

Date: August 17, 2021

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager



Subject: **Cannabis Non-Storefront Retail (Delivery) Feasibility Analysis**

On July 10, 2018, the City Council adopted the Cannabis Social Equity Program (Equity Program) which promotes opportunities in the cannabis industry for individuals and communities negatively impacted by the prior criminalization of cannabis. In a [memorandum dated August 5, 2020](#), staff outlined the challenges of implementing the Equity Program and provided the City Council with three options to expand equity business ownership opportunities in Long Beach, including licensing and regulating cannabis non-storefront retail (delivery) facilities.

On January 5, 2021, the City Council directed staff to prepare a feasibility analysis on licensing and regulating delivery businesses in Long Beach in an effort to expand equity business ownership opportunities in the City. As part of its motion, the City Council requested staff to reserve Phase 1 of the licensing process for delivery businesses for equity applicants and to explore the feasibility of a delivery licensing cap.

This request was part of a larger package of policy proposals requested by the City Council to expand equity cannabis business ownership in the City. Other policy proposals included an ordinance to allow shared-use cannabis manufacturing and a feasibility analysis on allowing equity-owned cannabis storefront retail (dispensary) facilities in Long Beach. On July 13, 2021, the City Council approved an ordinance for the licensing and regulation of shared-use cannabis manufacturing facilities. Staff anticipates releasing the equity retail storefront (dispensary) feasibility analysis to the City Council in September 2021.

To prepare the feasibility analysis on delivery facilities, staff met with City departments responsible for licensing and regulating cannabis facilities, contacted other jurisdictions to study and develop best practices, researched State laws and regulations, and performed outreach to the community to receive feedback on the policy proposals identified in the study. This memorandum concludes with three options for licensing and regulating equity-owned delivery facilities in Long Beach, should the City Council decide to move forward with allowing this license type.

Cannabis Delivery Definition & Regulations

Cannabis delivery businesses sell cannabis goods to customers *exclusively* through delivery. Delivery sales can be conducted by phone, email, or through an online platform. Delivery businesses must have a commercial licensed premises to store cannabis goods for delivery, and the premises must always remain closed to the public at all times.

The California Department of Consumer Affairs, Bureau of Cannabis Control (BCC) oversees the regulation of delivery businesses. Pursuant to State regulations, delivery businesses must comply with all the regulations pertaining to the delivery of cannabis goods by storefront retailers, except for those requirements related to public access to the licensed premises and retail area.

Some of the key regulations as outlined by the BCC for delivery businesses are as follows:

- Deliveries must be made to a physical address in any jurisdiction within California that is not on publicly owned land, a school, a daycare, or a youth center;
- Deliveries must be made using an enclosed motor vehicle equipped with a GPS device and secure storage for cannabis goods;
- Deliveries must be made in person by a direct employee of the licensed retailer. An independent contractor, third-party courier service, or an individual employed through a staffing agency would not be considered directly employed by the licensed retailer;
- Cannabis goods must comply with all packaging and labeling requirements;
- Delivery employees cannot carry cannabis goods valued at more than \$5,000 at any time; and,
- Delivery employees must verify the age of the customer purchasing cannabis goods and prepare a delivery request receipt for each delivery of cannabis goods.

Currently, the City allows retail dispensaries to conduct delivery operations from their licensed premises. However, pursuant to the Long Beach Municipal Code (LBMC), cannabis goods cannot be sold from any retailer *exclusively* through delivery. The City maintains a cap of 32 cannabis storefront retail locations citywide that can conduct sales from both a dispensary storefront location and through delivery. As of June 2021, 29 of the 32 licensed storefront retailers have been authorized to operate a delivery service as part of their storefront operation, though it is unclear how many are currently operating a delivery service under that authorization.

Other Jurisdictions that Allow Delivery

Currently, the cities of Oakland, Sacramento, San Francisco, and Los Angeles all license and regulate equity-owned delivery businesses. Staff contacted these jurisdictions to learn more about their delivery program, specifically related to the licensing process, licensing caps, zoning, and minimum equity ownership requirements.

In most cities, equity applicants are given priority or exclusive access to the delivery license, with no limit on the number of available licenses for equity applicants. Due to this exclusivity, many jurisdictions have expanded equity ownership requirements to provide additional protections for equity applicants to mitigate against potential predatory practices. In the majority of the jurisdictions, delivery businesses can be located in both commercial and industrial zones. More detailed information on other jurisdiction's programs can be found in Attachment A.

City Department Responsibilities

The following section outlines the roles and responsibilities of each City department that has a role in licensing, regulating, and assisting all cannabis businesses in the City. Department processes will likely change to adapt to the allowance of the delivery business type, dependent upon the policy option selected by the City Council.

Department	Roles and Responsibilities
City Manager’s Office, Office of Cannabis Oversight	<ul style="list-style-type: none"> • Oversight of the cannabis program, including the Equity Program • Verify equity applicants, procure State grant funding, and administer direct grants and other benefits to facilitate equity business ownership
Economic Development, Business Development Bureau	<ul style="list-style-type: none"> • Administer direct technical assistance to equity applicants participating in the Equity Program, including coordinating an Entrepreneurship Academy and One-on-One Advisory Services
Financial Management, Business License Division	<ul style="list-style-type: none"> • Process, review, and approve all cannabis business licenses • Process cannabis tax payments • Enforce against illegal cannabis operators
Health & Human Services, Environmental Health Bureau	<ul style="list-style-type: none"> • Plan check and inspection of cannabis businesses to ensure compliance with health code requirements • Enforce against illegal cannabis operators
Fire Department	<ul style="list-style-type: none"> • Plan check and inspection of cannabis businesses to ensure compliance with fire code requirements • Enforce against illegal cannabis operators
Development Services, Planning & Building Bureau	<ul style="list-style-type: none"> • Plan check and inspection of cannabis businesses to ensure compliance with zoning, building, electrical, mechanical, and plumbing code requirements
Development Services, Code Enforcement Bureau	<ul style="list-style-type: none"> • Enforce against illegal cannabis operators

Community Feedback

Staff from the Office of Cannabis Oversight (OCO) invited equity applicants, cannabis businesses, business organizations, and the public to share input about licensing and regulating delivery businesses in Long Beach, with an emphasis on equity ownership opportunities. Staff focused the discussion topics on the policy issues identified by the City Council to inform the options presented in this report. The engagement included both a survey

and town hall meeting to provide ample opportunity for the community to provide feedback. The survey included questions on stakeholder interest in the delivery license type, business location requirements, licensing caps, and priority/exclusivity for equity applicants. The survey received 79 responses and represented a cross-section of the community, including equity applicants, cannabis business owners, Long Beach residents, and others. The virtual town hall hosted on June 16, 2021, allowed participants to speak directly with City staff on topics covered in the survey, as well as address any issues not identified in the survey. Forty-five members of the community attended the meeting, and a recording of the meeting can be found on the City's website at www.longbeach.gov/cannabispolicy. Aggregate data from the community outreach has been compiled in a report which can be found in Attachment B.

