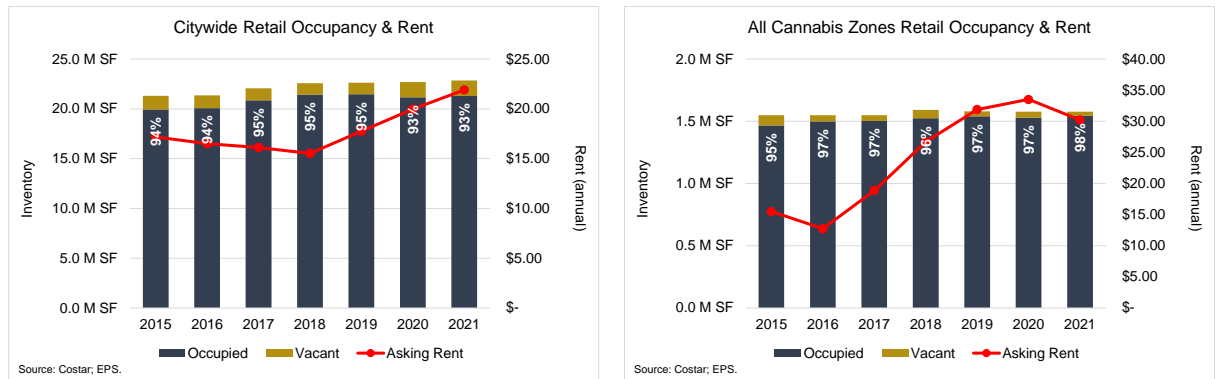
Cannabis Retail Analysis

Citywide retail zones overall and those with cannabis businesses differ considerably because most retail nodes in the City do not include any cannabis business and generally have different market characteristics than those retail areas that do include cannabis businesses. Retail areas without cannabis businesses include significant square footage in areas ranging from Arden Fair Mall to various big box retailers to numerous grocery store-anchored shopping centers. Cannabis retail, however, tends to be located in areas with smaller, free-standing retail in more urban settings such as Midtown, in smaller parcel/non-shopping center sections of commercial corridors, and several are in light industrial areas.

Citywide, retail rents declined as square footage was added between 2015 and 2018, followed by increasing retail lease rates since.

Retail areas near cannabis businesses have had consistently high occupancy levels and steady space inventories, with the exception of additional square footage in District 4 in 2018. However, retail asking rents in the areas analyzed near cannabis businesses (referred to herein as cannabis analysis zones) have increased much more than citywide, with a dramatic rise from 2016 to 2020.

Figure 30. Retail Occupancy & Rent: Citywide and Cannabis Analysis Zones



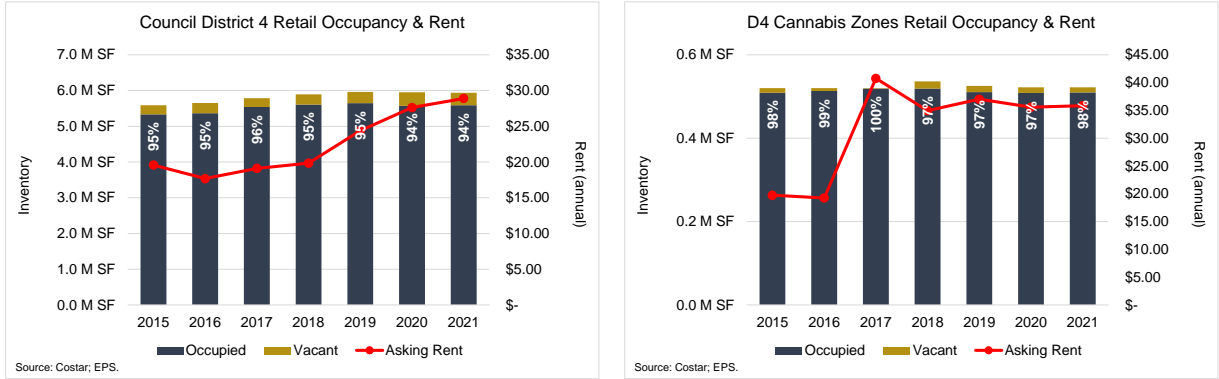
District 4

As noted previously, cannabis dispensaries in District 4 predate the legalization of recreational-use sales. However, the legalization of recreational-use marijuana has likely increased the foot traffic in those blocks where cannabis dispensaries are located. Furthermore, retail space near District 4 cannabis businesses has seen significant increases in asking rents in recent years. However, cannabis businesses in District 4 also tend to be located in areas that were existing neighborhood commercial nodes or have evolved into commercial nodes as significant new mixed-use developments have responded to the increasing demand for dense urban housing with nearby walkable amenities.

The rise in retail rents in Midtown is likely driven by the upscale restaurants and retailers responding to the increasing share of higher educated, higher earning persons and households present in the area and the “retail synergy” created by co-locating with other retailers catering to the same populations. It is unlikely cannabis dispensaries induce higher spin-off customer traffic to trendy local restaurants or national retail chains such as upmarket apparel or home goods stores than any other successful retail establishments that may exist in Midtown.

The District 4 retail market trends show steady additions of new square footage and rising rents since 2016. The District 4 cannabis analysis zones saw the addition of retail space in 2018 following a spike in asking rents in 2017, potentially resulting from the marketing of the new Ice Blocks spaces coming online.

Figure 31. Retail Occupancy & Rent: D4 Overall and D4 Cannabis Analysis Zones



District 4 Area Highlights

The following charts illustrate the retail occupancy and rent trends in some of the cannabis retail zones in District 4. Given the relatively tight 500-foot zones analyzed around the Midtown cannabis locations, the specific spaces and buildings marketed during a calendar year can significantly affect asking rate trends.

Figure 32. Retail Occupancy & Rent: Representative D4 Cannabis Analysis Zones

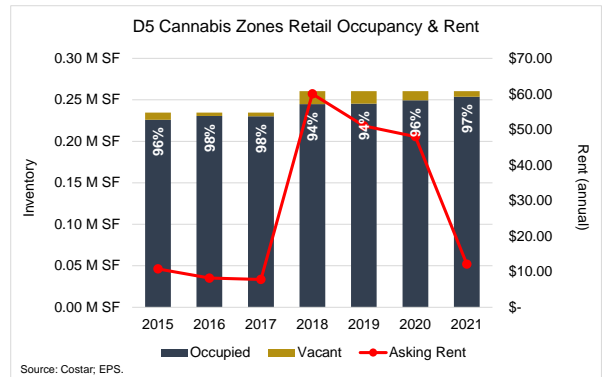
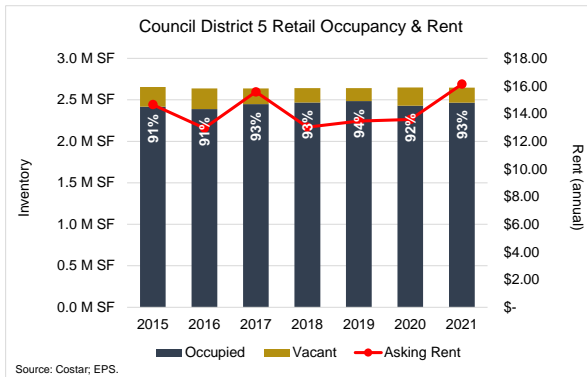
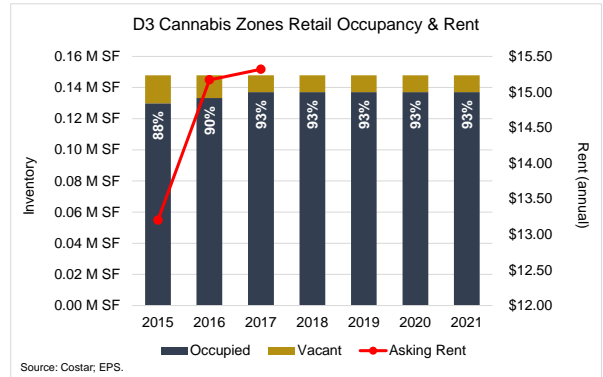
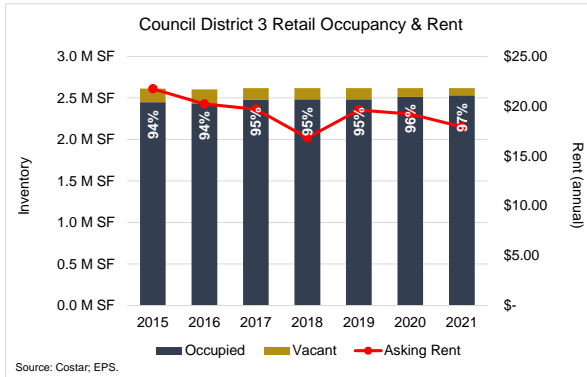
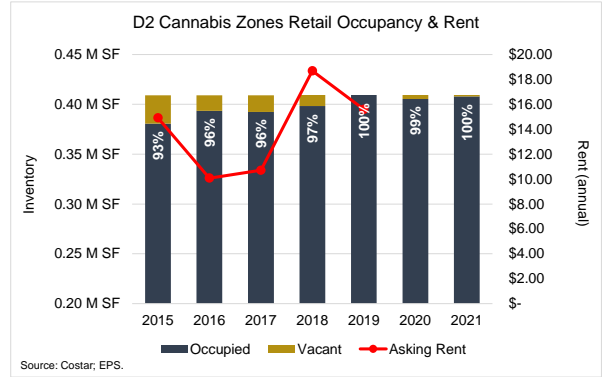
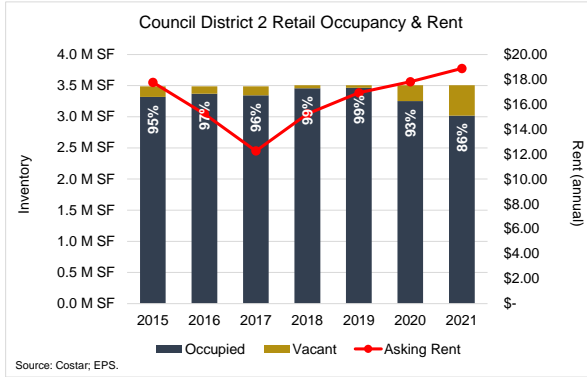


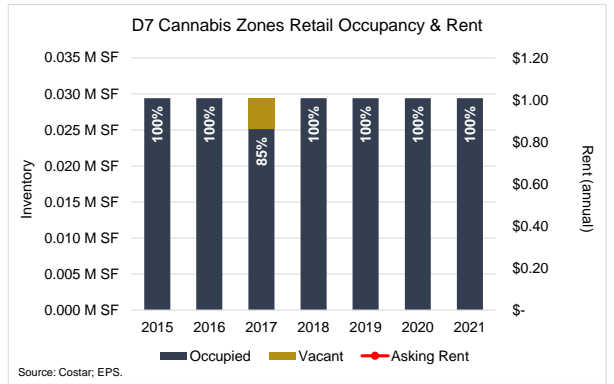
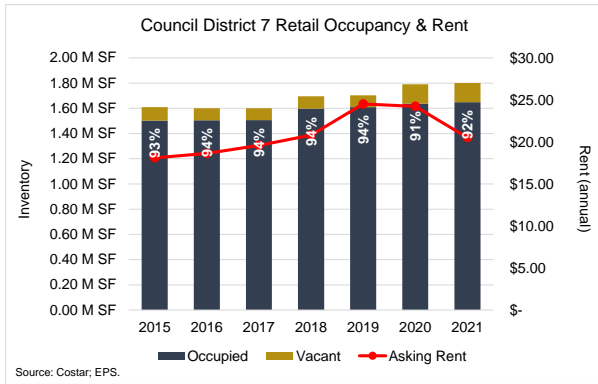
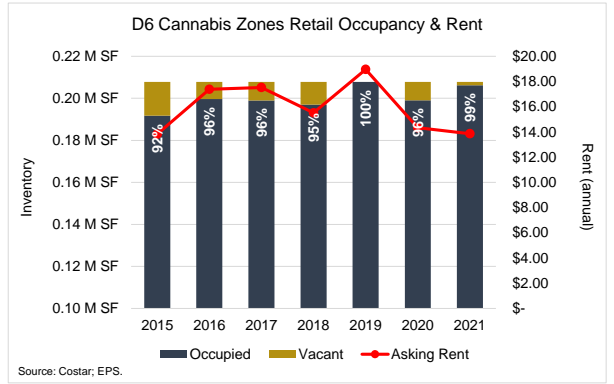
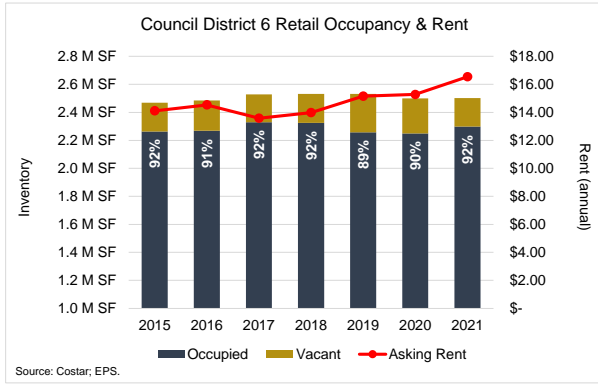
Other Council Districts with Cannabis

Retail rent and occupancy trends near cannabis businesses in the non-Midtown districts vary widely but generally follow similar patterns to the rest of their respective Council District, with some key differences noted below:

1. High occupancy rates in District 2, both districtwide and in the cannabis analysis zones, appear to have been the driver for a rise in retail rents in 2018, with the district average asking rates declining recently in response to lower occupancy, while the cannabis analysis zones have remained fully occupied.
2. The cannabis analysis zones in District 3 have historically had lower rents and occupancy levels than the district overall; however, asking rents in the cannabis analysis zones now exceed the district average, though occupancy rates remain moderately lower.
3. The District 5 cannabis zone rent surge in 2018 appears to be related to the addition of approximately 25,000 square feet of new retail space that was added to the inventory and likely commanded a lease-rate premium.
4. The District 6 cannabis zone retail rents spiked in 2019 with full occupancy. Retail rents in the areas near cannabis facilities have since moderated; however, occupancy remains stronger than the district overall.

Figure 33. Retail Occupancy & Rent: Districts Overall and Cannabis Analysis Zones





Cannabis Impacts on Industrial Real Estate

Sacramento Industrial Real Estate Market Overview

For several years following the Great Recession, the Sacramento Region's industrial market continued to experience lackluster performance, characterized by high vacancy rates and average lease rates generally below the levels required for new development to be feasible without a major signed tenant preceding construction. Much of the drag on the region's industrial market was due to older, smaller spaces considered functionally obsolete for most larger users of industrial space, in addition to some significant vacated purpose-built spaces. Larger industrial spaces constructed since the 1990s generally include significantly higher unobstructed spaces below the roof supports, known as Clear Height, of at least 30 to 36 feet and ultra-flat floors to accommodate modern equipment.

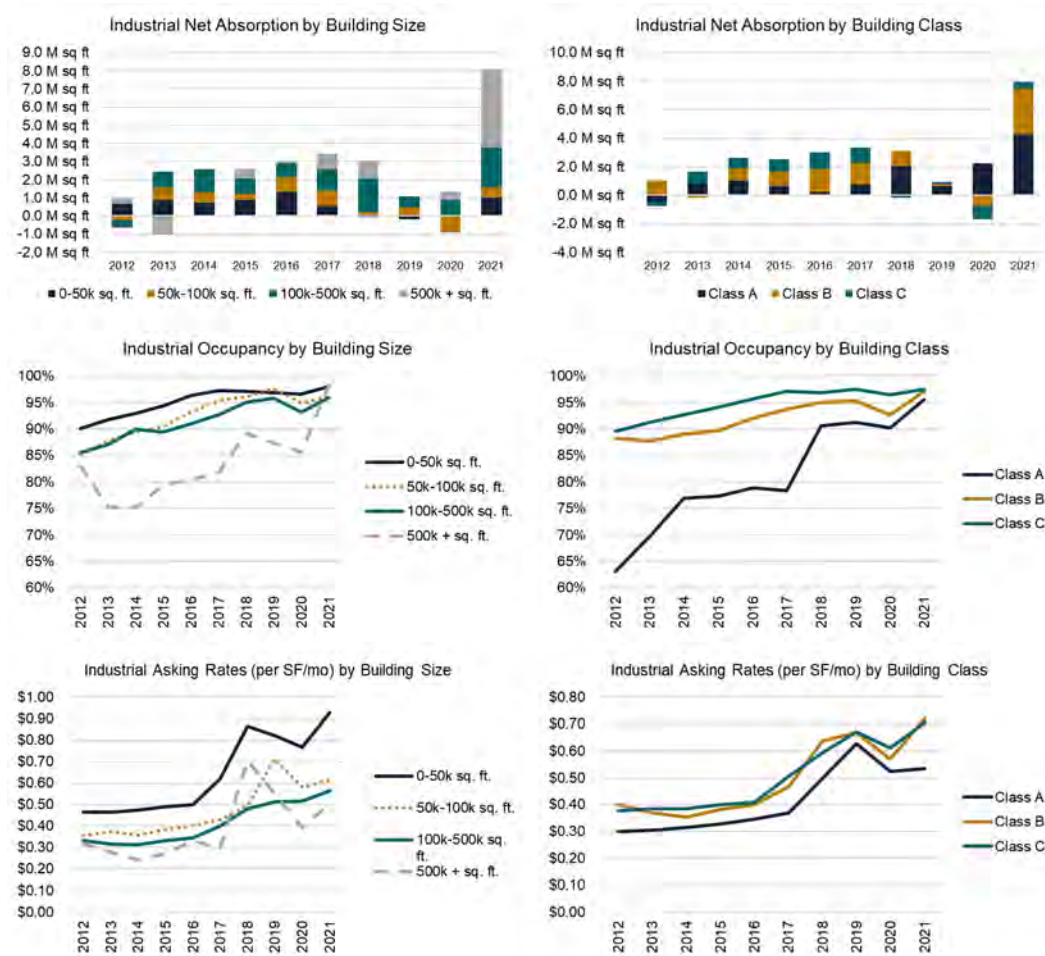
Over the last several years, the market for industrial real estate in the Sacramento Region has strengthened considerably. The advent of cannabis legalization coincided with the industrial market's first significant signs of recovery since the recessionary period. However, the continued growth and evolution of the distribution sector, combined with the region's location at the nexus Interstate 80 (I-80) and Interstate 5 (I-5) transportation corridors, and tightening of the Tracy-Lathrop logistics hub, have supported the region's emergence as a logistics center. The COVID-19 pandemic has provided further acceleration of these trends.

Commercial brokerages report the Sacramento Region has absorbed more than 10.0 million square feet over the last 4 years, driving vacancy rates low and contributing to increasing lease rates. The charts below summarize industrial real estate market activity in the Sacramento market (defined by Costar as Sacramento, Yolo, Placer, and El Dorado Counties).

While absorption of Class A spaces in larger buildings has dominated market activity throughout the Sacramento Market³⁸ recently (largely because of the development of Metro Air Park), a significant share of absorption occurred in smaller Class B and Class C buildings in the years leading up to 2018, driving up occupancy levels and asking rents in these spaces, as shown in the figures below.

³⁸ The Sacramento Market is defined by Costar as Sacramento, Yolo, Placer, and El Dorado Counties.

Figure 34. Industrial Real Estate Metrics by Building Size and Class



Cannabis Industrial Analysis

As noted previously, non-dispensary cannabis businesses are generally limited to the City’s industrial areas because of zoning restrictions. Therefore, a fair amount of clustering in these zones is inevitable. The areas analyzed for each individual business or cluster of businesses vary depending on the number of clustered cannabis businesses and density of surrounding uses. For clusters of a few neighboring cannabis manufacturing and distribution establishments, such as found in several District 2 locations, a 1,000-foot radius from the center of the cluster was analyzed, with some adjustments to avoid areas separated by freeways. In the Power Inn area, where numerous cannabis businesses are scattered throughout industrial zones, larger geographies were analyzed (e.g., for the area around Power Inn Road and 14th Avenue, the area of analysis included the area between the railroad tracks and Granite Regional Park).

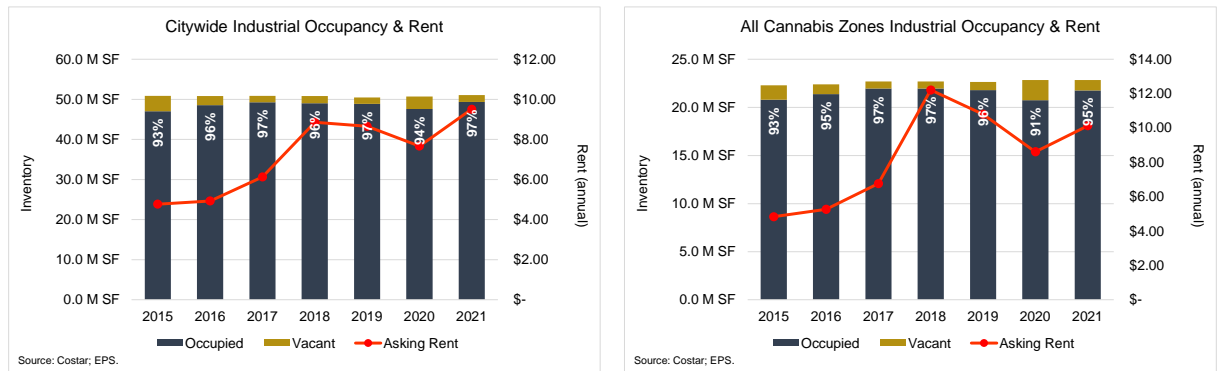
For individual retail dispensary locations in densely developed Midtown, the area analyzed was limited to a 500-foot radius from the establishment, while areas within a 700-foot radius were analyzed for retail establishments along major corridors and other less densely developed areas, such as Stockton Boulevard or Fruitridge Road.

Maps of the analysis zones are located in **Appendix E**.

Industrial Findings

In the City, industrial occupancy levels peaked at 98 percent in 2018, with an accompanying spike in average asking rents, which softened to 2020, followed by a further increase in 2021.

Figure 35. Industrial Occupancy & Rent: Citywide and Cannabis Analysis Zones



The City's industrial zones surrounding cannabis uses, which tend to include a higher share of older, smaller spaces (Class B and Class C), generally mirrored those in the City overall but saw a higher spike in rents in 2018 than found citywide. Conversely, the recent uptick in industrial rents in the City overall, largely driven by warehouse and fulfillment demand, is less pronounced in the cannabis analysis zones because these areas tend to have fewer of the large, high-ceiling spaces sought by larger distribution operators.

Council District Cannabis Analysis Zones Industrial Analysis

The following sections provide comparisons of industrial occupancy and lease rate trends for the areas surrounding cannabis businesses (cannabis analysis zones) in each of the Council Districts with the overall trends found in the districts. The districtwide trends are presented first, followed by the cannabis analysis zones. In addition, market data for several specific analysis zones are provided for illustrative purposes.

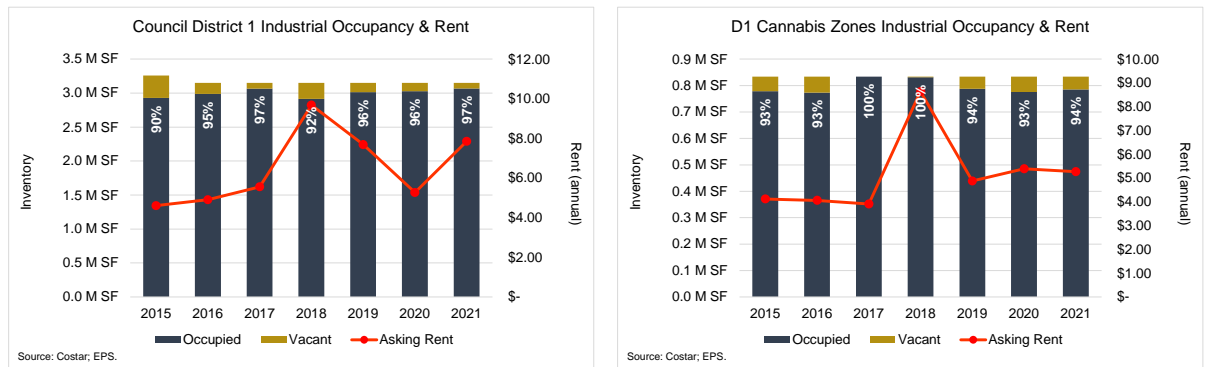
While several locations lacked sufficient commercial real estate leasing activity to provide sufficient data for analysis, either because of small inventories or high occupancy levels with little turnover, many of the cannabis analysis zones with adequate data for analysis showed similar patterns, as discussed below.

(Note that years with insufficient reported lease rate data show as breaks in the asking rent trend lines in the charts below.)

District 1 Industrial

The District 1 cannabis zone industrial is confined to the vicinity of 135 Main Avenue, where a spike in asking rent was noted in 2018 when the area was at full occupancy. After some movement returned to the market the following year, asking rents declined moderately.

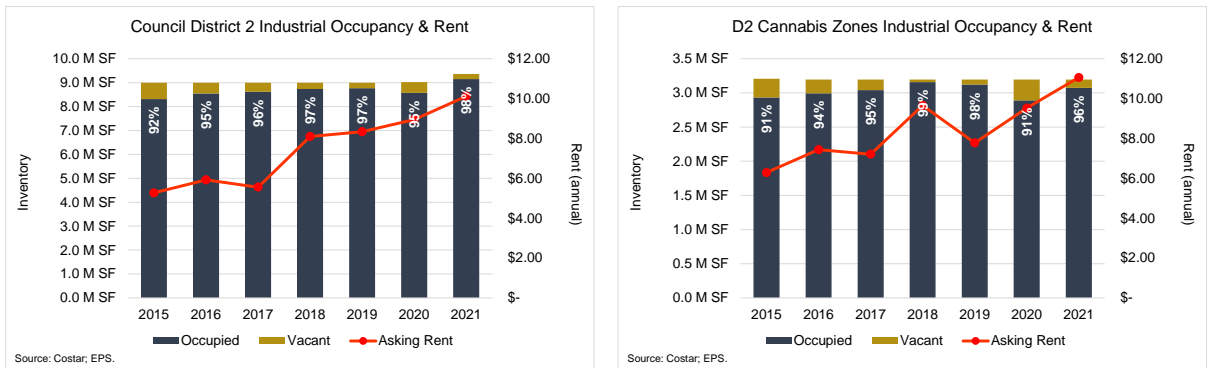
Figure 36. Industrial Occupancy & Rent: D1 Overall and D1 Cannabis Analysis Zones



District 2 Industrial

The District 2 cannabis analysis zones exhibited similar industrial market trends as the district overall. However, asking rents near cannabis businesses dropped somewhat more rapidly from their 2018 peak and have seen a smaller spike in 2021.

Figure 37. Industrial Occupancy & Rent: D2 Overall and D2 Cannabis Analysis Zones



District 2 Area Highlights

In each of the District 2 industrial-oriented cannabis analysis zones, the findings vary because of the specific mix of buildings, tenants, and leasing activity. For example, the area near Blumenfeld Drive and Joellis Way roughly aligns with trends found citywide, while the area in the vicinity of 1500 El Camino Avenue experienced a much less dramatic spike in industrial lease rates in 2018 but a much more pronounced increase in average asking rates in the last 2 years. The area around Lathrop Way has experienced continued softening in rates. The Railroad Drive area has seen a dramatic increase in industrial asking rates following the lease up of a significant amount of previously unoccupied space in 2018 that followed a period of low rental rates.

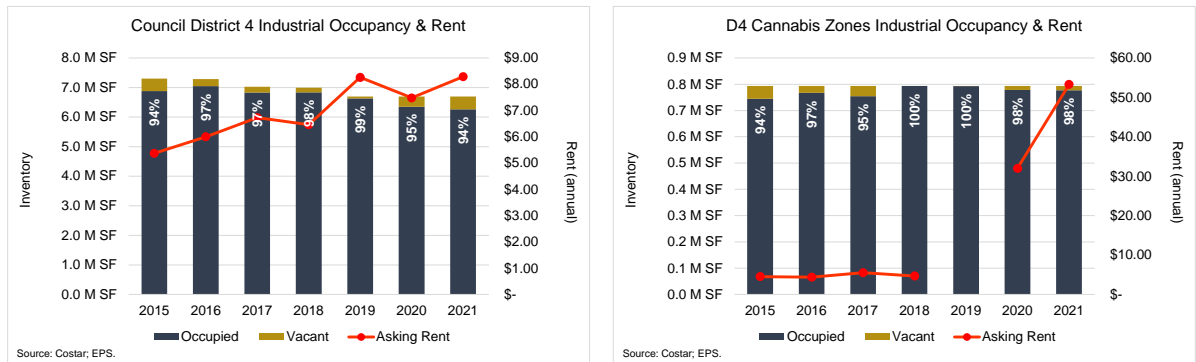
Figure 38. Industrial Occupancy & Rent: Representative D2 Cannabis Analysis Zones



District 4 Industrial

The industrial square footage in District 4 is scattered over several areas but mostly located along the northern fringe of Midtown, or adjacent to railroad lines or freeways. The industrial square footage located in the District 4 cannabis analysis zones is generally fairly small compared to some of the other more industrially focused areas of the City. The small inventory combined with relatively convenient location (depending on use) results in very little available vacant space and therefore little to no data on asking lease rates, particularly in the cannabis analysis zones.

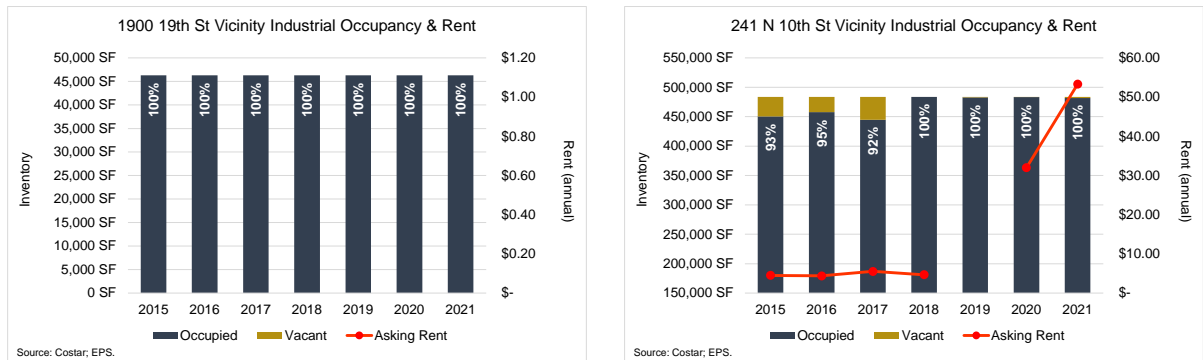
Figure 39. Industrial Occupancy & Rent: D4 Overall and D4 Cannabis Analysis Zones



District 4 Area Highlights

The area near 1900 19th Street illustrates the low inventory combined with high occupancy levels and resulting lack of industrial asking lease rate data, typical of District 4 cannabis analysis zones.

Figure 40. Industrial Occupancy & Rent: Representative D4 Cannabis Analysis Zones

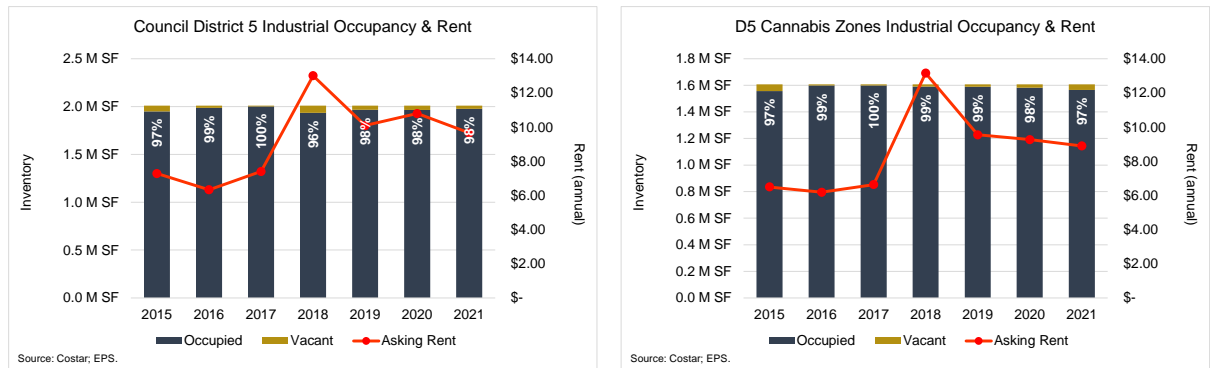


Note: The area near 12th and C Streets includes periods with sizeable vacancy (15 percent), but no available asking lease rate data, suggesting the vacant space may not be on the market.

District 5

Industrial areas around cannabis businesses in District 5 exhibited similar lease rate patterns as the district overall. However, the cannabis analysis zones peaked at a lower average asking rate in 2018 and have remained lower than the district overall.

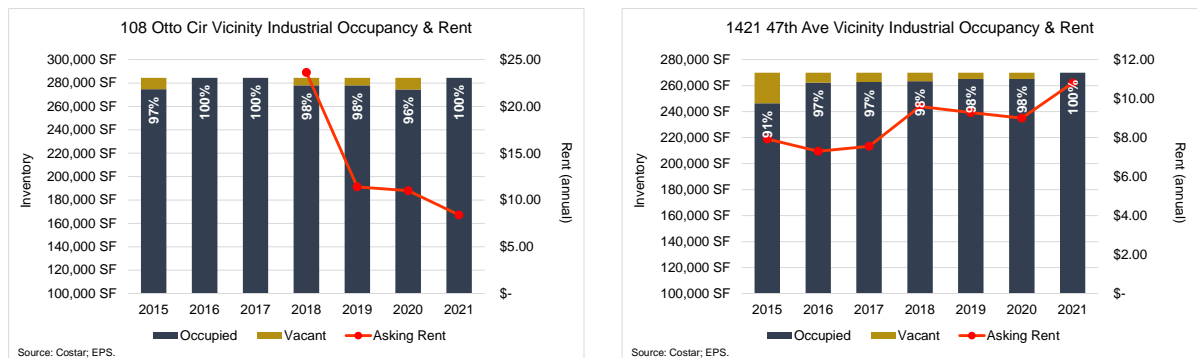
Figure 41. Industrial Occupancy & Rent: D5 Overall and D5 Cannabis Analysis Zones



District 5 Area Highlights

The Otto Circle analysis area has exhibited very high occupancy levels for the past several years. Following a period of 100 percent occupancy, vacant inventory that was added to the market in 2018 appears to have initially followed the same asking rate spike found elsewhere, with rates falling in subsequent years. However, the area does not appear to have experienced the recent uptick in industrial rents.

Figure 42. Industrial Occupancy & Rent: Representative D5 Cannabis Analysis Zones

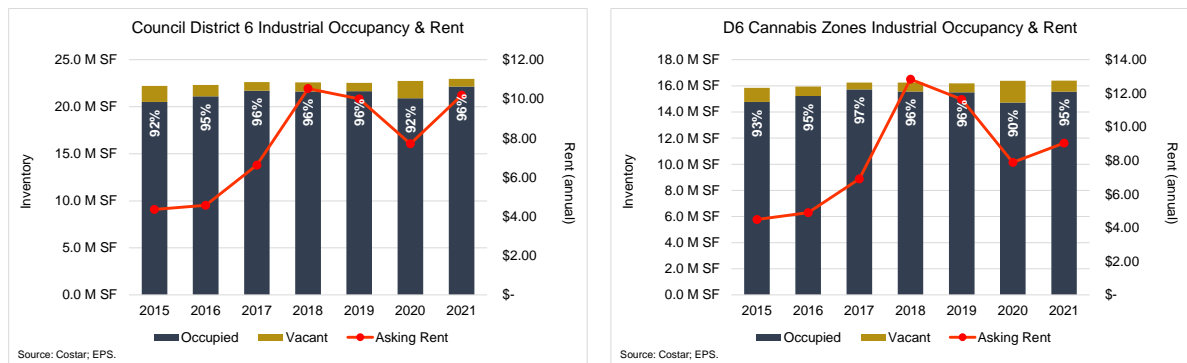


The 47th Avenue cannabis analysis zone closely mirrors citywide asking rate trends, with a moderate peak in 2018, followed by a tapering and recent increase. The area has had high occupancy levels since 2016.

District 6

The areas identified as cannabis analysis zones for this analysis comprise a significant share of the total District 6 industrial square footage. As such, the similar lease rate trends from 2015 to the 2018 spike illustrated in the charts are understandable. However, the cannabis analysis zones have seen asking rates drop since the 2018 spike, while asking rates for the district overall have largely remained near the level reached in 2018. This suggests that some of the more desirable industrial space in the district is outside the cannabis analysis zones.

Figure 43. Industrial Occupancy & Rent: D6 Overall and D6 Cannabis Analysis Zones

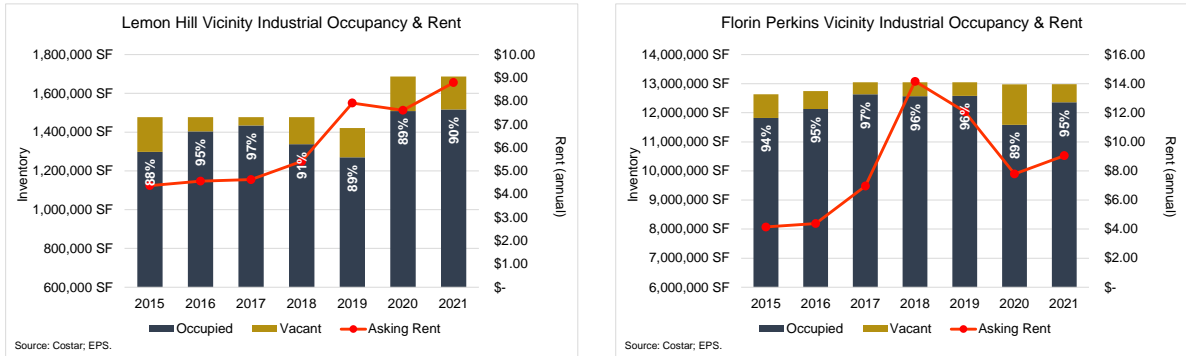


District 6 Area Highlights

The Florin Perkins analysis zone epitomizes the cannabis industrial zone lease rate trend, with a dramatic peak in 2018, followed by a decline and slight rebound. Moreover, with approximately 13 million square feet, the area was a key driver of the citywide spike in 2018. The following drop in occupancy in part may be attributable to cases of rent speculation cited by individuals close to the local submarket, where landlords declined to renew existing leases in a quest for higher paying cannabis tenants. While such a strategy may have rewarded some property owners, it does not appear to have been sustainable, given the increased vacancy and decreased rents.

The growth in industrial asking lease rates throughout the district has spread to the traditionally economically depressed Lemon Hill area, with rates approaching levels found elsewhere in the district. However, given the higher sustained lease levels since 2018 in the district overall than found in the cannabis analysis zones, it does not appear that cannabis has been the driver of the recent run-up in asking rents in Lemon Hill.

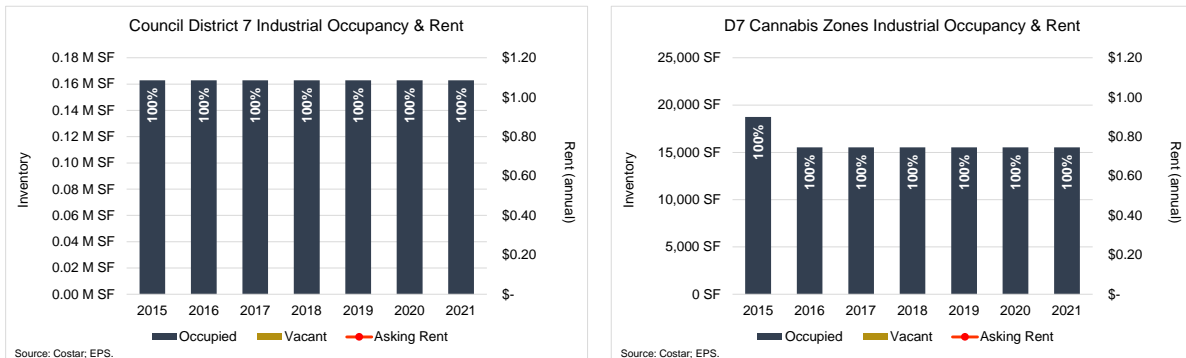
Figure 44. Industrial Occupancy & Rent: Representative D6 Cannabis Analysis Zones



District 7

District 7 has limited industrial area, with full occupancy in the cannabis zone and districtwide.

Figure 45. Industrial Occupancy & Rent: D7 Overall and D7 Cannabis Analysis Zones



Residential Real Estate

EPS analyzed the impact of cannabis businesses on residential property values. The Matrix Report found that community members were concerned that proximity to cannabis businesses could lower residential property values. To assess the impact of cannabis businesses on residential property values, this section provides an overview of the housing market in Sacramento, summarizes available literature on this issue, and presents the findings of a quantitative analysis of property values near cannabis businesses.

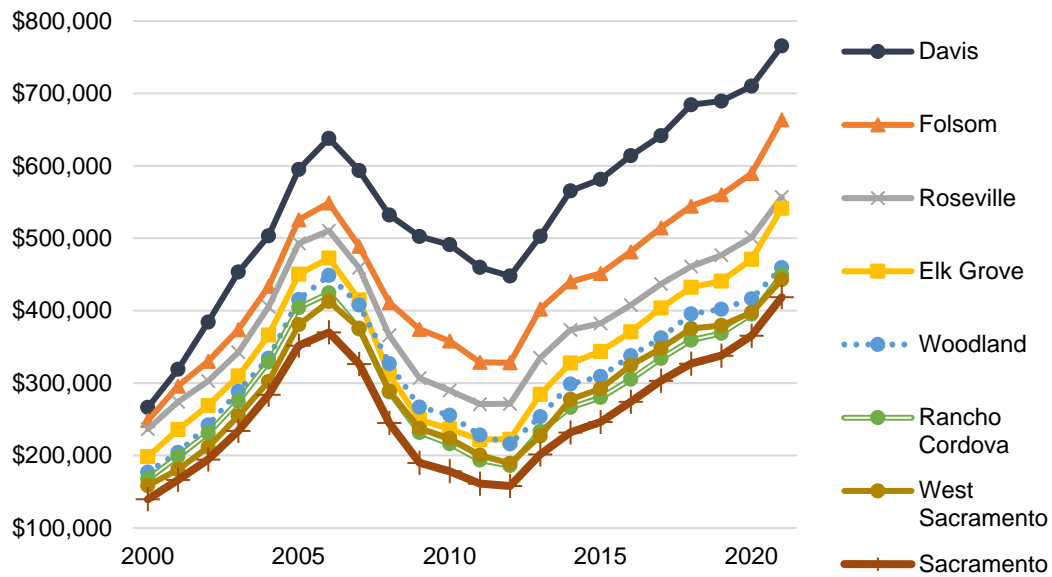
Although the Matrix Report does not identify the exact characteristics of cannabis businesses that could drive down home values, EPS’s research has identified the following issues:

- Unpleasant odor of cannabis plants from cultivation or manufacturing processes.
- Blight and urban decay from poorly maintained structures used by cannabis businesses.
- Increased crime around cannabis businesses.

Overview of Sacramento Housing Market

The City is the central city of the Sacramento-Roseville-Arden Arcade Metropolitan Statistical Area (Sacramento MSA). As of November 2021, the Sacramento MSA has the 14th highest home prices of the 34 MSAs in California for which Zillow tracks data. In the Sacramento MSA, where Zillow tracks home values for 77 cities, the City has the 69th highest home prices. As shown in **Figure 46**, the typical home value in Sacramento is slightly lower than in neighboring jurisdictions.

Figure 46. Home Values in the Sacramento Region

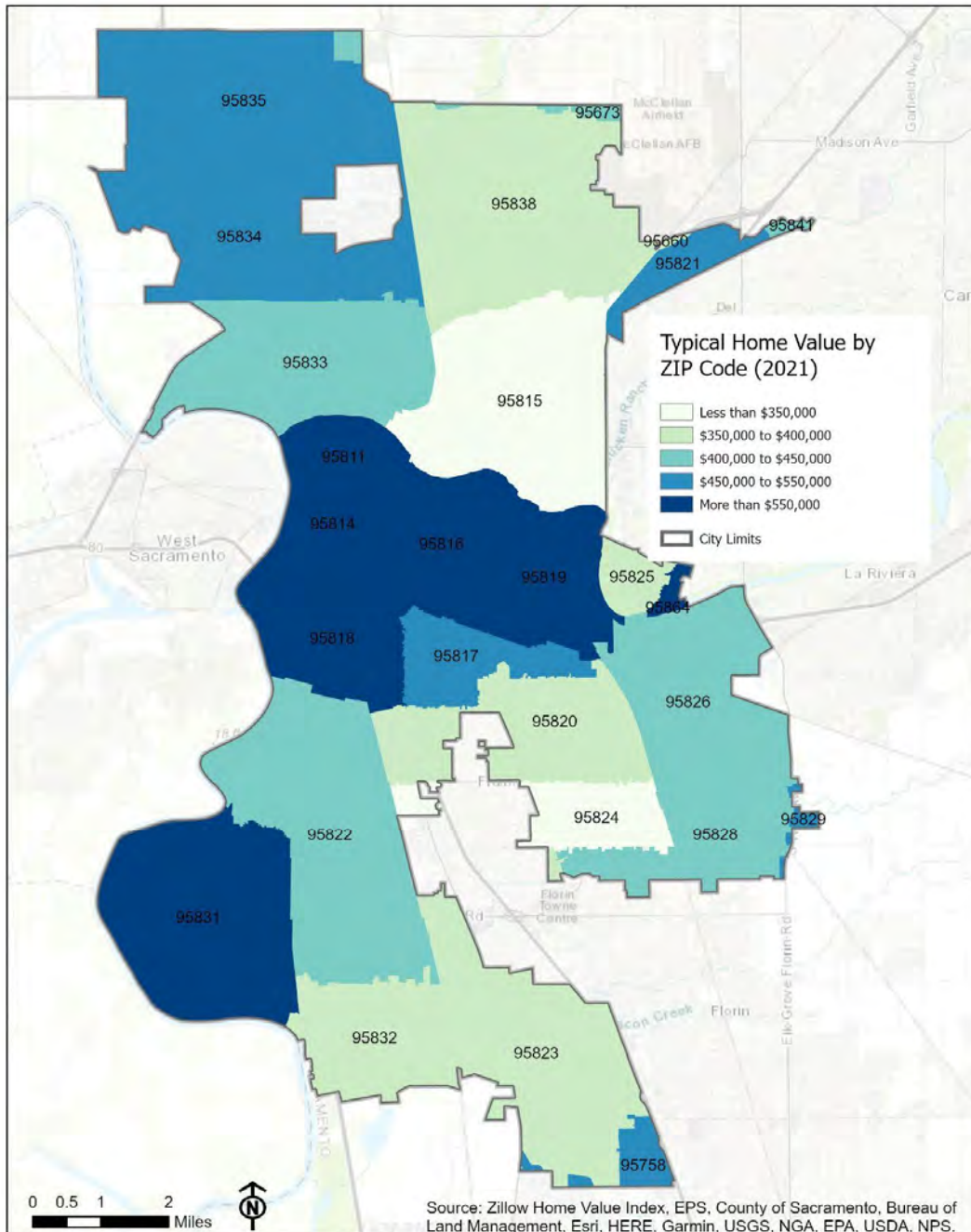


Source: Zillow. EPS.

Over the past 20 years, home values in the City and the broader region increased sharply from 2000 to 2007 before the Great Recession. Home values reached their Recession-induced nadir in 2012 and have been increasing steadily ever since. Over the past 2 years, home values in the region have begun to increase more rapidly because of restricted supply and in-migration to the region from the more expensive San Francisco Bay Area.

In the City, home values are generally highest in the legacy neighborhoods immediately to the south and east of the central business district and in the Pocket neighborhood (ZIP code 95831) in southwest Sacramento, as shown in **Figure 47**. The lowest home values are found in the northeast and southeast portions of the City, which also contain the majority of the land available for industrial and heavy commercial uses.

Figure 47. Home Values in Sacramento Neighborhoods



Drivers of Home Prices

Studying the impact of nearby cannabis businesses on home values is somewhat difficult, as most cannabis businesses are located in industrial zones. Because of the impact of industrial activity, which can include air pollution, noise and odor from industrial processes, neglected properties, and heavy truck traffic, residential values near industrial zones are typically lower than in other areas of cities.³⁹ This impact on prices is strongest on homes within a short distance of industrial uses, about one-half to two-thirds of a mile.⁴⁰ While cannabis production uses presumably share many of the disamenity characteristics of general industrial uses, cannabis retail does not. Although the Matrix Report did not identify specific neighborhood concerns regarding cannabis dispensaries, public comments show that residents are concerned about the potential for illegal activity, blight, and impacts to neighborhood reputation arising from dispensary locations. Because of the difference in how dispensaries and production uses are presumed to impact property values, this Study analyzes home value impacts from dispensaries separately from production uses.

Because legalized cannabis is a relatively new industry, there are few studies on the impact of cannabis businesses on residential property values. The available studies show conflicting results. A study in Seattle showed that homes located within 0.36 mile of a dispensary had negative price impacts of 3 to 4 percent compared to homes located outside of this distance.⁴¹ However, a study from Denver, Colorado, showed that homes within 0.1 mile of a dispensary were worth approximately 8 percent more than their neighbors outside of this distance.⁴² At a larger scale, a study of 12 states and Washington, D.C., found that legalization of adult-use cannabis was associated with increases in home values statewide, and that neighborhoods in Washington, D.C., and Colorado experienced increased prices after nearby cannabis dispensaries opened.⁴³

Cannabis Businesses and Home Prices in Sacramento

Using data on home sales from the Sacramento County Assessor's office, the per-square-foot (PSF) sales prices of single-family homes within one-quarter mile of cannabis businesses are compared to those within one-quarter to one-half mile from a cannabis business. Homes within the quarter-mile to half-mile distance were chosen to control for the general price effects of the neighborhood, including access to jobs, transportation, and amenities. In **Figures 50** through **52**, later in

³⁹ Wiley, Jonathan. 2015. The Impact of Commercial Development on Surrounding Residential Property Values. Georgia Multiple Listing Service. Available at <https://www.gamls.com/images/jonwiley.pdf> [Accessed November 2021].

⁴⁰ De Vor, Friso & De Groot, Henri. 2009. The Impact of Industrial Sites on Residential Property Values: A Hedonic Pricing Analysis from the Netherlands. Tinbergen Institute Discussion Papers. Available at <https://papers.tinbergen.nl/09035.pdf> [Accessed December 2021].

⁴¹ Thomas, Danna & Tian, Lin. 2021. "Hits from the Bong: The impact of recreational marijuana dispensaries on property values." *Regional Science and Urban Economics*. Elsevier. Vol. 87(C).

⁴² Conklin, J., Diop, M., & Li, H. 2021. Contact High: The External Effects of Retail Marijuana Establishments on House Prices. *Real Estate Economics*.

⁴³ Kim, D., O'Connor, S., Norwood, B. 2020. Retail Marijuana Deregulation and Housing Prices.

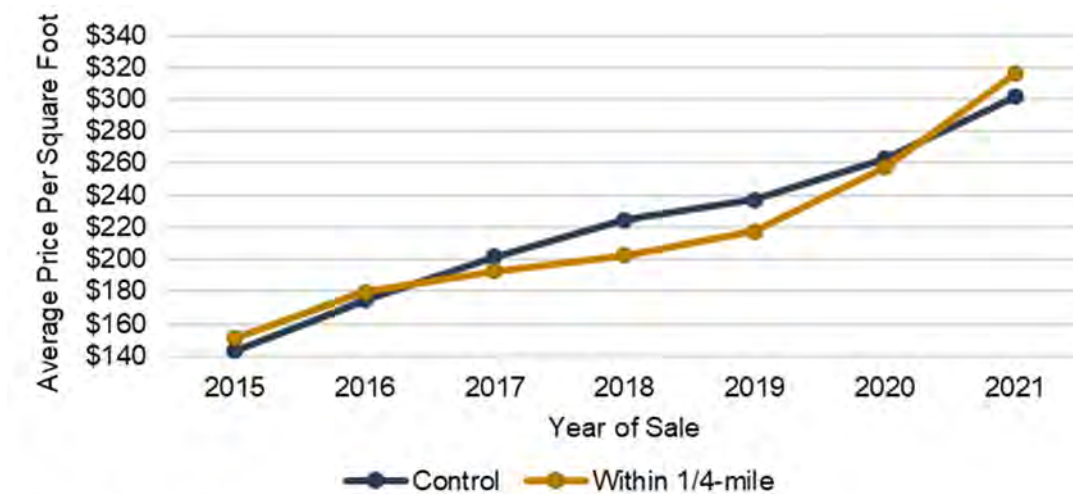
this chapter, these sales are labeled “control.” In addition, the impact of proximity to production uses (cultivation, manufacturing, or microbusiness) and retail dispensaries are also analyzed separately in the manner described above.

Home prices in candidate neighborhoods are evaluated over the time period extending from 2015 through 2021 to allow comparison of values both before and after the establishment of legalized commercial cannabis businesses in 2018. The analysis did not include any home sales under \$20,000 as these are assumed to be non-arms-length transactions.

Home Values Near Production Uses

Overall, the analysis found that homes within one-quarter mile did not suffer any decrease in home value relative to their neighbors slightly farther away, as shown in **Figure 48**. Based on an average of 92 sales per year for homes within a quarter-mile of a cannabis production business, and 309 sales per year for homes within a quarter-mile to a half-mile, both groups of homes experienced sales price appreciation between 2015 and 2021 as Sacramento continued its recovery from the Great Recession, but as shown in **Table 14**, homes within a quarter-mile of a cannabis production business are sold for approximately \$40 more PSF than homes within a quarter-mile to a half-mile away from these businesses. In addition, sales price growth for those homes nearer to these cannabis businesses has been greater than homes slightly further away in each of the last 3 years.

Figure 48. Home Prices within ¼-Mile of Cannabis Production Uses



Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

Table 14. Home Prices Near of Cannabis Production Uses (Citywide)

Year	Control [1]		Test [2]	
	Price Per Square Foot	Change from Previous Year	Price Per Square Foot	Change from Previous Year
2015	\$143.26	N/A	\$151.32	N/A
2016	\$174.47	22%	\$179.68	19%
2017	\$201.46	15%	\$192.46	7%
2018	\$224.60	11%	\$202.49	5%
2019	\$237.05	6%	\$217.61	7%
2020	\$262.74	11%	\$257.42	18%
2021	\$301.54	15%	\$315.85	23%
Total Change (2015 - 2021)	\$158.27	110%	\$164.53	109%

Source: City of Sacramento, Sacramento County Assessor, EPS.

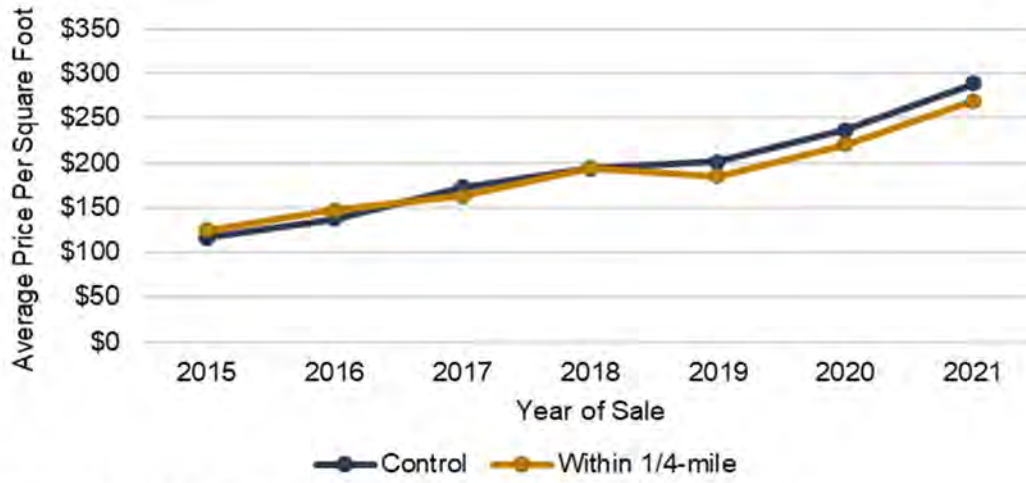
- [1] Includes properties between 1/4-mile and 1/2-mile from cannabis production uses.
- [2] Includes properties within 1/4-mile of cannabis production uses.
- [3] Heavy cannabis uses include cultivation, manufacturing, and micro businesses.
- [4] Includes all single-family residential sales above \$20,000. Sales below \$20,000 are presumed to be non arms-length transactions.
- [5] Cannabis production uses include businesses licensed for cultivation, distribution, transport, microbusiness, lab, manufacturing, and delivery.

As noted previously, Council District 2 and Council District 6 contain the majority of cannabis production businesses. As such, this Study examines impacts on home values for homes in those districts that are near cannabis businesses.

Council District 2

As of July 2021, Council District 2 had 55 of the 264 actively licensed cannabis businesses, as shown in **Table 5 (Chapter 3)**. These 55 businesses are largely concentrated along Business Interstate 80/Capitol City Freeway and Del Paso Boulevard, as shown in **Figure 22 (Chapter 3)**. Data from the Sacramento County Assessor’s office identified an average of 134 sales per year of homes within one-quarter to one-half mile from cannabis production uses and 66 sales per year of homes within one-quarter mile of cannabis production uses. These data show similar results to the citywide analysis in that both groups of homes experienced price appreciation during the Study period. However, in District 2, homes sold in 2021 near cannabis businesses sold for approximately \$20 less PSF than homes slightly further away, as shown in **Table 15**.

Figure 49. Home Prices Near Cannabis Production Uses in Council District 2



Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

Table 15. Home Prices Near Cannabis Production Uses in Council District 2

Year	Control [1]		Test [2]	
	Price Per Square Foot	Change from Previous Year	Price Per Square Foot	Change from Previous Year
2015	\$116.21	N/A	\$124.41	N/A
2016	\$136.63	18%	\$146.89	18%
2017	\$172.59	26%	\$162.52	11%
2018	\$193.73	12%	\$194.48	20%
2019	\$201.21	4%	\$185.04	-5%
2020	\$237.24	18%	\$220.98	19%
2021	\$288.78	22%	\$269.55	22%
Total Change (2015 - 2021)	\$172.57	148%	\$145.14	117%

Source: City of Sacramento, Sacramento County Assessor, EPS.

[1] Includes properties between 1/4-mile and 1/2-mile from cannabis production uses.

[2] Includes properties within 1/4-mile of cannabis production uses.

[3] Heavy cannabis uses include cultivation, manufacturing, and micro businesses.

[4] Includes all single-family residential sales above \$20,000. Sales below \$20,000 are presumed to be non arms-length transactions.

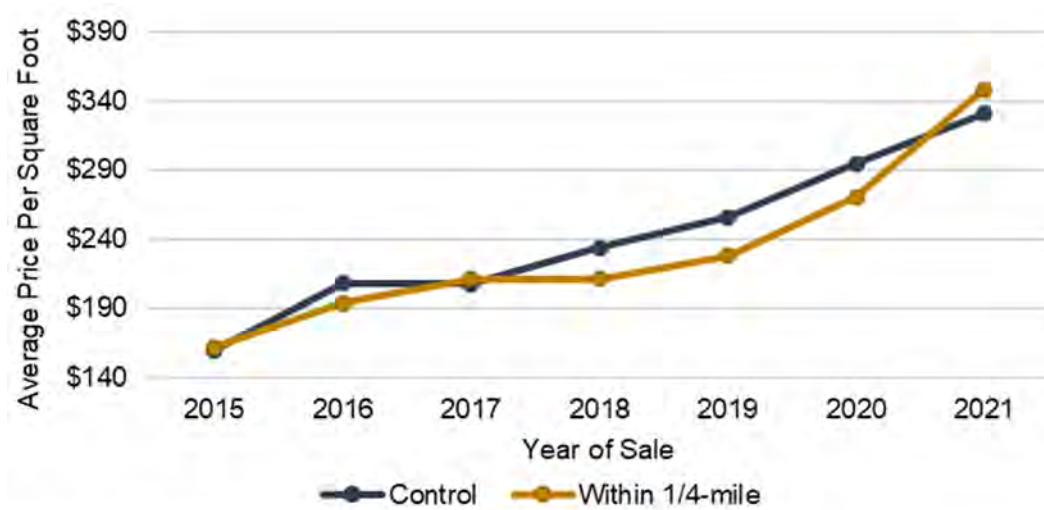
[5] Cannabis production uses include businesses licensed for cultivation, distribution, transport, microbusiness, lab, manufacturing, and delivery.

Council District 6

As of July 2021, Council District 6 had the highest concentration of cannabis businesses. The district contained 65 percent of the 160 licensed cannabis production businesses in the City, and 58 percent of all cannabis businesses. However, as shown in **Figure 29**, cannabis uses in District 6 are largely located in the industrial areas east of Power Inn Road, segregated from the residential areas. Because of this separation of residential and industrial uses in District 6, EPS’s analysis of home sales includes fewer sales than the analysis of District 2. In District 6, there were approximately 47 single-family home sales per year in the control group and 13 sales per year of homes within one-quarter mile of a cannabis production use.

As seen in **Figure 50** and **Table 16**, sales prices of homes in District 6 were between \$20 and \$40 PSF lower for homes within one-quarter mile of cannabis uses between 2018 and 2020. However, in 2021, homes within one-quarter mile of cannabis uses were selling for approximately \$30 more PSF than homes within one-quarter to one-half miles of cannabis production businesses.

Figure 50. Home Prices Near Cannabis Production Uses in Council District 6



Source: City of Sacramento Office of Cannabis Management, Sacramento County Assessor's Office, EPS.

Table 16. Home Sales Near Cannabis Production Uses in Council District 6

Year	Control [1]		Test [2]	
	Price Per Square Foot	Change from Previous Year	Price Per Square Foot	Change from Previous Year
2015	\$160.08	N/A	\$182.16	N/A
2016	\$207.90	30%	\$245.62	35%
2017	\$207.51	0%	\$250.01	2%
2018	\$233.55	13%	\$213.02	-15%
2019	\$255.84	10%	\$218.69	3%
2020	\$294.56	15%	\$278.91	28%
2021	\$330.75	12%	\$364.10	31%
Total Change (2015 - 2021)	\$170.66	107%	\$181.95	100%

Source: City of Sacramento, Sacramento County Assessor, EPS.

[1] Includes properties between 1/4-mile and 1/2-mile away from heavy cannabis uses.

[2] Includes properties within 1/4-mile of heavy cannabis uses.

[3] Heavy cannabis uses include cultivation, manufacturing, and micro businesses.

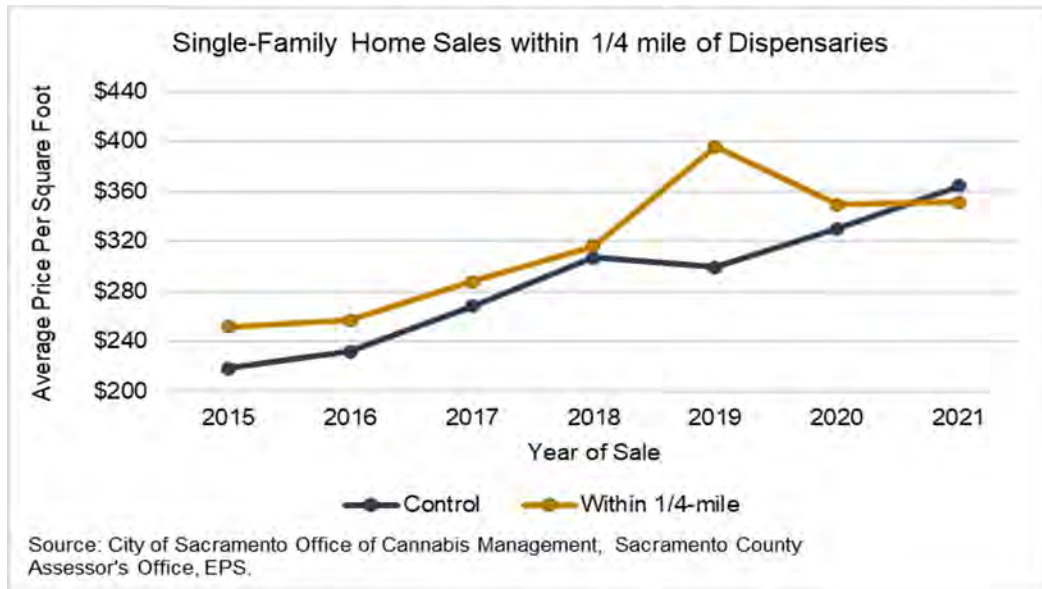
[4] Includes all single-family residential sales above \$20,000. Sales below \$20,000 are presumed to be non arms-length transactions.

Home Values Near Dispensaries

The City's land use policies are more permissive for storefront dispensaries than other cannabis uses because they are essentially retail businesses and therefore are more readily able to locate in General Commercial (C-2) zones. As seen in **Table 12** earlier in this chapter, storefront dispensaries make up nearly half of the 27 cannabis businesses located in General Commercial zones. General Commercial zones are generally either interspersed within residential neighborhoods, such as in Midtown, or along commercial corridors.

Based on an average of 338 sales per year for the control group and 86 sales per year for homes within one-quarter mile of dispensaries, the analysis finds that proximity to dispensaries does not reduce home values relative to other homes in the same general area. As seen in **Figure 51**, homes within one-quarter mile of dispensaries had higher sales prices PSF from 2015 to 2020. Only in 2021 did the PSF price for homes within one-quarter mile of dispensaries fall below the PSF price for homes within one-quarter to one-half mile away.

Figure 51. Single-Family Home Sales within One-Quarter Mile of Dispensaries (Citywide)



As shown in **Table 17**, in 2021, homes within one-quarter mile of a dispensary were sold for approximately \$13 less PSF than homes between one-quarter and one-half mile away from a dispensary. While this is a reversal of the 2015 to 2020 trends, more years of data and observation will be needed to see if the current trend continues.

Table 17. Home Sales Near Cannabis Dispensaries (Citywide)

Year	Control [1]		Test [2]	
	Price Per Square Foot	Change from Previous Year	Price Per Square Foot	Change from Previous Year
2015	\$218.34	N/A	\$251.72	N/A
2016	\$232.20	6%	\$257.03	2%
2017	\$268.15	15%	\$287.96	12%
2018	\$307.00	14%	\$316.35	10%
2019	\$299.21	-3%	\$395.65	25%
2020	\$330.16	10%	\$349.59	-12%
2021	\$364.41	10%	\$351.22	0%
Total Change (2015 - 2021)	\$146.07	67%	\$99.50	40%

Source: City of Sacramento, Sacramento County Assessor, EPS.

[1] Includes properties between 1/4-mile and 1/2-mile away from a dispensary.

[2] Includes properties within 1/4-mile of a dispensary.

[3] Includes all single-family residential sales above \$20,000. Sales below \$20,000 are presumed to be non arms-length transactions.

Crime and Cannabis Businesses

Although the Matrix Report did not specifically identify crime as a concern, it did describe the concern that cannabis businesses could have a negative impact on “neighborhood reputation,” of which the local crime rate is presumably a major component. In addition, public testimony on the District 2 Land Use Study, heard before the City’s Law and Legislation Committee on August 17, 2021, specifically identified crime at cannabis businesses as a major concern.

Before legalization of recreational cannabis in 2016, trade in recreational cannabis was, by definition, a criminal activity. Cultivation, distribution, and retail sale of marijuana had strong links to organized crime.⁴⁴ Even post legalization, there remains a strong black market for illicit cannabis, and the stigma linking cannabis businesses to criminal activity also remains. Public concern about criminal actors operating cannabis businesses is compounded by concern about criminal actors targeting legitimate cannabis businesses. With a large market for illicit cannabis and cannabis products, as well as the tendency of cannabis businesses to hold large amounts of cash, cannabis businesses may present attractive targets for robberies and theft. In recent months, cannabis businesses have made high-profile news stories as both perpetrators and victims of crimes. In Alameda County, sheriffs targeting an illegal grow operation seized more than \$10 million in cash and 100,000 cannabis plants.⁴⁵ In addition, in November 2021, news organizations reported on a series of more than 2 dozen robberies of licensed cannabis delivery businesses in Oakland in less than a week, with business owners claiming losses of up to \$5 million.⁴⁶

At the state level, cannabis legalization is generally associated with a decrease in crime, likely because of the disruption of illicit markets by legal ones.⁴⁷ Previous studies of the relationship between the location of cannabis businesses and crime

⁴⁴ National Drug Intelligence Center, 2008. National Drug Threat Assessment 2009. Available at <https://www.justice.gov/archive/ndic/pubs31/31379/dtos.htm> [Accessed December 2021].

⁴⁵ Cordova, Gilbert. 2021. Upwards of \$10M in cash alone seized in illegal marijuana grow operation in Alameda County. ABC10.Com. Available at <https://www.abc10.com/article/news/crime/alameda-county-sheriffs-office-seize-large-amounts-of-marijuana-in-bust/103-80dcef91-2d69-42bd-ab36-fee4553672d8> [Accessed December 2021].

⁴⁶ Anthony, Laura. 2021. 'I fear for my business': Oakland cannabis dispensaries say they've lost \$5M in recent thefts. ABC7News.Com. Available at <https://abc7news.com/oakland-thefts-cannabis-dispensaries-police/11282132/> [Accessed December 2021].

⁴⁷ Huber, Arthur; Newman, Rebecca; & La Fave, Daniel. 2016. Cannabis Control and Crime: Medicinal Use, Depenalization and the War on Drugs. The B.E. Journal of Economic Analysis & Policy. Available at https://www.researchgate.net/publication/335379896_Not_in_my_backyard_Not_so_fast_The_effect_of_marijuana_legalization_on_neighborhood_crime [Accessed December 2021].

at smaller spatial scales have produced mixed results. A 2009 study⁴⁸ of the distribution of medical cannabis dispensaries in Sacramento found that census tracts with a higher density of medical marijuana dispensaries did not have higher property and violent crime than other census tracts and posited that the additional security measures that dispensaries typically use—security guards, video cameras—may serve to deter criminals seeking to target the dispensary. At a slightly larger scale, a study in Los Angeles found that census block groups with medical cannabis dispensaries had higher crime rates than nearby block groups without dispensaries.⁴⁹

A 2016 study in Long Beach found that higher numbers of medical marijuana dispensaries were associated with higher crime rates in surrounding areas, leading the authors to suggest that the additional security measures deployed by dispensaries may push crime to surrounding areas. In Denver, researchers found that recreational cannabis dispensaries were associated with lower violent crime but slightly higher property crime rates on the block-long street segments on which the dispensaries were located.⁵⁰ However, a second study in Denver occurring at the same time examined the impact of dispensaries and found that the opening of a dispensary in a census tract led to a 19 percent decrease in crime rates compared to other census tracts, attributing this effect to both the disruption of organized criminal cannabis trade and the additional security measures employed by dispensaries.

While criminal activity around the production and distribution of illicit cannabis remains a concern, this report focuses on the latter portion of crime—that of criminal opportunists targeting cannabis businesses, as this is the more relevant concern when examining the neighborhood impact of licensed cannabis businesses. Since licensed cannabis operations began in 2018, the Sacramento Police Department (SPD) has tracked burglaries and robberies at cannabis businesses. As shown in **Table 18**, there were between 30 and 84 robberies and burglaries per year targeting cannabis businesses. Over these 4 years, robberies and burglaries at cannabis businesses accounted for less than 1 percent of all robberies and burglaries reported to the SPD.

⁴⁸ Kepple, Nancy and Freisthler, Bridget. 2012. Exploring the ecological association between crime and medical marijuana dispensaries. *Journal of Studies on Alcohol and Drugs*. Available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3364319/> [Accessed December 2021].

⁴⁹ Contreras, Christopher. 2017. A block-level analysis of medical marijuana dispensaries and crime in the City of Los Angeles. *Justice Quarterly*. Available at <https://www.tandfonline.com/doi/full/10.1080/07418825.2016.1270346> [Accessed January 2022].

⁵⁰ Connealy, Nathan; Piza, Eric; & Hatten, Dave. 2019. The Criminogenic Effect of Marijuana Dispensaries in Denver, Colorado: A Microsynthetic Control Quasi-Experiment and Cost Benefit Analysis. *City University of New York Academic Works*. Available at https://academicworks.cuny.edu/cgi/viewcontent.cgi?article=1349&context=jj_pubs [Accessed December 2021].

Table 18. Robberies and Burglaries at Cannabis Businesses in Sacramento (2018–2021)

Year		2018	2019	2020	2021
All Crime					
Robberies	Total	1,053	1,053	894	984
	Change from Previous Year	-	0%	(15%)	10%
Burglaries	Total	6,207	7,138	5,853	5,124
	Change from Previous Year	-	15%	(18%)	(12%)
Crimes at Cannabis Businesses					
Robberies	Total	3	17	4	9
	Change from Previous Year	-	467%	(76%)	125%
Burglaries	Total	28	67	26	77
	Change from Previous Year	-	139%	(61%)	196%
Total	Total	31	84	30	86
	Change from Previous Year	-	171%	(64%)	187%
Marijuana Related Crime [1]					
	Total	197	213	116	94
	Change from Previous Year	-	8%	(46%)	(19%)

Source: City of Sacramento Police Department, EPS.

[1] Marijuana-related crimes include possession (of greater than 28.5 grams), unlicensed cultivation, possession of marijuana for sale, transportation of marijuana, and possession of marijuana in a vehicle.

While overall robberies and burglaries have trended downward since 2019, the number of crimes targeting cannabis businesses has been much more volatile, with no discernable trend. Although crimes targeting cannabis businesses have not shown any sign of trending downward, crimes involving illicit cannabis have declined significantly since commercial cannabis businesses were legalized. Crimes involving possession (of more than 28.5 grams of cannabis), unlicensed cultivation, or transportation and sale of illicit cannabis declined from a high of 213 in 2019 to just 94 in 2021, as seen in **Table 18**.

While the total number of crimes targeting cannabis businesses has not declined significantly since 2018, as general property crime has, the number of cannabis businesses has increased significantly in that time frame. As seen in **Table 19**, the number of crimes per cannabis business has declined significantly since 2018. Throughout the Study period, cultivation, delivery, and storefront dispensaries are the most commonly targeted types of businesses, both in terms of overall numbers of crimes and the number of crimes per licensed business.

Table 19. Robberies and Burglaries by Cannabis Business Type (2018–2021)

Year	2018		2019		2020		2021		Total Crimes (2018 - 2021)	Average Annual Crimes per Licensed Business
	Total	Per Licensed Business	Total	Per Licensed Business	Total	Per Licensed Business	Total	Per Licensed Business		
Industry Function Group										
Cultivation	9	1.00	23	1.05	13	0.19	47	0.53	92	0.69
Delivery	6	[1]	30	1.67	5	0.10	17	0.29	58	0.69
Distribution	3	3.00	3	0.38	2	0.07	1	0.03	9	0.87
Manufacturer	2	0.67	4	0.36	0	0.00	11	0.41	17	0.36
Microbusiness	0	0.00	0	0.00	0	0.00	5	1.25	5	0.31
Lab	1	0.25	2	0.50	0	0.00	0	0.00	3	0.19
Storefront	9	0.30	22	0.73	10	0.33	5	0.17	46	0.38
Total	30	0.64	84	0.89	30	0.15	86	0.34	230	0.50

Source: City of Sacramento Office of Cannabis Management, City of Sacramento Police Department, EPS.

[1] The Sacramento Police Department reported 6 crimes at cannabis delivery businesses in 2018, although no delivery businesses were licensed until 2019.

Overall, this analysis of crime at cannabis businesses, as well as review of the available literature, shows mixed results. On a regional level, the legalization of cannabis and the expansion and maturation of a legitimate cannabis industry will likely reduce crime, as licensed cultivators, distributors, and retailers continue to displace the criminal organizations that ran this industry before legalization. At the neighborhood level, cannabis businesses will likely remain an attractive target for thieves, although their attractiveness will decrease if federal legalization proceeds and allows these businesses to join traditional financial institutions and decrease the amount of cash they process and store on site. Despite this attractiveness, the proliferation of cannabis businesses in Sacramento has not generated a proportional increase in crimes targeting these businesses, suggesting that the enhanced security measures employed by these businesses are a strong deterrent to crime.

Key Chapter Findings

- Many of the industrial areas that are well-suited for cannabis production facilities experienced dramatic spikes in asking lease rates in 2018 on the heels of legalization. The rent spikes, which were likely due to a combination of real demand and speculation, appear to have moderated, though pricing pressure resulting from the growth of e-commerce and distribution remains.
- An analysis of lease rates for retail and industrial uses in the areas surrounding cannabis businesses found no pattern of negative impact on the marketability of surrounding areas, as demonstrated by asking lease rate trends for available spaces.
- A comparison of home sale values within one-quarter mile of dispensaries and those within larger control groups for the same areas found that proximity to dispensaries does not reduce home values relative to other homes in the same general area.
- The proliferation of cannabis businesses in Sacramento has not generated a proportional increase in crimes targeting these businesses, suggesting that the enhanced security measures employed by these businesses is a strong deterrent to crime.

6. Cannabis Economic and Fiscal Impacts in Sacramento

Economic Impact Analysis

Employment Overview and Trends

While the cannabis industry is comparable to other industries in several ways, there are also significant additional benefits and industry synergies beyond those seen by other similar operations. Cannabis cultivation and manufacturing are prime examples of this dynamic. Based on guidance provided by IMPLAN, the economic impacts of cultivation operations were estimated to be consistent with the impacts associated with indoor greenhouse industry operations.

Cannabis cultivation has similar needs to indoor greenhouses in terms of employment and output potential but serves as a significant catalyst for R&D beyond a standard greenhouse operation. Sacramento cannabis operations encourage significant agricultural research in the region, including the genetic innovations resulting in new strains of cannabis and development of new innovative growing technologies.

Proximity to the University of California at Davis, a university with significant agriculture research facilities, creates the opportunity for the Sacramento Region to become a hub for cannabis growing technology and research. Major agricultural companies, such as Scott's Miracle Grow, have begun to enter the cannabis R&D sphere, creating a catalytic effect and infusing the cannabis industry with much-needed research funding.

Similarly, the cannabis manufacturing industry is most closely akin to food manufacturing operations with some key distinctions. Where the cannabis industry diverts from the typical food production manufacturing industry related to the more scientific nature of cannabis operations as dosage in goods and specific manufacturing techniques require more intensive laboratory research and development. Maintaining proper dosage throughout the manufacturing requires very specific technology and, at times, a more intensive manufacturing operation.

These are some tie-ins to other prominent sectors in Sacramento:

- Cannabis manufacturing is commonly compared to craft brewery operations, which often undertake similar stages of testing and development of new brewing methods.
- Seed variety innovations relate strongly to life science and seed science research activity, including genetics research and tie-in to wider innovation in the ag industry.
- Delivery companies resemble (and may someday be directly influenced by) e-commerce-oriented companies.
- Distribution operations of the cannabis industry are similar to many non-cannabis operations choosing Sacramento as a central hub for transportation and distribution infrastructure, serving growing markets throughout the western United States.
- Value-added packaging and manufacturing of consumer-oriented packaged goods in the cannabis industry are reflective of other small- to medium-sized manufacturing in the region.

Cannabis Industry Multiplier Effects

This Study includes an Economic Impact Analysis of cannabis-related operations in the City. The purpose of this Economic Impact Analysis is to estimate the quantifiable economic impacts of ongoing cannabis operations on the City and the regional economy with respect to jobs, income, and total economic output. The economic stimulus generated by cannabis operations has a multiplying effect throughout the local economy as businesses, consumers, and the households of employees associated with cannabis operations make local expenditures.

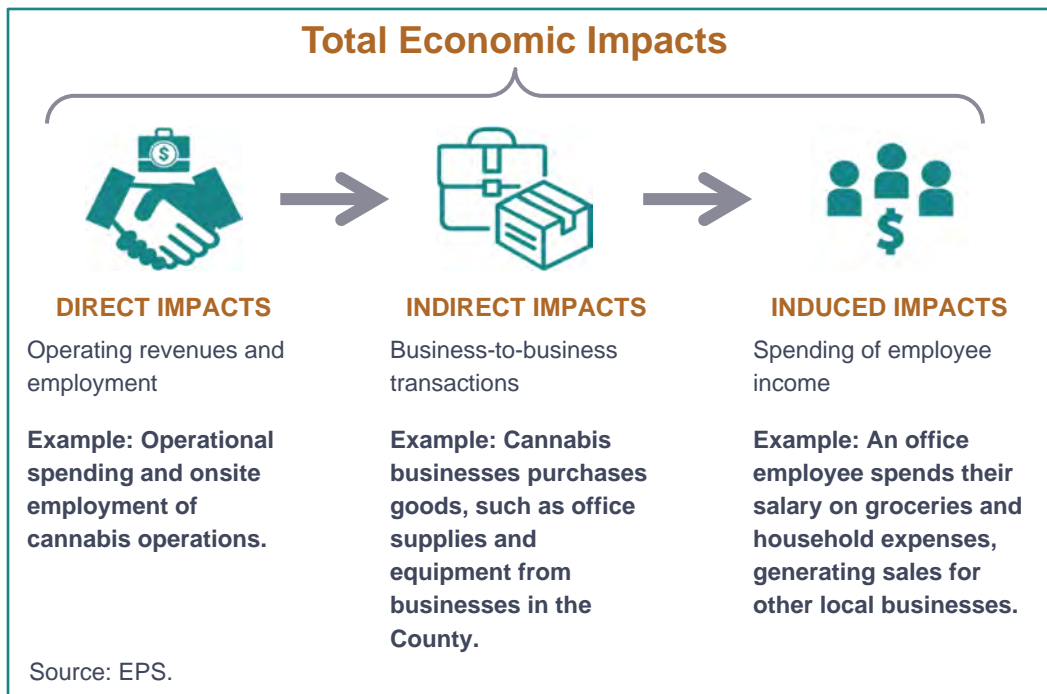
The Economic Impact Analysis quantifies these impacts using an input/output (I/O) economic modeling system, which measures the change in regional economic activity resulting from an economic stimulus. The purpose of this analysis is to estimate the existing ripple effect of economic activity generated by cannabis operations.

This estimate of the economic impacts of cannabis operations relies on the I/O modeling system called IMPLAN, which encompasses fixed relationships and linkages between households, businesses, and government entities within a regional economy. In this Economic Impact Analysis, the regional economy is defined as the County of Sacramento and is based on the 2019 IMPLAN dataset, which represent the latest available data from IMPLAN, although all economic impacts are presented in current 2021\$.

IMPLAN models are most useful in examining small, incremental changes in an economy and are most often used to reflect the growth in economic activity in a region as new economic stimuli develop. As this Study is assessing the economic activity of existing, ongoing operations, adjustments to the standard IMPLAN modeling have been made. Specifically, this analysis uses an industry contribution analysis methodology, which estimates the economic activity generated by existing business in an economy and limits the ripple effect to existing business in the economy.

The economic impacts measured in this Economic Impact Analysis include the direct contributions of the cannabis operations, as well as indirect and induced impacts of cannabis operations, including those impacts related to employment and associated households, and local contract expenditures. **Figure 52** illustrates the components described in this Economic Impact Analysis.

Figure 52. Economic Impact Analysis Components



Key Findings

This Study includes an estimate of the economic impacts generated by cannabis operations by broad business group categories, including cultivation, manufacturing, distribution, and retail. A summary of economic impacts by business group is shown in **Table 20**.

Table 20. Summary of Economic Impacts

Activity/Impact Categories	Annual Economic Impacts of Cannabis Activity by Business Group					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	Total
Source	Table A-14	Table A-15	Table A-16	Table A-17	Table A-18	Table A-13
Annual Ongoing Economic Impacts						
Annual Ongoing Operational Impacts [1]	\$1,550.3 M	\$238.3 M	\$229.8 M	\$79.2 M	\$135.8 M	\$2,233.4 M
Annual Ongoing Operational Jobs (Annual Average) [2]	7,005	889	2,047	912	1,565	12,418

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

- [1] Includes direct, indirect, and induced impacts of cannabis activity.
- [2] Employment includes both full-time and part-time workers.

