

# **County of Monterey**

Government Center- Monterey Room  
168 W. Alisal St., 2nd Floor  
Salinas, CA 93901



**CANNABIS PROGRAM**  
**COUNTY OF MONTEREY**

## **Meeting Agenda - Final-Revised**

**Join via Zoom at <https://montereycty.zoom.us/j/93414807220>, or in person at: 168 W. Alisal St., 2nd Fl., Salinas CA; or 599 El Camino Real, Greenfield CA 93927 – Dist. 3 Office; or 1200 Aguajito Rd, Monterey CA 93940-Dist. 5 Office.**

**Wednesday, March 27, 2024**

**3:30 PM**

## **Cannabis Committee**

Supervisor Chris Lopez will appear by video conference on this date at: 599 El Camino Real, Greenfield CA 93927. Consistent with Government Code Section 54953, an agenda will be posted at this location, and it will be accessible by the public.

Supervisor Mary Adams will appear by video conference on this date at: 1200 Aguajito Rd Monterey CA 93940. Consistent with Government Code Section 54953, an agenda will be posted at this location, and it will be accessible by the public.

#### **Participation in meetings:**

Members of the public may participate in Committee meetings in two (2) ways:

1. You may attend the meeting in person at 168 W. Alisal Street, 2nd Floor, Salinas CA 93901 – Government Center Building, Monterey Room; or, 599 El Camino Real, Greenfield CA 93927 – District 3 Office; or, 1200 Aguajito Rd Monterey CA 93940 - District 5 Office; or,
2. You may participate via Zoom at: <https://montereycty.zoom.us/j/93414807220>

If you do not have access to a computer, you may call into the meeting and participate by calling the following number: 1-669-900-6833 and entering the following meeting ID: 934 1480 7220

If you choose not to attend the Cannabis Committee meeting but desire to make a public comment on a specific agenda item, please submit your comment via email by 5:00 p.m. on the Friday prior to the meeting. Please submit your comment to Araceli Baltierra at [BaltierraA@co.monterey.ca.us](mailto:BaltierraA@co.monterey.ca.us) and your comment will be placed into the record at the meeting.

If you are watching the live stream of the Cannabis Committee meeting and wish to make either a general public comment or to comment on a specific agenda item as it is being heard, please select the “raise hand” option on the Zoom screen, and your microphone will be unmuted so you can speak. To select the “raise hand” option, click on the ‘participants’ icon at the bottom of your Zoom screen, then click the “raise hand” icon next to your name.

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#### **Participación en reuniones:**

Los miembros del público pueden participar en las reuniones del Comité de (2) maneras:

1. Puede asistir a la reunión en persona en 168 W. Alisal Street, Segundo Piso, Salinas, CA 93901 - Centro de Gobierno del Condado de Monterey, Monterey Room; o, 599 El Camino Real, Greenfield CA 93927 – Oficina del Distrito 3; o, 1200 Aguajito Rd Monterey CA 93940 - Oficina del Distrito 5; o,

**2. Puede participar a través de Zoom en: <https://montereycty.zoom.us/j/93414807220>**

**Si no tiene acceso a una computadora, puede llamar a la reunión y participar llamando al siguiente número: 1-669-900-6833 e ingresando la siguiente identificación de la reunión: 934 1480 7220**

**Si decide no asistir a la reunión del Comité de Cannabis, pero desea hacer un comentario, envíelo antes de las 5:00 p.m. del viernes anterior a la reunión, a Araceli Baltierra, por correo electrónico a: [BaltierraA@co.monterey.ca.us](mailto:BaltierraA@co.monterey.ca.us) y su comentario se incluirá en el registro de la reunión.**

**Si está viendo la retransmisión en directo de la reunión del Comité de Cannabis y desea hacer un comentario público general o comentar un punto específico del orden del día mientras se escucha, seleccione la opción "levantar la mano" en la pantalla de Zoom, y su micrófono se silenciará para que pueda hablar. Para seleccionar la opción "levantar la mano", haga clic en el icono de "participantes" que encontrará en la parte inferior de la pantalla de Zoom y, a continuación, haga clic en el icono "levantar la mano" que encontrará junto a su nombre.**

**TENGA EN CUENTA: SI TODOS LOS MIEMBROS DE LA JUNTA ESTÁN PRESENTES EN PERSONA, LA PARTICIPACIÓN DEL PÚBLICO POR ZOOM ES ÚNICAMENTE POR CONVENIENCIA Y NO ES REQUERIDA POR LA LEY. SI LA ALIMENTACIÓN DE ZOOM SE PIERDE POR CUALQUIER MOTIVO, LA REUNIÓN PUEDE PAUSARSE MIENTRAS SE INTENTA UNA SOLUCIÓN, PERO LA REUNIÓN PUEDE CONTINUAR A DISCRECIÓN DEL PRESIDENTE.**

**PLEASE NOTE: IF ALL BOARD MEMBERS ARE PRESENT IN PERSON, PUBLIC PARTICIPATION BY ZOOM IS FOR CONVENIENCE ONLY AND IS NOT REQUIRED BY LAW. IF THE ZOOM FEED IS LOST FOR ANY REASON, THE MEETING MAY BE PAUSED WHILE A FIX IS ATTEMPTED BUT THE MEETING MAY CONTINUE AT THE DISCRETION OF THE CHAIRPERSON.**

**NOTE:** All agenda titles related to numbered items are live web links. Click on the title to be directed to corresponding Committee Report.

