

Monthly Stakeholder Meeting

Feb. 26, 2020

Presented by:
Office of Cannabis Management

CUP and BOP Update

- **CUP** – 286 Approved
- **BOP**
 - Total applications received -413
 - Total approved – 119 (96 Operating; 23 Non-Op)
 - Total pending – 273
 - Denials - 22

Update on 1/31/20 Deadline

- **For registered cultivators and operating businesses**
 - 17 have received or in the process of receiving BOP
 - 9 are scheduled for a final walk-thru (final step to obtaining BOP) thru 2/28/20
 - 22 have since ceased operations pending BOP issuance
 - 18 are on enforcement list

Policy Update:

- **Volatile Manufacturing**
 - Ordinance adopted by Council on 2/25/20
 - Will take effect/applications accepted 3/25/20
 - To add/switch to volatile manufacturing, existing manufacturers need:
 - CUP modification (Planning)
 - BOP modification (OCM)

Policy Update:

- **Council Direction: Storefront Retail - CORE**

- Ordinance with 10 new storefront retail permits over a 2-year period (5 now and 5 in 12 months)
- New permits exclusive to CORE applicants
- CORE participants must own 51% of business
- Lottery winner(s) will have 3 years to open a retail storefront
- Location:
 - Existing zones + shopping centers + Del Paso Blvd.
 - Extend/reactivate CUP for locations previously occupied by retail storefront

Policy Update:

• **Storefront Retail - CORE**

- Input received from CORE Stakeholders on 2/12/20:
 - Reconsider 51% ownership
 - Reconsider requirement that permit stays with CORE for 10 years
 - No lottery; use qualification only as basis for selecting who should get permits
 - Lottery + qualifications/readiness/currently in the industry
 - Lottery only with no qualifications
 - First to complete CORE get higher priority

Policy Update:

• **Storefront Retail -CORE**

- Proposed qualifications to participate in lottery?
 - **Verified CORE eligibility + graduation from Sac Grow Green or Sac Green Equity + business plan which addresses the following:**
 - Workforce development plan for CORE-eligible individuals
 - Provide mentorship and other opportunities to remove barriers for future CORE applicants
 - Encourage growth of other CORE businesses (i.e. commitment to do business with other CORE-owned businesses, reserved shelf space, marketing CORE-produced products, ancillary services)

Policy Update:

- **Storefront Retail - CORE**

- **More proposed qualifications to participate in lottery**

- Partnership with CORE permit holders at onsite sale events (i.e. use of retail license to sell products produced by CORE-owned businesses)
- Partnership/collaboration with the City of Sacramento and other organizations in strategies to reduce youth access to cannabis, etc. and/or engaging existing neighborhood/community groups

Policy Update:

• **Retail Storefront - CORE Tentative Calendar**

- Law & Leg Committee – 3/24/20
- Planning & Design – 3/26/20
- Council PFP – 4/14/20
- Council adoption – 4/21/20
- Submission period to qualify for Lottery – 4/22/20 – 6/1/20
- Convene review panel & conduct blind review - 6/2/20 – 6/19/20
- Notification of qualified participants – 6/22/20- 6/26/20
- Lottery – 6/30/20

Cannabis Equity Grant Funds

- **Reimbursement Program (BCC Grants)**
 - Provides an opportunity for CORE applicants to receive up to \$25,000 in reimbursement for certain qualifying start-up expenses
 - Reimbursements are available on a per-permit basis
 - Funded through \$1.19 million grant from Bureau of Cannabis Control

Cannabis Equity Grant Funds

• Reimbursement Program (cont.)

- Be verified by CORE facilitators (Sacramento Asian Chamber of Commerce and Greater Sacramento Urban League) to be CORE-eligible;
- Graduate or currently going through SACC's Sacramento Grow Green program or GSUL's Sacramento Green Equity program;
 - CORE-eligible applicants that have been issued a Business Operating Permit (BOP) will not be required to go through the program(s) retroactively;
- Hold a current BOP **or** has an active BOP application; and
- Applicant has 51% ownership of the business

Cannabis Equity Grant Funds

- **Current Reimbursable Expenses:**

- Building permit fees;
- State application fees;
- Fees for other permits necessary to operate (e.g. Air Resources Board, County Environmental Health Division, Water Districts);
- Rent subsidy for:
 - Applicants who paid for a CUP may qualify for a rent reimbursement up to the total amount of their CUP fees;
 - A shared manufacturing facility Type S license holder may qualify for a rental reimbursement; and
 - Incubators providing space to a certain number of CORE graduates may qualify for a rental reimbursement.

Cannabis Equity Grant Funds

- **Current Reimbursable Expenses:**

- Security Deposit
- Security System
- SMUD power upgrade
- Equipment specific to the BOP holder's business type (e.g. manufacturing equipment, cultivation equipment, secured storage or safes, equipment for delivery vehicles, inventory management system, etc.)
- Business-related training and education

Cannabis Equity Grant Funds

- **Proposed Expansion of Qualifying Expenses:**
 - Remove conditions for rent subsidy
 - (Requirement: CUP application, lease agreement, & rent receipts)
 - Incentives for Property Owners to open more locations for CORE businesses
 - Reimbursement up to \$25,000 for property owners who pay for CUP and at least 50% of tenants are CORE businesses with 3-year leases
 - CUP application and lease must take place on, or after 3/1/20
 - Total cap of \$50,000 if property owner has multiple properties