Policy Areas Under Consideration

Licensing Caps & Predatory Practices

Per the City Council's request, staff explored the option of a licensing cap for delivery cannabis businesses in Long Beach. The City currently maintains a cap of 32 cannabis storefront retail licenses citywide. The primary reason for maintaining the cap on storefront retailers, which are open to the public, was to limit any potential negative impacts from the overconcentration of cannabis retailers in the city, while still providing consumers with sufficient access to the medical and adult-use cannabis market. Unlike storefront retailers, delivery only businesses must remain closed to the public, reducing the potential impact on the surrounding community.

When staff requested feedback from the community on a licensing cap for delivery businesses, 59 percent of respondents in the survey did not agree that there should be a limit on the number of delivery businesses citywide. Of the respondents who identified themselves as Long Beach residents, over 70 percent held the same sentiment. Much of the sentiment in the survey and the town hall meeting supported not placing a cap on the number of delivery businesses that would be allowed in the City. Not instating a cap would be consistent with how the City treats all other non-retail cannabis business types, such as manufacturing, cultivation, distribution, and lab testing facilities. In addition, none of the local jurisdictions contacted as a part of this study have set a citywide cap on the number of available delivery licenses.

If the City Council authorizes delivery opportunities in Long Beach, staff recommends that there not be a cap on the number of available licenses. Local jurisdictions that have attempted to set a cap on the number of available licenses for other business types owned by equity applicants have found it difficult to maintain the overall integrity of the licensing program. Specifically, these jurisdictions have experienced a high rate of predatory agreements and other unfair business practices utilized by individuals seeking to partner with equity applicants, who would otherwise not qualify for a business license without that partnership. Although predatory practices cannot be fully eliminated, an easy way to avoid these challenges is to adopt a delivery program that does not place a cap on the number of available licenses, thus reducing any incentive to engage in predatory practices. Under such a licensing model, the total number of businesses would be determined by property availability and local consumer demand for cannabis delivery.

Priority/Exclusivity for Equity Applicants

The City Council also requested staff to explore the feasibility of reserving Phase 1 of delivery licenses for equity applicants. As part of the study, staff explored the options of prioritizing equity applicants in the licensing process or making the delivery license type exclusive to equity applicants. In the survey, staff asked respondents for their opinions on both issues. Sixty-seven percent of respondents agreed that delivery licenses should be exclusive to equity applicants. When asked if delivery licenses should be prioritized for equity applicants for a defined period of time, or up to a defined number of licenses issued before being made available to all other applicants, over 64% of respondents disagreed with a priority licensing approach.

Feedback from the town hall meeting was consistent with the findings from the survey. Many individuals cited the fact that there are no retail opportunities currently available for equity applicants in the cannabis industry in Long Beach. Offering this license type exclusively to equity applicants would provide them an opportunity to gain access to the retail market without competition from non-equity applicants who would otherwise be eligible to apply for a delivery license, if they were made available.

Equity Business Property Challenges

Cannabis businesses are authorized to operate in defined areas of Long Beach, often referred to as “Green Zones”. Securing property in Green Zones has consistently been one of the primary barriers for equity applicants to enter the licensing process. This condition was reiterated by equity applicants and others through the survey and during the town hall meeting. Other issues identified during the town hall meeting included equity applicants’ lack of credit or lease history, double or triple rent prices for equity applicants, lack of property owner education about the equity program, and overly restrictive zoning and buffer regulations. Should the City Council authorize delivery opportunities, it was noted that less restrictive location requirements would reduce some of these barriers to entry.

Currently, storefront retail cannabis businesses open to the public are defined as a retail use in Title 21 of the LBMC (Zoning Ordinance). Pursuant to the Zoning Ordinance, dispensaries are allowed to locate in commercial zones by right or industrial zones with an Administrative Use Permit (AUP) or Conditional Use Permit (CUP). In addition, storefront retail cannabis businesses must meet the buffer requirements in State law for schools and daycare centers (1,000 feet), as well as buffers outlined in the LBMC for parks (600 feet), beaches (1,000 feet), libraries (600 feet), and other storefront retail cannabis businesses (1,000 feet).

Although delivery businesses are retail establishments, they may not be considered a retail land use because they are closed to the public and operate exclusively through delivery. Delivery businesses may operate like a distribution facility, with areas for storage of cannabis products and vehicles used to deliver products, which would dictate how they would be defined in the Zoning Ordinance. Staff cannot determine the impact of the delivery business type in the City until the City Council provides policy direction on how many delivery businesses would be allowed in the City. Delivery uses have unique parking and loading characteristics and, despite being closed to the public, could have spill-over impacts. Therefore, further analysis would be

required to assess the potential impact of this new land use to any surrounding businesses and/or residences.

Enforcement

For legal delivery businesses in Long Beach to successfully operate without unfair competition, it is necessary to enforce against unpermitted delivery operators. The extent of the unpermitted delivery market in Long Beach is unknown at this time. Cannabis delivery businesses often use a technology platform to conduct operations, with no identifiable location of their business operation. In addition, delivery businesses can operate across jurisdictional boundaries, meaning businesses operating outside of Long Beach can deliver cannabis to Long Beach customers. Therefore, it is difficult to determine if a delivery business is operating within the City's jurisdiction or another jurisdiction where there would be no ability to enforce.

In order to determine an appropriate enforcement approach, a multi-departmental staff analysis of various enforcement models and best practices in other jurisdictions would need to be conducted. This analysis would recommend an enforcement approach(es) for the City considering effectiveness, safety, and cost, and would be a significant undertaking. It is anticipated that any enforcement approach would include the cost for additional staff and resources above what is currently budgeted. To conduct an enforcement analysis, staff estimates it would be at a cost of \$25,000 for a consultant to perform the outreach and research necessary to inform the development of recommendations for the program.

Policy Options & Operational Impacts

Staff has identified three policy options for the licensing and regulation of delivery businesses. These options are centered around two key policy areas as requested by the City Council: licensing caps and priority licensing for equity applicants. Implementation of the delivery license type is feasible under all three options, though additional resources are required and are outlined below. The operational and fiscal impacts of this license type will vary, depending on which policy option the City Council chooses to pursue. A summary comparison of each option is provided below.

Option	Key Points	License Cap	Exclusive to Equity
1 (Recommended)	<ul style="list-style-type: none"> • Greatest impact on equity ownership • Consistent with community expectations • Moderate risk of predatory practices 	No	Yes
2	<ul style="list-style-type: none"> • Competition between equity and non-equity businesses • Short-term competitive advantage for equity applicants • Low risk of predatory practices 	No	No
3	<ul style="list-style-type: none"> • Restricts equity business ownership • Requires competitive application process • High risk of predatory practices 	Yes	Yes

To move forward with the Equity Program, the City will need to implement a software solution and hire additional staff before accepting any delivery business license applications. Currently, the Equity Program is managed without the use of a digital database program or information system, and most processes for equity verification, equity benefits administration (including fee waivers, grants, expedited application review, etc.), and notifications are processed manually using basic Office 365 products. To efficiently accommodate any expansion of the Equity Program and provide ongoing program management, a technology solution is needed to accept applications online, track applications, send notifications, and provide reports. Staff previously absorbed the addition of new license types with existing staff resources; however, the growth of the Equity Program, coupled with budgetary cuts in prior years, has made the addition of any new, equity-focused license types infeasible to implement without the proper business management software upgrades. Staff estimate these one-time baseline upgrades to cost approximately \$75,000 and require three to four months to implement.