**PUBLIC COMMENT:** Members of the public may address comments to the Committee concerning each agenda item. Timing of the public comment shall be at the discretion of the Chair.

**Call to Order**

**Additions and Corrections**

**Public Comment Period**

This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee.

**Approval of Action Minutes**

1. Consider approval of action minutes from the March 6, 2024, Cannabis Committee meeting.

**Sponsors:** Cannabis Committee

**Attachments:** [Cannabis Committee Minutes 03 06 24](#)

**Regular Agenda**

2. Verbal update on the County of Monterey Cannabis Program Manager recruitment.

*Presenter: Nick Chiulos, Chief Assistant County Administrator Officer*

**Sponsors:** Cannabis Committee

3. Receive an Auditor-Controller Office memoranda update on commercial cannabis business tax collections and payment plan tax payments.

*Presenter: Joey Nolasco, Auditor-Controller Analyst*

**Sponsors:** Cannabis Committee

**Attachments:** [Auditor-Controller Update](#)

4. Receive a status update on the commercial cannabis business tax payment plans.

*Presenter: Joann Iwamoto, Interim Cannabis Program Manager*

**Sponsors:** Cannabis Committee

**Attachments:** [Cannabis Business Tax Payment Plan Update](#)

5. Receive memoranda update on Cannabis Program performance indicators, SMART goals and active grants.

*Presenter: Myles Echenique, Management Analyst II*

**Sponsors:** Cannabis Committee

**Attachments:** [Memorandum of Cannabis Program 03 27 2024](#)

6. a. Receive a status update on the County cannabis business tax revenue generated by nursery activities;  
b. Consider the financial impacts of a tax exemption for self-producing nursery operators; and  
c. Recommend the Committee take no action on a tax exemption for self-producing nursery operators at this time; and  
d. Provide further direction as appropriate or consider a recommendation to the Board of Supervisors.

**Sponsors:** Cannabis Committee

**Attachments:** [Board Report 03 27 24](#)

### **Adjournment**

Next meeting scheduled for May 02, 2024 in the Monterey Room and via Zoom.

**Committee Members:** Supervisor Mary L. Adams, Chair; Supervisor Chris Lopez, Vice-Chair.

**Committee Staff:** Nick Chiulos, Chief Assistant County Administrative Officer; Robert Brayer, Deputy County Counsel; and Araceli Baltierra, Committee Secretary.

- Copies of staff reports or other written documentation relating to items referenced on this agenda and/or submitted after distribution of the agenda packet are on file and available for public inspection at the County Administrative Office, County of Monterey Government Center, 168 West Alisal Street, 3rd Floor, Salinas CA 93901.
- Meetings of the Board of Supervisors Cannabis Committee are accessible to individuals with disabilities. The Administration Building and Monterey Conference Room are wheelchair accessible. Please contact the County of Monterey Civil Rights Office at 831-755-5117 if you need assistance or accommodations to participate in a public meeting or if you need the agenda and public documents modified as required by Section 202 of the Americans with Disabilities Act.
- The following services are available when requests are made by 5:00 p.m. of the Friday before this noted meeting: American Sign Language interpreters during a meeting, large print agenda or minutes in alternative format.
- If you require the assistance of an interpreter, please contact the Senior Secretary in the County Administrative Office at 831-755-5419. Every effort will be made to accommodate requests for translation assistance. Requests should be made as soon as possible, and at a minimum 24 hours in advance of any meeting.
- Si usted requiere la asistencia de un intérprete, por favor comuníquese con la oficina de Administración localizada en el Centro de Gobierno del Condado de Monterey, (County of Monterey Government Center), 168 W. Alisal St., Tercer Piso, Salinas - o por teléfono llamar al 831-755-5419. La secretaria hará el esfuerzo para acomodar los pedidos de asistencia de un intérprete. Los pedidos se deberán hacer lo más pronto posible, y a lo mínimo 24 horas de anticipo de cualquier junta.



# County of Monterey

## Item No.1

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

**Legistar File Number: MIN 24-017**

**March 27, 2024**

**Introduced:** 3/19/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** Minutes

Consider approval of action minutes from the March 6, 2024, Cannabis Committee meeting.