1. Cannabis operations in the City are estimated to result in \$2.2 billion in total economic output in the local economy, annually, inclusive of direct, indirect, and induced impacts.

Of the \$2.2 billion in activity, \$606.3 million will be retained by employees of local businesses in the form of income. Cannabis operations generate \$1.5 billion in direct economic activity, \$357.1 million of which is income. The remaining \$746.2 million of economic activity reflects the estimated indirect and induced impacts supported by cannabis operations as spending ripples through the local economy. This level of economic activity generates support for approximately 12,500 full- and part-time jobs in the region, including 8,000 direct, 2,600 indirect, and 1,800 induced jobs.

2. The majority of economic activity created by cannabis operations are estimated to be captured by the City.

All \$1.5 billion in direct economy activity generated annually is captured in the City, and a significant portion (65 percent) of indirect and induced impacts are estimated to be retained by the City, for a total City impact of \$2.0 billion, annually, supporting 11,000 jobs.⁵¹

⁵¹ City capture or Sacramento County economic activity is based on the percentage of total annual economic activity occurring in the City, based on total economic impact estimates provided by IMPLAN.

3. *Cultivation activities generate the most significant economic impacts of all cannabis operations, followed by manufacturing and distribution.*

Cannabis cultivation activities are estimated to generate \$1.6 billion in economic activity annually, supporting 7,000 jobs, the greatest level of impact generated out of all cannabis business groups analyzed. Manufacturing and distribution reflect the next largest economic drivers in the local economy, generating \$238.3 million and \$229.8 million in economic output, respectively.

4. *Economic activity attributable to cannabis operations accounts for approximately 2 percent of the local economy.*

Based on regional data provided by IMPLAN, \$151.4 million in economic output is generated in Sacramento County, of which cannabis operations account for approximately 2 percent.

Fiscal Effects of the Cannabis Industry on the City General Fund

A City Fiscal Impact Analysis (Fiscal) has been prepared for its cannabis industry, which estimates the annual fiscal revenues, expenditures, and resulting fiscal surplus or deficit to the City General Fund attributable to cannabis operations. This Fiscal examines the estimated annual net fiscal impact on the City's General Fund budget resulting from cannabis operations, based on the approved Fiscal Year (FY) 2021/22 City budget.

Specifically, the Fiscal estimates whether estimated General Fund revenues from cannabis operations adequately cover the cost of delivering General Fund municipal services (e.g., police and fire protection) to the cannabis businesses, as well as provide ongoing funding for the OCM. The fiscal impacts of cannabis operations were estimated for each major cannabis business group, cultivation, manufacturing, distribution, and retail.

Key Findings

Table 21 shows the annual fiscal surplus resulting from each cannabis business group. A detailed accounting of all fiscal revenues and expenditures included in this analysis is included on **Table 22**.

Table 21. Summary of Fiscal Impacts

Item	Annual Fiscal Impact Summary by Business Group (Millions)					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	Total
City General Fund Net Fiscal Impacts						
Annual General Fund Revenues	\$6.5 M	\$1.2 M	\$5.8 M	\$13.8 M	\$4.8 M	\$27.3 M
Annual General Fund Expenditures	\$2.2 M	\$0.4 M	\$1.7 M	\$2.5 M	\$1.1 M	\$7.5 M
Annual Net General Fund Surplus/(Deficit)	\$4.3 M	\$0.9 M	\$4.1 M	\$11.3 M	\$3.7 M	\$19.8 M
Additional Cannabis Fiscal Revenues						
Local Neighborhood Responsibility Fee	\$0.9 M	\$0.2 M	\$1.2 M	\$2.2 M	\$0.7 M	\$5.2 M

Source: EPS.

Table 22. Detailed Summary of Fiscal Impacts

Item	Annual Fiscal Impacts by Business Group					
	Cultivation	Manufacturing	Distribution	Retail	Delivery	Total
City General Fund						
Annual Revenues						
Property Tax	\$716,000	\$93,000	\$69,000	\$60,000	\$69,000	\$938,000
Property Tax in lieu of VLF	\$333,000	\$43,000	\$32,000	\$28,000	\$32,000	\$436,000
Real Property Transfer Tax	\$44,000	\$6,000	\$4,000	\$4,000	\$4,000	\$58,000
Sales Tax	\$76,000	\$8,000	\$25,000	\$2,082,000	\$663,000	\$2,191,000
Sales Tax - Measure U	\$76,000	\$8,000	\$25,000	\$2,082,000	\$663,000	\$2,191,000
Sales Tax - Prop. 172 (Public Safety)	\$4,000	\$0	\$1,000	\$122,000	\$39,000	\$127,000
Transient Occupancy Tax (TOT)	\$6,000	\$1,000	\$2,000	\$1,000	\$2,000	\$10,000
Utility Taxes	\$93,000	\$10,000	\$30,000	\$16,000	\$27,000	\$149,000
Business Operations Tax - Cannabis	\$3,617,000	\$814,000	\$4,846,000	\$8,703,000	\$2,671,000	\$17,980,000
Business Operations Tax - Other	\$43,000	\$5,000	\$14,000	\$7,000	\$12,000	\$69,000
Franchise Fees	\$7,000	\$1,000	\$2,000	\$1,000	\$2,000	\$11,000
Cannabis Business Permit Fees	\$1,434,000	\$251,000	\$724,000	\$714,000	\$590,000	\$3,123,000
Fines and Forfeitures	\$21,000	\$2,000	\$7,000	\$4,000	\$6,000	\$40,000
Total Annual GF Revenues	\$6,470,000	\$1,242,000	\$5,781,000	\$13,824,000	\$4,780,000	\$27,323,000
Annual Expenditures						
General City Operations	\$1,252,136	\$135,564	\$404,020	\$210,258	\$360,484	\$2,001,978
Cannabis Operations						
Cannabis Management	\$247,889	\$55,774	\$332,089	\$596,429	\$183,019	\$1,415,200
City Attorney	\$184,621	\$41,539	\$247,330	\$444,203	\$136,307	\$1,054,000
Community Development	\$117,201	\$26,370	\$157,010	\$281,989	\$86,530	\$669,100
Finance	\$17,674	\$3,977	\$23,677	\$42,524	\$13,049	\$100,900
Fire	\$13,925	\$3,133	\$18,655	\$33,505	\$10,281	\$79,500
Police	\$220,755	\$49,669	\$295,738	\$531,144	\$162,986	\$1,260,292
Auditor	\$29,094	\$6,546	\$38,977	\$70,002	\$21,481	\$166,100
Community Outreach and Education	\$131,372	\$29,558	\$175,994	\$316,084	\$96,993	\$750,000
Total Cannabis Operations Expenditures	\$962,532	\$216,564	\$1,289,470	\$2,315,881	\$710,645	\$5,495,092
Total Annual GF Expenditures	\$2,214,668	\$352,128	\$1,693,490	\$2,526,139	\$1,071,130	\$7,497,070
Annual General Fund Surplus/(Deficit)	\$4,255,332	\$889,872	\$4,087,510	\$11,297,861	\$3,708,870	\$19,825,930
Additional Cannabis Fiscal Revenues						
Local Neighborhood Responsibility Fee	\$904,318	\$203,466	\$1,211,483	\$2,175,817	\$667,666	\$5,162,750

detsum

Source: EPS.

Note: All values are rounded to the nearest \$1,000.

1. Cannabis operations generate a significant fiscal surplus of \$19.8 million to the City's General Fund annually.

Cannabis operations are estimated to generate \$27.3 million in General Fund revenues annually, well above the estimated \$7.5 million in General Fund expenditures required to fund municipal services for cannabis-related businesses. Cannabis-related revenues are estimated to account for approximately 5 percent of all General Fund revenues budgeted for FY 2021/22. Retail operations are the largest driver of fiscal surpluses, with an estimated surplus of \$11.3 million attributable to retail cannabis operations.

2. Business operations taxes are the largest revenue source for cannabis operation in the City.

Based on the FY 2021/22 City budget, it is anticipated that cannabis uses will generate \$20.7 million in business operations taxes. Cannabis uses are anticipated to contribute approximately 73 percent of all business operations taxes generated in the City.

3. Cannabis operations are anticipated to generate approximately \$4.5 million in sales tax revenue in FY 2021/22, including all City sales tax revenues.

At the time of retail sales, non-medical adult-use cannabis products are assessed multiple sales taxes, including the general 1 percent sales tax, the City Supplemental General Fund Measure U transaction and use tax, and Proposition 172 public safety sales tax, all of which provide revenues to the City General Fund. Cannabis sales in the City are anticipated to generate approximately 5 percent of all budgeted City sales tax revenues for FY 2021/22.

4. Revenues generated are significantly greater than the cost of operating the OCM.

The approved City budgeted expenditures for the OCM are estimated at \$3.2 million for FY 2021/22, accounting for less than 1 percent of all budgeted General Fund expenditures.

5. *Based on conversations with the City Police and Fire Departments, cannabis uses have not been shown to be overly taxing on the respective departments beyond a typical commercial or industrial user.*

Using a per-persons-served multiplier effect, it is estimated that cannabis operations will require \$1.0 million in police services and \$760,000 in fire services for a total public safety expenditure budget of \$1.8 million for FY 2021/22.

6. *In addition to the estimated General Fund revenues, cannabis operations are estimated to generate an additional \$5.2 million in non-General Fund revenues through the neighborhood responsibility plan fee.*

Estimated as 1 percent of all activity related to cannabis operations, the neighborhood responsibility plan fee is anticipated to generate an additional \$5.2 million in revenues beyond those captured by the City's General Fund.

The above-referenced fiscal surplus indicates the possibility of introducing several industry-supportive measures, as discussed in **Chapter 4** of this report.

Key Chapter Findings

- Cannabis operations in the City are estimated to result in \$2.2 billion in total economic output in the local economy, annually, inclusive of direct, indirect, and induced impacts, supporting nearly 12,500 jobs. Cannabis operations generate \$1.5 billion in direct economic activity, \$357.1 million of which is income. The remaining \$746.2 million of economic activity reflects the estimated indirect and induced impacts supported by cannabis operations as spending ripples through the local economy. The City is anticipated to capture the majority of economic activity attributable to cannabis, with \$2.0 billion of the estimated economic activity anticipated to be captured in the City, annually, supporting 11,000 jobs.
- Cannabis operations generate a significant fiscal surplus of \$19.8 million to the City's General Fund, annually. Cannabis operations are estimated to generate \$27.3 million in General Fund revenues annually, well above the estimated \$7.5 million in General Fund expenditures required to fund municipal services for cannabis-related businesses. Cannabis-related revenues are estimated to account for approximately 5 percent of all General Fund revenues budgeted for FY 2021/22. The neighborhood responsibility plan fee is anticipated to generate an additional \$5.2 million in revenues beyond those captured by the City's General Fund.

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APPENDICES:

- Appendix A: Fiscal and Economic Impact Analysis Methodology and Detailed Tables
- Appendix B: Initiatives in Other States
- Appendix C: Comparison of Cannabis Land Use Regulations: Sacramento, Oakland, Long Beach, Seattle
- Appendix D: Comparison of City of Sacramento and State of California Cannabis Regulations
- Appendix E: Real Estate Market Analysis Support Figures
- Appendix F: Cannabis Business Crime Data
- Appendix G: Cannabis Industry Survey Responses



APPENDIX A:
Fiscal and Economic Impact Analysis
Methodology and Detailed Tables

Fiscal and Economic Impact Analysis

Methodology and Detailed Tables

This section details the underlying methodology and assumptions used to estimate the fiscal impact of cannabis operations on the City. It describes assumptions concerning municipal service delivery and General Fund budgeting. In addition, it details the methodology used to estimate the General Fund revenues and municipal service expenditures attributable to cannabis operations. The municipal services analyzed in this Analysis comprise General Fund services only (e.g., police, fire). The Analysis excludes any services that may be funded privately. Further, this Analysis does not address activities budgeted in other City Governmental Funds or Proprietary Funds (e.g., enterprise funds), nor does it include an evaluation of capital facilities or the funding of capital facilities needed to serve new development.

General Assumptions

The Analysis is based on the City's Approved Budget for FY 2021–22, estimated citywide residential and employment populations as of 2021, tax regulations and statutes current as of December 2021, and other general assumptions discussed herein. Each revenue item is estimated based on current State legislation and current City practices. Future changes by either State or City legislation or practices may affect the revenues and expenditures estimated in this Analysis. All costs and revenues are shown in constant 2021 dollars. General fiscal and demographic assumptions are detailed in **Table A-1**.

EPS consulted the City's budget documents to develop forecasting methodologies for specific revenues and expenditures affected by cannabis operations. In addition, EPS consulted with City staff to clarify budget data and review assumptions.

Cannabis Business Assumptions

Listed below are summaries of cannabis business operations-related assumptions used in this Analysis:

- **Building Square Footage.** Building square footage of cannabis businesses was obtained from building permit application data for all cannabis uses with the City. Building square feet by business group is shown in **Table A-2**.
- **Estimated Population.** Employment estimates are based on an assumed employment density for each cannabis business group. A building square foot per employee assumption was developed based on preliminary data provided by the City pertaining to a survey of cannabis business. The City data provided an estimate of full and part time employees for each business group. To estimate the full-time

equivalent employees, this study assumes all part time employees are one half of a full-time employee. In estimating certain annual revenues and expenditures (service demands), EPS developed a “persons-served” population estimate to approximate the impacts of an employee relative to a City resident. EPS uses a factor of 0.5 employees plus all residents to derive the persons-served population. As this analysis is an assessment of business-related costs and revenues, persons served is equal to one half of all employees. **Table A-2** shows the estimated employees, and persons served generated by cannabis uses.

- **Assessed Value.** The assessed value for cannabis uses is estimated in this analysis utilizing assessed value per square foot assumptions based on available data for similar nonresidential uses located in and around the Sacramento region. The estimated assessed value for cannabis uses includes the value of both secure and unsecure property. The estimated assessed value is presented in **Table A-12**.
- **Property Turnover Rates.** It is assumed in this analysis that all property will turn over once every 20 years and an annual turnover rate of 5 percent is assumed for all business groups.

General Fund Assumptions

This Fiscal Analysis considered only discretionary General Fund revenues that are generated by cannabis operations. Offsetting revenues, provided by City Finance Department staff, are General Fund revenues dedicated to offset the costs of specific General Fund department functions and are excluded from this Analysis for both revenue and cost estimates. Offsetting revenues by revenue and cost categories are shown in **Table A-4** and **Table A-10**, respectively.⁵²

In addition, this Fiscal Analysis excluded revenue and expenditure items that are not expected to be impacted by cannabis operations.

General Fund Revenue-Estimating Methodology

EPS used either an average-revenue approach or a marginal-revenue case-study approach to estimate Project-related General Fund revenues:

- **The average-revenue approach** uses the City’s FY 2021-22 budgeted revenue amounts on a citywide per capita, per-employee, or per-persons-served basis to forecast revenues derived from cannabis employees, or persons served.

⁵² Although commonly included as an offsetting revenue source, a portion of funding from fines and forfeitures is used to fund services related to cannabis. As such, this revenue source is estimated using a per persons served multiplier, which assumes that fine and forfeitures collected from cannabis operations is consistent with the collection from other sources on a per persons served basis.

- **The marginal-revenue case-study approach** simulates actual revenue generation resulting from new development. The case-study approach for estimating sales and use tax revenues, for instance, forecasts market demand and taxable spending from the cannabis employees and direct cannabis taxable sales. Case studies used in this Analysis are discussed in greater detail later in this section.

Revenue sources not expected to be impacted by cannabis operations are excluded from this Fiscal Analysis. These sources of revenue are not affected by cannabis operations because they are either one-time revenue sources not guaranteed to be available in the future or there is no direct relation between cannabis operations and increased revenue.

A listing of all City General Fund revenue sources and the corresponding estimating procedure used to estimate revenues attributable to cannabis operations is shown in **Table A-4**. A summary of estimated annual General Fund revenues generated by cannabis operations is provided in **Table A-5**. As shown, cannabis operations are estimated to generate nearly \$27.3 million in annual General Fund revenues. In addition to the General Fund revenues, cannabis operations are estimated to generate an additional \$5.2 million in non-General Fund revenues in the form of neighborhood responsibility plan fees.

Average-Revenue Categories

An average revenue multiplier was used to estimate a variety of revenue sources, including transient occupancy taxes (TOT), utility taxes, business operations taxes (non-cannabis related), franchise fees, other license and permit fees, and fines and forfeitures.

All sources were estimated using a per-persons-served revenue multiplier, except business operations tax revenue, which was estimated based on a per-employee revenue multiplier.

An adjustment factor was applied to the average revenue multiplier for the all categories to account for the unpredictable, historical ebbs and flows of these revenue sources. As a conservative approach to prevent potentially overestimating revenues, this Fiscal Analysis discounts all revenues estimated via multiplier by 50 percent.

The average revenue methodologies used in this Analysis are based on EPS's previous experience in forecasting these revenue sources and conversations with City Finance staff to determine specific circumstances related to these City General Fund revenues.

Marginal-Revenue Categories

Property Tax

Estimated annual property tax revenue resulting from cannabis operations is presented in **Table A-6**. The estimate of property taxes the City receives is derived from the estimated assessed values of all cannabis uses, shown in **Table A-12**, and the City

average General Fund's post-Educational Revenue Augmentation Fund (ERAF) share of the 1 percent ad valorem property tax rate.

Property Tax in Lieu of Vehicle License Fee

The Analysis uses a formula provided by the State Controller's Office to forecast Property Tax in Lieu of Vehicle License Fees (PTIL VLF). PTIL VLF is calculated by taking the percentage of the City's assessed value resulting from the assessed value of cannabis uses and applying that percentage increase to the City's current State allocation of PTIL VLF revenue, as shown in the City's FY 2021-22 budget. This calculation of PTIL VLF based on the Project's estimated total and marginal assessed values is shown in **Table A-6**.

Real Property Transfer Tax

Real property transfer tax is based on the assessed value of cannabis uses and the anticipated turnover of properties over time. This Analysis is based on the assumption that all property will transfer once every 20 years. An estimate of real property transfer revenue attributable to cannabis uses is shown on **Table A-7**.

Sales Tax

Sales tax revenue is based on estimated taxable sales, the Bradley-Burns local 1 percent Uniform Local Sales Tax rate and the Measure U 1 percent rate as summarized in **Table A-8**. Measure U was a supplemental half-cent transactions and use tax rate approved by voters in 2012 as a temporary tax. In November 2018, Sacramento voters approved a new version of the City's Measure U tax, extending it and raising it from a half-cent to a full cent.

EPS uses a combination of methodologies to account for taxable sales generated by the Project:

1. **Market Support Method.** This methodology measures taxable sales generated from cannabis business employees spending money within the City's boundaries.
2. **Retail Space Method.** This methodology estimates direct taxable sales from retail sales of cannabis.

Annual Taxable Sales from Market Support (Employees)

Based on estimates gleaned from the 2012 International Council of Shopping Centers' Office-Worker Spending in a Digital Age report and conversations with the City's sales tax consultant, employees within the City are estimated to spend an average of \$10 in taxable retail expenditures per day for each of the 240 work days annually. To remain

conservative, this Fiscal Analysis estimates the City will capture approximately 75 percent of taxable expenditures from the Project's employees.

Refer to **Table A-8A** for estimated annual taxable sales from market support.

Direct Annual Taxable Sales from Retail Cannabis Sales

Retail and delivery operations generate both medical and adult use sales. While medical sales will result in business operations tax and other revenues, medical sales of cannabis is not eligible for general sales tax collection. The Fiscal Analysis estimated total annual retail sales for both retail category for FY 2021-22 based on the amount of business operations taxes allocated to both sale categories for FY 2020-21, as provided by City staff. The Fiscal Analysis assumes that FY 2021-22 retail sales will be consistent with levels seen in FY 2020-21. Based on data provided by the City, it is estimated that \$290 million in taxable sales will occur in FY 2021-22, \$271 million of which is adult use. EPS further allocated retail sales to retail and delivery uses based on the share of business operations tax collected for each category in the previous year.

Refer to **Table A-8B** for estimated annual taxable sales from onsite retail development at buildout of the Project

Proposition 172 Public Safety Sales Tax

Public safety sales tax is collected on a countywide basis and allocated principally to the County, with a small portion of revenues allocated to incorporated cities in the County. This revenue source is used to fund police and fire services in the City. The Analysis estimates these tax revenues using the current FY 2021-22 relation between total sales tax revenue and Proposition 172 public safety sales tax revenue. This relation may vary in the future because actual revenues received by the City are affected by several factors in the rest of the County. The estimated FY 2021-22 revenues shown in this Analysis reflect existing fiscal conditions. Estimated revenues from the City's share of the half-cent sales tax for public safety are shown in **Table A-8**.

Business Operations Tax

Project business operations taxes for cannabis uses are included in the FY 2021-22 approved budget for City and are fully allocable to cannabis operations. The Fiscal Analysis assumes that projected business operations tax revenues will be generated by each business group, consistent with that group's proportional share of revenues seen in the previous year. Allocation of business operation taxes to each business is shown in **Table A-9**.

Neighborhood Responsibility Plan Fee

The neighborhood responsibility plan fee is a 1 percent fee applied to all cannabis uses in the City. This revenue source is not allocated to the General Fund and has been estimated in this analysis as an independent revenue not contributing to the estimated

annual General Fund surplus. Estimated as 1 percent of all cannabis related activity for each business group, the local neighborhood responsibility plan fee is estimated to result in an additional \$5.2 million in revenues. The obligation is occasionally met in whole or in part through in-kind services. For purposes of this analysis, the value of any in-kind services are assumed to have a value similar to the 1% fee. Estimated revenues from the neighborhood responsibility plan fee are estimated on **Table A-9**.

Expenditure-Estimating Methodology

Expenditure estimates are based on the City's FY 2021-22 approved budget and supplemental information from City staff. The Fiscal Analysis shows estimates of General Fund expenditures attributable to cannabis operations, including direct Cannabis expenditure and general City operational expenditures. General city operational expenditures are defined as General Fund department expenditures not directly attributable to cannabis operations. These expenditures that are expected to be affected by the Project are forecasted using an average-cost approach. The average-cost approach uses the City's FY 2021-22 budgeted expenditures on a citywide per capita or per-persons-served basis to forecast expenditures required to serve new development.

A listing of all City General Fund expenditures and the corresponding estimating procedure used to forecast future expenditures is shown in **Table A-10**. A summary of estimated annual General Fund expenditures required to serve cannabis operations is provided in **Table A-11**. As shown, the Project is estimated to result in about \$7.5 million in annual General Fund costs. Expenditures directly related to cannabis operations were provided by the City based on the approved FY 2021-22 budget, including all expenditures related to cannabis specific FTEs. Cannabis operational expenditures are estimated at \$5.5 million annually. The remaining \$2.0 million in expenditures is attributed to general City operational expenditures required to serve Cannabis businesses and employees.

Average-Cost Expenditures

General City operational expenditures are estimated using a per persons served or per capita expenditure multiplier. Convention and Cultural Services and Citywide and Community Support expenditures are estimated using a per capita average cost multiplier because this service generally is demanded by residential development only. As the Fiscal Analysis estimates the impact of nonresidential uses, no annual expenditures are estimated for these cost categories.

Expenditures that are affected by residents and employees are projected using a per-persons-served average cost multiplier. These expenditures include General Government, Police, Fire, Community Development, and Public Works expenditures, net of direct cannabis expenditures.

An adjustment factor can be applied to the average-cost multipliers for expenditure categories to reflect the percentage of expenditures subject to increase due to development within the City, considering fixed costs. This analysis assumes adjustment

factors consistent with those used for recent fiscal completed for various projects in the City. Expenditure factors range from 50 to 90 percent for all expenditure categories, except for police and fire services, which do not include an adjustment factor. As shown on **Table A-10**, general City operational are estimated at approximately \$593 per person served.

Police and Fire Expenditures

Based on conversations with the City police and fire departments, cannabis operations have not been shown to be overly taxing on their respective public safety departments beyond the impacts associated with typical industrial and commercial uses. As such, this Fiscal Analysis estimates police and fire expenditures using a per persons served multiplier method for all expenditures beyond those directly attributed to Cannabis employment.

Cannabis Operations Expenditures

Based on the approved FY 2021-22 City budget and supplemental information provided by City staff, approximately \$5.5 million in annual City General Fund expenditures are attributable directly to cannabis related employment. These expenditures include funding for the Office of Cannabis Management and all other cannabis related City employment FTEs. Consistent with the allocation of business operating taxes between business groups, direct cannabis operational expenditures are attributed to each business group based on the proportional share of economic activity generated by each business group, as shown on **Table A-10**.

Economic Impact Analysis: Detailed Findings and Assumptions

The following section provides the detailed results of the economic impact analysis, as well as the assumptions used to calculate each impact.

Economic Impacts of Annual Cannabis Operations

To estimate the economic activity resulting from the cannabis operations, this Analysis estimates the ongoing economic impacts occurring annually as a result of cannabis operations in the local economy, defined as Sacramento County for the economic impact analysis. Ongoing economic impacts capture the direct, indirect, and induced impacts generated by cannabis activity, including direct operational expenditures, employee wages, and employee household spending. While the local economy for the economic impact analysis is defined as Sacramento County, due to the location of cannabis businesses in the City, it can be assumed that all direct impacts occur within the City and the majority of indirect and induced impacts would similarly occur in the City.

Impacts associated with these economic activities are estimated for each of the major business groups, including cultivation, manufacturing, distribution, retail, and delivery, based on employment estimates for each group. As shown on **Table A-2** employment levels are estimated based on an assumed square foot per employee assumption applied

to the total square footage of cannabis businesses for each business group. As described previously, the total square footage of cannabis businesses included in the study is based on the building square footages included on business permit applications for cannabis businesses. To arrive at a full time equivalent employee estimate for cannabis businesses, a building square foot per employee assumption was developed based on preliminary data provided by the City pertaining to a survey of cannabis business, adjusted based on EPS knowledge of data pertaining to similar land uses within the greater Sacramento region. The City data provided an estimate of full and part time employees for assorted cannabis businesses. To estimate the full time equivalent employees, this study assumes all part time employees are one half of a full time employee. As shown, cannabis operations are estimated to support approximately 8,000 full time equivalent employees in the City.

A detailed summary of the estimated economic impacts of each business groups are described below and summarized in **Tables A-13** through **A-18** of this appendix

Economic Impacts of All Cannabis Business Groups

Table A-13 summarizes the total combined estimated annual impacts associated with all cannabis business group operations. The resulting impacts are described below:

- **Annual Output.** Cannabis operations are estimated to generate approximately \$1.5 billion in direct industry output annually. Local business to business expenditures result in approximately \$437.4 million in indirect industry output impacts and employee household spending results in \$308.8 million in induced impacts annually for a total industry output impact of \$2.2 billion on an annual basis.
- **Employee Compensation.** Of the \$1.5 billion in direct industry output reported above, approximately \$357.1 million is received by employees in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately \$249.2 million for a total annual employee compensation impact of approximately \$606.3 million.
- **Annual Employment.** Cannabis operations are estimated to employ approximately 8,000 direct FTEs and support 2,600 indirect jobs, and 1,800 induced jobs annually for a total employment impact of approximately 12,400 jobs on an annual basis.

Economic Impacts of Cultivation Activities

Table A-14 summarizes the total estimated annual impacts associated with cultivation operations. The resulting impacts are described below:

- **Annual Output.** Cultivation operations are estimated to generate approximately \$1.1 billion in direct industry output annually. Local business to business expenditures result in approximately \$254.0 million in indirect industry output impacts and

employee household spending results in \$200.1 million in induced impacts annually for a total industry output impact of \$1.6 billion on an annual basis.

- **Employee Compensation.** Of the \$1.1 billion in direct industry output reported above, approximately \$238.2 million is received by employees employed by cultivation operations in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately \$152.4 million for a total annual employee compensation impact of approximately \$390.6 million.
- **Annual Employment.** Cultivation operations are estimated to employ approximately 4,200 direct FTEs and support 1,600 indirect jobs, and 1,200 induced jobs annually for a total employment impact of approximately 7,000 jobs on an annual basis.

Economic Impacts of Manufacturing Activities

Table A-15 summarizes the total estimated annual impacts associated with manufacturing operations. The resulting impacts are described below:

- **Annual Output.** Manufacturing operations are estimated to generate approximately \$159.1 million in direct industry output annually. Local business to business expenditures result in approximately \$59.1 million in indirect industry output impacts and employee household spending results in \$20.2 million in induced impacts annually for a total industry output impact of \$238.3 million on an annual basis.
- **Employee Compensation.** Of the \$159.1 million in direct industry output reported above, approximately \$12.0 million is received by employees employed by manufacturing operations in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately \$28.7 million for a total annual employee compensation impact of approximately \$40.7 million.
- **Annual Employment.** Manufacturing operations are estimated to employ approximately 500 direct FTEs and support 300 indirect jobs, and 100 induced jobs annually for a total employment impact of approximately 900 jobs on an annual basis.

Economic Impacts of Distribution Activities

Table A-16 summarizes the total estimated annual impacts associated with distribution operations. The resulting impacts are described below:

- **Annual Output.** Distribution operations are estimated to generate approximately \$114.2 million in direct industry output annually. Local business to business expenditures result in approximately \$75.0 million in indirect industry output impacts and employee household spending results in \$40.6 million in induced impacts annually for a total industry output impact of \$229.8 million on an annual basis.

- **Employee Compensation.** Of the \$114.2 million in direct industry output reported above, approximately \$46.5 million is received by employees employed by distribution operations in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately \$36.8 million for a total annual employee compensation impact of approximately \$229.8 million.
- **Annual Employment.** Distribution operations are estimated to employ approximately 1,400 direct FTEs and support 400 indirect jobs, and 200 induced jobs annually for a total employment impact of approximately 2,000 jobs on an annual basis.

Economic Impacts of Retail Activities

Table A-17 summarizes the total estimated annual impacts associated with retail operations. The resulting impacts are described below:

- **Annual Output.** Retail operations are estimated to generate approximately \$43.7 million in direct industry output annually. Local business to business expenditures result in approximately \$18.1 million in indirect industry output impacts and employee household spending results in \$17.4 million in induced impacts annually for a total industry output impact of \$79.2 million on an annual basis.
- **Employee Compensation.** Of the \$43.7 million in direct industry output reported above, approximately \$22.2 million is received by employees employed by retail operations in the form of salary, wages, and benefits. Indirect and induced employee compensation impacts total approximately \$11.5 million for a total annual employee compensation impact of approximately \$33.8 million.
- **Annual Employment.** Retail operations are estimated to employ approximately 700 direct FTEs and support 100 indirect jobs, and 100 induced jobs annually for a total employment impact of approximately 900 jobs on an annual basis.

Economic Impacts of Delivery Activities

Table A-18 summarizes the total estimated annual impacts associated with delivery operations. The resulting impacts are described below:

- **Annual Output.** Delivery operations are estimated to generate approximately \$74.9 million in direct industry output annually. Local business to business expenditures result in approximately \$31.1 million in indirect industry output impacts and employee household spending results in \$29.8 million in induced impacts annually for a total industry output impact of \$135.8 million on an annual basis
- **Employee Compensation.** Of the \$74.9 million in direct industry output reported above, approximately \$38.1 million is received by employees employed by delivery operations in the form of salary, wages, and benefits. Indirect and induced employee

compensation impacts total approximately \$19.8 million for a total annual employee compensation impact of approximately \$57.9 million.

- **Annual Employment.** Delivery operations are estimated to employ approximately 1,200 direct FTEs and support 200 indirect jobs, and 200 induced jobs annually for a total employment impact of approximately 1,600 jobs on an annual basis.

Table A-1
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
General Assumptions

Item	Assumption
General Assumptions	
Base Fiscal Year [1]	FY 2021-22
General Demographic Characteristics	
City of Sacramento	
Population [2]	515,673
Employees [3]	367,400
Persons Served [4]	699,373

gen assumps

Source: California Department of Finance; US Census Bureau, OnTheMap, and LEHD Origin Destination Employment Statistics; California EDD; EPS.

[1] This Fiscal Impact Analysis is based on the City of Sacramento's FY 2019-20 Approved Budget.

[2] California Department of Finance estimate for January 1, 2019.

[3] US Census Onthemap.ces.census.gov estimated a total of 318,363 jobs in Sacramento, CA in 2017. California EDD reports an annual average growth rate of 4.91% since 2017 for the Sacramento MSA. EPS escalated 2017 employment figure to arrive at 2020 employment estimate, adjusted by an additional 10% to account for self-employed workers, and rounded to the nearest hundred employees.

[4] "Persons Served" is defined as City of Sacramento's population plus 50% of employees.

Table A-2
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Cannabis Business Group Estimated Square Footage and Employment

Item	Total Cannabis Land Uses and Employment by Business Group					Total
	Cultivation	Manufacturing	Distribution	Retail	Delivery	
Building Square Footages						
Active Cannabis Business Licenses	70	39	99	29	58	295
Building Square Footage	1,583,999	205,793	204,440	106,394	121,607	2,222,233
Employment Estimates						
Square Feet per Full Time Employee (FTE) [1]	375	450	150	150	100	
Estimated Employee FTE's	4,224	457	1,363	709	1,216	7,970

Source: City of Sacramento; EPS.

[1] Square feet per employee assumptions are based on initial data provided by the Office of Cannabis Research pertaining to a survey of local cannabis businesses within the City.

**Table A-3
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Project Assumptions**

Land Use Category	Land Use Assumptions				
	Cultivation	Manufacturing	Distribution	Retail	Delivery
Square Feet per Employment FTE [1]	375	450	150	150	100
Property Turnover Rate	5%	5%	5%	5%	5%
Assessed Value per Square Foot					
Secured Value [2]	\$150	\$150	\$150	\$250	\$250
Unsecured Value [2]	\$50	\$50	\$0	\$0	\$0
Total Value per Square Foot	\$200	\$200	\$150	\$250	\$250

Assumps

Source: City of Sacramento; EPS.

- [1] Square feet per employee assumptions are based on initial data averages provided by the Office of Cannabis research pertaining to a survey of local cannabis businesses within the City, rounded.
- [2] Assessed value assumptions are based on industry standard average valuations for similar uses in the City and surrounding region.

**Table A-4
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Revenue-Estimating Procedures (2021\$)**

Item	Estimating Procedure	Reference Table [1]	City of Sacramento Approved FY 2021-22 Revenues (Rounded)	Offsetting Revenues [2]	Adjusted Net FY 2021-22 Revenues	% of Total	Adjustment Factor [3]	Service Population	Revenue Multiplier
Annual General Fund Revenues									
Taxes									
Property Tax	Case Study	Table A-6	\$137,699,000	\$0	\$137,699,000	33.5%	0.0%	NA	NA
Property Tax in lieu of VLF [4]	Case Study	Table A-6	\$53,363,000	\$0	\$53,363,000	13.0%	0.0%	NA	NA
Real Property Transfer Tax	Case Study	Table A-7	\$12,659,000	\$0	\$12,659,000	3.1%	0.0%	NA	NA
Sales Tax	Case Study	Table A-8	\$96,411,000	\$0	\$96,411,000	23.5%	0.0%	NA	NA
Sales Tax - Prop. 172 (Public Safety)	Case Study	Table A-8	\$5,640,000	\$0	\$5,640,000	1.4%	0.0%	NA	NA
Transient Occupancy Tax (TOT)	Per Person Served	Table B-6	\$3,743,000	\$0	\$3,743,000	0.9%	50.0%	688,422	\$2.72
Utility Taxes	Per Person Served	Table A-5	\$61,594,000	\$0	\$61,594,000	15.0%	50.0%	699,373	\$44.04
Business Operations Tax - Cannabis	Case Study [5]	Table A-9	\$20,651,000	\$0	\$20,651,000	5.0%	0.0%	NA	NA
Business Operations Tax - Other	Per Employee	Table A-5	\$7,509,000	\$0	\$7,509,000	1.8%	50.0%	367,400	\$10.22
Residential Development Property Tax	[6]	NA	\$368,000	\$0	\$368,000	0.1%	0.0%	NA	NA
Subtotal Taxes			\$399,637,000	\$0	\$399,637,000	97.2%			
Licenses and Permits									
Franchise Fees	Per Person Served	Table A-5	\$4,331,000	\$0	\$4,331,000	1.1%	50.0%	699,373	\$3.10
Cannabis Related Business Permit Fees	[5]	Table A-5	\$3,178,000	\$0					
Other Licenses & Permits	Per Person Served	Table A-5	\$27,488,000	\$27,488,000	\$0	0.0%	50.0%	699,373	\$0.00
Subtotal Licenses and Permits			\$34,997,000	\$27,488,000	\$4,331,000	1.1%			
Fines and Forfeitures	Per Person Served	Table A-5	\$7,029,000	\$0	\$7,029,000	1.7%	0.0%	699,373	\$10.05
Use of Money (Interest, Rents, and Concessions)	[7]	NA	\$2,854,000	\$2,854,000	\$0	0.0%	0.0%	NA	NA
Intergovernmental Revenue	[7]	NA	\$14,205,000	\$14,205,000	\$0	0.0%	0.0%	NA	NA
Charges for Services	[7]	NA	\$59,935,000	\$59,935,000	\$0	0.0%	0.0%	NA	NA
Miscellaneous Revenues	[7]	NA	\$780,000	\$780,000	\$0	0.0%	0.0%	NA	NA
Contributions From Other Funds									
Enterprise Funds/General Tax	[7]	NA	\$31,303,000	\$31,303,000	\$0	0.0%	0.0%	NA	NA
In-lieu Franchise Fee	[7]	NA	\$2,154,000	\$2,154,000	\$0	0.0%	0.0%	NA	NA
In-lieu Property Tax	[7]	NA	\$700,000	\$700,000	\$0	0.0%	0.0%	NA	NA
Investment Fees	[7]	NA	\$2,850,000	\$2,850,000	\$0	0.0%	0.0%	NA	NA
Subtotal Contributions From Other Funds			\$37,007,000	\$37,007,000	\$0	0.0%			
Total Annual General Fund Revenues [8]			\$556,444,000	\$142,269,000	\$410,997,000	100.0%			

rev pro

Source: City of Sacramento FY 2019-20 Approved Budget; California Office of the Controller; California Department of Finance; EPS.

[1] Refers to table with detailed revenue calculations.

[2] Revenues are adjusted by user fees and cost recovery amounts shown in the City's FY 2021-22 Budget. These deductions from ongoing revenues also are deducted from ongoing costs, as shown in Table C-1. If Offsetting Revenues exceeds Revenues then Adjusted Net Revenues equal \$0.

[3] Adjustment factor accounts for the unpredictable ebbs and flows of this revenue source. As a conservative approach to prevent potentially overestimating revenues, this analysis discounts revenues by 50%.

[4] Property Tax in lieu of Motor Vehicle License Fees is authorized by SB 1096 as amended by AB 2115.

[5] The entirety of revenues from this revenue item is attributable to cannabis operations.

[6] This revenue source is not expected to be directly affected by cannabis operations and therefore is not evaluated in this analysis.

[7] This revenue source is based on cost recovery or transfers from another fund and is therefore not evaluated in this analysis (see footnote [2] above).

[8] Excludes funding for General Fund Capital Improvement expenditures.

**Table A-5
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Project Revenues (2021\$)**

Revenues	Reference Table	Annual Net Revenues						% of Total at Buildout
		Cultivation	Manufacturing	Distribution	Retail	Delivery	Total	
Annual General Fund Revenues								
Taxes								
Property Tax	Table A-6	\$715,968	\$93,018	\$69,305	\$60,112	\$68,708	\$1,007,112	3.1%
Property Tax in lieu of VLF	Table A-6	\$332,965	\$43,259	\$32,231	\$27,956	\$31,953	\$468,363	1.5%
Real Property Transfer Tax	Table A-7	\$43,560	\$5,659	\$4,217	\$3,657	\$4,180	\$61,273	0.2%
Sales Tax	Table A-8	\$76,032	\$8,232	\$24,533	\$2,082,372	\$662,920	\$2,854,088	8.9%
Sales Tax - Measure U	Table A-8	\$76,032	\$8,232	\$24,533	\$2,082,372	\$662,920	\$2,854,088	8.9%
Sales Tax - Prop. 172 (Public Safety)	Table A-8	\$4,448	\$482	\$1,435	\$121,818	\$38,781	\$166,963	0.5%
Transient Occupancy Tax (TOT)	Table A-4	\$5,742	\$622	\$1,853	\$964	\$1,653	\$10,833	0.0%
Utility Taxes	Table A-4	\$93,002	\$10,069	\$30,009	\$15,617	\$26,775	\$175,472	0.5%
Business Operations Tax - Cannabis	Table A-9	\$3,617,272	\$813,865	\$4,845,932	\$8,703,268	\$2,670,662	\$20,651,000	64.3%
Business Operations Tax - Other	Table A-4	\$43,165	\$4,673	\$13,928	\$7,248	\$12,427	\$81,442	0.3%
Residential Development Property Tax	NA	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Subtotal Taxes		\$5,008,186	\$988,111	\$5,047,975	\$13,105,384	\$4,180,979	\$28,330,634	88.3%
Licenses and Permits								
Franchise Fees	Table A-4	\$6,539	\$708	\$2,110	\$1,098	\$1,883	\$12,338	0.0%
Cannabis Related Business Permit Fees	Table A-4	\$1,434,444	\$250,749	\$723,730	\$714,114	\$589,963	\$3,713,000	
Subtotal Licenses and Permits		\$1,440,983	\$251,457	\$725,840	\$715,212	\$591,845	\$3,725,338	11.6%
Fines and Forfeitures								
	Table A-4	\$21,227	\$2,298	\$6,849	\$3,564	\$6,111	\$40,049	
Total Annual Gen. Fund Revenues (rounded)		\$6,470,000	\$1,242,000	\$5,781,000	\$13,824,000	\$4,779,000	\$32,096,000	100.0%
Neighborhood Responsibility Plan Fee	Table A-9	\$904,318	\$203,466	\$1,211,483	\$2,175,817	\$667,666	\$5,162,750	

Source: EPS.

revenues

Table A-6
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Property Tax Revenues (2021\$)

Property Tax

Item	Assumption/ Source	Formula	Estimated Annual Property Tax Revenues					Total
			Cultivation	Manufacturing	Distribution	Retail	Delivery	
Property Tax Revenue (1% of Assessed Value)								
Assessed Valuation [1]	Table A-12	a	\$316,799,871	\$41,158,519	\$30,666,065	\$26,598,405	\$30,401,750	\$445,624,609
Property Tax Revenue (1% of Assessed Value)	1.00%	$b = a * 1.00\%$	\$3,167,999	\$411,585	\$306,661	\$265,984	\$304,018	\$4,456,246
Estimated Property Tax Allocation								
City General Fund [2]	22.60%	$c = b * 22.60\%$	\$715,968	\$93,018	\$69,305	\$60,112	\$68,708	\$1,007,112
Other Agencies/ERAF	77.40%	$f = b * 77.40\%$	\$2,452,031	\$318,567	\$237,355	\$205,872	\$235,310	\$3,449,134
Property Tax In-Lieu of Motor Vehicle In-Lieu Fee Revenue (VLF)								
Total Citywide Assessed Value [3]	\$50,772,282,921	h						
Total Assessed Value of Project		i	\$316,799,871	\$41,158,519	\$30,666,065	\$26,598,405	\$30,401,750	\$445,624,609
Percentage of Citywide AV		$j = i / h$	0.62%	0.08%	0.06%	0.05%	0.06%	0.88%
Property Tax In-Lieu of VLF [4]	\$53,363,000	$k = j * \$53,363,000$	\$332,965	\$43,259	\$32,231	\$27,956	\$31,953	\$468,363

prop tax

Source: Sacramento County Office of the Assessor; City of Sacramento Finance Department; EPS.

- [1] Refer to Table A-12 for details.
- [2] The allocation of the 1% property tax rate apportioned to the City of Sacramento is an estimated citywide average allocation and includes a shift to the Educational Revenue Augmentation Fund.
- [3] Reflects Final FY 2021-22 Assessed Valuation. Includes Citywide secured, unsecured, homeowner exemption, and public utility roll.
- [4] Property tax in-lieu of VLF amount of \$53.4 million taken from FY 2021-22 Approved City Budget. See Table B-1.

**Table A-7
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Real Property Transfer Tax (2021\$)**

Real Property Transfer Tax Revenue

Item	Assumptions/ Sources	Annual Property Transfer Tax Revenues					Total
		Cultivation	Manufacturing	Distribution	Retail	Delivery	
Rate per \$1,000 of AV [1]	\$2.75						
Property Turnover Rate [2]	<u>Table A-3</u>	5%	5%	5%	5%	5%	
Assessed Value [3]	Table A-12	\$316,799,871	\$41,158,519	\$30,666,065	\$26,598,405	\$30,401,750	\$445,624,609
Total Annual Transfer Tax Revenue		\$43,560	\$5,659	\$4,217	\$3,657	\$4,180	\$61,273

transfer

Source: Sacramento County Recorder-Clerk; EPS.

- [1] The rate of \$2.75 per \$1,000 of AV is for the City of Sacramento only and excludes the County of Sacramento rate of \$0.55 per \$1,000 of AV.
- [2] Property is anticipated to turn over once every 20 years.
- [3] Property transfer tax is estimated based on the total assessed value and assumes any unsecured property will transfer with the sale of the building. Refer to Table A-12 for details.

**Table A-8
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Taxable Sales and Use Tax Revenue (2021\$)**

Sales Tax Revenue

Item	Formula	Source/ Assumptions	Estimated Sales Tax Revenue					Total
			Cultivation	Manufacturing	Distribution	Retail	Delivery	
Estimated Annual Taxable Sales								
Annual Taxable Sales from Employee Spending	<i>a</i>	Table A-8A	\$7,603,197	\$823,170	\$2,453,285	\$1,276,723	\$2,188,926	\$14,345,302
Taxable Sales from Retail Activity [1]	<i>b</i>	Table A-8B	\$0	\$0	\$0	\$206,960,469	\$64,103,066	\$271,063,535
Total Annual Taxable Sales	<i>c = a + b</i>		\$7,603,197	\$823,170	\$2,453,285	\$208,237,192	\$66,291,992	\$285,408,836
Annual Sales Tax Revenue to City								
Bradley Burns Sales Tax Rate [2]	<i>d = c * 1.000%</i>	1.0000%	\$76,032	\$8,232	\$24,533	\$2,082,372	\$662,920	\$2,854,088
Measure U Citywide Transaction Tax Rate [3]	<i>e = c * 1.000%</i>	1.0000%	\$76,032	\$8,232	\$24,533	\$2,082,372	\$662,920	\$2,854,088
Total Sales Tax Rate	<i>g</i>	2.0000%						
Annual Sales Tax from Employee Spending	<i>h = a * (d + e)</i>		\$152,064	\$16,463	\$49,066	\$25,534	\$43,779	\$286,906
Annual Sales Tax from Retail Activity	<i>i = b * h</i>		\$0	\$0	\$0	\$4,139,209	\$1,282,061	\$5,421,271
Total	<i>j = h + i</i>		\$152,064	\$16,463	\$49,066	\$4,164,744	\$1,325,840	\$5,708,177
Gross Prop 172 Public Safety Sales Tax Revenue [4]	<i>k = c * 0.0585%</i>	0.0585%	\$4,448	\$482	\$1,435	\$121,818	\$38,781	\$166,963

sales tax

Source: California State Board of Equalization; City of Sacramento Finance Department; EPS.

[1] Includes retail activity from both store and home delivery activity.

[2] The City of Sacramento is allocated a full 1.0000% of the Uniform Local Sales Tax.

[3] In 2012, Measure U was approved by voters as a temporary, supplemental, half-cent transaction and use tax rate. In November 2018, Sacramento voters approved a new version of Measure U, extending the tax rate in perpetuity and raising it from a half-cent to a full-cent rate, effective April 1, 2019. This analysis estimates revenues and Measure U-funded expenditures generated by the full one cent tax rate.

[4] The City of Sacramento receives approximately \$.000627 for every \$1 generated by the Public Safety Sales Tax authorized by Proposition 172. This is estimated by taking the 2020-21 Budget amount for Prop. 172 divided by the total Sales Tax from Table A-4.

Table A-8A
 City of Sacramento Cannabis Study
 Fiscal and Economic Impact Analysis
 Estimated Annual Taxable Sales from New Employees (2021\$)

Sales Tax Revenue - Market Support

Item	Assumptions / Source	Taxable Sales from Employee Spending					Total
		Cultivation	Manufacturing	Distribution	Retail	Delivery	
Annual Taxable Sales from New Employees							
New Employees							
Average Daily Taxable Sales per Employee	\$10.00						
Work Days per Year	240						
Total Project Employees at Buildout	Table A-2	4,224	457	1,363	709	1,216	7,970
Total Taxable Sales from New Employees		\$10,137,596	\$1,097,560	\$3,271,047	\$1,702,298	\$2,918,568	\$19,127,069
Estimated Citywide Capture from New Employees [1]	75%	\$7,603,197	\$823,170	\$2,453,285	\$1,276,723	\$2,188,926	\$14,345,302

employee spend

Source: U.S. Department of Labor, Bureau of Labor Statistics; City of Sacramento; EPS.

[1] Capture rate estimated by EPS.

Table A-8B
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Taxable Sales from Retail Activity (2021\$)

Sales Tax Revenue - Retail Sales

Item	Assumption	Annual Taxable Sales from Retail Activity
Annual Taxable Sales		
FY 2020-21 Business Operating Tax for Retail Sales [1]		
Adult Use Revenue		\$10,842,541
Medical Use Revenue		\$791,673
Total FY 2020-21 Business Operating Tax for Retail Sales		\$11,634,215
City Business Operating Tax Rate	4%	
Estimated Retail Sales		
Adult Use Revenue		\$271,063,535
Medical Use Revenue		\$19,791,833
Total Estimated Retail Sales		\$290,855,368
Estimated Taxable Retail Sales		
Adult Use Revenue		\$271,063,535
Medical Use Revenue [2]		\$0
Total Estimated Taxable Retail Sales		\$271,063,535
Percentage Storefront and Delivery (Adult Use Sales)		
Storefront Retail Taxable Sales	76%	\$206,960,469
Delivery Taxable Sales	24%	\$64,103,066
Total Estimated Taxable Retail Sales		\$271,063,535

retail sales

Source: City of Sacramento; EPS.

- [1] Reflect FY 2020-21 business operating taxes paid by cannabis business related to retail sale of cannabis for adult use and medical use as provided by the City of Sacramento. Includes storefront and delivery sales. This analysis assumes Fiscal Year 2021-22 sales will be consistent with receipts from the previous year.
- [2] Medical use sales are required to be considered in estimating business operation taxes paid to the City, but are not eligible for sales tax.

**Table A-9
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Cannabis Business Operations Tax (2021\$)**

**Business Operations Tax -
Cannabis**

Item	Annual Business Operations Tax					Total
	Cultivation	Manufacturing	Distribution	Retail	Delivery	
Fiscal Year 2020/21 Business Operations Tax						
Annual Revenues [1]	\$4,244,347	\$954,954	\$5,686,002	\$10,212,029	\$3,133,637	\$24,230,969
Percent of Total	18%	4%	23%	42%	13%	100%
Fiscal Year 2021/22 Business Operations Tax [2]	\$3,617,272	\$813,865	\$4,845,932	\$8,703,268	\$2,670,662	\$20,651,000
Neighborhood Responsibility Plan Fee [3]	\$904,318	\$203,466	\$1,211,483	\$2,175,817	\$667,666	\$5,162,750

transfer

Source: Sacramento County Recorder-Clerk; EPS.

- [1] Business operating tax revenues generated by business groups provided by the City of Sacramento. Taxes attributable to microbusinesses have been allocated to other uses proportional to the size of each business group in the City.
- [2] Fiscal year 2021-22 tax revenue estimate based on the approved Fiscal Year 2021-22 Approved Budget for cannabis business operations taxes allocated based on the proportional share of revenues from each business group in the previous year.
- [3] The neighborhood responsibility fee is a 1 percent fee applied to all cannabis activity agreed to as a condition of conditional use permitting. The neighborhood responsibility fee is collected outside of the City General Fund. This analysis estimates the local neighborhood responsibility fee based by applying the 1 percent rate to the all activity generated in each business group. While not commonly enacted, this tax can be paid through in kind activities. This analysis does not assume any in lieu activity is completed.

Table A-10
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Expenditure-Estimating Procedures (2021\$)

Category	Estimating Procedure	Reference Table [1]	City of Sacramento Approved FY 2021-22		Adjusted Net FY 2021-22 Expenditures	% of Total	Service Population	FY 2021-22 Avg. Cost	Adjustment Factor [3]	Cost Multiplier
			Expenditures (Rounded)	Offsetting Revenues [2]						
Formula			a	b	c = a - b		d	e = c / d	f	g = e * f
Annual General Fund Expenditures										
General Government										
Mayor/Council	Per Person Served	Table A-11	\$4,930,917	\$0	\$4,930,917	0.9%				
City Manager - General Operations	Per Person Served	Table A-11	\$5,808,464	\$0	\$5,808,464	1.1%				
City Attorney	Per Person Served	Table A-11	\$8,088,179	\$52,000	\$8,036,179	1.5%				
City Auditor	Per Person Served	Table A-11	\$1,006,603	\$0	\$1,006,603	0.2%				
City Clerk	Per Person Served	Table A-11	\$2,224,706	\$52,000	\$2,172,706	0.4%				
City Treasurer	Per Person Served	Table A-11	\$1,999,862	\$3,496,000	\$0	0.0%				
Finance	Per Person Served	Table A-11	\$8,209,262	\$820,000	\$7,389,262	1.4%				
Information Technology	Per Person Served	Table A-11	\$15,516,190	\$0	\$15,516,190	2.9%				
Human Resources	Per Person Served	Table A-11	\$4,341,932	\$0	\$4,341,932	0.8%				
Subtotal General Government			\$52,126,115	\$4,420,000	\$49,202,253	9.2%				
General Government Cannabis Operations [6]	[4]		\$3,486,200	\$0	\$3,486,200	0.7%	NA	NA	NA	NA
Subtotal Government (Non-Cannabis Operations)	Per Person Served		\$48,639,915	\$4,420,000	\$45,716,053	8.6%	699,373	\$65.37	50%	\$32.68
Convention and Cultural Services	Per Capita	Table A-11	\$1,309,212	\$923,000	\$386,212	0.1%	515,673	\$0.75	50%	\$0.37
Utilities	Per Person Served	Table A-11	\$122,410	\$0	\$122,410	0.0%	699,373	\$0.18	50%	\$0.09
Police [7]	Per Person Served	Table A-11	\$205,080,406	\$0	\$205,080,406	38.5%	699,373	\$293.23	100%	\$293.23
Police - Cannabis Operations	[4]	Table A-11	\$1,260,292	\$0	\$1,260,292	0.2%	NA	NA	NA	NA
Fire [7]	Per Person Served	Table A-11	\$158,259,697	\$0	\$158,259,697	29.7%	699,373	\$226.29	100%	\$226.29
Fire - Cannabis Operations	[4]	Table A-11	\$79,500	\$0	\$79,500	0.0%	NA	NA	NA	NA
Youth, Parks, and Community Enrichment	[5]	NA	\$1,562,715	\$5,018,000	\$0	0.0%	NA	NA	NA	NA
Debt Service	[5]	NA	\$16,431,090	\$0	\$16,431,090	3.1%	NA	NA	NA	NA
Citywide and Community Support	Per Capita	Table A-11	\$60,358,871	\$40,525,000	\$19,833,871	3.7%	515,673	\$38.46	90%	\$34.62
Community Development [7]	Per Person Served	Table A-11	\$31,529,203	\$0	\$31,529,203	5.9%	699,373	\$45.08	90%	\$40.57
Community Development - Cannabis Operations	[4]	Table A-11	\$669,100	\$0	\$669,100	0.1%	NA	NA	NA	NA
Public Works	Per Person Served	Table A-11	\$22,224,170	\$23,124,000	\$0	0.0%	699,373	\$0.00	90%	\$0.00
Total Annual General Fund Expenditures [8]			\$551,012,781	\$74,010,000	\$482,854,034	100.0%				
Total General Operations Expenditure Multipliers										
Per Person Served		Table A-11			\$440,707,769	91.3%	699,373	\$630.15	94%	\$592.87
Per Capita		Table A-11			\$20,220,083	4.2%	515,673	\$39.21	89%	\$34.99
Total Cannabis Operations										
					\$5,495,092	1.1%	NA	NA	NA	NA

Source: City of Sacramento FY 2021-22 Approved Budget; EPS.

- [1] Refers to table with expenditure category calculation.
- [2] Revenues are adjusted by user fees and cost recovery amounts shown in the City's FY 2020-21 Budget. These deductions in ongoing expenditures also are deducted from ongoing revenues, as shown in Table B-1. If Offsetting Revenues (b) exceeds Expenditures (a) then Adjusted Net Expenditures (c) equals \$0.
- [3] Adjustment factors account for fixed costs and expenditures that do not grow and change as new development occurs within the City.
- [4] This expenditure category is fully attributable to cannabis operations and allocated to business groups on Table A-9.
- [5] This expenditure category is not expected to be affected by cannabis operations and is not evaluated in this analysis.
- [6] General government cannabis operations allocation includes expenditures related to cannabis management, city attorney, finance, auditor, and community outreach and education.
- [7] Reflects the portion of departmental expenditures not directly attributable to cannabis operations.
- [8] Excludes General Fund Capital Improvement expenditures.

Table A-11
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Annual Project Expenditures (2020\$)

Expense Category	Reference Table	Per Person Served Multiplier	Annual Net Expenditures					Total	% of Total at Buildout
			Cultivation	Manufacturing	Distribution	Retail	Delivery		
Cannabis Operations Assumptions by Business Group									
Total Employees	Table A-2		4,224	457	1,363	709	1,216	7,970	
Total Persons Served	Table A-11		2,112	229	681	355	608	3,985	
Share of Business Activity [1]	Table A-9		18%	4%	23%	42%	13%	100%	
Annual General Fund Expenditures									
General City Operations [2]	Table A-10	\$592.87	\$1,252,136	\$135,564	\$404,020	\$210,258	\$360,484	\$2,001,978	26.7%
Cannabis Operations									
Cannabis Management	Table A-10		\$247,889	\$55,774	\$332,089	\$596,429	\$183,019	\$1,415,200	18.9%
City Attorney	Table A-10		\$184,621	\$41,539	\$247,330	\$444,203	\$136,307	\$1,054,000	14.1%
Community Development	Table A-10		\$117,201	\$26,370	\$157,010	\$281,989	\$86,530	\$669,100	8.9%
Finance	Table A-10		\$17,674	\$3,977	\$23,677	\$42,524	\$13,049	\$100,900	1.3%
Fire	Table A-10		\$13,925	\$3,133	\$18,655	\$33,505	\$10,281	\$79,500	1.1%
Police	Table A-10		\$220,755	\$49,669	\$295,738	\$531,144	\$162,986	\$1,260,292	16.8%
Auditor	Table A-10		\$29,094	\$6,546	\$38,977	\$70,002	\$21,481	\$166,100	2.2%
Community Outreach and Education	Table A-10		\$131,372	\$29,558	\$175,994	\$316,084	\$96,993	\$750,000	10.0%
Total Cannabis Operations Expenditures			\$962,532	\$216,564	\$1,289,470	\$2,315,881	\$710,645	\$5,495,092	73.3%
Total Annual General Fund Expenditures			\$549,711	\$123,682	\$736,429	\$1,322,622	\$405,856	\$7,497,070	100.0%

expenditures

Source: EPS.

[1] Share of business activity based on the estimated proportional share of annual revenues for each business group as shown on Table A-9.

[2] Represents all City General Fund operations assumed to be impacted by cannabis business operations in excess of City operations dedicated specifically to cannabis operations. Refer to Table A-10 for details.

Table A-12
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Estimated Assessed Value of Cannabis Businesses within the City

Item	Total Cannabis Land Uses and Employment by Business Group					Total
	Cultivation	Manufacturing	Distribution	Retail	Delivery	
Building Square Footage	1,583,999	205,793	204,440	106,394	121,607	2,222,233
Estimated Assessed Value of Cannabis Uses						
Assessed Value per Square Foot						
Secured Value	\$150	\$150	\$150	\$250	\$250	
Unsecured Value	\$50	\$50	\$0	\$0	\$0	
Total Value per Square Foot	\$200	\$200	\$150	\$250	\$250	
Estimated Assessed Value						
Secured Value	\$237,599,903	\$30,868,889	\$30,666,065	\$26,598,405	\$30,401,750	\$356,135,012
Unsecured Value	\$79,199,968	\$10,289,630	\$0	\$0	\$0	\$89,489,597
Total Assessed Value	\$316,799,871	\$41,158,519	\$30,666,065	\$26,598,405	\$30,401,750	\$445,624,609

Source: City of Sacramento; EPS.

av

Table A-13
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Summary of Annual Economic Impacts of All Cannabis Activity (Rounded 2021\$)

All Activity

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	7,970			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		\$1,130,140,000	\$291,110,000	\$205,900,000	\$1,627,150,000
Income [2]		\$357,060,000	\$146,280,000	\$102,940,000	\$606,280,000
Total Sacramento County Output		\$1,487,200,000	\$437,390,000	\$308,840,000	\$2,233,430,000
Sacramento County Employment (Annual Average) [3]					
		7,969	2,608	1,841	12,418

all eia

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.

[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).

[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-14
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of the Cultivation Activity (Rounded 2021\$)

Cultivation

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	4,224			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		\$857,210,000	\$168,620,000	\$133,910,000	\$1,159,740,000
Income [2]		\$238,180,000	\$85,420,000	\$66,970,000	\$390,570,000
Total Sacramento County Output		\$1,095,390,000	\$254,040,000	\$200,880,000	\$1,550,310,000
Sacramento County Employment (Annual Average) [3]					
		4,224	1,583	1,198	7,005

cultivation

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

- [1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
- [2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
- [3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-15
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of Manufacturing Activity (Rounded 2021\$)

Manufacturing

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	457			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		\$147,050,000	\$37,130,000	\$13,450,000	\$197,630,000
Income [2]		\$12,040,000	\$21,960,000	\$6,710,000	\$40,710,000
Total Sacramento County Output		\$159,090,000	\$59,090,000	\$20,160,000	\$238,340,000
Sacramento County Employment (Annual Average) [3]					
		457	312	120	889

man

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.

[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).

[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-16
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of Distribution Activity (Rounded 2021\$)

Distribution

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	1,363			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		\$67,710,000	\$51,700,000	\$27,050,000	\$146,460,000
Income [2]		\$46,460,000	\$23,320,000	\$13,510,000	\$83,290,000
Total Sacramento County Output		\$114,170,000	\$75,020,000	\$40,560,000	\$229,750,000
Sacramento County Employment (Annual Average) [3]					
		1,363	443	241	2,047

distribution

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

- [1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
- [2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
- [3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-17
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of Retail Activity (Rounded 2021\$)

Retail

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	709			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		\$21,430,000	\$12,400,000	\$11,600,000	\$45,430,000
Income [2]		\$22,240,000	\$5,740,000	\$5,800,000	\$33,780,000
Total Sacramento County Output		\$43,670,000	\$18,140,000	\$17,400,000	\$79,210,000
Sacramento County Employment (Annual Average) [3]					
		709	99	104	912

retail

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.

[2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).

[3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

Table A-18
City of Sacramento Cannabis Study
Fiscal and Economic Impact Analysis
Detailed Annual Economic Impacts of Delivery Activity (Rounded 2021\$)

Delivery

Activity/Impact Categories	Source	Impact Type			Total Annual Ongoing Impacts
		Direct	Indirect	Induced	
Key Input					
Ongoing Project Full Time Equivalent (FTE) Employees	Table A-2	1,216			
Annual Ongoing Operating Impacts					
Sacramento County Output [1]					
Industry Output (excl. Income)		\$36,740,000	\$21,260,000	\$19,890,000	\$77,890,000
Income [2]		\$38,140,000	\$9,840,000	\$9,950,000	\$57,930,000
Total Sacramento County Output		\$74,880,000	\$31,100,000	\$29,840,000	\$135,820,000
Sacramento County Employment (Annual Average) [3]					
		1,216	171	178	1,565

delivery

Source: IMPLAN, 2019 Dataset; City of Sacramento; EPS.

[1] Analysis based on Sacramento County data. Output is the amount of business expenditures on goods and services retained within the local economy.
 [2] Includes employee compensation, proprietors income, and other income (profits, rents, and royalties).
 [3] Reflects stabilized operational employment. Employment includes both full-time and part-time workers.

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APPENDIX B:
Initiatives in Other States

Initiatives in Other States

Highlights of recent state legalization efforts that have prioritized social equity at the front end of their legalization regulation efforts regarding ownership, taxation, and spending are summarized below for New York, Illinois, and Connecticut.

New York

- Retailers, microbusinesses, and delivery licensees are allowed to deliver to consumers but cultivators are not. Only one delivery license per entity and no more than 25 full time employees.
- Sets a goal of 50% of licenses for equity applicants. Existing medical cannabis businesses can convert a maximum of three of their existing storefronts if they pay a one time fee to fund social and economic equity and incubator assistance.
- Social consumption sites and delivery services are permitted.
- Proposes a hybrid tax with both a potency based tax on distributors of 0.5 cents per milligram of THC flower, 0.8 cents per milligram of THC for concentrates and 3 cents per milligram of THC for edibles as well as a 9% state tax and a 4% local point of sale tax.
- Governor Kathy Hochul has pledged to create a \$200 million public-private fund for social equity applicants looking to enter the adult-use cannabis marketplace in New York.
- Cities towns and villages may opt out of retail dispensaries or on-site consumption licenses by passing local laws up to nine months after the legislation.

Illinois

- Set license types to include retail dispensaries, infusers, transporters, craft growers with between 5,000 and 14,000 square feet of canopy, and cultivation centers growing up to 210,000 square feet of canopy space. Craft growers can also hold infuser and dispensary licenses in the same facility.
- Taxes include a 7% wholesale tax on cultivation centers and craft growers. Retail taxes are directly related to potency and will include a 10% tax on flower or products with less than 35% THC, 20% tax on infused and edible products, and a 25% tax on any product with a THC concentration higher than 35%. The state sales tax of 6.25% and local sales taxes of up to 3.5% also apply. The retail point of sale taxes will range from 19.55% to 34.75% not including the wholesale tax.

- Tax revenues will be distributed with 2% going to public education and safety campaigns, 8% to local government funds for prevention and training of law enforcement, 25% to the Recover, Reinvest and Renew (R3) program. 3R grants will fund programs in Illinois communities that have been harmed by violence, excessive incarceration, and economic disinvestment and fund programs including civil legal aid, economic development, reentry, violence prevention, and youth development. 20% of the taxes will go to mental health services and substance abuse programs, 10% to pay unpaid bills, and 35% to the general fund.
- The social equity program provides for expungement of convictions, extra points in license applications for social equity applicants, as well as developing a \$30 million cannabis business development fund to provide financial start up assistance. Local colleges will also be able to obtain licenses for training programs to help prepare residents for cannabis industry-related jobs. The Department of Agriculture and Community College board will create up to eight pilot programs to train students to work in the legal industry with at least five of the eight programs for schools in which at least 50% of the students are low income.

Connecticut

- The Department of Consumer Protection (DCP) will issue nine types of cannabis licenses: retailer, hybrid retailer (which sells both adult-use and medical cannabis), cultivator (which cultivate 15,000 square feet or more), micro-cultivator (which start between 2,000 and 10,000 square feet), product manufacturer, food and beverage manufacturer, product packager, delivery service, and transporter.
- DCP must reserve 50% of the maximum number of applications that must be considered for eligible license types for social equity applicants. The vast majority of new licenses will be issued by lottery to provide an equal opportunity to all who qualify and avoid requiring large sums of money to apply.
- The state will create \$50 million in bonding for initial funding for start-up capital for social equity applicants, the cannabis business accelerator program, and workforce training developed by the Social Equity Council.
- Beginning on July 1, 2023, 60% to 75% of the cannabis excise tax revenue will be directed to the Social Equity and Innovation Fund. Social Equity and Innovation Fund money can be used to promote social equity in relation to access to capital for businesses, funding workforce education, and funding for community investments.
- In addition to standard sales tax, the state imposes an excise tax based on potency at the point of retail sale. It exempts medical cannabis. The rate is: \$0.00625 per milligram of THC in flower cannabis, \$0.0275 per milligram of THC in edibles, and \$0.009 per milligram of THC for other cannabis products.

- Until June 30, 2023, 100% of the excise tax would be directed to the General Fund. Starting on July 1, 2023 and thereafter, 25% of the excise tax would go to the Prevention and Recovery Services Fund. From July 1, 2023 until June 30, 2026, 60% of the excise tax would go to the Social Equity and Innovation Fund. On July 1, 2026, that would increase to 65%. Beginning on July 1, 2028, it would increase again and would remain at 75%. The remainder of the tax (starting at 15%, ending at 0%) would go to the General Fund.
- The state imposes a 3% point-of-sale tax that goes to the host municipality for specific purposes, such as re-entry services, mental health or addiction services, youth services bureaus, and streetscape improvements near cannabis retailers.

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APPENDIX C:

Comparison of Cannabis Land Use Regulations:
Sacramento, Oakland, Long Beach, Seattle



Appendix C

**Sacramento Comprehensive Cannabis Study
Case Study: Land Use Regulations**

City: Sacramento

Land Use	Regulations
Cultivation	Use Permit Required, Zones A, C2, C4, M1, M1S, M2, and M2S, M-T. Class A < 5K, Class B < 10K, Class C < 22K
Distribution (Large Scale)	Use Permit Required, Zones C2, C4, M1, M1S, M2, and M2S, MIP, MRD, M-T. Class D1- up to \$5M, D2 - up to \$20M, D3 - over \$20M
Manufacturing	Use Permit Required, Zones C2, C4, M1, M1S, M2, M2S, MIP, MRD, M-T. Class D1- up to \$5M, D2 - up to \$20M, D3 - over \$20M
Storefront Dispensary (Retail)	Use Permit Required, Zones C-2, C-4, M-1, M-1(S), M-2, and M-2(S), M-T and SC
Non Storefront Delivery (Retail)	Use Permit Required, Zones C2, C4, M1, M1S, M2, and M2S
Microbusiness (Vertical Integration)	Use Permit Required, Zones C2, C4, M1, M1S, M2, M2s, MIP, MRD
Testing Labs	Use Permit Required, Zones C2, C4, M1, M1S, M2, M2S, MIP, MRD, M-T.
Consumption lounges/alternate gathering venues	Consumption lounges are currently not allowed. An illegal outdoor smoking gathering event called Club 1130 was shut down. There are a number of cannabis friendly hotels and B&Bs, but no recent evidence of private smoking clubs.

Additional conditions: All uses are subject to Sacramento's buffer distances to sensitive receptors. No cannabis use can be permitted within 600 feet of K-12 Public and Private Schools other than Private Home Schools. Use must be approved by the planning and design commission where the production site is within 600 feet of: A park identified as a neighborhood park or community park in the city's most recently adopted Parks and Recreation Master Plan; or a park not yet identified in the city's most recently adopted Parks and Recreation Master Plan.

Cultivation and manufacturing uses are subject to a 1/2 mile proximity limitation the center of light rail platforms, and manufactures in certain zones are restricted to non-volatile extraction methods.

Within the area bounded by Power Inn Road to the west, Folsom Boulevard to the north, and the city limits to the east and south, there is a cap on cannabis production facilities totalling 2.5 million square feet.

Appendix C

**Sacramento Comprehensive Cannabis Study
Case Study: Land Use Regulations**

City: Oakland

Land Use	Regulations
Cultivation	Proposed cultivation, distribution, testing or transporting locations shall be in areas where "light manufacturing industrial," "R&D," or their equivalent use, is permitted by right.
Distribution (Large Scale)	See Cultivation.
Manufacturing	Manufacturing, packaging and infusion of cannabis products using nonvolatile solvents shall be in areas where "custom manufacturing industrial," or its equivalent use, is permitted by right.
Storefront Dispensary (Retail)	Must be located in a commercial or industrial zone, or its equivalent as may be amended, of the City.
Non Storefront Delivery (Retail)	Must be located in a Commercial or Industrial Zone, excluding the CN Neighborhood Center Commercial Zones and the D-BV Broadway Valdez District Commercial Zones.
Microbusiness (Vertical Integration)	Dependent on what types of businesses are in the vertical integration.
Testing Labs	See Cultivation
Consumption lounges/alternate gathering venues	Oakland allows existing dispensaries to apply for a second on-site consumption permit. Covid-19 regulations stopped all indoor smoking, and some businesses have failed. The historic Park theater has a dispensary operating and is preparing an entertainment, food and smoking venue.

Additional Conditions: All uses are subject to Oakland's buffer distances to sensitive receptors. No cannabis use can be permitted within 600 feet of K-12 Public and Private Schools other than Private Home Schools. Cultivation, manufacturing and distribution can be associated with a dispensary provided the dispensary is located in a zone compatible with the other uses and they do not face a public retail street or impede retail activity.

There is little in the Oakland Municipal Code about additional buffers to sensitive receptors such as community centers, parks, and adult treatment centers.

Appendix C

Sacramento Comprehensive Cannabis Study Case Study: Land Use Regulations

City: Long Beach

Land Use	Regulations
Cultivation	Allowed in light and medium industrial zones, and with an administrative use permit (AUP) in general industrial areas, not allowed in residential, institutional, park, commercial and port zones.
Distribution (Large Scale)	Self-Distribution is an allowed use in the light, medium, and general industrial zones. Distribution is allowed with an AUP in the same 3 zones. Both are not allowed in all other zones.
Manufacturing	Manufacturing is an allowed use in the light, medium, and general industrial zones. It is not allowed in all other zones.
Storefront Dispensary (Retail)	Allowed in commercial and light industrial districts and with a conditional use permit (CUP) in the medium and light industrial zones. They are not allowed in all other zones. Recently approved a retail dispensary in a mixed use building with residential in downtown. Staff is currently developing an ordinance for 8 new equity storefront dispensaries.
Non Storefront Delivery (Retail)	Currently not allowed. Staff is developing an ordinance for non-storefront delivery based on feasibility study.
Microbusiness (Vertical Integration)	Dependent on what types of businesses in the vertical integration.
Testing Labs	Allowed in the commercial and light industrial zones and allowed with an AUP in the medium and general industrial zones.
Consumption lounges/alternate gathering venues	The City of Long Beach does not allow smoking in any public venue or dispensaries.
<p>Additional conditions: Long Beach is currently revising their instituted buffers from schools, beaches and other dispensaries (1,000 feet) as well as parks, daycares and libraries (600 feet). The City is looking to expand the green zone by reducing the school buffer to 600 feet, which is the distance required by state law, and eliminating the buffers for parks and beaches unless they have a playground.</p>	

Appendix C

Sacramento Comprehensive Cannabis Study Case Study: Land Use Regulations

City: Seattle

Land Use Regulations

The Seattle Municipal Code Chapter 23.42.058 - Marijuana lays out the requirements for locating "major marijuana activity"

In 2013, the city amended its zoning ordinance to specify where larger-scale marijuana business activities could locate (§23.42.058). The specific activities include processing, selling, delivery, and the creation of marijuana-infused products and usable marijuana. While these activities are prohibited in residential, neighborhood commercial, certain downtown, and several historic preservation and other special-purpose districts, the zoning ordinance does not require a land-use permit to specifically conduct marijuana-related activities in industrial, most commercial, and a few downtown districts. For example, an applicant who wishes to open a marijuana retail store or an agricultural application is required to get the applicable permit, but is not required to disclose that the use is marijuana related.

The ordinance does, however, impose a size limit on indoor agricultural operations in industrial areas, but this applies to all agricultural uses in industrial areas, not just marijuana production (§23.50.012, Table A, Note 14).

Additional conditions: In 2015, the City Council revised the State buffer requirements to include the following:

1. Any lot line of any major marijuana activity must be at least 1,000 feet from any elementary or secondary school, or playground.
2. Any lot line of any major marijuana activity including retail sales of marijuana products must be at least 500 feet from any child care, gaming arcade, library, public park, public transit station, or recreation center.
3. Any lot line of any major marijuana activity not including retail sales of marijuana products must be at least 250 feet from any child care, gaming arcade, library, public park, public transit station, or recreation center.
4. Any lot line of any major marijuana activity must be at least 350 feet from any other major marijuana activity and no more than 2 major marijuana activities can be within 1,000 feet of each other.

APPENDIX D:

Comparison of City of Sacramento and
State of California Cannabis Regulations



Appendix D Comparison of Selected City of Sacramento and State of California Regulations

Definition of Reportable Ownership and Rights of Transference

City of Sacramento

(5.150.050)

Cannabis business permits issued pursuant to this chapter are not property and have no value. Cannabis business permits may not be transferred, sold, assigned or bequeathed expressly or by operation by law. Any attempt to directly or indirectly transfer a cannabis business permit shall be unlawful and void, and shall automatically revoke the permit. (Ord. 2017-0046 § 1)

City of Sacramento

(5.150.055)

A. No person shall transfer, sell, assign, or bequeath any ownership interest in any storefront cannabis dispensary permittee to another person. B. Any transfer, sale, assignment, or bequest of any ownership interest is unlawful and void. C. This section remains in effect until May 11, 2022. (Ord. 2021-0028 § 1; Ord. 2020-0040 § 1; Ord. 2019-0041 § 2)

State of California

The business may continue to operate under the active license while the Department reviews the qualifications of the new owner(s) in accordance with the Act and these regulations to determine whether the change would constitute grounds for denial of the license, if at least one existing owner is not transferring his or her ownership interest and will remain as an owner under the new ownership structure. If all owners will be transferring their ownership interest, the business shall not operate under the new ownership structure until a new license application has been submitted to and approved by the Department, and all application and license fees for the new application have been paid.

State of California

(A) A change in ownership occurs when a new person meets the definition of owner in section 15003 of this division. (B) A change in ownership does not occur when one or more owners leave the business by transferring their ownership interest to the other existing owner(s). (2) In cases where one or more owners leave the business by transferring their ownership interest to the other existing owner(s), the owner or owners that are transferring their interest shall provide a signed statement to the Department confirming that they have transferred their interest within 14 calendar days of the change.

Appendix D Comparison of Selected City of Sacramento and State of California Regulations

Definition of Reportable Ownership and Rights of Transference (continued)

City of Sacramento

(5.150.055)

A. A cannabis business shall provide the city with names and addresses of all of the following interested parties: 1. Person with an aggregate ownership interest of 20% or more in the entity engaging in the cannabis business, unless the interest is solely a security, lien, or encumbrance. 2. The chief executive officer and the members of the board of directors of the entity engaging in the cannabis business. 3. The managers of the cannabis business. 4. Person who delivers cannabis or cannabis products for the cannabis business. 5. Person who transports cannabis or cannabis products for the cannabis business.

State of California

(a) An applicant for a commercial cannabis license or a licensee shall disclose all financial interest holders. A financial interest holder of the commercial cannabis business includes all of the following, except as provided in subsection (b): (1) A person with an aggregate ownership interest of less than 20 percent. (2) A person providing a loan to the commercial cannabis business. (3) A person entitled to receive 10 percent or more of the profits of the commercial cannabis business, including: (A) An employee who has entered into a profit share plan with the commercial cannabis business. (B) A landlord who has entered into a lease agreement with the commercial cannabis business for a share of the profits. (C) A consultant who is providing services to the commercial cannabis business for a share of the profits. (D) A person acting as an agent, such as an accountant or attorney, for the commercial cannabis business for a share of the profits. (E) A broker who is engaging in activities for the commercial cannabis business for a share of the profits. (F) A salesperson who earns a commission. (b) Financial interest holders do not include any of the following: (1) A bank or financial institution whose interest constitutes a loan; (2) Persons whose only financial interest in the commercial cannabis business is through an interest in a diversified mutual fund, blind trust, or similar instrument; (3) Persons whose only financial interest is a security interest, lien, or encumbrance on property that will be used by the commercial cannabis business; and (4) Persons who hold a share of stock that is less than 10 percent of the total shares in a publicly traded or privately held company.

Appendix D Comparison of Selected City of Sacramento and State of California Regulations

Maintaining Business Records

City of Sacramento

5.150.160

A. A cannabis business shall maintain the following business records in printed format for at least three years on the site and shall produce them to the city within 24 hours after receipt of the city's request:

1. The name, address, and telephone numbers of the owner and landlord of the property. 2. The name, date of birth, address, and telephone number of each manager and staff of the cannabis business; the date each was hired; and the nature of each manager's and staff's participation in the cannabis business. 3. A written accounting of all income and expenditures of the cannabis business, including, but not limited to, cash and in-kind transactions. 4. A copy of the cannabis business' commercial general liability insurance policy and all other insurance policies related to the operation of the business. 5. A copy of the cannabis business' most recent year's financial statement and tax return. 6. An inventory record documenting the dates and amounts of cannabis received at the site, the daily amounts of cannabis on the site, and the daily amounts of cannabis sold, distributed, and transported from the site. 7. The name, address, and telephone numbers of the owners and officers of the cannabis business; and the nature of the ownership interest in, and control of, the cannabis business. B. A cannabis business shall report any loss, damage, or destruction of these records to the city manager within 24 hours of the loss, damage, or destruction. (Ord. 2019-0041 § 3; Ord. 2017-0046 § 1)

5.150.525 Delivery of cannabis.

H. A cannabis business shall maintain the information described in subsection D for at least three years on the site and shall produce the information to the city upon request. (Ord. 2020-0004 § 17; Ord. 2019-0002 § 2; Ord. 2017-0002 § 2; Ord. 2017-0060 § 3)

State of California

(a) Licensees must keep and maintain records in connection with the licensed commercial cannabis business. Records must be kept for at least seven years from the date of creation, unless a shorter time is specified. Records include, but are not limited to: (1) Financial records including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California Department of Tax and Fee Administration (formerly Board of Equalization) under title 18, California Code of Regulations, sections 1698 and 4901. (2) Personnel records, including each employee's full name, Social Security number or individual taxpayer identification number, date employment begins, and date of termination of employment, if applicable. (3) Training records including, but not limited to, the content of the training provided and the names of the employees who received the training. (4) Contracts regarding commercial cannabis activity. (5) Permits, licenses, and other local authorizations to conduct the licensee's commercial cannabis activity. (6) All other documents prepared or executed by an owner or their employees or assignees in connection with the licensed commercial cannabis business. (7) Records required by the Act or this division. (b) Records must be kept in a manner that allows the records to be produced for the Department in either hardcopy or electronic form. (c) Records must be legible and accurate. No person may intentionally misrepresent or falsify records. (d) Records must be stored in a secured area where the records are protected from debris, moisture, contamination, hazardous waste, and theft.

Appendix D
Comparison of Selected City of Sacramento and State of California Regulations

Limits on Delivery Vehicle Inventory

City of Sacramento

5.150.525 Delivery of cannabis.

B. No person delivering cannabis or cannabis products shall possess more than \$3,000 worth of cannabis and cannabis products at any time.