Based on input from community outreach, staff anticipate receiving an influx of applications for individuals to qualify as equity applicants for the program, as well as new business license applications for this license type. To move forward with this license type under each option, additional staffing resources would be required to support the expansion of the Equity Program under this license type. Staff is requesting an additional 1.0 FTE in the Financial Management Department, Business Services Bureau, to support business license application review and processing and an additional 1.0 FTE in the City Manager Department, Office of Cannabis Oversight, to support equity applicant verification and benefits administration of the program, including grants administration. These additional staff resources would have an estimated ongoing cost of \$230,000.

The three options identified below incorporate the cost of this required software component, in addition to any additional costs associated with each option as outlined.

Option #1: No Licensing Cap and Exclusive Licensing for Equity Applicants (Recommended)

Under Option 1, no cap would be set on the number of available licenses and licenses would be made exclusive to equity applicants. This option is consistent with community expectations derived from the survey and town hall meeting. Without restrictions on the number of available licenses, the total number of businesses would be determined by local consumer demand and property availability.

Although this option would have the largest impact on increasing equity business ownership in the City, it would also increase the risk of predatory practices from individuals seeking to partner with equity applicants. The City would need to enact significant protections to prevent this type of predatory behavior. Staff is currently researching best practices for protecting equity applicants against predatory practices, including education, municipal code regulations, robust vetting processes, and other policies as part of the equity storefront feasibility analysis that will be presented to the City Council in September 2021. Should the City Council choose this option, staff would provide additional recommendations on which predatory practice protections should be in place for delivery businesses, given the associated costs of implementation that will be outlined in the equity storefront retail feasibility analysis.

In addition to the baseline technology solution for the Equity Program and additional staffing, changes would need to be made to the City's licensing system to accommodate this license type. Under this licensing model, the required upgrades to the City's licensing system can be performed simultaneous to the upgrades being made for shared-use manufacturing at no additional cost.

The total cost of implementing the delivery license type under Option 1 is approximately \$305,000 in the first year and an ongoing cost of \$230,000 for 2.0 FTEs in subsequent years. This option would take an estimated six months to draft an ordinance, upgrade the technology systems, and begin accepting delivery license applications.

Option #2: No Licensing Cap and Priority Licensing for Equity Applicants

Under Option 2, no cap would be set on the number of available licenses, and equity applicants would be given priority in the licensing process. Licenses would be made exclusively available to equity applicants for a defined period of time (e.g., one year), or until a defined number of licenses are issued (e.g., first 15 licenses), before being made available to all applicants, including non-equity applicants.

This option provides equity applicants with a competitive advantage in securing property that is located in the available Green Zones of the City before other applicants; however, it does not make the delivery license type exclusive to equity applicants. By making the license type available to all applicants in a timely manner, it reduces the risk of predatory practices that might otherwise take place if licenses were made available exclusively to equity applicants. However, it lessens the advantage equity applicants would receive since there would be

increased competition in the space from non-equity applicants. Like Option 1, the City would need to enact predatory practice protections during the time period where equity applications would be the only applications accepted by the City.

With Option 2, implementation would require the same resources as Option 1, since the City is still expected to receive an influx of applications from both equity and non-equity businesses. Like Option 1, the total cost of implementation under this option is approximately \$305,000 in the first year and an ongoing cost for 2.0 FTEs in subsequent years. This option would take an estimated six months to draft an ordinance, upgrade the technology systems, and begin accepting delivery license applications.

Option #3: Licensing Cap and Exclusive Licensing for Equity Applicants

Under Option 3, a defined number of licenses would be made available exclusively to equity applicants. This would require City staff to administer a competitive application process, such as a lottery, merit-based review, first come-first serve, or hybrid process, to select which equity applicants would be awarded a license.

Similar to Option 2, this option would provide equity applicants with a competitive advantage; however, it would only provide an advantage to those equity applicants awarded a license. The risk of predatory practices is also highest under this option, due to the finite number of licenses available. The City would need to have significant protections in place to prevent predatory behavior against equity applicants. As previously stated, these protections will be presented to the City Council in September 2021 as part of the equity storefront retail feasibility analysis.

With Option 3, implementation would require the minimum resources as Options 1 and 2, in addition to any costs that may be required for a competitive application process. There are significantly different timelines and costs depending on the type of competitive application process that is chosen by the City Council. For example, a simple lottery process would require less staff time and resources than a merit-based review process that requires evaluation and scoring of hundreds of potential applications.

Like Options 1 and 2, the total cost and timeframe of implementation under this option, at a minimum, is approximately \$305,000 in the first year and six months to begin accepting delivery license applications from equity applicants. Due to the unknown nature of both the competitive application process and the imposition of predatory practice protections, any additional time and costs for implementation under Option 3 are unknown.

Staff is currently conducting a feasibility study on allowing equity-owned storefront retail facilities in the City that address the options for a competitive application process since only a defined number of licenses would be available. The study will detail the costs and implementation timeline associated with each of the options and predatory practice protections. With this option, the information in the equity storefront feasibility analysis would be used as a basis to provide further information on the options that would be available to delivery facilities in Long Beach.

Fiscal Impact & Funding Sources

Each of the policy options identified by staff will result in a one-time cost of \$75,000 for a technology solution and an ongoing structural cost estimated at \$230,000 for 2.0 FTEs to support the expansion of the Equity Program and licensing and regulation of cannabis delivery facilities. In addition to delivery, the 2.0 FTEs are also anticipated to support the expansion of the equity dispensary license type should the City Council decide to move forward. In addition to the technology solution and 2.0 FTEs for delivery, there would be a one-time cost of \$25,000 to proceed with an enforcement analysis. These costs are currently unbudgeted, and a funding source will need to be identified to implement the program expansion.

To balance the General Fund group budget in prior years, there were significant budget reductions in various City departments including in the most recent FY 21 Budget related to staffing, materials and supplies, and consulting costs for the cannabis program. These reductions have had a major impact on staff's ability to expand the Equity Program to license and regulate additional cannabis business types in Long Beach.

Any additional expenditures added during FY 21 without an offset would add to the current year shortfall and reserves may be needed to cover the costs of the program expansion. Typically, costs would be offset by fees and charges to the cannabis businesses which is not recommended for cannabis equity applicants, as it would increase the barriers to entry into the cannabis market. Revenues collected from cannabis equity fees were reviewed as a source of funding; however, these fees were designated to be used for the Equity Hire Program and Community Reinvestment Program by the City Council and would be an ineligible source of funding for the Cannabis Social Equity Program.