# **County of Monterey**

Government Center- Monterey Room  
168 W. Alisal St., 2nd Floor  
Salinas, CA 93901



## **Meeting Minutes - Final**

**Join via Zoom at <https://montereycty.zoom.us/j/99494643490> or in person at: 168 W. Alisal St., 2nd Floor-Monterey Room, Salinas CA 93901; or 599 El Camino Real, Greenfield CA 93927 – District 3 Office**

**Wednesday, March 6, 2024**

**3:00 PM**

**Special Meeting**

**Cannabis Committee**



**NOTE: All agenda titles related to numbered items are live web links. Click on the title to be directed to corresponding Committee Report.**

**PUBLIC COMMENT: Members of the public may address comments to the Committee concerning each agenda item. Timing of the public comment shall be at the discretion of the Chair.**

**Call to Order**

**The meeting was called to order at 3:00pm.**

**Additions and Corrections**

**There were 2 corrections.**

**Public Comment Period**

**There was no public comment.**

**Approval of Action Minutes**

1. Consider approval of action minutes from the January 4, 2024, Cannabis Committee meeting.

**ACTION: The Board of Supervisors Cannabis Committee Minutes from January 4, 2024, was approved by consensus**

**Regular Agenda**

2. Provide a verbal update on the status of the County of Monterey Cannabis Program Manager recruitment.

*Presenter: Nick Chiulos, Chief Assistant County Administrator Officer*

**ACTION: Committee received a verbal update on status.**

3.
  - a. Receive a status update on commercial cannabis consumption lounges and the critical collaboration needed between County departments and local agencies to analyze the elements needed for an amendment to the Monterey County Code to include this new business type;
  - b. Recommend the Cannabis Committee identify the prioritization of continued work for a commercial consumption lounge; and,
  - c. Recommend the Cannabis Committee make a recommendation to the Board of Supervisors on how to proceed.

*Presenters:*

*Joann Iwamoto, Interim Cannabis Program Manager*

*Craig Spencer, Acting Housing and Community Dev. Director*

*Nicki Fowler, Environmental Health Specialist IV*

*Michelle House, Health Program Coordinator*

*Brian Jones, Deputy District Attorney*

*Sgt. Nicholas Kennedy, Sheriff Office*

*Division Chief Scott Anderson, Monterey County Regional Fire Dist.*

*Chief Joel Mendoza, North County Fire Protection District*

**ACTION:** Committee received a status update on commercial cannabis consumption lounges; including departmental input of potential benefits, the requirements, and necessary restrictions. The committee also heard from concerns from other county departments. Chair and Vice Chair agreed to move forward and bring the commercial Cannabis Consumption Lounge item to the full Board for further discussion. No prioritization established.

**Public Comment:** Michelle H Williamson, Aram Stoney, Bob Roach, Sara Stewart, Jennifer Rosenthal, Esq., Joey Espinoza

**Adjournment**

The meeting was adjourned at 4:00 pm. The next meeting is scheduled for March 27, 2024.



# County of Monterey

## Item No.2

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: 24-228

March 27, 2024

**Introduced:** 3/19/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

Verbal update on the County of Monterey Cannabis Program Manager recruitment.

*Presenter: Nick Chiulos, Chief Assistant County Administrator Officer*



# County of Monterey

## Item No.3

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: 24-229

March 27, 2024

**Introduced:** 3/19/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

Receive an Auditor-Controller Office memoranda update on commercial cannabis business tax collections and payment plan tax payments.

*Presenter: Joey Nolasco, Auditor-Controller Analyst*

# COUNTY OF MONTEREY



## AUDITOR - CONTROLLER

(831) 755-5040 • FAX (831) 755-5098 • P.O. BOX 390 • SALINAS, CALIFORNIA 93902

**Rupa Shah, CPA**  
AUDITOR-CONTROLLER

**Burcu Mousa, CPA**  
ASSISTANT AUDITOR-CONTROLLER

**TO:** Monterey County Cannabis Committee

**FROM:** Joey Nolasco, Auditor-Controller Analyst II

**Date:** March 15, 2024

**RE:** Update on Commercial Cannabis Tax Revenues

The purpose of this memorandum is to update the Monterey County Cannabis Committee on the amount of cannabis tax revenues collected year to date in fiscal year 2023-24.

<b>Cannabis Tax Collections</b>	
<b>For Fiscal Year 2023-24</b>	
<b>MONTH</b>	<b>AMOUNT COLLECTED</b>
July	548,435.22
August	508,638.20
September	314,429.71
October	738,195.62
November	800,961.46
December	417,252.34
January	273,670.16
February	609,650.57
March	73,978.32
<b>Total Amount Collected in FY 2023-24 (As of 3/11/2024)</b>	<b>\$ 4,285,211.60</b>

<b>BREAKDOWN OF COLLECTIONS</b>	<b>COLLECTED</b>
For Fiscal Year 2021-22 Payment Plan	131,567.42
For Fiscal Year 2021-22 Payment Plan - Extended 3 yr.	54,606.97
For Fiscal Year 2022-2023 Taxes by Payment Plan	1,877,698.38
For Fiscal Year 2023-2024	2,221,338.83
<b>Total by Year</b>	<b>\$ 4,285,211.60</b>

BREAKDOWN BY TYPE	COLLECTED
Dispensary	476,213.06
Indoor/Mixed Light Cultivation	2,893,334.48
Manufacturing	782.07
Nursery	876,974.97
Outdoor Cultivation	37,907.02
<b>Total by Type</b>	<b>\$ 4,285,211.60</b>

**Note 1:** The ACO has implemented additional accounting elements to breakdown the collection amounts by respective fiscal years and be able to provide the Cannabis Committee and the Board of Supervisors with the information as reported in this report. The ACO does not have access to operator details and relies on the Treasurer-Tax Collector's Office to provide information on delinquent operators. As of March 12, 2024, the Treasurer-Tax Collector's Office has reported five (5) delinquent cultivation operators for a total of \$287,569.81 of unpaid taxes.