State of California

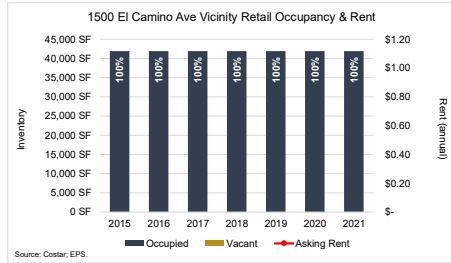
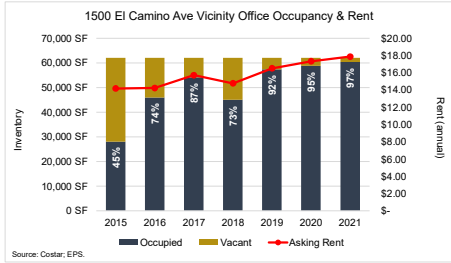
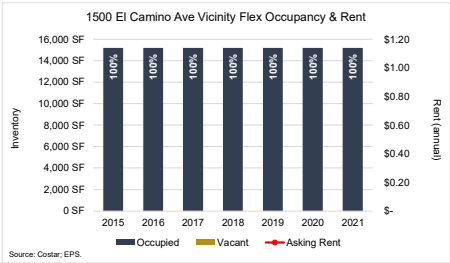
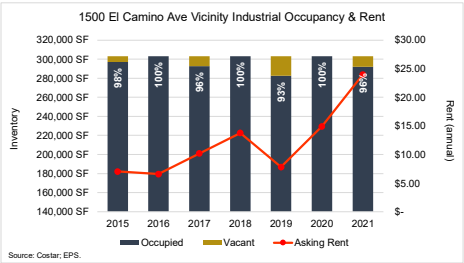
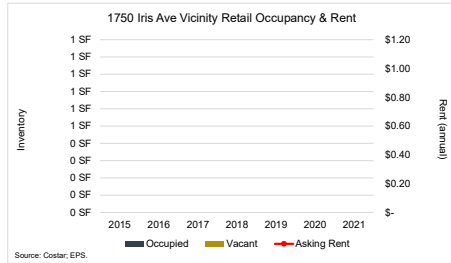
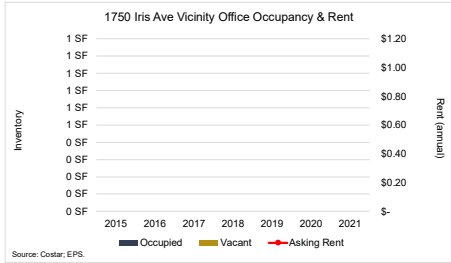
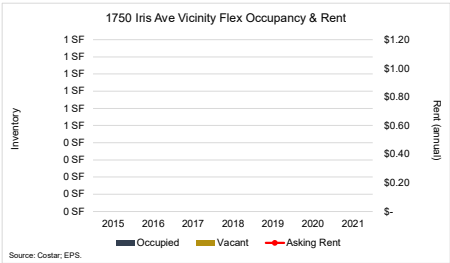
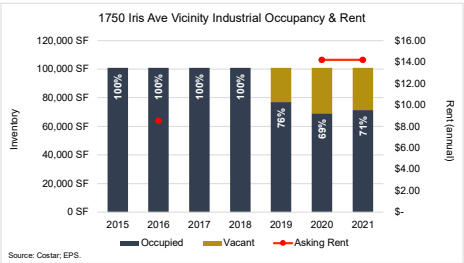
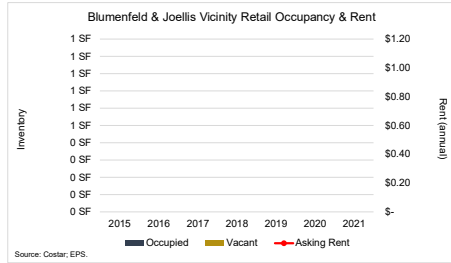
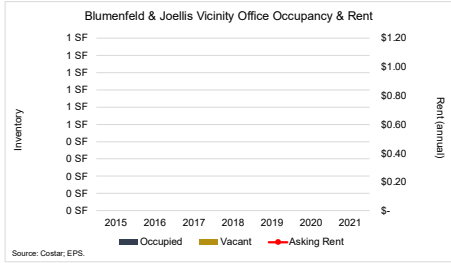
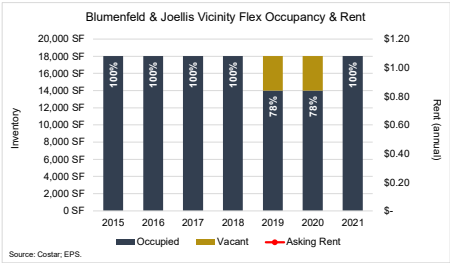
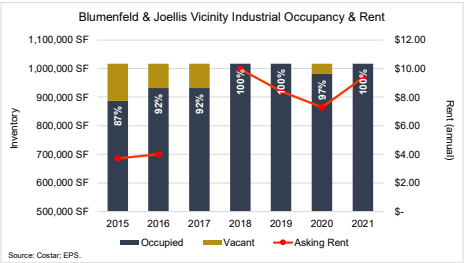
(a) A licensed retailer's delivery employee shall not carry cannabis goods in the delivery vehicle with a value in excess of \$5,000 at any time. The value of cannabis goods carried in the delivery vehicle for which a delivery order was not received and processed by the licensed retailer prior to the delivery employee departing from the licensed premises may not exceed \$3,000.

APPENDIX E:

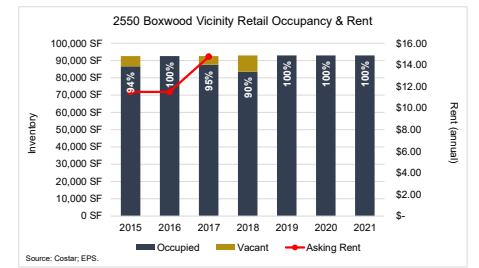
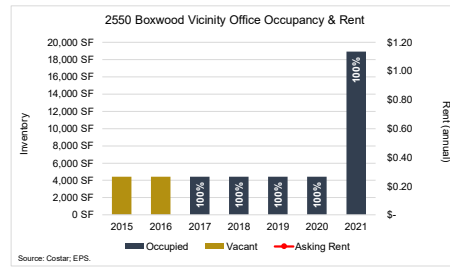
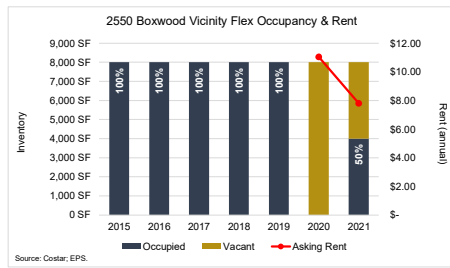
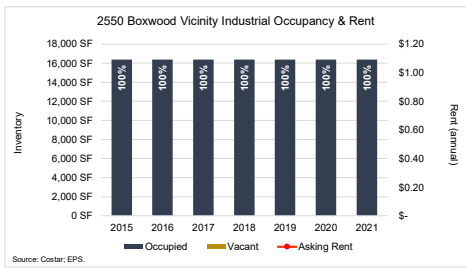
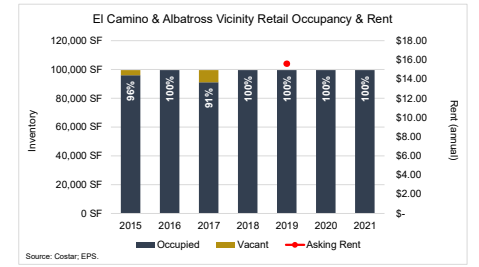
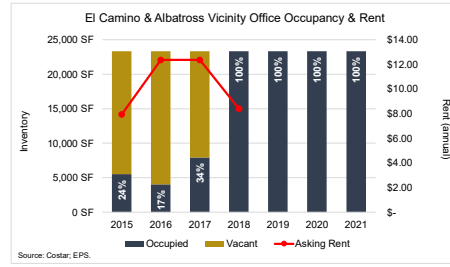
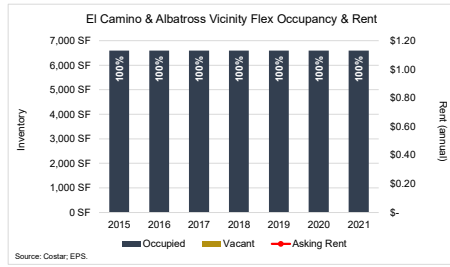
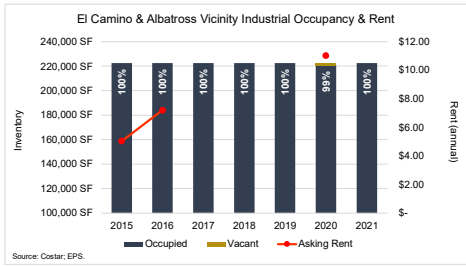
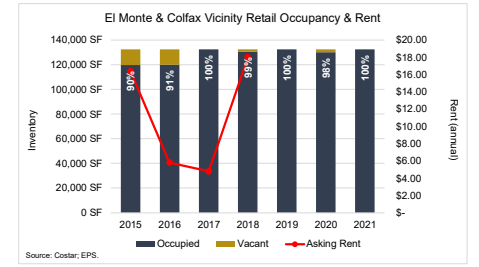
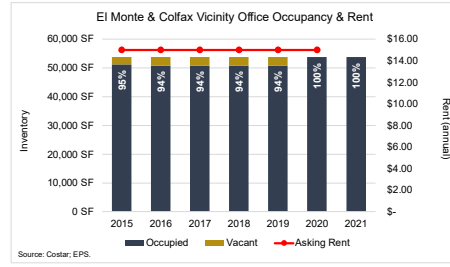
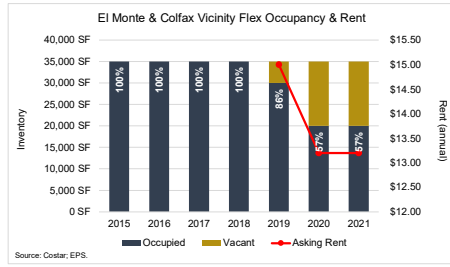
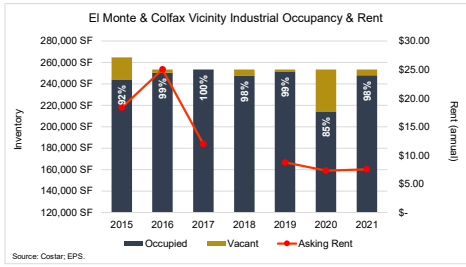
Real Estate Market Analysis Support Figures



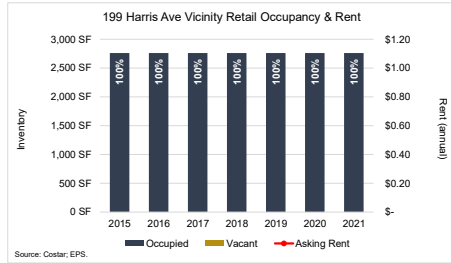
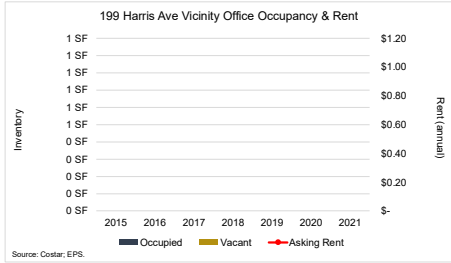
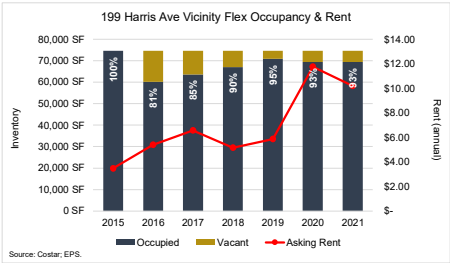
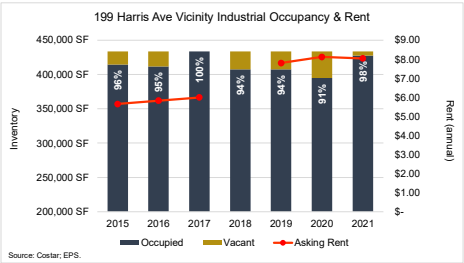
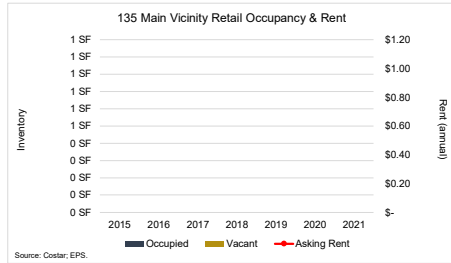
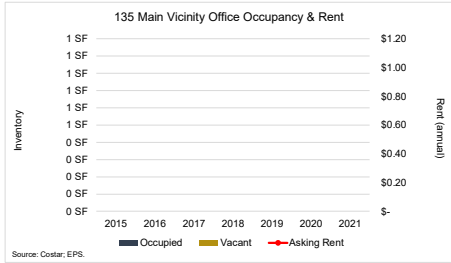
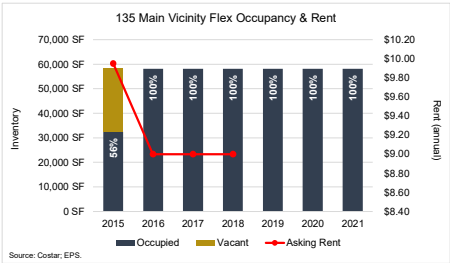
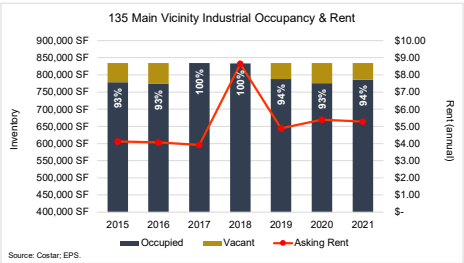
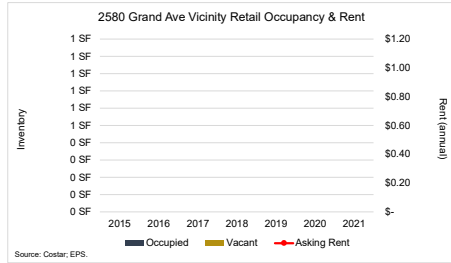
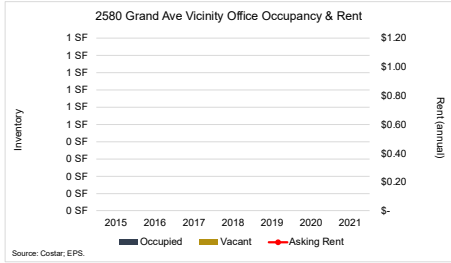
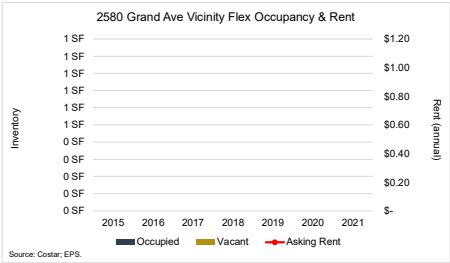
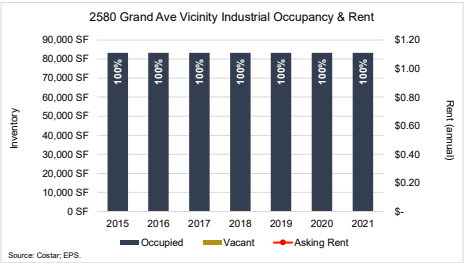
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



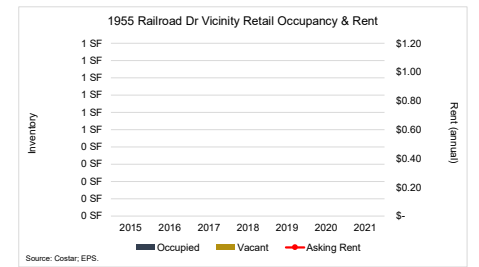
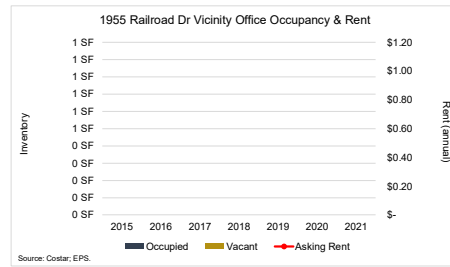
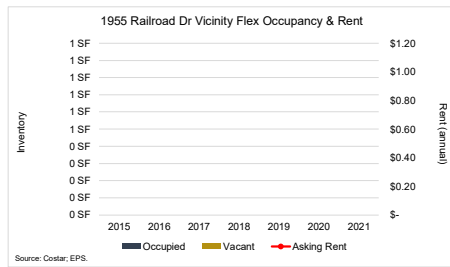
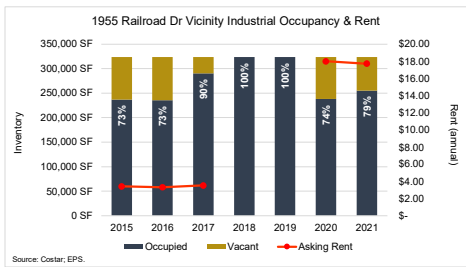
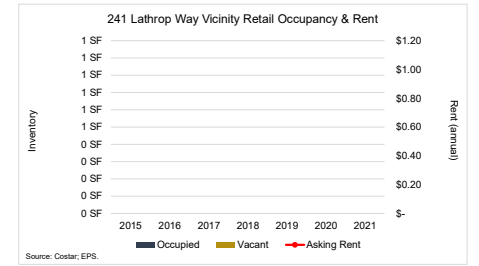
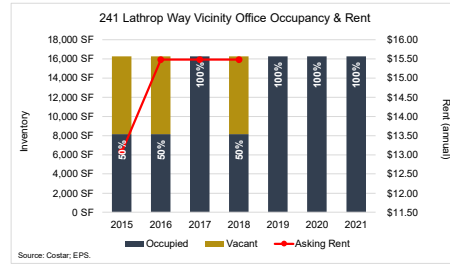
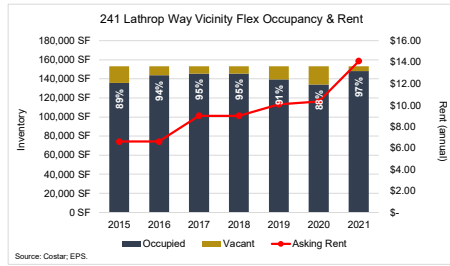
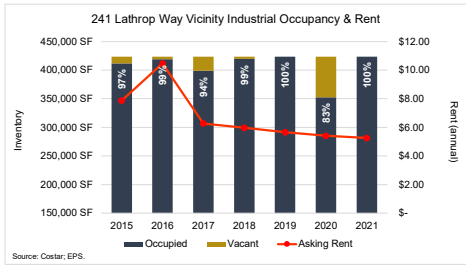
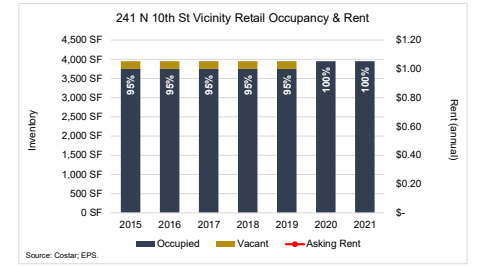
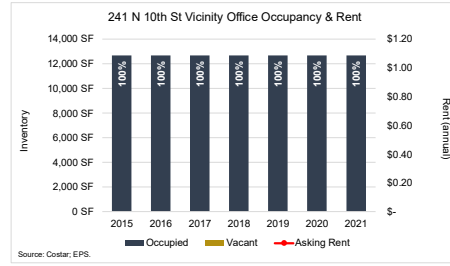
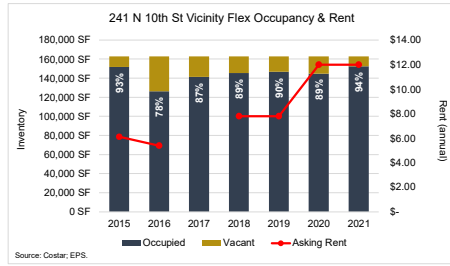
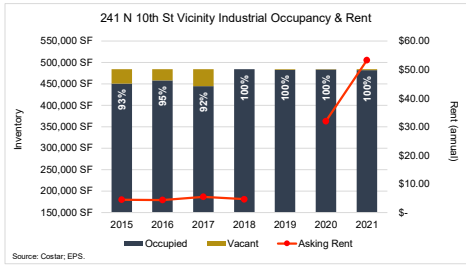
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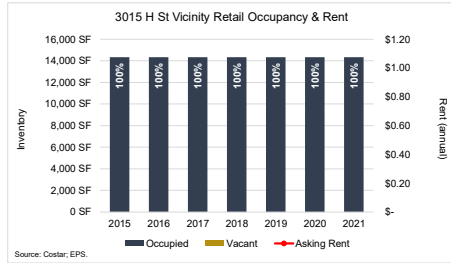
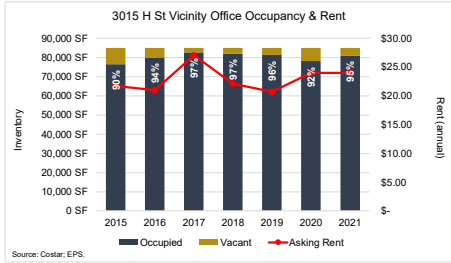
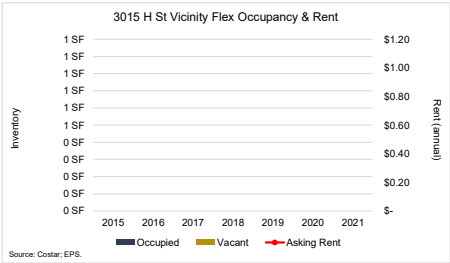
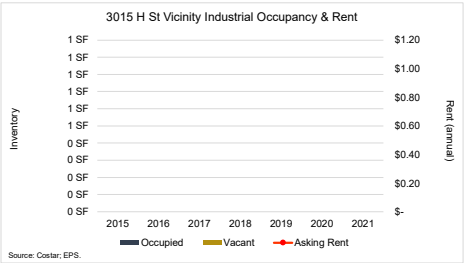
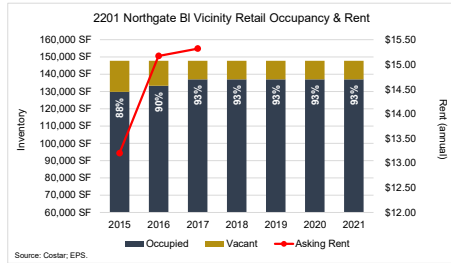
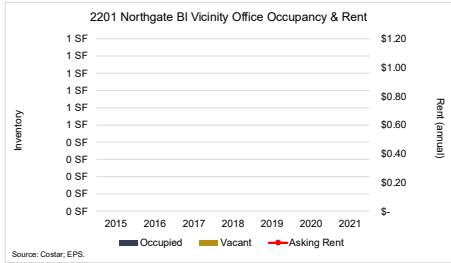
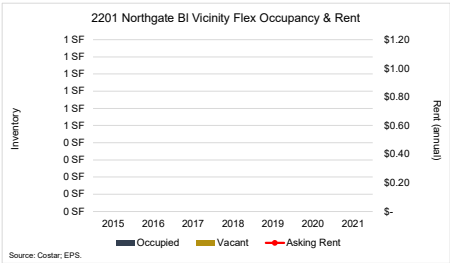
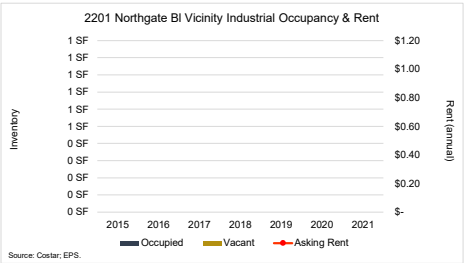
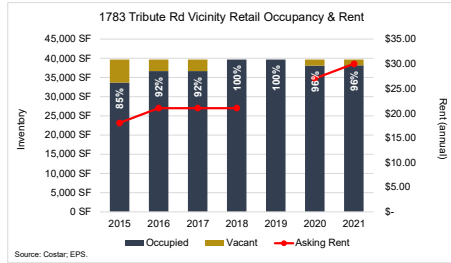
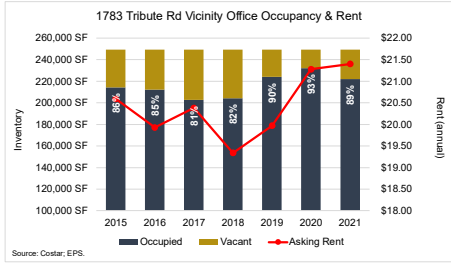
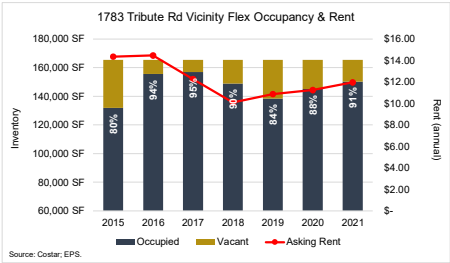
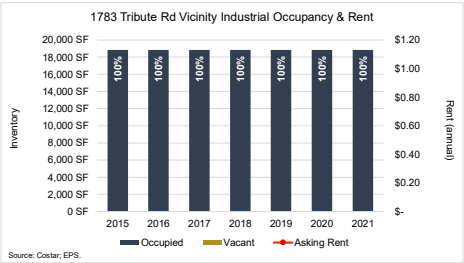
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



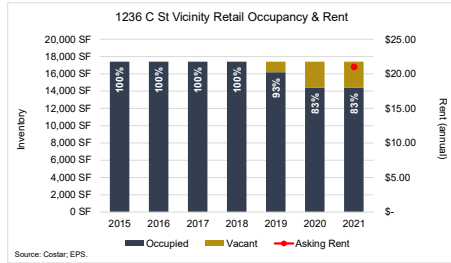
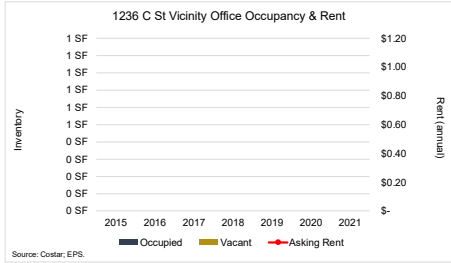
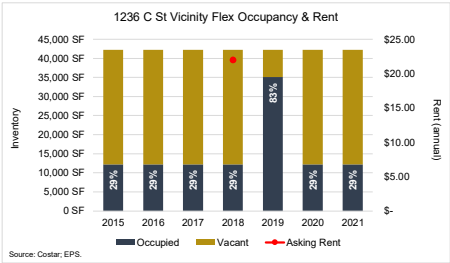
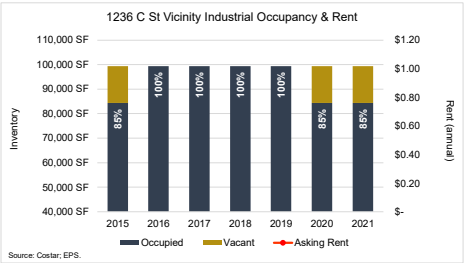
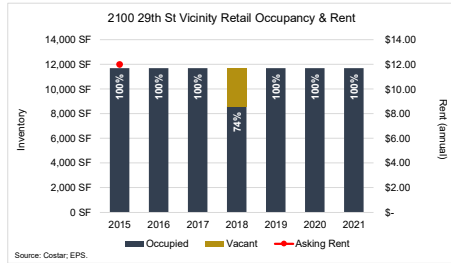
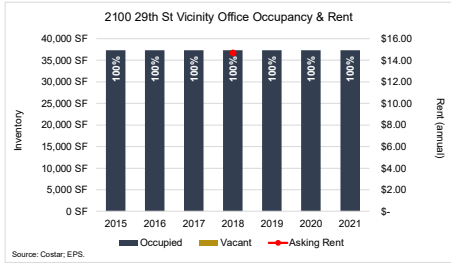
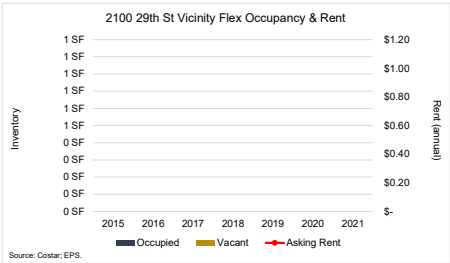
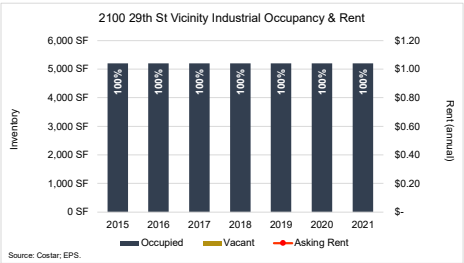
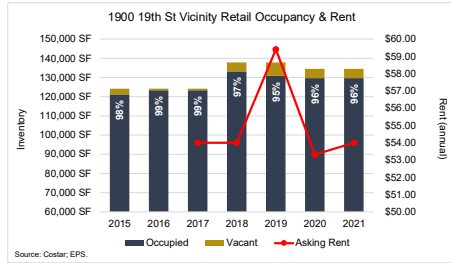
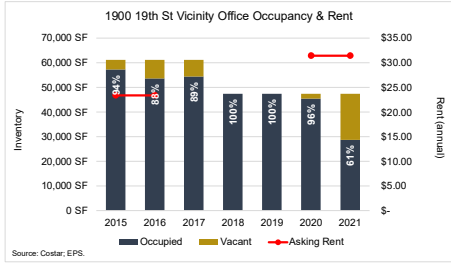
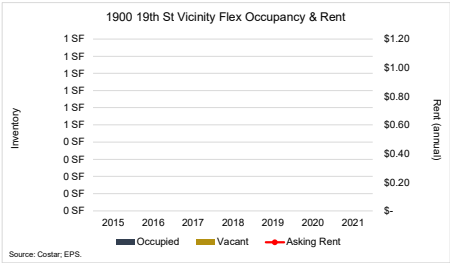
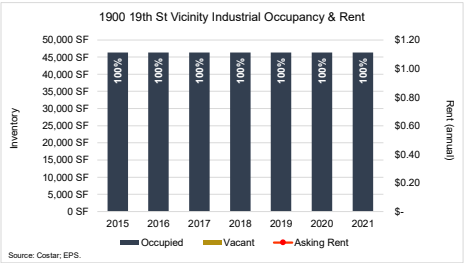
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



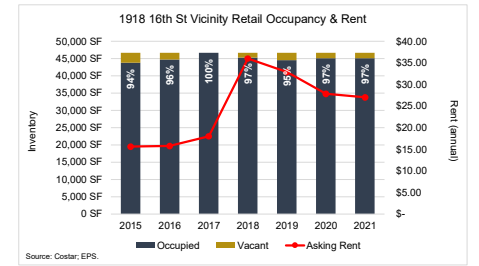
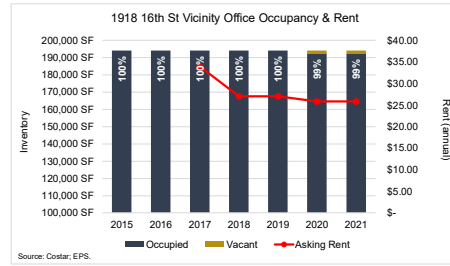
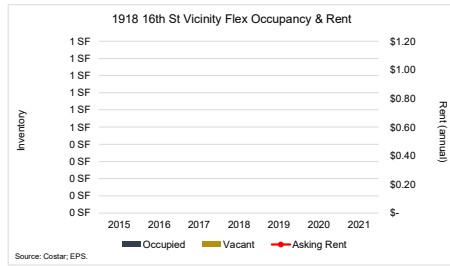
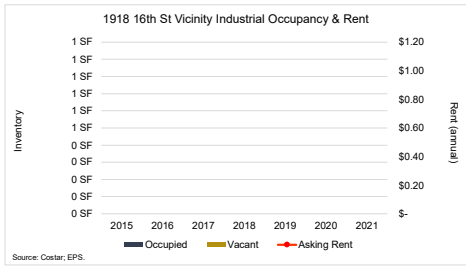
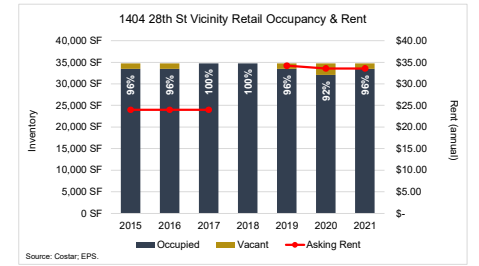
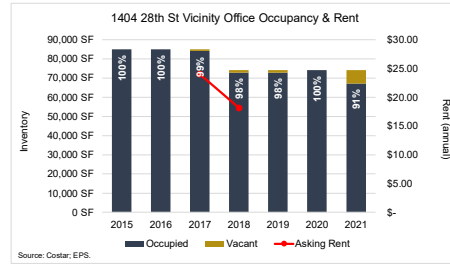
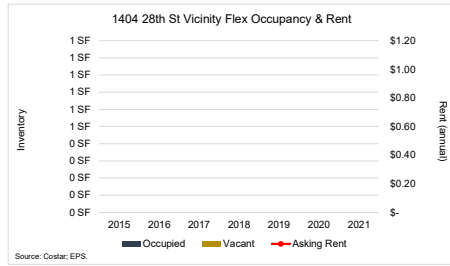
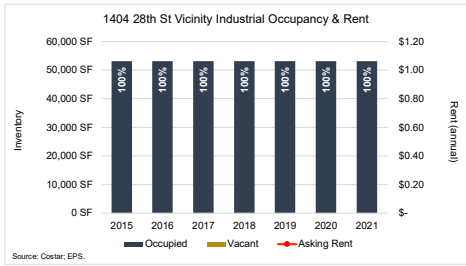
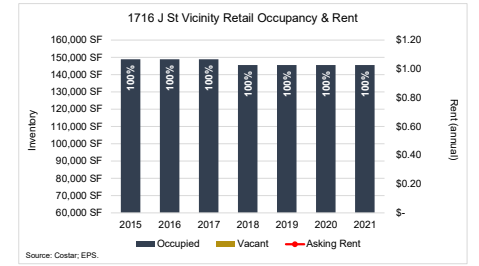
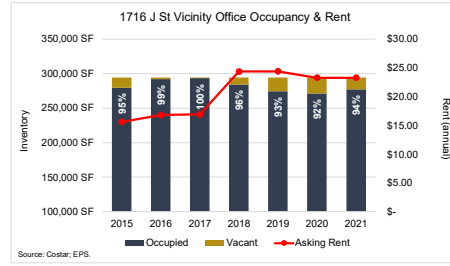
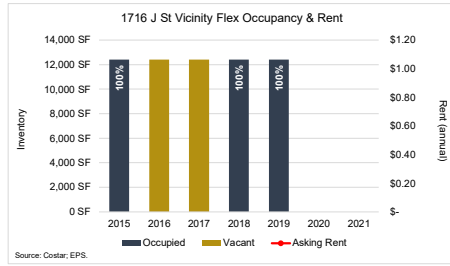
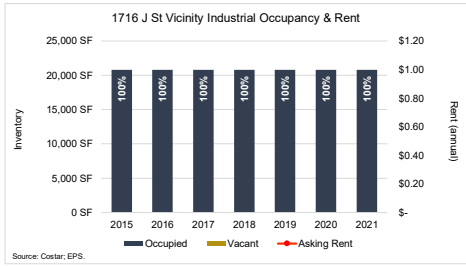
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



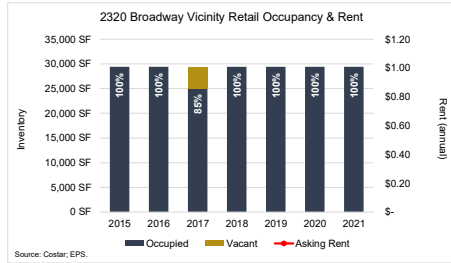
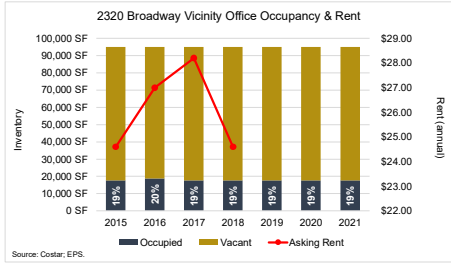
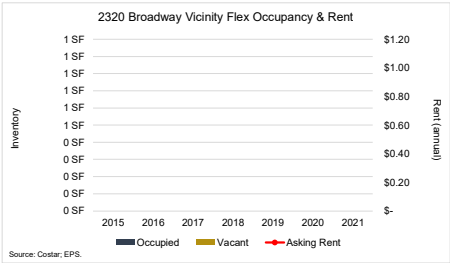
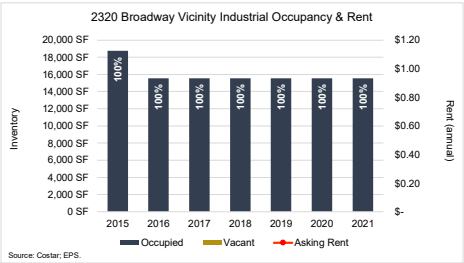
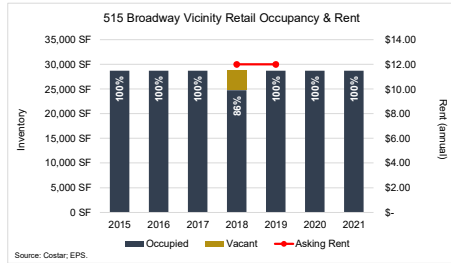
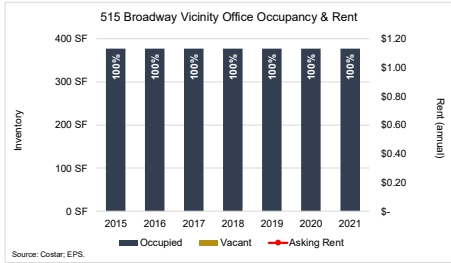
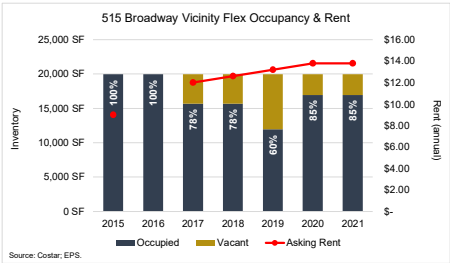
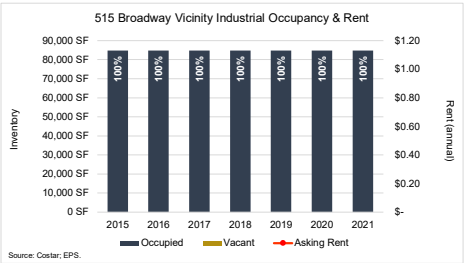
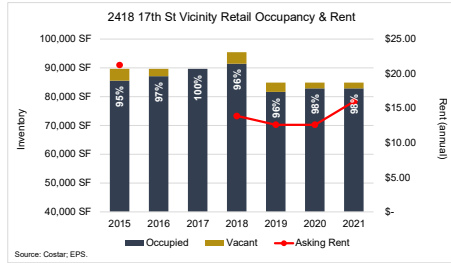
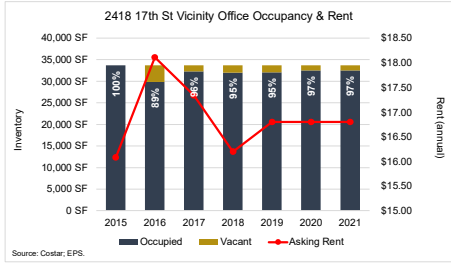
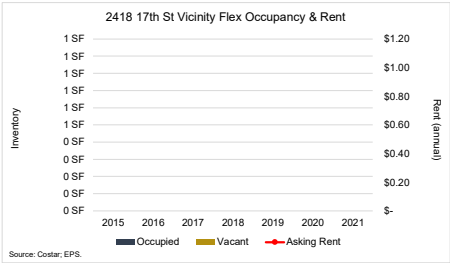
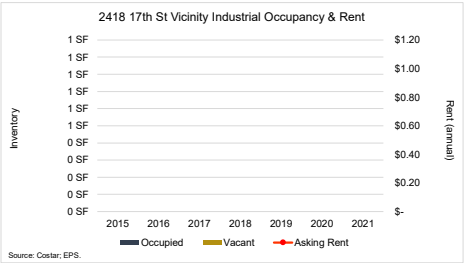
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



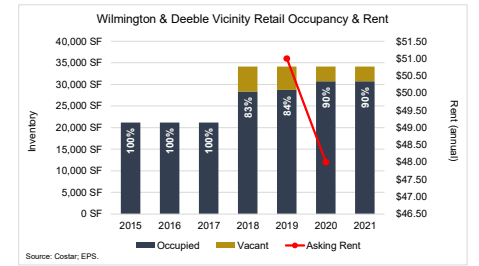
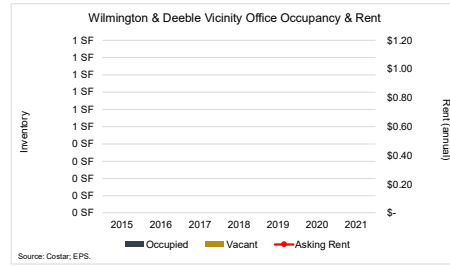
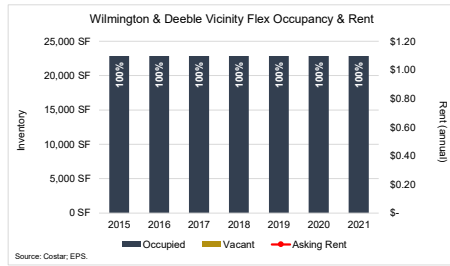
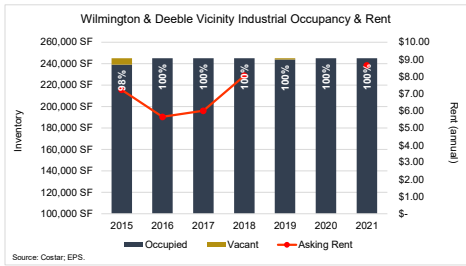
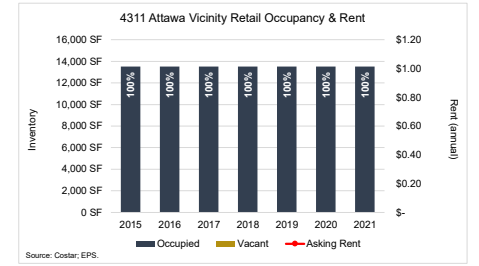
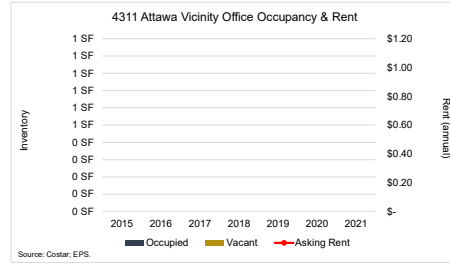
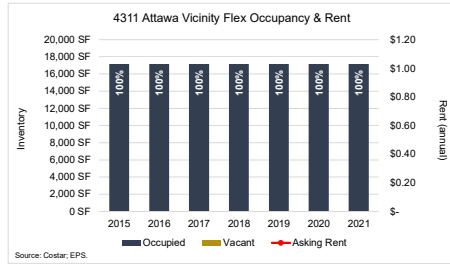
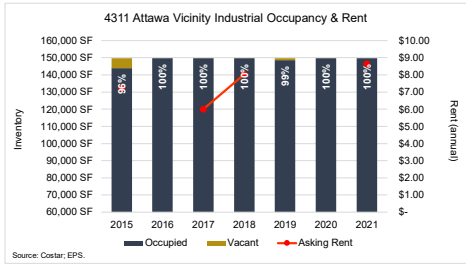
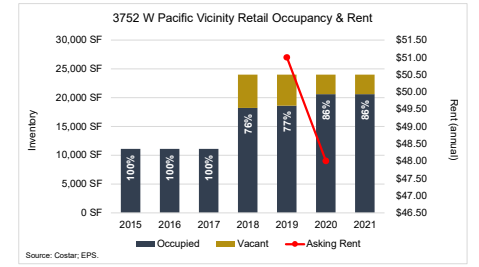
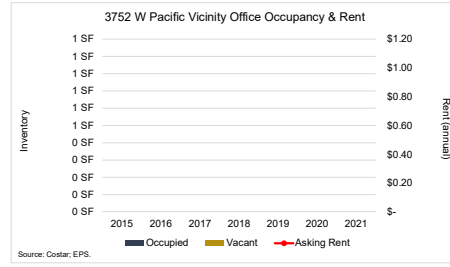
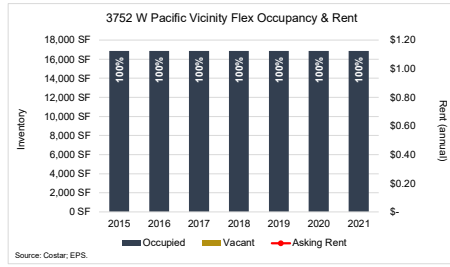
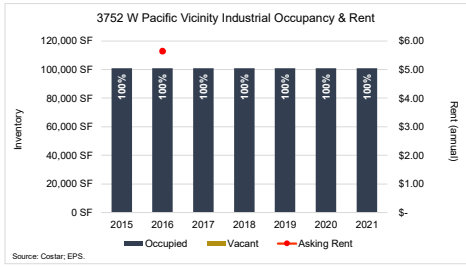
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



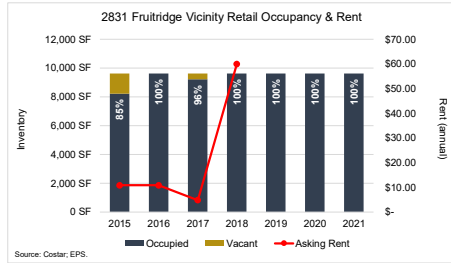
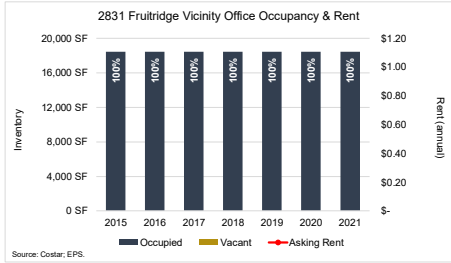
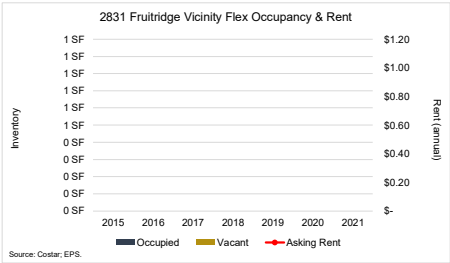
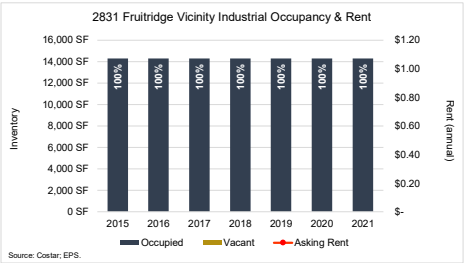
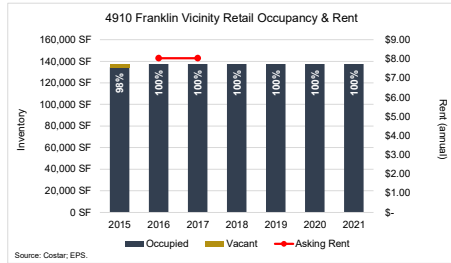
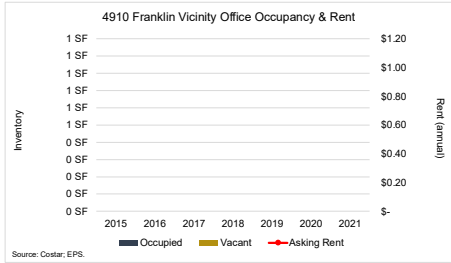
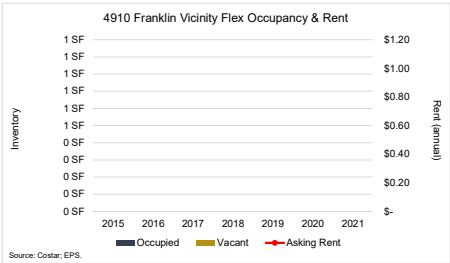
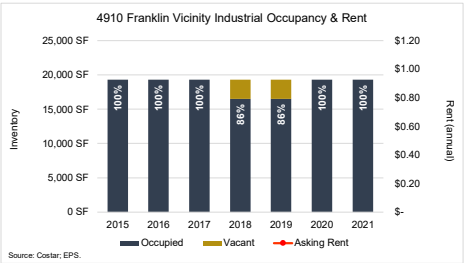
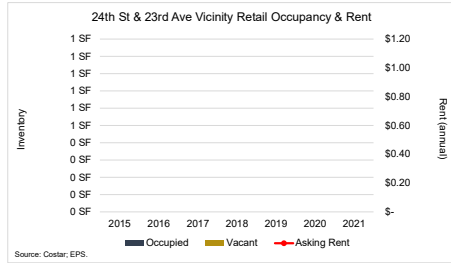
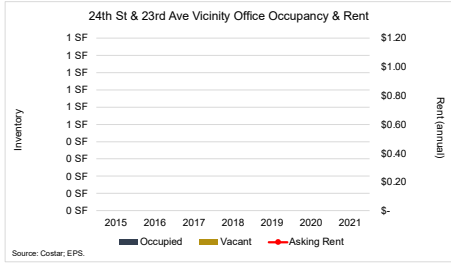
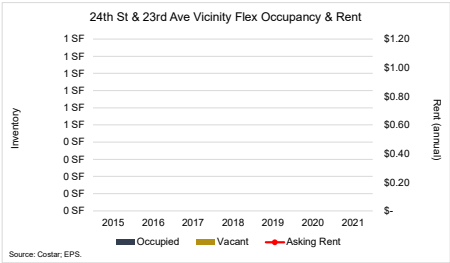
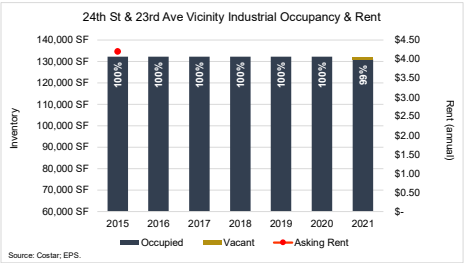
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



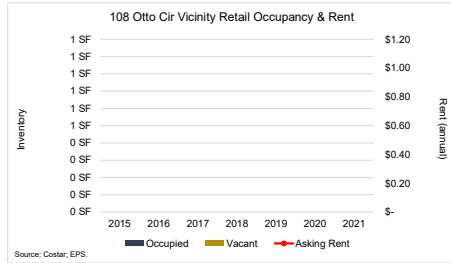
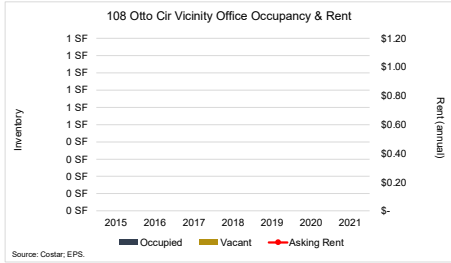
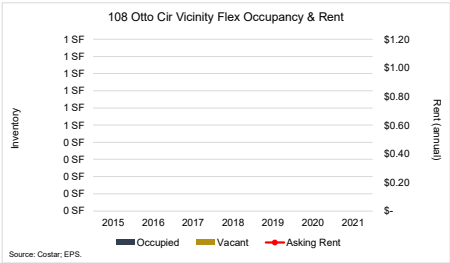
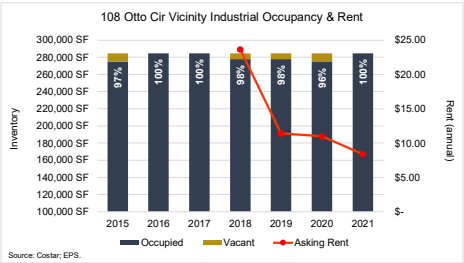
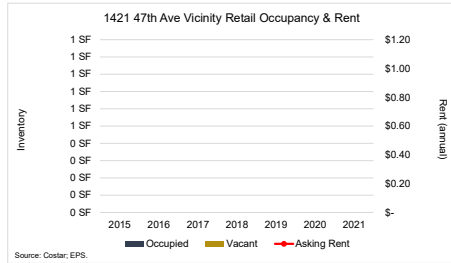
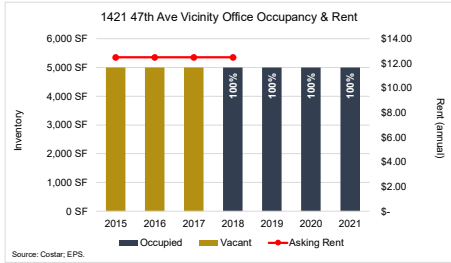
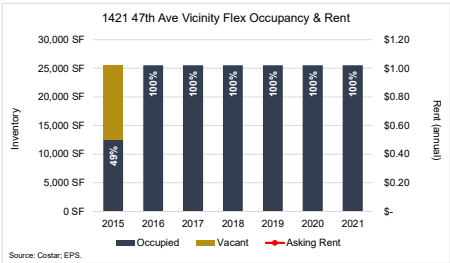
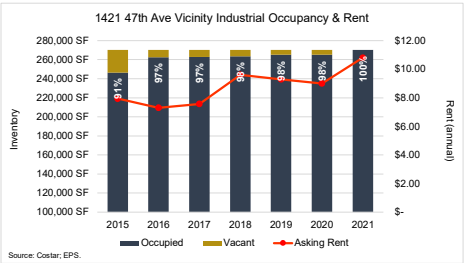
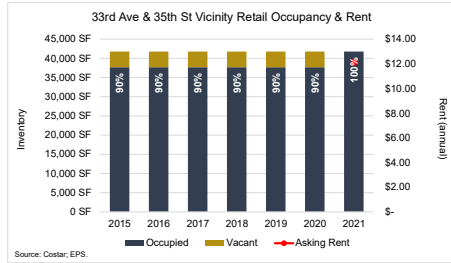
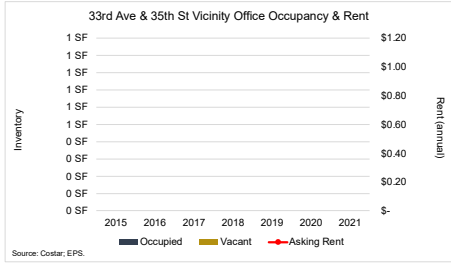
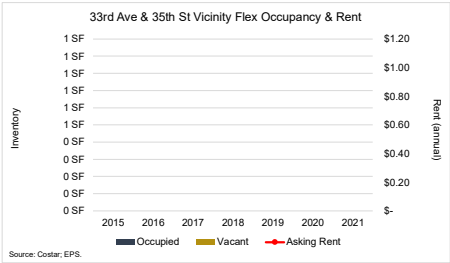
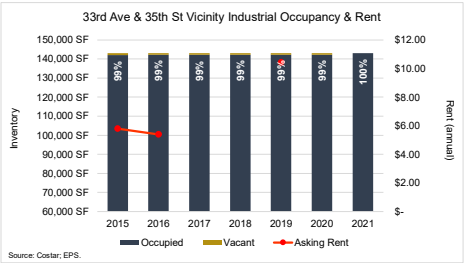
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



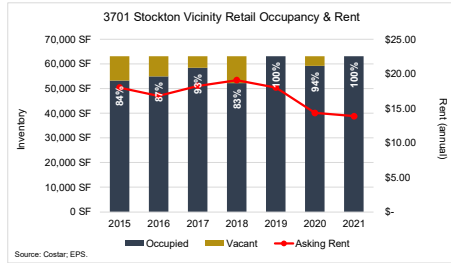
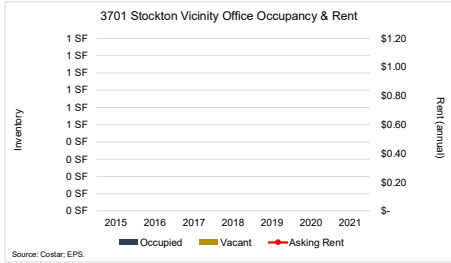
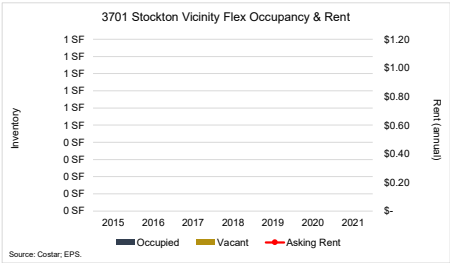
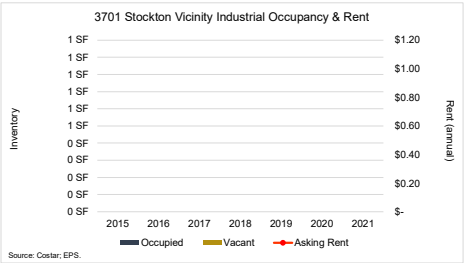
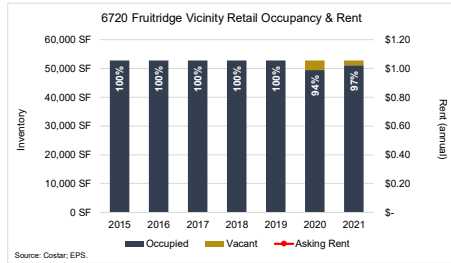
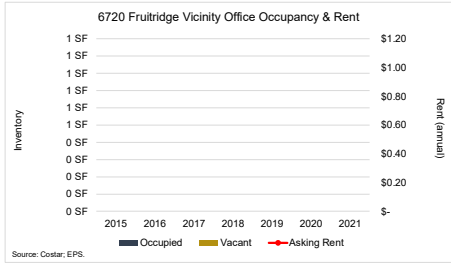
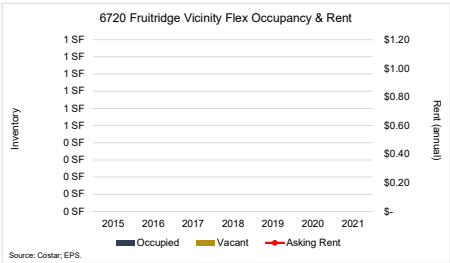
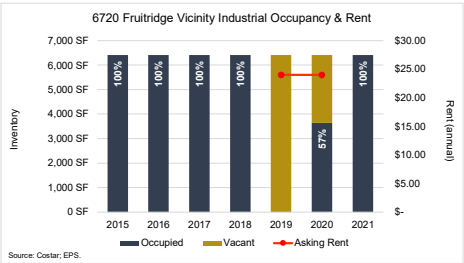
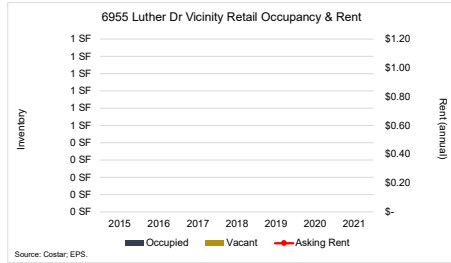
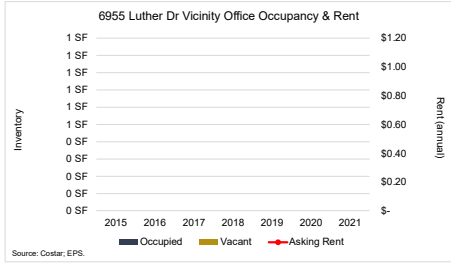
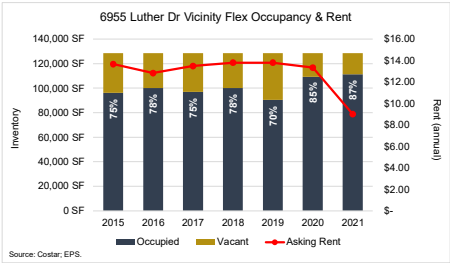
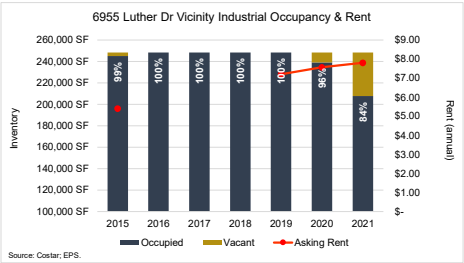
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



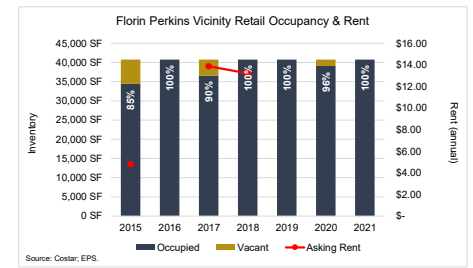
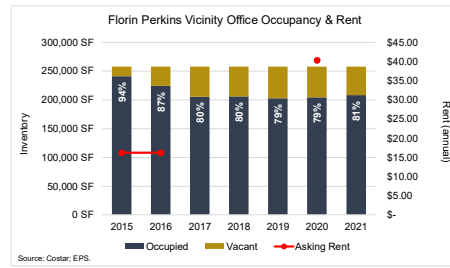
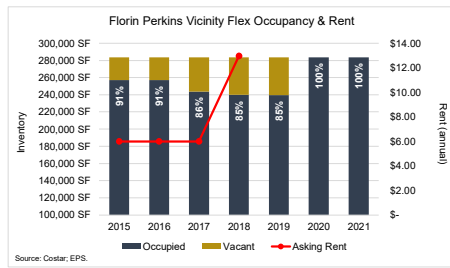
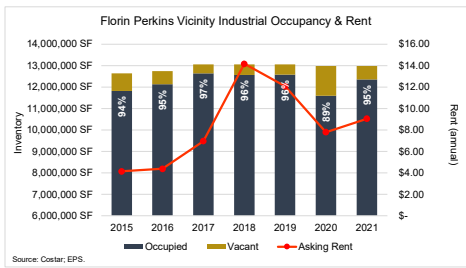
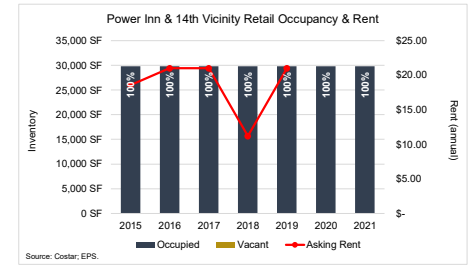
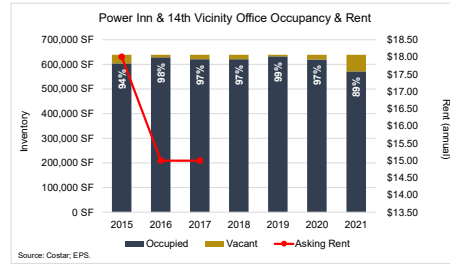
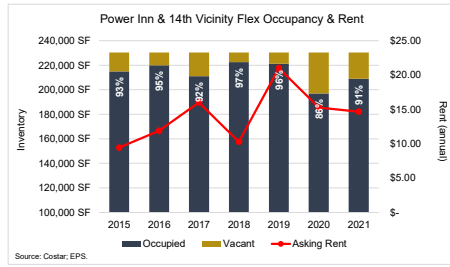
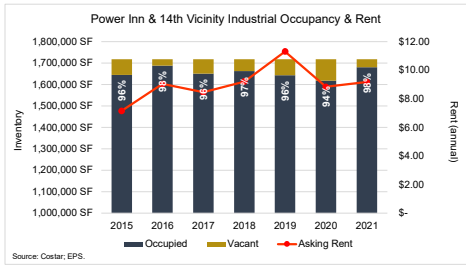
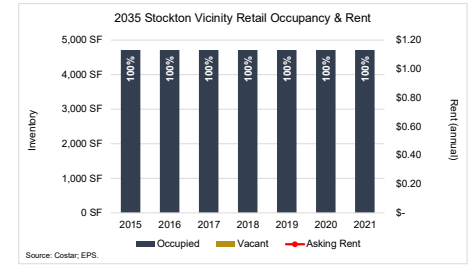
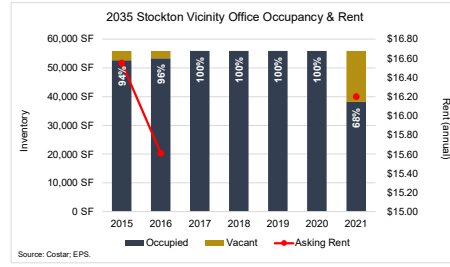
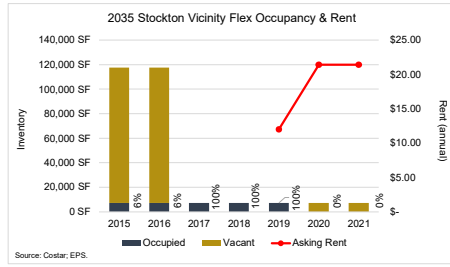
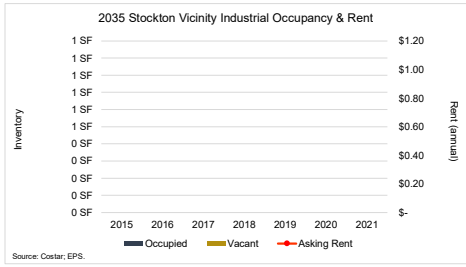
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



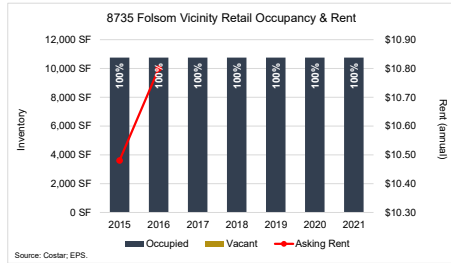
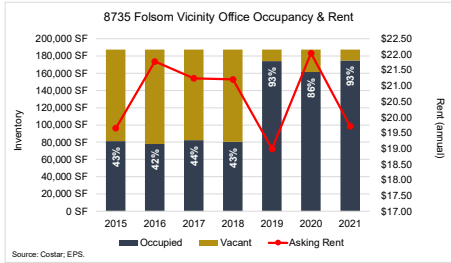
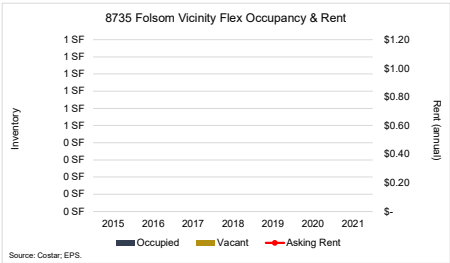
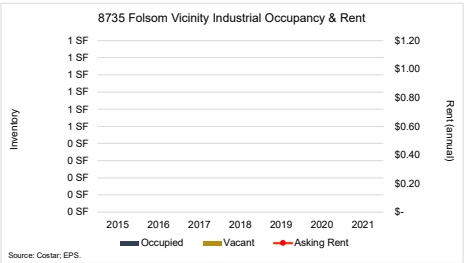
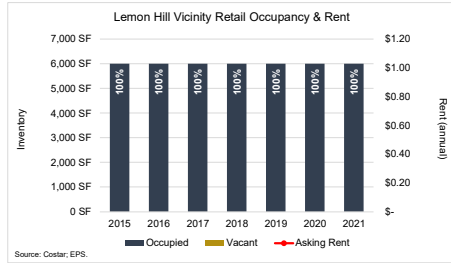
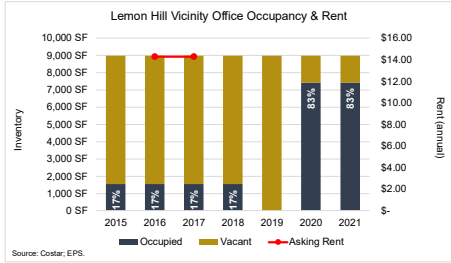
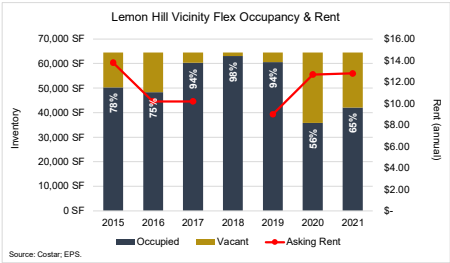
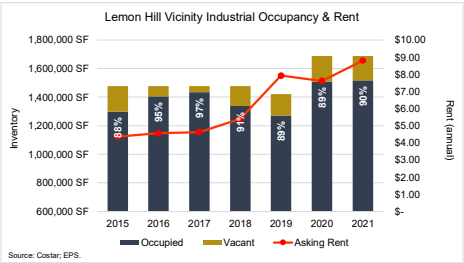
Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



Appendix E-1 Cannabis Zones Commercial Real Estate Market Performance



Appendix E-2

Maps of Cannabis Zones Identified for Costar Commercial Real Estate Market Data Extraction

Maps from August 2021 (Council Districts updated January 2022)

Council District 1

CD1 - 135 Main Ave 1000'

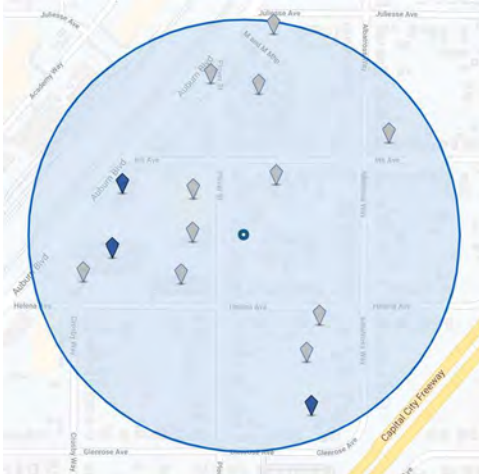


CD2 - Blumenfeld Dr (200' north of Joellis) 1200'



Council District 2

CD2 - 1750 Iris Ave (100' east) 1000'



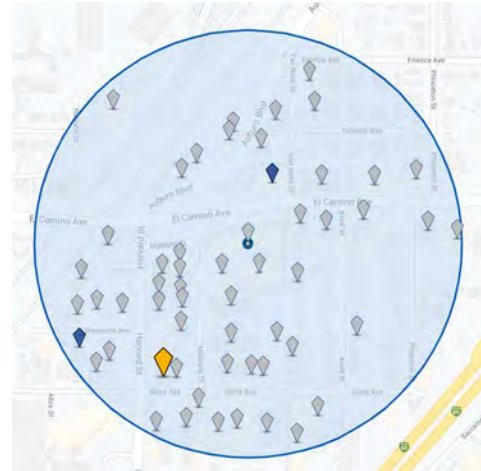
CD2 - El Camino & Albatross 1000'



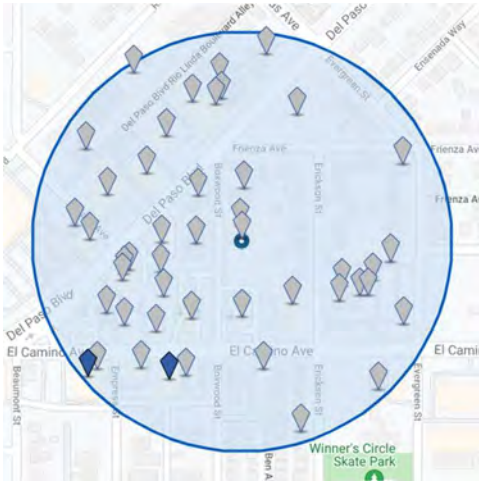
CD2 - El Monte & Colfax 1200'



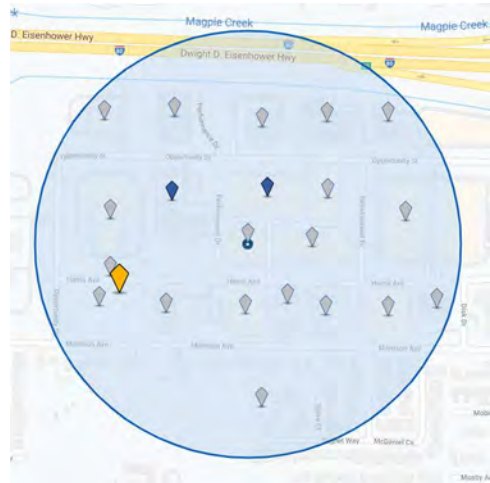
CD2 - 1500 El Camino Ave 1000'



CD2 - 2550 Boxwood St 700'



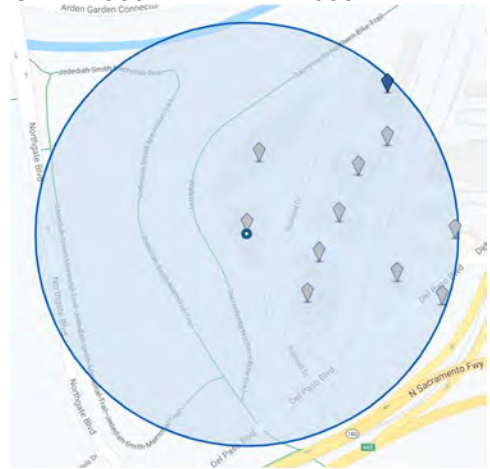
CD2 - 199 Harris Ave 1000'



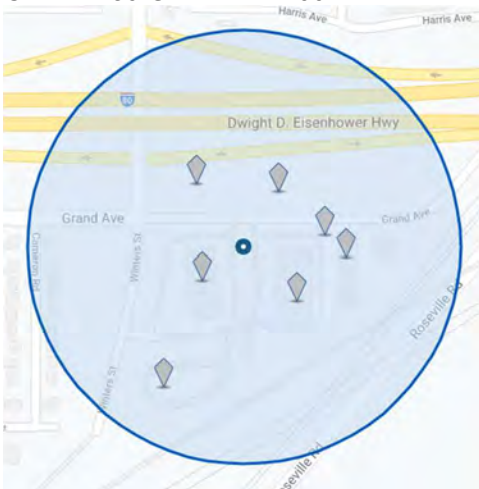
CD2 - 2550 Boxwood St 1000'



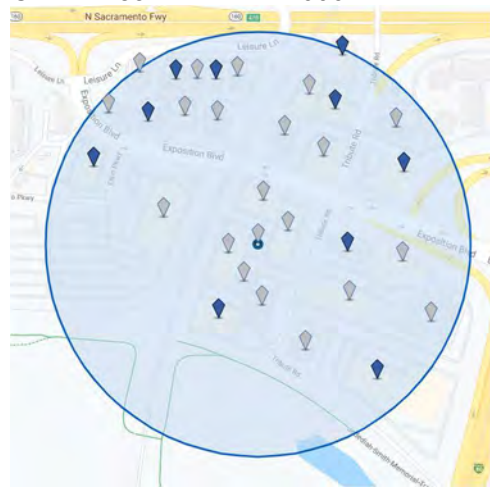
CD2 - 1955 Railroad Dr 1000'



CD2 - 2480 Grand Ave 700'



CD2 - 1783 Tribute Rd 1000'



CD2 - 241 Lathrop Way 1000'

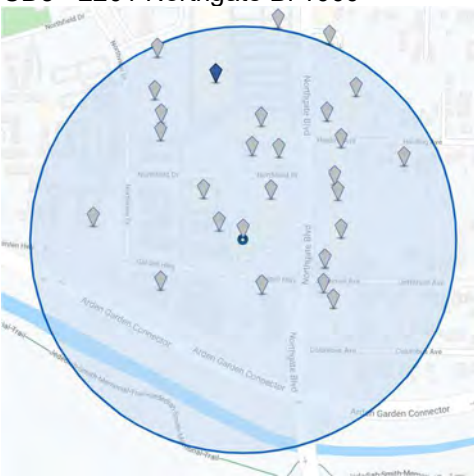


CD4 - 3015 H St 500'



Council District 3

CD3 - 2201 Northgate Bl 1000'



CD4 - 1900 19th St 500'

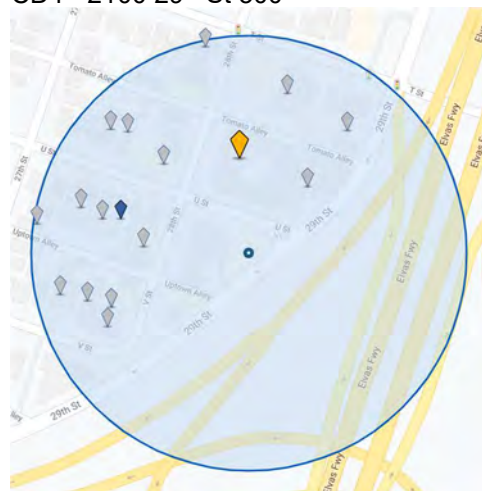


Council District 4

CD4 - 241 N 10th St 1000'



CD4 - 2100 29th St 500'



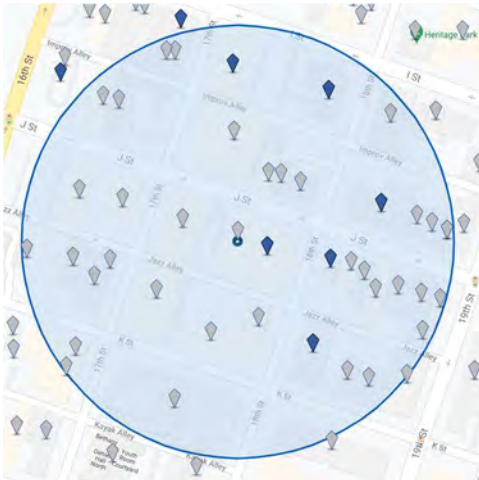
CD4 - 1236 C St 500'



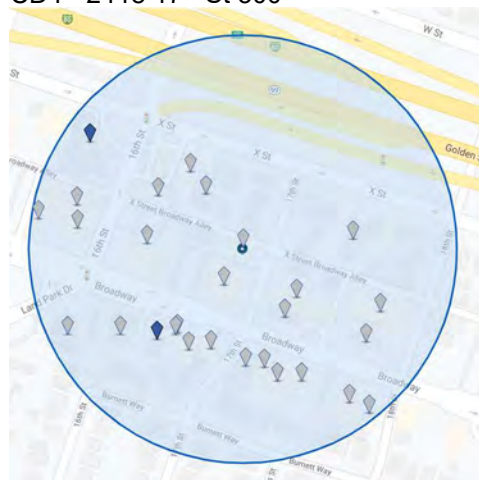
CD4 - 1918 16th St 500'



CD4 - 1716 J St 500'



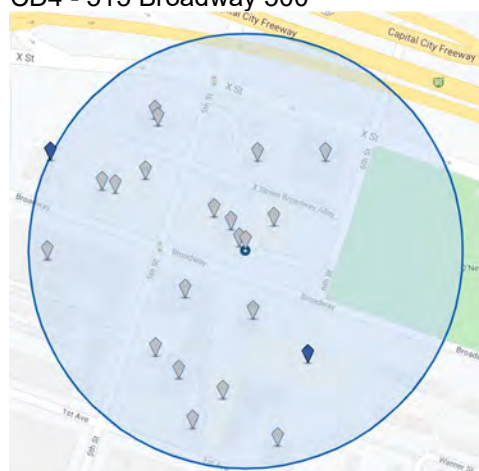
CD4 - 2418 17th St 500'



CD4 - 1404 28th St 500'

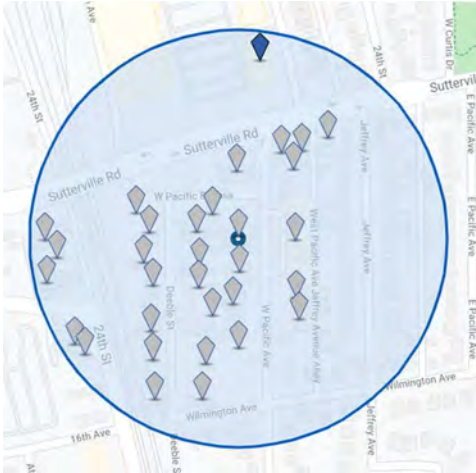


CD4 - 515 Broadway 500'

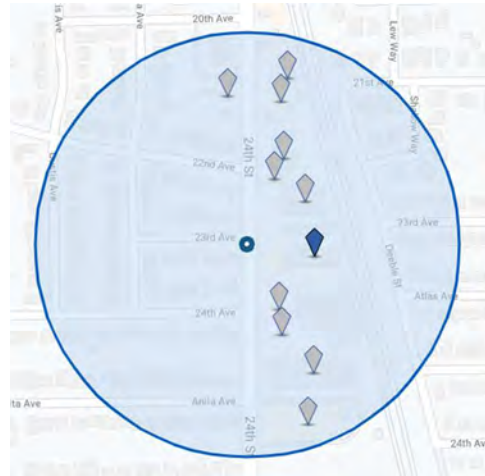


Council District 5

CD5 - 3752 W Pacific 700'



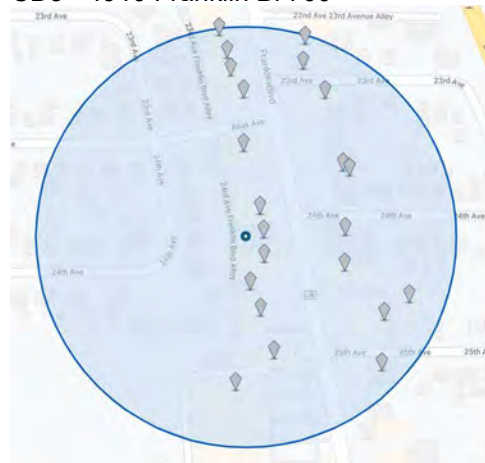
CD5 - 24th St & 23rd Ave 700'



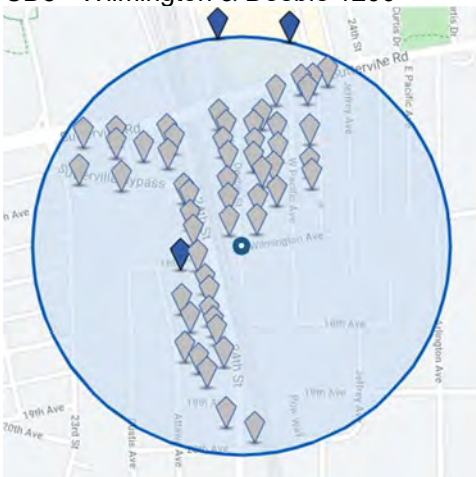
CD5 - 4311 Attawa Ave 1000'



CD5 - 4910 Franklin BI 700'



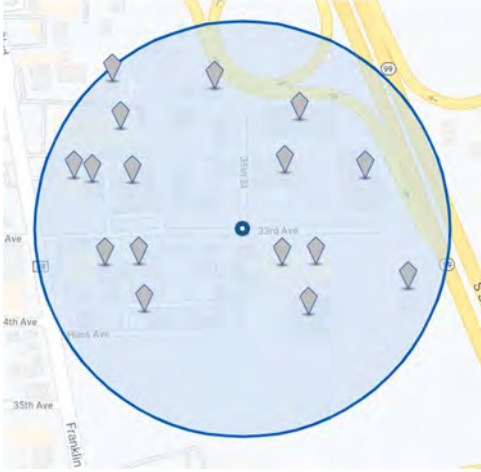
CD5 - Wilmington & Deeble 1200'



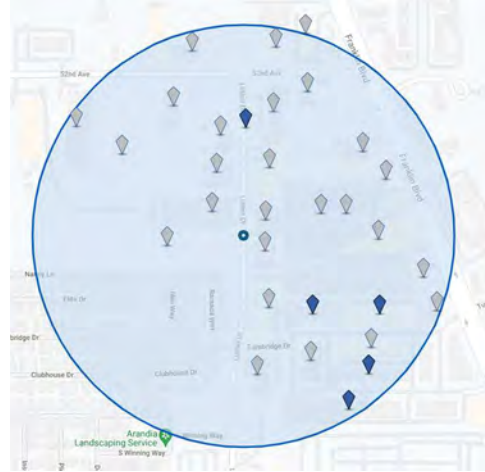
CD5 - 2831 Fruitridge Rd 700'



CD5 - 33rd Ave & 35th St 700'



CD5 - 6955 Luther Dr 1000'



CD5 - 1421 47th Ave 1000'



Council District 6

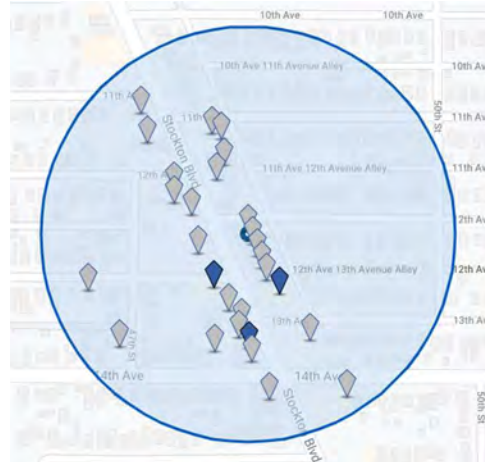
CD6 - 6720 Fruitridge Rd 1000'



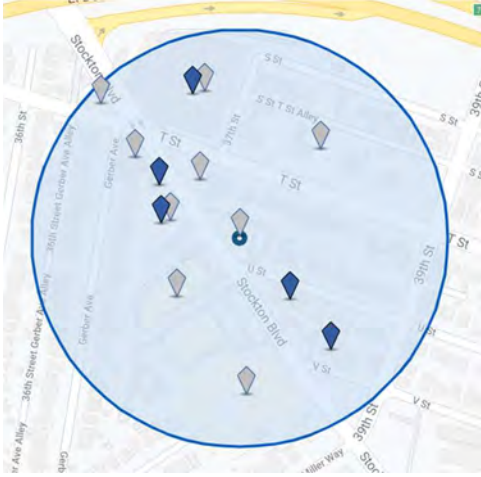
CD5 - 108 Otto Circle 1000'