There is limited capacity for costs to be offset by net new cannabis revenues generated by delivery as this is an unknown source of revenue and may not generate net new revenues due to an offsetting decline in sales at storefront locations. In addition, net new revenues from this license type and others will not be realized until businesses begin to be licensed and operating, likely starting in late FY 22. Therefore, to implement this new license type expeditiously, staff have identified the following options to offset these costs for Council to consider:

Increase Cannabis Tax (Measure MA) Revenues

Pursuant to Section 3.80.261 of the Long Beach Municipal Code, the City Council has the authority to increase or decrease cannabis tax rates by ordinance, subject to the maximum and minimum rates approved by voters as outlined in the table. Such a change does not require voter approval under Article XIII C of the California Constitution. Cannabis businesses are currently charged at the rates identified in the table below.

Maximum, Minimum and Current Rates				
Business Type	Medical/Adult- Use	Current	Maximum	Minimum⁽¹⁾
Dispensary	Medical	6%	8%	0%
	Adult-Use	8%	12%	0%
Cultivator ⁽²⁾	Both	\$13.20/sq ft	\$15/sq ft	\$0/sq ft
Manufacturer	Both	1%	8%	0%
Distributor	Both	1%	8%	0%
Testing Laboratory	Both	1%	8%	0%
<i>(1) Pursuant to Measure MA, Cannabis businesses are required to pay a minimum flat tax of \$1,000 per year.</i>				
<i>(2) Tax rate for Cultivators is subject to annual Consumer Price Index (CPI) increases.</i>				

Should the City Council direct staff to adjust the cannabis tax rate, staff recommends a minimum tax increase of .15 percent to all cannabis businesses charged a percentage of gross receipts to offset the structural cost of the 2.0 FTEs and the one-time costs of \$75,000 for the software upgrade. This tax increase would result in additional revenues estimated at \$339,000 annually based on FY 21 tax revenue estimates of \$9.2 million. The increased tax rate would be necessary to support the costs of the program while cannabis delivery businesses become licensed and operational. Once operational, if revenues are sufficient to fund the costs of the program, the tax rate could be decreased back to the current rate.

The additional \$75,000 in one-time costs for the technology solution as well as the \$25,000 in one-time costs to develop an efficient model for enforcement could be funded through the increased tax rate.

Reduction of Services within the General Fund Group

The Cannabis Equity Program and the licensing and regulation of delivery services is not included in the Proposed FY 22 budget. City Council will need to identify offsets to include the program for FY 22 by reducing services from another program and adding to the Equity Program or reallocating or reducing from within the existing Cannabis Program amongst the various departments. City Council could direct staff on changes to the Proposed FY 22 budget on the first potential budget adoption opportunity on August 24, 2021.

Conclusion

Based upon discussions with the various City departments involved in licensing and regulating retail activities as well as the feedback from the community and the experience in other jurisdictions, staff has concluded that implementation of a delivery program would be feasible with increased staffing and resources.

After assessing the feasibility of all three policy options, staff recommends the City Council direct staff to move forward with licensing and regulating delivery businesses under Option 1. Option 1 maximizes the opportunity for equity applicants to enter the cannabis retail market and provides the most beneficial impact to the equity business community in Long Beach without posing a significant risk to the health and safety of residents, since delivery businesses must remain closed to the public.

Cannabis Non-Storefront Retail (Delivery) Feasibility Analysis

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Staff anticipates presenting the delivery feasibility analysis in conjunction with the equity dispensary feasibility analysis to the City Council in October 2021 after the equity dispensary feasibility analysis has concluded in September 2021. At that time, should the City Council wish to allow delivery and equity dispensaries in Long Beach, staff recommends the City Council provide policy direction to staff and direct the City Manager to work with the City Attorney's Office to amend the LBMC to allow delivery and equity dispensaries in Long Beach.

If you have questions, please contact Emily Armstrong, Cannabis Program Manager, at (562) 570-6406 or via email at Emily.Armstrong@longbeach.gov.

ATTACHMENT A – CALIFORNIA NON-STOREFRONT RETAIL LICENSING COMPARISON CHART

ATTACHMENT B – NON-STOREFRONT RETAIL COMMUNITY ENGAGEMENT REPORT

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
LINDA F. TATUM, ASSISTANT CITY MANAGER
TERESA CHANDLER, DEPUTY CITY MANAGER
KEVIN J. JACKSON, DEPUTY CITY MANAGER
MEREDITH REYNOLDS, SPECIAL DEPUTY CITY MANAGER FOR RECOVERY
REBECCA G. GARNER, ADMINISTRATIVE DEPUTY CITY MANAGER
MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #[21-0017](#))
DEPARTMENT DIRECTORS

ATTACHMENT A - California Non-Storefront Retail Licensing Comparison Chart

POLICY AREA	CITY OF LOS ANGELES	CITY OF OAKLAND	CITY OF SACRAMENTO	CITY AND COUNTY OF SAN FRANCISCO
Priority Licensing for Equity Applicants	Non-storefront retail licenses are exclusive to equity applicants until January 1, 2025.	Non-storefront retail licenses are available to all applicants; however, half of all permits must be issued to equity applicants.	Non-storefront retail licenses are available to all applicants.	Six-tier permitting system for non-storefront retail licenses with tiers 1-4 consisting of equity applicants, equity incubators and preexisting cannabis businesses, and tiers 5-6 consisting of community commitments and general applicants. Equity applicants are defined as tier 1 and receive priority processing over applicants under other tiers. 50% of non-storefront retail operators must be equity-owned operators before the application process is opened to general applicants
Licensing Cap	No cap on the number of available non-storefront retail licenses.	No cap on the number of available non-storefront retail licenses.	No cap on the number of available non-storefront retail licenses in all but one district. One district has a cap of 50 cannabis licenses that can be issued.	No cap on the number of available non-storefront retail licenses.
Zoning Requirements	Non-storefront retail businesses allowed in both commercial and industrial zones.	Non-storefront retail businesses allowed in commercial and industrial zones. Also allowed to locate in mixed-use buildings.	Non-storefront retail businesses allowed in both commercial and industrial zones.	Non-storefront retail businesses allowed in commercial and industrial zones. Also allowed to locate in mixed-use buildings.
Minimum Equity Ownership Requirements	51% of business Equity Share definition	Minimum of 50% ownership	Minimum of 51% ownership	Must have 40% - 50.99% ownership and is CEO or equivalent position or; Must have 51% - 100% ownership, no additional position requirement
Issued / Pending Equity Delivery Licenses	0 issued / 104 pending	87 issued / 244 pending	4 issued/ 14 pending	2 issued / 26 pending
Issued / Pending Non-equity Delivery Licenses	0 issued / 0 pending	85 issued / 226 pending	53 issued/ 23 pending	0 issued / 0 pending (not including legacy operators)

