

# COMMERCIAL CANNABIS PAST, PRESENT, AND FUTURE

CANNABIS PRESENTATION  
OCTOBER 5, 2021

# AGENDA

- Introductions
- Core Values & Goals
- Federal & State Law Overview
- Myths & Facts
- Ordinance Considerations
- Application Process

# INTRODUCTION

- Arturo Sanchez, General Counsel
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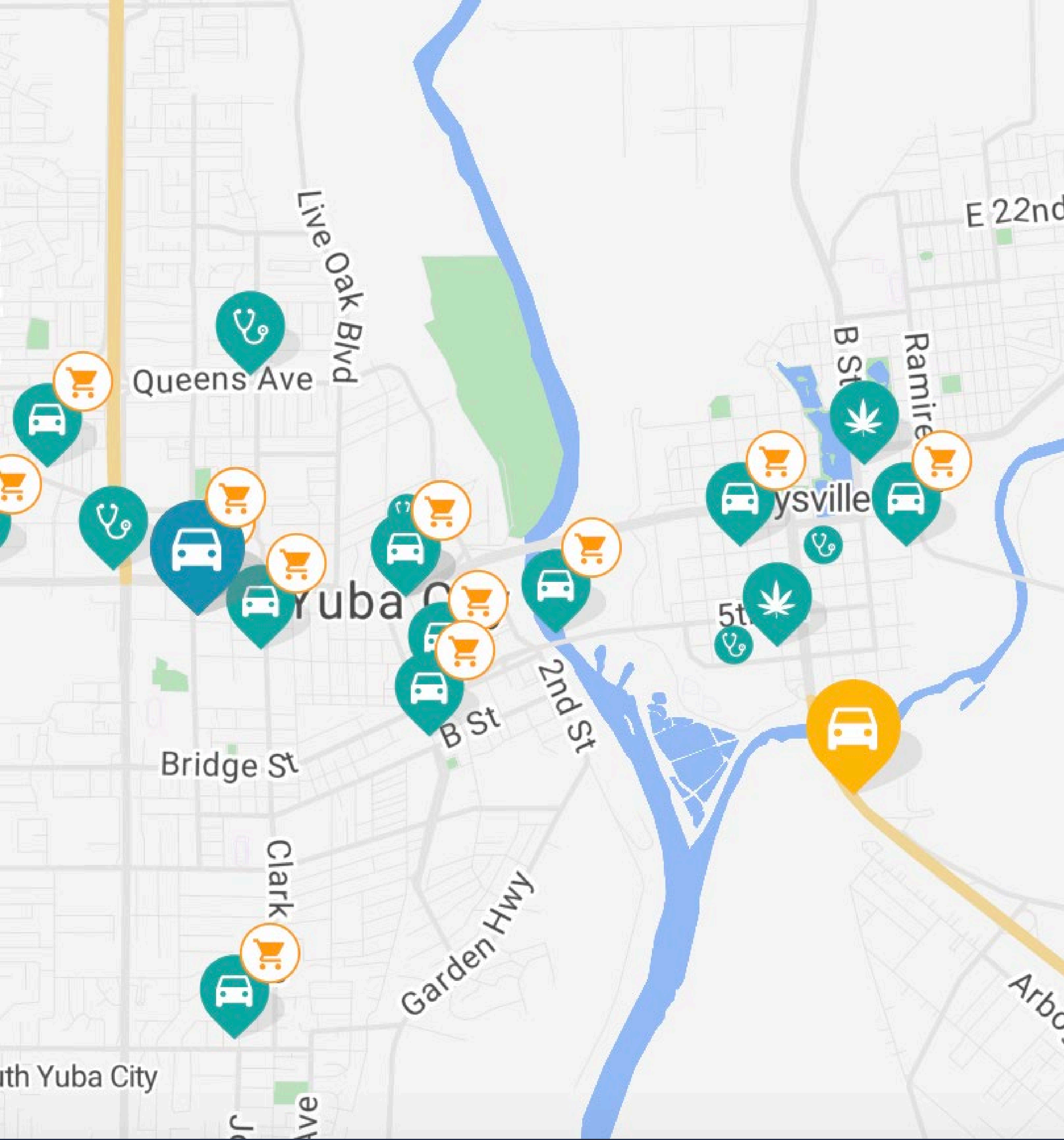
# CORE VALUES & GUIDES

**Public Safety**

**Environment**

**Neighborhoods**

**Protect Youth**



# DELIVERY ALLOWED STATEWIDE

- Regulations allow for cannabis delivery companies licensed in other cities to deliver anywhere in the state. As a result, deliveries are happening in Yuba City every day while other jurisdictions reap the tax revenues.
- More than 18 delivery companies showed they are currently servicing the area.