# County of Monterey

## Item No.4

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

**Legistar File Number: 24-234**

**March 27, 2024**

**Introduced:** 3/20/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

Receive a status update on the commercial cannabis business tax payment plans.

*Presenter: Joann Iwamoto, Interim Cannabis Program Manager*

# COUNTY OF MONTEREY



## County Administrative Office

Nicholas E. Chiulos  
Chief Assistant County Administrative Officer

[co.monterey.ca.us/CannabisProgram](https://co.monterey.ca.us/CannabisProgram)  
168 West Alisal St., 3<sup>rd</sup> Floor  
Salinas CA 93901-2680  
(831) 796-3017

Joann Iwamoto  
Interim Cannabis Program Manager  
Intergovernmental & Legislative Affairs

March 27, 2024

To: Board of Supervisors Cannabis Committee  
Fr: Joann Iwamoto, Interim Cannabis Program Manager  
cc: Nicholas E. Chiulos, Chief Assistant County Administrative Officer  
Re: Cannabis Business Tax Payment Plan Update.

## CANNABIS BUSINESS TAX PAYMENT PLAN UPDATE

Per the direction of the Cannabis Committee, a status update on the Cannabis Business Tax Payment Plans be provided.

Cannabis Program staff have supplemented the information provided by the Treasurer-Tax Collector and Auditor-Controller to provide the Committee with a more nuanced view of the Cannabis Business Tax revenue collected in Fiscal Year 2023-24.

Fiscal Year	Collected	Amount Due	Complete	Current	Delinquent	Closed
FY 21-22 Payment Plan	\$131,567.42	\$224,819.58	9			12
FY 21-22 Payment Plan, Extended	\$54,606.97	\$233,062.97		9		1
FY 22-23 Payment Plan	\$1,877,698.38	\$104,823.22	25		1	
FY 23-24	\$2,221,338.83	\$395,727.00		57	7	
<b>Total</b>	<b>\$4,285,211.60</b>	<b>\$562,705.77</b>				





# County of Monterey

## Item No.5

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: 24-230

March 27, 2024

**Introduced:** 3/19/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

Receive memoranda update on Cannabis Program performance indicators, SMART goals and active grants.

*Presenter: Myles Echenique, Management Analyst II*



# COUNTY OF MONTEREY

## County Administrative Office

Nicholas E. Chiulos  
Chief Assistant County Administrative Officer

Joann Iwamoto  
Interim Cannabis Program Manager  
Intergovernmental & Legislative Affairs

[co.monterey.ca.us/CannabisProgram](https://co.monterey.ca.us/CannabisProgram)  
168 West Alisal St., 3<sup>rd</sup> Floor  
Salinas CA 93901-2680  
(831) 796-3017

March 27, 2024

To: Board of Supervisors Cannabis Committee  
Fr: Joann Iwamoto, Interim Cannabis Program Manager  
cc: Nicholas E. Chiulos, Chief Assistant County Administrative Officer  
Re: Cannabis Program performance indicators, SMART goals, and active grants.

## CANNABIS PROGRAM BUDGET AND GRANTS

### A. Balance of Cannabis Program Contingency

The table below reflects the Fiscal Year (FY) 23-24 allocation, which has been utilized for indirect costs in the County Administrative Office as these were not otherwise funded.

Type	Allocation	Remaining Balance
Cannabis Program Contingency	\$74,720.00	
Cannabis Program indirect costs	-\$63,970.00	\$10,750.00

### B. Grant Activity and Other

#### Local Jurisdiction Assistance Grant (LJAG)

Staff have processed one additional passthrough funding request.

## CANNABIS PERMIT INFORMATION

### A. Cannabis Land Use Permits

There are 78 applications, where 64 have been approved and have a status of either Condition Compliance or Cleared. The remaining 14 applications are pending approval.

The table below shows the number of Cannabis Land Use Permits approved by fiscal year. There has been one additional approval since the prior Cannabis Committee meeting.

<b>Fiscal Year</b>	<b># Approved</b>
FY 17-18	1
FY 18-19	3
FY 19-20	8
FY 20-21	8
FY 21-22	22
FY 22-23	18
FY 23-24	4
<b>Total</b>	<b>64</b>

## **B. Cannabis Business Permits**

Currently there are 76 applications. 64 applicants are currently operating and 12 have applied but are not operational. The table below shows the number of initial Cannabis Business Permits issued by fiscal year. There have been five additional issuances since the previous Cannabis Committee meeting.