Non-Storefront Retail (Delivery) Community Engagement Report

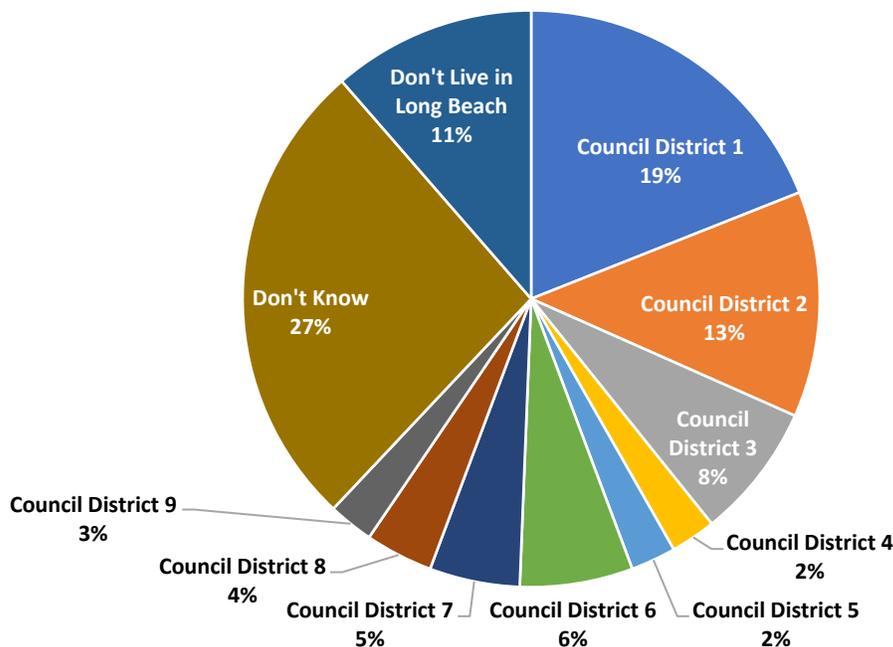
Overview

As part of the Non-Storefront Retail (Delivery) feasibility analysis, the Office of Cannabis Oversight performed outreach to cannabis businesses, equity applicants, community members, and the public to provide comments on licensing and regulating delivery businesses and increasing equity business ownership in Long Beach. The outreach included a survey and town hall meeting and the results from each are detailed below.

Survey Results

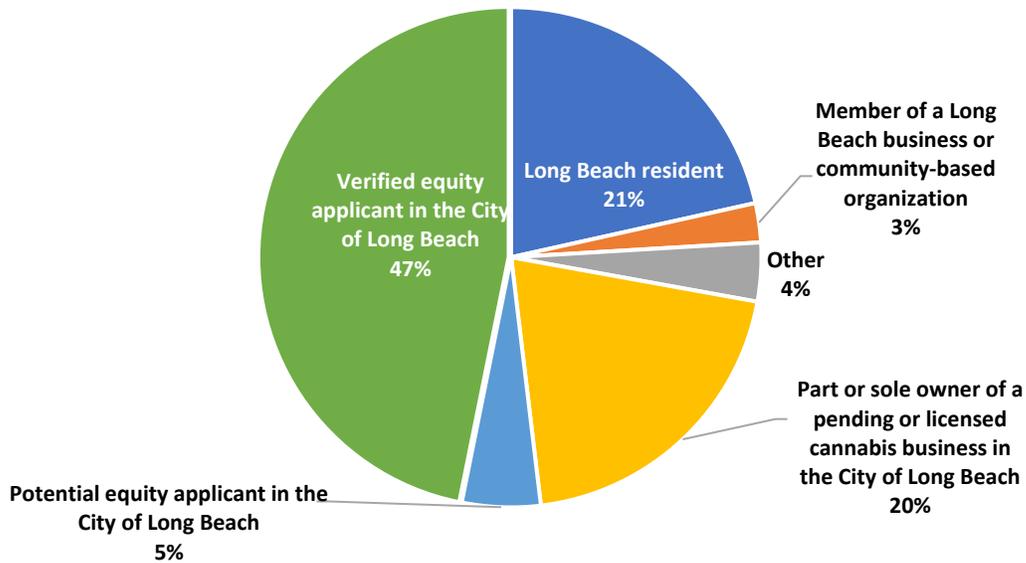
The following is the summary of the survey responses, reflecting the feedback on various policy options for the City Council's consideration. The survey was posted to the City's website on June 7th, 2021 and emailed directly to over 850 stakeholders. The survey closed on June 30, 2021 with 79 responses. Results are reflected as aggregated data and anonymous individual freeform responses.