# WHAT'S LEGAL

- Proposition 64 passed in 2016 legalizing adult use cannabis production and sales in California
- Proposition 64 passed with 57.1% of the vote statewide
- The California Legislature passed Senate Bill 94 in 2017 creating the state's regulatory system for cannabis
- The industry was overseen by the Bureau of Cannabis Control (BCC), Department of Public Health (CDPH), and Department of Food and Agriculture (CDFA), which created hundreds of pages of regulations for business practices, safety, and testing standards
- In 2021, the state consolidated all these responsibilities into a singular agency called the Department of Cannabis Control (DCC)
- All legal cannabis companies in California are required to be licensed by the local government where they operate as well as the DCC

# CANNABIS PRODUCTS

FLOWER

MANUFACTURED

EDIBLES

TOPICALS

R



# LICENSE TYPES

Cultivation	Distribution	Manufacturing	Testing	Retail	Events
<p>Growing cannabis</p> <ul style="list-style-type: none"><li>• Outdoor</li><li>• Indoor</li><li>• Mixed Light</li></ul>	<p>Transporting cannabis</p> <ul style="list-style-type: none"><li>• Distributor</li><li>• Transport Only</li></ul>	<p>Making cannabis products</p> <ul style="list-style-type: none"><li>• Volatile</li><li>• Non-Volatile</li><li>• Infusion</li></ul>	<p>Testing cannabis or cannabis products</p> <ul style="list-style-type: none"><li>• Testing Laboratory</li></ul>	<p>Selling cannabis</p> <ul style="list-style-type: none"><li>• Storefront</li><li>• Non-Storefront (Delivery)</li></ul>	<p>Holding an event where cannabis will be sold</p> <ul style="list-style-type: none"><li>• Event Organizer</li><li>• Temporary Event</li></ul>



# TAX RATES

Most cities have cannabis specific tax rates set between 3% and 6%.

**Marysville**  
5%

**Sacramento**  
4%

**Weed**  
3%

**Turlock**  
5.25%

**Lompoc**  
6%

# COMMON CONCERNS

- Odor
- Crime
- Property Values
- Youth Access
- Impaired Driving
- Abuse

MYTH:

CANNABIS  
DISPENSARIES  
WILL  
INCREASE  
ODOR

## FACTS

- Cannabis retail outlets are required by state law to sell all products packaged for “final retail sale”. As a result, all cannabis is sealed in child-resistant packaging and emits very little odor.
- Cannabis facilities contain ventilation systems designed to increase air flow and decrease odor.

MYTH:

CANNABIS  
DISPENSARIES  
WILL  
INCREASE  
CRIME

## FACTS

- Cannabis retail outlets are required by state law to have 24/7 alarm systems, cameras, and security guards on duty.
- Cities with licensed cannabis dispensaries have seen decreases in crime directly surrounding the facility due to increased security measures.

## **Retail cannabis facilities are not positively associated with increased criminality**

“This paper studies the effects of marijuana legalization on neighborhood crime and documents the patterns in retail dispensary locations over time using detailed micro-level data from Denver, Colorado. ... The results imply that an additional dispensary in a neighborhood leads to a reduction of 17 crimes per month per 10,000 residents, which corresponds to roughly a 19 percent decline relative to the average crime rate over the sample period. ... Overall, our results suggest that dispensaries cause an overall reduction in crime in neighborhoods, with no evidence of spillovers to surrounding neighborhoods. ... Our results are consistent with theories that predict that marijuana legalization will displace illicit criminal organizations and decrease crime through changes in security behaviors or substitution toward more harmful substances. ... Lastly, there is no evidence that increased marijuana use itself results in additional crime.”

**Not in my backyard? Not so fast. The effect of marijuana legalization on neighborhood crime, Regional Science and Urban Economics, 2019**

# MYTH:

YOUTH WILL BE  
ABLE TO  
ACCESS  
CANNABIS

## FACTS

- Cannabis retail outlets have extensive identity check requirements before any one is allowed on the sales floor. All guests must be 21+ or have a valid medical recommendation.
- A study published in August 2021 confirms legal retailers are not selling to underage patrons.

# **Cannabis retailers are not selling to minors and their products are not being diverted to the underage market**

“California laws further require ID check before any purchase, and overall compliance with this rule was high at 678 RCDs [recreational cannabis dispensaries] (96.8%).”