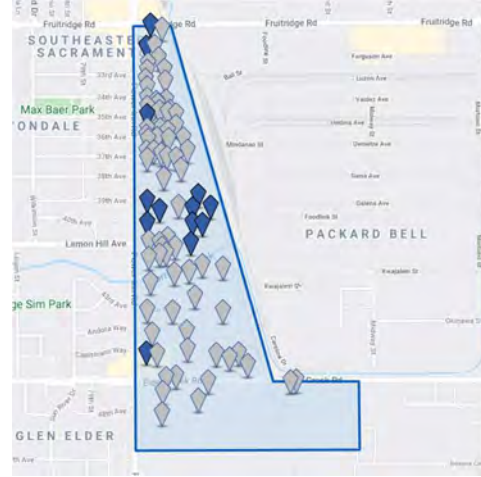
CD6 - 3701 Stockton Bl 700'



CD6 - 2035 Stockton BI 700'



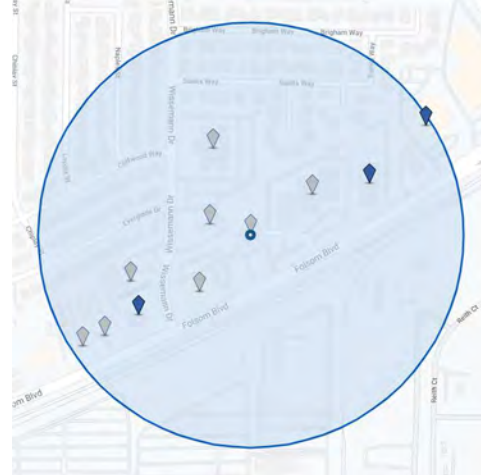
CD6 - Lemon Hill Zone



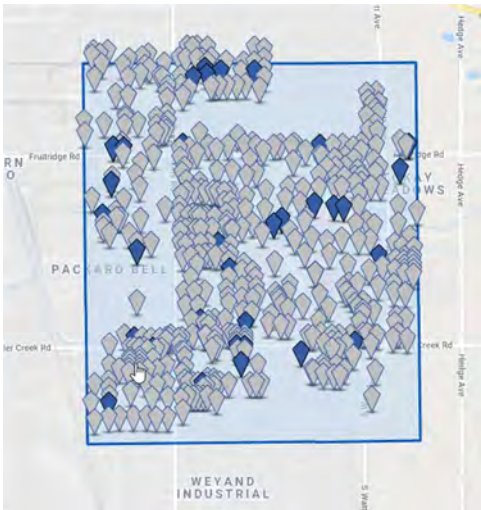
CD6 - Power Inn & 14th Ave Zone



CD6 - 8735 Folsom 1000'

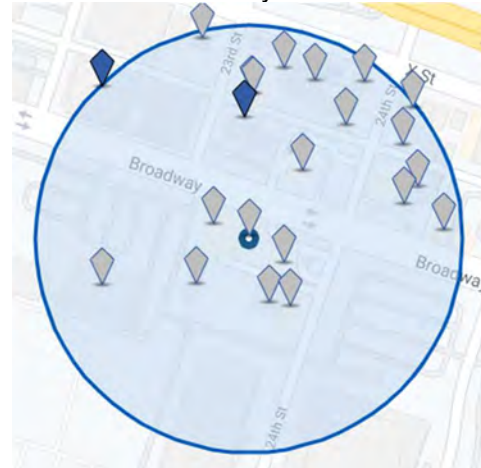


CD6 - Florin Perkins Zone

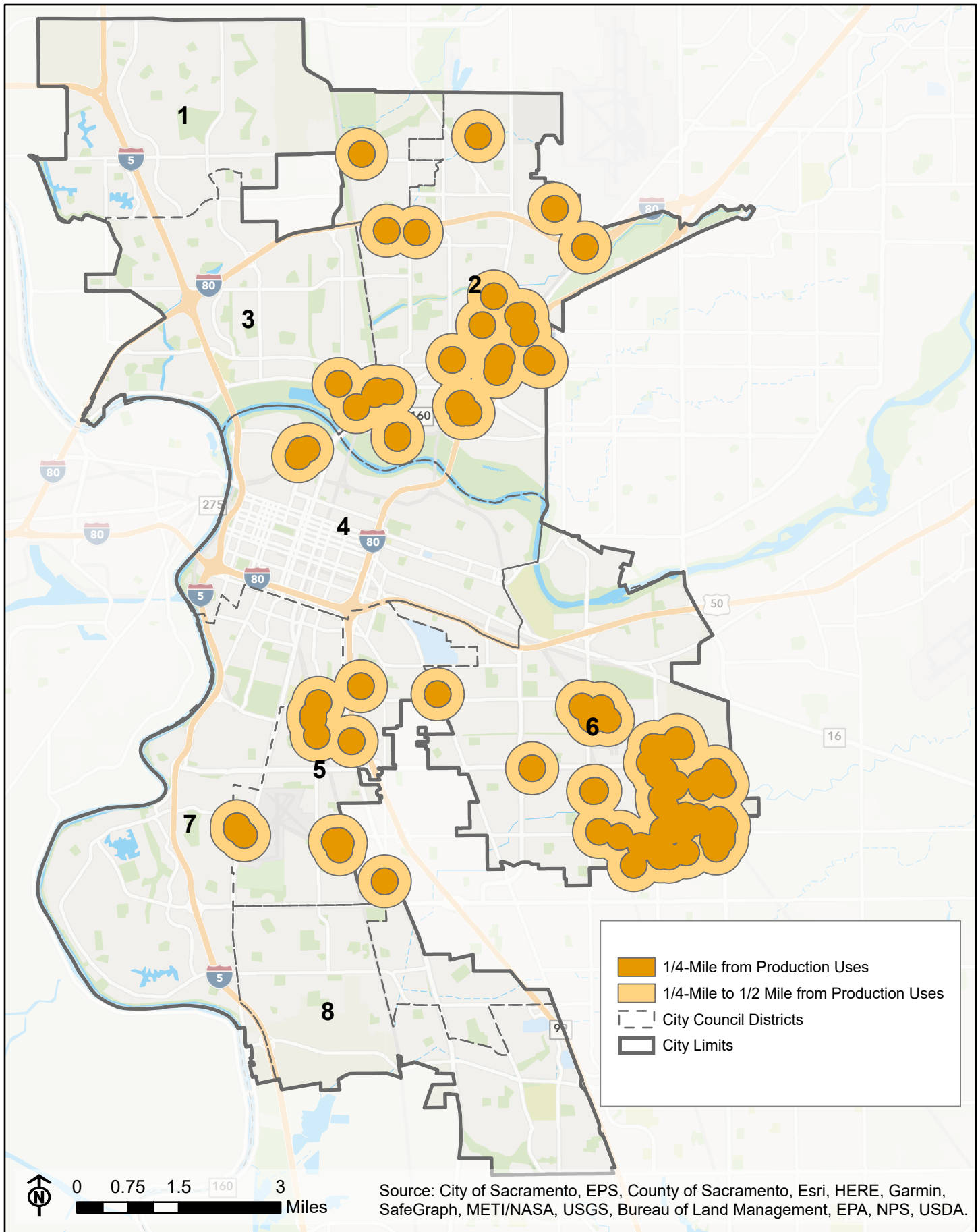


Council District 7

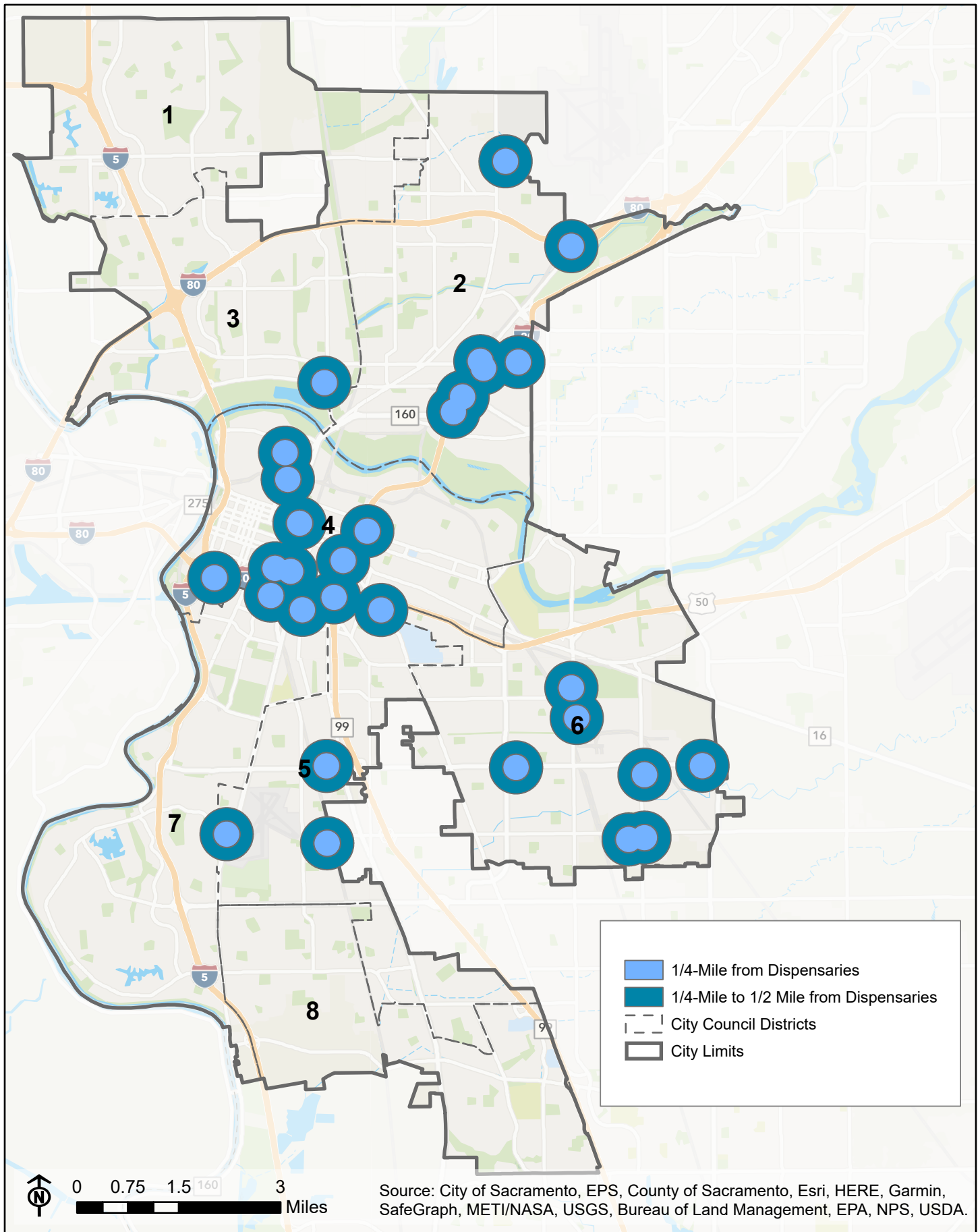
CD7 - 2320 Broadway 500'



Map E-3 - Areas Within 1/4-mile and 1/4-mile to 1/2-mile from Cannabis Production Uses



Map E-4 - Areas Within 1/4-mile and 1/4-mile to 1/2-mile from Cannabis Dispensaries



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APPENDIX F:
Cannabis Business Crime Data

Table F-1**City of Sacramento Comprehensive Cannabis Study****List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)**

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
1/14/2018	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	58	Delivery
1/14/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	75	Cultivation
2/8/2018	2018	459 PC BURG BUSINESS-NO FORCE	Burglary	40	Storefront
4/15/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	111	Storefront
5/22/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	81	Distribution
5/30/2018	2020	459 PC BURG BUSINESS-NO FORCE	Burglary	49	Distribution
6/3/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	48	Storefront
7/4/2018	2020	459 PC BURG BUSINESS-FORCE	Burglary	10	Cultivation
7/7/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	23	Storefront
7/29/2018	2018	459 PC	Burglary	105	Unlicensed
8/2/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	109	Delivery
8/17/2018	2021	459 PC BURG BUSINESS-FORCE	Burglary	79	Cultivation
8/19/2018	2021	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
8/23/2018	2019	459 PC BURG BUSINESS-NO FORCE	Burglary	91	Delivery
9/9/2018	2020	211 PC ROBBERY-UNSPECIFIED	Burglary	40	Storefront
9/25/2018	2021	459 PC	Burglary	42	Manufacturer
10/11/2018	2019	459 PC BURG BUSINESS-FORCE	Robbery	106	Delivery
10/16/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	23	Storefront
10/25/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	103	Manufacturer
11/5/2018	2018	211 PC ROBBERY-BUSINESS	Burglary	100	Delivery
11/7/2018	2021	459 PC BURG BUSINESS-FORCE	Burglary	63	Manufacturer
11/14/2018	2020	459 PC BURG BUSINESS-FORCE	Burglary	90	Cultivation
11/16/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	77	Delivery
11/22/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	33	Delivery
11/30/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	41	Delivery
12/4/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	30	Delivery
12/4/2018	2020	459 PC BURG BUSINESS-FORCE	Burglary	48	Storefront
12/5/2018	2018	459 PC BURG BUSINESS-FORCE	Burglary	87	Cultivation
12/6/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	91	Delivery
12/13/2018	2021	459 PC BURG BUSINESS-FORCE	Burglary	27	Cultivation
12/14/2018	2019	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
1/8/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	70	Storefront
1/8/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	106	Cultivation
1/9/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	67	Cultivation
1/10/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
1/14/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
1/31/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	101	Storefront

Table F-1

City of Sacramento Comprehensive Cannabis Study

List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
2/9/2019	2018	459 PC BURG BUSINESS-FORCE	Robbery	95	Storefront
2/16/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	37	Manufacturer
2/18/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	13	Delivery
2/20/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	36	Cultivation
2/24/2019	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	62	Delivery
2/27/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	96	Manufacturer
3/12/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	104	Storefront
3/18/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	83	Cultivation
3/22/2019	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	106	Delivery
3/25/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	9	Storefront
3/30/2019	2019	459 PC (ATTEMPT)	Burglary	39	Delivery
4/1/2019	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	62	Delivery
4/1/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	11	Storefront
4/2/2019	2020	211 PC ROBBERY-UNSPECIFIED	Burglary	91	Delivery
4/17/2019	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	2	Storefront
4/23/2019	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	3	Storefront
4/29/2019	2021	211 PC ROBBERY-UNSPECIFIED	Burglary	53	Cultivation
5/20/2019	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	69	Delivery
5/20/2019	2018	211 PC ROBBERY-UNSPECIFIED	Burglary	4	Cultivation
5/25/2019	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	77	Delivery
5/28/2019	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	58	Delivery
5/28/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	30	Delivery
5/29/2019	2020	211 PC ROBBERY-UNSPECIFIED	Robbery	47	Delivery
5/29/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	26	Storefront
6/1/2019	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	1	Lab
6/16/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	8	Storefront
6/21/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	102	Cultivation
6/27/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	25	Cultivation
6/27/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	43	Cultivation
7/2/2019	2020	459 PC BURG BUSINESS-FORCE	Robbery	30	Delivery
7/4/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	95	Lab
7/6/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	7	Cultivation
7/16/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	96	Distribution
7/17/2019	2020	459 PC BURG BUSINESS-FORCE	Robbery	25	Cultivation
7/22/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	12	Manufacturer
7/27/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	17	Distribution
7/29/2019	2019	459 PC BURG BUSINESS-FORCE	Robbery	88	Cultivation

Table F-1

City of Sacramento Comprehensive Cannabis Study

List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
7/30/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	35	Storefront
7/30/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
8/2/2019	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	107	Delivery
8/2/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
8/4/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	22	Cultivation
8/5/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	68	Cultivation
8/6/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	9	Delivery
8/6/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	91	Microbusiness
8/7/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	66	Storefront
8/10/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	89	Distribution
8/13/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
8/18/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	38	Cultivation
8/18/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	96	Manufacturer
8/21/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	19	Delivery
8/23/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	17	Distribution
8/24/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	63	Lab
8/24/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	96	Manufacturer
8/25/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	23	Storefront
8/25/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	73	Delivery
8/25/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	105	Unlicensed
8/26/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	60	Cultivation
8/27/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	11	Storefront
8/27/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	68	Cultivation
8/28/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	49	Delivery
8/28/2019	2021	459 PC (ATTEMPT)	Burglary	68	Cultivation
8/30/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	108	Cultivation
9/1/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	27	Cultivation
9/4/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	73	Delivery
9/5/2019	2020	459 PC BURG BUSINESS-FORCE	Burglary	52	Storefront
9/5/2019	2021	459 PC BURG BUSINESS-FORCE	Burglary	53	Cultivation
9/5/2019	2019	459 (ATTEMPT)	Burglary	70	Storefront
9/18/2019	2020	459 PC (ATTEMPT)	Burglary	66	Cultivation
10/8/2019	2019	459 PC BURG BUSINESS-FORCE	Robbery	10	Cultivation
10/11/2019	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	110	Delivery
10/27/2019	2020	459 PC (ATTEMPT)	Burglary	40	Storefront
12/1/2019	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	80	Delivery
12/3/2019	2018	459 PC (ATTEMPT)	Burglary	40	Storefront

Table F-1

City of Sacramento Comprehensive Cannabis Study

List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
12/14/2019	2018	459 PC BURG BUSINESS-FORCE	Burglary	72	Cultivation
12/18/2019	2019	459 PC BURG BUSINESS-FORCE	Burglary	16	Manufacturer
12/18/2019	2021	459 PC BURG BUSINESS-FORCE	Robbery	74	Cultivation
12/25/2019	2021	211 PC ROBBERY-UNSPECIFIED	Burglary	15	Distribution
1/31/2020	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	30	Delivery
2/3/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	46	Cultivation
2/23/2020	2020	459 PC (ATTEMPT)	Burglary	45	Storefront
2/24/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	30	Delivery
3/21/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	79	Cultivation
4/10/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	11	Storefront
4/24/2020	2018	459 PC BURG BUSINESS-FORCE	Burglary	78	Manufacturer
5/2/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	34	Distribution
5/13/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	93	Storefront
5/13/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	93	Storefront
5/14/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	51	Storefront
5/14/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	93	Storefront
5/17/2020	2018	459 PC BURG BUSINESS-FORCE	Burglary	21	Distribution
5/27/2020	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	84	Delivery
5/30/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	68	Cultivation
5/31/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	31	Cultivation
5/31/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	43	Cultivation
6/2/2020	2020	459 PC BURG BUSINESS-FORCE	Burglary	40	Storefront
6/2/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
6/2/2020	2020	459 PC BURG BUSINESS-FORCE	Burglary	94	Cultivation
6/4/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	104	Storefront
7/12/2020	2020	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
7/19/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	14	Cultivation
7/19/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	60	Cultivation
9/10/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	106	Cultivation
9/19/2020	2019	459 PC BURG BUSINESS-FORCE	Burglary	65	Cultivation
11/15/2020	2020	211 PC ROBBERY-UNSPECIFIED	Burglary	104	Storefront
11/18/2020	2018	211 PC ROBBERY-UNSPECIFIED	Robbery	33	Storefront
12/7/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	61	Manufacturer
12/29/2020	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
1/9/2021	2020	459 PC BURG BUSINESS-FORCE	Robbery	104	Storefront
1/13/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	103	Manufacturer
1/31/2021	2019	459 (ATTEMPT)	Burglary	10	Cultivation

Table F-1

City of Sacramento Comprehensive Cannabis Study

List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
2/10/2021	2021	211 PC ROBBERY-UNSPECIFIED	Burglary	7	Cultivation
3/11/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	10	Cultivation
4/27/2021	2021	459 (ATTEMPT)	Burglary	91	Microbusiness
5/20/2021	2020	459 (ATTEMPT)	Burglary	90	Cultivation
5/21/2021	2020	211 PC ROBBERY-UNSPECIFIED	Burglary	7	Cultivation
5/31/2021	2021	211 PC ROBBERY-UNSPECIFIED	Burglary	6	Storefront
6/1/2021	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	4	Cultivation
6/2/2021	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	99	Delivery
6/6/2021	2019	211 PC ROBBERY-UNSPECIFIED	Robbery	59	Delivery
6/6/2021	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	5	Cultivation
6/21/2021	2019	211 PC ROBBERY-UNSPECIFIED	Burglary	82	Delivery
7/23/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	60	Cultivation
7/29/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
8/1/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	50	Delivery
8/1/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	109	Delivery
8/2/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	90	Cultivation
8/3/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	92	Storefront
8/4/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	51	Cultivation
8/12/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	20	Delivery
8/13/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	57	Cultivation
8/15/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	103	Manufacturer
8/18/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	38	Cultivation
8/24/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	66	Cultivation
8/25/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	56	Cultivation
8/29/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	55	Cultivation
9/4/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	111	Storefront
9/5/2021	2019	459 PC BURG BUSINESS-FORCE	Robbery	49	Delivery
9/5/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	66	Cultivation
9/6/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	38	Cultivation
9/6/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	67	Cultivation
9/9/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	71	Manufacturer
9/9/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	108	Cultivation
9/10/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	72	Cultivation
9/16/2021	2021	459 (ATTEMPT)	Burglary	94	Cultivation
9/17/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	20	Delivery
9/17/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	86	Delivery
9/21/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	54	Storefront

Table F-1**City of Sacramento Comprehensive Cannabis Study****List of Crimes At Cannabis Businesses Reported to City of Sacramento Police Department (2018 - 2021)**

Date [1]	Year	Crime [2]	Crime Category	Business ID [3]	Cannabis Business Type
10/2/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	71	Manufacturer
10/3/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	85	Cultivation
10/7/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	40	Storefront
10/7/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	53	Cultivation
10/7/2021	2020	459 PC BURG BUSINESS-FORCE	Burglary	72	Cultivation
10/7/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	76	Delivery
10/9/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	33	Distribution
10/10/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	22	Cultivation
10/10/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	28	Storefront
10/10/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	32	Microbusiness
10/10/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	98	Storefront
10/13/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	64	Cultivation
10/14/2021	2021	211 PC ROBBERY-UNSPECIFIED	Robbery	97	Delivery
10/18/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	76	Delivery
10/30/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	66	Storefront
10/31/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
10/31/2021	2018	459 PC BURG BUSINESS-FORCE	Burglary	88	Cultivation
11/1/2021	2021	459 PC BURG BUSINESS-FORCE	Burglary	67	Cultivation
11/5/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	60	Cultivation
11/5/2021	2019	459 PC BURG BUSINESS-FORCE	Burglary	93	Storefront

Source: City of Sacramento Police Department, EPS.

[1] Data is current through November 7, 2021.

[2] Burglary is defined in Section 459 of the California Penal Code. Robbery is defined in Section 211 of the California Penal Code.

[3] Each business was assigned an anonymous identifier in order to prevent the publication of confidential or privileged information.



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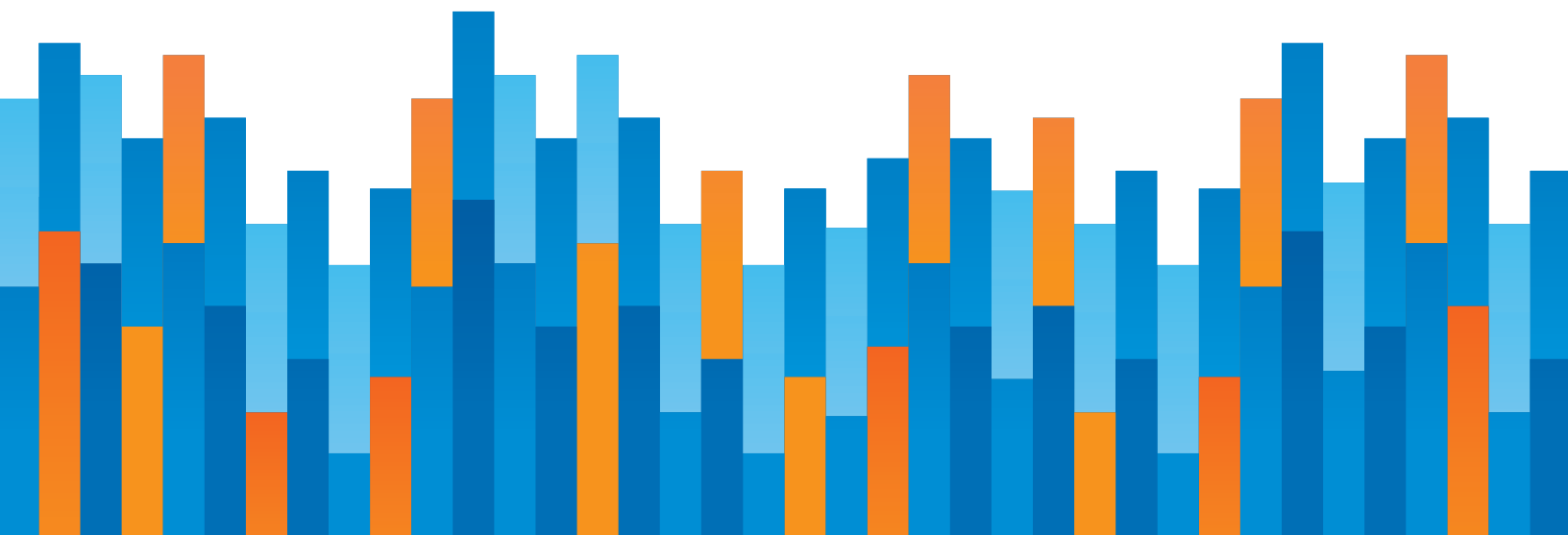


PRECISION ADVOCACY

THE IMPACT OF CALIFORNIA CANNABIS TAXES ON PARTICIPATION WITHIN THE LEGAL MARKET

by Geoff Lawrence

May 2022





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Good Farmers, Great Neighbors (GFGN) is an alliance of mostly outdoor, sun-grown cannabis farmers and auxiliary businesses throughout the central coast that advocates for a supportive legal and regulated market. GFGN's network of 'best in class' expertise unites cannabis farmers in the region who are committed to exceeding the required environmental and public health standards and spurring economic growth and community development.

Contact Sam Rodriguez, Policy Director, Good Farmers, Great Neighbors
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PRECISION ADVOCACY

Precision Advocacy is a Sacramento-based lobbying firm that brings over two decades of experience in state legislative and regulatory development, and public affairs at the state and local levels. Precision's Founding Principal Amy O'Gorman Jenkins is legislative advocate to the California Cannabis Industry Association (CCIA), which was formed to unite the legal cannabis industry to help educate and act as a resource to lawmakers and state regulators. Its unified voice includes over 400 California businesses representing over 600 brands and approximately 15,000 employees. As CCIA's legislative advocate, Amy has spearheaded policy and legislation, including bills to reduce barriers to entry into California's compliant cannabis marketplace, advance critical environmental protections to protect cannabis farmers, bolster enforcement against unlicensed operators, and expand access to social equity grant funding.

Contact Amy O'Gorman Jenkins, President of Precision Advocacy, at (916) 354-5652 or amy@precisionadvocacy.com.

FOREWORD

Back in the days before legal marijuana, I undertook to investigate how it might be legalized, taxed, and regulated. While I was partial to a free-market model (as opposed to government monopoly,) it seemed apparent that marijuana should logically be taxed like other legal intoxicants such as alcohol and tobacco, both to cover the social costs of its abuse, and to offer non-using voters a solid reason to back legalization. There being no better data at the time, I took a clue from the 1893 British Indian Hemp Drugs Report, the most thorough published investigation of an actual, historical legal cannabis regime in British India. The report examined various Indian states' regimes, ranging from laissez-faire to prohibition. It concluded by commending the state of Bengal as having the most successful and effective system. Bengal exacted licensing fees from producers and vendors and imposed a weight-based excise tax on the wholesale crop. With this in mind, I tried to devise the best comparable tax for marijuana in a modern legal market. Like other cannabis policy wonks at the time, I was worried that the retail price of marijuana might precipitously collapse if it were legalized along the same free-market lines as comparable agricultural crops such as parsley, herbs, or tea. In that case, it appeared retail prices could easily fall as low as a dime per joint. This seemed far too small a value to place on a widely treasured and enjoyable, but potentially habit-forming and impairing, crop. Based on back-of-the-envelope numbers, I figured that an excise tax of about \$1.00 per joint or \$50 per ounce would be sufficient to sustain a reasonable retail price for the herb.

When California finally legalized cannabis under Prop. 64, lo and behold, it turned out that I had vastly underestimated the cost of the regulations imposed by the new law. In addition to state and local licensing fees, there were elaborate rules on cultivation, retailing, transportation, manufacture, testing, facility siting, ownership, security, storage, on-site consumption, wholesale distribution, seed-to-sale tracking, waste disposal, labeling, packaging, environmental compliance, water usage, etc. ad nauseam. No way was the price of marijuana in danger of plummeting to pennies per joint; rather, it was becoming costly. Nonetheless, on top of that Prop 64 imposed an ambitious package of cultivation and excise taxes aimed at raising some \$1 billion per year for various state programs, and local governments were authorized to levy even more taxes on their own. The situation was further exacerbated by local dispensary bans and licensing delays, which left the state with half as many adult-use dispensaries as there were medical collectives before Prop. 64 was passed. As a result, California’s legal industry has been hard pressed to compete with untaxed, unregulated providers on the underground market. So dire is the current situation that advocates now fear that the cannabis industry in California faces an “existential crisis” in the absence of meaningful tax reform.

The roots of this crisis are amply documented in Reason Foundation’s timely new report on cannabis taxes in California. The author has helpfully compiled comprehensive data on cannabis prices, taxes, revenues, licensees, and demand that weren’t available in the days before Prop 64. Finding that California lags behind other legal states in licensed cannabis sales, the report estimates that the illegal market accounts for roughly two-thirds of total sales in the state. Based on a survey of various local tax regimes from around the state, it finds that the effective tax rate ranges from \$42 to \$90 per ounce—more than the wholesale production cost of \$35. Analyzing a variety of different tax scenarios, beginning with elimination of the cultivation tax and then progressive reductions in the excise tax, the report provides a helpful roadmap for cannabis tax reform in California. In the end, it projects that even with substantial tax reductions, the state can expect total revenues to rise substantially in the next two years due to increased consumer demand. Substantive tax cuts therefore seem to be a feasible strategy for reducing demand for the illicit market, while still retaining reasonable revenues for the state programs funded in Prop. 64. May this timely report from Reason Foundation prove enlightening to the state’s lawmakers.

Dale Gieringer, Ph.D.

Director, California NORML

April 10, 2022

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PART 1

INTRODUCTION

In November 2016, California voters approved Proposition 64 to enact a regulated, adult-use cannabis market in the Golden State. At the time, four other states had already created adult-use cannabis markets, including Alaska, Colorado, Oregon, and Washington. California already had a largely unregulated medical cannabis market in place, following voters' historic passage of Proposition 215 in 1996, which was the first medical marijuana law in the nation to go into effect. Since Proposition 64 required specific regulations to govern inventory tracking, licensing, testing and more, these regulatory provisions would have to extend to the unregulated legacy medical market. If not, market participants could subvert the regulatory intent contained in Proposition 64 simply by remaining in the unregulated medical market.

Realizing this need, California lawmakers responded in early 2017 by passing the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA). MAUCRSA superseded prior legislation from 2015 called the Medical Cannabis Regulation and Safety Act, which sought to create a regulatory structure for the medical market, but never took effect due to passage of Proposition 64 and MAUCRSA. MAUCRSA largely built on the regulatory approach that had been developed within that prior legislation, but also extended it to the newly authorized adult-use market.

The statutory language contained in Proposition 64 and MAUCRSA combine to create the legal framework for California's commercial cannabis industry. Regulations governing the industry must be consistent with these authorizing statutes. Proposition 64 contained important provisions that strongly affect California's commercial cannabis market that

cannot be changed through regulatory action alone. Chiefly, these include imposing two new excise taxes and devolving authority to local governments to regulate or outright ban certain or all types of commercial cannabis activity within their jurisdictions.

Taxes affect both consumers' and producers' decisions in the legal market primarily by introducing a price disparity between legal cannabis products and comparable cannabis products offered through the illicit market. Similarly, local bans on legal sales over extended geographic areas can drive consumers without access to legal products within a reasonable distance of their homes to purchase substitute goods on the illicit market.



Taxes affect both consumers' and producers' decisions in the legal market primarily by introducing a price disparity between legal cannabis products and comparable cannabis products offered through the illicit market.



This analysis develops an empirical model to estimate the degree to which California's tax regime affects participation within its commercial cannabis market, and how participation may change through differing approaches to taxation. Part 2 details the various tax structures currently facing legal cannabis enterprises in California and how those tax structures have performed in yielding public revenue. Part 3 examines the key factors that influence consumer decisions to participate in the legal or illegal market. Part 4 reviews the existing literature on consumer price sensitivity for cannabis products and calculates a price sensitivity for consumers of legal products in California and Oregon. Part 5 uses data calculated in prior sections to model California consumers' expected behavior due to changes in retail price in response to a change in tax policy. Finally, Part 6 concludes with recommendations for improving the performance of California's legal cannabis market.

PART 2

CURRENT TAX STRUCTURE AND PERFORMANCE

Cannabis licensees in California are subject to a wide array of taxes at the federal, state, and local levels. These taxes cascade rapidly into the final price of legal cannabis products, whereas illicit market suppliers generally face no tax burden at all.

2.1

STATE EXCISE TAXES

Proposition 64 imposed a wholesale tax on cannabis cultivation for adult use at an initial rate of \$9.25 per ounce (\$148 per pound) of flower and \$2.75 per ounce (\$44 per pound) of leaves or trim. These tax rates are indexed to inflation and have risen to \$10.08 per ounce (\$161.28 per pound) of flower and \$3 per ounce (\$48 per pound) of leaves for calendar year 2022.¹ The second tax imposed by Proposition 64 is a retail excise tax assessed at 15% of the estimated value of a retail sale to an end-use consumer.²

¹ "Tax Guide for Cannabis Businesses," California Department of Tax and Fee Administration, <https://www.cdtfa.ca.gov/industry/cannabis.htm> (March 17, 2022).

² The calculation and collection of California retail excise taxes is convoluted in that they are not assessed on actual sales and remitted by the retailer making those sales. Instead, the final distributor that transfers the inventory to a retailer is responsible for remitting the tax and calculates this tax based on an assumed markup of 80% from the wholesale price at which the inventory is sold to the retailer. Effectively, this may mean that tax liabilities are claimed and remitted before the ultimate retail sale ever occurs, including in cases where the

In addition to these excise taxes, commercial cannabis sales in California are subject to the general sales and use tax, which varies across jurisdiction but averages 8.82% of the final sales price for 2022 according to data from the Tax Foundation.³ Previous analyses by Reason Foundation have estimated that the combined effect of state-level sales and excise taxes increase the retail price of legal cannabis by \$727 per pound.⁴

2.2

INCOME TAXES

However, legal cannabis businesses pay many taxes in addition to these sales and excise taxes, including both federal and state income tax and locally assessed taxes. Marijuana businesses are penalized on federal income taxes by Internal Revenue Code 280E, which precludes any taxpayer that traffics in a Schedule I or II federally controlled substance from claiming deductions under the “ordinary and necessary” standard that applies to most businesses. Generally, if an expense is considered both ordinary and necessary to carry on the particular trade that a business is engaged in, that expense is deductible from gross income when calculating federal income tax liabilities. For state-licensed cannabis businesses, this is not the case. Instead, cannabis businesses may only deduct the costs directly incurred to purchase or produce inventory.

“
... cannabis businesses effectively pay much higher federal income tax rates than similarly situated businesses in other industries.
”

These regulations force cannabis businesses to calculate federal income tax liabilities on a modified gross-receipts basis rather than net income, as many expenses ranging from employee salaries and benefits to rent or legal and accounting expenses may not be

inventory is never sold by the retailer prior to the end of its shelf life. For details, see: Geoffrey Lawrence, “LAO Report: California’s Taxes and Rules Mean Legal Marijuana Can’t Compete with Black Market Prices,” Reason Foundation commentary, January 6, 2020, <https://reason.org/commentary/lao-report-californias-taxes-and-rules-mean-legal-marijuana-cant-compete-with-black-market-prices/>.

³ Janelle Cammenga, “State and Local Sales Tax Rates, 2022,” Tax Foundation, February 3, 2022, <https://taxfoundation.org/2022-sales-taxes/>.

⁴ Geoffrey Lawrence and Spence Purnell, “Marijuana Taxation and Black Market Crowd-Out,” Reason Foundation, 2020, <https://reason.org/wp-content/uploads/marijuana-taxation-black-market-crowd-out.pdf> (March 31, 2022).

eligible for deduction under the Internal Revenue Code. This means cannabis businesses effectively pay much higher federal income tax rates than similarly situated businesses in other industries. A cannabis business filing as a corporation, for instance, will apply the standard 21% corporate income tax rate to a much larger base (approximating its gross margin) than other businesses that apply that rate against net income. In fact, a cannabis business could suffer a financial loss for the tax year and still face significant federal income tax liabilities because net income is not relevant in its calculation of those liabilities.

Fortunately for cannabis licensees in California, lawmakers have amended the California corporate tax code so these businesses can deduct both their costs of purchasing or producing inventory and other “ordinary and necessary” business expenses.⁵ However, licensees must still file and pay state income taxes as any other business in California at the standard rates.⁶ For corporations, that rate is 8.84% of calculated net earnings in 2022.⁷

2.3

LOCAL TAXES

Finally, California cannabis licensees are subject to an array of locally assessed taxes that vary by jurisdiction. The most prominent tax instruments imposed by these entities include an annual tax per square foot of canopy under cultivation and a percentage of gross receipts earned by license types throughout the supply chain. As these taxes are assessed at each stage of production, they cascade to create much higher effective tax rates embedded within the ultimate prices facing consumers. Table 1 provides a summary of local cannabis tax rates charged by California cities and counties with prominent cannabis operations.

⁵ “Assembly Bill 37,” California Legislature, 2019-2020 Session, https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB37. See also “Bill Analysis, AB37,” State of California Franchise Tax Board, <https://www.ftb.ca.gov/tax-pros/law/legislation/2019-2020/AB37.pdf>.

⁶ “Cannabis Industry,” State of California Franchise Tax Board, <https://www.ftb.ca.gov/file/business/industries/cannabis.html>.

⁷ “Business Tax Rates,” State of California Franchise Tax Board, <https://www.ftb.ca.gov/file/business/tax-rates.html>.

TABLE 1: LOCAL CANNABIS TAX RATES, SELECTED COUNTIES AND CITIES

	Canopy-Indoor	Canopy-Mixed Light	Canopy-Outdoor	Manufacturing	Distribution	Retail
<i>Select Counties</i>						
Contra Costa County	\$7.00/ft. ²	\$4.00/ft. ²	\$2.00/ft. ²	2.5%	2%	4%
Imperial County	\$15.00/ft. ²	\$15.00/ft. ²	\$15.00/ft. ²	5%		8%
Lake County	\$1.00/ft. ²	\$1.00/ft. ²	\$1.00/ft. ²	2.50%	2.50%	4%
Mendocino County	2.5%	2.5%	2.5%	\$2,500	\$2,500	5%
Mono County	\$2.00/ft. ²	\$1.50/ft. ²	\$0.50/ft. ²	2.50%	2%	4%
Monterey County	\$8.00/ft. ²	\$5.00/ft. ²	\$2.50/ft. ²	2.50%	2%	4%
Nevada County	\$10.00/ft. ²	\$10.00/ft. ²	\$10.00/ft. ²	10%	10%	10%
San Diego County	8%	8%	8%	8%	8%	8%
San Luis Obispo County	10%	10%	10%	10%	10%	10%
Santa Barbara County	4%	4%	4%	3%	1%	6%
Santa Cruz County	6%	6%	6%	6%	0%	
Solano County	15%	15%	15%	15%	15%	15%
Sonoma County	\$12.65/ft. ²	\$7.31/ft. ²	\$2.25/ft. ²	3.00%	0%	2%
<i>Select Cities</i>						
Adelanto	5%	5%	5%	5%	5%	5%
Desert Hot Springs	\$10.00/ft. ²	\$10.00/ft. ²	\$10.00/ft. ²			\$10.00/ft. ²
Los Angeles	2%	2%	2%	2%	2%	10%
Merced	\$25.00/ft. ²	\$25.00/ft. ²	\$25.00/ft. ²	\$25.00/ft. ²	10%	
Modesto	2.5%			4%	2.5%	8%
Oakland	up to 5%	up to 5%	up to 5%	up to 5%	up to 4%	up to 5%
Pasadena	\$10.00/ft. ²	\$10.00/ft. ²	\$10.00/ft. ²	4%	4%	6%
Sacramento	4%	4%	4%	4%	4%	4%

Source: Author's calculations based on city and county data.⁸

⁸ "Cannabis Business Tax," Contra Costa County, <https://www.contracosta.ca.gov/7137/Cannabis-Business-Tax>, (March 17, 2022); "Voter's Pamphlet: Measure K," Lake County, <http://www.lakecountyca.gov/Assets/Departments/RegistrarOfVoters/docs/Nov2018ElectionMeasures/Kv2.pdf>, (March 17, 2022); Mono County, "Impartial Analysis by County Counsel: Measure D," https://monocounty.ca.gov/sites/default/files/file_attachments/elections/page/29101/2018_-_cannabis_general_tax_-_impartial_analysis_by_county_counsel.pdf, (March 17, 2022); "Commercial Cannabis Business Tax," County of Monterey, <https://www.co.monterey.ca.us/government/departments-i-z/treasurer-tax-collector/commercial-cannabis-business-tax>, (March 17, 2022); "Resolution No. 18-362," County of Nevada, <https://www.mynevadacounty.com/DocumentCenter/View/24521/Board-of-Supervisors-Resolution-18-362---Cannabis-Business-License-Tax---Measure-for-Election>, (March 17, 2022); "Cannabis Business Tax: Frequently Asked Questions," San Diego County, https://www.sandiego.gov/sites/default/files/tr_cannabis_business_tax_faq.pdf, (March 17, 2022); "Resolution No. 2018-48," County of San Luis Obispo, <https://www.slocounty.ca.gov/Departments/Clerk-Recorder/Forms-Documents/Elections-and-Voting/Past-Elections/Primary-Elections/2018-06-05-Consolidated-Primary/Documents/Measure-B-18-Resolution-Adding-Measure-2018-06.pdf>, (March 17, 2022); "Tax on Cannabis Operations," Santa Barbara County, <https://countyofsb.org/ttcpapg/taxcoll/Cannabis.aspx#dates>, (March 17, 2022); "Cannabis Business Tax," County of Santa Cruz, <https://www.co.santa-cruz.ca.us/Departments/TaxCollector/CannabisBusinessTax.aspx>, (March 17, 2022); "County Counsel's Impartial Analysis of Measure C," Solano County, <https://www.solanocounty.com/civicax/filebank/blobdload.aspx?BlobID=25358>, (March 17, 2022); "All Cannabis Tax Rates," Sonoma County, <https://sonomacounty.ca.gov/Cannabis/Taxes/All-Cannabis-Tax-Rates/>, (March 17, 2022); Code of Ordinances, Chapter 3.60, "Cannabis Excise Tax," City of Adelanto, <https://www.ci.adelanto.ca.us/DocumentCenter/View/865/360-Cannabis-Excise-Tax>, (March 17, 2022); "Cannabis Taxes," City of Desert Hot Springs, <https://www.city>

Local taxes assessed as a percentage of a licensee's gross receipts are easy to calculate. However, as with the way the federal income tax is applied to cannabis businesses, they fail to account for a licensee's profitability. In other words, these taxes are assessed against licensees even when they are unprofitable, to the potential further exacerbation of financial losses.

Likewise, taxes based upon square footage used by the licensee fail to account for profitability, and may significantly affect the cost of production on a per-unit basis. Municipalities charging canopy-based taxes do so regardless of productive output. This means a licensee could pay the taxes to remain in good standing with the local licensing agency and never harvest inventory, or harvest very little, making the effective tax rate per pound of yield infinitely high. However, it is possible to estimate the per-unit effect of cultivation taxes assuming cultivation yields correspond to a market average for indoor cultivators operating a full capacity. A survey conducted for the Washington State Liquor and Cannabis Board has determined these market averages.⁹ It estimates the market average for indoor cultivators is 38.6 grams/ft.²/harvest and, for outdoor cultivators, is around 47.2 grams/ft.²/harvest. With 90-day harvest cycles, the same area can host roughly four harvests per year, implying about 154.4 grams/ft.²/year for indoor cultivators and 188.8 grams/ft.²/year for outdoor cultivators. Converting to pounds, these figures correspond to 0.340 pounds/ft.²/year and 0.416 pounds/ft.²/year, respectively. Using the city of Merced as an example, each square foot of canopy is taxed at \$25/ft.²/year, meaning the tax cost equates to \$0.16 per gram for indoor flower, or \$73.45 per pound. On this basis, Table 2 calculates the per-pound equivalents of local canopy-based taxes in California.

ofdhs.org/cannabis-taxes, (March 17, 2022); "Ordinance No. 184501," City of Los Angeles, <http://clkrep.lacity.org>; Chapter 6.32 - Cannabis Business Tax," Mendocino County Municipal Code, https://library.municode.com/ca/mendocino_county/codes/code_of_ordinances?nodeId=MECOCO_TIT6BULIRE_CH6.32CABUTA (April 28, 2022). https://onlinedocs/2017/17-1100-S2_misc_12-23-16.pdf; "Measure Y," City of Merced, <https://www.co.merced.ca.us/DocumentCenter/View/18131>, (March 17, 2022); "Commercial Cannabis Fees and Tax Rates," City of Modesto, <https://www.modestogov.com/2212/Commercial-Cannabis-Fees-and-Tax-Rates>, (March 17, 2022); "2022 Cannabis Business Tax Renewal Notice," City of Oakland, <https://cao-94612.s3.amazonaws.com/documents/2022-Cannabis-Bus-Tax-Renewal-Package.pdf>, (March 17, 2022); "Municipal Code Chapter 5.28: Cannabis Business Tax," City of Pasadena, <https://www5.cityofpasadena.net/city-clerk/wp-content/uploads/sites/42/2018/03/2018-02-26-CC-PROPOSED-ORD-CANNABIS-BUSINESS-TAX.pdf>, (March 17, 2022); "Cannabis Business Tax," City of Sacramento, <https://www.cityofsacramento.org/Finance/Revenue/Business-Operation-Tax/Cannabis-Business-Tax>, (March 17, 2022); "Ballot Measures: Y," City of Santa Ana, https://www.ocvote.com/fileadmin/user_upload/elections/gen_2018/measures/8518.pdf, (March 17, 2022).

⁹ Jonathan Caulkins, Matthew Cohen, and Luigi Zamarra, "Estimating Adequate Licensed Square Footage for Production," Prepared by BOTEC Analysis Corporation for Washington State Liquor and Cannabis Board, https://lcb.wa.gov/publications/Marijuana/BOTEC%20reports/5a_Cannabis_Yields-Final.pdf.

TABLE 2: PER-POUND EQUIVALENTS OF LOCAL CANOPY TAXES

	Indoor Annual Yield (lbs/ft/year)	Indoor Canopy Tax: Per-Pound Equivalent	Outdoor Annual Yield (lbs/ft/year)	Outdoor Canopy Tax: Per-Pound Equivalent
Contra Costa County	0.34	\$20.56	0.42	\$16.82
Imperial County	0.34	\$44.07	0.42	\$36.04
Lake County	0.34	\$2.94	0.42	\$2.40
Mono County	0.34	\$5.88	0.42	\$4.81
Monterey County	0.34	\$23.50	0.42	\$19.22
Nevada County	0.34	\$29.38	0.42	\$24.03
Sonoma County	0.34	\$37.16	0.42	\$30.39
Desert Hot Springs	0.34	\$29.38	0.42	\$24.03
Merced	0.34	\$73.45	0.42	\$60.06
Pasadena	0.34	\$29.38	0.42	\$24.03

Source: Author's calculations based on city and county data. See note 8.

This per-pound equivalent of local canopy taxes allows for an assessment of the total tax included in retail prices of legal cannabis by jurisdiction. Additional data points needed for this analysis include the wholesale price of cannabis flower, which New Leaf Data Analytics reports at \$845 per pound for the week ending March 18, 2022.¹⁰ Wholesale marijuana flower is purchased from cultivators by licensed distributors in California, and distributors also assume liability for the state cultivation tax (currently \$161.28 per pound) at the point of transfer. Distributors typically pay for product testing, labeling and retail packaging, plus delivery to a retail dispensary. At the point of transfer to the dispensary, the distributor additionally assumes liability for retail excise taxes, which are paid in advance of the actual retail sale. In March 2022, the average cost to dispensaries per gram of retail cannabis flower was \$3.26 and their average selling price was \$6.84. Stated as pounds, these amounts translate to \$1,479 and \$3,103, respectively.¹¹ Table 1 shows the calculated tax costs per pound for all local cannabis taxes and for state excise taxes. This analysis excludes a per-pound cost of manufacturing excise taxes. Manufacturers create extracts from cannabis flower and the per-pound rate of taxation depends on extraction efficiency and markup rates for which data are elusive and expected to have wide variation. These challenges make it difficult to accurately model the tax-cost of extracts on a per-unit basis or their impact on consumer behavior and so the extracts that manufacturers produce are excluded from the analyses in this study. Table 3 shows the results of this analysis, which demonstrates that the per-pound cost of local and state excise taxes (exclusive of income tax) ranges from \$677 to \$1,441, depending on jurisdiction.

¹⁰ New Leaf Data Analytics, "Cannabis Benchmarks Spot Price Snapshot: March 18, 2022," Available at: <https://premium.cannabisbenchmarks.com/>.

¹¹ Data obtained from Headset Analytics.

TABLE 3: EFFECTIVE TAX PER-POUND OF CANNABIS FLOWER

	Canopy - Indoor	Distribution	Retail	State Cultivation Tax	State Excise Tax	Total State and Local Tax
<i>Select Counties</i>						
Contra Costa County	\$20.56	\$29.58	\$124.11	\$161.28	\$465.42	\$800.96
Imperial County	\$44.07	-	\$248.23	\$161.28	\$465.42	\$919.00
Lake County	\$2.94	\$36.98	\$124.11	\$161.28	\$465.42	\$790.73
Mendocino County	\$21.13	Incalculable	\$155.14	\$161.28	\$465.42	\$802.97
Mono County	\$5.88	\$29.58	\$124.11	\$161.28	\$465.42	\$786.27
Monterey County	\$23.50	\$29.58	\$124.11	\$161.28	\$465.42	\$803.90
Nevada County	\$29.38	\$147.92	\$310.28	\$161.28	\$465.42	\$1,114.28
San Diego County	\$67.60	\$118.33	\$248.23	\$161.28	\$465.42	\$1,060.86
San Luis Obispo County	\$84.50	\$147.92	\$310.28	\$161.28	\$465.42	\$1,169.40
Santa Barbara County	\$33.80	\$14.79	\$186.17	\$161.28	\$465.42	\$861.46
Santa Cruz County	\$50.70	-	-	\$161.28	\$465.42	\$677.40
Solano County	\$126.75	\$221.87	\$465.42	\$161.28	\$465.42	\$1,440.75
Sonoma County	\$37.16	-	\$62.06	\$161.28	\$465.42	\$725.92
<i>Select Cities</i>						
Adelanto	\$42.25	\$73.96	\$155.14	\$161.28	\$465.42	\$898.05
Desert Hot Springs	\$29.38	-	Incalculable*	\$161.28	\$465.42	\$656.08*
Los Angeles	\$16.90	\$29.58	\$310.28	\$161.28	\$465.42	\$983.47
Merced	\$73.45	\$147.92	-	\$161.28	\$465.42	\$848.06
Modesto	\$21.13	\$36.98	\$248.23	\$161.28	\$465.42	\$933.03
Oakland	\$42.25	\$59.17	\$155.14	\$161.28	\$465.42	\$883.26
Pasadena	\$29.38	\$59.17	\$186.17	\$161.28	\$465.42	\$901.42
Sacramento	\$33.80	\$59.17	\$124.11	\$161.28	\$465.42	\$843.78
Santa Ana	\$50.70	\$88.75	\$248.23	\$161.28	\$465.42	\$1,014.38
West Hollywood	\$63.38	\$110.94	\$232.71	\$161.28	\$465.42	\$1,033.73
*Desert Hot Springs charges retailers a tax based on square footage. This cannot equate to a tax per pound.						

Source: Author's calculations based on city and county data. See note 8.

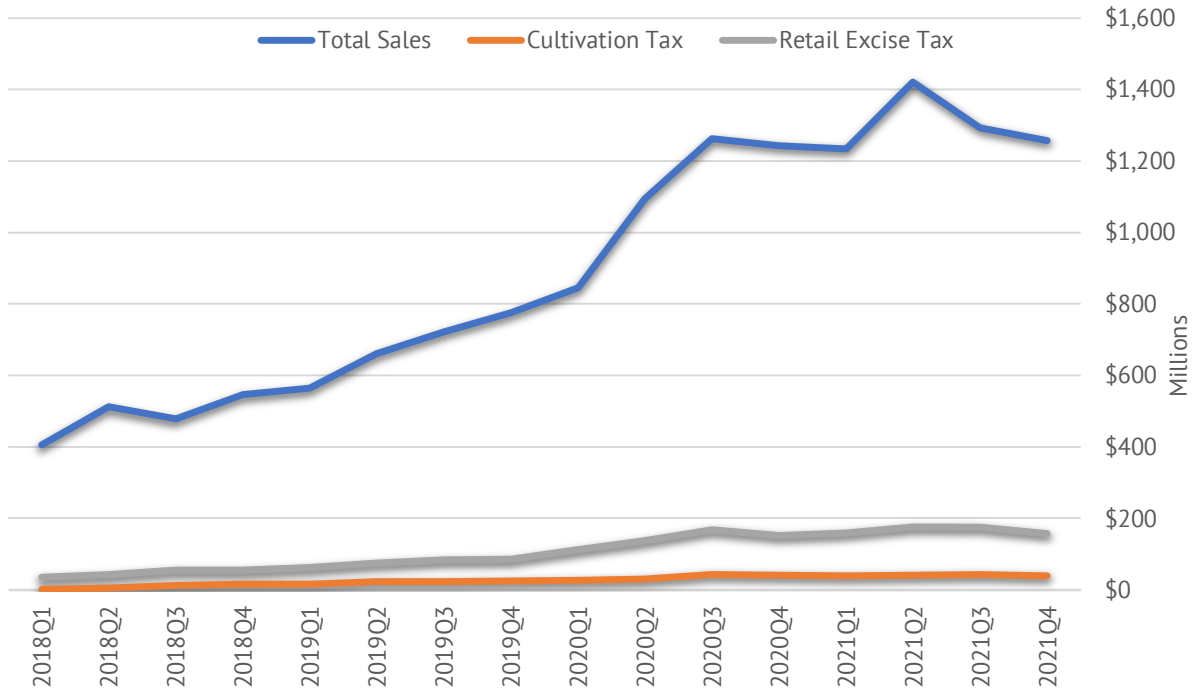
2.4

REVENUE PERFORMANCE

The state of California collected a cumulative \$3.441 billion in cannabis-related taxes from January 2018 to December 2021. This included \$432 million in cultivation taxes, \$1.742 billion in retail excise taxes, and \$1.267 billion in regular sales taxes. These figures were the result of \$14.314 billion in cumulative retail cannabis sales over the same period.¹²

¹² "Cannabis Tax Revenues," California Department of Tax and Fee Administration, <https://www.cdtfa.ca.gov/dataportal/charts.htm?url=CannabisTaxRevenues>, (March 31, 2022).

FIGURE 1: CALIFORNIA LEGAL CANNABIS SALES AND TAX COLLECTIONS 2018-2021 (QUARTERLY)



Source: Author’s calculations based on data from California Department of Tax and Fee Administration, “Cannabis Tax Revenues.”

This level of tax revenue collection has generally fallen short of expectations. Although tax collections have grown over time, the Executive Branch has been forced to revise downward forecasts of cannabis-related tax revenue in successive fiscal years.¹³

The Legislative Analyst’s Office (LAO) estimated in November 2016 that taxes on adult-use cannabis under Proposition 64 would yield more than \$1 billion annually, although the LAO cautioned that this level of tax revenue would not materialize immediately. Further, the LAO warned that tax revenue growth would depend greatly on local governments allowing cannabis sales within their jurisdictions and individuals making the choice to switch from illegal to legal cannabis suppliers in their purchasing decisions. The LAO optimistically posited that legal status would result in more efficient production and lower risk premiums demanded by suppliers. These improvements would lower the cost of production and

¹³ Amy DiPierro, “Gov. Gavin Newsom’s Latest Budget Projections Harsh Pot Optimists’ Revenue Vibe,” *Palm Springs Desert Sun*, May 10, 2019, <https://www.desertsun.com/story/money/2019/05/10/california-state-cannabis-pot-weed-marijuana-tax-revenue-below-projection-gavin-newsom-budget-shows/1164970001/>.

bestow a price advantage on legal retailers, thus, driving consumers toward legal products.¹⁴ Part 4 examines prices charged on the legal market in greater detail, but it is clear that the LAO's anticipated price advantages have not materialized and many consumers have failed to transition toward legal retailers. Existing tax structures and rates may be a key reason why.



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Even if illegal suppliers demand a risk premium to engage in criminal activity, which drives upward the prices of illegal products, these illegal suppliers evade tax and regulatory costs imposed on their legal competitors. These tax costs can be significant when the cumulative effect of those assessed at the state and local levels are considered together, ranging as high as \$1,441 per pound, as shown previously. By contrast, the wholesale production costs of cannabis cultivated indoors under the existing regulatory framework calculate to approximately \$564 per pound.¹⁵ Distributors and retailers bear additional costs for packaging, labeling, compliance testing, distribution, advertising, and selling. However, for legal operators, the tax cost of cannabis production clearly remains a significant disadvantage that may overwhelm the risk premium demanded by illegal producers and retailers.

¹⁴ "Proposition 64," California Legislative Analyst's Office, November 8, 2016, <https://lao.ca.gov/ballot/2016/Prop64-110816.pdf> (March 21, 2022).

¹⁵ Lawrence and Purnell, "Marijuana Taxation and Black Market Crowd-Out."

PART 3

PARTICIPATION IN THE LEGAL MARKET

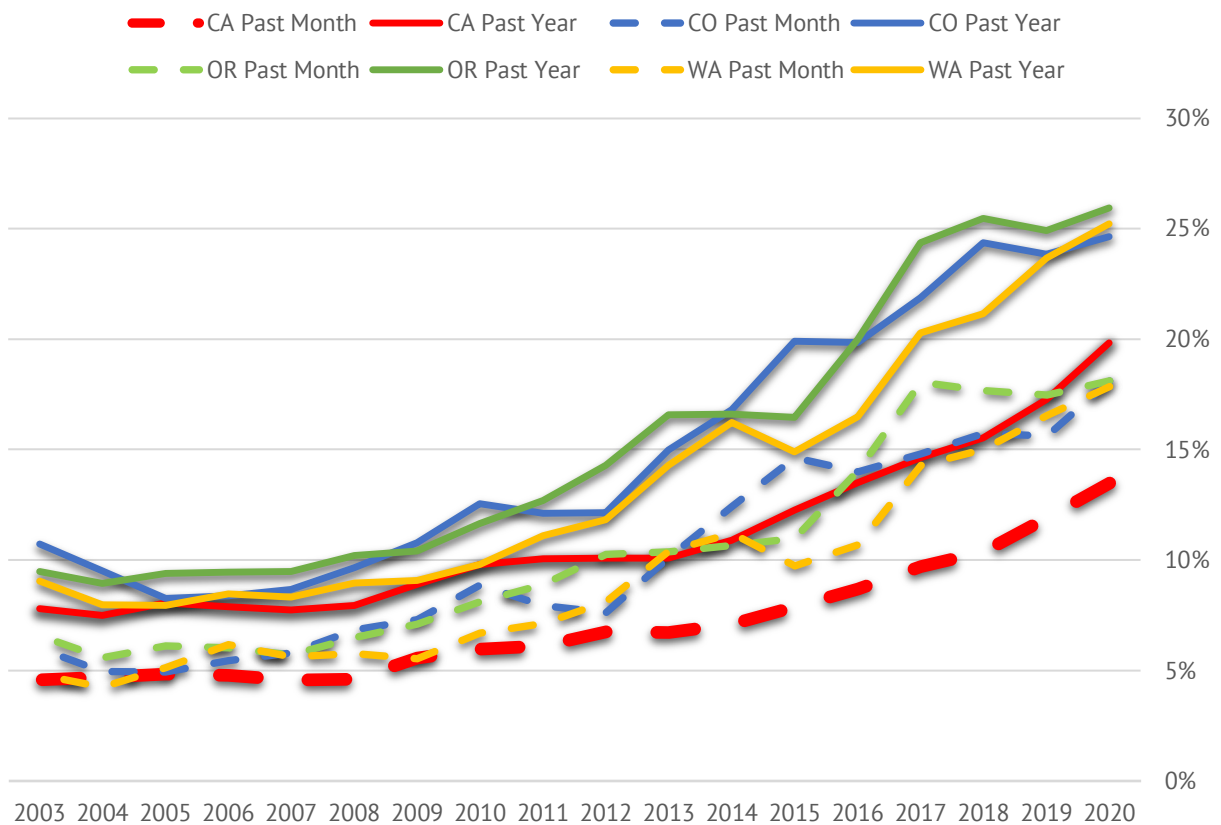
Parts 3 and 4 examine available data to determine whether usage patterns and purchasing behavior in California vary substantially from those found in other states with regulated markets for adult-use cannabis, and whether any such differences may reasonably be attributed to tax policy. This analysis uses several data sets including some that are publicly available as well as proprietary data.

This analysis examines survey data that asks respondents about their marijuana consumption patterns, among other issues. This Substance Abuse and Mental Health Services Administration (SAMSHA) survey is conducted annually and is frequently cited within the literature on drug use rates because it is the longest-running and most standardized survey on the topic. The survey asks respondents whether they have consumed marijuana within the past year and within the past 30 days, and whether they have consumed marijuana for the first time in their life within the past year. These results are divided into cross tabs by three age groups: for respondents aged 12 to 17, 18 to 25, and 26 and up.¹⁶ This study considers only respondents aged 26 and up because only this group is fully eligible for participation within regulated, adult-use markets.

¹⁶ “National Survey on Drug Use and Health,” U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, <https://www.samhsa.gov/data/data-we-collect/nsduh-national-survey-drug-use-and-health>.

This analysis focuses particularly on whether usage rates in California vary substantially from those found in other states with mature markets for adult-use cannabis. The data reveal that respondents in California indicated lower usage rates than those in Colorado, Oregon, and Washington throughout the time series, but particularly since 2011. In 2020, roughly 20% of the California population indicated use of marijuana within the past year compared to roughly 25% in the other three states. Likewise, past-month usage in California was lower, at 13.5%, versus roughly 18% in the other three states. Based on these data, it may be reasonable to expect that Californians spend less on marijuana, on an average per capita basis, than residents of the other three states. Moreover, since the SAMSHA survey makes no distinction between the methods by which respondents procure their marijuana, it implies that this expectation is relevant to both the legal and illegal marijuana markets in sum.

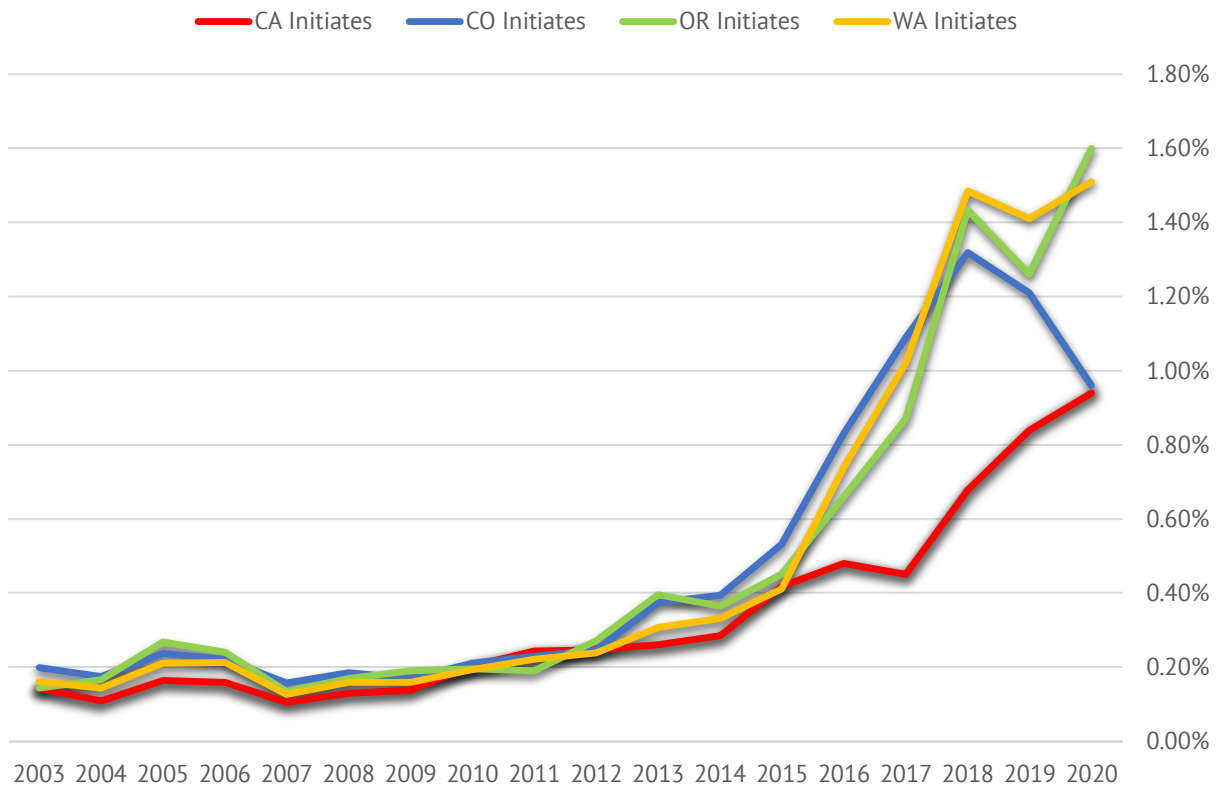
FIGURE 2: PREVALENCE OF MARIJUANA USAGE IN PAST MONTH AND PAST YEAR (RESPONDENTS AGED 26+), 2003-2020



Source: Author's calculations based on data from National Survey on Drug Use and Health, U.S. Department of Health and Human Services.

Additionally, the SAMSHA data indicate that the total market for cannabis in California may be growing slower than in these other states, as the prevalence of new initiates, or those who consumed marijuana for the first time, is lower in California than in Colorado, Oregon, and Washington. This prevalence has grown in all four states since 2012. However, it has exceeded 1% of the population in Colorado, Oregon, and Washington in recent years (and exceeded 1.5% in Oregon and Washington) but reached a maximum of 0.94% in California in 2020.

FIGURE 3: PREVALENCE OF FIRST-TIME USERS AS % OF POPULATION (AGED 26+), 2003-2020



Source: Author’s calculations based on data from National Survey on Drug Use and Health, U.S. Department of Health and Human Services.

The SAMSHA data lead to the expectation that spending per capita on cannabis products in California is around 20% lower than those found in Colorado, Oregon, and Washington if roughly similar proportions of sales occurred through legal retailers. This analysis tested this by obtaining publicly available sales data reported by regulatory agencies in Colorado

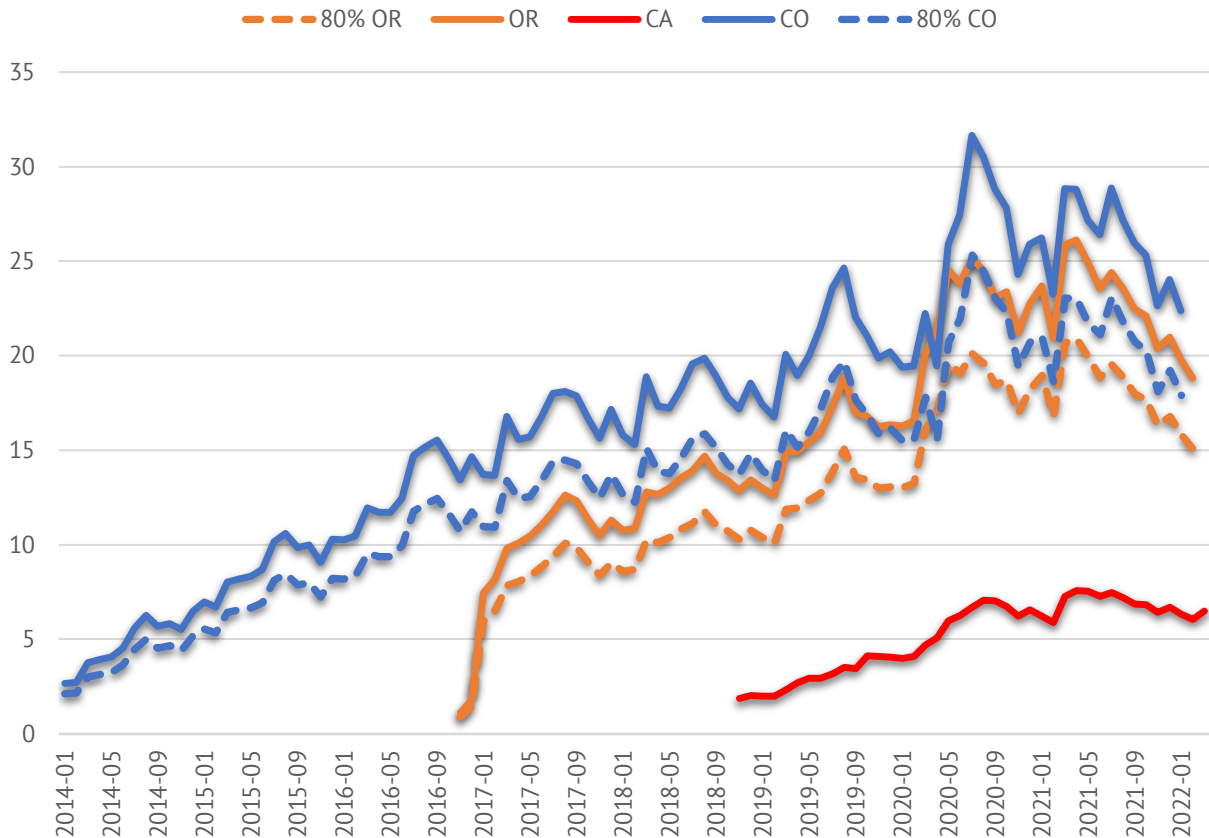
and Oregon.¹⁷ Neither California nor Washington makes these data publicly available, but this study obtained data for California from Headset, a proprietary, third-party source of data that monitors the inventory and sales levels of licensed retailers through an integration into their point-of-sale and seed-to-sale tracking systems. Unfortunately, the author was unable to obtain comparable data for Washington State, leaving Colorado and Oregon as the only comparable states for the remainder of the analysis. Each of these datasets was available on a monthly basis. Dividing total monthly sales within each state by the Census estimated state population for the corresponding time period to generate estimated per-capita spending on legal marijuana products within each state.

The results, presented in Figure 4, indicate that residents in Colorado and Oregon spend roughly 3.35 to 3.78 times more than California residents on legal cannabis products per capita. SAMSHA data on usage rates indicate that Californians consume cannabis around 20% less frequently than Coloradans and Oregonians, so the observation that Coloradans and Oregonians spend 335% to 378% more per capita in legal dispensaries reveals a disparity in purchasing behavior that cannot be fully explained by a difference in usage rates. Based on this discrepancy, it's reasonable to conclude that Californians purchase a large share of their cannabis products from unlicensed sources.

Headset data report that \$3.281 billion in legal cannabis sales were made in California during calendar year 2021, which equates to a monthly per-capita expense of \$6.94 (including even non-consumers of cannabis within the denominator). The corresponding monthly per-capita spending (averaged across the year) for Colorado and Oregon were \$26.22 and \$23.25, respectively. If Californians purchased legal cannabis at the same rate as Oregonians in 2021, total sales would have amounted to \$10.948 billion. Reducing Oregon's per-capita sales trends by 20% to account for the difference in consumption rates witnessed in SAMSHA data and transposing those sales trends onto the California market, one should expect 2021 sales in California to amount to \$8.758 billion. When compared to Colorado, which witnessed a higher per-capita spend than Oregon, those figures would be \$12.348 billion and \$9.878 billion, respectively.

¹⁷ "Marijuana Data," Colorado Department of Revenue, <https://cdor.colorado.gov/data-and-reports/marijuana-data> (March 7, 2022); "Oregon Recreational Marijuana Market Data," Oregon Liquor and Cannabis Commission, <https://www.oregon.gov/olcc/marijuana/Pages/Marijuana-Market-Data.aspx> (March 7, 2022).

**FIGURE 4: ADULT-USE CANNABIS SALES PER RESIDENT (TOTAL MARKET)
JAN 2014 - MAR 2022 (MONTHLY)**



Source: Author’s calculations based on data from Colorado Department of Revenue, Oregon Liquor and Cannabis Commission, Headset and U.S. Census Bureau. See note 17.

In other words, this analysis estimates that California’s legal market is around one-third the size of expectations based on differences in surveyed usage rates. A likely explanation is that the illegal market continues to dominate the legal market in California, accounting for roughly two-thirds of cannabis sales. These figures comport with other recent estimates on the relative sizes of the legal and illegal markets in California, providing additional support for this supposition.¹⁸

Previous research by Reason Foundation has shown the cost per pound of state-level taxation in Colorado and Oregon is substantially lower than California.¹⁹ Colorado and

¹⁸ See, e.g., Alexander Nieves, “California’s Legal Weed Industry Can’t Compete with Illicit Market,” *Politico*, October 23, 2021, <https://www.politico.com/news/2021/10/23/california-legal-illicit-weed-market-516868>.

¹⁹ Lawrence and Purnell, “Marijuana Taxation and Black Market Crowd-Out.”

Oregon both exempt cannabis transactions from general state sales taxes. Colorado assesses a 15% wholesale transfer tax and a 15% retail excise tax while Oregon assesses only a 17% retail excise tax. Based on prevailing market prices at the time, Reason Foundation estimated that these tax instruments amounted to \$526 per pound in Colorado and \$340 per pound in Oregon (lowest in the nation).²⁰ Part 2 of this study analyzed both state and local taxes, finding that the tax cost per pound in California ranges from \$677 to \$1,441. Thus, California bears a significant disadvantage in terms of per-pound tax cost of legal cannabis relative to its peers with mature, adult-use markets. Media reports have indicated that Oregon, with the lowest per-pound tax cost among states with adult-use markets, has also been most successful in transitioning cannabis sales from the illegal to the legal market.²¹ These figures make a strong argument that California should consider reducing its overall tax burden on its legal cannabis industry.

3.1 CONSUMER ACCESS TO LEGAL RETAILERS

There is reason to believe that taxes are not the only reason California's legal cannabis market is dwarfed by its illegal market. A second likely explanatory variable is consumers' access to legal retailers, or lack thereof in certain geographic areas. Proposition 64 and MAUCRSA allow local governments to ban any or all cannabis license types within their jurisdictions, and reports indicate that a large majority of municipalities have done so. A 2019 analysis by *Marijuana Business Daily* indicated that 390 out of 482 local governments surveyed had banned retail sales while slightly lower percentages had banned other license types.²² Since wholesale production can be performed anywhere within the state, bans on these license types are expected to have little effect on the volume of retail sales, but a legal retailer's proximity to an individual's place of residence likely greatly affects their propensity to purchase cannabis from a legal versus illegal seller. In this respect, both the overall number and geographic distribution of legal retailers are likely to strongly influence the volume of legal sales.

²⁰ Ibid.

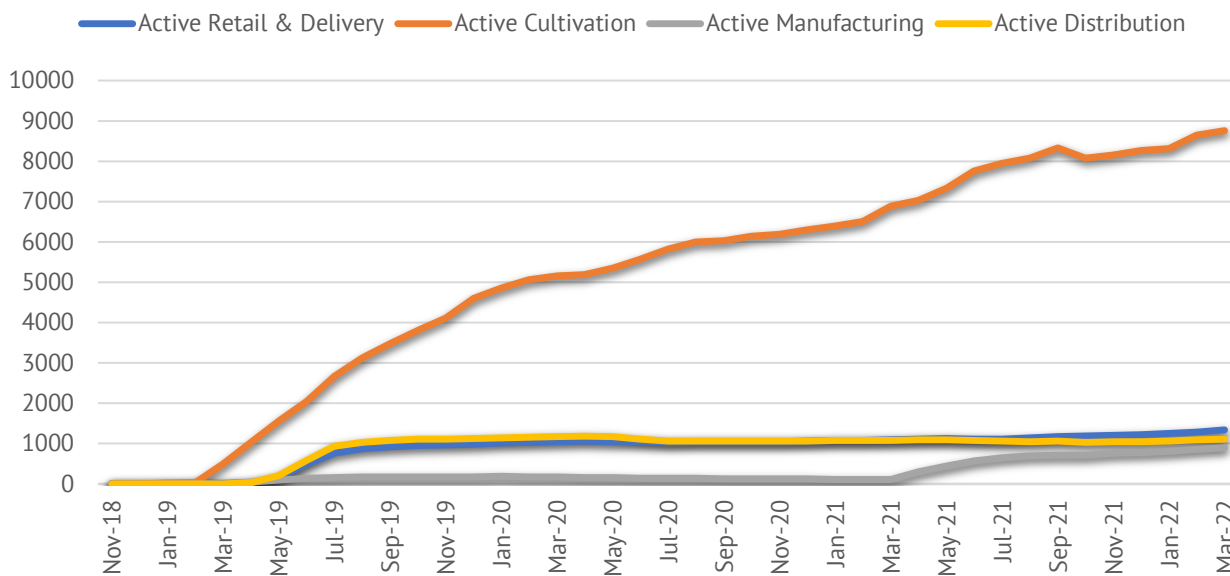
²¹ Natalie Fertig, Interview on National Public Radio: On Point Series, August 21, 2019. "Why Illicit Marijuana Sales Are Up—In States Where It's Legal." Available at: <https://www.npr.org/podcasts/510053/on-point> (March 12, 2022).

²² *Marijuana Business Daily*, "Chart: Most California Municipalities Ban Commercial Cannabis Activity," February 18, 2019 (Updated December 17, 2021), <https://mjbizdaily.com/chart-most-of-california-municipalities-ban-commercial-cannabis-activity/>.

The California Bureau of Cannabis Control, which was reorganized into the Department of Cannabis Control in 2021, retains data regarding the number and types of annual licenses awarded. Before these agencies began issuing annual licenses, they issued (temporary) provisional licenses during the time the agencies were first establishing the legal market. Unfortunately, they do not make available data on provisional licensees that largely preceded annual licensees. However, the database of annual licensees shows these licenses began to be issued in late 2018. Since then their numbers have grown steadily, even if the overall numbers of licensees per capita is not high relative to other states with adult-use markets.

The data, presented in Figure 5, show that the number of active retail licenses in California grew from eight in November 2018 to 487 by June 2019 and 988 by December 2019, as mostly provisional licensees were awarded annual licenses. Since then, the rate of growth has slowed, with a total of 1,340 active retail licenses as of March 2022. In addition, 197 retail locations have closed since being awarded an annual license.²³

FIGURE 5: CALIFORNIA ACTIVE ANNUAL LICENSES, BY TYPE NOVEMBER 2018 - MARCH 2022 (MONTHLY)



Source: Author’s calculations based on data from California Department of Cannabis Control, “Cannabis Unified License Search.”

²³ “Cannabis Unified License Search,” California Department of Cannabis Control, <https://search.cannabis.ca.gov/> (March 5, 2022).

As of February 2022, Oregon reports having 691 active retailers while Colorado reports 420 active retailers.²⁴ These figures imply that Colorado boasts one legal retailer per 13,838 residents while Oregon boasts one retailer per 6,145 residents. California, by contrast, boasts one legal retailer per 29,282 residents, indicating a dramatic undersupply of legal retailers in the Golden State.

TABLE 4: CANNABIS RETAILERS BY JURISDICTION (AS OF MARCH 2022)

Eureka	11
La Mesa	15
Lompoc	14
Long Beach	30
Los Angeles	108
Modesto	13
Moreno Valley	12
Oakland	14
Palm Springs	32
Perris	11
Sacramento	30
San Diego	23
San Francisco	56
Santa Ana	28
Santa Rosa	21
Vallejo	12
Van Nuys	11
Vista	11
All Others (with <10 total)	477
Total Storefronts	929
Delivery Services	402
Total Retailers	1,331

Source: Author's calculations based on data from California Department of Cannabis Control, "Cannabis Unified License Search."

Moreover, because the concentration of retailers is heavily skewed by jurisdiction in California, this undersupply is unevenly distributed. A summary of California licensee data by jurisdiction, presented in Table 4, indicates more than half of the 929 storefront

²⁴ "MED Licensed Facilities," Colorado Department of Revenue, <https://sbg.colorado.gov/med/licensed-facilities> (March 12, 2022); "Oregon Recreational Marijuana Market Data," Oregon Liquor and Cannabis Commission, <https://www.oregon.gov/olcc/marijuana/Pages/Marijuana-Market-Data.aspx> (March 5, 2022).

dispensaries are located in just 18 cities. An additional 402 delivery-only licensees may make deliveries to customers beyond their home jurisdiction, but most deliver only within regional metropolitan areas and none deliver to all locations in California.

Such a discrepancy indicates there are large geographic “cannabis deserts” wherein residents do not have access to a legal retailer within a reasonable distance of their homes. Within these cannabis deserts, illegal retailers are likely to thrive as the only parties capable of fulfilling local demand.

While tax cost is a key reason why California has been relatively ineffective at transitioning cannabis sales from the illegal to the legal market, lack of access to legal retailers is an additional hurdle for market participants that cannot be ignored.

PART 4

COMPARATIVE PRICES AND PRICE ELASTICITY

Taxes increase the price facing consumers of legal cannabis relative to illegal cannabis. Few studies have attempted to measure consumers' price sensitivity for cannabis because the data are elusive. Prior to the creation of regulated markets in Colorado and Washington after 2012, all sales of adult-use cannabis were illegal while sales by unregulated retailers remain illegal across the United States. However, economists have made some notable attempts to measure consumers' price sensitivity for cannabis.

In 1972, UCLA professors Charles Nisbet and Firouz Vakil anonymously surveyed university students to determine how their cannabis buying habits might change at various price points. They concluded their students' price elasticity of demand was somewhere between -0.40 and -1.51, meaning that students would purchase somewhere between 0.4 to 1.51% less cannabis for every 1% increase in its price.²⁵ More recently, economists from the University of Nevada and California State University at Northridge used self-reported, anonymous data crowdsourced on the website www.priceofweed.com to calculate consumers' price elasticity of demand and estimated those values between -0.3 and -0.6.²⁶

²⁵ Charles T. Nisbet and Firouz Vakil, "Some Estimates of Price and Expenditure Elasticities of Demand for Marijuana Among U.C.L.A. Students," *The Review of Economics and Statistics*, Vol. 54, Issue 4 (1972), 473-475, Available at: https://econpapers.repec.org/article/tprrestat/v_3a54_3ay_3a1972_3ai_3a4_3ap_3a473-75.htm.