Residency Statistics

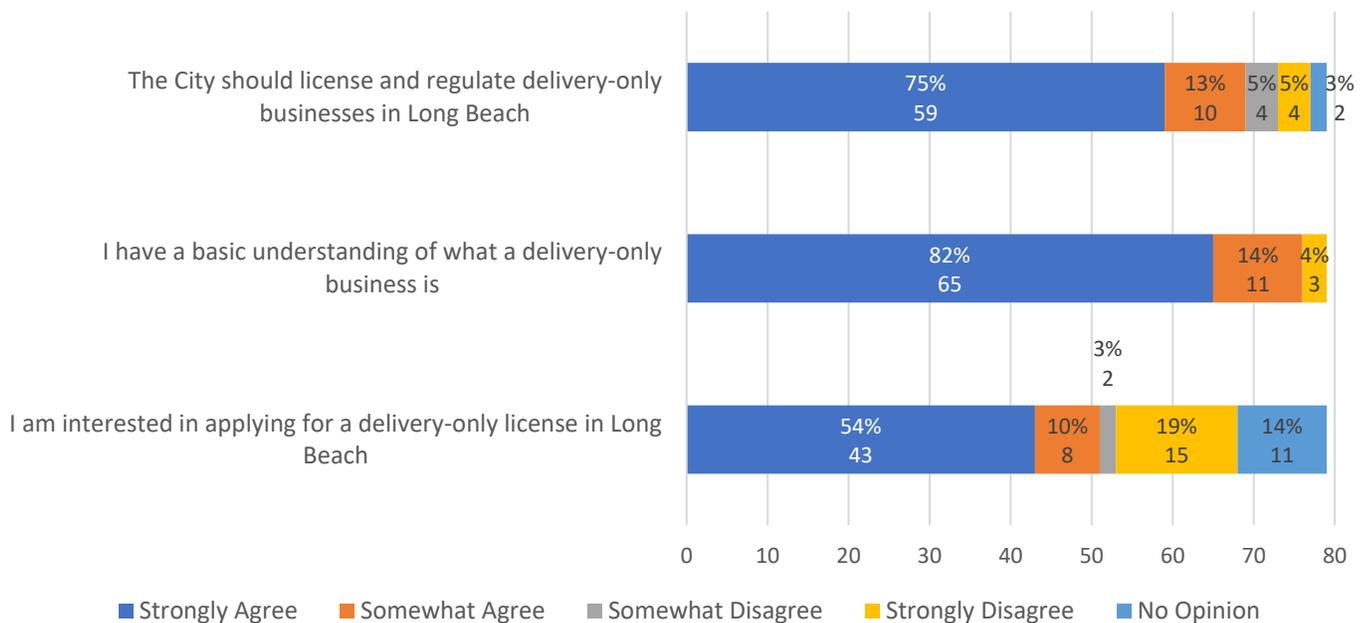


Non-Storefront Retail (Delivery) Community Engagement Report

Stakeholder Statistics



General Questions



Non-Storefront Retail (Delivery) Community Engagement Report

Delivery License Comments	
1	Still learning about the many opportunities in the Cannabis industry.
2	Delivery-only may become a hazard for the workers. I vote against this measure.
3	I am a licensed Cultivator in the City of Long Beach. I am an owner operator and run our cultivation facility seven days a week. Deliveries should be allowed; the issue is in how current operating dispensaries can incorporate a delivery and how a new delivery service provided by a distributor can arise. The state requirements for a delivery need to be understood and implemented in a way that allows licensed distributors to operate in addition to dispensaries and not give all of the licensed to the already operating dispensaries.
4	As someone who's been directly affected by the war on drugs after being arrested for cannabis and it's now legal I'm thinking I deserve to be apart of this industry and to benefit off of its sale, distribution, manufacturing. I've tried looking for a location in the mandated areas but was unsuccessful. I'm really having a hard time even getting a foot in the door to take the opportunity to establish a viable business contributing and being apart of the community. We really need to address the lack of locations. Cannabis businesses are able to move anywhere after having been in the designated area and that area is a bad area for the business so why can't I be able to find a place that's within the codes and be allowed to operate? Please help
5	Since everyone is so far out of touch with this industry I'll tell you the truth. If there are only 250 available businesses for sale in the green zone, because of the sharing of the licenses the big players can do this! $250 \times 1.6m = 400m$ I know 2 people in this business that can buy all those or tie them up so nobody can enter the business and create competition. Everything moving forward should be for equity applicants only! Or just give us the money without the milestones??
6	Thank you for offering and supporting this initiative. Having lived in South OC, where this type of service is available, it has been disheartening to not have it available in Long Beach, which is a much more progressive city.
7	<p>Delivery-only licenses would in line with other cities such as Los Angeles. Although we strongly believe all cultivation sites should be allowed to deliver and operate a limited retail space such as wineries we are also in favor of any expansion of cannabis products and services to the citizens of the city. The mental health benefits, financial benefits to the city and employees, along with the benefits to the infrastructure of the city (improved buildings, improved retail outlets, improved general areas) are all reasons we support more cannabis business types.</p> <p>The wait and see philosophy of more retail and other business types is costing the city millions of dollars in lost tax revenue, jobs and brain power of entrepreneurs who are eager to work with the city to tackle the toughest problems.</p> <p>We encourage all cannabis business types and support delivery services within the city.</p>
8	We have been wanting a delivery only option so that we can be able to sell products vertically and become actually profitable. These dispensaries want us the manufacturers and distributors to make pennies while they earn dollars. Not fair the way it is , we need to open up the chance for competition and it will improve everyone's chances of success.
9	It would be logical to allow already licensed distributors in Long Beach to have non storefront delivery licenses as well. This would increase the tax revenue to the city, create jobs and it would elevate the existing cannabis business within the city.

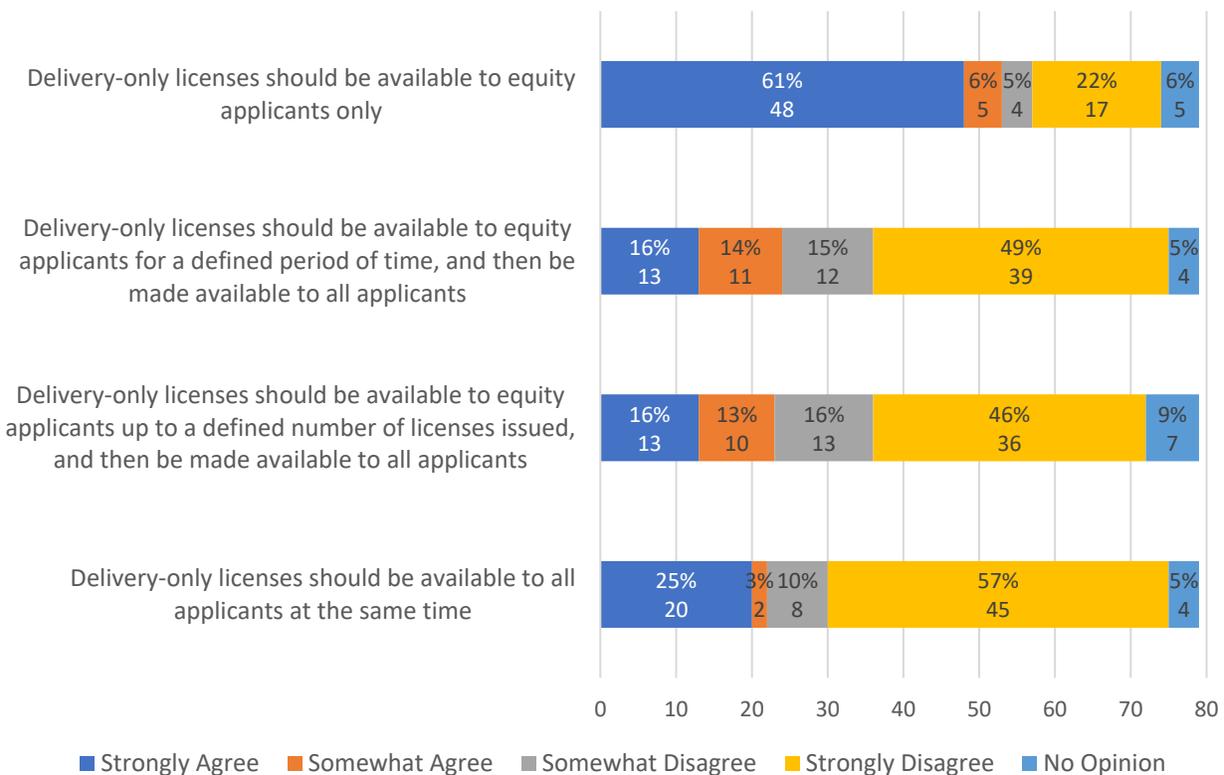
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10	Residents need access to medication and aren't always able to go to dispensaries because of many limitations - physical and mental.
11	I am about to open my distribution only center in Long Beach. To be able to add delivery to my operations would greatly increase revenue and give the City of Long Beach more in tax dollars.
12	Adding non-storefront delivery licenses exclusively for social equity is essential to stop illegal delivery services operating in the city. It also provides a low cost opportunity for social equity applicants to independently own and operate their own business. By adding more cannabis licensing opportunities you'll also bring more revenue in taxes and the businesses in the surrounding communities.
13	Zoned locations are the biggest obstacle for equity applicants. A Delivery service only would propel the program to a faster competition.
14	I support the City of Long Beach licensing and regulating cannabis delivery businesses for equity businesses only.
15	For social equity applicants, this would allow a most direct low barrier entry into the Retail Cannabis Industry. This is important in terms of allowing entry and start up to begin producing income. In my opinion it is critical that this is offered to Social Equity applicants ONLY. Others who are not social equity are already operating and a footprint into Retail, Delivery, Distribution, Cultivation, Manufacturing and Testing. It would be very unfair too allow non social squirt applicants to fill the non storefront delivery only license slots as well and limit us once again.
16	The delivery only licenses in Long Beach should be limited to verified equity program applicates.
17	Please put this through promptly, with allowing the Equity Applicants first right and access to funds to build successful cannabis businesses, so that we may begin again. Thank you.
18	Other localities are doing so which opens the door for other companies to serve t he Long Beach community when I believe social equity should have the same or better opportunity
19	Social Equity verified applicants should be prioritized.
20	The main issue is the delay from the city after the application. Since there is no manufacturing or cultivation happening, the conditions should be simple
21	<p>If the city is to implement non storefront retail licenses (delivery only licenses), the city must make sure that social equity applicants are giving an opportunity to compete. There are two models to delivery licenses "pizza style" and "ice cream style or dynamic model". These two models should be studied and the findings should be included in the feasibility report. Long Beach only allows for "pizza style" which logistically is not efficient. You make one delivery at a time. With the "ice cream model" you can make deliveries plus carry additions "loose product or unaccounted product" in case you get an order going or coming from a delivery.</p> <p>Also, Long Beach should give out at least 32 delivery licenses. There is a total of 32 dispensaries in Long Beach and a majority of them do not use their delivery license. Essentially, this robs the city of potential tax revenue. It's rumored that Long Beach wants to award less than 6 delivery licenses and that would be a feeble attempt at implementing this initiative. I want to end with some perspective; California City has a population of 13,000 and they awarded 10 delivery licenses. You mean to tell me a small city is willing to award more delivery licenses than Long Beach? Long Beach is the 6th biggest city in California.</p>
22	As an Equity Applicant isn't it true I can't operate any cannabis business, including delivery, without a brick and mortar ?

