



CITY OF
MODESTO
CALIFORNIA

CANNABIS PROGRAM OVERVIEW

June 20, 2022



Background

- Passage of Compassionate Use Act in 1996 (Proposition 215)
 - CA first state to permit use of medical cannabis
 - Passage of Adult Use of Marijuana Act in November 2016 (Proposition 64)
 - Ended prohibition on adult-use of cannabis in CA
 - Legalized recreational use of cannabis for adults 21+
 - Passage of Medical & Adult Use Cannabis Regulation & Safety Act in 2017 (MAUCRSA)
 - Comprehensive regulatory system intended to regulate all commercial cannabis uses
 - Set framework for licensing, oversight and enforcement related to cannabis regulations
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Background

- City Council adopted Ordinance 3.684-C.S. to establish commercial cannabis standards and regulations in January 2018
 - Allowed up to 10 Commercial Cannabis Retail Dispensary permits at discretion and approval of City Council
 - Allowed non-retail cannabis permits at discretion and approval of City Council
 - Established cannabis tax rate for specific business uses e.g., retail, manufacturing, cultivation, etc.
 - City Council adopted Ordinance 3.684-C.S. to establish Cannabis Permit Review Committee in April 2021
 - Replaced prior disbanded Ad Hoc Committee that was established as a temporary committee not covered by the Brown Act to review retail dispensary proposals in 2018
 - Committee granted authority to consider and approve non-retail cannabis applications
 - Committee provides recommendations to City Council on cannabis related policies, procedures, and approval or denial of retail applications
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Cannabis Tax Rate

- Voters approved city-initiated Measure T allowing up to 10% excise tax on cannabis businesses in November 2017
 - City Council imposed Cannabis Business Tax at rates ranging from 2.5% to 8% of gross receipts depending on business type in December 2018
 - City Council amended cannabis tax rates in June 2021 to be effective July 2021, to align the tax rate with the permit type and manage a competitive tax rate structure.
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Cannabis Application and Permit Fee*

New Cannabis businesses require a non-refundable application fee of \$6,380

Once Cannabis is approved a City permit, the business is required to pay an annual Cannabis Admin Fee of \$18,732

Both fees are reviewed annually by City staff to ensure the fee is covering the City's cost to administer this program



Cannabis Tax Rate*

Cannabis Business Type	Previous Tax Rate	Current Tax Rate
Retail (Storefront and Delivery)	8%	8%
Microbusiness (Retail)**	4%	8%
Microbusiness Manufacturing Wholesale**	4%	4%
Microbusiness Cultivation Wholesale**	4%	2.5%
Manufacturing	4%	4%
Distribution	6%	2.5%
Cultivation Nursery***	2.5%	1%
Cultivation Indoor***	2.5%	2.5%
Testing Lab	2.5%	1.5%

*Tax is based on gross receipts

**Prior to 2021 microbusiness activities taxed at same rate i.e., 4%. Business type reclassified to include all microbusiness activities.

*** Prior to 2021 cultivation activities taxed at same rate i.e., 2.5%. Business type reclassified to include all cultivation business activities.



Retail Dispensary Commercial Cannabis Permit Application Process*

- City issued RFP in May 2018
- 20 proposals received
- Proposals were scored by a combination of City staff, HdL and Council Ad Hoc Cannabis Committee
- Ad Hoc Committee made final recommendations to City Council based on scoring and interviews with applicants

*Retail Dispensary Commercial Cannabis Permit Application period closed.



Scoring Criteria

CATEGORY	MAXIMUM POINTS
Business Plan	15
Site Security Plan	30
Facility, Environmental & Design Considerations	5
Convenience to Community	5
TOTAL WRITTEN POINTS	55
Community Benefits (interview)	45
TOTAL POINTS	100



Approved Retail Dispensary Commercial Cannabis Businesses

- City Council approved and issued 8 commercial cannabis permits within the City limits in 2018

Operational Businesses

Business Name	Address	Business Type	Tax Rate	Start Date*
Cookies	1944 W. Orangeburg Avenue	Retail	8%	1/25/2020
Planet 8ths	500 E. Glenn Avenue	Retail	8%	10/01/2021
Authentic 209	426 McHenry Avenue	Retail	8%	12/12/2019
CR and D, Inc.	439 Maze Boulevard	Retail	8%	6/17/2019
Medallion Wellness	1313 McHenry Avenue	Retail	8%	3/16/2021
Phenos Cooperative	1234 McHenry Avenue	Retail	8%	3/21/2019
The People's Remedy	2308 McHenry Avenue	Retail	8%	5/17/2019

Non-operational Businesses

Business Name	Address	Type	Tax Rate	Start Date*	Notes
Doctor's Choice	2030 Yosemite Blvd. (former)	Retail	8%	5/20/19	Pending relocation application approval

*Estimated date business began to operate and pay sales tax rate.



Non-Retail Commercial Cannabis Permit Application Process*

- Phase 1 Submittal Requirements (Non-Retail)
 - Background Check
 - Permit Application and Fees

- Phase 2 Submittal Requirements (Non-Retail)
 - Formal Application Packet
 - Business Plan
 - Experience
 - Management Strategy
 - Record Keeping and Tracking
 - Financial Disclosures
 - Business Operations
 - Community Relations Strategy
 - Security Plan
 - Safety Plan
 - Environmental Plans

*No filing deadline for Non-Retail Commercial Cannabis Permit Applications



Approved Non-Retail Commercial Cannabis Businesses

- City Council approved and issued non-retail commercial cannabis permits within City limits

Operational Businesses

Business Name	Address	Business Type	Tax Rate	Start Date*
Legacy Nursery LLC	1919 Morgan Road	Nursery	1.5%	4/01/2021
Farm 209 LLC	1919 Morgan Road	Cultivation	2.5%	7/01/2021

Non-operational Businesses

Business Name	Address	Type	Tax Rate	Start Date*
Farm 209 Manufacturing	1919 Morgan Road	Manufacturing	4%	Pending
Nuggy	TBD	Cultivation/Manufacturing	4% and 2.5%	Pending
Big Dipper	1919 Morgan Rd	Non-retail microbusiness	4%	Pending
VIP	1404 N. Carpenter Rd	Cultivation	2.5%	Pending

*Estimated date business began to operate and pay sales tax rate.



North of Downtown Cannabis Business Locations

-  Active Retail Dispensaries
-  Non-Dispensary Businesses





South of Downtown Cannabis Business Locations

-  Active Retail Dispensaries
-  Non-Dispensary Businesses





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