<b>Fiscal Year</b>	<b># Issued</b>
FY 17-18	3
FY 18-19	5
FY 19-20	2
FY 20-21	5
FY 22-23	22
FY 23-24	12
<b>Total</b>	<b>49</b>

## **C. Cessation of Business**

A Cessation of Business form is submitted to the Program and Treasurer-Tax Collector's Office (TTC) when a business shuts down. Often, the business does not submit the Cessation of Business form and the Program conducts a final inspection and provides the "Inspection Fact Sheet" to the TTC. There have been three additional closures since the prior Committee meeting: 2 due to Insolvency and 1 due to a Change of Business Plan.

<b>Fiscal Year</b>	<b>#</b>
FY 19-20	4
FY 20-21	7
FY 21-22	8
FY 22-23	34
FY 23-24	7
<b>Total</b>	<b>60</b>

<b>Reason for Closure</b>	<b>#</b>
Acquisition	3
Change of Business Plan	4
Eviction	14
Insolvency	38
License Expired	1
<b>Total</b>	<b>60</b>

## **CANNABIS MARKET INFORMATION**

### **A. FY 23-24 Cannabis Cultivation Figures**

Below is a summary of cultivation canopy and the projected tax revenue, which is based on the square footage that is registered at the time of writing. These figures assume that canopy remains constant throughout the FY—meaning no modifications and/or business closures—and that all operators will timely pay their respective cannabis business taxes.

<b>Cultivation Type</b>	<b>Square Footage</b>	<b>Acreage</b>	<b>Projected Tax Revenue</b>
Mixed Light	1,413,365	32	\$2,063,513
Indoor	58,401	1	\$124,395
Nursery	1,089,467	25	\$773,522
Outdoor	329,727	8	\$234,106
	<b>2,890,961</b>	<b>66</b>	<b>\$3,195,536</b>

Below is a summary of approved canopy modifications by fiscal year. There have been four additional modifications since the prior Committee meeting: 3 to Decrease and 1 to Increase.

<b>Fiscal Year</b>	<b>Decrease</b>	<b>Increase</b>
FY 19-20	7	11
FY 20-21	2	22
FY 21-22	14	15
FY 22-23	19	17
FY 23-24	5	5

### **B. Monthly Wholesale Flower Pricing by Cultivation Type (\$/lb.)**

There are no additional updates on the implementation of a database to track and report on this information.

## **ENFORCEMENT AGAINST UNLICENSED CANNABIS ACTIVITY**

The County of Monterey Marijuana Eradication Team provides the Program with information to update the Cannabis Committee on outcomes of search warrant and abatement activities. There are no updates from the prior Committee meeting.

<b>Type</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>
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Cannabis Plants	31,938	32,888	18,602	97,703	1,220
Cannabis Processed (lbs.)	3,981	5,476	1,716	38,430	506
Gross Weight Abated (tons)	18.0	19.2	10.2	68.1	2.8
Firearms	13	105	97	24	1
Currency	\$100,815	\$28,146	\$104,700	\$5,500	\$0
Explosive Material (lbs)	0	0	0	25	0
Meth (lbs)	0	0	0	1	0
Cocaine (lbs)	0	0	0	0	0.03
Clandestine Lab	0	2	5	0	0
Wholesale Market Value	\$35,919,000	\$38,364,000	\$20,303,000	\$68,066,500	\$2,834,635

## CANNABIS PROGRAM SMART GOALS

### SMART Goal #1: Issuing a Cannabis Business Permit (CBP)

The Cannabis Program will issue a CBP within 3 business days of the Operator submitting a complete CBP Initial Application and satisfying departmental requirements, in addition to the Property Owner receiving a fully cleared Land Use Entitlement.

Service level: 100%

Fiscal Year	FY 22-23, Q3	FY 22-23, Q4	FY 23-24, Q1	FY 23-24, Q2
Service Level	100%	100%	100%	83%

### SMART Goal #2: Renewing a CBP

The Cannabis Program will renew CBPs within 3 business days of the Operator submitting a complete CBP Renewal Application and satisfying departmental requirements.

Service level: 100%

Fiscal Year	FY 22-23, Q3	FY 22-23, Q4	FY 23-24, Q1	FY 23-24, Q2
Service Level	100%	100%	100%	66%

### SMART Goal #3: Providing local authorization using the Provisional Cannabis Business Permit (PCBP)

No later than August 1, 2022, up to 100 Operators who have not obtained a CBP will be issued a Provisional CBP under Good Standing criteria expiring one year from its issuance date.

Service level: 100%

Fiscal Year	FY 22-23, Q3	FY 22-23, Q4	FY 23-24, Q1	FY 23-24, Q2
Service Level	100%	100%	100%	100%

### SMART Goal #4: Providing renewal of the Provisional Cannabis Business Permit (PCBP)

The Cannabis Management Team will review outstanding requirements related to the Land Use Entitlement and the Cannabis Business Permit. Only those that have completed critical requirements and/or made significant progress to complete will be issued a one-time renewal of the PCBP expiring January 1, 2024 for Class A Provisional Cannabis Permittees and January 1, 2026 for Class B Provisional Cannabis Permittees.