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23	I'm not entirely sure what you mean by the first question - I don't think it should be significantly harder to open a business of this type than any other. I definitely don't think there should be stringent limits on how many get to operate - but obviously, *every* type of business is "licensed" and "regulated"?
24	Illegal delivery businesses operating out of Long Beach should be eliminated (I realize that is easier said than done) so social and non-social equity players have the opportunity to be successful
25	If you are gonna allow Elliot Lewis give you all money to do spot zoning for another one of his stupid dispensaries you guys need to open up the zoning for social equity applications. Elliot Lewis is a disgrace to the cannabis Industry and his stores will probably fail in the next 2 years
26	No more additional cannabis businesses in LB!
27	We should not add any delivery only additional licenses

Priority Licensing for Equity Applicants Questions



Non-Storefront Retail (Delivery) Community Engagement Report

Priority Licensing for Equity Applicants Comments	
1	Delivery licenses should ultimately be available to anyone who qualifies and can show they can abide by the rules the city determines, but I do support the idea of letting the equity participants have access first
2	From my experience in knowing many of the operators in the space, the equity program isn't fair. Most operations pay out their equity partner out front in order to attain the license. Giving bigger players with more resources an advantage. Let us give back to the communities in other ways.
3	Delivery licenses should be made available to equity applicants AND existing cannabis distributors within the city of Long Beach that are already licensed. This would enable the program to up and running immediately.
4	There should be no cap on the number of delivery licenses made available to equity applicants . However there should be a cap on non equity licenses .
5	<p>When you need to be rescued and help is on the way you want them to send all the ships they can. This piece meal approach does not help equity applicants or the city nor the citizens. There needs to be more competition, more business and less red tape and hurdles for a business that help, beautifies, improves and contributes to the city.</p> <p>Its time to stop the labeling, negativity, mis-information (cannabis is bad, retail is a nuisance, minorities only consume cannabis) and taboo over cannabis and to actually look at them as contributors to the solutions the city needs.</p> <p>The mental health needs of the city should not take a back seat to uninformed prejudice of an old way of thinking.</p>
6	<p>1) Equity Applicants - Since processing times are so lengthy to complete, better to stipulate that licenses will be awarded to equity applicants WITH NO property requirements, e.g. landlord authorizations, until after the license is awarded to proceed. Look what happened in the city of LA. It is an undue burden on equity applicants and allows for predatory landlords to profit.</p> <p>2) Current Long Beach licensed businesses receive a second tier priority. This is VERY important. The state competition is significant and margins are being squeezed as a result. The longevity for Long Beach licensed manufacturers and distributors will be strengthened with type 9 licensing.</p>
7	No more cannabis businesses in LB!
8	Delivery licenses should be made available for verified social equity applicants for the first two years.
9	New delivery only licenses should be available for equity applicants only , no other applicants .
10	Delivery only applicants should be given TO ONLY EQUITY PROGRAM HOLDERS. It would be unfair to grant access to everyone when only 1 equity applicant was able to complete the program to have a storefront.. we need to push for equality within our community, rather than allowing big brands to swoop in and buy us out. AGAIN.
11	<p>The city needs to focus on what it hasn't and could've focused on, which is Social Equity.</p> <p>There are no black and brown business cannabis operating in long beach. Social equity only should be the only option.</p>