²⁶ Adam J. Davis and Mark W. Nichols, "The Price Elasticity of Marijuana Demand," University of Nevada at Reno Economics Working Paper Series, Working Paper No. 13-004 (2013). Available at: <https://econpapers.repec.org/>

However, these estimates measure only the degree to which consumers will stop purchasing cannabis altogether in response to an increase in price. To determine the effect of tax rates on consumers' choice to purchase cannabis from a legal versus an illegal retailer, the cross-price elasticity is more relevant. Only one study to date has been able to estimate a cross-price elasticity, which it accomplished by examining the effect of a 2015 change in tax policy in Washington State. Prior to 2015, Washington had assessed cannabis taxes at each stage of production, but in 2015 it consolidated these taxes into a single excise tax at retail of 37%. The change affected market prices of legal cannabis products relative to competing illegal products, allowing researchers from the University of Oregon to estimate a cross-price elasticity of demand of -0.85. Notably, this study finds that consumers are more sensitive to price changes on the legal market than prior studies have shown for the illegal market. As the authors note, "This is somewhat larger than most of the illegal or medical marijuana estimates. In the current legal recreational markets more substitutes are available."²⁷

4.1

PRICES PER EQUIVALENT UNIT

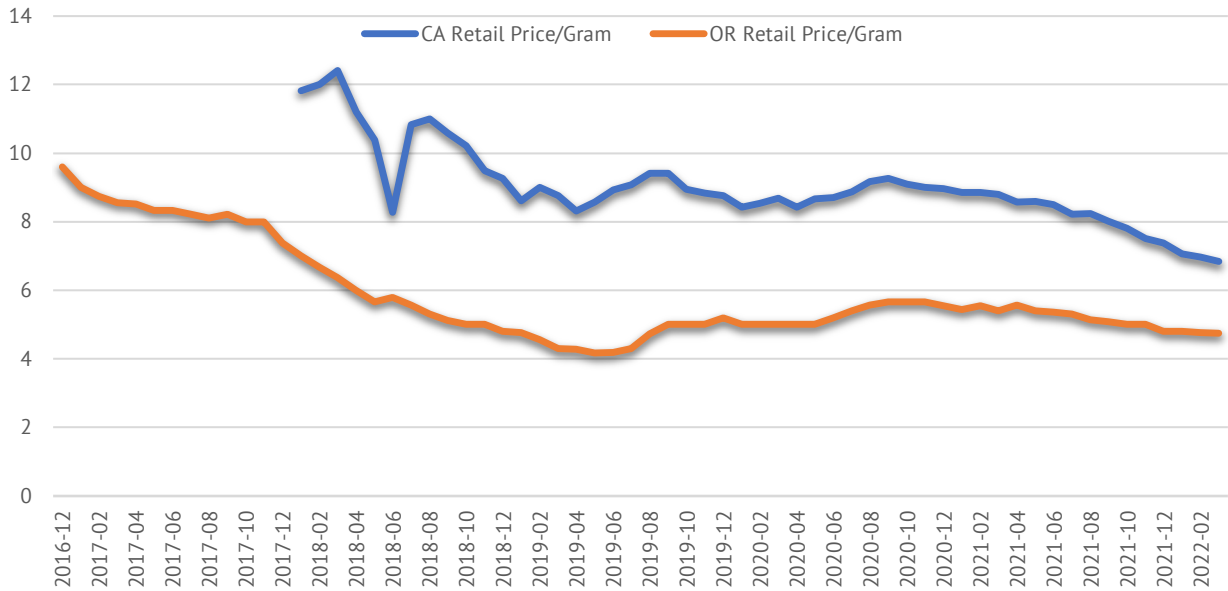
This analysis models consumer behavior and price sensitivity within California's legal cannabis market first by collecting data regarding the price per equivalent unit of legal cannabis goods, measured in grams. These data were obtained from Headset's proprietary database, which reports average prices paid for cannabis flower and concentrates at retail within legal California dispensaries. Comparing the two, using comparable data for Oregon from the Oregon Liquor and Cannabis Commission, reveals higher prices in California.²⁸ These data are presented in Figures 6 and 7.

paper/unrwpaper/13-004.htm; Dennis Halcoussis et al. "Estimating the Price Elasticity of Demand for Cannabis: A Geographical and Crowdsourced Approach." *Revista de Metodos Cuantitativos para la Economia y la Empresa*, Vol. 23 (2017), 119-136. Available at: <https://pdfs.semanticscholar.org/250e/cce6fef2243d944e13e46637537e575a0968.pdf>.

²⁷ Benjamin Hansen et al. "The Legal Market for Marijuana: Evidence on Tax Incidence, and the Elasticity of Demand from Washington State." July 2017. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3006807.

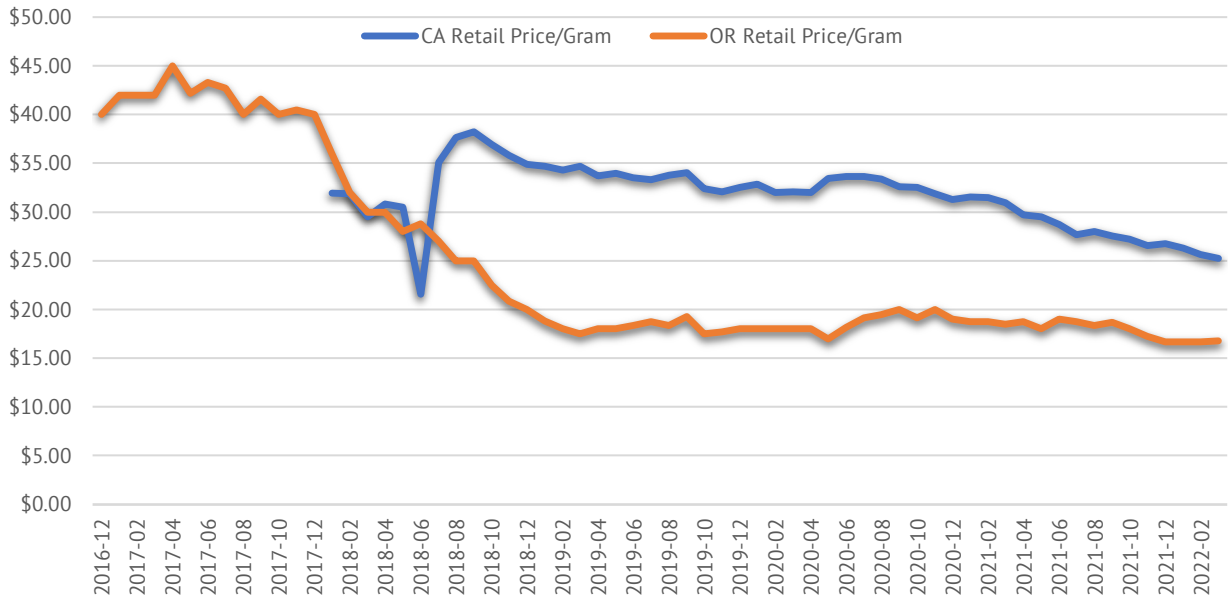
²⁸ "Oregon Recreational Marijuana Market Data," Oregon Liquor and Cannabis Commission, <https://www.oregon.gov/olcc/marijuana/Pages/Marijuana-Market-Data.aspx>.

FIGURE 6: CALIFORNIA VS. OREGON: AVERAGE PRICE PER GRAM, MARIJUANA FLOWER AT RETAIL, 2016 - 2022 (MONTHLY)



Source: Author's calculations based on data from Oregon Liquor and Cannabis Commission and Headset. See note 23.

FIGURE 7: CALIFORNIA VS. OREGON: AVERAGE PRICE PER GRAM, MARIJUANA CONCENTRATES AT RETAIL, 2016 - 2022 (MONTHLY)



Source: Author's calculations based on data from Oregon Liquor and Cannabis Commission and Headset. See note 23.

Figures 6 and 7 make it visibly evident that prices paid at retail for equivalent units of similar products are around 20% higher in California than in Oregon for a majority of the time series. The same data can be used to calculate a price elasticity of demand within each market by comparing month-over-month changes in average price to the total sales volume for each product type in each state. Some extreme outliers and months in which reported prices experienced no change were removed from this calculation to yield more reliable results. The analysis shows that Oregonians exhibit similar price sensitivity to Californians and both are within the range of previous findings for same-price elasticity of demand, which helps validate the results. From February 2018 to March 2022, Californians exhibited a price elasticity of -0.766 for cannabis flower, while Oregonians exhibited a price elasticity of -0.765 for similar products over the period from February 2017 to February 2022.

TABLE 5: PRICE ELASTICITY OF DEMAND FOR FLOWER-BASED CANNABIS PRODUCTS IN CALIFORNIA AND OREGON

California	-0.766
Oregon	-0.765

Data regarding illegal cannabis transactions are unavailable to calculate corresponding same-price elasticities for illegal products or cross-price elasticities for legal and illegal products. However, since illegal retailers continue to serve a large majority of the cannabis market in California, it may be safe to assume that there remains substantial unmet demand within the marketplace for legal retailers. On that basis, Part 5 uses the calculated elasticities presented herein to estimate the additional sales volume (and taxable transactions) that might be generated in response to changes in retail price resulting from prospective changes in tax policy.

“

... since illegal retailers continue to serve a large majority of the cannabis market in California, it may be safe to assume that there remains substantial unmet demand within the marketplace for legal retailers.

”

PART 5

QUANTITATIVE MODELING OF PROSPECTIVE TAX CHANGE POLICIES

This section models the effect of tax changes on overall market performance and tax revenue collection over a range of possible scenarios. The models assume that the cost of taxation is fully built into the retail prices of legal cannabis products, and that a reduction in tax rates would lead to a corresponding reduction in retail prices. As retail prices decline, California consumers respond by purchasing greater quantities of legal cannabis products according to the price elasticities calculated in Part 4.

This behavior is modeled first by examining the impact of lower prices and higher quantities demanded on the size of the overall market on a monthly basis. Subsequently, the analysis forecasts the tax revenues that state-level tax instruments would yield between an assumed date of tax policy change (April 2022) and December 2024.

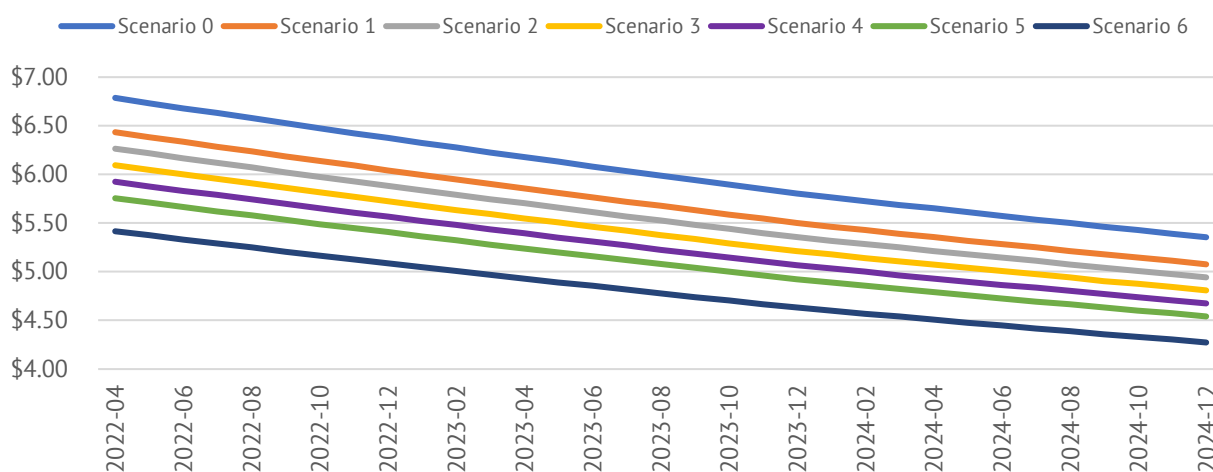
We model these changes over seven possible scenarios:

- **Scenario 0** is a base case in which no changes in tax policy are made.
- **Scenario 1** eliminates the wholesale cultivation tax while the retail excise tax remains unchanged.

- **Scenario 2** eliminates the wholesale cultivation tax and reduces the retail excise tax from 15% to 12.5%.
- **Scenario 3** eliminates the wholesale cultivation tax and reduces the retail excise tax from 15% to 10%.
- **Scenario 4** eliminates the wholesale cultivation tax and reduces the retail excise tax from 15% to 7.5%.
- **Scenario 5** eliminates the wholesale cultivation tax and reduces the retail excise tax from 15% to 5%.
- **Scenario 6** eliminates both the wholesale cultivation tax and the retail excise tax.

There are important caveats to these analyses. First, tax costs are not the only determinant of changes in retail price. Retail prices have declined steadily on a month-to-month basis throughout the Headset data on which the analysis relies. This downward trend reflects increasing efficiency and competition within the marketplace. This trend is considered exogenous to tax policy and is carried forward throughout the analysis at rates similar to what we observe in the historical data. This rate of decline is slowing throughout the historical dataset, which is also continued within the forecasts. In other words, it is assumed that retail prices per gram will continue to decline, but they will decline at a slower pace as the market moves toward greater levels of efficiency and competition. Figure 8 presents the findings of this analysis.

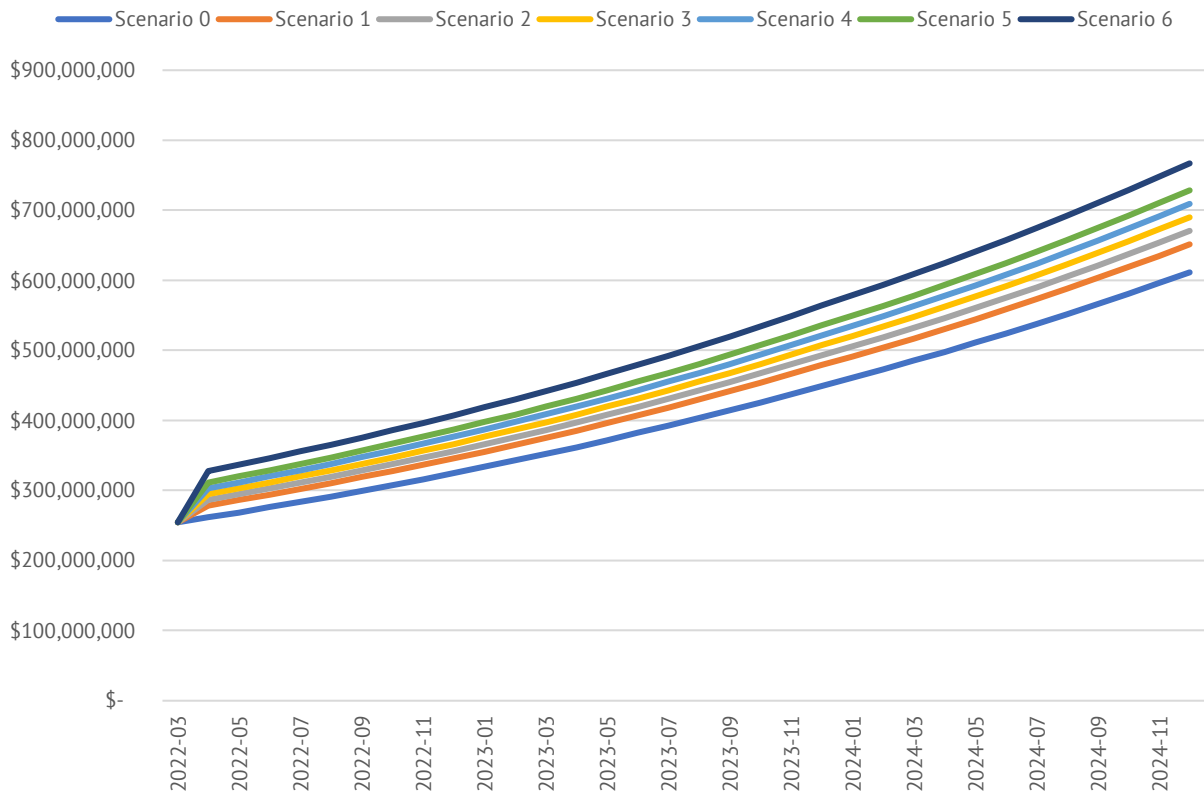
FIGURE 8: FORECAST PRICES PER GRAM FOLLOWING TAX CHANGES BY SCENARIO, APR. 2022 - DEC. 2024



Source: Author's calculations based on data from Headset Insights.

Similarly, the legal market is assumed to grow naturally over time due to factors beyond retail price as more retail outlets become available or consumers become familiar with how to purchase from legal retailers. The historical data support this trend, as the overall retail market has grown at an average of 3.45% monthly while prices per gram have declined at an average of only 0.91% monthly. These factors are assumed to remain relevant throughout the forecast period. The forecasts therefore assume the legal market will continue to grow at half its historical rate even absent any change in retail prices. *Importantly, this growth is largely dependent on a continuing expansion of legal retailers so consumers gain increased access to legal products.* To the extent local governments continue to prohibit legal retailers, overall market growth would be imperiled. Figure 9 presents this study’s forecast of overall consumer spending in the legal market under each scenario, with a surge in demand from the base case following the period of prospective tax changes, as well as escalating market growth throughout the time series due to lower taxes.

FIGURE 9: FORECAST MONTHLY CANNABIS SALES IN LEGAL MARKET UNDER TAX CHANGE SCENARIOS, MARCH 2022 - DECEMBER 2024



Source: Author’s calculations based on data from Headset Insights.

Each alternative tax treatment scenario eliminates the wholesale cultivation tax (consistent with Reason Foundation’s general recommendations to levy cannabis taxes only at retail²⁹), while modeling retail excise taxes at different rates. One constant within each model is the statewide general sales tax rate of 7.25%. As reductions in the cultivation and retail excise taxes drive overall market growth, revenues realized from the general sales tax grow in both proportional and absolute terms, partially offsetting revenue loss from the tax reductions. While Scenario 0 still yields the highest amount of tax revenue, eliminating the cultivation tax results in only a 5.15% reduction in revenue by December 2024 relative to the base case. Relative to March 2022 revenues, Scenario 1 would grow tax revenues by 223.2% by December 2024. However, even under a complete elimination of both the cultivation and retail excise tax (Scenario 6), total monthly tax revenues from cannabis sales by December 2024 are still within 15% of their March 2022 levels due to growth in general sales tax receipts. Table 6 presents total monthly tax revenues by December 2024 under each scenario.

TABLE 6: TOTAL MONTHLY TAX REVENUE, DECEMBER 2024

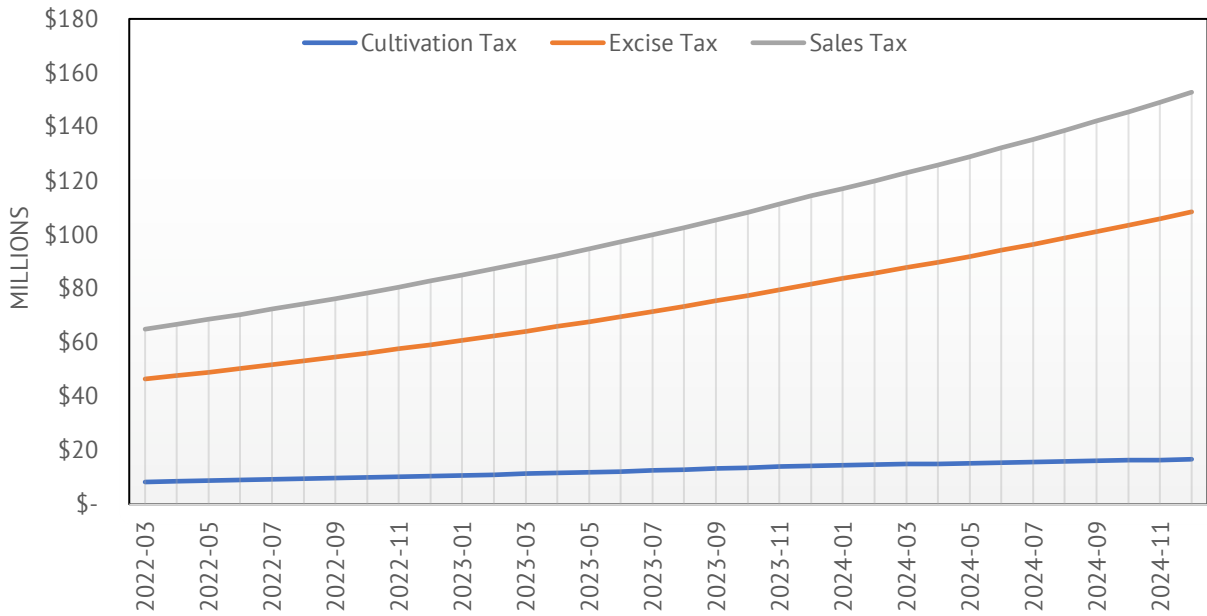
	2024-12 Revenues	2024-12 Revenues as % of 2022-03 Revenues
Scenario 0	\$ 152,824,985	235.3%
Scenario 1	\$ 144,958,777	223.2%
Scenario 2	\$ 132,475,108	204.0%
Scenario 3	\$ 119,028,443	183.3%
Scenario 4	\$ 104,618,782	161.1%
Scenario 5	\$ 89,246,125	137.4%
Scenario 6	\$ 55,611,823	85.6%

Source: Author’s calculations based on data from Headset and California Department of Tax and Fee Administration, “Cannabis Tax Revenues,” including author’s stated assumptions for future tax-revenue growth.

Figures 10 through 16 present scenario results as stacked line charts, in which each component of tax receipts contributes toward the cumulative total, represented by the top line on each chart. Scenarios that represent larger adjustments to tax rates display steeper immediate declines in tax receipts, as one might intuitively expect, but result in more dramatic growth in tax receipts thereafter as consumers move from the illegal to the legal market.

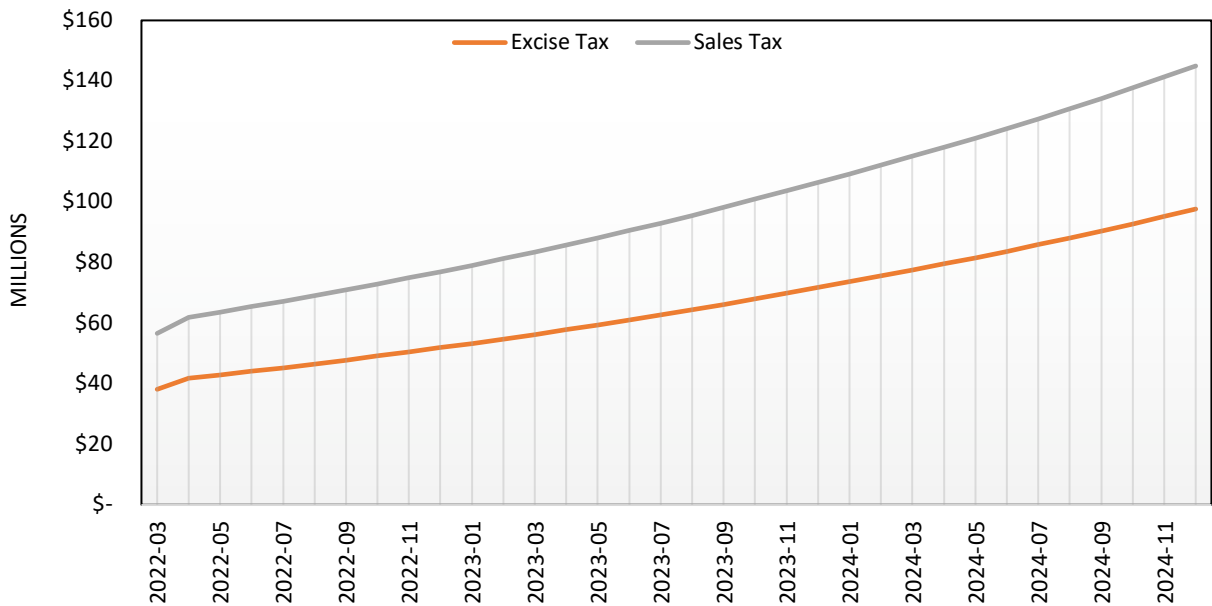
²⁹ Geoffrey Lawrence and Matt Harrison, “A Conceptual Framework for State Efforts to Legalize and Regulate Cannabis,” Reason Foundation, 2019, <https://reason.org/wp-content/uploads/conceptual-framework-state-efforts-to-legalize-regulate-cannabis.pdf> (March 31, 2022).

FIGURE 10: SCENARIO 0 (STATUS QUO): FORECAST TAX REVENUES



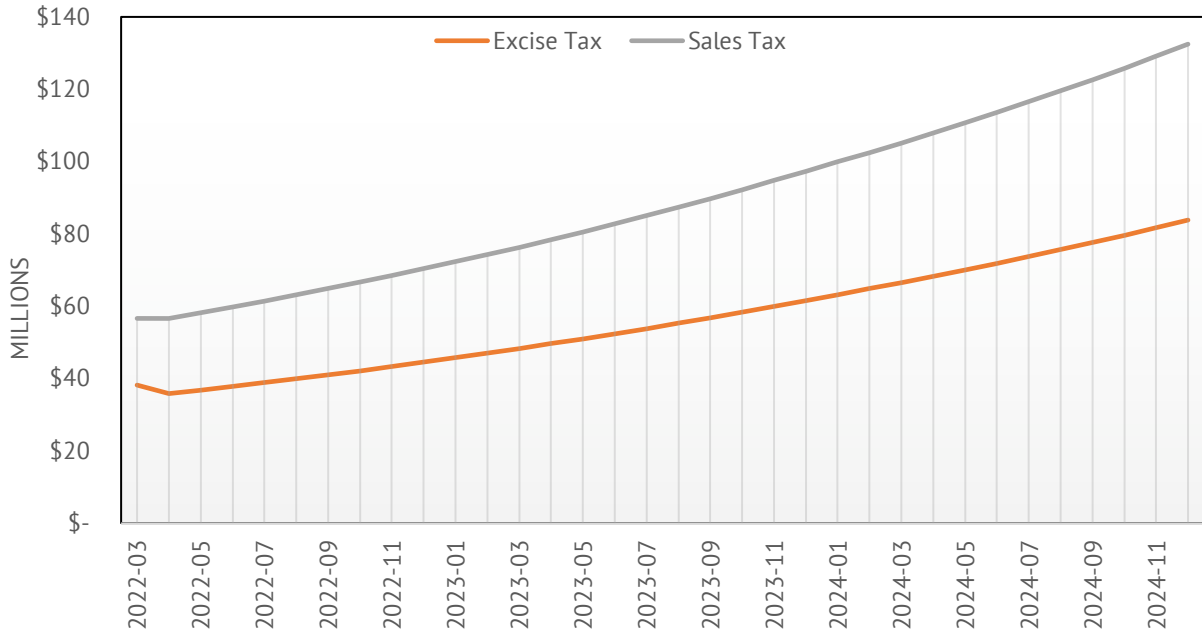
Source: Author’s calculations based on data from Headset and California Department of Tax and Fee Administration, “Cannabis Tax Revenues,” including author’s stated assumptions for future tax-revenue growth.

FIGURE 11: SCENARIO 1 (0% CULTIVATION; 15% EXCISE): FORECAST TAX REVENUES



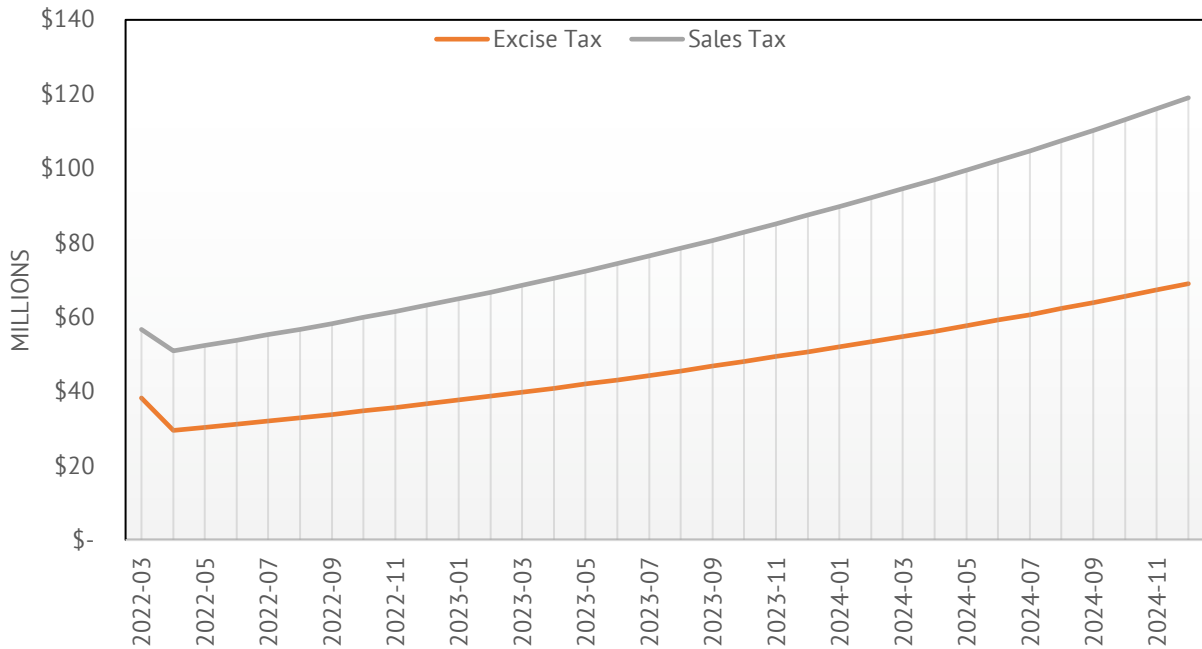
Source: Author’s calculations based on data from Headset and California Department of Tax and Fee Administration, “Cannabis Tax Revenues,” including author’s stated assumptions for future tax-revenue growth.

FIGURE 12: SCENARIO 2 (0% CULTIVATION; 12.5% EXCISE): FORECAST TAX REVENUES



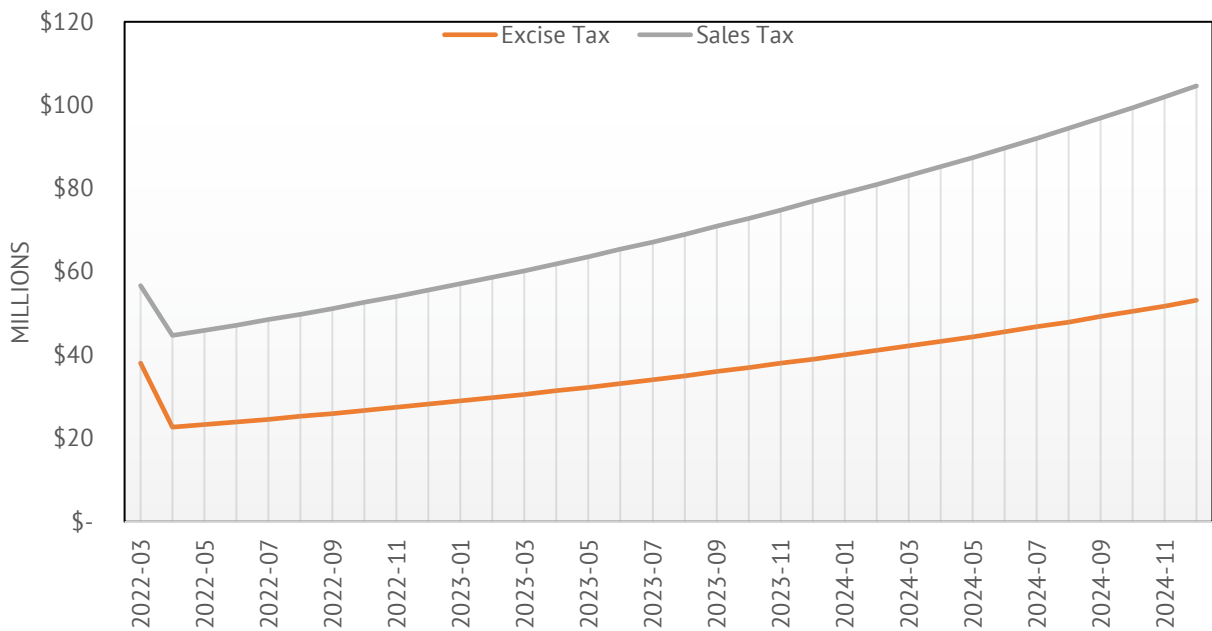
Source: Author’s calculations based on data from Headset and California Department of Tax and Fee Administration, “Cannabis Tax Revenues,” including author’s stated assumptions for future tax-revenue growth.

FIGURE 13: SCENARIO 3 (0% CULTIVATION; 10% EXCISE): FORECAST TAX REVENUES



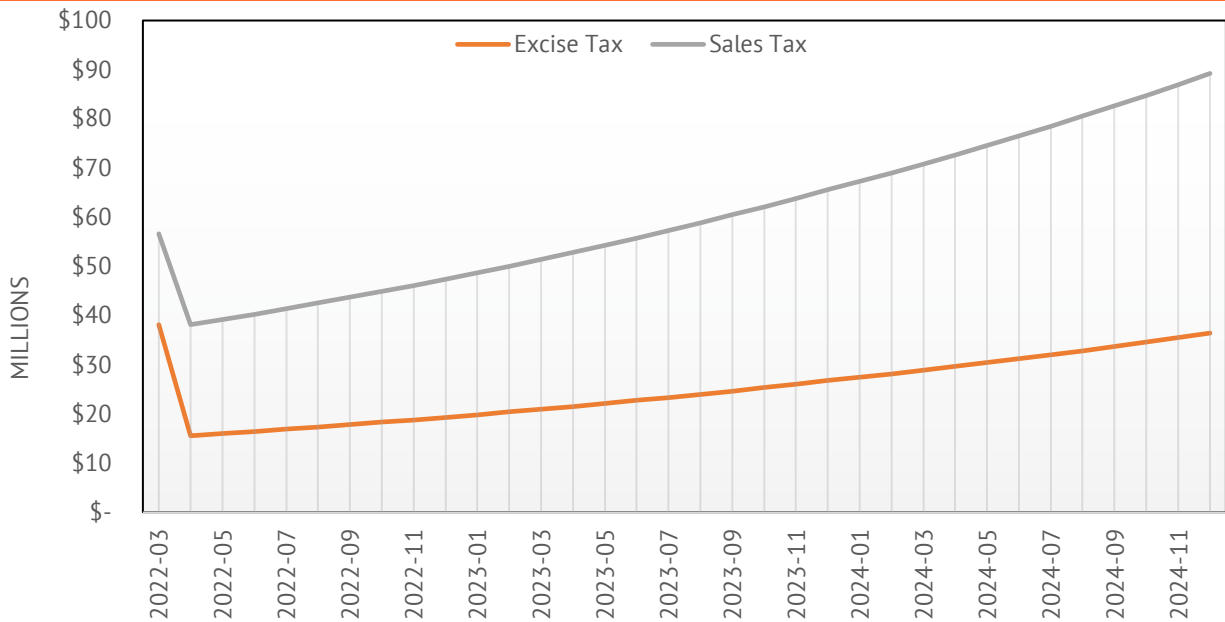
Source: Author’s calculations based on data from Headset and California Department of Tax and Fee Administration, “Cannabis Tax Revenues,” including author’s stated assumptions for future tax-revenue growth.

FIGURE 14: SCENARIO 4 (0% CULTIVATION; 7.5% EXCISE): FORECAST TAX REVENUES



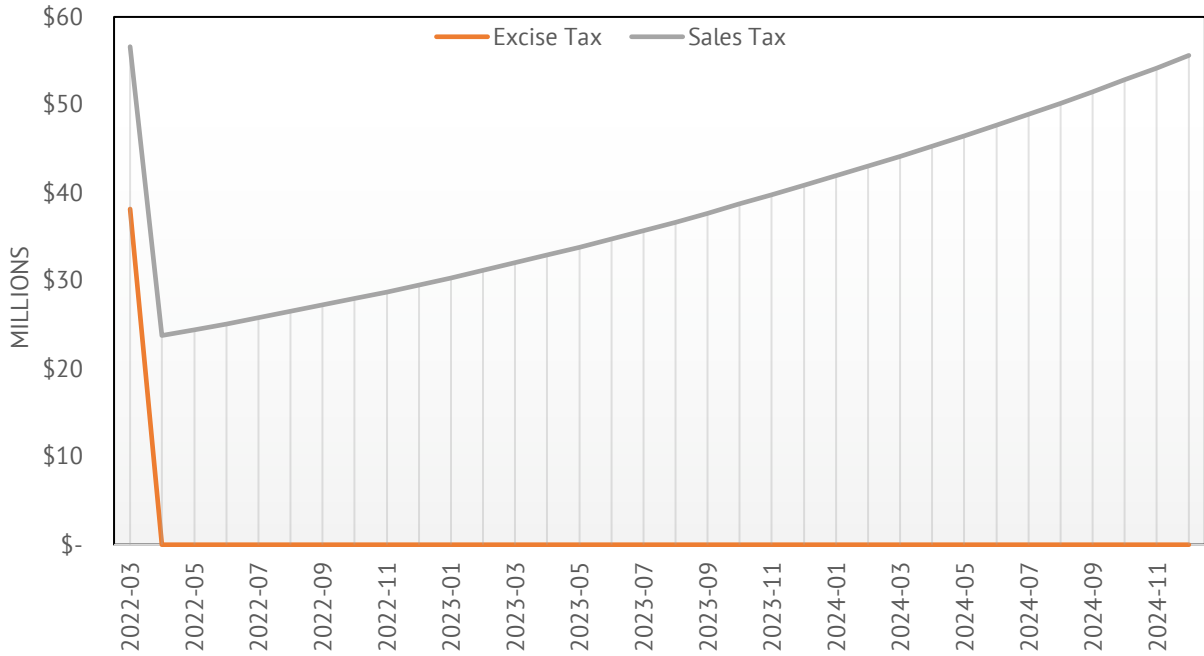
Source: Author’s calculations based on data from Headset and California Department of Tax and Fee Administration, “Cannabis Tax Revenues,” including author’s stated assumptions for future tax-revenue growth.

FIGURE 15: SCENARIO 5 (0% CULTIVATION; 5% EXCISE): FORECAST TAX REVENUES



Source: Author’s calculations based on data from Headset and California Department of Tax and Fee Administration, “Cannabis Tax Revenues,” including author’s stated assumptions for future tax-revenue growth.

FIGURE 16: SCENARIO 6 (0% CULTIVATION; 0% EXCISE): FORECAST TAX REVENUES



Source: Author’s calculations based on data from Headset and California Department of Tax and Fee Administration, “Cannabis Tax Revenues,” including author’s stated assumptions for future tax-revenue growth.

PART 6

CONCLUSION AND RECOMMENDATIONS

The analysis presented in Part 5 makes clear that California's adult-use cannabis market should be expected to grow more quickly in response to a reduction in tax rates. Part 2 shows that California's tax rates are high compared to other states with mature markets and that local assessments quickly compound with state assessments such that the per-pound equivalent of cannabis taxes in California can range as high as \$1,441. Parts 3 and 4 demonstrate that retail prices in California are higher than in other states with established cannabis markets, and that consumer spending per capita on legal cannabis products is significantly lower. Lower per-capita spending in California is not fully explained by differences in usage rates, implying through the data that Californians spend roughly twice as much on illegal cannabis products as on legal ones. Tax costs are a significant component of retail prices and this analysis shows that a reduction in taxes can make legal products more price-competitive with illegal products and lure more consumers into the regulated market. This overall market growth will quickly displace the lost revenue resulting from a reduction in tax rates.

Moreover, policymakers may wish to consider a reduction in California's cannabis taxes for reasons beyond economic or fiscal impacts. High taxes on legal products, combined with a paucity of legal retailers in many regions of the state, encourage consumers and producers to frequent the illegal market. Transactions on the illegal market are unregulated and may be a threat to public safety. Illegal products are untested and may be contaminated. Participants in illegal markets have no legal recourse to peaceably resolve disputes and

sometimes resort to violence. International drug cartels may become prominent suppliers of illegal products in extraordinarily high-tax areas or those without legal retailers.



Tax costs are a significant component of retail prices and this analysis shows that a reduction in taxes can make legal products more price-competitive with illegal products and lure more consumers into the regulated market.



For all these reasons, California lawmakers should consider major changes to the state's cannabis taxes.

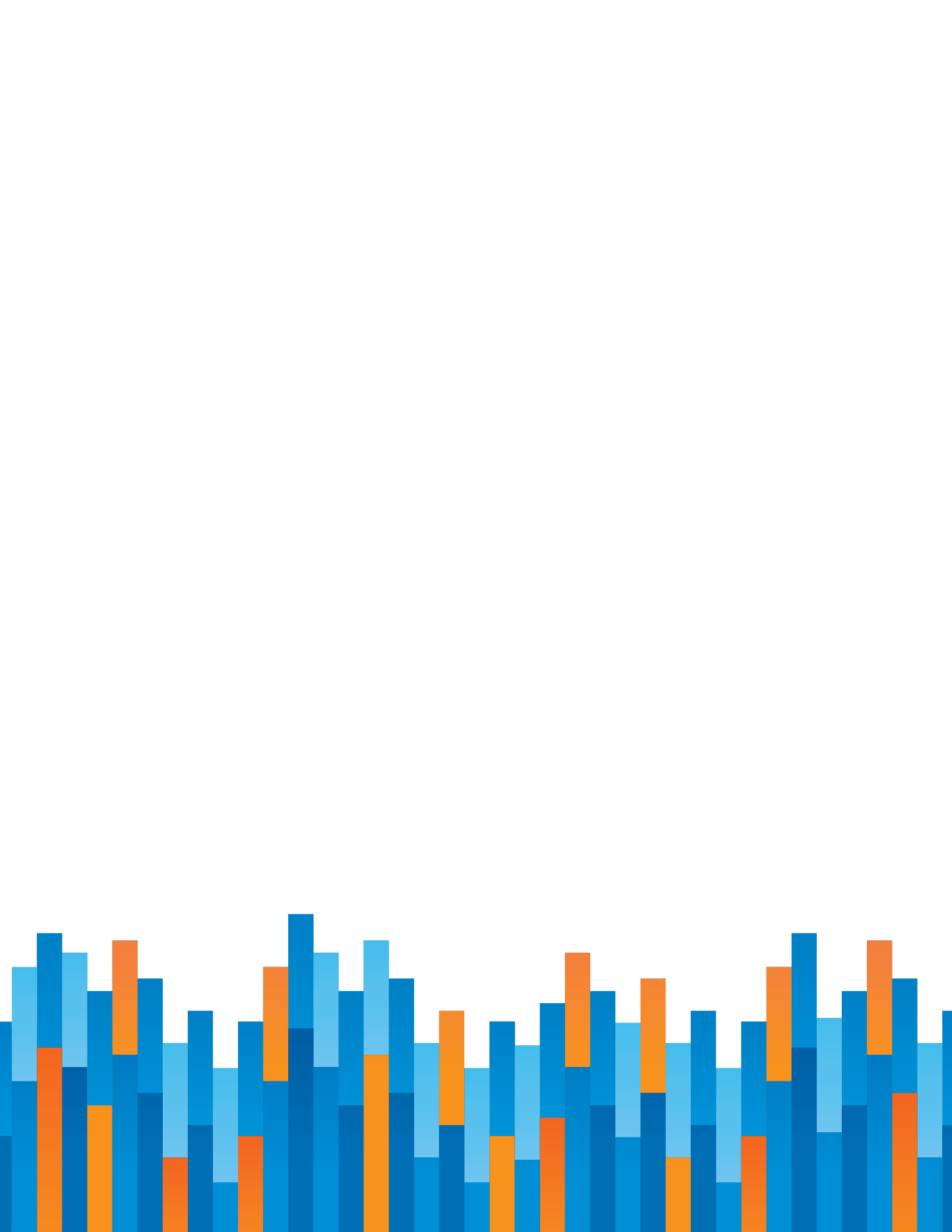
1. **Repeal or suspend the cultivation tax.** As Reason Foundation has noted previously, wholesale cannabis taxes are hidden from the ultimate consumer, and difficult to administer and audit and pyramid up the supply chain. This analysis makes additionally clear that repealing the cultivation tax will result in faster growth of the legal market and will quickly result in more total tax revenue than the state receives currently. If the cultivation tax is eliminated and no other changes are made, total monthly state revenue from taxes on cannabis transactions by December 2024 will be more than double their March 2022 level.
2. **Reduce retail excise taxes.** Part 3 compared California's cannabis market performance to two states—Colorado and Oregon—that levy retail excise taxes but that exempt cannabis sales from general sales taxes. California applies both taxes to retail transactions on cannabis, raising its effective tax rate substantially above competing markets. Policymakers needn't fully eliminate the retail excise tax, but reducing its rate combined with eliminating the cultivation tax could lead to much faster growth of the legal market and displacement of the illegal market. Under Scenario 3, a reduction of the excise tax from 15% to 10% would still yield \$119 million in monthly state tax revenue from cannabis sales by December 2024, which is nearly double its current level.
3. **Explore methods to induce greater participation by local governments.** Proposition 64 and MAUCRSA allow local governments to ban cannabis enterprises within their

jurisdictions, with a shocking number of California's local governments doing so. Part 3 shows more than half of the state's legal retailers are concentrated into just 18 jurisdictions. Meanwhile, massive cannabis deserts exist across the state in which consumers have no access to a legal retailer within a reasonable distance of their home. Without legal alternatives, these consumers are likely to patronize illegal retailers.

Removing the authorities granted to local governments under current law would be a fundamental change to the state's cannabis market, but several states allow local governments only to reasonably regulate the times and manner of cannabis enterprise operations without imposing outright bans. However, lawmakers needn't go that far, as alternative approaches might help induce more local governments to participate. For example, the state could direct a portion of its cannabis tax revenues toward a revenue-sharing pool in which local governments can participate proportionally along with the sales volume that occurs within their jurisdictions. At the same time, however, state lawmakers should seek to limit the additional layers of taxation assessed by local governments because these taxes compound to make legal products uncompetitive on a price basis with illegal products. In other words, the state may be able to creatively displace local government tax revenues such that a reduction in state taxes is not offset by further increases in local tax rates.

ABOUT THE AUTHOR

Geoffrey Lawrence is managing director of drug policy at Reason Foundation. Previously, Lawrence was chief financial officer of the first fully reporting, publicly traded marijuana licensee to be listed on a U.S. exchange and was senior appointee to the Nevada Controller's Office where he oversaw the state's external financial reporting. Lawrence also spent a decade as a policy analyst on labor, fiscal, and energy issues between North Carolina's John Locke Foundation and the Nevada Policy Research Institute. Lawrence is additionally founder and president of an accounting and advisory firm with expertise in the licensed marijuana and hemp industries. Lawrence holds an M.S. and B.S. in accounting, an M.A. in international economics and a B.A. in international relations. He lives in Las Vegas with his wife and two children and enjoys baseball and mixed martial arts.



NEVADA COUNTY PLANNING COMMISSION
STAFF REPORT

APPLICANT: County of Nevada

HEARING DATE: April 11, 2019

OWNER: N/A

FILE NO: ORD18-2, EIR18-0001

PROJECT: **ORD18-2; EIR18-0001; NEVADA COUNTY COMMERCIAL CANNABIS CULTIVATION ORDINANCE.** A public hearing to consider and make recommendations to the Board of Supervisors on an Ordinance amendment to Chapter II of the Land Use and Development Code adding Section L-II 3.30 for the Nevada County Commercial Cannabis Cultivation Ordinance (NCCO) drafted to be consistent with state law and to enable a procedure for the cultivation of cannabis within all unincorporated areas within the County. The proposed NCCO has been drafted pursuant to the authority granted by Article XI, Section 7 of the California Constitution, Health and Safety Code section 11362.83, and Government Code Section 25845. The proposed NCCO would be adopted to replace the existing cannabis regulations in the Nevada County Land Use and Development Code (Development Code under Title 2, Chapter IV, Article 5 Cannabis Cultivation). The proposed NCCO details new County-specific regulations to address the licensing of cannabis cultivation activities only in the unincorporated areas of the County. In addition to the ordinance, consideration and recommendation to the Board of Supervisors to adopt the Environmental Impact Report, Mitigation Monitoring Program and CEQA Findings and Statement of Overriding Considerations (EIR18-0001, SCH#2018082023) prepared by Kimley-Horn and Associates.
PROJECT LOCATION: Countywide. **RECOMMENDED ENVIRONMENTAL DETERMINATION:** Recommend adoption of the Environmental Impact Report including Mitigation Monitoring and Reporting Program and CEQA Findings and Statement of Overriding Considerations. **RECOMMENDED PROJECT ACTION:** Recommend approval and adoption of the Nevada County Commercial Cannabis Cultivation Ordinance. **STAFF:** Brian Foss, Director of Planning.

LOCATION: The proposed project would apply to all parcels located in the unincorporated areas of Nevada County. Nevada County's total land area is 978 square miles, of which approximately 70% is privately owned and approximately 30% is public lands.

ASSESSOR'S PARCEL NO's.: N/A - Countywide Ordinance

PROJECT PLANNER: Brian Foss, Director of Planning

General Plan:	All Designations	Schools:	N/A
Zoning:	All Districts	ZDM No.:	All ZDM maps
Region/Center:	All Regions	Recreation:	All Districts
Sewage:	N/A	Parcel Size:	N/A
Water:	N/A	Sup. Dist.:	All Districts
Fire:	All Districts		
Flood Map:	All unincorporated areas of County		
Date Filed:	May 1, 2018 (Direction from Board of Supervisors to proceed date)		
Prev. File No's:	N/A		

ATTACHMENTS:

1. Draft Resolution for EIR Certification and CEQA Findings of Fact
2. Draft Ordinance for Zoning Ordinance Section L-II 3.30 Commercial Cannabis Cultivation
3. Final EIR (Planning Commission only, available online at: <https://www.mynevadacounty.com/2188/Supporting-Documents>)

RECOMMENDATION:

Staff recommends the Planning Commission take the following actions:

- I. Recommend the Board of Supervisors approve a Resolution certifying the Final EIR (EIR18-0001, SCH#2018082023) as adequate for the Nevada County Commercial Cannabis Cultivation Ordinance, and that it has been completed in compliance with the California Environmental Quality Act and based on the CEQA Findings of Fact contained in Attachment 1.
- II. Recommend the Board of Supervisors adopt the attached Ordinance approving a Zoning Ordinance Text Amendment (ORD18-2) to Chapter II of the Nevada County Land Use and Development Code establishing Section L-II 3.30 Cannabis Cultivation Ordinance.

STAFF COMMENT:

The Nevada County Commercial Cannabis Cultivation Ordinance is intended to detail County regulations consistent with state law to enable a structured and logical management procedure for the cultivation of cannabis within all unincorporated areas within the County. Commercial cannabis cultivation would be strictly limited for medical purposes. An unincorporated area is defined as an area or region of land that is not governed by a local municipal corporation, such as a city. The proposed project defines and provides for the regulation for the personal use of

cannabis and commercial cannabis cultivation within unincorporated County land. The proposed project is a substantial overhaul and comprehensive update to the County's existing cannabis regulations and is being proposed, in part, as an attempt to regulate the cultivation and reduce existing environmental effects of illegal cultivation operations. Adoption of the proposed project would render indoor, mixed-light, and outdoor cultivation of cannabis, on any parcel or premises in an area or in a quantity greater than as provided by the proposed project, or in any other way not in conformance with or in violation of the provisions of the proposed project and/or state law, as a public nuisance that may be abated by any means available by law. Indoor, Mixed-Light, and Outdoor Cultivation are defined as follows:

Indoor or Indoors— Indoor cultivation means cultivation using exclusively artificial light within a detached fully enclosed and secure accessory structure using artificial light at a rate above twenty-five watts per square foot and that complies with the California Building Code (Title 24, California Code of Regulations) for that specific occupancy type, as adopted by the County of Nevada, except for structures that are exempt from the requirement to obtain a building permit under the Nevada County Land Use and Development Code. For purposes of Personal Use only, "indoor" or indoors" shall also include Cultivation inside a private residence or attached garage, but not in areas inhabited by humans, including, but not limited to bedrooms and kitchens.

Mixed-Light- Mixed-Light means the cultivation of mature or immature cannabis plants in an accessory structure permitted in compliance with local building codes and permitted specifically for cannabis cultivation using light deprivation and/or one of the artificial lighting models described below:

Mixed-Light Tier 1: The use of artificial light at a rate of six watts per square foot or less;
Mixed-Light Tier 2: The use of artificial light at a rate above six watts and below or equal to twenty watts per square foot. Mixed-light cultivation must take place in an accessory structure permitted in compliance with local building codes and permitted specifically for cannabis cultivation.

Outdoor or Outdoors -Outdoor cultivation means cultivation of cannabis in any location that is not "indoors" not "mixed-light" and which is cultivated without the use of any artificial light at any time.

The proposed ordinance has been written, in part, to remedy existing issues including environmental degradation to water quality, creation of objectionable odors, land use conflicts, and impacts to the visual character of the County. The ordinance establishes certain requirements for land use permits and the annual permitting process. Under the proposed project there will be a three-tier system for 1) personal use; 2) commercial use, and 3) non-remuneration cultivation use. The regulations for cultivation of cannabis have been developed to be consistent with requirements of other commercial activities as well as consistent with state law. Under the proposed project cannabis cultivation would be managed using the policies and regulations within the ordinance. Based on these and other factors, the general intent of the proposed project is to result in:

- Removing or reducing cannabis cultivation in residential areas and allowing increased cannabis cultivation in the AG, AE and FR zones, including commercial cultivation for medical purposes.
- Eliminating the existing set of regulations intended for personal and/or cooperative cannabis cultivation and replacing these regulations with a three-tier system based on the nature of the cultivation activity at issue (personal, commercial or non-remuneration cultivation), to align with current State law.
- Adding requirements for certain land use permits (for the property on which cultivation would occur) and an annual regulatory permit (for the cannabis operation). This facilitates issuance of local authorizations and align cannabis regulations with regulations applicable to other commercial activities.
- Updating definitions and other technical requirements to align with current State law and addressing environmental impacts related to cultivation.
- Revising and increasing penalties for failing to comply with County cannabis regulations including increased fines, permit revocations and criminal penalties.

The proposed project would allow for the cultivation of cannabis for personal use within eight zoning classifications.

Cultivation for personal use would be allowed in four residential zones including:

- R-1 (Single Family);
- R-2 (Medium Density);
- R-3 (High Density);
- R-A (Residential Agriculture);

And four non-residential zones including:

- General Agricultural (AG);
- Agriculture Exclusive (AE);
- Forest (FR); and
- the Timber Production Zone (TPZ).

Commercial cannabis cultivation would be prohibited in the following zones:

- R1, R2, and, R3 (High Density);
- RA (Residential Designation) zones; and,
- TPZ (Timber Production Zone).

Commercial Cannabis Cultivation would be allowed in the following zones:

- AG (General Agriculture);
- AE (Agriculture Exclusive); and,
- FR (Forest) zones.

The proposed NCCO provides for both commercial cultivation of cannabis as well as cultivation for personal use. The following regulations provide written description of the zoning and maximum grow sizes:

- For Personal Use only, cannabis cultivation may occur only on a Parcel or Premises with a Legally Permitted Primary Residence and only in zones as set forth as follows:
 - R-1, R-2, R-3 and R-A (Residential Designation):
 - Indoors: maximum of six plants, mature or immature.
 - Mixed-light, or outdoors: cultivation is prohibited.
 - R-A (Rural and Estate Designation (Parcels of 5 acres or more):
 - Indoors, mixed-light and outdoors or a combination of methods: a maximum of 6 plants, mature or immature
 - AG, AE, FR, and TPZ (Parcels of equal to or less than one to three acres):
 - Indoors: a maximum of 6 plants, mature or immature.
 - Mixed-light and outdoors: cultivation is prohibited
 - AG, AE, FR, and TPZ (Parcels of greater than one to three acres):
 - Indoors, mixed-light and outdoors: a maximum of 6 plants, mature or immature.

Table 1: Cannabis Cultivation for Personal Use, below provides a breakdown of the allowable number of plants based on zoning, parcel acreage, and cultivation method. Cultivation in all other zones would not be a permitted use.

Table 1: Cannabis Cultivation for Personal Use				
Zoning	Parcel Acreage	Cultivation Method		
		Indoor	Mixed-Light	Outdoor
R1 R2 R3 RA (Residential Designation)	Parcel of Any Size	Maximum of six plants, mature or immature.	Cultivation is Prohibited	Cultivation is Prohibited
R-A (Rural and Estate Designation)	5.00 Acres or greater	Maximum of Six Plants, mature or immature		
AG AE FR TPZ	1.99 or less	Maximum of Six Plants, mature or immature	Cultivation is Prohibited	Cultivation is Prohibited
	Parcels 2.00 acres or greater	Maximum of Six Plants, mature or immature		

Source: Nevada County, 2018
 Abbreviations: R-1 (Single Family); R-2 (Medium Density); R-3 (High Density); R-A (Residential Agriculture); AG (General Agriculture), AE (Agriculture Exclusive), FR (Forest), TPZ (Timber Production Zone).

Cultivation of commercial cannabis will be specifically regulated under the proposed NCCO. The following regulations provide written description of the zoning and maximum grow sizes. Commercial cannabis cultivation could occur only on a parcel or premises with a legally permitted residence, or on a vacant parcel adjacent to a parcel with a legally permitted residence under common ownership, and only in zones as set forth as follows:

- R-1, R-2, R-3 and R-A (Regardless of General Plan Designation) and TPZ:
 - Commercial cannabis cultivation is prohibited.
- AG, AE, and FR:
 - Parcels of less than or equal to 1.99 acres:
 - Commercial cannabis is prohibited.
 - Parcels of 2 (two) acres up to 4.99 acres
 - Indoors: a maximum of 500 sf of canopy.
 - Mixed-light and outdoors: commercial cannabis is prohibited.
 - Parcels of 5 (five) acres up to 9.99 acres:
 - Indoors, mixed-light, outdoors or a combination of said methods: maximum of 2,500 sf of Canopy.
 - Parcels of 10 (ten) acres up to 19.99 acres:
 - Indoors, mixed-light, outdoors, or a combination of said methods: a maximum of 5,000 sf of canopy.
 - Parcels of 20 acres or greater:
 - Indoors, mixed-light, outdoors or combination of said methods: a maximum of 10,000 sf of Canopy.

Table 2: Cannabis Cultivation for Commercial Use, below, provides a breakdown of the of the allowable square feet of allowable plants canopy based on zoning, parcel acreage, and cultivation method.

Table 2: Cannabis Cultivation for Commercial Use				
Zone	Parcel acre	Cultivation Method		
		Indoor	Mixed-Light	Outdoor
R1 R2 R3 RA (Regardless of Zone Designation)	Parcel of Any acreage	Commercial Cultivation is Prohibited		
AG AE FR	2.0 acres or less	Commercial Cultivation is Prohibited		
	Parcels 2.00 acres to 4.99 acre	Maximum of 500 sf canopy	Commercial Cultivation is Prohibited	
	Parcels 5.00 acres to 9.99 acres	Up to a maximum of 2,500 sf of canopy for any method or combination thereof.		
	Parcels 10.00 acres to 19.99 acres	Up to a maximum of 5,000 sf of canopy for any method or combination thereof.		
	Parcels 20 acres or greater	Up to a maximum of 10,000 sf of canopy for any method or combination thereof.		
Source: Nevada County, 2018 Abbreviations: R-1 (Single Family); R-2 (Medium Density); R-3 (High Density); R-A (Residential Agriculture); AG (General Agriculture), AE (Agriculture Exclusive), FR (Forest), TPZ (Timber Production Zone).				

CULTIVATION AREA REQUIREMENTS

In addition to the zoning restrictions discussed above, the proposed project also includes elements and requirements that involve all cultivation areas. These regulations are in place to provide a defined process and to detail requirements related to cannabis cultivation. Additional details and requirements for persons engaging in cultivation for personal use of cannabis and commercial cannabis cultivation are further defined below and are within the attached copy of the full proposed NCCO in Attachment 1. Relating to all areas and purposes, all cannabis cultivation areas shall comply with the following requirements:

- All cannabis cultivation sites shall be adequately secured to prevent unauthorized entry, including a secure locking mechanism that shall remain locked at all times when the Cultivator is not present within the Cultivation area;
- Cannabis cultivation shall not adversely affect the health, safety, or general welfare of persons at the Cultivation site or at any nearby residence by creating dust, glare, heat, noise, noxious gasses, odor, smoke, traffic, light, or vibration, by the use or storage of hazardous materials, processes, products or wastes, or by any other way. The cultivation of cannabis shall not subject residents of neighboring parcels who are of normal sensitivity to reasonably objectionable odors;
- All electrical, mechanical, and plumbing used for Indoor or Mixed-Light Cultivation of Cannabis shall be installed with valid electrical, mechanical, and plumbing permits issued and inspected by the Nevada County Building Department, which building permits shall only be issued to the legal owner of the Premises or their authorized agent. The collective draw from all electrical appliances on the Premises shall not exceed the maximum rating of the approved electrical panel for the Parcel. Electrical utilities shall be supplied by a commercial power source. If generators are used for emergency purposes as approved by the Enforcing Officer all generators shall be located in containment sheds while in use to reduce generator noise to no greater than 50dB as measured at 100 feet from any sensitive habitat or known sensitive species. This would be an annual requirement and verified yearly when the ACP is renewed. If conformance is not shown, the permit shall be denied or the held in abeyance until the project infraction is brought into conformance with this Article.
- Cultivation of cannabis indoors shall contain effective ventilation, air filtration and odor-reducing or odor-eliminating filters to prevent odor, mold and mildew in any area used for Cultivation or which is used as, designed, or intended for human occupancy, or on adjacent premises.
- All structure and site utilities (plumbing, electrical, and mechanical) shall comply with the California Building Standards Codes, as adopted by the County of Nevada.

- All lights used for the cultivation of cannabis shall be shielded and downcast or otherwise positioned in a manner that will not shine light or allow light glare to exceed the boundaries of the Parcel upon which they are placed and shall comply with the requirements of Section L-II 4.2.8.D. of the Nevada County Land Use and Development Code. Lights are not permitted to be detectable during the night time hours. If lights are to be used during night time hours, black out or light barriers must be used to ensure no light is visible during night time hours.
- Noise levels generated by Cultivation shall not exceed the standards set forth in Table L-II 4.1.7 (Exterior Noise Limits) of the Nevada County Zoning Ordinance applicable to the Land Use Category and Zoning District for the Premises on which the Cultivation occurs.
- If the person(s) cultivating cannabis on any Legal Parcel is/are not the legal owner(s) of the parcel, the person(s) who is cultivating cannabis on such parcel shall: (a) give written notice to the legal owner(s) of the parcel prior to commencing cultivation of cannabis on such parcel, and (b) shall obtain a signed and notarized Nevada County issued authorization form from the legal owner(s) consenting to the specific cannabis activity for which a local permit and state license are being sought on the Parcel and provide said authorization to Nevada County prior to the commencement of any Cultivation activities and at least annually thereafter. A copy of the most current letter of consent shall be displayed in the same immediate area as designated in the permit and license, in such a manner as to allow law enforcement and other Enforcing Officers to easily see the authorization without having to enter any building of any type. Such authorization must also be presented immediately upon request by an Enforcing Officer.
- The use of Hazardous Materials shall be prohibited in Cannabis Cultivation except for limited quantities of Hazardous Materials that are below State of California threshold levels of 55 gallons of liquid, 500 pounds of solid, or 200 cubic feet of compressed gas. Any Hazardous Materials stored shall maintain a minimum setback distance from water sources in accordance with Nevada County Land Use and Development Code Chapter X. The production of any Hazardous Waste as part of the Cultivation process shall be prohibited.
- All Premises used for Cannabis Cultivation shall have a legal and permitted water source and shall not engage in unlawful or unpermitted drawing of surface water or permit illegal discharges of water. For purposes of engaging in Cannabis Cultivation pursuant to this Article, water delivery is prohibited.
- All Premises used for Cannabis Cultivation shall have a legal and permitted sewage disposal system and shall not engage in unlawful or unpermitted drawing of surface water or permit illegal discharges of water.
- The six (6) plants permitted to be Cultivated on any Premises for Personal Use in accordance with this Article and state law may be Cultivated in addition to the amounts allowed for Commercial Cannabis Cultivation by this Article.

- Commercial Cannabis may be Cultivated on Premises with multiple Parcels only if there is direct access from one Parcel to the other. The total Canopy Area shall not exceed that allowed area based on the largest of the Parcel sizes. The total Canopy Area shall not exceed the area of the Parcel used for Cultivation. The total Canopy Area and any Support Area must comply with all setback requirements and may not straddle any Parcel boundary. This provision does not prohibit, for example, location of one Canopy Area on one Parcel and another Canopy Area on an adjacent Parcel as long as setback, total square footage, and other requirements of this Article are met.
- All those engaged in Commercial Cannabis Cultivation in Nevada County must possess and maintain the appropriate Commercial Cannabis license(s) from the State of California. State licenses must cover and allow for the Commercial Cannabis Cultivation activities being conducted in Nevada County.
- The holder of an Annual Cannabis Permit for Commercial Cannabis Cultivation or for Non-Remuneration Cultivation in Nevada County may also Transport its own Cannabis from its licensed and permitted Premises to the extent allowed by the permit holder's State license and State law without obtaining an additional permit from Nevada County. The permit from Nevada County, however, must indicate that such Transport is specifically allowed. In order to engage in Transport of Cannabis or Cannabis products, the permit holder must provide the County with proof of possession of a "Distributor Transport Only" (Self-Distribution only) California State license, as set forth in California Code of Regulations, Title 16, Division 42, Chapter 2, section 5315, allowing for Transport of Cannabis from the Cultivation site as long as said license is necessary under State law. Said State license must be maintained in good standing in order to engage in the Transport of cannabis in the County of Nevada. Notwithstanding the foregoing, this provision does not authorize the holder of an ACP to Transport Cannabis away from the Cultivation sites of other permit holders.
- Commercial Cannabis Activity in County of Nevada may only be conducted by individuals and/or entities licensed by the State of California to engage in the activity for which a permit was issued by the County of Nevada. Commercial Cannabis Activities may not commence, and the Nevada County permit is not valid, until the appropriate license is obtained from the State of California.
- A maximum of three (3) Cultivation permits will be issued per person or entity for purpose of engaging in Commercial Cannabis Activities. No person or entity may have any financial interest in more than three (3) Commercial Cannabis businesses and/or enterprises in Nevada County.
- A Primary Caregiver may cultivate no more than five hundred (500) square feet of Canopy per Qualified Patient for up to five (5) specified Qualified Patients for whom he or she is the Primary Caregiver within the meaning of Section 11362.7 of the Health and Safety Code, if said Primary Caregiver does not receive remuneration for these activities except for

compensation in full compliance with subdivision (c) of Section 11362.765 of the Health and Safety Code. Cultivation under this provision, however, must otherwise comply with all other regulations applying to Commercial Cannabis Cultivation under this Article.

- Cannabis Support Areas are limited to a maximum area equal to 25% of the overall Canopy Area. The Support Area boundary shall be clearly identified on any plans that are submitted and on the Premises.

ACCESSORY STRUCTURES

Accessory structures used for the cultivation of cannabis would need to meet all of the following criteria:

- The Accessory Structure, regardless of size, shall be legally constructed in accordance with all applicable development permits and entitlements including, but not limited to, grading, building, structural, electrical, mechanical and plumbing permits approved by applicable federal, state and local authorities prior to the commencement of any Cultivation Activity. The conversion of any existing accessory structure, or portion thereof, for Cultivation shall be subject to these same permit requirements and must be inspected for compliance by the applicable federal, state and local authorities prior to commencement of any Cultivation Activity. Any Accessory Structure must also be permitted for the specific purpose of Commercial Cannabis Cultivation. Agricultural structures constructed in compliance with the Nevada County Land Use and Development Code may be used for commercial cannabis cultivation that obtain a letter of exemption issued by the Nevada County Chief Building Official or their approved designee that meet all requirements to receive a letter of agricultural exemption.
- The Accessory Structure shall not be built or placed within any setback as required by the Nevada County Land Use and Development Code or approved development permit or entitlement.
- Accessory Structures shall not be served by temporary extension cords. All electrical shall be permitted and permanently installed.
- Accessory Structures used for indoor cultivation shall be equipped with a permanently installed and permitted odor control filtration and ventilation system adequate to prevent any odor, humidity, or mold problem within the structure, on the Parcel, or on adjacent Parcels.
- Any structure used for Indoor Cultivation shall have a complete roof enclosure supported by connecting walls extending from the ground to the roof, and a foundation, slab, or equivalent base to which the floor is securely attached. The structure must be secure against unauthorized entry, accessible only through one or more lockable doors, and constructed of solid materials that cannot easily be broken through, such as 2" x 4" or thicker studs overlain with 3/8" or thicker plywood, polycarbonate panels, or equivalent materials. Exterior walls

must be constructed with non-transparent material. Plastic sheeting, regardless of gauge, or similar products do not satisfy these requirements.

REQUIRED PERMITS

The permitting of commercial and non-remuneration cannabis activities is defined in the proposed NCCO. The proposed NCCO lists the permitting requirements for locations that would be engaged in commercial and non-remuneration cannabis activities. The types of permits that would be needed include either a CCP or an ADP, in addition to an ACP. A summary of these permits is provided in Table 3: Required Permits for Commercial Cannabis Cultivation.

Table 3: Required Permits for Commercial Cannabis Cultivation

Cannabis Cultivation Permit	A CCP would be required for commercial cultivation activities for all canopy sizes up to 2,500 sf. An ADP would apply to all indoor, mixed-light, or outdoor cultivation. An ADP would only be issued to the legal owner of the parcel of premises.
Administrative Development Permit	An ADP would be required for commercial cultivation activities for all canopy sizes to between 2,501 sf to a maximum of 10,000 sf. An ADP would apply to all indoor, mixed light, or outdoor cultivation. An ADP would only be issued to the legal owner of the parcel of premises.
Annual Cannabis Permit	An ACP would be issued to the individual or entity engaging in the commercial cannabis activity or non-remuneration cultivation and must be renewed annually.

Table 3: Required Permits for Commercial Cannabis Cultivation, above, provides a summary of the permits needed for cannabis cultivation, the following regulations provide written description of the zoning and maximum cultivation sizes. Permitting to engage in commercial cannabis activities or nonremunerative cannabis cultivation in Nevada County is a two-prong process: both a Land Use Permit and an ACP must be obtained. Land Use Permits would be issued only to the legal owner of the parcel or premises.

CANNABIS CULTIVATION PERMIT (CCP)

The CCP permitting process would be for commercial and non-remuneration cultivation of cannabis with 2,500 sf of canopy size and less. This permitting process is considered ministerial and would be processed by the Building Department. The application for the CCP would be reviewed for completeness and adequacy by staff and to ensure all permit requirements are included to the application. CCP permits would be subject to Standard Development Conditions, and after review staff would have the option, if required, to include additional Conditions of Approval to the cultivation project. Upon completion of review, payment of all applicable fees,

conclusion that the application is complete, agreement by the applicant to implement all Standard Development Conditions, and if necessary additional Conditions of Approval, the CCP may be issued. The following lists the basic requirements to obtain a CCP. As discussed above, the County may include additional conditions based on the nature of the proposed cultivation site.

Cannabis Cultivation Permit (CCP) requirements are as follows:

- a. Canopy sizes of a combined total of up to 2,500 sq. feet (Indoors, Mixed-Light or Outdoors) on the Premises.
- b. Compliance with all local CCP permitting requirements is necessary.
- c. CCPs are not transferrable or assignable to any other person, entity or property.
- d. Applicant must provide the following as part of their application for a CCP:
 - i. A complete application.
 - ii. A list of all individuals and/or entities with any financial interest in the Commercial Cannabis Activity, including names, addresses, titles, nature and extent of financial interest, and disclosure of all financial interest in any and all cannabis businesses in the County.
 - iii. Copy of identification acceptable to County, including but not limited to driver's license or passport.
 - iv. All CCP permits are subject to all of the resource protection standards identified in Section L-II 4.3.3 of this Chapter.
 - v. A detailed site plan setting forth the intended location of the Canopy Area and any Support Area, detailed description of intended activities, setbacks, descriptions of existing and proposed structures and any other information required to show compliance with this Article. In addition the site plan shall include:
 - a) All landmark trees, landmark groves and heritage trees and groves as defined by the Zoning Ordinance. If such trees exist, the applicant shall indicate that the proposed cultivation sites and any proposed ancillary structures would not require removal of any of the listed trees and that all cannabis cultivation and accessory structures are outside the existing drip line of all trees. If any Cultivation or accessory structure would require removal or encroach in the drip line of any trees and the project plans shall be revised to avoid the trees. If any trees or groves are dead, dying, or a public safety hazard as determined by a qualified professional, no further action is required.
 - b) All Prime Farmland, Unique Farmland, or Farmland of Statewide Importance based on the most recent available mapping provided by the California Department of Conservation (CDOC) Farmland Mapping & Monitoring Program (FMMP) that exist on the project site. If such lands exist, the applicant shall show on the site plan(s) that any proposed accessory structure and related improvements (e.g., driveways, staging areas, etc.) have been located on the property in which impacts to mapped farmlands are reduced to the maximum extent practicable. A Management Plan pursuant to LUDC section L-II 4.3.3 shall be required if any cultivation activities or structures encroach into mapped farmland.

- vi. Irrigation water service verification.
- vii. Sewer/septic service verification.
- viii. Electrical service verification.
- ix. A security plan.
- x. A light control plan that demonstrates how light used for cultivation purposes would be controlled. Light control measures may include but not be limited to means such as using blackout tarps to completely cover all greenhouses and hoop-houses or restricting the use of lighting between sunset and sunrise.
- xi. All Commercial Cannabis Cultivation applications shall include language in project cultivation plans and on project site plans when applicable, that that the grading or building permit for the proposed project shall comply with applicable state and federal air pollution control laws and regulations, and with applicable rules and regulations of the NSAQMD during any construction and during operations of cannabis facilities. Compliance with NSAQMD Rule 226 Dust Control Plan shall be required, and all construction equipment (75 horsepower and greater) shall not be less than Tier 3, less than Tier 4 Interim if construction starts after 2025, and Tier 4 Final if construction starts after 2030. Written documentation that the cannabis facility is in compliance with the NSAQMD shall be provided to the Nevada County Planning Department.
- xii. All Commercial Cannabis Cultivation and Non-Remuneration Cultivation operations are restricted from burning any cannabis or other vegetative materials. The following language shall be included on all site plans: “The burning of any part of the cannabis plant or plant materials that is considered excess or waste is prohibited from being burned.”
- xiii. All applications shall include biological pre-screening materials. The materials shall include adequate information to define site constraints and show potentially sensitive biological resource areas. Materials shall include, at a minimum, project location (site address and parcel numbers); site aerials, photographs of proposed areas of disturbance (includes canopy area, accessory structures, and any related improvements [e.g., driveways, staging areas, etc.]), photographs of vegetative cover, a thorough project description describing all phases of construction, all proposed structures and cultivation areas, location of any streams, rivers, or other water bodies, limits and depth of grading, any grading cut or fill in a stream, river, or other water body, any water diversions and/or description of the source of water, water storage locations, and source of electricity (if applicable). If avoidance or protection measures are required, a Habitat Management Plan (HMP) consistent with the requirements of Section L-II 4.3.3 of the Nevada County Land Use and Development Code shall be prepared. If potential impacts on these biological resources cannot be reduced to less than significant levels, no permit shall be issued.
- xiv. Applications shall include a Non-Confidential Records Search to NCIC to determine the potential for Commercial Cannabis Cultivation sites to disturb historic, cultural, or tribal resources. Upon receipt, should the County find the NCIC recommends a cultural resource study, the applicant shall retain a qualified

professional to conduct a cultural resource study of the project area. No permit shall be issued until the completion of such report, and if needed, until recommended mitigation is implemented, or a plan has been submitted to the County for implementation.

- xv. All applications that include ground disturbance shall include a note on the plans that if subsurface archeological and/or paleontological features or unique geologic features are discovered during construction or ground disturbance, all activities within 50-feet of the find shall cease and the County shall be notified immediately. A qualified archaeologist/paleontologist shall be retained by the County to assess the find and shall have the authority to prescribe all appropriate protection measures to future work. If buried human remains are discovered during construction or ground disturbance, all activities shall cease and the County shall be notified immediately. The County shall notify the coroner to examine the remains. If the remains are determined to be of Native American origin, the Native American Heritage Commission shall be notified, and all sections details in Section 5097.98 of the California Public Resources Code shall be followed.
 - xvi. Copy of Deed to Property indicating applicant ownership.
 - xvii. Acknowledgement of standards set forth in ordinance.
 - xviii. Copy of valid state license application allowing for type of Commercial Cannabis Activity applied for (if available).
 - xix. Lease information.
 - xx. Payment of applicable fees.
 - xxi. Provide proof of purchase of a Certificate of Deposit from a commercial banking institution approved by the Enforcing Officer in the amount of \$5,000.00 which may be accessed by County of Nevada.
 - xxii. A valid email address and acknowledgement that the applicant agrees to accept service of any notice required or allowed by this Article via email.
- e. Applicant must allow for right of entry and inspections to ensure permit eligibility and compliance.
 - f. Secondary Access and Dead End Road Requirement Exemption:
Secondary access may be waived at the discretion of the Permitting Authority if applicant attests that there will be no special events held on the Premises and that the general public will not have access to the Premises.
 - h. Applicant shall obtain and keep a valid and active ACP for the CCP to remain active. If an ACP is not obtained within six months of issuance of the CCP, or if the ACP is revoked or denied renewal, the County may take any actions allowed by this Article or by law to revoke the CCP.

ADMINISTRATIVE DEVELOPMENT PERMIT (ADP)

The ADP permitting process would be for commercial and non-remuneration cultivation of cannabis with 2,501 sf to 10,000 sf of canopy size. This permitting process is considered administrative and would be processed by the Planning Department. The application for the ADP

would be reviewed for completeness and adequacy by staff and to ensure all permit requirements are included to the application. ADP permits would be subject to Standard Development Conditions, and after review staff would have the option, if required, to include additional Conditions of Approval to the cultivation project. Upon completion of review, payment of all applicable fees, conclusion that the application is complete, agreement by the applicant to implement all Standard Development Conditions, and if necessary additional Conditions of Approval, the ADP may be issued. The following lists the basic requirements to obtain a CCP. As discussed above, the County may include additional conditions based on the nature of the proposed cultivation site. The applicant will submit the following information as part of the application process:

- a. Canopy sizes of a combined total of 2,501-10,000 sq. feet (Indoors, Mixed-Light or Outdoors on the Premises).
- b. Compliance with all ADP permitting requirements is necessary.
- c. ADPs are not transferrable or assignable to any other person, entity or property.
- d. Applicant must provide a complete application that contains all requirements of the CCP application listed in Section G.1.d, above.
- e. Applicant must allow for right of entry and inspections to ensure permit eligibility and compliance.
- f. Secondary Access and Dead End Road Requirement Exemption:
Secondary access may be waived at the discretion of the Permitting Authority if applicant attests that there will be no special events held on the Premises, that the general public will not have access to the Premises, that no more than ten (10) employees will be on the Premises at any given time, and that the Fire Authority approves the exemption.
- g. Applicant shall obtain and keep a valid and active ACP for the ADP to remain active. If an ACP is not obtained within six months of issuance of the ADP, or if the ACP is revoked or denied renewal, the County may take any actions allowed by this Article or by law to revoke the ADP.

ANNUAL CANNABIS PERMIT (ACP)

This permit will be issued to the individual/entity engaging in the commercial cannabis activity and nonremuneration cultivation. The ACP must be renewed annually. The applicant must submit the following information as part of the application process:

- a. Permit for Commercial Cannabis Activities:
 - i. A complete application.
 - ii. The exact location of the proposed Cannabis Activity.
 - iii. A copy of all applications of licensure submitted to the State of California related to the proposed Cannabis Activities.
 - iv. A list of all individuals and/or entities with any financial interest in the Commercial Cannabis Activity, including names, addresses, titles, nature and extent of financial interest, and disclosure of all financial interest in any and all cannabis businesses in the County.
 - v. Tax identification information.

- vi. Detailed description of any law enforcement and/or code enforcement activities at the Premises proposed for the Cannabis Activities.
- vii. Copy of identification acceptable to County, including but not limited to driver's license or passport.
- viii. A detailed site plan setting forth the intended location of the Canopy Area and any Support Area, detailed description of intended Cannabis Activities, setbacks, descriptions of existing and proposed structures and any other aspects required to show compliance with this Article.
- ix. Irrigation water service verification.
- x. Sewer/septic service verification.
- xi. Electrical service verification.
- xii. A security plan.
- xiii. Notarized landlord authorization to engage in activity or deed of ownership.
- xiv. Acknowledgement of standards set forth in ordinance.
- xv. Copy of valid state license application allowing for type of Commercial Cannabis Activity applied for (if available).
- xvi. Lease information.
- xvii. Payment of applicable fees as may be established and amended by the County.
- xviii. A valid email address and acknowledgement that the applicant agrees to accept service of any notice required or allowed by this Article via email.

b. Non-Remunerative ACP applicants must submit the following:

- i. A complete application.
- ii. The exact location of the proposed Cultivation.
- iii. Sufficient proof that the applicant is a Qualified Caregiver.
- iv. Copies of valid recommendations from qualified physicians for each Qualified Individual for whom Cannabis is being cultivated.
- v. Background information, including but not limited to a statement that the applicant and owner have submitted to a Live Scan background check no earlier than 30 days prior the date of application.
- vi. Detailed description of any law enforcement and/or code enforcement activities at the Premises proposed for the Cannabis Cultivation.
- vii. Copy of approved identification.
- viii. A detailed site plan setting forth the intended location of the Canopy Area and any Support Area, detailed description of intended activities, setbacks, descriptions of existing and proposed structures and any other information required to show compliance with this Article.
- ix. Irrigation water service verification.
- x. Sewer/septic service verification.
- xi. Electrical service verification.
- xii. A security plan.
- xiii. Notarized landlord authorization to engage in activity or deed of ownership.
- xiv. Acknowledgement of standards set forth in ordinance.
- xv. Lease information.

- xvi. Payment of applicable fees as may be established and amended by the County.
 - xvii. A valid email address and acknowledgement that the applicant agrees to accept service of any notice required or allowed by this Article via email.
- c. Applicant must allow for right of entry and inspections to ensure permit eligibility and compliance.
- d. Secondary Access and Dead End Road Requirement Exemption:
Secondary access may be mitigated at the discretion of the Permitting Authority if applicant attests that there will be no special events held on the Premises, that the general public will not have access to the Premises, that no more than ten (10) employees will be on the Premises at any given time, and that Fire Authority approves the exemption.
- e. ACPs must be renewed annually.

VARIANCES AND SETBACK EASEMENTS

In the event that the proposed site plan does not meet the setback requirements of the Ordinance, the applicant may propose use of an easement agreement with an adjacent property owner or obtain a setback variance in order to satisfy the setback requirements (a “Setback Easement” or “Setback Variance”). Setback Easements and/or Variances relating to Indoor, Mixed-Light and Outdoor Cultivation and Support Areas will be granted and issued at the discretion of the Permitting Authority, and only as follows:

- a. Setback Variances shall follow the requirements of Sec. L-II 5.7 of the Nevada County Land Use and Development Code. Setback Variances shall be limited to a minimum setback of 60ft to property lines. Except as set forth in subsections below, no Setback Variance will be considered for any other provision of this Article including, but not limited to, Canopy Area, minimum parcel size, zoning designations or methods of cultivation. The findings required for approval of a Setback Variance shall be those listed in Sec. L-II 5.7 in addition to the following finding:
 - i. The Setback Variance will not result in any increased odor impacts to neighboring properties and all potential increases in odor impacts have been adequately mitigated.
- b. Setback Easements are intended to allow limited flexibility for purposes of compliance with setback requirements only. Except as set forth in subsections below, no Setback Easement will be considered for any other provision of this Article including, but not limited to, Canopy Area, minimum parcel size, zoning designations or methods of cultivation.
- c. Setback Easements must comply with the following:
 - i. Setback Easement area cannot exceed 40% of the required setback.
 - ii. The majority of the burden of the setback must remain with the applicant.

- iii. The easement must contain the following language: “This easement may be used to meet the Nevada County setback requirements to construct an Accessory Structure for the purpose of Cultivating Cannabis Indoors, Mixed-Light, or Outdoors pursuant to the Nevada County Code.”
- iv. All other legal and local requirements of a Setback Easement must be met.

SENSITIVE SITES

Cultivation will not be allowed within 1,000 feet of sensitive sites. Current State law requires a setback from schools, daycare centers, and youth centers. Accordingly, the proposed NCCO defines a sensitive site to include a school, church, park, child or day care center, or youth-oriented facility. A youth-oriented facility is defined as any facility that caters to, or provides services primarily intended for, minors, or the individuals who regularly patronize, congregate or assemble at the establishments are predominantly minors. The proposed NCCO includes provisions for the consideration of locating a sensitive use in proximity to a cannabis cultivation area and mechanism for disseminating information to the cultivators.

- d. The Permitting Authority has the discretion to authorize construction of an Accessory Structure a distance less than 1000 feet from a state and/or federal Park if the following criteria are met:
 - i. the proposed site is at least 300 feet from the property line of the State or Federal Park; and
 - ii. the portion of the State or Federal Park that is adjacent to the Parcel or Premises upon which the Accessory Structure is proposed to be constructed is inaccessible by the public and is unimproved.