Service level: 100%

<b>Fiscal Year</b>	FY 22-23, Q3	FY 22-23, Q4	FY 23-24, Q1	FY 23-24, Q2
<b>Service Level</b>	N/A	N/A	N/A	100%



# County of Monterey

## Item No.6

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

Legistar File Number: 24-236

March 27, 2024

Introduced: 3/20/2024

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Receive a status update on the County cannabis business tax revenue generated by nursery activities;
- b. Consider the financial impacts of a tax exemption for self-producing nursery operators; and
- c. Recommend the Committee take no action on a tax exemption for self-producing nursery operators at this time; and
- d. Provide further direction as appropriate or consider a recommendation to the Board of Supervisors.

#### RECOMMENDATIONS:

It is recommended that the Board of Supervisors Cannabis Committee:

- a. Receive a status update on the County cannabis business tax revenue generated by nursery activities;
- b. Consider the financial impacts of a tax exemption for self-producing nursery operators; and
- c. Recommend the Committee take no action on a tax exemption for self-producing nursery operators at this time; and
- d. Provide further direction as appropriate or consider a recommendation to the Board of Supervisors.

#### DISCUSSION:

At the Board of Supervisors Cannabis Committee (Committee) meeting on January 4, 2024, a local operator requested that an item come before the Committee to consider an exemption from nursery taxes. This proposed exemption would only apply to operators who produce immature plants exclusively for their own cultivation rather than selling to third parties. Staff were directed to return with a report on this concept to the Committee.

This report provides: a retrospective of the cannabis business tax generated by nursery activities, a distinction between nursery operators producing for internal or external use, and the financial impacts of a tax exemption for self-producing nursery operators.

#### DISCUSSION:

Origin and history of the cannabis business tax imposed on nursery activities.

Voter approval of Measure Y in 2016 was the foundational act that enabled the creation of the County of Monterey Cannabis Program (Program). The ballot measure language read as follows:

“Shall the ordinance imposing a tax on commercial marijuana businesses in the unincorporated area of Monterey County only (not cities) up to a maximum of: \$25 per square foot on cultivation with an

annual adjustment by Consumer Price Index (CPI) thereafter; \$5 per square foot on nurseries with annual CPI adjustment thereafter; and 10% of gross receipts on other marijuana business activities with no CPI, potentially generating millions of dollars annually to help fund County services, be adopted?”

In January 2017, Ordinance Number 5274 added Chapter 7.100 to the Monterey County Code (MCC) to impose a general tax on commercial cannabis businesses in the County. This ordinance established an initial nursery tax rate of \$2.00 per square foot of authorized canopy (sq. ft.). Automatic increases of \$1.50 sq. ft. were set to occur at the start of July 2020 and 2021 to bring the tax rate to the voter approved maximum of \$5.00 sq. ft., followed by annual CPI adjustments.

In response to a combination of the COVID-19 economic downturn and the Hop Latent Viroid, Ordinances 5330 and 5349 were adopted to suspend the automatic increases that were set to take place in July 2020 and 2021. In March 2022, Ordinance 5371 removed automatic increases to alleviate a market correction in the commercial cannabis industry. Lastly, Ordinance 5396, adopted in February 2023, reduced the tax rate to \$0.71 sq. ft., which is the current rate for nursery activities.

MCC 7.100.040(W) defines “nursery” as:

“a person that produces only clones, immature plants, seeds, and other agricultural products used specifically for the planting, propagation, and cultivation of cannabis.”

Based on this definition, the Treasurer-Tax Collector informed the industry that they must hold a Department of Cannabis Control (DCC) nursery license to be taxed at the nursery rate. Those without a DCC nursery license would instead be taxed based on sq. ft. of their nursery at a rate tied to the type of cultivation occurring on site: outdoor, mixed-light, or indoor. For reference, DCC nursery licenses do not have an associated licensed canopy maximum in the way that DCC cultivation licenses do.

The cannabis business tax revenue generated by nursery activities is significant. Below are the collections by Fiscal Year (FY). Please note that the override code to separate collections by commercial cannabis activity was not established until FY 19-20.

- FY 19-20 \$832,233
- FY 20-21 \$1,264,085
- FY 21-22 \$857,045
- FY 22-23 \$740,195
- FY 23-24, Q1-Q2 \$745,132

It should also be noted that the proportion of revenue generated by nursery activities has increased over time, beginning at 5% of overall revenue in FY 19-20 and increasing to 21% of overall revenue in FY 22-23. Staff analyzed historical canopy registration figures and found that the proportion of nursery canopy has also increased over time, beginning at 26% of overall canopy in FY 19-20 and increasing to 39% of overall canopy in FY 23-24 to date.