Cannabis Equity Grant Funds

- **Proposed Expansion Qualifying Expenses to Include (cont.):**
 - Incentives for Property Owners to open more locations for CORE applicants
 - Reimbursement up to \$25,000 for property owners who pay for building fees and tenant improvement expenses if :
 - At least 50% of building tenants are CORE applicants with 3-year leases
 - Expenses must be for the CORE-specific premises
 - Qualifying expenses must be made on or after 3/1/20
 - Total cap of \$50,000 if property owner has multiple properties

Cannabis Equity Grant Funds

- Proposed Expansion Qualifying Expenses to Include (cont.):
 - Allow up to two reimbursements - \$25,000 on applying for BOP and \$25,000 on BOP issuance - if businesses are 100% CORE
 - Allow retroactive reimbursements going back one permit cycle (as long as there was no change in ownership - reimbursement will not cover non-CORE period)

Cannabis Equity Grant Funds

- The reimbursement received from the City is considered an INCOME and therefore subject to tax.
- Reimbursement is in the form of a check.
- Reimbursement Request Forms are available at the cannabis website: www.cityofsacramento.org/cannabis under CORE Program tab

Cannabis Equity Grant Funds

- **Go-Biz Equity Grant Funds**

- Up to \$10 million in assistance for equity applicants and licenses from the Government's Office of Business and Economic Development
- Application now in progress (deadline: 3/9/20)

Cannabis Equity Grant Funds

- **Go-Biz Equity Grant Funds**

- Proposed Uses (if awarded), per input from CORE stakeholders:
 - No interest revolving loan
 - Loan size specific to business type
 - Grants for business accelerator/incubator programs
 - Professional services
 - Expungement services
 - Workforce development
 - Small business education and support

Business Operations Tax

**Presented by Ranelle Kawasaki
Revenue Division**

Who Pays Business Operations Tax (BOT)

- Companies or Individuals
- Engaged in Business within City Limits
 - Regardless of Where Facility is Located
- Apply for an Account
- Receive a BOT Certificate





On Line



In Person



Mail



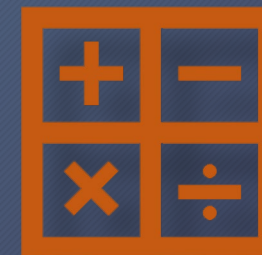
E-Mail

How to Get a BOT



How BOT is Calculated

- Gross Receipts x Rate
 - Cannabis Industry Rate is 4%
 - Example: Receipts \$8,595.72 x .04 = \$343.83
- Plus State Fee - Senate Bill 1186
 - \$4 annually, assessed every January
 - Line E of BOT Renewal Form
- Plus City Business Improvement District Fee
 - Item G of BOT Renewal Form



What are Gross Receipts?

- Total Received From All Sales
- Not Reduced by Business Expenses
- Excludes Excise, Sales, Business Operations or Cultivation Taxes



Sample Monthly Payment Form

RETAIN THIS PORTION FOR YOUR RECORDS

CITY OF SACRAMENTO - MONTHLY TAX RETAIL RENEWAL NOTICE

BUSINESS NAME	BUSINESS ADDRESS	TYPE OF BUSINESS	TAX PERIOD	ACCOUNT
			01/01/2020 - 01/31/2020	

COMPLETE THIS PORTION TO DETERMINE TOTAL AMOUNT DUE

- A. ENTER THE GROSS RECEIPTS FOR THE REPORTING MONTH A. \$ _____
(ENTER IN 1 ABOVE)
- B. TAX ON REPORTING GROSS RECEIPTS - MULTIPLY LINE A BY 4% B. X _____ .04
- C. TAX DUE C. \$ _____
- D. STATE FEE OF \$ 0.00 per SENATE BILL 1186 (Effective 01/01/2013) D. \$ 0.00
- E. PRIOR OVERPAYMENT / UNDERPAYMENT E. \$ 4.00
- F. LATE PAYMENT PENALTY F. \$ _____
ADD \$15.00 PENALTY IF PAID AFTER 02/29/2020
ADD \$115.00 PENALTY IF PAID AFTER 03/31/2020
- G. BUSINESS IMPROVEMENT AREA FEE G. \$ _____
SBBIA RETAIL - \$5.00 + (GROSS RECEIPTS - 4,167 TIMES .0005)
MIN FEE: 5.00 MAX FEE: 51.25
- H. TOTAL AMOUNT DUE - ADD LINES C D E F & G H. \$ _____
(ENTER IN 2 ABOVE)

PENALTIES WILL BE ASSESSED AS WRITTEN ABOVE. REMIT YOUR TAX TIMELY TO AVOID PENALTIES.
OPERATING A BUSINESS WITHOUT A VALID TAX CERTIFICATE IS IN VIOLATION OF THE CITY CODE AND CONSTITUTES AN INFRACTION.



**PAY EACH
MONTH**



**LAST DAY OF
THE
FOLLOWING
MONTH**



**PENALTIES
IF LATE**

When to Pay BOT



How to Pay Tax

- Cash, Check, Money Order, Credit Card, ACH
- Cash payments over \$2,000 require an appointment
 - E-mail: marijuanapaymentcalendar@cityofsacramento.org
- Dama Financial - Cash to Tax Account
 - Armored pickup
 - City pays for one pick-up once a month

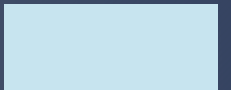


References & Contacts

Online Portal: www.cityofsacramento.org/Finance/Revenue/Business-Operation-Tax/Cannabis-Business-Tax

E-mail: rkawasaki@cityofsacramento.org

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915 I Street, Room 1201
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Cash to Tax Electronic Tax Payments

Presented by DAMA

Contact us:

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cannabis@cityofsacramento.org

On the web:

www.cityofsacramento.org/cannabis