The Permitting Authority has the authority to submit the application through the Planning Commission process for approval if, in his/her discretion, such approval is appropriate.

To the extent feasible, the County shall encourage any person proposing to construct or operate a new or relocated School, Sensitive Site, Church, Park, Day Care, or Child Care Center, or Youth-Oriented Facility to consider whether the proposed location of such use is within 1,000 feet of a Premises upon which Cannabis Cultivation is permitted or where a Notice to Abate has been issued within the past year. Upon request, the Enforcing Officer shall inform any person proposing to construct or operate a new or relocated School, Church, Park, Daycare, Childcare Center, or Youth-Oriented Facility regarding whether there is such a Premises within 1,000 feet of the proposed location of such use, and, if so, shall also inform the person, owning, leasing, occupying, or having charge or possession of that Premises that such a use is being proposed within 1,000 feet of the Premises.

NON-CONFORMING CULTIVATION

If violations of the ordinance occur, the property owner and/or cultivator may be subject to permit denial, suspension and/or revocation in addition to citations, fines and/or abatement. The

complete procedure for permit denial, suspension and/or revocation citations, fines and abatement is included in the attached ordinance.

For instances in which either indoor, mixed light or outdoor cultivation, does not conform to the proposed ordinance (either permitted or unpermitted cultivation of cannabis) that cultivation is considered a public nuisance that may be abated by any means available by law. The abatement process and notification and appeal process for abatement proceedings is included in the attached ordinance.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

A Final Environmental Impact Report (FEIR) was prepared by Kimley-Horn, the environmental firm retained by the County to undertake the preparation of the environmental document on behalf of the County for the Commercial Cannabis Cultivation Ordinance project.

The FEIR reviewed all the potential environmental impacts associated with the project. To help identify those potential impacts, a Notice of Preparation (NOP) was circulated to various state and local agencies prior to preparation of the Draft EIR. The responses to the NOP are included in the appendices of the Draft EIR and the comments from the comment period for the Draft EIR are included in the Final EIR. A 45-day public review period was provided to allow agencies and the public to submit written comments regarding the adequacy of the Draft EIR. This EIR comment period opened on Friday, January 11, 2019 and closed on Monday, February 25, 2019, at 5:00 PM. An errata was also prepared to identify the changes and amendments to the FIER based on the comments received.

The FEIR analyzed the following potentially significant environmental impacts areas that may be impacted by the project:

Aesthetics	Agriculture and Forestry	Air Quality
Biological Resources	Cultural and Tribal Resources	Energy Conservation
Geology and Soils	Greenhouse Gas Emissions	Hazards, Hazardous Material
Hydrology and Water Quality	Land Use and Planning	Mineral Resources
Noise	Population and Housing	Public Services
Recreation	Transportation and Traffic	Utilities and Service Systems
Cumulative Impacts	Growth Inducing Impacts	

Implementation of the proposed mitigation measures would reduce these impacts to a less than significant level, with the exception of Aesthetics, Agricultural Resources, Air Quality, Biological Resources, Hydrology and Water Quality, Land Use and Planning, Utilities and Service Systems and Energy in which there are significant and unavoidable impacts as described below:

Aesthetics: Cumulative Impact: The project would result in cumulative nighttime glow from artificially lighted nighttime cultivations may occur. Taken in sum, for all cultivation operations, this could result in a significant lighting impacts.

Agriculture and Forestry Resources: The project would result in the permanent conversion of prime farmland, unique farmland, or farmland of statewide importance to a non-agricultural use. The project would result on the loss of forest land or conversion of forest land to a non-forest use. The project would result in changes to the environment which would result in the conversion of farmland to non-agricultural use or conversion of forest land to non-forest use.

Air Quality and Greenhouse Gas Emissions: The project would conflict with or obstruct implementation of the applicable air quality plan. The project would violate an air quality standard or contribute substantially to an existing or projected air quality violation. The project would result in a cumulatively considerable net increase of any criteria pollutant for which the region is nonattainment under an applicable federal or state ambient air quality standards. The project would create objectionable odors affecting a substantial number of people. The project would generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment based on any applicable threshold of significance.

Cumulative Impact: The project would result in peak emissions of PM₁₀ during the harvest season from road dust, which would contribute to an existing or projected air quality violation. The project would result in an increase to the number of commercial cannabis outdoor and mixed-light cultivation operations throughout the County that are a significant source of cannabis odor, thereby increasing the potential cultivation-related odor sources throughout the County.

Biological Resources: Cumulative Impacts: The project's contribution to significant cumulative impacts on sensitive natural communities, special status plants, riparian habitats, wetlands and waters of the United States, and wildlife corridors would be cumulatively considerable and significant and unavoidable when considered over the whole of the unincorporated area of the County.

Hydrology and Water Quality: The project could substantially deplete groundwater supplies such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level.

Cumulative Impact: The project would result in an increase in demand for local groundwater resources that could contribute to cumulative groundwater supply and impacts in areas of the County with limited groundwater resources (e.g., fractured bedrock conditions). In addition, the potential decrease of water infiltration due to development of accessory structures combined with the cumulative increase in groundwater use being unknown at this time, the potential impacts would be cumulatively considerable and significant and unavoidable.

Land Use: Implementation of the proposed ordinance could result in the permitting of a commercial cannabis operation within the Truckee SOI. Land use conflicts could arise in future

annexation applications because commercial cultivation is not an allowable uses pursuant to Truckee planning documents.

Transportation and Traffic: The project would result in additional traffic on regional roadways segments causing a decrease in LOS standards and conflicting associated goals, policies, and objectives related to traffic service standards for local, regional, and highways and would make existing unacceptable LOS conditions worse. The project would increase traffic volumes, some of which would reasonably be dispersed to intersections located outside of the County's jurisdiction (i.e. Caltrans facilities) that currently and/or are projected to operate at or near deficient LOS, the proposed project may contribute towards an exceedance of LOS standards or exacerbate existing deficient roadway LOS.

Utilities and Service Systems: The project would utilize groundwater supply for commercial cannabis irrigation. Neither the County nor the State has governing rules that would give one overlying groundwater user an advantage over a new overlying groundwater user for cannabis cultivation purposes. Neither the County nor the State have a mechanism in place to track or monitor groundwater production in individual wells. As such, commercial cannabis operations could result in overdrafting of local groundwater aquifers.

Cumulative Impact: The project would increase the demand for groundwater within the Nevada Irrigation service area, and it is unknown whether the public water service providers would have adequate water supply to meet future development needs and potential commercial cannabis operations located within their service boundaries, and the existing ground water supply for some cultivation sites may be inadequate, the proposed ordinance's contribution to water supply would be cumulatively considerable and significant and unavoidable.

Less than Significant Impacts with Mitigation

Mitigation Measures that were identified in the EIR have been incorporated into the draft ordinance in order to reduce or eliminate significant environmental impacts. The Mitigation Measures that were identified and have been included into the Draft Ordinance are as follows:

All Resources: Implement Land Use and Development Code Section L-II 4.3 for all resource standards for all levels of cannabis permitting. The existing zoning ordinance identifies 17 resources that are to be protected and avoided by development. Utilizing this exiting requirement for cannabis development consistent with the regulations for other types of development will ensure that there are no significant impacts to identified sensitive resources. A Management Plan may be required for any cannabis project that encroaches in to sensitive resources. The Management Plan will identify measures to avoid and/or reduce impacts to the resources including but not limited to: steep slopes, biological resources, water resources, archaeological resources, oak trees, and agricultural resources.

Aesthetics: Protected Tree Avoidance. The ordinance was amended to require all commercial cannabis applications to show on project site plans any landmark trees, landmark groves, and

heritage trees and groves that exist on the project site. If such trees exist, the applicant shall indicate that the proposed cultivation sites and any proposed ancillary structures would not require removal of any of the listed trees and that all cannabis cultivation and accessory structures are outside the existing drip line of all trees. If any cultivation or accessory structure would require removal or encroach in the drip line of any trees and the project plans shall be revised to avoid the trees. If any trees or groves are dead, dying, or a public safety hazard as determined by a qualified professional, no further action is required.

Aesthetics: Lighting Control Plan. The ordinance was amended to require commercial cannabis cultivation applicants with exterior light fixtures (including mixed light applications) to submit a light control plan that would demonstrate how light used for cultivation purposes would be controlled. Light control measures may include but not be limited to means such as using blackout tarps to completely cover all greenhouses and hoop-houses or restricting the use of lighting between sunset and sunrise.

Air Quality: Conformance to NSAQMD Rules and Regulations. The ordinance was amended to require all commercial cannabis applications to include language in project cultivation plans and on project site plans when applicable, that that the grading or building permit for the proposed project shall comply with applicable state and federal air pollution control laws and regulations, and with applicable rules and regulations of the NSAQMD during any construction and during operations of cannabis facilities. Compliance with NSAQMD Rule 226 Dust Control Plan shall be required, and all construction equipment (75 horsepower and greater) shall not be less than Tier 3, less than Tier 4 Interim if construction starts after 2025, and Tier 4 Final if construction starts after 2030. Written documentation that the cannabis facility is in compliance with the NSAQMD shall be provided to the Nevada County Planning Department.

Air Quality: Prohibit burning of cannabis and other vegetation. The ordinance was amended to prohibit all commercial and non-remuneration operations to from burning any cannabis or other vegetative materials. The following language was added to the ordinance: “The burning of any part of the cannabis plant or plant materials that is considered excess or waste is prohibited from being burned.”

Biological Resources: Generator Noise: The ordinance was amended to require all projects under either a CCP or an ADP to keep all generators in containment sheds whiles in use to reduce generator noise to no greater than 50dB as measured at 100 feet from any sensitive habitat or known sensitive species. This would be an annual requirement and verified yearly when the ACP is renewed. If conformance is not shown, the permit shall be denied or the held in abeyance until the project infraction is brought into conformance with the ordinance.

Biological Resources Pre-Screening: The ordinance was amended to require all applicants to submit biological pre-screening materials of all project sites for both CCP and ADP applications. The materials shall include adequate information to define site constraints and show potentially sensitive biological resource areas. Materials shall include, at a minimum, project location (site address and parcel numbers); site aerials, photographs of proposed areas of disturbance (includes

canopy area, accessory structures, and any related improvements [e.g., driveways, staging areas, etc.]), photographs of vegetative cover, a thorough project description describing all phases of construction, all proposed structures and cultivation areas, location of any streams, rivers, or other water bodies, limits and depth of grading, any grading cut or fill in a stream, river, or other water body, any water diversions and/or description of the source of water, water storage locations, and source of electricity (if applicable).

The applicant shall provide site plan(s) showing all areas of disturbance, multiple site plans may be used to clearly show the following; site aerials showing vegetation patterns and habitats (without snow cover), location of any water courses including ephemeral drainages and any other water bodies, all existing or proposed cultivation areas and structures, location of electric generators (if applicable), and grading plans with areas of cut and fill (if applicable).

If the pre-screening materials identify habitats known to support sensitive or special status plant or animal species, then avoidance of the sensitive or special status species shall be required. If avoidance of a special status species cannot be achieved, then a Biological Inventory shall be prepared. The Biological Inventory shall be prepared by a qualified biologist. The Biological Inventory shall contain an environmental setting, a project description, review of CNDDDB database for the project location, a description of potential sensitive habitats existing on site, field survey methodology and findings (if needed), mitigation to reduce impacts (if needed), level of impacts conclusion. Due to the varying nature of biological conditions and variable locations of habitat types and dispersion of sensitive species, additional evaluations such as wetland delineations, protocol level surveys, nesting bird surveys, etc., may be required consistent with the applicable resources standards identified in Sections L-II 4.3 of the Nevada County Land Use and Development Code. If additional avoidance or protection measures are required, a Habitat Management Plan (HMP) consistent with the requirements of Section L-II 4.3.3 of the Nevada County Land Use and Development Code shall be prepared for both CCP and ADP permit applications. The HMPs would be implemented on a project by project basis and included as part of the project-specific approval process. If potential impacts on these biological resources cannot be reduced to less than significant, no permit shall be issued.

Cultural Resources: Prior to project approval of either a CCP or an ADP, the project applicant, to the satisfaction of the County Planning Department shall submit a Non-Confidential Records Search to NCIC to determine the sensitivity of potential commercial cannabis cultivation site to disturb historic, cultural, or tribal resources. The applicant shall submit the sensitivity letter with the CCP or ADP. Upon receipt, should the County find the NCIC recommends a cultural resource study, the applicant shall retain a qualified professional to conduct a cultural resource study of the project area. No permit shall be issued until the completion of such report, and if needed, until recommended mitigation is implemented, or a plan has been submitted to the County for implementation.

Cultural Resources: The ordinance was amended to include a Cultural Resources Inadvertent Discovery Protocol (IDP) and Paleontological and Unique Geologic Resources Inadvertent Discovery Protocol (IDP for projects that require grading or ground disturbance. The IDP shall

include requirements that if subsurface archaeological features or deposits are discovered during construction or ground disturbance all activities within 50-feet of the find shall cease and the County shall be notified immediately. A qualified archeologist or paleontologist shall be retained by the County to assess the find and shall have the authority to prescribe all appropriate protection measures to future work. If buried human remains are discovered during construction or ground disturbance all activities shall cease and the County shall be notified immediately. The County shall notify the coroner to examine the remains. If the remains are determined to be of Native American origin, the Native American Heritage Commission shall be notified, and all sections detailed in Section 5097.98 of the California Public Resources Code shall be followed.

Ordinance Policy Issues

The following issue have been raised during the comment periods for the draft ordinance. These issues may require revisions to the draft ordinance at the discretion of the Board of Supervisors. The changes may have implications on the adequacy of the EIR or other factors as described below.

Support Areas: Based on the draft ordinance a support area of 25% of the overall canopy area has been designated to be used for drying, curing, grading, trimming, rolling, storing, packaging, and labeling of non-manufactured cannabis. This area was included in the draft ordinance to add areas for support activities as it was recognized that these areas are needed as part of cannabis business operations. This was also needed to include this area to be part of the environmental analysis in the Cannabis Environmental Impact Report (EIR) or the support area activities would have been included in the allowed canopy area only as part of the global assessment of environmental impacts. This additional area was recognized as a need by staff, stakeholders, and consultants and was added to the draft ordinance. There have been many concerns from the cannabis community that this size allowance for support area activities is not large enough for typical cannabis business operations. After review of this requirement by staff, consultants, and Counsel an option to allow greater support area allowances while not impacting the EIR would be the following:

- New support areas would be allowed to be 25% of the allowable canopy area. Any existing structures constructed and completed prior to cannabis ordinance adoption could be used for additional support areas up to an additional 50% of the canopy area. This would allow for additional support areas up to a total of 75% of the canopy area without any new specific site impacts or impacts to the Cannabis EIR. New support areas would be new designated exterior areas or new structures constructed and completed or structures in the process of being constructed after ordinance adoption. All existing structures constructed and completed prior to ordinance adoption would be required to be fully permitted based on the specific support area uses and occupancy types per the requirements in the California Building Standards Codes.

Setbacks to Support Areas: The draft ordinance requires all support and canopy areas to have a minimum setback to property lines of 100ft. The cannabis community has expressed concerns

regarding this setback requirement to existing structures being too restrictive. The ordinance allows for setback variances and setback easements to be completed on neighboring parcels to mitigate this for existing or new improvements. Applicants may also apply for and complete lot line adjustments and lot mergers in accordance with current Nevada County Land Use and Development Code standards.

Transition Period: The draft ordinance allows for improvements and violations not associated to commercial cannabis activities to be included in a two year transition plan to bring a parcel into full compliance if there are not any fire and life safety hazards associated to those improvements. The cannabis community has concerns that this is too restrictive and cannabis associated improvements should be allowed in the transition period. The California Building and Fire Codes as well as other adopted County Ordinances do not allow any improvements to be used and/or occupied prior to being fully permitted, obtaining required inspections, and receiving a final certificate of occupancy.

Restriction of Limiting 3-Financial Interested Parties: The draft ordinance restricts any person or entity from having a financial interest in more than three (3) Commercial Cannabis businesses and/or enterprises in the County. The cannabis community has concerns that this is too restrictive and has requested that this section in the ordinance be removed.

Industrial Hemp: The draft ordinance includes Industrial Hemp in the definition of Commercial Cannabis Cultivation and the regulatory standards in the ordinance related to Commercial Cannabis Cultivation are applied consistently to both Cannabis and Industrial Hemp cultivation activities. The cannabis community has concerns regarding the impacts that the cultivation of Industrial Hemp has on cannabis related businesses and suggests there needs to be further research done prior to allowing Industrial Hemp cultivation. An option moving forward could be to remove Industrial Hemp from the ordinance and place a moratorium on Industrial Hemp cultivation activities until further research is completed.

Nurseries: The draft ordinance is in need of adding a “Nursery” definition to the ordinance. Adding this definition will allow nursery state license holders to cultivate immature cannabis plants under the same mature canopy allowances in the ordinance without any increase in overall canopy sizes or site impacts.

SUMMARY

Because the Planning Commission is acting in an advisory capacity to the Board of Supervisors for the project, the project will be forwarded to the Board of Supervisors for final action following consideration and a recommendation by the Planning Commission. The Commercial Cannabis Cultivation ordinance has been in the drafting process for two years based on direction from the Board of Supervisors and through public involvement including the Community Advisory Group process. Staff recommends the Planning Commission take public testimony and make recommendations to the Board of Supervisors for final action on the environmental document and ordinance.

RECOMMENDATION: Staff recommends the Planning Commission take the following actions:

- I. Recommend the Board of Supervisors approve a Resolution certifying the Final EIR (EIR18-001, SCH#2018082023) as adequate for the Nevada County Commercial Cannabis Cultivation Ordinance, and that it has been completed in compliance with the California Environmental Quality Act and based on the CEQA Findings of Fact contained in Attachment 1.
- II. Recommend the Board of Supervisors adopt the attached Ordinance approving a Zoning Ordinance Text Amendment (ORD18-2) to Chapter II of the Nevada County Land Use and Development Code establishing Section L-II 3.30 Commercial Cannabis Cultivation Ordinance contained in Attachment 2.

Respectfully Submitted,



Brian Foss, Director of Planning



RESOLUTION No. _____

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF NEVADA

A RESOLUTION OF THE COUNTY OF NEVADA CETIFYING THE ADEQUACY OF THE FINAL ENVIRONMENTAL IMPACT REPORT FOR THE NEVADA COUNTY COMMERCIAL CANNABIS CULTIVATION ORDINANCE PROJECT (EIR18-0001, SCH#2018082023) IN ACCORDANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND MAKING CERTAIN FINDINGS CONCERNING ENVIRONMENTAL IMPACTS, MITIGATION MEASURES AND ALTERNATIVES TO THE PROJECT, ADOPTING A MITIGATION MONITORING AND REPORTING PROGRAM AND ADOPTING A STATEMENT OF OVERRIDING CONSIDERATIONS, IN CONNECTION WITH APPROVAL OF THE PROJECT CONTEMPLATED BY THE FINAL ENVIRONMENTAL IMPACT REPORT

WHEREAS, On May 1, 2018, County staff presented a draft cannabis ordinance to the Board of Supervisors for review and direction. After public testimony and directing staff to make revisions to the document the Board directed staff to begin the RFP process for an EIR based on the draft cannabis ordinance.

WHEREAS, The County of Nevada is the Lead Agency pursuant to Public Resources Code section 21067 as it has the principal responsibility to approve and regulate the Project.

WHEREAS, based on the nature of the proposed Project, including the potential for new significant impacts as a result of the proposed Project, the County determined that an Environmental Impact Report (“EIR”) was required for the proposed Project;

WHEREAS, The County exercised its independent judgment in accordance with Public Resources Code section 20182.1(c), in retaining the independent consulting firm Kimley-Horn and Associates (Kimley-Horn) to prepare the Final EIR, and Kimley-Horn prepared the Final EIR under the supervision and at the direction of the County’s Planning Director and Community Development Agency.

WHEREAS, on August 10, 2018, the County, as the lead agency, published a Notice of Preparation of a EIR (“NOP”) for the proposed Project; and

WHEREAS, the NOP provided notice of the County’s determination, and solicited public input on the proposed scope and content of the EIR for the proposed Project; and

WHEREAS, The County, through Kimley-Horn, initially prepared the Draft EIR and circulated it for review by responsible and trustee agencies and the public and submitted it to the State Clearinghouse for review and comment by state agencies, for a comment period which ran from January 11, 2019, through February 25, 2019. As noted above, the Final EIR includes the Draft EIR, copies of all comments on the Draft EIR submitted during the comment period, the County’s responses to those comments, and changes made to the Draft EIR following its public circulation.

WHEREAS, during the 45-day public comment period the County received 25 letters commenting on the Draft EIR and numerous public testimonials, including from the Planning Commission and members of the public on February 7, 2019, at a noticed public hearing: and

WHEREAS, the County prepared written responses to all written comments received on the Draft EIR, said responses being contained in a Final Environmental Impact Report (“Final EIR”) for the proposed Project, which Final EIR was prepared pursuant to Section 15089 of the CEQA Guidelines; and

WHEREAS, the Final EIR was published and distributed on April 1, 2019, and consists of the Draft EIR, a list of commenters, copies of all written comments received, responses to those comments that raise environmental issues, and any revisions to the text of the Draft EIR made in response to the comments or as staff-initiated text changes, as required by Section 15132 of the CEQA Guidelines; and

WHEREAS, the County proposes to approve and adopt the Project as analyzed by the Final EIR; and,

WHEREAS, recommendation of certification of the Final EIR and approval of the proposed Project were scheduled for hearing by the Planning Commission to be held on April 11, 2019, in the Board of Supervisors Chambers located at 950 Maidu Avenue, Nevada City, California, at which date and time evidence both oral and documentary was received and considered by the Commission, and

WHEREAS, certification of the Final EIR and approval of the proposed Project were scheduled for hearing by the Board of Supervisors to be held on May 7, 2019 and May 14, 2019, in the Board of Supervisors Chambers located at 950 Maidu Avenue, Nevada City, California at which date and time evidence both oral and documentary was received and considered by the Board, and

WHEREAS, the County Planning Commission and Board of Supervisors have received and considered the Final EIR for the proposed Nevada County Commercial Cannabis Cultivation Ordinance project (SCH No. 2018082023) which analyzes the potential environmental effects of the proposed Project; and

WHEREAS, the County Planning Commission recommended that the Board of Supervisors certify the EIR and adopt the Findings set forth in Exhibit “A”; and

WHEREAS, CEQA requires that, in connection with the certification of a Final EIR, the decision-making agency make certain written findings.

NOW THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Nevada that it hereby finds and determines as follows:

1. The foregoing recitals are true and correct.
2. The Final EIR has been completed in compliance with CEQA; and
3. The Final EIR has been presented to the Board of Supervisors and the Board has reviewed and analyzed the Final EIR and other information in the record and has considered the information contained therein, including the written and oral comments received at the public hearings on the Final EIR; and
4. That the Findings set forth in Exhibit “A” and incorporated by this reference are hereby adopted as the County’s findings under the California Environmental Quality Act (“CEQA”), Public Resources Code Sections 21000, *et seq.*, and the CEQA guidelines, Cal. Code Regs., Title 13, sec. 15000, *et seq.*, relating to the Project. The Findings provide the written analysis and conclusions of the Board regarding the Project’s environmental impacts, mitigation measures and alternatives to the Project.
5. That pursuant to Public Resources Code Section 21091 and CEQA Guidelines Sections 15091, *et seq.*, the Board of Supervisors hereby adopts and makes the

Statement of Overriding Considerations as set forth in Section V of Exhibit A attached hereto and incorporated by this reference, regarding the remaining significant and unavoidable impacts of the Project and the anticipated environmental, economic, legal, social, technological, and other benefits of the Project. The significant and unavoidable impacts identified in the Final EIR cannot be avoided or substantially reduced by feasible changes or alterations to the Project, other than the changes or alterations already adopted.

6. The Mitigation Monitoring and Reporting Program for the Final EIR (“MMRP”) is contained in the Final EIR and is attached to this resolution as Exhibit “B”, incorporated by this reference. The MMRP identifies impacts of the Project, corresponding mitigation, designation of responsibility for mitigation implementation and the agency responsible for the monitoring action. The Board hereby adopts the MMRP.
7. The Final EIR contains additions, clarifications, modifications and other information in its responses to comments on the Draft EIR for the Project and also incorporates information obtained by the County since the Draft EIR was issued. This Board hereby finds and determines that such changes and additional information are not significant new information as that term is defined under the provisions of the CEQA, because such changes and additional information do not indicate that any new significant environmental impacts not already evaluated would result from the proposed Project and do not reflect any substantial increase in the severity of any environmental impact; no feasible mitigation measures considerably different from those previously analyzed in the Draft EIR have been proposed that would lessen significant environmental impacts of the Project; and no feasible alternatives considerably different from those analyzed in the Draft EIR have been proposed that would lessen significant environmental impacts of the proposed Project. Accordingly, this Board hereby finds and determines that recirculation of the Final EIR for further public review and comment is not warranted; and
8. The Board of Supervisors does hereby designate the Planning Department at 950 Maidu Avenue, Nevada City, California 95959 as the custodian of documents and record of proceedings on which this decision is based; and
9. The Board of Supervisors does hereby make the foregoing findings with the stipulations that all information in these findings is intended as a summary of the full administrative record supporting certification of the Final EIR, which full administrative record should be consulted for the full details supporting these findings, and that any mitigation measures and/or alternatives that were suggested by commenters to the Draft EIR and were not certified as part of the Final EIR are hereby expressly rejected for the reasons stated in the responses to the comments set forth in the Final EIR and elsewhere in the record.
10. The Final EIR and all findings contained herein represent the independent judgment of the County of Nevada; and

BE IT FURTHER RESOLVED by the Board of Supervisors that it hereby certifies the Final Environmental Impact Report for the Nevada County Commercial Cannabis Ordinance (EIR18-0001, SCH No. 2018082023), a copy of which is available in the County Clerk of the Board Office.

March 28, 2019

**NEVADA COUNTY COMMERCIAL CANNABIS CULTIVATION ORDINANCE
ENVIRONMENTAL IMPACT REPORT (SCH# 2018082023)
FINDINGS AND STATEMENTS REQUIRED UNDER THE
CALIFORNIA ENVIRONMENTAL QUALITY ACT
(Public Resources Code, Section 21000 *et seq.*)**

I. Introduction

The County of Nevada (the “County”), pursuant to the California Environmental Quality Act (“CEQA”), has prepared a Final Environmental Impact Report (the “FEIR”) and this Statement of Findings to address the environmental effects associated with the for the Nevada County Commercial Cannabis Cultivation Ordinance (NCCO)¹ and other related approvals described below (collectively, the “proposed project” or “project”). The County is the lead agency for the FEIR.

The Nevada County Board of Supervisors (Board of Supervisors), in the exercise of its independent judgment, makes and adopts the following findings to comply with the requirements of the California Environmental Quality Act (“CEQA”; Pub. Resources Code, §§ 21000 *et seq.*), and Sections 15091, 15092, and 15093 of the CEQA Guidelines (14 Cal. Code Regs., § 15000 *et seq.*). All statements set forth in this Resolution constitute formal findings of the Board of Supervisors, including the statements set forth in this paragraph.

These findings are made relative to the conclusions of the Nevada County Commercial Cannabis Cultivation Project Final Environmental Impact Report (State Clearinghouse No. 2018082023) (the “Final EIR”), which includes the Draft Environmental Impact Report (“Draft EIR”). The Final EIR addresses the environmental impacts associated with implementation of the Nevada County Commercial Cannabis Cultivation Ordinance (the “project,” as further defined in Section 2(b) below) and is incorporated herein by reference. Approving the project would require the County take the following actions:

1. Certify the project’s Environmental Impact Report and adopt the Mitigation Monitoring and Reporting Program; and,
2. Approve an ordinance to permit commercial cannabis cultivation in the AE, AG, and FR zones in the unincorporated area of Nevada County as permitted by the Nevada County Commercial Cannabis Cultivation Ordinance.

The findings and determinations contained herein are based on the competent and substantial evidence, both oral and written, contained in the entire record relating to the project and the EIR. The findings and determinations constitute the independent findings and determinations by the Board of Supervisors in all respects and are fully and completely supported by substantial evidence in the record as a whole.

¹ For the sake of brevity and readability the acronym for the proposed ordinance has been shorted from NCCCCO to NCCO for this Findings document.

Although the findings below identify specific pages within the Draft EIR and Final EIR in support of various conclusions reached below, the Board of Supervisors incorporates by reference and adopts as its own, the reasoning set forth in both environmental documents, and thus relies on that reasoning, even where not specifically mentioned or cited below, in reaching the conclusions set forth below, except where additional evidence is specifically mentioned. This is especially true with respect to the County's approval of the mitigation measures recommended in the Final EIR, and the reasoning set forth in responses to comments in the Final EIR. The County further intends that if these findings fail to cross-reference or incorporate by reference any other part of these findings, any finding required or permitted to be made by the County with respect to any particular subject matter of the project must be deemed made if it appears in any portion of these findings or findings elsewhere in the record.

Statutory Requirements for CEQA Findings and Statement of Overriding Considerations

The California Environmental Quality Act, Public Resources Code §§ 21000 et seq. and the regulations implementing that statute, Cal. Code Regs. tit. 14, §§ 15000 et seq. (the "CEQA Guidelines") (collectively, the act and the CEQA Guidelines are referred to as "CEQA") require public agencies to consider the potential effects of their discretionary activities on the environment and, when feasible, to adopt and implement mitigation measures that avoid or substantially lessen the effects of those activities on the environment. Specifically, Public Resources Code section 21002 provides that "public agencies should not approve projects as proposed if there are feasible alternatives or feasible mitigation measures available which would substantially lessen the significant environmental effects of such projects[.]" The same statute states that the procedures required by CEQA "are intended to assist public agencies in systematically identifying both the significant effects of proposed projects and the feasible alternatives or feasible mitigation measures which will avoid or substantially lessen such significant effects." Section 21002 goes on to state that "in the event [that] specific economic, social, or other conditions make infeasible such project alternatives or such mitigation measures, individual projects may be approved in spite of one or more significant effects thereof."

The mandate and principles announced in Public Resources Code Section 21002 are implemented, in part, through the requirement that agencies must adopt findings before approving projects for which EIRs are required. (See Pub. Resources Code, § 21081, subd. (a); CEQA Guidelines, § 15091, subd. (a).) For each significant environmental effect identified in an EIR for a proposed project, the approving agency must issue a written finding reaching one or more of three permissible conclusions. The three possible findings are:

- (1) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment.
- (2) Those changes or alterations are within the responsibility and jurisdiction of another public agency and have been, or can and should be, adopted by that other agency.
- (3) Specific economic, legal, social, technological, other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the environmental impact report.

(Pub. Resources Code, § 21081, subd (a); see also CEQA Guidelines, § 15091, subd. (a).)

Public Resources Code section 21061.1 defines “feasible” to mean “capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social and technological factors.” CEQA Guidelines section 15364 adds another factor: “legal” considerations. (See also *Citizens of Goleta Valley v. Board of Supervisors (Goleta II)* (1990) 52 Cal.3d 553, 565.)

The concept of “feasibility” also encompasses the question of whether a particular alternative or mitigation measure promotes the underlying goals and objectives of a project. (*City of Del Mar v. City of San Diego* (1982) 133 Cal.App.3d 401, 417 (*City of Del Mar*).) “[F]easibility” under CEQA encompasses ‘desirability’ to the extent that desirability is based on a reasonable balancing of the relevant economic, environmental, social, and technological factors.” (*Ibid.*; see also *Sequoyah Hills Homeowners Assn. v. City of Oakland* (1993) 23 Cal.App.4th 704, 715 (*Sequoyah Hills*); see also *California Native Plant Society v. City of Santa Cruz* (2009) 177 Cal.App.4th 957, 1001 [after weighing “‘economic, environmental, social, and technological factors’ ... ‘an agency may conclude that a mitigation measure or alternative is impracticable or undesirable from a policy standpoint and reject it as infeasible on that ground’”].)

With respect to a project for which significant impacts are not avoided or substantially lessened, a public agency, after adopting proper findings, may nevertheless approve the project if the agency first adopts a statement of overriding considerations setting forth the specific reasons why the agency found that the project's “benefits” rendered “acceptable” its “unavoidable adverse environmental effects.” (CEQA Guidelines, §§ 15093, 15043, subd. (b); see also Pub. Resources Code, § 21081, subd. (b).) The California Supreme Court has stated, “[t]he wisdom of approving . . . any development project, a delicate task which requires a balancing of interests, is necessarily left to the sound discretion of the local officials and their constituents who are responsible for such decisions. The law as we interpret and apply it simply requires that those decisions be informed, and therefore balanced.” (*Goleta II*, supra, 52 Cal.3d at p. 576.) Here, because all of the potentially significant impacts of the project will be reduced to a less-than-significant level by the implementation of mitigation, the County is not required to adopt a statement of overriding considerations.

In making these Findings and the determination regarding the project approvals, the Board of Supervisors recognizes that the project implicates a number of controversial environmental issues and that a range of technical and scientific opinion exists with respect to those issues. The Board of Supervisors has acquired an understanding of the range of this technical and scientific opinion by its review of the EIR, the comments received on the Draft EIR and the responses to those comments in the Final EIR, as well as testimony, letters and reports regarding the Final EIR and the merits of the project. The Board of Supervisors has reviewed and considered, as a whole, the evidence and analysis presented in the Draft EIR, the evidence and analysis presented in the comments on the Draft EIR, the evidence and analysis presented in the Final EIR, the information submitted on the Final EIR, and the reports prepared by the experts who prepared the EIR and the consultants the EIR preparers relied upon, the County’s planning consultants, and by staff, addressing these comments. In particular, the Board of Supervisors has considered the Alternatives presented in the EIR, as well as the proposed comments submitted by various commenters and the responses of the EIR

preparers and staff to those comments. The Board of Supervisors has gained a comprehensive and well-rounded understanding of the environmental issues presented by the project. In turn, the understanding has enabled the Board of Supervisors to make its decisions after weighing and considering the various viewpoints on these important issues. Accordingly, the Board of Supervisors certifies that its findings are based on a full appraisal of all of the evidence contained in the Final EIR, as well as the evidence and other information in the record addressing the Final EIR.

These findings constitute the Board of Supervisors' best efforts to set forth the evidentiary and policy bases for its decision to approve the project in a manner consistent with the requirements of CEQA. These findings are not merely informational, but rather constitute a binding set of obligations that come into effect with the County's approval of the project. In particular, in adopting these findings, the County commits itself to ensure the implementation of the mitigation measures approved in these findings.

The Board of Supervisors is adopting these findings for the entirety of the actions described in these findings and in the Final EIR. Although the findings below identify specific pages within the Draft and Final EIR in support of various conclusions reached below, the Board of Supervisors incorporates by reference and adopts as its own, the reasoning set forth in both environmental documents, and thus relies on that reasoning, even where not specifically mentioned or cited below, in reaching the conclusions set forth below, except where additional evidence is specifically mentioned. This is especially true with respect to the Board of Supervisors' approval of all mitigation measures, policies and implementation programs recommended in the Final EIR, and the reasoning set forth in responses to comments in the Final EIR.

As noted, the Final EIR is incorporated into these Findings in its entirety. Without limitation, this incorporation is intended to elaborate on the scope and nature of mitigation measures, the basis for determining the significance of impacts, the comparative analysis of alternatives, and the reasons for approving the project in spite of the potential for associated significant and unavoidable adverse impacts. In the event a mitigation measure recommended in the Final EIR has inadvertently been omitted below, such a mitigation measure is hereby adopted and incorporated in the findings below by reference. In addition, in the event the language describing a mitigation measure does not accurately reflect the mitigation measures in the Final EIR due to a clerical error, the language of the policies and implementation measures as set forth in the Final EIR shall control, unless the language of the policies and implementation measures has been specifically and expressly modified by these findings. Where the language of such measures differs between the Final EIR and these findings, the more stringent language shall control. The Board of Supervisors provides this direction in order to ensure that any such discrepancy shall be regarded as inadvertent and shall not be regarded as an effort by the Board of Supervisors to undermine its commitment to adopt mitigation measures as necessary to avoid or substantially lessen significant environmental effects of the project.

These findings provide the written analysis and conclusions of the Board of Supervisors regarding the environmental impacts of the project and the mitigation measures included as part of the Final EIR and adopted by the Board of Supervisors as part of the project. To avoid duplication and redundancy, and because the Board of Supervisors agrees with, and hereby adopts, the conclusions in the Final EIR, these findings will not always repeat the analysis and conclusions in the Final EIR,

but instead incorporates them by reference herein and relied upon them as substantial evidence supporting these findings.

In making these findings, the Board of Supervisors has considered the opinions of other agencies and members of the public. The Board of Supervisors finds that the determination of significance thresholds is a judgment decision within the discretion of the Board of Supervisors; the significance thresholds used in the EIR are supported by substantial evidence in the record, including the expert opinion of the EIR preparers and County staff; and the significance thresholds used in the EIR provide reasonable and appropriate means of assessing the significance of the adverse environmental effects of the project. Thus, although, as a legal matter, the Board of Supervisors is not bound by the significance determinations in the EIR (see Pub. Resources Code, § 21082.2, subd. (e)), except as expressly set forth in these findings, the Board of Supervisors finds these significance thresholds persuasive and hereby adopts them as its own.

These findings summarize the environmental determinations of the Final EIR and project's potentially significant impacts before and after mitigation. The findings do not attempt to describe the full analysis of each environmental impact contained in the Final EIR. Instead, the findings provide a summary description of each impact, set forth the mitigation measures identified to reduce or avoid the impact, and state the Board of Supervisors' findings on the significance of each impact after imposition of the adopted project's provisions and the recommended mitigation measures. A full explanation of these environmental findings and conclusions can be found in the Final EIR and these findings hereby incorporate by reference the discussion and analysis in the Final EIR supporting the Final EIR's determination regarding the project's impacts and mitigation measures designed to address those impacts. In making these findings, the Board of Supervisors ratifies, adopts and incorporates in these findings the determinations and conclusions of the Final EIR relating to environmental impacts and mitigation measures, except to the extent any such determinations and conclusions are specifically and expressly modified by these findings.

II. Legal Effects of Findings

These Findings constitute the County's evidentiary and policy basis for its decision to approve the project in a manner consistent with CEQA. To the extent that these Findings conclude that various proposed mitigation measures outlined in the Final EIR are feasible and have not been modified, superseded, or withdrawn, Nevada County binds the project applicant to implement these measures. These Findings are not merely informational, but constitute a binding set of obligations that will come into effect when Nevada County approves the NCCO (Public Resources Code Section 21081.6(b)). The mitigation measures identified as feasible and within the County's authority to require implementation for the approved project are incorporated into the conditions of approval for the project and must be satisfied/implemented by the project applicant. The Board of Supervisors, upon review of the Final EIR (which includes the Draft EIR) and based on all the information and evidence in the administrative record, hereby makes the Findings set forth herein.

Approval of legislative actions including the adoption of the NCCO constitutes the project for purposes of CEQA and these determinations of the Board of Supervisors. These findings are based upon the entire record of proceedings for the project. The Board of Supervisors finds as follows:

1. The record of proceedings in Section VI of these findings is correct and accurate.

2. The Final EIR has been prepared in accordance with all requirements of CEQA, the CEQA Guidelines, and the County's Environmental Review Ordinance, codified in Chapter XIII of the Nevada County Code.
3. Both the Draft EIR and Final EIR were presented to and reviewed by the Board of Supervisors.
4. The Final EIR was prepared under the supervision of the County and reflects the independent judgment of the County. The Board of Supervisors has reviewed the Final EIR, and bases the findings stated below on such review and other substantial evidence in the record.
5. The County finds that the EIR considers a reasonable range of potentially feasible alternatives, sufficient to foster informed decision making, public participation and a reasoned choice, in accordance with CEQA and the CEQA Guidelines.
6. The Board of Supervisors hereby certifies the EIR as complete, adequate and in full compliance with CEQA and as providing an adequate basis for considering and acting upon the NCCO and makes the following specific findings with respect thereto. The Board of Supervisors has considered evidence and arguments presented during consideration of the project and the Final EIR. In determining whether the project may have a significant impact on the environment, and in adopting the findings set forth herein, the Board of Supervisors certifies that it has complied with Public Resources Code sections 21081, 21081.5, and 21082.2.
7. The Board of Supervisors agrees with the characterization of the Final EIR with respect to all impacts initially identified as "less than significant" or "no impact" and finds that those impacts have been described accurately and are less than significant or no impact would occur as so described in the Final EIR (including those evaluated in the Initial Study circulated with the Notice of Preparation, Appendix A). This finding does not apply to impacts identified as significant or potentially significant that are reduced to a less than significant level by mitigation measures included in the Final EIR. The disposition of each of those impacts and the mitigation measures adopted to reduce them are addressed specifically in the findings below.
8. All mitigation measures in the Final EIR applicable to the project alternative approved are adopted and incorporated into the Nevada County Commercial Cannabis Ordinance.
9. The Mitigation Monitoring and Reporting Program (MMRP) includes all mitigation measures adopted with respect to the project and explains how and by whom they will be implemented and enforced.
10. The mitigation measures and the MMRP have been incorporated into the NCCO and have thus become part of and limitations upon future entitlements conferred by the NCCO.
11. The descriptions of the impacts in these findings are summary statements. Reference should be made to the Final EIR for a more complete description.
12. The County is directed to file a Notice of Determination with the County Clerk within five (5) working days in accordance with CEQA §21152(a) and CEQA Guidelines §15094.

III. Statutory Requirements for Findings

Significant effects of the NCCO were identified in the Draft EIR. CEQA §21081 and CEQA Guidelines §15091 require that the Lead Agency prepare written findings for identified significant impacts, accompanied by a brief explanation of the rationale for each finding. Less than significant effects (without mitigation) of the project were also identified in the Draft EIR and Initial Study. CEQA does not require that the Lead Agency prepare written findings for less than significant effects.

CEQA requires that the Lead Agency adopt mitigation measures or alternatives, where feasible, to avoid or mitigate significant environmental impacts that would result from implementation of the project. Project mitigation or alternatives are not required, however, where substantial evidence in the record demonstrates that they are infeasible or where the responsibility for carrying out such mitigation or alternatives lies with another agency. Specifically, CEQA Guidelines §15091 states:

(a) No public agency shall approve or carry out a project for which an EIR has been certified which identifies one or more significant environmental effects of the project unless the public agency makes one or more written findings for each of those significant effects, accompanied by a brief explanation of the rationale for each finding. The possible findings are:

(1) Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect as identified in the final EIR.

(2) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.

(3) Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or project alternatives identified in the final EIR.

The “changes or alterations” referred to in §15091(a)(1) above, that are required in, or incorporated into, the project which mitigate or avoid the significant environmental effects of the project, may include a wide variety of measures or actions as set forth in Guidelines §15370, including avoiding, minimizing, rectifying, or reducing the impact over time, or compensating for the impact by replacing or providing substitute resources.

IV. Project Description and Objectives

Adoption of the proposed NCCO would result in regulation of the cultivation of cannabis within unincorporated areas of the County. All existing and proposed cannabis cultivation would be subject to the guidance contained in the proposed NCCO. Under the proposed NCCO, a Cannabis Cultivation Permit (CCP) would be required for cultivation with less than 2,500 square feet (sf) of canopy, and an Administrative Development Permit (ADP) would be required for cultivation between 2,500 sf and 10,000 sf of canopy. An Annual Cannabis Permit (ACP) would also be needed and would be required to be renewed annually. The following pages provide a detailed summary of the proposed NCCO with the above considerations and describes the land uses and areas in which cultivation would be allowed as well as the amount of cannabis that could be cultivated based on the locations.

The type of cannabis cultivation within the County would be defined as either indoor, mixed-light, or outdoor cultivation. The definitions of these terms are as follows:

Indoor or Indoors – “indoor” or “indoors” means cultivation with exclusively artificial light within a detached fully enclosed and secure accessory structure using artificial light at a rate above twenty-five watts per square foot and that complies with the California Building Code (Title 24, California Code of Regulations) for that specific occupancy type, as adopted by the County of Nevada, except for structures that are exempt from the requirement to obtain a building permit under the Nevada County Land Use and Development Code. For purposes of Personal Use only, “Indoor” or “Indoors” shall also include Cultivation inside a private Residence or attached garage, but not in areas inhabited by humans, including, but not limited to bedrooms and kitchens.

Mixed-Light- “mixed-light” means the cultivation of mature or immature cannabis plants in an accessory structure permitted in compliance with local building codes and permitted specifically for cannabis cultivation using light deprivation and/or one of the artificial lighting models described below:

Mixed-Light Tier 1: The use of artificial light at a rate of six watts per sf or less;

Mixed-Light Tier 2: The use of artificial light at a rate above 6 watts and up to 20 watts per sf. Mixed-light cultivation must take place in an accessory structure permitted in compliance with local building codes and permitted specifically for cannabis cultivation.

Outdoor or Outdoors- outdoor cultivation means cultivation of cannabis in any location that is not “indoors” nor “mixed-light” and which is cultivated without the use of any artificial light at any time.

The proposed NCCO has been written, in part, to remedy existing environmental degradation to water quality, creation of objectionable odors, land use conflicts, impacts to biological resources, and to address potential use of agricultural and forest resources, and to protect the visual character of the County. The proposed NCCO establishes certain requirements for the initial issuance of cannabis cultivation permits and the continued annual permitting process. Under the proposed project, there would be a three-tier system for 1) personal use; 2) commercial use; and 3) non-remuneration cultivation use. The regulations for cultivation of cannabis have been developed to be consistent with requirements of other commercial activities as well as consistent with State law. Under the proposed project, cannabis cultivation would be managed using the policies and regulations within the NCCO.

Cultivation of cannabis is prohibited on any Parcel or Premises located within the following areas:

- Upon any premises located within 1,000 feet of any “Sensitive Site.” This setback is measured from the edges of the designated canopy area to the property line of the Sensitive Site.
- In any location where the cannabis would be visible from the public right-of-way or publicly traveled private roads at any stage of growth.

- Within any setback area required by the NCCO.

Table 2-1: Cannabis Cultivation for Personal Use, below, provides a breakdown of the allowable number of cannabis plants based on zoning, parcel acreage, and cultivation method. Cultivation in all other zones would not be a permitted use.

Table 2-1: Cannabis Cultivation for Personal Use

Zoning	Parcel Acreage	Cultivation Method		
		Indoor	Mixed-Light	Outdoor
R1 R2 R3 RA (Residential Designation)	Parcel of Any Size	Maximum of six plants, mature or immature.	Cultivation is Prohibited	Cultivation is Prohibited
R-A (Rural and Estate Designation)	5.00 acres or greater	Maximum of Six Plants, mature or immature		
AG AE FR TPZ	1.99 or less	Maximum of Six Plants, mature or immature	Cultivation is Prohibited	Cultivation is Prohibited
	Parcels 2.00 acres or greater	Maximum of Six Plants, mature or immature		

Source: Nevada County, 2018

Abbreviations: R-1 (Single Family); R-2 (Medium Density); R-3 (High Density); R-A (Residential Agriculture); AG (General Agriculture), AE (Agriculture Exclusive), FR (Forest), TPZ (Timber Production Zone).

Table 2-2: Cannabis Cultivation for Commercial Use, below, provides a breakdown of the of the allowable square feet of plant canopy based on zoning, parcel acreage, and cultivation method.

Table 2-2: Cannabis Cultivation for Commercial Use

Zone	Parcel acre	Cultivation Method		
		Indoor	Mixed-Light	Outdoor
R1 R2 R3 RA (Regardless of Zone Designation), and TPZ	Parcel of Any acreage	Commercial Cultivation is Prohibited		
AG	2.0 acres or less	Commercial Cultivation is Prohibited		

Table 2-2: Cannabis Cultivation for Commercial Use

Zone	Parcel acre	Cultivation Method		
		Indoor	Mixed-Light	Outdoor
AE FR	Parcels 2.00 acres to 4.99 acre	Maximum of 500 sf canopy	Commercial Cultivation is Prohibited	
	Parcels 5.00 acres to 9.99 acres	Up to a maximum of 2,500 sf of canopy for any method or combination thereof.		
	Parcels 10.00 acres to 19.99 acres	Up to a maximum of 5,000 sf of canopy for any method or combination thereof.		
	Parcels 20 acres or greater	Up to a maximum of 10,000 sf of canopy for any method or combination thereof.		

Source: Nevada County, 2018

Abbreviations: R-1 (Single Family); R-2 (Medium Density); R-3 (High Density); R-A (Residential Agriculture); AG (General Agriculture), AE (Agriculture Exclusive), FR (Forest), TPZ (Timber Production Zone).

A detailed description of the proposed project components is included in *Section 3: Project Description*, of this document.

The EIR is also available for use by responsible and trustee agencies or other agencies that may have jurisdiction, approval authority, or environmental review and consultation requirements for the project. These agencies may include: U.S. Army Corps of Engineers; U.S. Fish and Wildlife Service; California Department of Fish and Wildlife (Streambed Alteration Agreement); California Department of Transportation (encroachment permit); California Office of Historic Preservation; California Bureau of Cannabis Control; California Department of Toxic Substances Control; California Regional Water Quality Control Board; Nevada County Transportation Commission; Nevada County (encroachment and other permits); Nevada County Resource Conservation District; Nevada Irrigation District; Nevada County Sanitary District; and/or, Northern Sierra Air Quality Management District.

Project Objectives

The proposed project objectives as set forth in Section 3.1.4 of the Draft EIR, are:

1. Provide a mechanism for the regulation of a legal commercial cannabis cultivation industry within the unincorporated county;
2. Reduce the level of nuisance that existing commercial cannabis cultivation represents to adjacent areas of existing growers;
3. Encourage existing cannabis businesses to secure a license to operate in compliance with County and state regulations;
4. Reduce the adverse effects of commercial cannabis cultivation on the environment through implementation of these regulations and permitting process;
5. Adopt an ordinance that defines specific zones within the County in which production of commercial cannabis cultivation will be allowed;

6. Adopt an ordinance that defines, within the specific zones, the total area of commercial cannabis cultivation that will be allowed;
7. Reduce the effects of potential adverse effects of commercial cannabis cultivation on sensitive receptors by ensuring compatibility with existing surrounding land uses;
8. To align cannabis regulations with regulations applicable to other commercial activities.

V. Procedural History

- A Notice of Preparation (NOP) for the EIR was filed with the State Clearinghouse on August 10, 2018. The 30-day public review comment period for the NOP ended on September 10, 2018. The purpose of the NOPS was to provide responsible agencies and interested persons with sufficient information describing the project and its potential environmental effects to enable them to make a meaningful response as to the scope and content of the information to be included in the EIR. The project described in the August 2018 NOP included: The Nevada County Commercial Cannabis Cultivation Ordinance is intended to detail County regulations consistent with state law to enable a structured and logical management procedure for the cultivation of cannabis within all unincorporated areas within the County. Commercial cannabis cultivation would be strictly limited for medical purposes. An unincorporated area is defined as an area or region of land that is not governed by a local municipal corporation, such as a city. The proposed project defines and provides for the regulation for the personal use of cannabis and commercial cannabis cultivation within unincorporated County land. The proposed project is a substantial overhaul and comprehensive update to the County's existing cannabis regulations and is being proposed, in part, as an attempt to regulate the cultivation and reduce existing environmental effects of illegal cultivation operations. Adoption of the proposed project would render indoor, mixed-light, and outdoor cultivation of cannabis, on any parcel or premises in an area or in a quantity greater than as provided by the proposed project, or in any other way not in conformance with or in violation of the provisions of the proposed project and/or state law, as a public nuisance that may be abated by any means available by law. The NOP was also published on the County's website and filed at the County Clerk's Office.
- Two public scoping meetings for the EIR were held on August 22, 2018, and one meeting on August 20, 2018 in order to determine the scope and content of the environmental information that the responsible or trustee agencies may require, and also to accept public comment. Comments received during the scoping meeting, as well as those received during the public comment period for the NOP, were considered during the preparation of the Draft EIR.
- A Notice of Completion (NOC) and copies of the Draft EIR were filed with the State Clearinghouse on January 11, 2019. An official 45-day public review period for the Draft EIR was established by the State Clearinghouse, ending on February 25, 2019. A Notice of Availability (NOA) for the Draft EIR was published in The Union and the Sierra Sun on January 11, 2019 and agencies. The DEIR was also published on the County's website and filed at the County Clerk's office.

- Copies of the Draft EIR were available for review at the following location:
County of Nevada
Community Development Agency
950 Maidu Avenue, Suite 170
Nevada City, CA 95959
- A public hearing to receive testimony on the Draft EIR was held before the County's Planning Commission on February 7, 2019. The public comment period for the Draft EIR closed on February 25, 2019. The comments from the Planning Commission hearing are included in the Final EIR as Comment Letter Y.

VI. RECORD OF PROCEEDINGS

In accordance with CEQA §21167.6(e), the record of proceedings for the County's decision on the NCCO includes, without limitation, the following documents:

- The NOP and Initial Study (provided in Appendix A of the Draft EIR) and all other public notices issued by the County in conjunction with the project;
- All comments submitted by agencies or members of the public during the comment period on the NOP (provided in Appendix A of the Draft EIR);
- The Draft EIR (January 2019) for the project;
- All comments submitted by agencies or members of the public during the comment period on the Draft EIR;
- All comments and correspondence submitted to the County with respect to the project, in addition to timely comments on the Draft EIR;
- The Final EIR (April 2019) for the project, including comments received on the Draft EIR and responses to those comments;
- Documents cited or referenced in the Draft and Final EIRs;
- The project MMRP;
- All findings and resolutions adopted by the County in connection with the project and all documents cited or referred to therein;
- All reports, studies, memoranda, maps, staff reports, or other planning documents relating to the project prepared by the County, consultants to the County, or responsible or trustee agencies with respect to the County's compliance with the requirements of CEQA and with respect to the County's action on the project;
- All documents submitted to the County by other public agencies or members of the public in connection with the project;
- Any minutes and/or verbatim transcripts of all information sessions, public meetings, and public hearings held by the County in connection with the project;
- Any documentary or other evidence submitted to the County at such information sessions, public meetings and public hearings;

- The Nevada County General Plan and all environmental documents prepared in connection with the adoption of the plan.
- Any and all resolutions and/or ordinances adopted by the County regarding the project, and all staff reports, analyses, and summaries related to the adoption of those resolutions;
- Matters of common knowledge to the County, including, but not limited to federal, state, and local laws and regulations;
- Any documents cited in these findings, in addition to those cited above; and
- Any other materials required for the record of proceedings by CEQA §21167.6(e).

The Board of Supervisors has relied on all of the information sources listed above in reaching its decision on the project, even if not every document, staff presentation, and/or public testimony was formally presented to the Board of Supervisors or County Staff as part of the County files generated in connection with the project. Without exception, any documents set forth above not found in the project files fall into one of two categories. Many of them reflect prior planning or legislative decisions of which the Board of Supervisors was aware in approving the NCCO. Other documents influenced the expert advice provided to County staff or consultants, who then provided advice to the Board of Supervisors. For that reason, such documents form part of the underlying factual basis for the Board of Supervisor's decisions relating to approval of the NCCO project.

The record of proceedings does not include documents or other materials subject to the attorney/client privilege, the common-interest doctrine, the deliberative process privilege, or other privileges recognized by statute or common law. Administrative draft documents that were prepared at the County's direction but were not provided to the public or other agencies, and intra-County communications with respect to such administrative draft documents, are not part of the record of proceedings; rather, such documents reflect the County's deliberative process, and reflect initial drafts of documents that later appeared in final form in the record of proceedings. Because these initial working drafts do not reflect the final evidence and analysis relied upon by the County, they are not part of the record of proceedings. In adopting these findings, the County does not waive its right to assert applicable privileges.

The public hearing minutes, a copy of all letters regarding the Draft EIR received during the public review period, the administrative record, and background documentation for the Final EIR, as well as additional materials concerning approval of the Project and adoption of these findings are contained in County files and are available for review by responsible agencies and interested members of the public during normal business hours at the Nevada County Planning Department.

The official custodian of these documents is the Nevada County Planning Department, 950 Maidu Avenue, Suite 170, Nevada City, California 95959,

VII. List of Impacts of the Proposed Project Determined to be Less Than Significant or No Impact Without Implementation of Mitigation Measures

By these Findings, the County Board of Supervisors ratifies and adopts the FEIR's conclusions for the following potential environmental impacts which, based on the analyses in the FEIR, the Board of Supervisors determines to be less than significant:

1. Aesthetics

Impact 4.1-1: Implementation of the project would not have an adverse effect on a scenic vista.

Impact 4.1-3: Implementation of the project would not substantially degrade the existing visual character or quality of the site and its surroundings.

2. Agricultural Resources

Impact 4.2-2: Implementation of the project would not conflict with existing agricultural zoning or a Williamson Act contract.

Impact 4.2-3: Implementation of the project would not conflict with existing Zoning for, or Cause Rezoning of, Forest Land, Timberland, or Timberland Zoned Timberland Production.

2. Air Quality

Impact 4.3-4: Implementation of the project would not expose sensitive receptors to substantial pollutant concentrations.

Impact 4.3-7: Implementation of the project would not conflict with an applicable plan, policy or regulation adopted for the purpose of reducing the emissions of greenhouse gases.

3. Geology and Soils

Impact 4.6-1: Implementation of the project would not expose people or structures to substantial adverse effects, including the risk of loss, injury, or death involving the rupture of a known earthquake fault.

Impact 4.6-2: Implementation of the project would not expose people or structures to substantial adverse effects, including the risk of loss, injury, or death involving strong seismic ground shaking.

Impact 4.6-3: Implementation of the project would not expose people or structures to substantial adverse effects, including the risk of loss, injury, or death involving seismic-related ground failure, including liquefaction.

Impact 4.6-4: Implementation of the project would not expose people or structures to substantial adverse effects, including the risk of loss, injury, or death involving landslides.

Impact 4.6-5: Implementation of the project would not result in substantial soil erosion or loss of topsoil.

Impact 4.6-6: Implementation of the project would not be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction, or collapse.

Impact 4.6-7: Implementation of the project would not be located on expansive soil, as defined in table 18-1-b of the uniform building code (1994), creating substantial risks to life or property.

Impact 4.6-8: Implementation of the project would not have soils incapable of adequately supporting the use of septic tanks or alternative wastewater disposal systems where sewers are not available for the disposal of wastewater.

4. Hazards and Hazardous Materials

Impact 4.7-1: Implementation of the project would not create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials.

Impact 4.7-2 Implementation of the project would not create a significant hazard to the public or the environment through reasonably foreseeable upset and accidental conditions involving the release of hazardous materials into the environment.

Impact 4.7-3 Implementation of the project would not emit hazardous emissions or result in the handling of hazardous materials, substances, or waste within one-quarter mile of a proposed school.

Impact 4.7-4: Implementation of the project would not be located on a site which is included on a list of hazardous material sites compiled pursuant to Government Code Section 65962.5 and create a significant hazard to public or the environment.

Impact 4.7-5: Implementation of the project would not impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan.

Impact 4.7-6: The project would not be located within the vicinity of a private airstrip or result in a safety hazard for people residing or working in the project area.

Impact 4.7-7: Implementation of the project would not impair implementation of, or physically interfere with, an adopted emergency response plan or emergency evacuation plan.

Impact 4.7-8: Implementation of the project would not expose people or structures to a significant risk of loss, injury, or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands.

5. Hydrology and Water Quality

Impact 4.8-1: Implementation of the project would not violate any water quality standards or waste discharge requirements.

Impact 4.8-3: Implementation of the project would not substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in substantial erosion or siltation on-site or off-site.

Impact 4.8-4: Implementation of the project would not substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in substantial flooding on-site or off-site.

Impact 4.8-5: Implementation of the project would not create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff.

Impact 4.8-6: Implementation of the project would not otherwise substantially degrade water quality.

Impact 4.8-7: Implementation of the project would not place housing within a 100-year flood hazard area as mapped on a federal hazard boundary or flood insurance rate map or other flood hazard delineation map.

Impact 4.8-8: Implementation of the project would not place structures within a 100-year flood hazard area which would impede or redirect flood flows.

Impact 4.8-9: Implementation of the project would not expose people or structures to a significant risk of loss, injury, or death involving flooding, including flooding as a result of the failure of a levee or dam.

Impact 4.8-10: Implementation of the project would not result in inundation by seiche, tsunami, or mudflow.

6. Land Use and Planning

Impact 4.9-1: Implementation of the project would not physically divide and established community.

7. Mineral Resources

Impact 4.10-1: Implementation of the project would not result in the loss of availability of a known mineral resource that would be of value to the regional and the residents of the state.

Impact 4.10-2: Implementation of the project would not result in the loss of availability of a locally important mineral resource recover site delineated on a local general plan, specific plan, or other land use plan.

8. Noise

Impact 4.11-1: Implementation of the project would not result in exposure of persons to, or generate, noise levels in excess of standards established in the local general plan or noise ordinance or applicable standards of other agencies.

Impact 4.11-2: Implementation of the project would not result in exposure of persons to, or generate, excessive ground borne vibration or ground borne noise levels.

Impact 4.11-3: Implementation of the project would not result in a substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project.

Impact 4.11-4: Implementation of the project would not result in a substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project.

Impact 4.11-5: Implementation of the project would not be located within and airport land use plan or, where such a plan has been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels.

Impact 4.11-6: Implementation of the project would not be located within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels.

9. Population and Housing

Impact 4.12-1: Implementation of the project would not induce substantial population growth in an area, either directly or indirectly.

Impact 4.12-2: Implementation of the project would not displace substantial numbers of existing housing necessitating the construction of replacement housing elsewhere.

Impact 4.12-3: Implementation of the project would not displace substantial numbers of people necessitating the construction of replacement housing elsewhere.

10. Populations and Housing

Impact 4.12-1: Implementation of the project would not induce substantial population growth in an area, either directly or indirectly.

Impact 4.12-2: Implementation of the project would not displace substantial numbers of existing housing necessitating the construction of replacement housing elsewhere.

Impact 4.12-3: Implementation of the project would not displace substantial numbers of people necessitating the construction of replacement housing elsewhere.

11. Public Services

Impact 4.13-1: Implementation of the project would not result in substantial physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts in order to maintain acceptable service ratios, response times, or other performance objectives for fire protection, law enforcement protection, schools, parks or other public services.

12. Recreation

Impact 4.14-1: Implementation of the project would not increase the use of existing neighborhood regional parks or other recreational facilities such that substantial physical deterioration would occur or be accelerated.

Impact 4.14-2: Implementation of the project would not include recreational facilities or require construction or expansion of recreational facilities that might have an adverse physical effect on the environment.

13. Transportation and Traffic

Impact 4.15-3: Implementation of the project would not result in a change in air traffic patterns that result in substantial safety risks.

Impact 4.15-4: Implementation of the project would not substantially increase hazards due to a design feature or incompatible uses.

Impact 4.15-5: Implementation of the project would not result in inadequate emergency access.

Impact 4.15-6: Implementation of the project would not conflict with adopted policies, plans, or programs supporting alternative transportation.

14. Utilities and Service Systems

Impact 4.16-1: Implementation of the project would not exceed wastewater treatment requirements of the applicable regional water quality control board.

Impact 4.16-2: Implementation of the project would not require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects.

Impact 4.16-3: Implementation of the project would not require or result in the construction of new stormwater drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects.

Impact 4.16-4: Implementation of the project would not have insufficient water supplies available to serve the project from existing entitlements and resources, thereby requiring new or expanded entitlements.

Impact 4.16-5: Implementation of the project would not result in a determination by the wastewater treatment provider which serves or may

serve the project that it has inadequate capacity to serve the project's project demand in addition to the provider's existing commitments.

Impact 4.16-6: Implementation of the project would not be served by a landfill with insufficient permitted capacity to accommodate the project's solid waste disposal needs.

Impact 4.16-7: Implementation of the project would comply with federal, state, and local statutes and regulations related to solid waste.

15. Energy

Impact 4.17-3: Implementation of the project would not conflict with existing energy standards, including standards for energy conservation.

Finding: Under CEQA, no mitigation measures are required for impacts that are less than significant. (Pub. Resources Code, § 21002; CEQA Guidelines, §§ 15126.4, subd. (a)(3), 15091.)

VIII. Findings and Recommendations Regarding Significant Environmental Impacts and Mitigation Measures

A detailed analysis of the potential environmental impacts and the proposed mitigation measures for the NCCO is set forth in Chapter 4 of the DEIR, as incorporated into the FEIR. The Board of Supervisors concurs with the conclusions in the DEIR, as incorporated into the FEIR, that: (i) changes or alterations have been required, or incorporated into, the project which avoid or substantially lessen many of the significant environmental effects identified in the DEIR; and (ii) specific economic, legal, social, technological, or other considerations make it infeasible to substantially lessen or avoid the remaining significant impacts, as further described in the Statement of Overriding Considerations below.

Table of Impacts, Mitigation Measures, and CEQA Findings of Fact:

NEVADA COUNTY COMMERCIAL CANNABIS CULTIVATION ORDINANCE EIR CEQA FINDINGS

Table of Impacts, Mitigation Measures, and CEQA Findings

Environmental Impact	Level of Significance Without Mitigation	Mitigation Measure	Level of Significance After Mitigation	Finding of Facts
Aesthetics				
<p>Impact 4.1-2: Implementation of the project would substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway.</p>	PS	<p>MM AES-1: Protected Tree Avoidance. Amend the NCCO to require all commercial cannabis applications to show on project site plans any landmark trees, landmark groves, and heritage trees and groves that exist on the project site. If such trees exist, the applicant shall indicate that the proposed cultivation sites and any proposed ancillary structures would not require removal of any of the listed trees and that all cannabis cultivation and accessory structures are outside the existing drip line of all trees. If any cultivation or accessory structure would require removal or encroach in the drip line of any trees and the project plans shall be revised to avoid the trees. If any trees or groves are dead, dying, or a public safety hazard as determined by a qualified professional, no further action is required.</p>	LS	<p>Finding: Implementation of Mitigation Measure AES-1 which has been incorporated into the project will reduce this impact to a less than significant level. The Board hereby directs that Mitigation Measure AES-1 be adopted. The Board therefore finds that changes or alterations have been required in or incorporated into the project that avoids the potential significant environmental effect as identified in the DEIR.</p> <p>Explanation: Mitigation Measure AES-1 would amend the proposed NCCO to include a requirement for commercial cannabis project applicants to identify any trees on the project site that meet the standards of landmark trees, landmark groves, and heritage trees and groves based on the definitions in Section L-II 4.3.15 – Trees. If any of these resources are proposed for removal the application would not be processed until the applicant revises the site plan to avoid</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

				<p>impacts to the resources. This requirement would not apply to any trees or groves determined to be dead, dying, or a public safety hazard by a certified professional arborist, licensed landscape architect, registered professional forester, or qualified biologist or botanist (qualified professional). Implementation of this mitigation measure would ensure that potential impacts are less than significant.</p>
<p>IMPACT 4.1-4: Implementation of the project would create a new source of substantial light or glare that would adversely affect day or nighttime views in the area.</p>	<p>PS</p>	<p>MM AES-2: Lighting Control Plan. Amend the NCCO to require commercial cannabis cultivation applicants with exterior light fixtures (including mixed light applications) to submit a light control plan that would demonstrate how light used for cultivation purposes would be controlled. Light control measures may include but not be limited to means such as using blackout tarps to completely cover all greenhouses and hoop-houses or restricting the use of lighting between sunset and sunrise.</p>	<p>SU</p>	<p>Finding: Implementation of Mitigation Measure AES-2 which has been required or incorporated into the project will help to reduce this impact. With implementation of Mitigation Measure AES-2 and the requirements in Section L-II 4.2.8 Lighting of the Nevada County Land Use Development Code, nighttime lighting impacts would be reduced to less than significant.</p> <p>Changes or alterations have been required in or incorporated into the project that substantially lessen but do not completely avoid the potential environmental effects identified in Impact 4.1-4. Incorporation of emissions reduction measures would not inherently reduce impacts to less than significant levels. While the listed mitigation measure would reduce lighting impacts, light from other non-cultivation uses such as security lighting and other nighttime lighting, could still result in changes to the nighttime environment and impact sky and nighttime</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

			<p>glow. Therefore, impacts would remain significant.</p> <p>The Board hereby directs that Mitigation Measure AES-2 be adopted. The Board concludes that the project’s benefits outweigh the significant unavoidable impacts of the project, as set forth in the Statement of Overriding Considerations.</p> <p>Explanation: While conformance to Section L-II 4.2.8 Lighting of the Nevada County Land Use Development Code, would likely result in limitation of the use of artificial lighting sources and potentially reflective building, it would not provide adequate controls on increased glow effects. Accordingly, while some problem lighting effects would be screened out and rejected during the CCP or ADP project development review process, this would not be adequate to ensure increased sky and nighttime glow is not substantial. Therefore, while conformance with the resource standard would reduce the light and glare impacts, the scale and scope of long term operational impacts from cannabis cultivation activities on glow would be significant. While the listed mitigation measure would reduce lighting impacts, light from other non-cultivation uses such as security lighting and other nighttime lighting, could still result in changes to the nighttime environment and impact sky and nighttime glow. Therefore,</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

				impacts would remain significant. The Board concludes that the project's benefits outweigh the significant unavoidable impacts of the project, as set forth in the Statement of Overriding Considerations.
<p>Cumulative Impact: Implementation of the project may permanently degrade the existing visual character/quality of the project area.</p>	PS	Implement MM AES-1 and MM AES -2	SU	<p>Finding: Implementation of these Mitigation Measures which have been required or incorporated into the project will reduce this impact to a less than significant level. The Board hereby directs that these mitigation measures be adopted. The Board therefore finds that changes or alterations have been required in or incorporated into the project that reduces the potential significant environmental effect as identified in the DEIR.</p> <p>Explanation: Future commercial cannabis operations would blend with the existing character of the County as viewed from scenic vistas and state highways and would not visually conflict with the rural/agricultural landscape character. Thus, the project's contribution to cumulative impacts on scenic vistas, scenic resources, and visual character of the County would not be cumulatively considerable.</p> <p>The proposed ordinance performance standards are intended to offset lighting and glare impacts by requiring cultivators to use</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

				<p>items such as blackout tarps that would disallow light to escape from mixed-light cultivation and nursery structures during nighttime lighting sessions. While this is the intent, it would not be possible to ensure that all cultivators conform to this requirement and is not possible to ensure those that do, block 100% of artificial light. Therefore, some nighttime glow from artificially lighted nighttime cultivations may occur. Additionally, while security lighting would be required to be shielded and angled in such a way as to prevent light from spilling outside of the boundaries of the site, it is likely these sources would add some nighttime glow. Thus, the project's contribution to cumulative impacts on light and glare would be cumulatively considerable. The Board concludes that the project's benefits outweigh the significant unavoidable impacts of the project, as set forth in the Statement of Overriding Considerations.</p>
Agricultural Resources				
<p>Impact 4.2-1: Implementation of the project would convert prime farmland, unique farmland, or farmland of</p>	PS	<p>MM AG-1: Farmland Resources. Amend the proposed NCCO, to require all commercial cannabis applications to show on project site plans any Prime Farmland, Unique Farmland, or Farmland of Statewide Importance based on the most recent available mapping provided by the California Department of Conservation (CDOC) Farmland Mapping & Monitoring</p>	SU	<p>Finding: Implementation of Mitigation Measure AG-1 which has been required or incorporated into the project will help to reduce this impact. With implementation of Mitigation Measure AG-1 and the requirements of Section L-II 4.3.4 Agricultural</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

<p>statewide importance to non-agricultural use.</p>		<p>Program (FMMP) that exist on the project site. If such lands exist, the applicant shall show on the site plan(s) that any proposed accessory structure and related improvements (e.g., driveways, staging areas, etc.) have been located on the property in which impacts to mapped farmlands are reduced to the maximum extent practicable.</p> <p>Implement Land Use and Development Code Section L-II 4.4.3 regarding Important Agricultural Lands</p>		<p>Lands, Important, of the LUDC provides an additional tool to minimize the conversion of important agricultural areas to non-agricultural uses and reduce the impairment of agricultural productivity. Therefore, impacts on Farmland Resources would be reduced, but would remain significant.</p> <p>Explanation: Future cannabis cultivation project applications would be evaluated for compliance with the County Land Use and Development Code, all applicable State laws, and ordinance requirements of any affected special districts related to agricultural lands. As discussed above, the proposed project includes a mitigation measure and would, when appropriate, require a management plan to reduce impacts to important agricultural lands for certain projects under an ADP. Mitigation Measure AG-1 requires that any new structures proposed for cannabis site development are sited on areas of the property that do not contain prime soils, to the maximum extent feasible. During the review of applications for cannabis site development, the County Planning Department shall review the proposed location of any new structures proposed for cannabis-related structural development to ensure that they would avoid prime agricultural soils on-site. No other feasible mitigation measures are known that will further reduce impacts. Under a reasonable</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

			<p>buildout scenario for cannabis related development, impacts to prime soils will remain significant and unavoidable. While impacts associated with CCPs would be reduced to less than significant, a significant impact from potential conversions under an ADP would remain. No additional mitigation measures have been identified that would reduce potential impacts to less than significant.</p> <p>The Board finds that the feasible mitigation measure (MM AG-1) has been incorporated into the NCCO to reduce the significant environmental effects identified in the EIR to the maximum extent feasible. This mitigation measure will be implemented during the review of entitlement applications for cannabis development, to mitigate project-specific and cumulative impacts to agricultural resources to the maximum extent feasible. However, even with this mitigation measure, impacts to agricultural resources (Impact 4.2-1) will remain significant and unavoidable. Therefore, the Board finds the NCCO residual impacts to agricultural resources are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

<p>Impact 4.2-4: Implementation of the project would result in the Loss of Forest Land or Conversion of Forest Land to Non-Forest Use.</p>	<p>PS</p>	<p>No additional feasible mitigation measures have been identified beyond implementation of the County Land Use and Development Code. Implement Land Use and Development Code Section L-II 4.3.3 regarding Important Agricultural Lands Implement Land Use and Development Code Section L-II4.3.14 regarding Important Timber Resources.</p>	<p>SU</p>	<p>Finding: Even with conformance to the listed regulations, the proposed project could result in a permanent loss of forest lands and impacts on forest lands would be considered significant and unavoidable. No mitigation is available to further reduce impacts to less than significant. Explanation: Future cannabis cultivation project applications would be evaluated for compliance with the County Land Use and Development Code, all applicable State laws, and ordinance requirements of any affected special districts related to agricultural lands. As discussed above, the proposed project would implement the County Land Use and Development Code Section L-II4.3.14 regarding Important Timber Resources and would, when appropriate, require a management plan to reduce impacts to important agricultural lands for certain projects under an ADP. During the review of applications for cannabis site development, the County Planning Department shall review the proposed location of any new structures proposed for cannabis-related structural development to ensure that they would avoid Forest Land and minimize Forest Land Conversion on-site. No other feasible mitigation measures are known that will further reduce impacts. Under a reasonable buildout scenario for cannabis related development, impacts to forest land will</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

				<p>remain significant and unavoidable. The Board finds that Land Use and Development Code Section L-II4.3.14 regarding Important Timber Resources would be implemented as part of NCCO application to reduce the significant environmental effects identified in the EIR to the maximum extent feasible. These regulations will be implemented during the review of entitlement applications for cannabis development, to mitigate project-specific and cumulative impacts to agricultural resources to the maximum extent feasible. However, even with the requirements of Land Use and Development Code Section L-II4.3.14 regarding Important Timber Resources, impacts to agricultural resources (Impact 4.2-4) will remain significant and unavoidable. Therefore, the Board finds the NCCO residual impacts to agricultural resources are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
<p>Impact 4.2-5: Implementation of the project would involve other changes in the existing environment which, due to their location or nature, could result in the conversion of farmland to non-agricultural use or</p>	<p>PS</p>	<p>Implementation of Mitigation Measure AG-1. Implement Land Use and Development Code Sections L-II 4.3.3 regarding Important Agricultural land and Section L-II 4.3.14 regarding Important Timber Resources.</p>	<p>SU</p>	<p>Finding: Implementation of Mitigation Measure AG-1 which has been required or incorporated into the project will help to reduce this impact. With implementation of Mitigation Measure AG-1. Impacts on Farmland Resources would be reduced but would remain significant. Explanation: Future cannabis cultivation project applications would be evaluated for</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

<p>conversion of forest land to non-forest use</p>				<p>compliance with the County Land Use and Development Code, all applicable State laws, and ordinance requirements of any affected special districts related to forest lands. As discussed above, the proposed project includes mitigation measure AG-1 that would be required for certain projects upon review of a CCP or ADP. Although these measures are expected to substantially reduce the level of impact on agricultural and forest resources, a significant impact would remain. The Board concludes that the project's benefits outweigh the significant unavoidable impacts of the project, as set forth in the Statement of Overriding Considerations.</p>
<p>Cumulative Impact: Implementation of the project would convert prime farmland, unique farmland, or farmland of statewide importance to non-agricultural use.</p>	<p>PS</p>	<p>The project would result in the permanent conversion of prime farmland, unique farmland, or farmland of statewide importance to a non-agricultural use.</p>	<p>SU</p>	<p>Finding: Implementation of Mitigation Measure AG-1 which has been required or incorporated into the project will help to reduce this impact. With implementation of Mitigation Measure AG-1 and the requirements of Section L-II 4.3.4 Agricultural Lands, Important, of the LUDC provides an additional tool to minimize the conversion of important agricultural areas to non-agricultural uses and reduce the impairment of agricultural productivity. Therefore, impacts on Farmland Resources would be reduced, but would remain significant.</p> <p>Explanation: Future cannabis cultivation project applications would be evaluated for</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

			<p>compliance with the County Land Use and Development Code, all applicable State laws, and ordinance requirements of any affected special districts related to agricultural lands. As discussed above, the proposed project includes a mitigation measure and would, when appropriate, require a management plan to reduce impacts to important agricultural lands for certain projects under an ADP. Mitigation Measure AG-1 requires that any new structures proposed for cannabis site development are sited on areas of the property that do not contain prime soils, to the maximum extent feasible. During the review of applications for cannabis site development, the County Planning Department shall review the proposed location of any new structures proposed for cannabis-related structural development to ensure that they would avoid prime agricultural soils on-site. No other feasible mitigation measures are known that will further reduce impacts. Under a reasonable buildout scenario for cannabis related development, impacts to prime soils will remain significant and unavoidable. While impacts associated with CCPs would be reduced to less than significant, a significant impact from potential conversions under an ADP would remain. No additional mitigation measures have been identified that would</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

				<p>reduce potential impacts to less than significant.</p> <p>The Board finds that the feasible mitigation measure (MM AG-1) has been incorporated into the NCCO to reduce the significant environmental effects identified in the EIR to the maximum extent feasible. This mitigation measure will be implemented during the review of entitlement applications for cannabis development, to mitigate project-specific and cumulative impacts to agricultural resources to the maximum extent feasible. However, even with this mitigation measure, impacts to agricultural resources are cumulatively considerable and will remain significant and unavoidable. Therefore, the Board finds the NCCO residual impacts to agricultural resources are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
Air Quality and Greenhouse Gas Emissions				
<p>Impact 4.3-1: Implementation of the project would conflict with or obstruct implementation of the applicable air quality plan;</p> <p>Impact 4.3-2:</p>	PS	<p>MM AIR-1: Conformance to NSAQMD Rules and Regulations. Amend the NCCO to require all commercial cannabis applications to include language in project cultivation plans and on project site plans when applicable, that that the grading or building permit for the proposed project shall comply with applicable state and federal air pollution control laws and regulations, and with applicable rules and regulations of the NSAQMD during any construction and</p>	SU	<p>Finding: The EIR identified significant project-specific and cumulative impacts related to air quality and greenhouse gas emissions from future cannabis activities that would be permitted if the project is approved. Specifically, the EIR identified the following adverse and unavoidable effects: inconsistency with the Clean Air Plan (Impact</p>

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<p>Implementation of the project would violate any air quality standard or contribute substantially to an existing or projected air quality violation;</p> <p>Impact 4.3-3: Implementation of the project would result in a cumulatively considerable net increase of any criteria pollutant for which the region is nonattainment under an applicable federal or state ambient air quality standards;</p> <p>Impact 4.3-6: Implementation of the project would generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment based on any applicable threshold of significance</p>		<p>during operations of cannabis facilities. Compliance with NSAQMD Rule 226 Dust Control Plan shall be required, and all construction equipment (75 horsepower and greater) shall not be less than Tier 3, less than Tier 4 Interim if construction starts after 2025, and Tier 4 Final if construction starts after 2030. Written documentation that the cannabis facility is in compliance with the NSAQMD shall be provided to the Nevada County Planning Department.</p>		<p>4.3-1), violate and air quality standard (Impact 4.3-2), result in a cumulatively considerable net increase for a criteria pollutant (Impact 4.3-3), and generate greenhouse gas emissions that may have a significant impact on the environment (Impact 4.3-6).</p> <p>The EIR identified mitigation measure AIR-1 to reduce impacts associated with construction related air quality impacts and greenhouse gas emissions. Impacts on air quality be reduced but would remain significant.</p> <p>Explanation: Mitigation measure AIR-1 requires that cannabis applicants implement feasible air pollution control measures consistent with Northern Sierra Air Quality Management District requirements and subject to the review and approval of the County. No other feasible mitigation measures are known that will further reduce air quality impacts. Cumulative impacts related to air quality and greenhouse gas emissions are mitigated to the maximum extent feasible with mitigation measure AIR-1. Since the County is anticipated to remain in non-attainment, the project’s contribution to cumulative air quality impacts would be cumulatively considerable and, therefore, significant and unavoidable.</p> <p>Under a reasonable buildout scenario for cannabis-related development, impacts from</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

				<p>construction related air quality will not be fully mitigated and will remain significant and unavoidable.</p> <p>The Board finds that the feasible mitigation measure (MM AIR-1) has been incorporated into the NCCO to reduce the significant environmental effects identified in the EIR to the maximum extent feasible. This mitigation measure will be implemented during the review of entitlement applications for cannabis development, to mitigate project-specific and cumulative impacts on air quality to the maximum extent feasible. However, even with this mitigation measure, impacts on air quality, (Impact 4.3-1; 4.3-2; 4.3-3; and 4.3-6) will remain significant and unavoidable. Therefore, the Board finds the NCCO residual impacts on air quality are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
<p>Impact 4.3-5: Implementation of the project would create objectionable odors, affecting a substantial number of people</p>	PS	<p>MM AIR-2: Prohibit burning of cannabis and other vegetation. Amend the NCCO to prohibit all commercial and non-remuneration operations to from burning any cannabis or other vegetative materials. The following language shall be added to the proposed NCCO: “The burning of any part of the cannabis plant or plant materials that is considered excess or waste is prohibited from being burned.”</p>	SU	<p>Finding: The EIR identified significant project-specific and cumulative impacts related to air quality from future cannabis activities that would be permitted if the project is approved. The EIR identified mitigation measure AIR-2 to reduce impacts associated with objectionable odors through restricting burning of cannabis plant materials, but found that potential impacts</p>