**Assessment of recreational cannabis dispensaries' compliance with underage access and marketing restrictions in California, JAMA Pediatrics, 2021**

“[P]seudo-underage patrons were sent to 50 randomly selected licensed recreational marijuana outlets in the state to see if they could enter the outlet without showing a valid identification with their age. At 100 percent of the recreational marijuana outlets visited, the pseudo-underage patrons were required to show age identification to enter. It appears that California recreational marijuana outlets avoid selling to underage customers.”

**An examination of the legal marijuana use age and its enforcement in California, a state where recreational marijuana is legal, Insurance Institute for Highway Safety, 2021**

# MYTH:

CANNABIS  
DISPENSARIES  
WILL CAUSE  
PROPERTY  
VALUES TO  
FALL

## FACTS

- Cannabis retail outlets are associated with increases in property values.
- Retail facilities are often placed in dilapidated buildings that undergo tenant improvements and modernization. Or, like our Marysville location, blighted buildings can be removed and replaced by beautiful new retail facilities.



## **Retail cannabis facilities are associated with rising housing values**

“To learn how marijuana legalization may impact real estate, we used publicly available data from Zillow and the U.S. Census, among other sources, to explore the relationships between home values, marijuana legalization, dispensaries, and tax revenue. We used multiple regression analyses to model current trends and predict future patterns. ... Between April 2017 and April 2021, property values rose \$17,113 more in states where recreational marijuana is legal, compared to states where marijuana is illegal or limited to medicinal use. ... We found that cities with more dispensaries are positively correlated with higher home values, suggesting legalization boosts jobs and economic growth. ... With each new dispensary a city adds, property values increase by \$519. ... As more states legalize marijuana, there is strong evidence that legalization drives higher property values — particularly in areas that allow recreational marijuana and welcome retail dispensaries. ... These investments can improve quality of life in communities across the nation while attracting tourism and new residents who drive real estate demand.”

**Clever Real Estate: Data Science, “2021 Study: How Legalizing Recreational Marijuana Impacts Homes Values,” July 12, 2021**

# MYTH:

CANNABIS  
DISPENSARIES  
WILL LEAD TO  
INCREASED  
DRUG USE AND  
ADDICTION

## FACTS

- Cannabis is far less addictive than other common drugs such as alcohol and tobacco. Retailers offer resources for anyone struggling with an addiction.
- Cannabis is used as a harm reduction tool for individuals recovering from opioid addiction.

## **Retail cannabis access is associated with reduced opioid consumption by the general public**

“We studied county level associations between cannabis storefront dispensaries and opioid related mortality rates in the US between 2014 and 2018. Our study found that increased medical and recreational storefront dispensary counts are associated with reduced opioid related mortality rates during the study period. These associations appear particularly strong for deaths related to synthetic opioids such as fentanyl. Given the alarming rise in the fentanyl based market in the US, and the increase in deaths involving fentanyl and its analogs in recent years, the question of how legal cannabis availability relates to opioid related deaths is particularly pressing. Overall, our study contributes to understanding the supply side of related drug markets and how it shapes opioid use and misuse.”

**Association between county level cannabis dispensary counts and opioid related mortality rates in the United States: panel data study, BMJ, 2021**

“In this research, we have examined the effect of MML laws and the presence of active legal dispensaries on CDC age-adjusted opioid overdose death rates over the years 1999-2015. Our results suggest that states with active legal dispensaries see a drop in opioid death rates over time. ... Overall, this research provides evidence that states with MMLs may see a decline in opioid overdose death rates if they enact legal dispensaries.”

**Medical marijuana laws and their effect on opioid-related mortality, Economics Bulletin, 2019**

# BENEFITS OF REGULATION

- Law enforcement can monitor businesses
- Cities can impose strict operating requirements
- Detailed security plans are required
- Background checks are required
- Tax revenues for enforcement

# COSTS OF NOT REGULATING

- Illicit cannabis already exists in every city
- Illicit operators do not have to comply with testing or regulations
- Illicit sales produce no tax revenues
- Illicit operators are the source of youth access

# DESIGNING THE APPLICATION PROCESS

## Which Strategy to Use?

- **Ministerial Land Use**

- If building and operator meet requirements, applications are processed at the staff level
- Lessens risk of lawsuits and appearance of favoritism

- **Best Operator**

- Competitive process designed to identify the most qualified operator
- Does not require a building in advance