Staff believes this trend is in response to broader pressure within the commercial cannabis market and the reduction to local nursery tax rates; there was a notable uptick in nursery canopy in early 2023 when the \$0.71 sq. ft. rate became effective. Staff estimates that pivoting cultivation to nursery would achieve the goals of lowering production costs and the risks associated with bringing a mature plant to a market that continues to see depressed demand. Staff would need to further confer with industry operators to confirm their understanding of the business strategy behind this shift.

#### Overview of nursery operators.

There are 32 operators who currently hold a DCC nursery license. Of these 32, 20 also hold one or more DCC cultivation licenses. Through the analysis of Metrc transfer data, staff have confirmed that 3 operators are exclusively transferring immature plants from their nursery to cultivation licenses within the current FY. Staff believes that these 3 would be considered within the scope of the exemption proposed to the Cannabis Committee in January 2024.

In FY 22-23, 7.8m immature plants were transferred to local cultivation licenses. Approximately 816k, or 10%, were transferred from the licenses of 2 self-producing nursery operators. In FY 23-24 to date, 5,025,698 immature plants were transferred to local cultivation licenses. 753k, or 15%, were transferred from the licenses of 3 self-producing nursery operators.

#### Financial impacts of a tax exemption for self-producing nurseries.

Staff estimates that the 3 operators that have been identified as self-producing nursery operators will generate approximately \$100k of nursery tax revenue in FY 23-24. Should the Committee direct staff to proceed with this concept, some or all this revenue could be lost depending on retroactivity and the entire amount would be lost in subsequent fiscal years.

It should also be noted that significant staff time would be required to analyze Metrc data to verify that these operators remain self-producing and/or qualify other operators who seek this exemption. Alternatively, staff could develop an attestation form that would retroactively trigger taxes, fees, and penalties if it was later discovered that the operator was not conducting self-producing nursery activities.

#### CONCLUSION

Although the cannabis industry continues to stabilize, staff does not believe the equilibrium between supply and demand has been reached. After factoring the limited number of qualifying operators, ordinance work required to implement, further reductions to cannabis business tax revenue, and Metrc analysis required to verify, staff recommends that the Committee take no action on a tax exemption for self-producing nursery operators at this time.

#### OTHER AGENCY INVOLVEMENT:

The Cannabis Program prepared this report with input from the County Administrative Office and the Office of the County Counsel.

FINANCING:

Monterey County's Cannabis Program is funded in County Administrative Office - Department 1050, Intergovernmental and Legislative Affairs Division - Unit 8533, Cannabis. If an amendment to Chapter 7.100 created a tax exemption for self-producing nursery operators, staff estimates that cannabis business tax revenue would be impacted by a loss of approximately \$100,000 on a fiscal year basis.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The Monterey County Cannabis Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

Mark a check to the related Board of Supervisors Strategic Initiatives

X Economic Development

X Administration

X Health & Human Services

X Infrastructure

X Public Safety

Prepared by: Joann Iwamoto, Interim Cannabis Program Manager x 3084

Approved by: Nicholas E. Chiulos, Chief Assistant County Administrative Officer x 5145



# County of Monterey

## Item No.6

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

**Legistar File Number: 24-236**

**March 27, 2024**

**Introduced:** 3/20/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

- a. Receive a status update on the County cannabis business tax revenue generated by nursery activities;
- b. Consider the financial impacts of a tax exemption for self-producing nursery operators; and
- c. Recommend the Committee take no action on a tax exemption for self-producing nursery operators at this time; and
- d. Provide further direction as appropriate or consider a recommendation to the Board of Supervisors.

#### RECOMMENDATIONS:

It is recommended that the Board of Supervisors Cannabis Committee:

- a. Receive a status update on the County cannabis business tax revenue generated by nursery activities;
- b. Consider the financial impacts of a tax exemption for self-producing nursery operators; and
- c. Recommend the Committee take no action on a tax exemption for self-producing nursery operators at this time; and
- d. Provide further direction as appropriate or consider a recommendation to the Board of Supervisors.

#### DISCUSSION:

At the Board of Supervisors Cannabis Committee (Committee) meeting on January 4, 2024, a local operator requested that an item come before the Committee to consider an exemption from nursery taxes. This proposed exemption would only apply to operators who produce immature plants exclusively for their own cultivation rather than selling to third parties. Staff were directed to return with a report on this concept to the Committee.

This report provides: a retrospective of the cannabis business tax generated by nursery activities, a distinction between nursery operators producing for internal or external use, and the financial impacts of a tax exemption for self-producing nursery operators.

#### DISCUSSION:

Origin and history of the cannabis business tax imposed on nursery activities.

Voter approval of Measure Y in 2016 was the foundational act that enabled the creation of the County of Monterey Cannabis Program (Program). The ballot measure language read as follows:

“Shall the ordinance imposing a tax on commercial marijuana businesses in the unincorporated area of Monterey County only (not cities) up to a maximum of: \$25 per square foot on cultivation with an

annual adjustment by Consumer Price Index (CPI) thereafter; \$5 per square foot on nurseries with annual CPI adjustment thereafter; and 10% of gross receipts on other marijuana business activities with no CPI, potentially generating millions of dollars annually to help fund County services, be adopted?”