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		<p>Commercial cannabis cultivation would generate objectionable odors despite a required 100-foot setback from property lines.</p>		<p>associated with objectionable odors would remain significant.</p> <p>Explanation: Mitigation measure AIR-2 requires that cannabis applicants implement feasible measures to restrict the burning of cannabis plant materials. No other feasible mitigation measures are known that will further reduce odor impacts. Under a reasonable buildout scenario for cannabis-related development, impacts from objectionable odors will not be fully mitigated and will remain significant and unavoidable.</p> <p>The Board finds that the feasible Mitigation Measure AIR-2 has been incorporated into the NCCO to reduce the significant environmental effects identified in the EIR to the maximum extent feasible. This mitigation measure will be implemented during the review of entitlement applications for cannabis development, to mitigate project-specific and cumulative impacts on air quality to the maximum extent feasible. However, even with this mitigation measure, impacts on air quality (Impact 4.3-5) will remain significant and unavoidable. Therefore, the Board finds the NCCO residual impacts on air quality are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
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Biological Resources				
<p>Impact 4.4-1: Implementation of the project would cause disturbance to or loss of special status wildlife species and habitat;</p> <p>Impact 4.4-2: Implementation of the project would cause disturbance to or loss of special status plant species and habitat;</p> <p>Impact 4.4-3: Implementation of the project would cause disturbance to or loss of riparian habitat or other sensitive natural communities</p> <p>Impact 4.4-4: Implementation of the project would cause disturbance to or loss of wetland or water of the united states;</p> <p>Impact 4.4-5: Implementation of the project would interfere with</p>	<p>PS</p>	<p>MM BIO-1 Generator Noise: The proposed NCCO shall be amended to require all projects under either a CCP or an ADP to keep all generators in containment sheds whiles in use to reduce generator noise to no greater than 50dB as measured at 100 feet from any sensitive habitat or known sensitive species. This would be an annual requirement and verified yearly when the ACP is renewed. If conformance is not shown, the permit shall be denied or the held in abeyance until the project infraction is brought into conformance with the NCCO.</p> <p>MM BIO-2 Biological Resources Pre-Screening: The proposed NCCO shall be amended to require all applicants to submit biological pre-screening materials of all project sites for both CCP and ADP applications. The materials shall include adequate information to define site constraints and show potentially sensitive biological resource areas. Materials shall include, at a minimum, project location (site address and parcel numbers); site aerials, photographs of proposed areas of disturbance (includes canopy area, accessory structures, and any related improvements [e.g., driveways, staging areas, etc.]), photographs of vegetative cover, a thorough project description describing all phases of construction, all proposed structures and cultivation areas, location of any streams, rivers, or other water bodies, limits and depth of grading, any grading cut or fill in a stream, river, or other water body, any water diversions and/or description of the source of water, water storage locations, and source of electricity (if applicable).</p> <p>The applicant shall provide site plan(s) showing all areas of disturbance, multiple site plans may be used to clearly show the following; site aerials showing vegetation patterns and</p>	<p>LS</p>	<p>Finding: The EIR identified the following potentially significant but mitigable project-specific impacts from future cannabis activities: adverse impacts on special status wildlife species (Impact 4.4-1); adverse effects on special status plant species (Impact 4.4-2); adverse effects on riparian habitats and sensitive natural communities (Impact 4.4-3); adverse effects on wetland habitats (Impact 4.4-4) and adverse impacts on wildlife corridors (Impact 4.4-5). The EIR identifies mitigation measures that would reduce potentially significant impacts to less than significant.</p> <p>Explanation: The Board finds that Mitigation Measure BIO-1 and Mitigation Measure BIO-2, have been incorporated into the NCCO. Mitigation Measure BIO-1 would require future applicants to keep all generators in containment sheds whiles in use to reduce generator noise to no greater than 50dB as measured at 100 feet from any sensitive habitat or known sensitive species. Mitigation Measure BIO-2 would require all applicants to submit biological pre-screening materials of all project sites for both CCP and ADP applications. If the pre-screening materials identify habitats known to support sensitive or special status plant or animal species, then avoidance of the sensitive or</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

<p>resident or migratory wildlife corridors or native wildlife nursery sites</p>		<p>habitats (without snow cover), location of any water courses including ephemeral drainages and any other water bodies, all existing or proposed cultivation areas and structures, location of electric generators (if applicable), and grading plans with areas of cut and fill (if applicable).</p> <p>If the pre-screening materials identify habitats known to support sensitive or special status plant or animal species, then avoidance of the sensitive or special status species shall be required. If avoidance of a special status species cannot be achieved, then a Biological Inventory shall be prepared. The Biological Inventory shall be prepared by a qualified biologist. The Biological Inventory shall contain an environmental setting, a project description, review of CNDDDB database for the project location, a description of potential sensitive habitats existing on site, field survey methodology and findings (if needed), mitigation to reduce impacts (if needed), level of impacts conclusion. Due to the varying nature of biological conditions and variable locations of habitat types and dispersion of sensitive species, additional evaluations such as wetland delineations, protocol level surveys, nesting bird surveys, etc., may be required consistent with the applicable resources standards identified in Sections L-II 4.3 of the Nevada County Land Use and Development Code. If additional avoidance or protection measures are required, a Habitat Management Plan (HMP) consistent with the requirements of Section L-II 4.3.3 of the Nevada County Land Use and Development Code shall be prepared for both CCP and ADP permit applications. The HMPs would be implemented on a project by project basis and included as part of the project-specific approval process. If potential impacts on these biological resources cannot reduced to less than significant, no permit shall be issued.</p>		<p>special status species shall be required. If avoidance of a special status species cannot be achieved, then a Biological Inventory shall be prepared. The Biological Inventory shall be prepared by a qualified biologist.</p> <p>The Board finds that implementation of Mitigation Measure BIO-1 and Mitigation Measure BIO-2 would reduce the significant project-specific environmental effects related to biological resources (Impacts 4.4.-1, 4.4-2, 4.4-3, 4.4-4, and 4.4-5) to less than significant level.</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

<p>Cumulative Impact: The project's contribution to significant cumulative impacts on sensitive natural communities, special status plants, riparian habitats, wetlands and waters of the United States, and wildlife corridors would be cumulatively considerable and significant and unavoidable when considered over the unincorporated area of the County.</p>	<p>PS</p>	<p>Implement MM BIO-1 and MM BIO-2</p>	<p>SU</p>	<p>Finding: The EIR identified significant cumulative impacts on biological resources future cannabis activities that would be permitted if the project is approved. The EIR identified Mitigation Measures BIO-1 and BIO-2 to reduce impacts associated with cumulative impacts on biological resources but would remain significant.</p> <p>Explanation: Mitigation Measures BIO-1 and BIO-2 require that cannabis applicants implement feasible measures to reduce or avoid impacts on sensitive natural communities, special status plants, riparian habitats, wetlands and waters of the United States, and wildlife corridors. No other feasible mitigation measures are known that will further reduce biological resource impacts. Under a reasonable buildout scenario for cannabis- related development, impacts on biological resources will not be fully mitigated and will remain significant and unavoidable.</p> <p>The Board finds that the feasible Mitigation Measures BIO-1 and BIO-2 have been incorporated into the NCCO to reduce the significant environmental effects identified in the EIR to the maximum extent feasible. These mitigation measures will be implemented during the review of entitlement applications for cannabis development, to mitigate project-specific and cumulative impacts on biological</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

				resources to the maximum extent feasible. However, even with these mitigation measures, cumulative impacts on biological resources will remain significant and unavoidable. Therefore, the Board finds the NCCO residual cumulative impacts on biological resources are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.
Cultural and Tribal Resources				
<p>Impact 4.5-1: Implementation of the project would cause a substantial adverse change in the significance of a historical resource;</p> <p>Impact 4.5-2: Implementation of the project would cause a substantial adverse change in the significance of an archaeological resource;</p> <p>Impact 4.5-3: Implementation of the project would directly or indirectly destroy a unique paleontological resource or</p>	PS	<p>MM CUL-1: Prior to project approval of either a CCP or an ADP, the project applicant, to the satisfaction of the County Planning Department shall submit a Non-Confidential Records Search to NCIC to determine the sensitivity of potential commercial cannabis cultivation site to disturb historic, cultural, or tribal resources. The applicant shall submit the sensitivity letter with the CCP or ADP. Upon receipt, should the County find the NCIC recommends a cultural resource study, the applicant shall retain a qualified professional to conduct a cultural resource study of the project area. No permit shall be issued until the completion of such report, and if needed, until recommended mitigation is implemented, or a plan has been submitted to the County for implementation.</p> <p>MM CUL-2: The proposed NCCO shall be amended to include a Cultural Resources Inadvertent Discovery Protocol (IDP) for projects that require grading or ground disturbance. The IDP shall include requirements that if subsurface archaeological features or deposits are discovered during construction or ground disturbance all activities within 50-feet of the find shall cease and the County shall be notified immediately. A</p>	LS	<p>Finding: The EIR identified potentially significant but mitigable impacts to historical resources (Impact 4.5--1), archaeological resources, paleontological resources (Impacts 4.5-2 and 4.5-3), human remains (impact 4.5-4) or tribal cultural resources (Impacts 4.5-5 and 4.5-6), from future cannabis activities. The EIR identifies two mitigation measures that would reduce potentially significant impacts to less than significant level.</p> <p>Explanation: Mitigation Measure CUL-1 requires future cannabis applicants to submit a Non-Confidential Records Search to NCIC to determine the sensitivity of potential commercial cannabis cultivation site to disturb historic, cultural, or tribal resources. Upon receipt, should the County find the NCIC recommends a cultural resource study, the applicant shall retain a qualified</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

<p>site or unique geologic feature;</p> <p>Impact 4.5-4: Implementation of the project would disturb any Human Remains, including those Interred outside of Formal Cemeteries</p> <p>Impact 4.5-5: Implementation of the project would cause a substantial adverse change in the significance of a tribal cultural resource, defined in PRC section 21074, that is listed or eligible for listing in the California register of historical resources, or in a local register of historical resources as defined in PRC section 5020.1(k);</p> <p>Impact 4.5-6: cause a substantial adverse change in the significance of a tribal cultural resource, defined in PRC section 21074, that is a resource determined by Nevada county to be significant pursuant to criteria set forth in PRC section 5024.1(c);</p>		<p>qualified archeologist shall be retained by the County to assess the find and shall have the authority to prescribe all appropriate protection measures to future work.</p> <p>If buried human remains are discovered during construction or ground disturbance all activities shall cease and the County shall be notified immediately. The County shall notify the coroner to examine the remains. If the remains are determined to be of Native American origin, the Native American Heritage Commission shall be notified, and all sections detailed in Section 5097.98 of the California Public Resources Code shall be followed.</p> <p>Implement Land Use and Development Code Section L-II 4.3.6 Significant Cultural Resources</p>		<p>professional to conduct a cultural resource study of the project area.</p> <p>Mitigation Measure CUL-2 requires a Cultural Resources Inadvertent Discovery Protocol (IDP) for projects that require grading or ground disturbance. The IDP shall include requirements that if subsurface archaeological features or deposits are discovered during construction or ground disturbance all activities within 50-feet of the find shall cease and the County shall be notified immediately. A qualified archeologist shall be retained by the County to assess the find and shall have the authority to prescribe all appropriate protection measures to future work.</p> <p>The Board finds that the feasible Mitigation Measure CUL-1 and Mitigation Measure CUL-2 have been incorporated into the NCCO. The Board finds that implementation of Mitigation Measure CUL-1 and Mitigation Measure CUL-2 would reduce the significant project-specific and cumulative effects related to cultural resources (Impacts 4.5-1 through 4.5-6, and cumulative impacts) to a less than significant level.</p>
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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

<p>Cumulative Impact: Cumulative impacts to historic and archaeological resources</p>				
Hydrology and Water Quality				
<p>Impact 4.8-2: Implementation of the project would substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level.</p> <p>Cumulative Impact: Substantially deplete groundwater supplies.</p>	PS	<p>No feasible mitigation measures have been identified that could be implemented on a project by project basis.</p>	SU	<p>Finding: The project would result in an increase in demand for local groundwater resources that could contribute to cumulative groundwater supply and impacts in areas of the County with limited groundwater resources (e.g., fractured bedrock conditions). The County currently does not monitor groundwater extraction for residential or agricultural uses. An increase in groundwater extraction in existing wells or new wells for commercial cannabis activities could result in unknown reductions in local groundwater levels that could adversely impact adjacent wells. Project-specific impacts would be cumulatively considerable and significant and unavoidable. No mitigation is available to further reduce impacts to less than significant.</p> <p>Explanation: No feasible mitigation measures are known that will further reduce impacts. Creating groundwater monitoring regulations that applied only to future cannabis applicants and not to all residential</p>

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Table of Impacts, Mitigation Measures and CEQA Findings (continued)

				and agricultural users in the County is not considered a feasible measure for the County as it would not apply regulations equitably for all groundwater users in the unincorporated area of the County. Under a reasonable buildout scenario for cannabis related development, project specific and cumulative impacts on groundwater supply will be significant and unavoidable. Therefore, the Board finds the NCCO residual impacts groundwater supply are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.
Land Use and Planning				
Impact 4.9-2: Implementation of the project would conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to, the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding mitigating an environmental effect.	PS	Potential conflicts with the Truckee Sphere of Influence are significant. No feasible mitigation measures are available.	SU	Finding: Implementation of the proposed NCCO could result in the permitting of a commercial cannabis operation within the Truckee SOI. The Town, however, does not provide for cultivation of cannabis beyond the six plants allowed by California State Law. This cultivation may conflict with a future land uses in these areas should the Town of Truckee choose to annex one of these areas. Land use conflicts could arise because commercial cultivation is not an allowable uses pursuant to Truckee planning documents. Ultimately, cannabis cultivation within the Truckee SOI may lead to future land use conflicts resulting in a significant

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				<p>impact to the environment. Therefore, although the County finds this unlikely, this impact is considered significant and unavoidable. No mitigation is available to further reduce impacts to less than significant.</p> <p>Explanation: No feasible mitigation measures are known that will further reduce impacts. Under a reasonable buildout scenario for cannabis related development, project specific impacts as a result of land use conflicts with the Town of Truckee SOI will be significant and unavoidable. Therefore, the Board finds the NCCO residual impacts groundwater supply are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
Transportation and Circulation				
<p>Impact 4.15-1: Implementation of the project would conflict with an applicable plan, ordinance, or policy establishing measures of effectiveness for the performance of the circulation system.</p>	PS	<p>After the payment of the RTMF and LTMF fees, no feasible mitigation measures have been identified.</p>	SU	<p>Finding: Commercial cannabis cultivation would have the potential to create a substantial increase in vehicle travel on a regional and local level. Traffic generated from commercial cannabis cultivation would be dispersed throughout a wide area of Nevada County, as the proposed commercial cannabis cultivation would be allowed in the AG, AE, and FR zones. Depending on the eventual siting of cultivation locations, some areas, due to existing Level of Service (LOS)</p>

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			<p>on the roadways in proximity to those locations, would be more susceptible to concentrated traffic impacts. Accordingly, areas with relatively higher population density would be more likely to experience higher increases in traffic volumes than areas with more sparse development. However, with a maximum 10,000 sf of canopy area, there is no individual project that would result in a significant increase in traffic on any roadway segments or intersections. Other than the payment of the western Nevada County Regional Transportation Management Fee (RTMF) and the Local Transportation Management Fee (LTMF), no additional feasible mitigation has been identified that could be implemented on an application by application basis that would reduce these impacts to less than significant. Therefore, traffic impacts in this regard impacts would be significant and unavoidable.</p> <p>Explanation: No feasible mitigation measures are known that will further reduce potential traffic impacts. Under a reasonable buildout scenario for cannabis related development, project specific impacts as a result of increased traffic generated from commercial cannabis cultivation would be dispersed throughout the County will be significant and unavoidable. However, with a maximum 10,000 sf of canopy area, there is</p>
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				no individual project that would result in a significant increase in traffic on any roadway segments or intersections. Therefore, the Board finds the NCCO impacts on the existing transportation system are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.
Utilities and Service Systems				
<p>Impact 4.16-4: Implementation of the project would have insufficient water supplies available to serve the project from existing entitlements and resources, thereby requiring new or expanded entitlements.</p> <p>Cumulative Impacts: Impacts on water supply of public water service providers and groundwater supply.</p>	PS	No feasible mitigation measures have been identified	SU	<p>Finding: Groundwater supplies from Fractured rock systems can be difficult to trace and sometimes have limited yield based upon underground flow conditions. Neither the County nor the State has governing rules that would give one overlying groundwater user an advantage over a new overlying groundwater user for cannabis cultivation purposes. Neither the County nor the State have a mechanism in place to track or monitor groundwater production in individual wells. For these reasons, potential impacts on groundwater supply are considered significant. Mitigation measures for reducing impacts to groundwater use could include new County policies regarding groundwater extraction and monitoring. However, new County policy and regulations for groundwater use is beyond the scope of the proposed project and are not considered feasible. Therefore, groundwater impacts are considered significant and unavoidable.</p>

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				<p>Explanation: No feasible mitigation measures are known that will further reduce impacts. Creating groundwater monitoring regulations that applied only to future cannabis applicants and not to all residential and agricultural users in the County is not considered a feasible measure for the County as it would not apply regulations equitably for all groundwater users in the unincorporated area of the County. Under a reasonable buildout scenario for cannabis related development, project specific and cumulative impacts on groundwater supply will be significant and unavoidable. Therefore, the Board finds the NCCO residual impacts groundwater supply are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
Energy				
<p>Impact 4.17-1: Implementation of the project would use large amounts of fuel or energy in an unnecessary, wasteful, or inefficient manner.</p>	PS	<p>No feasible mitigation measures have been identified Implement Land Use Development Code Section L-II 4.3.9 regarding Energy Conservation of the Nevada County Land Use Development Code</p>	SU	<p>Finding: Under a conservative buildout scenario for cannabis buildout development, project specific impacts as a result of a significant increase in energy use as a result of indoor and mixed-use commercial cannabis cultivation. A substantial increase in electrical energy consumption combined with an additional 153,525 new daily vehicle miles traveled would result in significant and unavoidable impacts. However, with a maximum 10,000 sf of canopy area, there is</p>

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				<p>no individual project that would result in a significant increase in energy consumption in any one location that would use large amounts of fuel or energy in an unnecessary, wasteful, or inefficient manner. No feasible mitigation measures have been identified.</p> <p>Explanation: No feasible mitigation measures are known that will further reduce energy consumption impacts on an individual project basis. Under a conservative buildout scenario for cannabis related development, project specific impacts on energy use will be significant and unavoidable. Therefore, the Board finds the NCCO impacts from increased energy use are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
<p>Impact 4.17-2: Implementation of the project would constrain local or regional energy supplies, affect peak and base periods of electrical or natural gas demand, require or result in the construction of new electrical generation and/or transmission facilities, or necessitate the expansion of existing facilities, the construction of</p>	<p>PS</p>	<p>No feasible mitigation measures have been identified.</p>	<p>SU</p>	<p>Finding: It is possible that due to the substantial increased energy demand expected as part of the proposed project, the local and or regional energy supplies could become constrained resulting in an effect on peak and base periods of demand for electricity. Although, the proposed cultivation sites would be phased in over time, if the number of new commercial cannabis operations increases at a rapid rate or more parcels are developed for cultivation than anticipated, a substantial increased demand for energy could result. However, with a maximum 10,000 sf of canopy area,</p>

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<p>which could cause significant environmental effects</p>			<p>there is no individual project that would result in a significant increase in energy consumption in any one location that would Constrain local or regional energy supplies, affect peak and base periods of electrical or natural gas demand, or require or result in the construction of new electrical generation and/or transmission facilities. No feasible mitigation measures have been identified.</p> <p>Explanation: No feasible mitigation measures are known that will further reduce energy consumption impacts on an individual project basis. Under a conservative buildout scenario for cannabis related development, project specific impacts on energy use will be significant and unavoidable. Therefore, the Board finds the NCCO impacts from increased energy use are acceptable due to the overriding considerations discussed in the Statement of Overriding Considerations in Section V.B below.</p>
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IX. Findings Regarding Project Alternatives.

A. Basis for Alternatives Feasibility Analysis

The CEQA Guidelines require that an EIR describe a reasonable range of alternatives that would feasibly attain most of the basic project objectives but would avoid or substantially lessen any of the significant environmental effects of the project and evaluate the comparative merits of the alternatives. (Guidelines §15126(a)). Case law has indicated that the lead agency has the discretion to determine how many alternatives constitute a reasonable range. (*Citizens of Goleta Valley v. Board of Supervisors* (1990), 52 C.3d 553, 566). CEQA Guidelines note that alternatives evaluated in the EIR should be able to attain most of the basic objectives of the project (Guidelines §15126.6(a)). An EIR need not present alternatives that are incompatible with fundamental project objectives (*Save San Francisco Bay Association vs. San Francisco Bay Conservation & Development Commission* (1992), 10 Cal.App.4th 908); and the Guidelines provide that an EIR need not consider alternatives that are infeasible. (CEQA Guidelines §15126.6(a)). The Guidelines provide that among the factors that may be taken into account when addressing the feasibility of alternatives are “site suitability, economic viability, availability of infrastructure, general plan consistency, other plans or regulatory limitations, jurisdictional boundaries, and whether the proponent can reasonably acquire, control or otherwise have access to the alternative site.” (CEQA Guidelines §15126.6(f)(1)). The range of alternatives required in an EIR is governed by a “rule of reason” that requires the EIR to set forth only those alternatives necessary to permit a reasoned choice (CEQA Guidelines §15126.6(f)).

Public Resources Code section 21061.1 defines “feasible” to mean “capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social and technological factors.” CEQA Guidelines section 15364 adds another factor: “legal” considerations. (See also *Citizens of Goleta Valley v. Board of Supervisors* (“*Goleta II*”) (1990) 52 Cal.3d 553, 565.)

The concept of “feasibility” also encompasses the question of whether a particular alternative or mitigation measure promotes the underlying goals and objectives of a project. (*City of Del Mar v. City of San Diego* (1982) 133 Cal.App.3d 410, 417.) “[F]easibility’ under CEQA encompasses ‘desirability’ to the extent that desirability is based on a reasonable balancing of the relevant economic, environmental, social, and technological factors.” (Id.; see also *California Native Plant Society v. City of Santa Cruz* (2009) 177 Cal.App.4th 957, 1001-1002 (*City of Santa Cruz*.)

The review of project alternatives is guided primarily by the need to substantially reduce potential impacts associated with the project, while still achieving the basic objectives of the project (Project Objectives (DEIR, p. 3-19)), which are as follows:

- Provide a mechanism for the regulation of a legal commercial cannabis cultivation industry within the unincorporated county;
- Reduce the level of nuisance that existing commercial cannabis cultivation represents to adjacent areas of existing growers;
- Encourage existing cannabis businesses to secure a license to operate in compliance with County and state regulations;
- Reduce the adverse effects of commercial cannabis cultivation on the environment through implementation of these regulations and permitting process;
- Adopt an ordinance that defines specific zones within the County in which production of commercial cannabis cultivation will be allowed;
- Adopt an ordinance that defines, within the specific zones, the total area of commercial cannabis cultivation that will be allowed;
- Reduce the effects of potential adverse effects of commercial cannabis cultivation on sensitive receptors by ensuring compatibility with existing surrounding land uses;
- To align cannabis regulations with regulations applicable to other commercial activities.

The review of project alternatives is guided primarily by the need to substantially reduce potential impacts associated with the project, while still achieving the basic objectives of the project.

The detailed discussions in Sections VII and VIII of this document demonstrate that many of the significant environmental effects of the project have been either substantially lessened or avoided through the imposition of existing policies or regulations or by the adoption of additional, formal mitigation measures recommended in the EIR.

The County can fully satisfy its CEQA obligations by determining whether any alternatives identified in the Draft EIR are both feasible and environmentally superior with respect to the project impacts identified in the EIR. (See *Laurel Hills Homeowners Assn. v. City Council* (1978) 83 Cal.App.3d 515, 520-521, 526-527; *Kings County Farm Bureau, supra*, 221 Cal.App.3d at pp. 730-731; and *Laurel Heights Improvement Assn. v. Regents of the University of California* (1988) 47 Cal.3d 376, 400-403; see also Pub. Resources Code, Section 21002.) These Findings will assess whether each alternative is feasible in light of the County's objectives.

As discussed in *California Native Plant Society v. City of Santa Cruz* (2009) 177 Cal.App.4th 957, the issue of feasibility arises at two different junctures: (1) in the assessment of alternatives in the EIR, and (2) during the agency's later consideration of whether to approve the project. But differing factors come into play at each stage. For the first phase -- inclusion in the EIR -- the standard is whether the alternative is potentially feasible. (Guidelines, § 15126.6, subd. (a).) By contrast, at the second phase -- the final decision on project approval -- the decision-making body evaluates whether the alternatives are

actually feasible. (See Guidelines, § 15091, subd. (a)(3).) At that juncture, the decisionmakers may reject as infeasible alternatives that were identified in the EIR as being potentially feasible.

Therefore, the Board of Supervisors (“Board”), in considering the five alternatives identified in the DEIR and these findings, needs to determine whether any alternatives are environmentally superior with respect to those impacts which cannot be mitigated to less than significant. If any of the alternatives are superior with respect to those impacts, the Board is then required to determine whether the alternatives are feasible. If the Board determines that no alternative is both feasible and environmentally superior with respect to the unavoidable significant impacts identified above, then the Board may approve the project as mitigated after adopting a Statement of Overriding Considerations.

Under CEQA, “feasible” means *capable of being accomplished in a successful manner within the reasonable period of time, taking into account economic, environmental, legal, social, and technological factors* (CEQA Guidelines 15364). The concept of feasibility permits an agency’s decision-makers to consider whether an alternative is able to meet some or all of the projects objectives. In addition, the definition of “feasibility” encompasses “desirability” to the extent that an agency’s determination of infeasibility represents a reasonable balancing of competing economic, environmental, social, and technological factors supported by evidence.

Alternatives Considered

CEQA does not specify the methodology for comparing alternatives. However, the issues and impacts that are most germane to a particular project must be evaluated when comparing an alternative to a proposed project. As such, the issues and impacts analyzed in project alternatives vary depending on the project type and the environmental setting. Long-term impacts (e.g., visual impacts and permanent loss of farmland or land use conflicts) are those that are generally given more weight in comparing alternatives. Impacts associated with construction (i.e., temporary or short-term) or those that are easily mitigable to less than significant levels are considered to be less important.

The alternatives analysis below compares each alternative to the proposed project according to whether it would have a mitigating or adverse effect for each of the environmental resource areas analyzed in this EIR. The Final EIR identified and compared the significant environmental impacts of the project alternatives listed below in accordance with the provisions of the CEQA Guidelines Section 15126.6. The following project alternatives were evaluated:

No Project Alternative: CEQA Guidelines Section 15126.6(e)(1) requires that a No Project Alternative be analyzed. Under this Alternative, an amendment to Nevada County Code Title 2, Chapter IV Article 5 Section G-IV 5.4, which defines the current parameters of allowable medical cultivation activities based on the land use designations would not occur. This alternative would allow cultivation in accordance with the current ordinance and state law providing for cultivation for personal use and for medical purposes only. No commercial

cannabis cultivation would be allowed. This alternative would not place any restriction on the number of properties on which cultivation could occur. This alternative would maintain that any cultivation undertaken outside the restrictions of the code would be considered a nuisance and may be abated by any legal means available. This alternative also would not permit commercial cultivation and would not provide the County with additional enforcement mechanisms for illegal cultivation activities.

Finding: The County has determined that specific economic, social, and environmental considerations render the No Project Alternative infeasible. (See CEQA Guidelines, Section 15091, subd. (a)(3).) Under CEQA, “Feasible” means “[...] capable of being accomplished in a successful manner in a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors.” (CEQA Guidelines, Section 15364.) As noted above, the concept of “feasibility” also encompasses the question of whether a particular alternative or mitigation measure promotes the underlying goals and objectives of a project. (*City of Del Mar, supra*, 133 Cal.App.3d at p. 417; *City of Santa Cruz, supra*, 177 Cal.App.4th at pp. 992, 1000-1003.)

While impacts under this Alternative would be reduced in nearly all impact categories, the No Project Alternative would not meet any of the objectives of the project – that is, there would be no mechanism for regulation of legal commercial cannabis cultivation, the nuisances from existing commercial cannabis cultivation would remain, existing commercial cannabis businesses would remain unlicensed and unregulated, the environmental effects associated with the existing commercial cannabis cultivation would not be reduced, no specific zones and/or grow areas would be identified or defined, sensitive receptors would remain subject to impacts from existing cultivation, and the County’s regulation of cannabis would not be aligned with its regulation of other commercial activities. The County would also have to continue to spend economic resources and staff time attempting to abate nuisances stemming from unregulated cannabis cultivation without the project’s abatement process and framework for collecting penalties to fund that abatement. And the unincorporated area of the County would not obtain the social and public health benefits associated with availability of medical cannabis. For these reasons, the No Project Alternative is rejected as infeasible.

To the extent that the project has greater environmental impacts than the No Project Alternative, the County believes they are acceptable, given the efforts taken to mitigate all environmental impacts to the extent feasible. In sum, the County believes that the benefits of the project as proposed outweigh its environmental costs. (See *Laurel Hills, supra*, 83 Cal.App.3d at p. 521 (a public agency may approve [] a project once its significant adverse effects have been reduced to an acceptable level -- that is, all avoidable damage has been eliminated and that which remains is otherwise acceptable”).)

Thirty Percent Commercial Cannabis Alternative: This Alternative would reduce the number of eligible parcels zoned, (AG, AE, or FR) within the County that could be used for commercial cannabis cultivation from 100% to 30%. Within the County, there are a currently total of 27,207 parcels zoned AG, AE, and FR. Under this alternative, the total number of AG, AE, and FR parcels on which commercial cultivation would be allowed is reduced to 8,162 or approximately 30% of 27,207.

Finding: The County has determined that specific economic, social, and environmental considerations render the Thirty Percent Commercial Cannabis Alternative infeasible. (See CEQA Guidelines, Section 15091, subd. (a)(3).) Under CEQA, “Feasible” means “[...] capable of being accomplished in a successful manner in a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors.” (CEQA Guidelines, Section 15364.) As noted above, the concept of “feasibility” also encompasses the question of whether a particular alternative or mitigation measure promotes the underlying goals and objectives of a project. (*City of Del Mar, supra*, 133 Cal.App.3d at p. 417; *City of Santa Cruz, supra*, 177 Cal.App.4th at pp. 992, 1000-1003.)

The Thirty Percent Cultivation Alternative would meet or partially meet most the project objectives and would result in an overall reduction of potential environmental effects. However, this Alternative would substantially limit the total number of permits issued for commercial cannabis cultivation and non-remuneration cultivation. A large focus of the proposed project is to provide a mechanism to permit and regulate existing as well as future cultivation operations. This Alternative would substantially reduce the ability of the County to focus on that effort. This Alternative also would not eliminate all significant and unavoidable environmental impacts. Most impacts related to the project would be incrementally reduced, but all mitigation measures would still be required. While environmental impacts would be reduced, this Alternative would conflict with the regulatory intent of the proposed project. Further, existing cannabis cultivation operations located outside the reduced number of eligible parcels proposed under this Alternative would remain unregulated and would still have the potential to cause nuisances and require the County to spend economic and staff resources on abatement without the benefit of the project’s abatement process and framework for collecting penalties to fund that abatement. For these reasons, this Alternative is rejected as infeasible.

To the extent that the project has greater environmental impacts than the Thirty Percent Commercial Cannabis Alternative, the County believes they are acceptable, given the efforts taken to mitigate all environmental impacts to the extent feasible. In sum, the County believes that the benefits of the project as proposed outweigh its environmental costs. (See *Laurel Hills, supra*, 83 Cal.App.3d at p. 521 (a public agency may approve [] a project once its significant adverse effects have been reduced to an acceptable level -- that is, all avoidable damage has been eliminated and that which remains is otherwise acceptable”).)

No Groundwater Cultivation Alternative: This Alternative removes the eligibility of cultivators from using personal wells to draw groundwater for irrigation of commercial cannabis operations. All water would be provided by either Nevada Irrigation District (NID) or other provider. In areas where ground water is the only water source, cultivation activities would be required to cease or an alternative source such as a water diversion or rainwater catchment could be used. Although this alternative would not directly restrict cultivation or change the zones in which cultivation would be permitted, it is expected to decrease the overall area that would be cultivated. Cultivation would still be permitted in the same areas as the proposed project but the increased cost from purchasing water, or from developing alternative sources (diversion from a stream or spring, installing a rainwater catchment system, or purchase water to be trucked in.)

Finding: The County has determined that specific economic, social, and environmental considerations render the No Groundwater Cultivation Alternative infeasible. (See CEQA Guidelines, Section 15091, subd. (a)(3).). Under CEQA, “Feasible” means “[...] capable of being accomplished in a successful manner in a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors.” (CEQA Guidelines, Section 15364.) As noted above, the concept of “feasibility” also encompasses the question of whether a particular alternative or mitigation measure promotes the underlying goals and objectives of a project. (*City of Del Mar, supra*, 133 Cal.App.3d at p. 417; *City of Santa Cruz, supra*, 177 Cal.App.4th at pp. 992, 1000-1003.)

The No Groundwater Cultivation Alternative would meet or partially meet most the project objectives. While this Alternative would result in an overall reduction of potential environmental effects, specifically significant impacts on groundwater use in the unincorporated areas of the County. Accordingly, the overall total number of permits issued for commercial cannabis cultivation and non-remuneration cultivation would be reduced and environmental impacts associated with the project would also be reduced, including the potential for projects on an individual and cumulative basis to deplete groundwater supplies. However, this Alternative would be expected to increase the demand for instream water diversions, which would result in other direct impacts to water courses. And a large focus of the proposed project is to provide a mechanism to permit and regulate existing as well as future cultivation operations, but this Alternative would substantially reduce the ability of the County to focus on that effort. Under this Alternative, the unincorporated area of the County would obtain fewer social and public health benefits associated with availability of medical cannabis due to the reduced number of permits. This Alternative also would not eliminate all significant and unavoidable impacts – just those associated with groundwater. Most impacts related to the project would remain the same, and all mitigation measures would still be required. For these reasons, this Alternative is rejected as infeasible.

To the extent that the project has greater environmental impacts than the No Groundwater Cultivation Alternative, the County believes they are acceptable, given

the efforts taken to mitigate all environmental impacts to the extent feasible. In sum, the County believes that the benefits of the project as proposed outweigh its environmental costs. (See *Laurel Hills, supra*, 83 Cal.App.3d at p. 521 (a public agency may approve [] a project once its significant adverse effects have been reduced to an acceptable level - - that is, all avoidable damage has been eliminated and that which remains is otherwise acceptable”).)

Cultivation Allowed in RA Zones Alternative: This Alternative would maintain the current cultivation proposed for the AE, AG, and FR zones but also includes commercial cultivation in some RA zoned areas (identified in Table 6-2 in the Draft EIR). With the increased cultivation allowed in the RA zones, this Alternative would result in potential cultivation on approximately 20,833 parcels, an increase of approximately 76%.

Finding: The County has determined that specific economic, social, and environmental considerations render the Cultivation Allowed in RA Zones Alternative infeasible. (See CEQA Guidelines, Section 15091, subd. (a)(3).). Under CEQA, “Feasible” means “[...] capable of being accomplished in a successful manner in a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors.” (CEQA Guidelines, Section 15364.) As noted above, the concept of “feasibility” also encompasses the question of whether a particular alternative or mitigation measure promotes the underlying goals and objectives of a project. (*City of Del Mar, supra*, 133 Cal.App.3d at p. 417; *City of Santa Cruz, supra*, 177 Cal.App.4th at pp. 992, 1000-1003.)

The Cultivation Allowed in RA Zones Alternative would meet or partially meet most of the project objectives. However, this Alternative would result in a substantially increased area that would permit commercial and non-remuneration cultivation. Not only would this Alternative result in the same or greater environmental impacts as the project in all impact categories, it would increase the area in which those environmental impacts are spread across the County. This Alternative therefore would not meet the project objectives aimed at protection of the environment and reduction of potential cannabis cultivation nuisances. For these reasons, the Cultivation Allowed in RA Zones Alternative is rejected as infeasible.

To the extent that the project has greater environmental impacts than the No Groundwater Cultivation Alternative, the County believes they are acceptable, given the efforts taken to mitigate all environmental impacts to the extent feasible. In sum, the County believes that the benefits of the project as proposed outweigh its environmental costs. (See *Laurel Hills, supra*, 83 Cal.App.3d at p. 521 (a public agency may approve [] a project once its significant adverse effects have been reduced to an acceptable level - - that is, all avoidable damage has been eliminated and that which remains is otherwise acceptable”).)

No Permanent Structures in Designated Farmland Alternative: This Alternative is proposed to avoid significant impacts on Prime Farmland, Unique Farmland, and Farmland of Statewide Importance (collectively identified as Designated Farmland). Under this

alternative commercial cannabis would be permitted on designated farmland, but only without the development of any permanent structures that would result in the conversion of Designated Farmland to non-agricultural uses. This would include permanent structures such as buildings pads or permanent structures for use in support of commercial cannabis cultivation, permanent structures to be used as greenhouses or mixed light facilities, or other improvements such as paved roadways or other infrastructure improvements that would result on the conversion of designated farmland to a non-agricultural use. This alternative requires the NCCO to be amended to preclude the development of permanent structures on designated farmland which would provide County staff with an additional mechanism for managing agricultural resources beyond what is currently required in the County's Land Use and Development Code.

Finding: The County has determined that specific economic, social, and environmental considerations render the No Permanent Structures in Designated Farmland Alternative infeasible. (See CEQA Guidelines, Section 15091, subd. (a)(3).) Under CEQA, "Feasible" means "[...] capable of being accomplished in a successful manner in a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors." (CEQA Guidelines, Section 15364.) As noted above, the concept of "feasibility" also encompasses the question of whether a particular alternative or mitigation measure promotes the underlying goals and objectives of a project. (*City of Del Mar, supra*, 133 Cal.App.3d at p. 417; *City of Santa Cruz, supra*, 177 Cal.App.4th at pp. 992, 1000-1003.)

The No Permanent Structures in Designated Farmland Alternative would meet or partially meet most of the project objectives. This Alternative would generally result in an overall reduction of potential environmental effects, specifically impacts on prime farmlands in the unincorporated areas of the County. However, implementation of this Alternative would potentially result in greater impacts to biological resources and geology and soils due to the increased amount of outdoor cultivation and bare soil exposed to rain and subsequent water run-off as well as wind and water-driven erosion. Moreover, this Alternative would not eliminate all significant and unavoidable impacts – only those related to designated farmland. Most impacts related to the project would remain the same, and all mitigation measures would still be required. This Alternative may also result in fewer or reduced grow operations, which will result in a reduction in County patients' access to medical cannabis. For these reasons, this Alternative is rejected as infeasible.

To the extent that the project has greater environmental impacts than the No Permanent Structures in Designated Farmland Alternative, the County believes they are acceptable, given the efforts taken to mitigate all environmental impacts to the extent feasible. In sum, the County believes that the benefits of the project as proposed outweigh its environmental costs. (See *Laurel Hills, supra*, 83 Cal.App.3d at p. 521 (a public agency may approve [] a project once its significant adverse effects have been reduced to an acceptable level - - that is, all avoidable damage has been eliminated and that which remains is otherwise acceptable").)

These five alternatives were determined to be an adequate range of reasonable alternatives as required under CEQA Guidelines Section 15126.6 (DEIR, p. 6-1). The environmental impacts of each of these alternatives are identified and compared with the “significant” and “potentially significant” impacts resulting from the proposed project. That comparison is shown on **Table 6-3** at the end of EIR Section 6.0, Alternatives. The “No Project” alternative would be the environmentally superior alternative because it would eliminate all of the potentially significant impacts of the proposed project. However, while the “No Project” alternative is the environmentally superior alternative, it is not capable of meeting any of the basic objectives of the proposed project. After the “No Project” alternative, the environmentally superior alternative to the proposed project is the one that would result in the fewest or least significant environmental impacts. Based on the evaluation undertaken, Thirty Percent of Parcels Alternative is the environmentally superior alternative. This is the environmentally superior project alternative because it would have a less intense commercial cannabis cultivation footprint throughout the County compared to the proposed project and would result in fewer environmental impacts. However, the limited number of allowed permits would substantially hinder the County’s project objectives as described in the EIR and in these Findings.

X. Statement of Overriding Considerations

Pursuant to Public Resources Code Section 21081 and CEQA Guidelines Section 15093, this Board of Supervisors adopts and makes the following Statement of Overriding Considerations regarding the remaining significant unavoidable impacts of the Project, as discussed above, and the anticipated economic, legal, social, and other benefits of the Project.

Approval by the Nevada County Board of Supervisors (the “Board”) of the Nevada County Commercial Cannabis Cultivation Ordinance (the “project”) will result in significant adverse environmental effects which cannot be mitigated or avoided, notwithstanding the Board has adopted all feasible mitigation measures. Despite the ultimate occurrence of these expected effects, the Board, in accordance with *Public Resources Code* Section 21081(b) and *CEQA Guidelines* Section 15093, has balanced the benefits of the proposed Project Final EIR against the following unavoidable adverse impacts associated with the proposed project and has adopted all feasible mitigation measures. The Board has also (i) independently reviewed the information in the DEIR and the record of proceedings; (ii) made a reasonable and good faith effort to eliminate or substantially lessen the impacts resulting from the Project to the extent feasible by adopting the mitigation measures as identified in the EIR; and, (iii) balanced the project’s benefits against the project’s significant unavoidable impacts. The Board has also examined alternatives to the proposed project and has determined that adoption and implementation of the proposed project is the most desirable, feasible, and appropriate action. The Board has chosen to approve the Project EIR because in its judgment, it finds that specific overriding economic, legal, social, technological, or other benefits of the Project outweigh the Project’s significant effects on the environment. Substantial evidence supports the various benefits and can be found at a

minimum in the preceding CEQA findings, which are incorporated by reference into this Statement, the DEIR, and the documents which make up the record of proceedings.

Significant and Unavoidable Impacts

Based on the information and analysis set forth in the Draft Environmental Impact Report (“DEIR”) and the record of proceedings, construction of the proposed project would result in the following significant unavoidable impacts even with the implementation of all feasible mitigation measures:

Aesthetics

1. **Cumulative Impact:** The project would result in cumulative nighttime glow from artificially lighted nighttime cultivations may occur. Taken in sum, for all cultivation operations, this could result in a significant lighting impact.

Agriculture and Forestry Resources

2. **Impact 4.2-1:** The project would result in the permanent conversion of prime farmland, unique farmland, or farmland of statewide importance to a non-agricultural use.
3. **Impacts 4.2-4:** The project would result on the loss of forest land or conversion of forest land to a non-forest use.
4. **Impact 4.2-5:** The project would result in changes to the environment which would result in the conversion of farmland to non-agricultural use or conversion of forest land to non-forest use.
5. **Cumulative Impact:** The project would result in the permanent conversion of prime farmland, unique farmland, or farmland of statewide importance to a non-agricultural use.

Air Quality and Greenhouse Gas Emissions

6. **Impact 4.3-1:** The project would conflict with or obstruct implementation of the applicable air quality plan.
7. **Impact 4.3-2:** The project would violate any air quality standard or contribute substantially to an existing or projected air quality violation.
8. **Impact 4.3-3:** The project would result in a cumulatively considerable net increase of any criteria pollutant for which the region is nonattainment under an applicable federal or state ambient air quality standards.
9. **Impact 4.3-5:** The project would create objectionable odors affecting a substantial number of people.

10. **Impact 4.3-6:** The project would generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment based on any applicable threshold of significance.
11. **Cumulative Impact:** The project would result in peak emissions of PM₁₀ during the harvest season from road dust, which would contribute to an existing or projected air quality violation.
12. **Cumulative Impact:** The project would result in an increase to the number of commercial cannabis outdoor and mixed-light cultivation operations throughout the County that are a significant source of cannabis odor, thereby increasing the potential cultivation-related odor sources throughout the County.

Biological Resources

13. **Cumulative Impact:** The project's contribution to significant cumulative impacts on sensitive natural communities, special status plants, riparian habitats, wetlands and waters of the United States, and wildlife corridors would be cumulatively considerable and significant and unavoidable when considered over the unincorporated area of the County.

Hydrology and Water Quality

14. **Impact 4.8-2:** The project would substantially deplete groundwater supplies such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level.
15. **Cumulative Impact:** The project would result in an increase in demand for local groundwater resources that could contribute to cumulative groundwater supply and impacts in areas of the County with limited groundwater resources (e.g., fractured bedrock conditions). In addition, the potential decrease of water infiltration due to development of accessory structures combined with the cumulative increase in groundwater use being unknown at this time, the potential impacts would be cumulatively considerable and significant and unavoidable.

Land Use

16. **Impact 4.9-2:** Implementation of the proposed NCCO could result in the permitting of a commercial cannabis operation within the Truckee SOI. Land use conflicts could arise in future annexation applications because commercial cultivation is not an allowable uses pursuant to Truckee planning documents.

Transportation and Traffic

17. **Impact 4.15-1:** The project would result in additional traffic on regional roadways segments causing a decrease in LOS standards and conflicting associated goals, policies, and objectives related to traffic service standards for local, regional, and highways and would make existing unacceptable LOS conditions worse.
18. **Impact 4.15-2:** The project would increase traffic volumes, some of which would reasonably be dispersed to intersections located outside of the County's jurisdiction (i.e. Caltrans facilities) that currently and/or are projected to operate at or near deficient LOS, the proposed project may contribute towards an exceedance of LOS standards or exacerbate existing deficient roadway LOS.

Utilities and Service Systems

19. **Impact 4.16-4:** The project would utilize groundwater supply for commercial cannabis irrigation. Neither the County nor the State has governing rules that would give one overlying groundwater user an advantage over a new overlying groundwater user for cannabis cultivation purposes. Neither the County nor the State have a mechanism in place to track or monitor groundwater production in individual wells. As such, commercial cannabis operations could result in overdrafting of local groundwater aquifers.
20. **Cumulative Impact:** The project would increase the demand for groundwater within the Nevada Irrigation service area, and it is unknown whether the public water service providers would have adequate water supply to meet future development needs and potential commercial cannabis operations located within their service boundaries, and the existing ground water supply for some cultivation sites may be inadequate, the proposed NCCO's contribution to water supply would be cumulatively considerable and significant and unavoidable.

Overriding Considerations

The following statement of considerations identifies why, in the Board of Supervisors' judgment, the Project and its benefits to Nevada County outweigh its unavoidable significant environmental impacts. The Board of Supervisors has balanced "the economic, legal, social, technological, or other benefits, including region-wide or statewide environmental benefits" of the project (as modified by incorporation of EIR mitigation measures, and additional development standards shown in the NCCO against these effects and makes the following Statement of Overriding Considerations, which warrants approval of the project (as modified by incorporation of EIR mitigation measures, and additional

development standards shown in NCCO) notwithstanding that all identified adverse environmental effects are not fully avoided or substantially lessened [CEQA Guidelines Section 15093(a)]. The Board finds that the benefits of the “proposed project outweigh the unavoidable adverse environmental effects,” and therefore, “the adverse environmental effects may be considered ‘acceptable’” [CEQA Guidelines Section 15093(a)]. The Board has determined that any one of these considerations override, on balance, the cumulative significant negative environmental impacts of the project. The substantial evidence supporting these various considerations is found in the following findings based on the EIR and/or the contents of the record of proceedings for the Project:

1. Provision for a regulated and viable cannabis industry in the unincorporated area of Nevada County.

The NCCO, as modified by incorporation of EIR mitigation measures and additional development standards shown in the attached ordinance, allows for the orderly development and oversight of commercial cannabis activities by applying development standards that require appropriate siting, setbacks, security, and nuisance avoidance measures, thereby protecting public health, safety, and welfare. Orderly development and oversight of these operations will result in fewer cannabis-related nuisances as well as County staff time and economic resources required to abate them. Therefore, adoption of the NCCO provides legal, social, and economic benefits to the regulation of commercial cannabis cultivation in the unincorporated area of Nevada County.

2. Expansion of the production of medical cannabis in the unincorporated area of Nevada County.

The NCCO, as modified by incorporation of EIR mitigation measures and additional development standards shown in the attached ordinance, provides a social and public health benefit to the County because it expands the production and availability of medical cannabis, which is known to help patients address symptoms related to glaucoma, epilepsy, arthritis, and anxiety disorders, among other illnesses.

3. Reduction of Nuisance Activities Related to Commercial Cannabis Production in the unincorporated area of Nevada County.

The NCCO, as modified by incorporation of EIR mitigation measures, and additional development standards shown in the attached ordinance, establishes land use requirements for commercial cannabis activities to minimize the risks associated with criminal activity, degradation of neighborhood character, obnoxious odors, noise nuisances, hazardous materials, and fire hazards. These requirements will result in fewer cannabis-related nuisances as well as County staff time and economic resources required to abate them. Therefore, the project results in legal and economic benefits.

4. Protection of residential and sensitive populations in the unincorporated area of Nevada County.

The NCCO, as modified by incorporation of EIR mitigation measures, and additional development standards shown in the attached ordinance, minimizes the potential for adverse social and public health impacts on children and sensitive populations by imposing appropriate setbacks and ensuring compatibility of commercial cannabis activities with surrounding existing land uses, including residential neighborhoods, youth facilities, recreational amenities, and educational institutions. For detailed discussions on compatibility, see Section 4.9, Land Use, in the EIR, incorporated herein by reference, as well as the other Findings in this document. Therefore, adoption of the NCCO results in social and public welfare benefits as a result of the orderly administration of commercial cannabis cultivation in the unincorporated area of Nevada County.

5. Protection of sensitive natural resources in the unincorporated area of Nevada County.

The NCCO, as modified by incorporation of EIR mitigation measures, and additional development standards shown in the attached ordinance, protects agricultural resources, natural resources, cultural resources, and scenic resources by limiting where cannabis activities can be permitted and by enacting development standards that would further avoid or minimize potential impacts to the environment. Therefore, adoption of the NCCO results in social and economic benefits by avoiding and minimizing adverse impacts on the County's natural resources that could otherwise be impacted through unauthorized cannabis cultivation.

6. Provision of an enforcement mechanism and funds necessary to abate illegal and unlicensed activities in the unincorporated area of Nevada County.

The NCCO, as modified by incorporation of EIR mitigation measures, and additional development standards shown in the attached ordinance, provides a method for commercial cannabis businesses to operate legally and secure a permit and license to operate in full compliance with County and state regulations, maximizing the proportion of licensed activities and minimizing unlicensed activities. Minimization of unlicensed activities will occur for two reasons. First, the County will be providing a legal pathway for members of the industry to comply with the law. Second, the County can use the additional development standards and enforcement requirements of the ordinance, including collected fines and penalties, to strengthen and increase code enforcement actions in an effort to remove illegal and noncompliant operations occurring in the County unincorporated areas. Therefore, adoption of the NCCO results in social and economic benefits that provides the County with legal authority for abatement activities related to illegal commercial cannabis cultivation that may not meet current protections related to natural resources, setbacks from adjacent neighbors, best management practices for water quality, and electrical and plumbing fixtures that do not meet current building codes.

XI. Growth Inducement Findings

Growth can be induced in a number of ways, such as through the elimination of obstacles to growth, through the stimulation of economic activity within the region, or through the

establishment of policies or other precedents that directly or indirectly encourage additional growth. Induced growth would be considered a significant impact if it can be demonstrated that the potential growth would directly or indirectly have a significant effect on the environment.

Development can induce growth by increasing the local population, which may lead to increased commercial activity, which may increase the local supply of jobs. Extension of public infrastructure or services can accommodate growth by removing constraints to development. A growth-inducing project directly or indirectly:

- Fosters economic or population growth or additional housing;
- Removes obstacles to growth;
- Taxes community services or facilities to such an extent that new services or facilities would be necessary; or
- Encourages or facilitates other activities that cause significant environmental effects.

As discussed in Chapter 5.5 of the Draft EIR, the project is not expected to make a significant contribution to regional growth. The California Department of Food and Agriculture estimated that cannabis production in the state in the year 2016 was approximately 13.5 million pounds and at the time did not anticipate increases in overall production from implementation of the then guiding legislation of the Medical Cannabis Regulation and Safety Act (MCRSA) and Adult Use of Marijuana Act (AUMA) by the year 2018 (California Department of Food and Agriculture 2017: 3-22 and 3-23). Neither of these previous regulations are now controlling legislation, and the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) is now the foundation of cannabis law in California. The MAUCRSA provides a vehicle in which the large number of existing cannabis cultivation operations can become legal. While some new areas may be developed for cannabis cultivation, it is anticipated that the majority of commercial cannabis will be produced from existing cultivation operations applying for licenses within counties that adopt ordinances to legalize production in those jurisdictions. The County currently contains approximately 3,500 cannabis operations that would require licensing under the proposed NCCO. Therefore, the proposed project is not anticipated to result in substantial growth in cannabis operations state-wide.

Implementation of the proposed ordinance is intended to regulate commercial cultivation, processing, and distribution of cannabis in a manner consistent with the existing character and goals of the County. The number of new commercial cannabis operations does not represent a dramatic increase in development or the division of existing properties into numerous parcels for dense and intensified development. The project would not substantially increase population growth in the surrounding region because it would not require the construction of new housing. Commercial cannabis cultivation within the

County must be connected with a legal residence. If new residences are built in association with commercial cannabis operations, new housing stock would be added to the County that could be used by cannabis operators. Many of the employees necessary during harvest and cultivation are already present within the County and adjoining counties, as evidenced by the level of commercial cannabis cultivation currently within the County. Additionally, the project would not remove barriers to population growth because no new or expanded (beyond what is currently planned) public infrastructure facilities would be installed as part of the proposed project. Potential development associated with the proposed ordinance is not anticipated to meaningfully affect employment or other growth in the region, given the size of the regional economy and current conditions.

The project would result in increased revenue with the County, both by residents and the County itself, however, with respect to increased revenue for the County, this is anticipated to increase the ability of the Nevada County Sheriff's Office, Nevada County Code Compliance, and the Nevada County Planning and Building Department to process, monitor, and enforce cannabis-related activities within the County, per the County's requirements. Therefore, the project would not contribute to substantial population growth or be considered growth-inducing.

Finding: The proposed project would not induce substantial growth in the unincorporated area of Nevada County. While some new areas may be developed for cannabis cultivation, it is anticipated that the majority of commercial cannabis will be produced from existing cultivation operations applying for licenses within counties that adopt ordinances to legalize production in those jurisdictions. The County currently contains approximately 3,500 cannabis operations that would require licensing under the proposed NCCO. While the project may add new residents to the unincorporated area of Nevada County, the number of new residents would not tax existing community services or facilities to such an extent that new services or facilities would be necessary. Similarly, the development of individual commercial cannabis cultivations is not anticipated to encourage or facilitate other activities that cause significant environmental effects. Accordingly, the proposed NCCO would not generate a significant increase in population or generate a significant increase in employment. Based on the foregoing, the Board of Supervisors finds the project would not be growth-inducing.

XII. Significant Irreversible Environmental Changes Involved if the Project is Implemented

CEQA Guidelines Section 15127 specifically limits the consideration of "Significant Irreversible Environmental Changes Which Would be Caused by the Project Should It be Implemented" to the following activities:

- (a) The adoption, amendment, or enactment of a plan, policy, or ordinance of a public agency;
- (b) The adoption by a Local Agency Formation Commission of a resolution making determinations; or
- (c) A project which will be subject to the requirement for preparing an environmental impact statement pursuant to the requirements of the National Environmental Policy Act of 1969, 42 U.S.C. 4321–4347.

The construction and implementation of the project would result in irreversible environmental changes to project sites where commercial cannabis cultivation is proposed. Grading for cultivation sites would result in an irreversible change to the existing topography. Site where clearing and grading is proposed resulting in the permanent removal of on-site habitat as detailed in the Draft EIR. Cumulative impacts on biological resources would be significant and unavoidable as discussed in the Draft EIR.

Construction of cultivation sites under the NCCO would require the commitment of energy, natural resources, and building materials (e.g., wood, concrete). Fuels would be used by equipment during the grading and construction period, by trucks transporting construction materials to the site, and by construction workers during their travel to and from the project site. Energy also would be used in the harvesting, mining, and/or manufacturing materials for structure and roadway construction.

Post-construction operational energy uses of the site would include the use of electricity, natural gas, and water by cultivation operators and employees. This energy use would be a long-term commitment and the use of energy would be irretrievable, although any energy-saving features of the project would reduce this commitment. The project site does not contain any significant mineral, oil, or other energy sources that would be adversely affected by project implementation. No potentially significant loss of availability of a known mineral resource of value to the region and the residents of the state would occur as a result of implementing the project have been identified.

XIII. Incorporation By Reference

The Draft EIR and Final EIR are hereby incorporated into these Findings in their entirety. Without limitation, this incorporation is intended to elaborate on the scope and nature of mitigation measures, the basis for determining the significance of impacts, the comparative analysis of alternatives, and the rationale for approving the proposed project.

XIV. Recirculation Not Required

CEQA Guidelines Section 15088.5 requires a lead agency to recirculate an EIR for further review and comment when significant new information is added to the EIR after public notice is given of the availability of a Draft EIR, but before certification. Such new information includes: (i) significant changes to the project; (ii) significant changes in the environmental setting; or (iii) significant additional data or other information. Section 15088.5 further

provides that “[n]ew information added to an EIR is not ‘significant’ unless the EIR is changed in a way that deprives the public of a meaningful opportunity to comment upon a substantial adverse environmental effect of the project or a feasible way to mitigate or avoid such an effect (including a feasible project alternative) that the project’s proponents have declined to implement.”

No new or substantial changes to the Draft EIR were proposed as a result of the public comment process. The Final EIR responds to comments and makes only minor technical changes, clarifications or additions to the Draft EIR. The minor changes, clarifications, or additions to the Draft EIR do not identify any new significant impacts or substantial increase in the severity of any environmental impacts, and do not include any new mitigation measures that would have a potentially significant impact. Therefore, recirculation of the EIR is not required.

XV. Approvals

1. The foregoing statements of procedural history are correct and accurate.
2. The Final EIR has been prepared in accordance with all requirements of CEQA, the CEQA Guidelines, and the Nevada County Environmental Review Ordinance, codified in Chapter XIII of the Nevada County Land Use and Development Code.
3. The Final EIR was presented to and reviewed by the Board of Supervisors. The Final EIR was prepared under the supervision of the County and reflects the independent judgment of the County. The Board of Supervisors has reviewed the Final EIR, and bases the findings stated below on such review and other substantial evidence in the record.
4. The County finds that the Final EIR considers a reasonable range of potentially feasible alternatives, sufficient to foster informed decision-making, public participation and a reasoned choice. Thus, the alternatives analysis in the EIR is sufficient to carry out the purposes of such analysis under CEQA and the CEQA Guidelines.
5. The Board of Supervisors hereby certifies the Final EIR as complete, adequate and in full compliance with CEQA and as providing an adequate basis for considering and acting upon the Nevada County Commercial Cannabis Cultivation Ordinance and makes the following specific findings with respect thereto.
6. The Board of Supervisors agrees with the characterization of the Final EIR with respect to all impacts initially identified as “less than significant” and finds that those impacts have been described accurately and are less than significant as so described in the Final EIR. This finding does not apply to impacts identified as significant or potentially significant that are reduced to a less than significant by mitigation measures, or those impacts identified as significant and unavoidable included in the Final EIR. Each of those impacts and the mitigation measures adopted to reduce them are addressed specifically in this document.

7. All mitigation measures in the Final EIR are adopted and incorporated into the Nevada County Commercial Cannabis Cultivation Ordinance.
8. The Mitigation Monitoring and Reporting Program (MMRP) will apply to all mitigation measures adopted with respect to the project and will be implemented.
9. The mitigation measures and the MMRP have been incorporated into the Nevada County Commercial Cannabis Cultivation Ordinance and have thus become part of and limitations upon the entitlements conferred by the project approvals.
10. The descriptions of the impacts in these findings are summary statements. Reference should be made to the Final EIR for a more complete description.
11. Having independently reviewed and analyzed the Final EIR, certified the Final EIR, and incorporated the mitigation measures into the proposed project, the Board of Supervisors hereby adopts these Findings in their entirety.
12. The Clerk of the Board is directed to file a Notice of Determination (NOD) with the County Clerk within five (5) working days of the date of this approval in accordance with Public Resources Code Section 21152(a) and CEQA Guidelines Section 15094. The NOD shall be posted by the County Clerk in the Clerk's Office for no less than 30 full days.

NEVADA COUNTY
COMMERCIAL CANNABIS CULTIVATION ORDINANCE
MITIGATION MONITORING AND REPORTING PROGRAM

ORD18-2
EIR18-001
SCH No. 2018082023



Prepared for:

**County of Nevada
Community Development Agency
Planning Department
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INTRODUCTION

This document is the Mitigation Monitoring and Reporting Program (MMRP) for the Nevada County Commercial Cannabis Program Ordinance project. This MMRP has been prepared pursuant to Section 21081.6 of the California Public Resources Code which requires public agencies to “adopt a reporting and monitoring program for the changes made to the project or conditions of project approval, adopted in order to mitigate or avoid significant effects on the environment.” An MMRP is required for the proposed project because the Environmental Impact Report (EIR) has identified significant adverse impacts, and measures have been identified to mitigate those impacts.

The numbering of the individual mitigation measures follows the numbering sequence as found in the EIR. All revisions to mitigation measures that were necessary as a result of responding to public comments and incorporating staff-initiated revisions have been incorporated into this MMRP.

MITIGATION MONITORING AND REPORTING PROGRAM

The MMRP, as outlined in the following table, describes mitigation timing, monitoring responsibilities, and compliance verification responsibility for all mitigation measures identified in the Draft EIR as well as any measures that were revised as part of the Final EIR.

The MMRP is presented in tabular form on the following pages. The components of the MMRP are described briefly below:

- Mitigation Measures: The mitigation measures are taken verbatim from the Draft EIR, as well as any measures which were revised as part of the Final EIR, in the same order that they appear in the Draft EIR.
- Monitoring Responsibility: Identifies the department within the County, project applicant, or consultant responsible for mitigation monitoring.
- Mitigation Timing: Identifies at which stage of the project mitigation must be completed.
- Compliance Verification Responsibility: Identifies the department of the County or other State agency responsible for verifying compliance with the mitigation.

MITIGATION MONITORING AND REPORTING PROGRAM TABLE

Proposed Mitigation	Mitigation Measure	Monitoring Responsibility	Timing	Verification (Date and Initials)
Aesthetics				
MM AES-1	MM AES-1: Protected Tree Avoidance. Amend the NCCO to require all commercial cannabis applications to show on project site plans any landmark trees, landmark groves, and heritage trees and groves that exist on the project site. If such trees exist, the applicant shall indicate that the proposed cultivation sites and any proposed ancillary structures would not require removal of any of the listed trees and that all cannabis cultivation and accessory structures are outside the existing drip line of all trees. If any cultivation or accessory structure would require removal or encroach in the drip line of any trees and the project plans shall be revised to avoid the trees. If any trees or groves are dead, dying, or a public safety hazard as determined by a qualified professional, no further action is required.	County of Nevada	Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.	
MM AES-2	MM AES-2: Lighting Control Plan. Amend the NCCO to require commercial cannabis cultivation applicants with exterior light fixtures (including mixed light applications) to submit a light control plan that would demonstrate how light used for cultivation purposes would be controlled. Light control measures may include but not be limited to means such as using blackout tarps to completely cover all greenhouses and hoop-houses or restricting the use of lighting between sunset and sunrise.	County of Nevada	Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.	
Agricultural Resources				
MM AG-1	MM AG-1: Farmland Resources. Amend the proposed NCCO, to require all commercial cannabis applications to	County of Nevada	Prior to issuance of CCP or ADP permits for	

Proposed Mitigation	Mitigation Measure	Monitoring Responsibility	Timing	Verification (Date and Initials)
	<p>show on project site plans any Prime Farmland, Unique Farmland, or Farmland of Statewide Importance based on the most recent available mapping provided by the California Department of Conservation (CDOC) Farmland Mapping & Monitoring Program (FMMP) that exist on the project site. If such lands exist, the applicant shall show on the site plan(s) that any proposed accessory structure and related improvements (e.g., driveways, staging areas, etc.) have been located on the property in which impacts to mapped farmlands are reduced to the maximum extent practicable.</p>		<p>commercial cannabis cultivation.</p>	
Air Quality				
<p>MM AIR-1</p>	<p>MM AIR-1: Conformance to NSAQMD Rules and Regulations. Amend the NCCO to require all commercial cannabis applications to include language in project cultivation plans and on project site plans when applicable, that the grading or building permit for the proposed project shall comply with applicable state and federal air pollution control laws and regulations, and with applicable rules and regulations of the NSAQMD during any construction and during operations of cannabis facilities. Compliance with NSAQMD Rule 226 Dust Control Plan shall be required, and all construction equipment (75 horsepower and greater) shall not be less than Tier 3, less than Tier 4 Interim if construction starts after 2025, and Tier 4 Final if construction starts after 2030. Written documentation that the cannabis facility is in compliance with the NSAQMD shall be provided to the Nevada County Planning Department.</p>	<p>County of Nevada</p>	<p>Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.</p>	

MITIGATION MONITORING AND REPORTING PROGRAM

Proposed Mitigation	Mitigation Measure	Monitoring Responsibility	Timing	Verification (Date and Initials)
MM AIR-2	<p>MM AIR-2: Prohibit Burning of Cannabis and Other Vegetation. Amend the NCCO to prohibit all commercial and non-remuneration operations to from burning any cannabis or other vegetative materials. The following language shall be added to the proposed NCCO: “The burning of any part of the cannabis plant or plant materials that is considered excess or waste is prohibited from being burned.”</p> <p>Commercial cannabis cultivation would generate objectionable odors despite a required 100-foot setback from property lines (unless a variance is issued pursuant to the requirements of Sec. L-II 5.7 of the Nevada County Land Use and Development Code).</p>	County of Nevada	Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.	
Biological Resources				
MM BIO-1	<p>MM BIO-1: Generator Noise. The proposed NCCO shall be amended to require all projects under either a CCP or an ADP to keep all generators in containment sheds while in use to reduce generator noise to no greater than 50dB as measured at 100 feet from any sensitive habitat or known sensitive species. This would be an annual requirement and verified yearly when the ACP is renewed. If conformance is not shown, the permit shall be denied or the held in abeyance until the project infraction is brought into conformance with the NCCO.</p>	County of Nevada	Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.	
MM BIO-2	<p>MM BIO-2: Biological Resources Pre-Screening. The proposed NCCO shall be amended to require all applicants to submit biological pre-screening materials of all project sites for both CCP and ADP applications. The materials</p>	County of Nevada	Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.	

Proposed Mitigation	Mitigation Measure	Monitoring Responsibility	Timing	Verification (Date and Initials)
	<p>shall include adequate information to define site constraints and show potentially sensitive biological resource areas. Materials shall include, at a minimum, project location (site address and parcel numbers); site aerials, photographs of proposed areas of disturbance (includes canopy area, accessory structures, and any related improvements [e.g., driveways, staging areas, etc.]), photographs of vegetative cover, a thorough project description describing all phases of construction, all proposed structures and cultivation areas, location of any streams, rivers, or other water bodies, limits and depth of grading, any grading cut or fill in a stream, river, or other water body, any water diversions and/or description of the source of water, water storage locations, and source of electricity (if applicable).</p> <p>The applicant shall provide site plan(s) showing all areas of disturbance, multiple site plans may be used to clearly show the following; site aerials showing vegetation patterns and habitats (without snow cover), location of any water courses including ephemeral drainages and any other water bodies, all existing or proposed cultivation areas and structures, location of electric generators (if applicable), and grading plans with areas of cut and fill (if applicable).</p> <p>If the pre-screening materials identify habitats known to support sensitive or special status plant or animal species, then avoidance of the sensitive or special status species shall be required. If avoidance of a special status species cannot be achieved, then a Biological Inventory shall be prepared. The Biological Inventory shall be prepared by a</p>			

MITIGATION MONITORING AND REPORTING PROGRAM

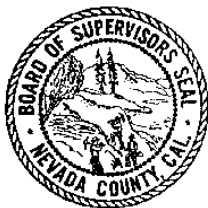
Proposed Mitigation	Mitigation Measure	Monitoring Responsibility	Timing	Verification (Date and Initials)
	<p>qualified biologist. The Biological Inventory shall contain an environmental setting, a project description, review of CNDDDB database for the project location, a description of potential sensitive habitats existing on site, field survey methodology and findings (if needed), mitigation to reduce impacts (if needed), level of impacts conclusion. Due to the varying nature of biological conditions and variable locations of habitat types and dispersion of sensitive species, additional evaluations such as wetland delineations, protocol level surveys, nesting bird surveys, etc., may be required consistent with the applicable resources standards identified in Sections L-II 4.3 of the Nevada County Land Use and Development Code. If additional avoidance or protection measures are required, a Habitat Management Plan (HMP) consistent with the requirements of Section L-II 4.3.3 of the Nevada County Land Use and Development Code shall be prepared for both CCP and ADP permit applications. The HMPs would be implemented on a project by project basis and included as part of the project-specific approval process. If potential impacts on these biological resources cannot reduced to less than significant, no permit shall be issued.</p>			
Cultural and Tribal Cultural Resources				
MM CUL-1	<p>MM CUL-1: Records Search. Prior to project approval of either a CCP or an ADP, the project applicant, to the satisfaction of the County Planning Department shall submit a Non-Confidential Records Search to NCIC to determine the sensitivity of potential commercial cannabis cultivation site to disturb historic, cultural, or tribal resources. The applicant shall submit the</p>	County of Nevada	Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.	

Proposed Mitigation	Mitigation Measure	Monitoring Responsibility	Timing	Verification (Date and Initials)
	<p>sensitivity letter with the CCP or ADP. Upon receipt, should the County find the NCIC recommends a cultural resource study, the applicant shall retain a qualified professional to conduct a cultural resource study of the project area. No permit shall be issued until the completion of such report, and if needed, until recommended mitigation is implemented, or a plan has been submitted to the County for implementation.</p>			
MM CUL-2	<p>MM CUL-2: Cultural Resources Inadvertent Discovery Protocol. The proposed NCCO shall be amended to include a Cultural Resources Inadvertent Discovery Protocol (IDP) for projects that require grading or ground disturbance. The IDP shall include requirements that if subsurface archaeological features or deposits are discovered during construction or ground disturbance all activities within 50-feet of the find shall cease and the County shall be notified immediately. A qualified archeologist shall be retained by the County to assess the find and shall have the authority to prescribe all appropriate protection measures to future work.</p> <p>If buried human remains are discovered during construction or ground disturbance all activities shall cease and the County shall be notified immediately. The County shall notify the coroner to examine the remains. If the remains are determined to be of Native American origin, the Native American Heritage Commission shall be notified, and all sections detailed</p>	County of Nevada	Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.	

MITIGATION MONITORING AND REPORTING PROGRAM

Proposed Mitigation	Mitigation Measure	Monitoring Responsibility	Timing	Verification (Date and Initials)
	<p>in Section 5097.98 of the California Public Resources Code shall be followed.</p> <p>Implement Land Use and Development Code Section L-II 4.3.6 Significant Cultural Resources</p>			
MM CUL-3	<p>MM CUL-3: Paleontological and Unique Geologic Resources Inadvertent Discovery Protocol. The proposed NCCO shall be amended to include a Paleontological and Unique Geologic Resources Inadvertent Discovery Protocol (IDP) for projects that require grading or ground disturbance. The IDP shall include requirements that if subsurface paleontological features or unique geologic features are discovered during construction or ground disturbance all activities within 50-feet of the find shall cease and the County shall be notified immediately. A qualified paleontologist shall be retained by the County to assess the find and shall have the authority to prescribe all appropriate protection measures to future work.</p>	County of Nevada	Prior to issuance of CCP or ADP permits for commercial cannabis cultivation.	

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ORDINANCE NO. _____

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF NEVADA

AN ORDINANCE AMENDING CHAPTER II OF THE NEVADA COUNTY LAND USE AND DEVELOPMENT CODE ADDING SECTION L-II 3.30 CANNABIS CULTIVATION TO ESTABLISH REGULATIONS FOR THE COMMERCIAL CULTIVATION OF CANNABIS FOR MEDICAL USE WITHIN THE UNINCORPORATED AREAS WITHIN THE COUNTY

THE BOARD OF SUPERVISORS OF THE COUNTY OF NEVADA, STATE OF CALIFORNIA, ORDAINS AS FOLLOWS:

SECTION I:

Pursuant to Land Use and Development Code Section L-II 5.9.G, the Board of Supervisors hereby finds and determines as follows:

1. That the zoning text amendments are intended to create regulations for the purposes of allowing and regulating commercial cannabis cultivation for medical purposes in certain zoning districts within the unincorporated areas of the County; and
2. That the proposed amendments will not be detrimental to the public interest, health, safety, convenience, or welfare of the County, and supports the development of additional, equal opportunity, affordable housing; and
3. That the proposed ordinance amendment is adopted pursuant the California Environmental Quality Act (CEQA) Guidelines by the certification of EIR18-0001, SCH#2018082023.

SECTION II:

Section L-II 3.30 “Commercial Cannabis Cultivation” of Article 3 of Chapter II of the Land Use and Development Code of the County of Nevada, is hereby added to read as set forth in Exhibit “A”, attached hereto and incorporated herein by reference.

SECTION III:

If any section, sentence, clause or phrase of this ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The Board of Supervisors hereby declares that it would have passed this ordinance and adopted this ordinance and each section, sentence, clause or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

SECTION IV:

This Ordinance shall take effect and be in full force thirty (30) days from and after introduction and adoption, and it shall become operative on the ____ day of June, 2019, and before the expiration of fifteen (15) days after its passage it shall be published once, with the names of the Supervisors voting for and against same in the Union, a newspaper of general circulation printed and published in the County of Nevada.

**LAND USE AND DEVELOPMENT CODE
CHAPTER II ARTICLE III SECTION 3.30
CANNABIS CULTIVATION**

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A. Authority and Title

Pursuant to the authority granted by Article XI, section 7 of the California Constitution, Health and Safety Code section 11362.83, and Government Code section 25845, the Board of Supervisors does enact this Article.

B. Findings and Purpose

1. On October 9, 2015, the State of California enacted AB 266 (codified in the Business & Professions Code, the Government Code, the Health and Safety Code, the Labor Code, and the Revenue and Taxation Code) regulating commercial cultivation of cannabis and providing a standard definition of “cannabis” that includes marijuana and certain components of cannabis plants, SB 643 (codified in the Business & Professions Code) establishing standards for the issuance of prescriptions for medical cannabis as well as a comprehensive licensing scheme, and AB 243 (codified in the Business & Professions Code, the Fish and Game Code, the Health and Safety Code, and the Water Code) regulating medical cannabis cultivation. All three bills (together, the “Medical Cannabis Regulation and Safety Act” or MCRSA) became effective on January 1, 2016.
2. In January of 2016, the Board of Supervisors passed Ordinance No. 2405 amending this Article, including provisions which banned outdoor cultivation. Also in January of 2016, Resolution 16-038 was passed authorizing the placement of Measure W on the June 2016 ballot. Measure W put amendments made to Article V, sections G-IV 5.4(C) and (E) to the vote of the people. In February of 2016, the Board of Supervisors passed Resolution 16-082 memorializing the intent of the Board to repeal the ban on outdoor cultivation and to consider and adopt other outdoor regulations if Measure W failed to pass at the next available meeting after the results of the June 7, 2016 election were certified. On June 7, 2016, Measure W failed to pass, and those results were certified on July 19, 2016. Consistent with the intent stated in Resolution 16-082, a Board of Supervisors subcommittee met with local cannabis cultivation advocates on three occasions to attempt to craft regulations to put into place while repealing the outdoor cultivation ban. Consensus was not reached. Action is necessary to uphold the commitment to repeal the outdoor cultivation ban and to adopt other regulations.
3. On November 8, 2016, California voters passed Proposition 64, known as the Adult Use of Marijuana Act (AUMA). AUMA legalized the nonmedical use and personal cultivation of up to six living cannabis plants within, or upon the grounds of, a private residence, by persons 21 years of age and older. Proposition 64 provided that a county may not ban personal indoor cultivation of up to six plants within a person’s private residence or certain accessory structures, but may reasonably regulate such indoor grows. The County desires to comply with the limited allowance for indoor personal cultivation of nonmedical cannabis as set forth in Proposition 64, while maintaining reasonable regulations regarding such cultivation activities to address the potentially significant land use, building, public safety and other impacts associated with unregulated indoor grows and to protect the public health, safety and welfare, and preserve the peace and integrity of neighborhoods within the unincorporated areas.
4. In June 2017, the Legislature enacted SB 94 (codified in the Business & Professions Code) that integrated MCRSA with AUMA to create the “Medicinal and Adult-Use Cannabis Regulation and Safety Act” (MAUCRSA). Under MAUCRSA, a single regulatory system governs the medical and adult use cannabis industry in California. Under MAUCRSA, counties may regulate or ban cultivation of marijuana within their jurisdiction. The Legislature has therefore recognized the importance of retained local control over cannabis cultivation within the County’s jurisdiction.
5. The Federal Controlled Substances Act, 21 U.S.C. sections 801, et seq., classifies cannabis as a Schedule I Drug, which is defined as a drug or other substance that has a high potential for abuse, that has no currently accepted medical use in treatment in the United States, and that has not been accepted as safe for use under medical supervision. The Federal Controlled

Substances Act makes it unlawful, under federal law, for any person to cultivate, manufacture, distribute or dispense, or possess with intent to manufacture, distribute or dispense, cannabis. The Federal Controlled Substances Act contains no exemption for the cultivation, manufacture, distribution, dispensation, or possession of cannabis for medical purposes.

6. The County's unique geographic and climatic conditions, which include dense forested areas receiving substantial precipitation, along with the sparse population in many areas of the County, provide conditions that are favorable to cannabis cultivation. Cannabis growers can achieve a high per-plant yield with high economic value because of the County's favorable growing conditions.
7. MAUCRSA does not provide comprehensive local regulation of cannabis cultivation. The unregulated cultivation of cannabis in the unincorporated area of Nevada County can adversely affect the health, safety, and well-being of the County and its residents.
8. Since approximately 2011, Nevada County has experienced an increase in citizen complaints regarding the odor, threats to public safety and other nuisances that cultivation sites can and have created. In May of 2012, Nevada County enacted Article 5 of the General Code setting forth comprehensive civil regulations governing the cultivation of medical cannabis within the unincorporated areas of Nevada County to address the adverse effects to the health, safety, and well-being of the County and its residents could suffer as the result of unregulated cannabis cultivation. The regulations in Article 5 have proven to be inadequate to control the negative impacts of cannabis cultivation. Since the adoption of Article 5, there has been increased cannabis cultivation through the unincorporated areas of the County in violation of the provisions of that ordinance. In addition, the graduated areas for cultivation and setback requirements based on parcel size and the complex regulations required to define cultivation areas have proven cumbersome and problematic to administer and enforce.
9. According to the Nevada County Sheriff, unregulated cannabis cultivation is occurring in residential areas, in close proximity to residences, and on vacant, unsupervised and unsecured properties. Despite existing local regulations regarding cannabis cultivation, Nevada County has continued to experience significant numbers of citizen complaints regarding odor, threats to public safety, significant increases in criminal activity, degradation of the natural environment, malodorous and disagreeable smells, and other hazards and other nuisances arising from cannabis cultivation. The revised provisions contained in this Article are intended to address these nuisances and concerns, and simplify the regulations to be more readily understood by those affected and improve the enforcement process, and to more effectively control the adverse impacts associated with cannabis cultivation as stated herein, while accommodating the desires of qualified patients and their primary caregivers.
10. Nevada County and other public entities have reported other adverse impacts from cannabis cultivation, including but not limited to increased risks of criminal activity, acts of violence in connection with attempts to protect or steal cannabis grows, degradation of the natural environment, unsanitary conditions, violations of building codes, malodorous and disagreeable odors, and negative effects on physical, mental and community health. The creation of persistent strong odors as cannabis plants mature and flower is offensive to many people, results in complaints of respiratory problems, and creates an attractive nuisance, alerting persons to the location of valuable cannabis plants and creating an increased risk of crime. Cultivation sites have been the subject of serious criminal activity and associated violence including armed robberies, assault, battery, home invasion robberies, homicides and burglaries. An increasing number of sites are very visible to, and easily accessible by, the public, including children and youth. To protect the cannabis, some of these cultivation sites use aggressive and vicious dogs, booby-trap devices and persons with weapons that threaten severe bodily harm or death to those who attempt to access the site. Left unregulated, cultivation sites also result in loitering, increased traffic, noise, environmental health issues, unreasonable odors and other public nuisances that are harmful to the public health, safety and welfare of the surrounding community and its residents. Current regulations have not sufficiently curtailed this activity, requiring additional regulations to protect the health and safety of the community and its residents.

11. The indoor cultivation of substantial amounts of cannabis within a residence presents potential health and safety risks to those living in the residence, especially to children, including, but not limited to, increased risk of fire from grow light systems and improper electrical wiring, exposure to fertilizers, pesticides, anti-fungus/mold agents, and exposure to potential property crimes targeting the residence.
12. Cultivation of any amount of cannabis at locations or premises within 1,000 feet of a school, church, park, child or day care center, or youth-oriented facility creates unique risks that the cannabis plants may be observed by juveniles, and therefore be especially vulnerable to theft or recreational consumption by juveniles. Further, the potential for criminal activities associated with cannabis cultivation in such locations poses heightened risks that juveniles will be involved or endangered. Therefore, cultivation of any amount of cannabis in such locations or premises is especially hazardous to public safety and welfare, and to the protection of children and the person(s) cultivating the cannabis.
13. As recognized by the Attorney General's August 2008 Guidelines for the Security and Non-Diversion of Cannabis Grown for Medical Use, the cultivation or other concentration of cannabis in any location or premises without adequate security increases the risk that surrounding homes or businesses may be negatively impacted by nuisance activity such as loitering or crime. In addition, the indoor cultivation of cannabis without compliance with basic building code requirements creates increased risks of electrical fire, mold, mildew, plumbing issues and other damage to persons and property.
14. Comprehensive regulation of premises used for cannabis cultivation is proper and necessary to address the risks and adverse impacts as stated herein, that are especially significant if the amount of cannabis cultivated on a single premises is not regulated and substantial amounts of cannabis are thereby allowed to be concentrated in one place. In Nevada County, the typical outdoor growing season for Cannabis is approximately April through September of each year. Surrounding counties have adopted restrictions and, in some cases, bans on the cultivation of cannabis in their jurisdictions. Nevada County continues to encounter increasing numbers of Cannabis Cultivation sites of increasing sizes, in locations which conflict with the provisions of this Ordinance and operate in manners which create public nuisance to the surrounding community and its residents. There is an immediate need to provide certainty and guidance to those who might choose to cultivate cannabis in Nevada County and to preserve the public peace, health and safety of Nevada County residents by regulating and addressing the public nuisances associated with cannabis cultivation.
15. It is the purpose and intent of this Article to implement State law by regulating the cultivation of cannabis in a manner consistent with State law. It is also the intent of this Article to balance the needs of medical patients and their caregivers and to promote the health, safety, and general welfare of the residents and businesses within the unincorporated territory of the County of Nevada. This Article is intended to be consistent with State law. The intent and purpose of this Article is to establish reasonable regulations regarding the manner in which cannabis may be cultivated, including restrictions on the amount and location of cannabis that may be cultivated on any premises, in order to protect the public health, safety, and welfare in Nevada County, and to address the adverse impacts previous local regulations have failed to curtail.
16. The limited right of qualified patients and their primary caregivers under State law to cultivate cannabis plants for medical purposes does not confer the right to create or maintain a public nuisance. By adopting the regulations contained in this Article, the County will achieve a significant reduction in the aforementioned harms caused or threatened by the unregulated cultivation of cannabis in the unincorporated area of Nevada County.
17. Nothing in this Article shall be construed to allow any activity relating to the cultivation, distribution, processing, storage, transportation or consumption of cannabis that is otherwise illegal under State or Federal law. No provision of this Article shall be deemed to be a defense or immunity to any action brought against any person in Nevada County by the Nevada County District Attorney, the Attorney General of the State of California, or the United States of America.

18. On (DATE), the Nevada County Board of Supervisors reviewed and approved Resolution (XXXX) adopting the Nevada County Commercial Cannabis Cultivation Environmental Impact Report (EIR) providing detailed information about the environmental impacts related to cannabis cultivation activities as well as mitigation measures regarding cannabis cultivation activities in the County of Nevada.