- **Best Location**

- Competitive process designed to identify the best location for the use
- Requires a building to apply
- Significant expense to operators with no guarantee of approval

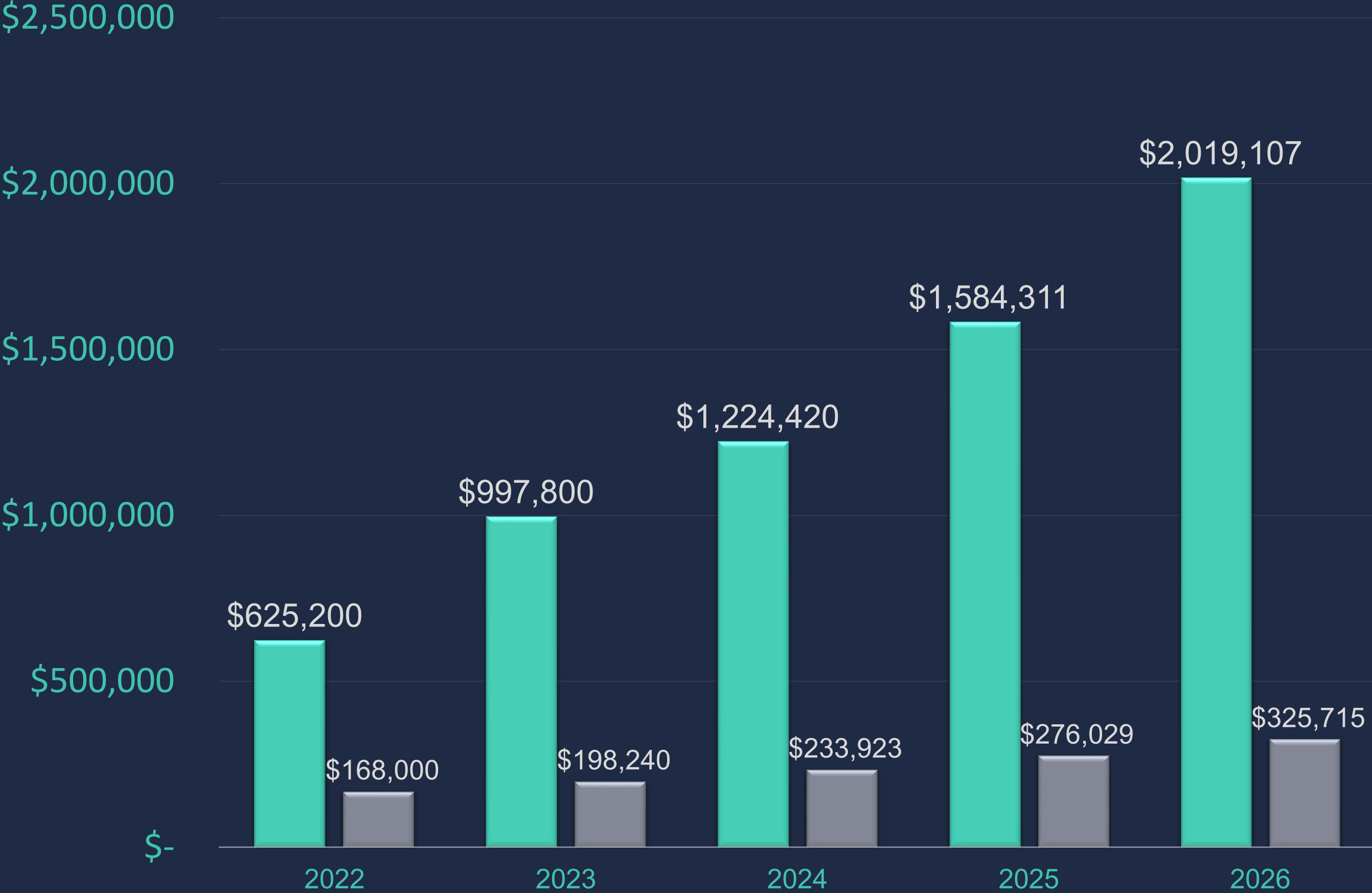
# FINANCIAL PROJECTIONS

## 1 Retail Store

4% cannabis local tax generates:

- \$168,000 in Year 1
- \$198,240 in Year 2
- \$233,923 in Year 3
- \$276,029 in Year 4
- \$325,715 in Year 5

## EBITDA and City Cannabis Tax



■ Earnings Before Interest, Taxes, Depreciation, Amortization (EBITDA)  
■ City Cannabis Business Tax (4%)

# Q&A

Any Questions?