In January 2017, Ordinance Number 5274 added Chapter 7.100 to the Monterey County Code (MCC) to impose a general tax on commercial cannabis businesses in the County. This ordinance established an initial nursery tax rate of \$2.00 per square foot of authorized canopy (sq. ft.). Automatic increases of \$1.50 sq. ft. were set to occur at the start of July 2020 and 2021 to bring the tax rate to the voter approved maximum of \$5.00 sq. ft., followed by annual CPI adjustments.

In response to a combination of the COVID-19 economic downturn and the Hop Latent Viroid, Ordinances 5330 and 5349 were adopted to suspend the automatic increases that were set to take place in July 2020 and 2021. In March 2022, Ordinance 5371 removed automatic increases to alleviate a market correction in the commercial cannabis industry. Lastly, Ordinance 5396, adopted in February 2023, reduced the tax rate to \$0.71 sq. ft., which is the current rate for nursery activities.

MCC 7.100.040(W) defines “nursery” as:

“a person that produces only clones, immature plants, seeds, and other agricultural products used specifically for the planting, propagation, and cultivation of cannabis.”

Based on this definition, the Treasurer-Tax Collector informed the industry that they must hold a Department of Cannabis Control (DCC) nursery license to be taxed at the nursery rate. Those without a DCC nursery license would instead be taxed based on sq. ft. of their nursery at a rate tied to the type of cultivation occurring on site: outdoor, mixed-light, or indoor. For reference, DCC nursery licenses do not have an associated licensed canopy maximum in the way that DCC cultivation licenses do.

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Staff believes this trend is in response to broader pressure within the commercial cannabis market and the reduction to local nursery tax rates; there was a notable uptick in nursery canopy in early 2023 when the \$0.71 sq. ft. rate became effective. Staff estimates that pivoting cultivation to nursery would achieve the goals of lowering production costs and the risks associated with bringing a mature plant to a market that continues to see depressed demand. Staff would need to further confer with industry operators to confirm their understanding of the business strategy behind this shift.

#### Overview of nursery operators.

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In FY 22-23, 7.8m immature plants were transferred to local cultivation licenses. Approximately 816k, or 10%, were transferred from the licenses of 2 self-producing nursery operators. In FY 23-24 to date, 5,025,698 immature plants were transferred to local cultivation licenses. 753k, or 15%, were transferred from the licenses of 3 self-producing nursery operators.

#### Financial impacts of a tax exemption for self-producing nurseries.

Staff estimates that the 3 operators that have been identified as self-producing nursery operators will generate approximately \$100k of nursery tax revenue in FY 23-24. Should the Committee direct staff to proceed with this concept, some or all this revenue could be lost depending on retroactivity and the entire amount would be lost in subsequent fiscal years.

It should also be noted that significant staff time would be required to analyze Metrc data to verify that these operators remain self-producing and/or qualify other operators who seek this exemption. Alternatively, staff could develop an attestation form that would retroactively trigger taxes, fees, and penalties if it was later discovered that the operator was not conducting self-producing nursery activities.

#### CONCLUSION

Although the cannabis industry continues to stabilize, staff does not believe the equilibrium between supply and demand has been reached. After factoring the limited number of qualifying operators, ordinance work required to implement, further reductions to cannabis business tax revenue, and Metrc analysis required to verify, staff recommends that the Committee take no action on a tax exemption for self-producing nursery operators at this time.

#### OTHER AGENCY INVOLVEMENT:

The Cannabis Program prepared this report with input from the County Administrative Office and the Office of the County Counsel.

Legistar File Number: 24-236

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FINANCING:

Monterey County's Cannabis Program is funded in County Administrative Office - Department 1050, Intergovernmental and Legislative Affairs Division - Unit 8533, Cannabis. If an amendment to Chapter 7.100 created a tax exemption for self-producing nursery operators, staff estimates that cannabis business tax revenue would be impacted by a loss of approximately \$100,000 on a fiscal year basis.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The Monterey County Cannabis Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

Mark a check to the related Board of Supervisors Strategic Initiatives

X Economic Development

X Administration

X Health & Human Services

X Infrastructure

X Public Safety

Prepared by: Joann Iwamoto, Interim Cannabis Program Manager x 3084

Approved by: Nicholas E. Chiulos, Chief Assistant County Administrative Officer x 5145

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# County of Monterey

## Item No.6

### Board Report

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

**Legistar File Number: 24-236**

**March 27, 2024**

**Introduced:** 3/20/2024

**Current Status:** Agenda Ready

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Legistar File Number: 24-236

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X Administration

X Health & Human Services

X Infrastructure

X Public Safety

Prepared by: Joann Iwamoto, Interim Cannabis Program Manager x 3084

Approved by: Nicholas E. Chiulos, Chief Assistant County Administrative Officer x 5145

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