C. Definitions

As used herein the following definitions shall apply:

1. "Accessory Structure" means a separate and legally permitted building or structure located on the same Parcel as a Primary Place of Residence. The structure must be permitted pursuant to applicable building codes and, although it may be permitted for other uses, it must also be permitted specifically for Cannabis Cultivation. Notwithstanding the foregoing, an Accessory Structure may include an attached structure, but Cultivation may not take place in any space inhabited by humans, and must comply with all other local regulations pertaining to Accessory Structures to the extent they are applicable to an attached structure.
2. "Annual Cannabis Permit" (ACP) means a permit issued by Nevada County in final form allowing the permit holder to conduct Commercial Cannabis Activities as set forth in the permit.
3. "Cannabis" shall have the same meaning as that set forth in Health and Safety Code section 11018, as may be amended. Cannabis, Medical Cannabis, and the Cultivation thereof, as defined in this Article shall not be considered an agricultural activity, operation or facility under Civil Code section 3482.5 or an Agricultural Product as defined in Section L-II 3.3 of the Nevada County Land Use and Development Code, or an Agricultural Operation as defined in Sections L-II 3.3, L-II 6.1 and L-XIV 1.1 of the Nevada County Land Use and Development Code.
4. "Canopy" and "Canopy Area" mean the designated area(s) at a licensed and permitted Premises, except Nurseries, that will contain mature cannabis plants at any point in time, as follows:
 - Canopy shall be calculated in square feet and measured using clearly identifiable boundaries of all area(s) that will contain the entirety of mature plants at any point in time, including all of the space(s) within the boundaries.
 - Canopies must be clearly identified on site plans, and may be noncontiguous, but each unique area included in the total canopy calculation shall be separated by an identifiable boundary that includes, but is not limited to, interior walls, shelves, greenhouse walls, Accessory Structure walls, or fencing. This definition does not include ancillary spaces such as spaces used for drying, curing, or trimming.
 - Canopy boundaries shall encompass the entire plant. Cannabis plants which extend outside the boundaries are considered outside the "Canopy" boundaries and would be considered out of compliance with any permit received pursuant to this ordinance.
5. "Childcare Center" means any licensed childcare center, daycare center (including small family), childcare home, or any preschool.
6. "Church" means a structure or lease portion of a structure, which is used primarily for religious worship and related religious activities.
7. "Commercial Cannabis Activity" means all commercial cannabis-related activities contemplated by or for which a license may be required by the State of California as codified in its Business & Professions Code, Code of Regulations, Government Code, Health and Safety Code, Labor Code and Revenue and Taxation Code, as may be amended from time to time.
8. "Commercial Cannabis Cultivation" means Cultivation of Medical Cannabis only, excluding Cultivation of no more than six (6) plants for Personal Use consistent with state law, and Cultivation of Industrial Hemp.

9. "Cultivation" or "Cultivate" means the grading, planting, growing, harvesting, drying, curing, trimming, or storage, or any combination of these activities, of one or more Cannabis plants or Hemp plants or any part thereof in any location, Indoor or Outdoor, including from within a fully enclosed and secure building.
10. "Daycare Center" means resident or non-resident-based daycare services for over 14 children including resident children, under the age of ten (10) years old, if located within a residence, or as provided for in the Health and Safety Code section 1596.76 or as amended.
11. "Daycare, Small Family" means where resident child daycare services are provided in the home for 8 or fewer children, including the resident children, under the age of ten (10) years old, or as provided for in Health and Safety Code section 1596.78(c), or as amended.
12. "Designated Responsible Party(ies)" means the individual/entity legally and primarily responsible for all the Commercial Cannabis Activities on the Parcel and/or Premises related to Commercial Cannabis Activities. The Designated Responsible Party(ies) must be licensed by the State of California for the Commercial Cannabis Activities which he/she/they intend on conducting in Nevada County. If the licensee is not the property owner, the legal property owner of any Parcel and/or Premises upon which any Commercial Cannabis Activity will be conducted in Nevada County will also be considered a Designated Responsible Party.
13. "Enforcing Officer" means the Community Development Agency Director, Code Compliance Program Manager, Building Department Director, Environmental Health Director, Sheriff, Fire Authority, or their respective authorized designees, or any other official authorized to enforce local, state or federal laws.
14. "Fire Authority" means the CAL Fire unit chief, Fire Marshal, or the Fire Chief of any local fire protection district located in whole or in part within the County of Nevada, and all chief officers, Office of Emergency Services staff, contractors or designees, company officers and trained prevention staff as may be designated by a Fire Chief to enforce the provisions of this Article.
15. "Habitable Space" means space intended for or which is used for habitation by humans or which is occupied by humans.
16. "Hazardous Materials" means any hazardous material as defined in California Health and Safety Code section 25501, as may be amended.
17. "Hearing Body" means a body designated by the Board of Supervisors to conduct administrative hearings as provided in Section L-II 5.23 of this Chapter.
18. "Identification card" shall have the same definition as California Health and Safety Code Section 11362.7, as may be amended.
19. "Immature Plant" means a cannabis plant which is not flowering.
20. "Indoor" or "Indoors" means Cultivation using exclusively artificial light within a detached fully enclosed and secure Accessory Structure using artificial light at a rate above twenty-five watts per square foot and that complies with the California Building Code (Title 24, California Code of Regulations) for that specific occupancy type, as adopted by the County of Nevada, except for structures that are exempt from the requirement to obtain a building permit under the Nevada County Land Use and Development Code. For purposes of Personal Use only, "Indoor" or "Indoors" shall also include Cultivation inside a private Residence or attached garage, but not in areas inhabited by humans, including, but not limited to bedrooms and kitchens.
21. "Industrial Hemp" or "Hemp" means the hemp crop as defined in Health and Safety Code section 11018.5.
22. "Local Authorization," as required by California Code of Regulations, §8100(b)(6), California Code of Regulations, §8110, California Business and Professions Code §26050.1(a)(2), or as amended respectively and by any other regulation requiring local license, permit or other local authorization to engage in Commercial Cannabis Activity, means a permit issued in final form by the Permitting Authority specifically allowing the holder of said permit to engage in the

Commercial Cannabis Activity within the limitations set forth in said permit and allowing for the type of Commercial Cannabis Activity sought by the individual seeking the state license.

23. "Medical Cannabis" shall mean Cannabis recommended by a licensed physician, in accordance with California Health and Safety Code sections 11362.5 through 11362.83, commonly referred to as the Compassionate Use Act and the Medical Cannabis Program Act.
24. "Mixed Light" means the Cultivation of mature or immature Cannabis plants in an Accessory Structure permitted in compliance with local building codes and permitted specifically for Cannabis Cultivation using light deprivation and/or one of the artificial lighting models described below:
 - "Mixed Light Tier 1": the use of artificial light at a rate of six watts per square foot or less.
 - "Mixed Light Tier 2": the use of artificial light at a rate above six watts and below or equal to twenty watts per square foot." "Mixed Light" cultivation must take place in an Accessory Structure permitted in compliance with local building codes and permitted specifically for Cannabis Cultivation.
25. "Non-Remunerative Cultivation" means the Cultivation of Medical Cannabis only by a Primary Caregiver on behalf of a Qualified Patient for no monetary compensation except for actual expenses as allowed by Health and Safety Code section 11362.765(c). Non-remunerative Cultivation must comply with all Commercial Cannabis Cultivation regulations.
26. "Outdoor" or "Outdoors" means Cultivation of Cannabis in any location that is not "Indoors" nor "Mixed Light" and which is cultivated without the use of any artificial light at any time.
27. "Parcel" means any legal parcel of real property that may be separately sold in compliance with the Subdivision Map Act (Division 2 (commencing with Section 66410) of Title 7 of the California Government Code).
28. "Parks" means private and public parks, playgrounds, play lots, athletic fields, tennis courts, public outdoor gathering area, recreational area, restrooms and similar facilities.
29. "Permitting Authority" means the Community Development Agency Director, Fire Authority, Building Director, Planning Director, Environmental Health Director, Code Compliance Program Manager, and/or Fire Authority and/or their designee(s).
30. "Personal Use" means cannabis cultivated for the personal use, not for any commercial purpose and not for sale, donation, gifting, or any other purpose other than the personal use of the individual who Cultivates. Personal Use does not include Cannabis which is Cultivated for non-remuneration.
31. "Premises" refers to the site where Cultivation occurs, and includes at least one legal Parcel but may include multiple Parcels if such Parcels are under common ownership or control and at least one Parcel contains a legally permitted and occupied Primary Place of Residence.
32. "Primary Caregiver" shall have the definition set forth in Health and Safety Code section 11362.7(d), as may be amended.
33. "Primary Place of Residence" shall mean the Residence at which an individual resides, uses or otherwise occupies on a full-time, regular basis.
34. "Qualified Patient" shall have the definition as set forth in Health and Safety Code sections 11362.7(c) and (f), as may be amended.
35. "Residence" shall mean a fully enclosed permanent structure used, designed or intended for human occupancy that has been legally established, permitted, and certified as single-family or multi-family dwelling in accordance with the County Land Use and Development Code. Recreational Vehicles (RVs), trailers, motorhomes, tents or other vehicles or structures which are used, designed, or intended as temporary housing shall not constitute a Residence for purposes of this Article, whether or not such vehicle or structure is otherwise permitted or allowed under the Nevada County Land Use and Development Code.

36. "School" means an institution of learning for minors, whether public or private, offering a regular course of instruction required by the California Education Code. This definition includes a nursery school, kindergarten, elementary school, middle or junior high school, senior high school, or any special institution of education, but it does not include a vocational or professional institution of higher education, including a community or junior college, college or university.
37. "Sensitive Site" means a School, Church, Park, Child or Day Care Center, or Youth-Oriented Facility.
38. "Sheriff" or "Sheriff's Office" means the Nevada County Sheriff's Office or the authorized representatives thereof.
39. "Support Area" means an area associated with immature plants, drying, curing, grading, trimming, rolling, storing, packaging, and labeling of non-manufactured cannabis products.
40. "Transport" means the movement of Cannabis by a person or entity holding a Distributor Transport Only (Self-Transport) license from the State of California to transport its own Cannabis off its own Cultivation site.
41. "Violator" means any person or entity who causes, permits, maintains, conducts or otherwise suffers or allows a violation of this Article and/or a nuisance to exist, including but not limited to the owner(s) of the Parcel or Premises, the occupant(s) if other than the owner(s), the holder(s) of any permit obtained pursuant to this Article, any Designated Responsible Party, and/or any person or entity who causes a public nuisance as described in Section D of this Article, including any person or entity who causes such nuisance on property owned by another.
42. "Youth-oriented Facility" means any facility that caters to or provides services primarily intended for minors, or the individuals who regularly patronize, congregate or assemble at the establishment are predominantly minors.

D. Nuisance Declared; Cultivation Restrictions

1. Cannabis Cultivation, either Indoors, Mixed Light or Outdoors, on any Parcel or Premises in an area or in a quantity greater than as provided herein, or in any other way not in conformance with or in violation of the provisions of this Article, any permit issued pursuant to this Article, and/or state law, is hereby declared to be a public nuisance that may be abated by any means available by law. The provisions of Section L-II 5.19 (Nonconforming Uses and Structures) of the Nevada County Land Use and Development Code shall not apply to Cannabis Cultivation hereby declared to be a public nuisance. No person owning, leasing, occupying, or having charge or possession of any Parcel or Premises within the County shall cause, allow, suffer, or permit such Parcel or Premises to be used for Cannabis Cultivation in violation of the California Health and Safety Code or this Article.
2. Cannabis Cultivation is prohibited on any Parcel or Premises within the unincorporated territory of Nevada County except on Parcels or Premises with a legally established Residence.
3. Cannabis Cultivation is hereby prohibited and declared a nuisance pursuant to this Article, except that Cannabis Cultivation may be undertaken in accordance with this Article as follows:
 - a. On Premises improved with a permanent, occupied, legally permitted Residence.
 - b. Only by an individual or entity who engages in Commercial Cannabis Cultivation for medical purposes or Cultivation of Industrial Hemp, and in accordance with state and local law.
 - c. By an individual for Personal Use in accordance with Subsection E below and in accordance with state and local law.
4. Indoor and Mixed-Light Cannabis Cultivation may occur only within a permitted Accessory Structure that meets the requirements of this Article and complies with all applicable provisions

of the County's Land Use and Development Code and which is permitted for purposes of the specified type of Cannabis Cultivation. Cultivation shall not take place in a kitchen, bathroom, bedrooms, common areas or any other space in the structure which is used as designed or intended for human occupancy. Structures that are exempt from the requirement to obtain a building permit under the Nevada County Land Use and Development Code may be used for Commercial Cannabis Cultivation if meeting all requirements of the Nevada County Land Use and Development Code for that specific structure. Notwithstanding the above, Cannabis Cultivation for Personal Use may occur inside a private residence, but not in bedrooms or kitchens.

5. Cultivation of Cannabis is prohibited on any Premises located within the following areas:
 - a. Upon any Premises located within 1,000 feet of any Sensitive Site. This setback is measured from the edges of the designated Canopy Area and from any Support Area to the property line of the Sensitive Site.
 - b. In any location where the Cannabis would be visible from the public right-of-way or publicly traveled private roads at any stage of growth.
 - c. Within any setback area required by this Article.
6. All Cannabis Cultivation areas shall comply with the following requirements:
 - a. All Cannabis Cultivation Premises shall be adequately secure to prevent unauthorized entry, including a secure locking mechanism that shall remain locked at all times when the Cultivator is not present within the Cultivation area.
 - b. Cannabis Cultivation shall not adversely affect the health, safety, or general welfare of persons at the Cultivation site or at any nearby residence by creating dust, glare, heat, noise, noxious gasses, odor, smoke, traffic, light, or vibration, by the use or storage of hazardous materials, processes, products or wastes, or by any other way. Cannabis Cultivation shall not subject residents of neighboring parcels who are of normal sensitivity to reasonably objectionable odors.
 - c. All electrical, mechanical, and plumbing used for Indoor or Mixed-Light Cultivation of Cannabis shall be installed with valid electrical, mechanical, and plumbing permits issued and inspected by the Nevada County Building Department, which building permits shall only be issued to the legal owner of the Premises or their authorized agent. The collective draw from all electrical appliances on the Premises shall not exceed the maximum rating of the approved electrical panel for the Parcel. Electrical utilities shall be supplied by a commercial power source. If generators are used for emergency purposes as approved by the Enforcing Officer all generators shall be located in containment sheds while in use to reduce generator noise to no greater than 50dB as measured at 100 feet from any sensitive habitat or known sensitive species. This would be an annual requirement and verified yearly when the ACP is renewed. If conformance is not shown, the permit shall be denied or the held in abeyance until the project infraction is brought into conformance with this Article.
 - d. Cultivation of Cannabis indoors shall contain effective ventilation, air filtration and odor-reducing or odor-eliminating filters to prevent odor, mold and mildew in any area used for Cultivation or which is used as, designed or intended for human occupancy, or on adjacent Premises.
 - e. All structure and site utilities (plumbing, electrical and mechanical) shall comply with the California Building Standards Codes as adopted by the County of Nevada.
 - f. All lights used for Cannabis Cultivation shall be shielded and downcast or otherwise positioned in a manner that will not shine light or allow light glare to exceed the boundaries of the Premises, and shall comply with the requirements of Section L-II 4.2.8.D. of this Chapter. Lights are not permitted to be detectable during the nighttime hours. If lights are

to be used during nighttime hours, black out or light barriers must be used to ensure no light is visible during nighttime hours.

- g. Noise levels generated by Cultivation shall not exceed the standards set forth in Table L-II 4.1.7 (Exterior Noise Limits) of this Chapter applicable to the Land Use Category and Zoning District for the Premises on which the Cultivation occurs.
 - h. If the person(s) engaging in Cannabis Cultivation is/are not the legal owner(s) of the Parcel, the person(s) who is engaging in Cannabis Cultivation on such Parcel shall: (a) give written notice to the legal owner(s) of the Parcel prior to commencing Cannabis Cultivation on such Parcel, and (b) shall obtain a signed and notarized Nevada County issued authorization form from the legal owner(s) consenting to the specific Commercial Cannabis Activity for which a local permit and state license are being sought on the Parcel and provide said authorization to Nevada County prior to the commencement of any Cultivation activities and at least annually thereafter. A copy of the most current letter of consent shall be displayed in the same immediate area as designated in the permit and license, in such a manner as to allow law enforcement and other Enforcing Officers to easily see the authorization without having to enter any building of any type. Such authorization must also be presented immediately upon request by an Enforcing Officer.
 - i. The use of Hazardous Materials shall be prohibited in Cannabis Cultivation except for limited quantities of Hazardous Materials that are below State of California threshold levels of 55 gallons of liquid, 500 pounds of solid, or 200 cubic feet of compressed gas. Any Hazardous Materials stored shall maintain a minimum setback distance from water sources in accordance with Nevada County Land Use and Development Code Chapter X. The production of any Hazardous Waste as part of the Cultivation process shall be prohibited.
 - j. All Premises used for Cannabis Cultivation shall have a legal and permitted water source and shall not engage in unlawful or unpermitted drawing of surface water or permit illegal discharges of water. For purposes of engaging in Cannabis Cultivation pursuant to this Article, water delivery is prohibited.
 - k. All Premises used for Cannabis Cultivation shall have a legal and permitted sewage disposal system and shall not engage in unlawful or unpermitted drawing of surface water or permit illegal discharges of water.
7. Accessory Structures used for the Cannabis Cultivation shall meet all of the following criteria:
- a. The Accessory Structure, regardless of size, shall be legally constructed in accordance with all applicable development permits and entitlements including, but not limited to, grading, building, structural, electrical, mechanical and plumbing permits approved by applicable federal, state and local authorities prior to the commencement of any Cultivation Activity. The conversion of any existing accessory structure, or portion thereof, for Cultivation shall be subject to these same permit requirements and must be inspected for compliance by the applicable federal, state and local authorities prior to commencement of any Cultivation Activity. Any Accessory Structure must also be permitted for the specific purpose of Commercial Cannabis Cultivation. Agricultural structures constructed in compliance with the Nevada County Land Use and Development Code may be used for commercial cannabis cultivation that obtain a letter of exemption issued by the Nevada County Chief Building Official or their approved designee that meet all requirements to receive a letter of agricultural exemption.
 - b. The Accessory Structure shall not be built or placed within any setback as required by the Nevada County Land Use and Development Code or approved development permit or entitlement.
 - c. Accessory Structures shall not be served by temporary extension cords. All electrical shall be permitted and permanently installed.

- d. Accessory Structures used for Indoor Cultivation shall be equipped with a permanently installed and permitted odor control filtration and ventilation system adequate to prevent any odor, humidity, or mold problem within the structure, on the Premises, or on adjacent Parcels.
 - e. Any structure used for Indoor Cultivation shall have a complete roof enclosure supported by connecting walls extending from the ground to the roof, and a foundation, slab, or equivalent base to which the floor is securely attached. The structure must be secure against unauthorized entry, accessible only through one or more lockable doors, and constructed of solid materials that cannot easily be broken through, such as 2" x 4" or thicker studs overlain with 3/8" or thicker plywood, polycarbonate panels, or equivalent materials. Exterior walls must be constructed with non-transparent material. Plastic sheeting, regardless of gauge, or similar products do not satisfy these requirements.
8. Where the provisions of this Article are more restrictive than the Nevada County Land Use and Development Code, the provisions of this Article shall govern.
 9. Nothing herein shall limit the ability of the Enforcing Officer or any other state or local employees or agents from entering the property to conduct the inspections authorized by or necessary to ensure compliance with this Article, or the ability of the Sheriff to make initial inspections or independent compliance checks. The Enforcing Officer is authorized to determine the number and timing of inspections that may be required.
 10. All Canopy Areas and Support Areas must be adequately secured to prevent unauthorized entry and entry by children and include a locking gate that shall remain locked at all times when a Designated Responsible Party is not present within the Cultivation site. The Cultivation site shall also be developed so it is not visible from a public right of way.
 11. Notwithstanding the above, Cannabis Cultivation of up to 6 immature or mature plants for Personal Use may be Cultivated inside a private Residence or attached garage except that it may not be Cultivated in any space inhabited by humans, including but not limited to bedrooms and kitchens.

E. Personal Use Cannabis Cultivation

All Cultivation of Cannabis for Personal Use must conform to the regulations and requirements set forth in Section D, above, in addition to the following regulations and requirements.

Personal Use Cannabis Cultivation is allowed as follows:

1. For Personal Use only, Cannabis Cultivation may occur only on a Parcel or Premises with an occupied legally permitted Primary Place of Residence and only in the following zones:
 - a. R-1, R-2, R-3 and R-A (Residential Designation) on Parcels of any size:
 - Indoors: Maximum of six (6) plants, mature or immature.
 - Mixed Light, or Outdoors: Cultivation is prohibited.
 - b. R-A (Rural and Estate Designation):
 - Parcels of 5.00 acres or more:
 - Indoors, Mixed-Light and Outdoors or a combination of methods: a maximum of six (6) plants, mature or immature.
 - c. AG, AE, FR, and TPZ:
 - Parcels of equal to or less than 1.99 acres:
 - Indoors: a maximum of six (6) plants, mature or immature.
 - Mixed-Light and Outdoors: Cultivation is prohibited.
 - Parcels of 2.00 acres or greater:

Indoors, Mixed-Light and Outdoors: a maximum of six (6) plants, mature or immature.

2. The following setbacks apply to all Cannabis Cultivation sites regardless of purpose or Cultivation method:
 - a. For all Premises: 100 linear feet measured from the edge of the Canopy Area to the adjacent property lines.
 - b. For all Premises: 100 linear feet measured from the edge of any Support Area to the adjacent property lines.
 - c. In a mobile home park as defined in Health and Safety Code section 18214.1, 100 feet from mobile home that is under separate ownership.

F. Commercial Cannabis Cultivation

Except as explicitly allowed in this Section, Commercial Cannabis Activities are prohibited. All Commercial Cannabis Activities must conform to the regulations and requirements set forth in Subsection D, above, in addition to the following regulations and requirements:

Commercial Cannabis Cultivation is permitted as follows:

1. Commercial Cannabis Cultivation may occur only on Premises with an occupied legally permitted Primary Place of Residence, and only in zones as set forth as follows:
 - a. R-1, R-2, R-3 and R-A (Regardless of General Code Designation) and TPZ:
Commercial Cannabis Cultivation is prohibited.
 - b. AG, AE, FR:
Parcels of less than 2.00 acres:
Commercial Cannabis Cultivation is prohibited.
Parcels 2.00 acres up to 4.99 acres:
Indoors: a maximum of 500 square feet of Canopy.
Mixed-Light and Outdoors: Commercial Cannabis Cultivation is prohibited.
Parcels 5.00 acres up to 9.99 acres:
Indoors, Mixed-Light, Outdoors or a combination of said methods: a maximum of 2,500 square feet of Canopy.
Parcels of 10.00 acres up to 19.99 acres:
Indoors, Mixed-Light, Outdoors or a combination of said methods: a maximum of 5,000 square feet of Canopy.
Parcels of 20 acres or greater:
Indoors, Mixed-Light, Outdoors or a combination of said methods: a maximum of 10,000 square feet of Canopy.
2. The six (6) plants permitted to be Cultivated on any Premises for Personal Use in accordance with this Article and state law may be Cultivated in addition to the amounts allowed for Commercial Cannabis Cultivation by this Article.
3. Commercial Cannabis may be Cultivated on Premises with multiple Parcels only if there is direct access from one Parcel to the other. The total Canopy Area shall not exceed that allowed area based on the largest of the Parcel sizes. The total Canopy Area shall not exceed the area of the Parcel used for Cultivation. The total Canopy Area and any Support Area must comply with all setback requirements and may not straddle any Parcel boundary. This provision does not prohibit, for example, location of one Canopy Area on one Parcel and another Canopy Area

on an adjacent Parcel as long as setback, total square footage, and other requirements of this Article are met.

4. All those engaged in Commercial Cannabis Cultivation in Nevada County must possess and maintain the appropriate Commercial Cannabis license(s) from the State of California. State licenses must cover and allow for the Commercial Cannabis Cultivation activities being conducted in Nevada County.
5. The holder of an Annual Cannabis Permit for Commercial Cannabis Cultivation or for Non-Remuneration Cultivation in Nevada County may also Transport its own Cannabis from its licensed and permitted Premises to the extent allowed by the permit holder's State license and State law without obtaining an additional permit from Nevada County. The permit from Nevada County, however, must indicate that such Transport is specifically allowed. In order to engage in Transport of Cannabis or Cannabis products, the permit holder must provide the County with proof of possession of a "Distributor Transport Only" (Self-Distribution only) California State license, as set forth in California Code of Regulations, Title 16, Division 42, Chapter 2, section 5315, allowing for Transport of Cannabis from the Cultivation site as long as said license is necessary under State law. Said State license must be maintained in good standing in order to engage in the Transport of cannabis in the County of Nevada. Notwithstanding the foregoing, this provision does not authorize the holder of an ACP to Transport Cannabis away from the Cultivation sites of other permit holders.
6. Commercial Cannabis Activity in County of Nevada may only be conducted by individuals and/or entities licensed by the State of California to engage in the activity for which a permit was issued by the County of Nevada. Commercial Cannabis Activities may not commence, and the Nevada County permit is not valid, until the appropriate license is obtained from the State of California.
7. A maximum of three (3) Cultivation permits will be issued per person or entity for purpose of engaging in Commercial Cannabis Activities. No person or entity may have any financial interest in more than three (3) Commercial Cannabis businesses and/or enterprises in Nevada County.
8. A Primary Caregiver may cultivate no more than five hundred (500) square feet of Canopy per Qualified Patient for up to five (5) specified Qualified Patients for whom he or she is the Primary Caregiver within the meaning of Section 11362.7 of the Health and Safety Code, if said Primary Caregiver does not receive remuneration for these activities except for compensation in full compliance with subdivision (c) of Section 11362.765 of the Health and Safety Code. Cultivation under this provision, however, must otherwise comply with all other regulations applying to Commercial Cannabis Cultivation under this Article.
9. Cannabis Support Areas are limited to a maximum area equal to 25% of the overall Canopy Area. The Support Area boundary shall be clearly identified on any plans that are submitted and on the Premises.

G. Permitting of Commercial and Non-Remuneration Cannabis Activities

Permitting to engage in Commercial Cannabis Activities or Non-Remunerative Cannabis Cultivation in Nevada County is a two-step process. One must obtain both a land use permit (either a CCP or an ADP) and an Annual Cannabis Permit. The Permitting Authority may issue permits to Applicants meeting the requirements of this Section G and this Article.

1. Cannabis Cultivation Permit (CCP) requirements are as follows:
 - a. Canopy sizes of a combined total of up to 2,500 sq. feet (Indoors, Mixed-Light or Outdoors) on the Premises.
 - b. Compliance with all local CCP permitting requirements is necessary.
 - c. CCPs are not transferrable or assignable to any other person, entity or property.

- d. Applicant must provide the following as part of their application for a CCP:
 - i. A complete application.
 - ii. A list of all individuals and/or entities with any financial interest in the Commercial Cannabis Activity, including names, addresses, titles, nature and extent of financial interest, and disclosure of all financial interest in any and all cannabis businesses in the County.
 - iii. Copy of identification acceptable to County, including but not limited to driver's license or passport.
 - iv. All CCP permits are subject to all of the resource protection standards identified in Section L-II 4.3.3 of this Chapter.
 - v. A detailed site plan setting forth the intended location of the Canopy Area and any Support Area, detailed description of intended activities, setbacks, descriptions of existing and proposed structures and any other information required to show compliance with this Article. In addition the site plan shall include:
 - a) All landmark trees, landmark groves and heritage trees and groves as defined by the Zoning Ordinance. If such trees exist, the applicant shall indicate that the proposed cultivation sites and any proposed ancillary structures would not require removal of any of the listed trees and that all cannabis cultivation and accessory structures are outside the existing drip line of all trees. If any Cultivation or accessory structure would require removal or encroach in the drip line of any trees and the project plans shall be revised to avoid the trees. If any trees or groves are dead, dying, or a public safety hazard as determined by a qualified professional, no further action is required.
 - b) All Prime Farmland, Unique Farmland, or Farmland of Statewide Importance based on the most recent available mapping provided by the California Department of Conservation (CDOC) Farmland Mapping & Monitoring Program (FMMP) that exist on the project site. If such lands exist, the applicant shall show on the site plan(s) that any proposed accessory structure and related improvements (e.g., driveways, staging areas, etc.) have been located on the property in which impacts to mapped farmlands are reduced to the maximum extent practicable. A Management Plan pursuant to LUDC section L-II 4.3.3 shall be required if any cultivation activities or structures encroach into mapped farmland.
 - vi. Irrigation water service verification.
 - vii. Sewer/septic service verification.
 - viii. Electrical service verification.
 - ix. A security plan.
 - x. A light control plan that demonstrates how light used for cultivation purposes would be controlled. Light control measures may include but not be limited to means such as using blackout tarps to completely cover all greenhouses and hoop-houses or restricting the use of lighting between sunset and sunrise.
 - xi. All Commercial Cannabis Cultivation applications shall include language in project cultivation plans and on project site plans when applicable, that that the grading or building permit for the proposed project shall comply with applicable state and federal air pollution control laws and regulations, and with applicable rules and regulations of the NSAQMD during any construction and during operations of cannabis facilities. Compliance with NSAQMD Rule 226 Dust Control Plan shall be required, and all construction equipment (75 horsepower and greater) shall not be less than Tier 3, less than Tier 4 Interim if construction starts after 2025, and Tier 4 Final if construction starts after 2030. Written documentation that the cannabis facility is in compliance with the NSAQMD shall be provided to the Nevada County Planning Department.
 - xii. All Commercial Cannabis Cultivation and Non-Remuneration Cultivation operations are restricted from burning any cannabis or other vegetative materials. The following

language shall be included on all site plans: "The burning of any part of the cannabis plant or plant materials that is considered excess or waste is prohibited from being burned."

- xiii. All applications shall include biological pre-screening materials. The materials shall include adequate information to define site constraints and show potentially sensitive biological resource areas. Materials shall include, at a minimum, project location (site address and parcel numbers); site aerials, photographs of proposed areas of disturbance (includes canopy area, accessory structures, and any related improvements [e.g., driveways, staging areas, etc.]), photographs of vegetative cover, a thorough project description describing all phases of construction, all proposed structures and cultivation areas, location of any streams, rivers, or other water bodies, limits and depth of grading, any grading cut or fill in a stream, river, or other water body, any water diversions and/or description of the source of water, water storage locations, and source of electricity (if applicable). If avoidance or protection measures are required, a Habitat Management Plan (HMP) consistent with the requirements of Section L-II 4.3.3 of the Nevada County Land Use and Development Code shall be prepared. If potential impacts on these biological resources cannot be reduced to less than significant levels, no permit shall be issued.
- xiv. Applications shall include a Non-Confidential Records Search to NCIC to determine the potential for Commercial Cannabis Cultivation sites to disturb historic, cultural, or tribal resources. Upon receipt, should the County find the NCIC recommends a cultural resource study, the applicant shall retain a qualified professional to conduct a cultural resource study of the project area. No permit shall be issued until the completion of such report, and if needed, until recommended mitigation is implemented, or a plan has been submitted to the County for implementation.
- xv. All applications that include ground disturbance shall include a note on the plans that if subsurface archeological and/or paleontological features or unique geologic features are discovered during construction or ground disturbance, all activities within 50-feet of the find shall cease and the County shall be notified immediately. A qualified archaeologist/paleontologist shall be retained by the County to assess the find and shall have the authority to prescribe all appropriate protection measures to future work. If buried human remains are discovered during construction or ground disturbance, all activities shall cease and the County shall be notified immediately. The County shall notify the coroner to examine the remains. If the remains are determined to be of Native American origin, the Native American Heritage Commission shall be notified, and all sections details in Section 5097.98 of the California Public Resources Code shall be followed.
- xvi. Copy of Deed to Property indicating applicant ownership.
- xvii. Acknowledgement of standards set forth in ordinance.
- xviii. Copy of valid state license application allowing for type of Commercial Cannabis Activity applied for (if available).
- xix. Lease information.
- xx. Payment of applicable fees.
- xxi. Provide proof of purchase of a Certificate of Deposit from a commercial banking institution approved by the Enforcing Officer in the amount of \$5,000.00 which may be accessed by County of Nevada.
- xxii. A valid email address and acknowledgement that the applicant agrees to accept service of any notice required or allowed by this Article via email.
- e. Applicant must allow for right of entry and inspections to ensure permit eligibility and compliance.
- f. Secondary Access and Dead End Road Requirement Exemption:
- g. Secondary access may be waived at the discretion of the Permitting Authority if applicant attests that there will be no special events held on the Premises and that the general public will not have access to the Premises.

- h. Applicant shall obtain and keep a valid and active ACP for the CCP to remain active. If an ACP is not obtained within six months of issuance of the CCP, or if the ACP is revoked or denied renewal, the County may take any actions allowed by this Article or by law to revoke the CCP.
2. Administrative Development Permit (ADP) requirements are as follows:
- a. Canopy sizes of a combined total of 2,501-10,000 sq. feet (Indoors, Mixed-Light or Outdoors on the Premises).
 - b. Compliance with all ADP permitting requirements is necessary.
 - c. ADPs are not transferrable or assignable to any other person, entity or property.
 - d. Applicant must provide a complete application that contains all requirements of the CCP application listed in Section G.1.d, above.
 - e. Applicant must allow for right of entry and inspections to ensure permit eligibility and compliance.
 - f. Secondary Access and Dead End Road Requirement Exemption:
Secondary access may be waived at the discretion of the Permitting Authority if applicant attests that there will be no special events held on the Premises, that the general public will not have access to the Premises, that no more than ten (10) employees will be on the Premises at any given time, and that the Fire Authority approves the exemption.
 - g. Applicant shall obtain and keep a valid and active ACP for the ADP to remain active. If an ACP is not obtained within six months of issuance of the ADP, or if the ACP is revoked or denied renewal, the County may take any actions allowed by this Article or by law to revoke the ADP.
3. Annual Cannabis Permit (ACP): This permit may be issued to the individual/entity engaging in the Commercial Cannabis Activity and Non-Remuneration Cultivation.
- a. Permit for Commercial Cannabis Activities:
Applicant must submit the following information as part of the application process:
 - i. A complete application.
 - ii. The exact location of the proposed Cannabis Activity.
 - iii. A copy of all applications of licensure submitted to the State of California related to the proposed Cannabis Activities.
 - iv. A list of all individuals and/or entities with any financial interest in the Commercial Cannabis Activity, including names, addresses, titles, nature and extent of financial interest, and disclosure of all financial interest in any and all cannabis businesses in the County.
 - v. Tax identification information.
 - vi. Detailed description of any law enforcement and/or code enforcement activities at the Premises proposed for the Cannabis Activities.
 - vii. Copy of identification acceptable to County, including but not limited to driver's license or passport.
 - viii. A detailed site plan setting forth the intended location of the Canopy Area and any Support Area, detailed description of intended Cannabis Activities, setbacks, descriptions of existing and proposed structures and any other aspects required to show compliance with this Article.
 - ix. Irrigation water service verification.
 - x. Sewer/septic service verification.
 - xi. Electrical service verification.
 - xii. A security plan.
 - xiii. Notarized landlord authorization to engage in activity or deed of ownership.
 - xiv. Acknowledgement of standards set forth in ordinance.
 - xv. Copy of valid state license application allowing for type of Commercial Cannabis Activity applied for (if available).

- xvi. Lease information.
 - xvii. Payment of applicable fees as may be established and amended by the County.
 - xviii. A valid email address and acknowledgement that the applicant agrees to accept service of any notice required or allowed by this Article via email.
- b. Non-Remunerative ACP applicants must submit the following:
- i. A complete application.
 - ii. The exact location of the proposed Cultivation.
 - iii. Sufficient proof that the applicant is a Qualified Caregiver.
 - iv. Copies of valid recommendations from qualified physicians for each Qualified Individual for whom Cannabis is being Cultivated.
 - v. Background information, including but not limited to a statement that the applicant and owner have submitted to a Live Scan background check no earlier than 30 days prior the date of application.
 - vi. Detailed description of any law enforcement and/or code enforcement activities at the Premises proposed for the Cannabis Cultivation.
 - vii. Copy of approved identification.
 - viii. A detailed site plan setting forth the intended location of the Canopy Area and any Support Area, detailed description of intended activities, setbacks, descriptions of existing and proposed structures and any other information required to show compliance with this Article.
 - ix. Irrigation water service verification.
 - x. Sewer/septic service verification.
 - xi. Electrical service verification.
 - xii. A security plan.
 - xiii. Notarized landlord authorization to engage in activity or deed of ownership.
 - xiv. Acknowledgement of standards set forth in ordinance.
 - xv. Lease information.
 - xvi. Payment of applicable fees as may be established and amended by the County.
 - xvii. A valid email address and acknowledgement that the applicant agrees to accept service of any notice required or allowed by this Article via email.
- c. Applicant must allow for right of entry and inspections to ensure permit eligibility and compliance.
- d. Secondary Access and Dead End Road Requirement Exemption:
Secondary access may be mitigated at the discretion of the Permitting Authority if applicant attests that there will be no special events held on the Premises, that the general public will not have access to the Premises, that no more than ten (10) employees will be on the Premises at any given time, and that Fire Authority approves the exemption.
- e. ACPs must be renewed annually.
4. In the event that the proposed site plan does not meet the setback requirements of this Article, the applicant may propose use of an easement agreement with an adjacent property owner or obtain a setback variance in order to satisfy the setback requirements (a "Setback Easement" or "Setback Variance"). Setback Easements and/or Variances relating to Indoor, Mixed-Light and Outdoor Cultivation and Support Areas will be granted and issued at the discretion of the Permitting Authority, and only as follows:
- a. Setback Variances shall follow the requirements of Sec. L-II 5.7 of the Nevada County Land Use and Development Code. Setback Variances shall be limited to a minimum setback of 60ft to property lines. Except as set forth in subsections below, no Setback Variance will be considered for any other provision of this Article including, but not limited to, Canopy Area, minimum parcel size, zoning designations or methods of cultivation. The findings required for approval of a Setback Variance shall be those listed in Sec. L-II 5.7 in addition to the following finding:

- i. The Setback Variance will not result in any increased odor impacts to neighboring properties and all potential increases in odor impacts have been adequately mitigated.
- b. Setback Easements are intended to allow limited flexibility for purposes of compliance with setback requirements only. Except as set forth in subsections below, no Setback Easement will be considered for any other provision of this Article including, but not limited to, Canopy Area, minimum parcel size, zoning designations or methods of cultivation.
- c. Setback Easements must comply with the following:
 - i. Setback Easement area cannot exceed 40% of the required setback.
 - ii. The majority of the burden of the setback must remain with the applicant.
 - iii. The easement must contain the following language: "This easement may be used to meet the Nevada County setback requirements to construct an Accessory Structure for the purpose of Cultivating Cannabis Indoors, Mixed-Light, or Outdoors pursuant to the Nevada County Code."
 - iv. All other legal and local requirements of a Setback Easement must be met.
- d. The Permitting Authority has the discretion to authorize construction of an Accessory Structure a distance less than 1000 feet from a state and/or federal Park if the following criteria are met:
 - i. the proposed site is at least 300 feet from the property line of the State or Federal Park; and
 - ii. the portion of the State or Federal Park that is adjacent to the Parcel or Premises upon which the Accessory Structure is proposed to be constructed is inaccessible by the public and is unimproved.

The Permitting Authority has the authority to submit the application through the Planning Commission process for approval if, in his/her discretion, such approval is appropriate.

5. Transition Period for Non-Cannabis Violations on the Premises.

The issuance of Cannabis Cultivation Permits, Administrative Development Permits, or Annual Cannabis Permits may be withheld if any violations of Nevada County Municipal Codes not related to Cannabis Activities exist on the Parcel or Premises upon which Commercial Cannabis Activities are proposed to be conducted. At the discretion of the Permitting Authority, applicants may be given up to two years from the date of the submission of the application for Cannabis Activity permits, including use and development permits, to bring existing building code and other violations not related to Cannabis Activities into compliance with local regulations. For this section to apply, all required permits to correct code defects must be submitted and substantial progress toward compliance made during this transition period. Failure to correct said code violations by the initial expiration of an ACP may result in the ACP not being renewed. Nothing in this provision precludes the County from proceeding to seek revocation of land use permits for failure to correct code defects. This provision does not apply to any structure, other site improvements in which Cannabis Activities will be conducted which was not previously properly permitted, or to any code violations which adversely impact health and safety, including but not limited to electrical or fire hazards. Structures, grading, and utilities which will be used for Cannabis Activities must be in compliance with all local and state regulations prior to the commencement of Commercial Cannabis Activities unless said structures were previously properly permitted. This provision providing for a transition period expires two years from the date this Article is initially adopted, after which time, no CCP or ADP will be issued for Commercial Cannabis Activities unless the Parcel and/or Premises, and all improvements thereon, are fully compliant with the Nevada County Municipal Codes.

H. Change in Land Use

To the extent feasible, the County shall encourage any person proposing to construct or operate a new or relocated School, Sensitive Site, Church, Park, Day Care, or Child Care Center, or Youth-Oriented Facility to consider whether the proposed location of such use is within 1,000 feet of a Premises upon which Cannabis Cultivation is permitted or where a Notice to Abate has been issued within the past year. Upon request, the Enforcing Officer shall inform any person proposing to construct or operate a new or relocated School, Church, Park, Daycare, Childcare Center, or Youth-Oriented Facility regarding whether there is such a Premises within 1,000 feet of the proposed location of such use, and, if so, shall also inform the person, owning, leasing, occupying, or having charge or possession of that Premises that such a use is being proposed within 1000 feet of the Premises. (Ord. 2405, 1/12/16)

I. Denial, Suspension, and Revocation of Permits

1. Denial – Initial Application for Any Permit.
An application for any permit to be issued pursuant to this Article shall be denied following review of the application if the Permitting Authority determines that the applicant has not complied with the requirements of Section G of this Article or makes any of the findings listed in subsection 5 below.
2. Denial – Renewal of ACP.
Renewal of an existing Annual Cannabis Permit shall be denied if the Permitting Authority makes any of the findings listed in Subsection 5 below.
3. Suspension of ACP.
Prior to or instead of pursuing revocation of an ACP, the Permitting Authority may suspend an ACP for thirty (30) days if the Permitting Authority makes any of the findings listed in Subsection 5 below. The Permitting Authority shall issue a Notice of Suspension to the holder of the ACP by any of the methods listed in Section B.1. Such Notice of Suspension shall state the reason for suspension and identify what needs to be cured and corrected during the suspension period. Suspension is effective upon service as described in Section B.2. All Cannabis Activities must cease upon suspension. The Permitting Authority's decision to suspend an ACP may not be appealed. Nothing in this provision should be construed to limit the Permitting Authority's ability to revoke an ACP without suspension.
4. Revocation – ACP
An ACP may be revoked if the Permitting Authority makes any of the findings listed in Subsection E, below. The Permitting Authority shall issue a Notice of Revocation to the holder of the ACP by any of the methods listed in Section B.1. Such Notice of Revocation shall state the reason for revocation, and that the holder of the ACP may appeal the revocation to the Hearing Body within five (5) days of service. The Hearing Body's decision on the ACP revocation is final. Any hearing requested pursuant to this Subsection I.4 may be combined with any other hearing pertaining to the same Cannabis Activities, Premises, or Parcel that is held by the Hearing Body pursuant to this Article, including an abatement hearing.
5. Revocation – CCP or ADP.
Any CCP or ADP may be revoked following a noticed hearing if the Hearing Body makes any of the findings listed below. The Permitting Authority shall issue a Notice of Revocation at least ten (10) days before the hearing, and shall issue notice of the hearing as set forth in Section L-II 5.13. Notwithstanding the foregoing, a Notice to Abate issued pursuant to Section J may simultaneously serve as a Notice of Revocation if such revocation is described in the Notice to Abate. Any hearing held pursuant to this Subsection I.5 may be combined with any other hearing pertaining to the same Cannabis Activities, Premises, or Parcel that is held by the Hearing Body pursuant to this Article, including an abatement hearing. A CCP or ADP may be revoked if the Hearing Body finds that any of the following have occurred:
 - a. Discovery of untrue statements submitted on a permit application.

- b. Revocation or suspension of any State license required to engage in Commercial Cannabis Activities.
 - c. Previous violation by the applicant, or violation by the permittee, of any provision of the Nevada County Code or State law, including any land use permit conditions associated with the permittee's business operations.
 - d. Failure to meet any of the general eligibility requirements to obtain a permit as set forth in this Article.
 - e. Violation of, or the failure or inability to comply with, any of the restrictions or requirements for the issuance of a license or conducting business operations as set forth in this Article, including any administrative rules or regulations promulgated by the Permitting Authority or any conditions associated with the issuance of the permit or any associated land use permit or other permit.
 - f. Violation of, or failure to comply with, any land use or other permit requirements associated with the licensee's Commercial Cannabis Activities, including but not limited to zoning, building, fire, and agricultural permits as may be required for the activity and the operations site.
 - g. Violation of, or failure to comply with, any State or local law in conducting business operations, including any laws associated with the MAUCRSA.
 - h. With the exception of those employed at a Cultivation site, allowing any person between the ages of 18 and 21 years of age to enter a Cultivation site, or allowing any person younger than 18 years of age to enter a Cultivation site without a parent or legal guardian.
 - i. Failure to contain all irrigation run-off, fertilizer, pesticides, and contaminants on-Premises.
 - j. Failure to allow inspections of the Premises and business operations by the Permitting Authority, Building Official, Fire Authority, law enforcement, or Enforcing Officer at any time, with or without notice.
 - k. Failure to timely pay any local, State, or federal tax associated with or required by the licensee's cannabis business activities, including any taxes required to be paid under the Nevada County Code, as may be established or amended.
 - l. Creation or maintenance of a public nuisance.
 - m. Conviction of a criminal offense by any permit holder that would justify denial of a state license.
 - n. Failure to post and maintain at the Cultivation site, in a prominent location a copy of the local permit(s) issued pursuant to this section and a copy of any State license(s) required for the activity.
 - o. Failure to fully cooperate with a financial audit by the County of Nevada of any and all aspects of the permittee's business, including but not limited to on-site inspection and review of financial transactions, sales records, payroll and employee records, purchase orders, overhead expense records, shipping logs, receiving logs, waste disposal logs, bank statements, credit card processing statements, inventory records, tax records, lease agreements, supplier lists, supplier agreements, policies and procedures, and examination of all financial books and records held by the licensee in the normal course of business.
 - p. Intentional or negligent diversion of Cannabis to minors, failure to secure and safeguard Cannabis from minors, or Transport of Cannabis not authorized by this Article or State law.
6. If an initial application or renewal permit is denied, or if a permit is revoked, all Cultivation on the parcel shall cease immediately, subject to the Permitting Authority or Hearing Body's discretion to allow operations to continue for a brief period of time to complete miscellaneous wind-down operations.

7. Under no circumstances shall a cause of action for monetary damages be allowed against the County of Nevada, the Permitting Authority, Hearing Body, or any County official or employee as a result of a denial or a revocation of a permit. By applying for a permit, the applicant and owners associated with a Commercial Cannabis Cultivation business waive any and all claims for monetary damages against the County and all other aforementioned officials and employees of the County of Nevada that may be associated with the denial or revocation of a permit.

J. Enforcement; Notice to Abate Unlawful Cannabis Activities

1. Issuance of Notice to Abate Unlawful Cannabis Activities (“Notice to Abate”)

Whenever the Permitting Authority, as may be assisted by the Enforcing Officer, determines that a public nuisance as described in this Article exists on any Parcel or Premises within the unincorporated area of Nevada County, he or she is authorized to notify the Violator(s) through issuance of a “Notice to Abate Unlawful Cannabis Cultivation”; provided, however, that nothing in this Article shall affect or preclude the Sheriff, or other Enforcing Officer, from taking immediate abatement action without notice to address any Cannabis which is Cultivated, possessed, or distributed in violation of state law or when Cannabis Cultivation constitutes an immediate threat to the public health or safety, and where the procedures set forth herein would not result in abatement of that nuisance within a short enough time period to avoid that threat. (Ord. 2416, 7/26/16)

2. Costs and Administrative Civil Penalties; Cure Period

Whenever a Notice to Abate is issued, the Violator shall be provided with five (5) calendar days from date of service, as defined in Section B.1, to correct the violation before imposition of costs and/or civil penalties as set forth in Section N, below.

K. Contents of Notice

The Notice of Abatement shall be in writing and shall:

1. Identify the Violator(s), including owner(s) of the Parcel or Premises upon which the nuisance exists, as named in the records of the County Assessor; the occupant(s), if other than the owner(s), and if known or reasonably identifiable; and the holder(s) of any permit obtained pursuant to this Article, if applicable and different than the foregoing.
2. Describe the location of such Parcel or Premises by its commonly used street address, giving the name or number of the street, road or highway and the number, if any, of the property.
3. Identify such Parcel or Premises by reference to the Assessor’s Parcel Number(s).
4. Contain a statement that unlawful Cannabis Cultivation exists on the Parcel or Premises and that it has been determined by the Permitting Authority or Enforcing Officer to be a public nuisance as described in this Article.
5. Describe the unlawful Cannabis Cultivation that exists and/or any permit violations and/or any Land Use and Development Code violations, and the actions required to abate the nuisance.
6. Contain a statement that the Violator is required to abate the unlawful Cannabis Cultivation and pay any applicable administrative civil penalties within five (5) calendar days after the date that said Notice was served pursuant to Section L of this Article.
7. Contain a statement that, if the condition is not abated within five (5) calendar days from the service of this Notice, costs and administrative civil penalties in the amounts set forth in Section N will begin to accrue on the sixth (6th) calendar day following service of this Notice.
8. Contain a statement that the Violator may, within five (5) calendar days after the date that said Notice was served, make a request in writing to the Clerk of the Board of Supervisors pursuant to Section N of this Article for a hearing to appeal the determination of the Permitting Authority

or Enforcing Officer or to show other cause why the conditions described in the Notice should not be abated in accordance with the Notice and the provisions of this Article.

9. Contain a statement that, unless the Violator abates the unlawful Cannabis Cultivation or requests a hearing before the Board of Supervisors or its designee within the time prescribed in the Notice, the Permitting Authority or Enforcing Officer will take any or all of the following actions, as applicable: (i) revoke any permit issued pursuant to this Article, (ii) abate the nuisance at the Violator's expense, and (iii) impose costs and administrative civil penalties pursuant to this Article. If any of these actions are currently proposed, the Notice shall so state and shall state the amounts of any penalties. The Notice shall also state that any costs and/or administrative civil penalties may be imposed as a special assessment added to the County assessment roll and become a lien on the real property, or be placed on the unsecured tax roll. (Ord. 2416, 7/26/16)

L. Service of Notice to Abate

1. A Notice to Abate may be served by any of the following methods:
 - a. By personal service to any Violator, the owner of the Parcel or Premises, occupant of the Parcel or Premises, Designated Responsible Party, or any person appearing to be in charge or control of the affected Parcel.
 - b. By first class or certified U.S. Mail to any Violator, the owner of the Parcel or Premises, occupant of the Parcel or Premises, or Designated Responsible Party at the address shown on the last available equalized secured property tax assessment roll, or otherwise known by the Enforcing Officer.
 - c. By posting the notice in a prominent and conspicuous place on the affected Parcel or Premises or abutting public right-of-way; however, if access is denied because a common entrance to the property is restricted by a locked gate or similar impediment, the Notice may be posted at that locked gate or similar impediment.
 - d. By email to any CCP, ADP, or ACP holder; however, if service is by email, the Notice shall also be deposited in the U.S. Mail. The date of the email is the effective service date.
2. The date of service is deemed to be either the date of personal delivery, posting, email, or three calendar days following deposit in the U.S. mail. (Ord. 2416, 7/26/16)

M. Administrative Review; Abatement Hearing

1. The Board of Supervisors delegates the responsibility to conduct a hearing in conformance with this Article to a Hearing Body.
2. Any Violator upon whom a Notice to Abate has been served may appeal the determination of the Permitting Authority or Enforcing Officer in order to show cause before the Hearing Body why the conditions described in the Notice should not be abated in accordance with the provisions of this Article or to prove that they have been abated. Any such appeal shall be commenced by filing a written request for a hearing with the Clerk of the Board of Supervisors within five (5) calendar days of service of the Notice to Abate as described in Section L of this Article. The written request shall be accompanied by the County's appeal fee (as may be approved by the Board of Supervisors from time to time) and payment of any administrative civil penalties identified in the Notice to Abate. The appeal shall also include a statement of all facts supporting the appeal, including why the Cannabis Cultivation that is the subject of the Notice to Abate is not in violation or is no longer in violation of this Article. The time requirement for filing such a written request shall be deemed jurisdictional and may not be waived. In the absence of a timely filed appeal by way of written request for a hearing that complies fully with the requirements of this Section, the findings of the Enforcing Officer contained in the Notice to Abate shall become final and conclusive on the sixth calendar day following service of the Notice to Abate.

3. Upon timely receipt of a written request for hearing which complies with the requirements of this Section, the Clerk of the Board of Supervisors shall set a hearing date not less than five (5) calendar days or more than twenty (20) calendar days from the date the request was filed. The Clerk of the Board shall send written notice of the hearing date to the Violator, to any other parties upon whom the Notice to Abate was served, and to the Enforcing Officer and/or Permitting Authority. Continuances of the hearing will only be granted on a showing of good cause. Unavailability of an attorney does not constitute "good cause."
4. Any hearing conducted pursuant to this Article need not be conducted according to technical rules relating to evidence, witnesses and hearsay. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs regardless of the existence of any common law or statutory rule which might make improper the admission of the evidence in civil actions. The Hearing Body has discretion to exclude evidence if its probative value is substantially outweighed by the probability that its admission will necessitate undue consumption of time.
5. The Hearing Body may continue the administrative hearing from time to time based on showing of good cause as stated above. Unavailability of an attorney does not constitute "good cause."
6. The Hearing Body shall consider the matter de novo, and may affirm, reverse, or modify the determinations contained in the Notice to Abate. The Hearing Body shall issue a written decision, which shall include findings relating to the existence or nonexistence of the alleged unlawful Cannabis Cultivation at the time the Notice to Abate was served, findings concerning the property and means of abatement of the conditions set forth in the Notice, whether any abatement efforts were made at all after the Notice was served, and whether imposition of any administrative civil penalties is proper. The Hearing Body may announce its decision at the hearing or take the matter under submission. In either case, a written copy of the decision shall be mailed to the Violator, any other parties upon whom the Notice was served, and the Enforcing Officer and/or Permitting Authority within ten (10) calendar days. Service of the Hearing Body's decision shall be deemed complete three (3) calendar days after mailing.
7. The decision of the Hearing Body shall be final and conclusive. Following the Hearing Body's decision, Violators may only seek judicial remedies. If the Hearing Body removes any administrative penalties already paid by the Violator prior to the hearing, Violator is entitled to reimbursement of those penalties. Failure to appear at a properly noticed hearing constitutes failure to exhaust administrative remedies.

N. Liability for Costs; Administrative Civil Penalties

1. In any enforcement action initiated by a Notice to Abate, any Violator shall be liable for all costs incurred by the County, including, but not limited to all costs and attorneys' fees as described in this Section. Any such Violator shall also be liable for any and all administrative civil penalties described in this Section.
2. For purposes of this Section, "costs" include any and all costs incurred to undertake, or to cause or compel any Violator to undertake, any abatement action in compliance with the requirements of this Article, whether those costs are incurred prior to, during, or following enactment of this Article. "Costs" also include direct and indirect costs related to the performance of various administrative acts required to enforce this Chapter, which include but are not limited to costs associated with: administrative overhead, County staff time and expenses incurred by County Officers, site inspections, investigations, notices, telephone contacts and correspondence, conducting hearings, time expended by County staff in calculating the above expenses, time and expenses associated with bringing the matter to hearing, costs of judicially abating a violation, and all costs associated with removing, correcting or otherwise abating any violation including calculating and imposing civil penalties pursuant to this Article.

3. For purposes of this Section, "attorneys' fees" include any attorneys' fees incurred by the County before and during preparation of the Notice to Abate and as a result of administrative hearing proceedings or the abatement process. In no action, administrative proceeding, or special proceeding shall an award of attorneys' fees exceed the amount of reasonable attorneys' fees incurred by the County in the action or proceeding.
4. Administrative Civil Penalties.
 - a. In addition to any other remedy prescribed in this Article, including liability for costs described in this Section N, the County may impose administrative civil penalties for any violation of this Article. Administrative civil penalties may be imposed via the administrative process set forth in this Article, as provided by Government Code section 53069.4, or may be imposed by the court if the violation requires court enforcement.
 - b. Acts, omissions, or conditions in violation of this Article that continue to exist, or occur on more than one day constitute separate violations on each day.
 - c. Violators are subject to the imposition of administrative civil penalties as follows:
 - i. An amount equal to three times the total of the permit fees per violation; or
 - ii. An amount equal to \$1,000 per violation per day, whichever is greater.
 - iii. In any event, the maximum annual penalty per violation per year is \$25,000.
 - iv. These administrative civil penalties will begin to accrue on the date 6th day after the Notice to Abate is served and will continue to accrue until the nuisance is abated to the satisfaction of the Enforcing Officer or as otherwise directed by a Hearing Body presiding over any hearing regarding abatement of the nuisance.
 - v. These amounts are separate and distinct from any administrative civil penalties that may be imposed by the County for building or safety code violations as described in Subsection N.4.d, below.
 - vi. In determining the amount of the administrative civil penalty to be imposed, the Enforcing Officer, Hearing Body, or the court if the violation requires court enforcement, shall take into consideration the nature, circumstances, extent and gravity of the violation or violations, any prior history of violations, the degree of culpability, and economic savings, if any, resulting from the violation and any other matters justice may require.
 - vii. Nothing in this Article precludes an Enforcing Officer from conducting inspections day to day as permitted by law and this Article to determine if a violation has been abated or otherwise corrected.
 - d. Separate, apart from and in addition to the administrative civil penalties described in this Section, the following administrative civil penalties may be imposed for violations of any building and safety code provisions of the County's Land Use and Development Code. Notice of any such violations may be included in a Notice to Abate issued pursuant to this Article, and administrative civil penalties may be imposed by the Enforcing Officer and/or Hearing Body. Such violations are considered violations of this Article and are also grounds for permit revocation or denial. The administrative civil penalties issued to a Violator for violation of any building or safety code are as follows:
 - i. First violation in a 12-month period: \$130 per day/per violation that nuisance remains unabated.
 - ii. Second violation in a 12-month period: \$700 per day/per violation that nuisance remains unabated.
 - iii. Any additional violation thereafter in a 12-month period: \$1,300 per day/per violation that nuisance remains unabated.

- iv. Each additional violation within a 24-month period of the first violation: \$2,500 per day/per violation that nuisance remains unabated if the violation is due to failure to remove visible refuse or failure to prohibit unauthorized use of the property.
- v. Each violation of building and safety codes constitutes a separate violation. Each day or part of any day a violation exists constitutes a separate violation.
- vi. Nothing in this Article precludes an Enforcing Officer from conducting inspections day to day as permitted by law and this Article to determine if a violation has been abated or otherwise corrected.
- vii. In determining the amount of the administrative penalty, the Enforcing Officer, or the court if the violation requires court enforcement without an administrative process, shall take into consideration the nature, circumstances, extent and gravity of the violation or violations, any prior history of violations, the degree of culpability, economic savings, if any resulting from the violation and any other matters justice may require.

5. Imposition of Costs and Administrative Civil Penalties.

The Enforcing Officer may impose costs and administrative civil penalties by issuance and service of a Notice to Abate, which shall state the amount of the proposed administrative penalty pursuant to Sections K and L. Following service of a Notice to Abate, imposition of costs and administrative civil penalties shall occur as follows:

- a. Imposition of costs and administrative civil penalties may be appealed to the Hearing Body. Any such appeal shall be commenced by filing a written request for a hearing with the Clerk of the Board of Supervisors within five (5) calendar days of service of the date that the Notice to Abate was served as described in Section L of this Article. The written request shall be accompanied by the County's appeal fee (as may be approved by the Board of Supervisors from time to time) and payment of any costs and administrative civil penalties identified in the Notice to Abate. The appeal shall also include a statement of all facts supporting the appeal, including why the administrative civil penalties should not be imposed. The time requirement for filing such a written request shall be deemed jurisdictional and may not be waived. In the absence of a timely filed appeal by way of written request for a hearing that complies fully with the requirements of this Section, the findings and administrative civil penalties of the Enforcing Officer contained in the Notice to Abate shall become final and conclusive on the sixth calendar day following service of the Notice to Abate.
- b. Any hearing conducted pursuant to this Section shall be conducted pursuant to the process set forth in Section M. The decision of the Hearing Body is final. Nothing in this Section N shall be construed to prohibit combination of any hearing for administrative civil penalties with any other hearing required or allowed by this Article, including an abatement hearing.
- c. Payment of an administrative penalty imposed by the Hearing Body shall be made to the County within twenty (20) calendar days of service the Hearing Body's decision, unless timely appealed to the Superior Court in accordance with Government Code section 53069.4(b).
- d. Interest shall accrue on all amounts under this Section from the effective date of imposition of the administrative civil penalty to the date fully paid pursuant to the laws applicable to civil money judgments.
- e. Abatement of unlawful Cannabis Cultivation prior to any hearing or appeal of a Notice to Abate Unlawful Cannabis Cultivation does not absolve the Violator of the obligation to pay the administrative civil penalties.

6. Lien.

In addition to any other legal remedy, whenever the amount of any costs or administrative civil penalties imposed pursuant to this Article has not been satisfied in full within ninety (90) days of service of the Notice to Abate or service of the Hearing Body's decision, whichever is later, and whenever that amount has not been timely appealed to the Superior Court in accordance with Government Code section 53069.4 (b), or if appealed, such appeal has been dismissed or denied, this obligation may be enforced as a lien against the real property on which the violation occurred.

- a. The lien provided herein shall have no force and effect until recorded with the County Recorder. Once recorded, the administrative order shall have the force and effect and priority of a judgment lien governed by the provisions of California Code of Civil Procedure section 697.340, and may be executed as provided in the California Code of Civil Procedure sections 683.110 to 683.220, inclusive.
 - b. Interest shall accrue on the principal amount of the lien remaining unsatisfied pursuant to the law applicable to civil money judgments.
 - c. Prior to recording any such lien, the Enforcing Officer shall prepare and file with the Clerk of the Board of Supervisors a report stating the amounts due and owing.
 - d. The Clerk of the Board of Supervisors will fix a time, date, and place for the Board of Supervisors to consider the report and any protests or objections to it.
 - e. The Clerk of the Board of Supervisors shall serve the owner of the property with a hearing notice not less than ten (10) calendar days before the hearing date. The notice must set forth the amount of the delinquent administrative penalty that is due. Notice must be delivered by first class mail, postage prepaid, addressed to the owner at the address shown on the last equalized assessment roll or as otherwise known. Service by mail is effective on the date of mailing and failure of the owner to actually receive notice does not affect its validity.
 - f. Any person whose real property is subject to a lien pursuant to this Section may file a written protest with the Clerk of the Board of Supervisors and/or may protest orally at the Board of Supervisors meeting. Each written protest or objection must contain a description of the property in which the protesting party is interested and the grounds of such protest or objection.
 - g. At the conclusion of the hearing, the Board of Supervisors will adopt a resolution confirming, discharging, or modifying the lien amount.
 - h. Within thirty (30) days following the Board of Supervisors' adoption of a resolution imposing a lien, the Clerk of the Board of Supervisors will file same as a judgment lien in the Nevada County Recorder's Office.
 - i. Once the County receives full payment for outstanding principal, penalties, interest and costs, the Clerk of the Board of Supervisors will either record a Notice of Satisfaction or provide the owner with a Notice of Satisfaction for recordation at the Nevada County Recorder's Office. This Notice of Satisfaction will cancel the County's lien under this Section.
 - j. The lien may be foreclosed and the real property sold, by the filing of a complaint for foreclosure in a court of competent jurisdiction, and the issuance of a judgment to foreclose. There shall be no right to trial by jury. The County shall be entitled to its attorneys' fees and costs.
7. Administrative penalties imposed pursuant to this Section shall also constitute a personal obligation on each Violator – that is, on each person or entity who causes, permits, maintains, conducts or otherwise suffers or allows the nuisance to exist. In the event the administrative penalties are imposed pursuant to this Section on two or more persons for the same violation, all such persons shall be jointly and severally liable for the full amount of the penalties imposed.

In addition to any other remedy, the County may prosecute a civil action through the Office of the County Counsel to collect any administrative penalty imposed pursuant to this Section.

8. The Board of Supervisors delegates the responsibility to conduct a hearing in conformance with this Section E to a Hearing Body.

O. Abatement by Violator

Any Violator may abate the unlawful Cannabis Cultivation or cause it to be abated at any time prior to commencement of abatement by, or at the direction of, the Enforcing Officer or Hearing Body. Abatement prior to a hearing will not absolve Violator from paying costs and administrative civil penalties which accrued up to the date of abatement. Proof of abatement should be provided to the Enforcing Officer upon completion or to the Hearing Body at the time of hearing. Both the Enforcing Officer and the Hearing Body have the authority to find that abatement has occurred and that no violations of this Article continue to exist. (Ord. 2416, 7/26/16) Abatement will not preclude or forestall a report to the appropriate state agency and/or local, state law and/or federal enforcement and/or prosecuting authorities.

P. Failure to Abate

Whenever the Enforcing Officer becomes aware that a Violator has failed to abate any unlawful Cannabis Cultivation within five (5) calendar days of the date of service of the Notice to Abate Unlawful Cannabis Cultivation, unless timely appealed, or as of the date of the decision of the Hearing Body requiring such abatement, the Enforcing Officer may take one or more of the following actions:

1. Enter upon the property and abate the nuisance by County personnel, or by private contractor under the direction of the Enforcing Officer. The Enforcing Officer may apply to a court of competent jurisdiction for a warrant authorizing entry upon the property for purposes of undertaking the work, if necessary. If any part of the work is to be accomplished by private contract, that contract shall be submitted to and approved by the Board of Supervisors prior to commencement of work. Nothing herein shall be construed to require that any private contract under this Code be awarded through competitive bidding procedures where such procedures are not required by the general laws of the State of California; and/or
2. Request that the County Counsel commence a civil action to redress, enjoin, and abate the public nuisance; and/or
3. Issue administrative penalties in accordance with Section, N of this Article and/or Section L-II 5.23, et seq., of the Nevada County Land Use and Development Code; and/or
4. Take any other legal action as may be authorized under State or local law to abate and/or enforce the provisions of this Article. (Ord. 2416, 7/26/16)

Q. Accounting

The Enforcing Officer shall keep an account of the cost of every abatement and all administrative civil penalties and shall render a report in writing, itemized by parcel, to the Violator and the Hearing Body. The accounting will show the cost of abatement, the administrative penalties, and the administrative costs and fees for each parcel. The Enforcing Officer may have a copy of the accounting prepared to date at the time of a hearing requested by the Violator following a Notice to Abate, but the Enforcing Officer is not required to render its report to the Violator until the County completes abatement, if necessary. (Ord. 2416, 7/26/16)

R. Notice of Hearing on Accounting; Waiver by Payment

Upon completion of any abatement by the County and finalization of the accounting of all abatement costs and administrative civil penalties due at completion of abatement, Clerk of the Board of Supervisors shall serve a copy of the accounting to Violator(s) in accordance with Section L with a notice informing the Violator(s) that the Violator(s) may appeal the Enforcing Officer's determination of the accounting. Any such

appeal shall be commenced by filing a written request for a hearing with the Clerk of the Board of Supervisors within five (5) calendar days of service of the date that the notice was served as described in Section L of this Article. The written request shall be accompanied by the County's appeal fee (as may be approved by the Board of Supervisors from time to time). The appeal shall also include a statement of all facts supporting the appeal, including why the accounting is incorrect. The Violator may waive the hearing on the accounting by paying the full amount due prior to the time set for the hearing by the Hearing Body. Unless otherwise expressly stated by the Violator, payment of the full amount due prior to said hearing shall be deemed a waiver of the right thereto and an admission that said accounting is accurate and reasonable.

S. Appeal Hearing on Accounting

1. At the time fixed, the Hearing Body shall meet to review the accounting of the Enforcing Officer. Violator must appear at said time and be heard on the questions whether the accounting, so far as it pertains to the cost of abating a nuisance is accurate and the amounts reported reasonable. The cost of administration shall also be reviewed.
2. The accounting of the Enforcing Officer shall be admitted into evidence. The Violator shall bear the burden of proving that the accounting is not accurate and reasonable. The Hearing Body shall make such modifications in the accounting, as it deems necessary and thereafter shall confirm the accounting.
3. Notwithstanding the above, any hearing conducted pursuant to this Section shall be conducted pursuant to the process set forth in Section M of this Article. The decision of the Hearing Body is final. Nothing in this Section S shall be construed to prohibit combination of any hearing on accounting with any other hearing required or allowed by this Article, including an abatement hearing.
4. Failure to attend a properly noticed hearing shall constitute a waiver and the Hearing Body shall issue an order for costs, administrative penalties and fees as requested by the Enforcing Officer at the hearing. Failure to attend a properly noticed hearing shall also constitute failure to exhaust administrative remedies. (Ord. 2416, 7/26/16)

T. Special Assessments and Lien

The Board of Supervisors may order that the cost of abating nuisances pursuant to this Article and the administrative civil penalties as confirmed by the Board be placed upon the County tax roll by the County Auditor as special assessments against the respective parcels of land, or placed on the unsecured roll, pursuant to Section 25845 of the Government Code; provided, however, that the cost of abatement and administrative civil penalties as finally determined shall not be placed on the tax roll if paid in full prior to entry of said costs on the tax roll. The Board of Supervisors may also cause notices of abatement liens to be recorded against the respective parcels of real property pursuant to Section 25845 of the Government Code.

U. Summary Abatement

Notwithstanding any other provision of this Article, when any unlawful Cannabis Cultivation constitutes an immediate threat to the public health or safety, and where the procedures set forth in this Article would not result in abatement of that nuisance within a short enough time period to avoid that threat, the Enforcing Officer may direct any officer or employee of the County to summarily abate the nuisance as permitted by law. The Enforcing Officer shall make reasonable efforts to notify the persons identified in Section K of this Article but the formal notice and hearing procedures set forth in this Article shall not apply. The County may nevertheless recover its costs for abating that nuisance in the manner set forth in in this Article.

V. No Duty to Enforce

Nothing in this Article shall be construed as imposing on the Enforcing Officer or the County of Nevada any duty to issue a Notice to Abate Unlawful Cannabis Cultivation, nor to abate any unlawful Cannabis Cultivation, nor to take any other action with regard to any unlawful Cannabis Cultivation, and neither the Enforcing Officer nor the County shall be held liable for failure to issue a Notice to Abate any unlawful Cannabis Cultivation, nor for failure to abate any unlawful Cannabis Cultivation, nor for failure to take any other action with regard to any unlawful Cannabis Cultivation.

W. Reporting of Violations

Violation of this Article, including operating any Commercial Cannabis Activity without a valid and appropriate license from the State of California or permit from the County of Nevada, may result in permit revocation and/or denial of permit or denial of permit renewal. Any individual or entity found to be operating Commercial Cannabis Activities in violation of this Article, local permitting requirements, or without a valid and appropriate state license may be reported to the State of California licensing authorities, the district attorney's office, and any other local, state and/or federal enforcing and prosecuting agencies.

DRAFT



Policy

DCC Update on CEQA and Provisional Licensing

📅 June 29, 2023 | 📍 Policy

The following messaging was shared by the DCC to Mendocino County Provisional License holders today via email:

In recent weeks, the Department of Cannabis Control (DCC) and Mendocino County have worked in partnership to support provisional cultivation licensees' transition to annual licensure within the County. This partnership has resulted in the streamlining of local cannabis permitting and the revitalization of review under the California Environmental Quality Act (CEQA). As a result, provisional cultivation licensees in Mendocino County now face clearer pathways into annual licensure with DCC.

This document is intended to help provisional cultivation licensees in Mendocino County understand how to continue working towards annual state licensure.

1. **Future CEQA review:** Going forward, DCC will serve as lead agency under CEQA for cultivation licenses in Mendocino County. This work will be supported by a contractor, Ascent Environmental.

In particular, DCC and Ascent Environmental are working to prepare a programmatic environmental impact report (EIR) addressing cannabis cultivation in Mendocino County. Once complete, this programmatic EIR will allow for streamlined CEQA review as to specific cultivation sites in Mendocino County, using site-specific addenda. Additionally, this process may result in the identification of specific sites that can satisfy CEQA using other documentation, such as a negative declaration or mitigated negative declaration.

2. **Existing Appendix G work product:** Because DCC (rather than the County) will now serve as lead agency under CEQA for cultivation licenses in Mendocino County, DCC does not anticipate that it will be possible to complete CEQA review, going forward, using only Appendix G.

DCC recognizes that provisional cultivation licensees in Mendocino County have often expended significant effort in connection with the preparation of Appendix G. To prevent wasted effort, wherever possible, DCC intends to use Appendix-G-related work product to assist in the preparation of the appropriate CEQA documents for a site.

3. **Renewal of existing DCC provisional licenses:** Existing provisional licensees in Mendocino County should continue to seek renewal of their provisional licenses, through DCC, at the appropriate time.

On and after July 1, 2023, state law allows the renewal of a provisional license where, among other requirements, “[t]he lead agency for the license has determined that an environmental impact report is required pursuant to Section 21157 of the Public Resources Code and . . . has a contract or contracts with consultants in place for the preparation in place for the preparation of that environmental impact report.” (Bus. & Prof. Code, § 26050.2, subd. (e)(2)(B).) As mentioned, DCC is now serving as lead agency under CEQA for cultivation licenses in Mendocino County. DCC has determined that a programmatic EIR is required, and a contract is in place for the preparation of that programmatic EIR.

Accordingly, if the other requirements for renewal of provisional licenses are satisfied, DCC intends to continue renewing provisional cultivation licensees in Mendocino County on and after July 1, 2023.

4. **Local authorization from Mendocino County:** Finally, DCC reminds provisional cultivation licensees that—as always—the transition to annual state

licensure requires them to comply with applicable local permitting requirements.

DCC encourages provisional cultivation licensees to continue working with Mendocino County to ensure they timely comply with the County's permitting requirements, which the County has recently streamlined. More information: <https://www.mendocinocounty.org/departments/cannabis-department>.

MCA will continue advocating at both the local and state levels to ensure that the costs incurred in developing local Appendix G paperwork will be included as allowable grant uses under the LJAGP program.

We will keep you posted as any new information becomes available.



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Archon Farms, Inc.
701 12th St, Ste 202
Sacramento, CA 95814

September 11, 2023

El Dorado County
Clerk of the Board of Supervisors
330 Fair Lane, Building A
Placerville, CA 95667

ATTN: El Dorado County, Board of Supervisors:

This message is regarding Agenda Item #23-1501 related to proposed revisions to the County's cannabis ordinance, as forwarded from the Planning Commission after the June 8th and July 13th workshops.

For the themes identified by Deputy County Counsel Jefferson Billingsley in the Staff Report dated July 31st, 2023, we offer the following feedback and points of context to consider at the Board of Supervisors meeting on Tuesday, September 12th:

1. Should the setbacks of the cannabis ordinance be reevaluated?

- a. In evaluating this question, it is important to keep in mind that the date of a parcel's purchase is fundamentally irrelevant to the scientific and technical matters (i.e. odor, noise) underlying the reason for the County's cultivation setback rules.
- b. The purpose for the "grandfather" rule embodied in subsection 4(C) of Ordinance 5109 was political, ostensibly to prevent corporate cultivators from flooding into the County and establishing cannabis grows which could pose a nuisance to residents.
- c. Per the odor study data included in our application, cannabis odor intensity declines by 88% over 100 meters, or 26.7% every 100 feet. The dilution to threshold (DT) odor level directly adjacent to the referenced hoop houses ranged from 4 to 8 DT, and Ordinance 5110 section (5)(D) sets a 7 DT maximum *at the property line*.
- d. At 800 feet, the estimated DT level is a mere 0.67, a full *ten times smaller* than the 7 DT threshold established by the County ordinance. It is clear from this data point alone that an 800-foot setback and 7 DT odor threshold are absurdly mismatched.
- e. Rather than reduce the odor threshold commensurate with an 800-foot setback, which would represent an odor level which even machines and police K9 dogs struggle to detect, it seems far more fitting to reduce the required setback distance.
- f. Regardless of whether the required setback is reduced, it would seem a "no brainer" to at least allow the Commission to grant setback waivers based on scientific data.
- g. The notion put forward by Planning Staff that "setbacks based on other factors may be more difficult to measure and monitor over time" is not founded in reality since the ordinance already provides for objective monitoring of odor and other factors such as visibility are easily verified by any lay person, let alone trained inspectors.
- h. El Dorado should align its setback policy with every other CA county, at 300 feet.

2. Should cannabis canopy limits be expanded?

- a. The reason for limiting the aggregate canopy of cannabis cultivation in the manner presently prescribed by ordinance is unclear and appears to be arbitrary in nature.
- b. In some sense, any limit placed on aggregate canopy is arbitrary, but limits can be reasonable by using reference points, for example, the medium-size DCC cultivation license is approximately a half-acre (22,000 sq.ft.) of flowering cannabis canopy.
- c. If odor and noise concerns are addressed, as well as land use priorities in the context of the General Plan and zoning ordinance, placing any limit on aggregate canopy is inexplicable other than an exercise in rulemaking for the sake of rulemaking.
- d. Our parcel is over 100 acres in size, yet we are limited to less than one quarter of one acre (10,000 sq.ft.) of flowering canopy because we are in a Rural Lands (RL) zone. This limit is exceedingly restrictive and serves no clear community benefit.
- e. We are already limited by onerous rules related to timberland conversion permitting under the Department of Forestry and Fire Protection (CAL FIRE) and could not develop more than three acres of land without spending \$50,000+ on permit fees.
- f. The Board should take these facts into consideration when drafting new policy, with rules based on clear logic, with clear and identifiable community benefit – not just making new “rules for rules’ sake”.
- g. It will be difficult for our business to compete in the marketplace limited to 10,000 square feet of canopy. Lifting the cap on Rural Lands (RL) zone, or at least aligning it with other zones at two (2) acres will give us a fighting chance by letting us produce greater harvest volume, while still satisfying all existing property line setbacks.
- h. El Dorado should allow cultivators to be competitive by eliminating caps on canopy.

3. Should changes to propagation rules be considered?

- a. There is simply no reason to restrict propagation to outdoor areas merely because the flowering canopy is outdoor or in a greenhouse. Especially given the limited growing season in many parts of the County, indoor propagation is essential.
- b. El Dorado should default to existing building code for any indoor grow facilities.

4. Should expanded uses be considered on agricultural cultivation sites?

- a. Similar to the points underlying question #2 above, rules and restrictions ought to be based on clear logic and not merely arbitrary whims due to the fact of ‘cannabis’.
- b. Reasonable guidelines for manufacturing and distribution uses outside of commercial and industrial zones are warranted and applicants will abide by them.
- c. Infusion, packaging, and labeling involve zero solvents except for basic household cleaning products to sanitize worktables, and there is no rational reason to restrict these uses to commercial and agricultural zones, let alone just to industrial zones.
- d. Non-volatile manufacturing may involve limited amounts solvents such as food-grade ethanol, the storage of which is governed by fire code and does not warrant additional restriction by ordinance. Also, non-solvent extraction via heat press or ice water carries virtually zero hazards beyond what is found in any residential kitchen.
- e. The scale of these uses likely to be employed in rural areas is relatively small, and the extra infrastructure involved with them is minor enough that a lay observer or community member would likely never perceive a change or know the difference.
- f. El Dorado should default to existing building code for any processing facilities.

5. Should any aspects of Ranch Marketing be available to cannabis cultivators?

- a. The ability of cultivators to pursue temporary event licenses from the DCC is minor and ancillary to the core of the discussion underpinning this point, which is the classification of cannabis as an agricultural product subject to farming protections.
- b. El Dorado should adjust its ordinance to define cannabis as an agricultural product.

6. Should policy changes that involve the Sheriff's Office be considered?

- a. As a general question, the answer to this item is categorically "yes."
- b. The Sheriff's Office (EDSO) as chief law enforcement agent for our county absolutely deserves to be consulted on matters pertaining to cannabis permitting and specifically those aimed to ensure security and legitimate commercial operations.
- c. The current ordinance includes extremely restrictive definitions for ownership which far exceed any other county in the State of California – nowhere else is an individual owner who holds as little as a 1% stake considered on par with one holding 99%.
- d. The State, and virtually all other local jurisdictions, still gather information for minority shareholders (typically under 10 or 20% ownership stake) as "financial interest holders" but these individuals are not forced to do a background check.
- e. Especially due to the failure to establish Live Scan access for cannabis permit review, the cost and time to complete a 3rd party background check, financial credit check, and several disclosure forms represent an undue burden to small shareholders.
- f. The people of El Dorado County are not served by enforcing this undue burden on the friends and family who invest in small start-up businesses such as ours – it can be easily verified that owners are not criminals without the current measures.
- g. As with the cannabis permitting system, the structure of local law enforcement officers' involvement need not be conceived in a vacuum – there are several successful examples in counties surrounding ours; we need only observe and adapt.
- h. Attached to this letter is a copy of the Sacramento Comprehensive Cannabis Study, which explores in detail the various impacts (economic, social, governmental) the cannabis industry has had in the City of Sacramento, for a useful reference point.
- i. Per the letter from Sheriff Leikauf dated July 17th, EDSO doesn't object to the 'owner' definition being revised to match that contained in current DCC regulations.
- j. We agree with the Alliance that spouses may fairly be included in the background check requirement, but that designated local contacts (DLC) should be exempt.
- k. Lastly, as noted by the Alliance, the background check process is overly intrusive of personal details and potentially violative of the 5th Amendment of the U.S. Constitution. Until live scan system access is granted, this aspect warrants attention.
- l. El Dorado should match the language of the DCC in considering business owners and streamline the background check process for those who meet the threshold.

7. Should recommendations be made on other general policy considerations?

- a. Tax Structure / Rates
 - i. Reevaluating the County's tax policy is the single most potent tool available to the Board to breathe life into the legal cannabis sector.
 - ii. Changing the tax basis to gross receipts versus the current canopy coverage and setting the rate at the minimum 1% is the option best suited to deliver results and fund all the public benefits via tax revenue that residents expect.

- iii. Extractive tax policies force operators out of the area, depriving the county of tax revenue that comes with activity, and volume – the lower the tax rate is set, the more activity there will be, and thus tax revenue will grow as well.
 - iv. Attached to this letter is a study conducted by the Reason Foundation showing lower rates result in greater revenue due to increased legal market participation – displacing the illegal market which today remains dominant.
- b. Countywide EIR
- i. The essential priority to reform the cannabis ordinance is consideration of cannabis as part of agriculture, and commission a countywide Environmental Impact Report (EIR) to supplant the current project-specific CEQA burden.
 - ii. Commissioning such an EIR would entail some amount of resources allocated by the Board however the tax revenue generated by this measure to streamline the permitting process will dramatically outweigh the cost.
 - iii. The only viable way to displace the existing illegal cannabis marketplace is to make the permitting process accessible enough for new operators – a countywide EIR for cultivation is absolutely essential to achieving this goal.
- c. El Dorado should commission an EIR for cultivation and set its tax rate at 1% of gross receipts to ensure our county is the most competitive jurisdiction in the State.
- 8. Is there a recommendation on issues of staff agreement?**
- a. On this point we may only add the following note: the better the permit review system is designed, the easier it is for applicants and Planning staff alike to successfully facilitate positive results for all the people of El Dorado County.

El Dorado County is one of the most beautiful places in California, and the country. The people of our community affirmed in 2018 that the benefits of commercial cannabis outweigh any potential costs and directed the County to enact a sensible ordinance and establish a reasonable permitting system.

The Planning Commission workshops were the first opportunity for community feedback on the cannabis ordinance and offered a glimpse into the dysfunction embedded in the current permitting system. It is imperative that the Board take the suggestions above to heart and do everything in its power to remedy the failures which continue to accumulate under the present ordinance and permitting regime.

Thank you for your time and consideration.

Regards,



Kevin W. McCarty
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Member, El Dorado County Growers Alliance
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From: Serena Lemmons <sjlemmons08@gmail.com>
Sent: Monday, September 11, 2023 3:57 PM
To: BOS-Clerk of the Board
Subject: Public Comment for Agenda Item 23-1501

You don't often get email from sjlemmons08@gmail.com. [Learn why this is important](#)

Hi,

I would like to express support for revisions to the County's existing cannabis ordinances. Due to the current restrictive requirements to get licensed to legally grow cannabis in El Dorado County, there have only been three licenses issued since 2018, when cannabis was legalized. The ordinances do not stop illegal grow operations, they only inhibit legal operations. The restrictions cause the County to forgo tax revenue from legal grow operations and spend funds to manage applications that go nowhere. The County has already been sued over these ordinances.

It would be financially beneficial to the County to revise the cannabis ordinances in a way that allows legal, tax paying operations to do business in El dorado County.

Respectfully,

Serena Lemmons