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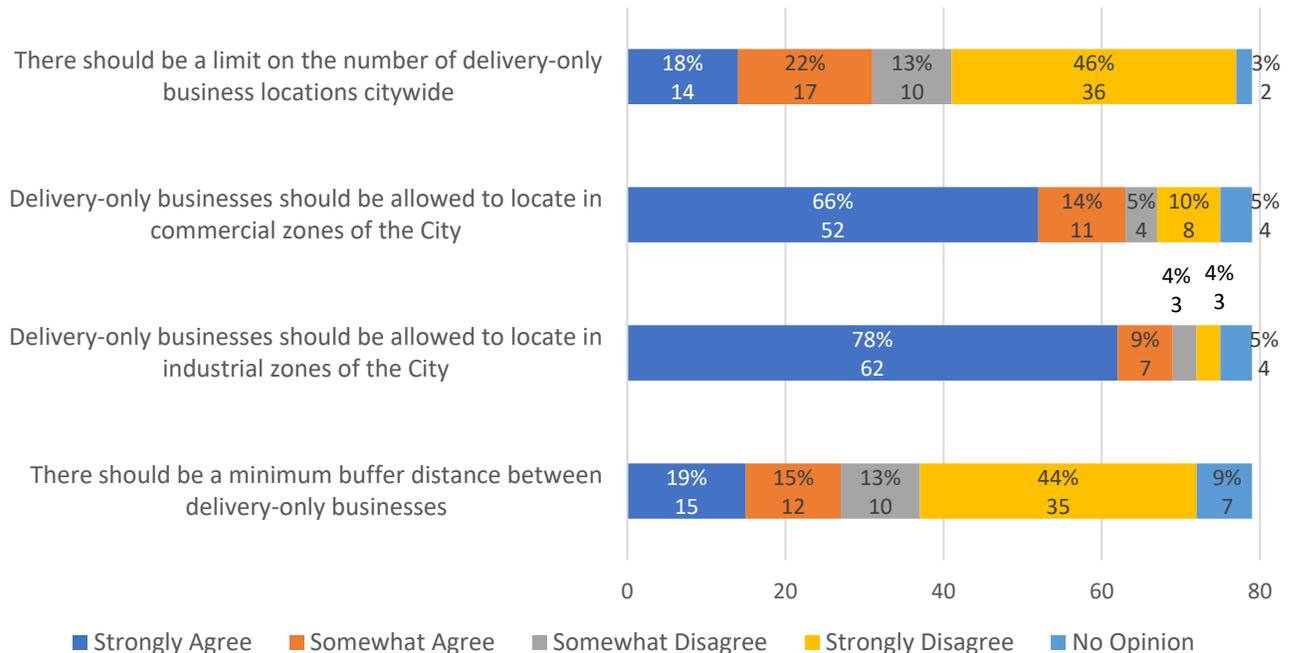
12	Retail owners already have the ability to provide delivery services in the city of Long Beach. With the proposed number of new retail licenses being limited to 8 additional (new licenses) for social equity that would give non social equity owners 32 locations vs 8 social equity, don't give away the deliver only licenses as well.
13	Delivery-Only licenses should be exclusive to social equity applicants only with no cap. As there are 60 plus operating cannabis businesses in the city of Long Beach, there are 0 social equity businesses operating. The city must focus on equity first because equality can come into the picture.
14	Equity applicants has been locked out of the cannabis opportunity. The delivery only provides for an open door.
15	Delivery licenses should only be giving to equity applicants for at least 24-36 months. When recreational marijuana was implemented in Long Beach special consideration was giving to those who had capital to start a business. The opposite should be done; special consideration should be giving to those who do not have enough capital to start a business.
16	For non-equity applicants, store front retail with a delivery license is 100% possible. Why let non-equity applicants double dip?
17	As an Equity Applicant isn't it true that I can't operate any cannabis business without a brick and mortar ?
18	As stated in the other comments, allow ALL Verified Equity Applicants, starting at the beginning of the list, to be able to apply and receive the licenses first. THEN, if there is any space left for those outside our community, after a lengthy period of time, some years, open it up to the public. Allow those whom paid their dues in that community to 'eat' first.
19	Delivery license is the kind that is of lowest barrier for equity applicants. Therefore, equity applicants should be preferred more than general applicants.
20	Delivery-only licenses should be made available to equity applicants with no limit and no time restriction. Every aspect of the cannabis industry has its challenges, but an equity applicant having the opportunity to sell directly to the consumer could be the difference in succeeding or not.
21	Exclusive to Social Equity Applicants
22	I am all sweat equity and had to work for my position, and I absolutely support the social equity cannabis program. The issue with only allowing equity applicants at first is that it will further delay the process to get deliveries implemented because of how long it will take to build the infrastructure to support a delivery service and this will further enable the illegal unregulated market. I suggest that the city can give equity applicants priority and support but I think the city will find that it will take a very long time for equity applicants to get a delivery service going when a Licensed dispensary or distributor already has the licensed facility to store cannabis as required by the state to operate a delivery service.
23	I believe a certain % of the delivery licenses should be available for Equity owners and the remainder should go to other applicants. Based on what I heard during the Zoom meeting I believe that many applicants will require quite a bit of time to become operational based on financial constraints, getting business operations up-to-speed, and the ability to scale. If this is the case then residents will be delayed in having their meds delivered. Allowing applicants outside of exclusively Equity will potentially allow for a certain portion of the licenses to become operational sooner to serve the residents and produce tax revenue.

Non-Storefront Retail (Delivery) Community Engagement Report

24	Make the applicant and the investor/partner work together. I think it can be a new way of business moving forward
25	N/A
26	Only social equity should be allowed delivery and new store retail license let's help them succeed
27	The more availability of licenses assures the success of delivery service to the city. The notion that restricting licenses or giving advantages to one group or another does not work. It does not work in LA it does not work anywhere it has been tried. What it does is causes lawsuits, red tape and delays the very service and license the city is trying to achieve. Providing good service, having good practices and doing good business ensures success not being first thru a door. Liken it to hiring for a position if you restrict the candidates you restrict the ability to hire good candidates. If you want to help social equity candidates partner them with a mentor who is in business that can show them how to be successful.
28	There are no regular applicants! It's only the big players using people to get licenses and then throw them 5%. We will never break through on our own, the big players have hundreds of millions of dollars already. Give us the money without milestones! We either qualify or we don't!
29	This depends on whether you're always going to restrict the total number to some small number. Personally, as a consumer, I think competition is important, and artificial maximums on the number of businesses allowed to operate, is the opposite of that. I think if you're going to artificially restrict licenses, it's "fair" to grant priority approval to equity applicants, but I *personally* think anyone who wants one and can prove they know what they're doing, should be allowed to get one, always.
30	This is not how you build a industry. Everyone gets the same opportunity or it's called corruption. That should be Long Beach's objective to be fair and not give certain people a better leg up on someone else because of their color. It's the same thing as racism and discrimination.
31	We should not add additional delivery only licenses!

Non-Storefront Retail (Delivery) Community Engagement Report

Location of Delivery-Only Businesses



Location of Delivery-Only Businesses Comments	
1	I don't think it really matters if there is a buffer maintained between delivery only businesses. There is no foot traffic for competing business, because it is not a store front.
2	There should be no cap for social equity applicants. And no access for all applicants.
3	No more cannabis businesses in LB!
4	Logically speaking delivery-only businesses would be better off locating in industrial areas of the city, much more affordable and there is no need for a store front
5	It is important that delivery only businesses maintain the same labor standard requirements as non delivery businesses in Long Beach.
6	Delivery licenses are not open to the public, so there is no reason to limit their distance (buffer) and there is no need to limit the number of licenses it should be available to any commercial industrial zones within the city.
7	There should be an open and free market and business' should be allowed to live or die on how well they meet the needs of the customers they serve. We do not want to create monopolies as the city has done with retail. We want the citizens to have access to what they want.
8	1) City of Oakland allows numerous type 9 licenses to operate out of the same locations/properties. This enables shared costs for security and lower rents. Not open to the public, so there is no conflict only benefits.

Non-Storefront Retail (Delivery) Community Engagement Report

	<p>2) Zoning allowed in both commercial and industrial with standard buffering to schools etc, will greatly benefit both equity applicants and landlords with pandemic vacancies.</p> <p>3) The city needs revenue, no limit on type 9 licenses.</p>
9	<p>As a 3-year homeowner in district 5 I strongly believe cannabis delivery-only licenses should be available to ONLY social equity applicants and there should not be a limit on the number of licenses. It is a travesty that the City of Long Beach has done such a poor job implementing the social equity program and the evidence of this is the complete lack of equity in the cannabis market. The fact that people color suffered the most from the war on drugs and the people profiting are Caucasians is truly disgusting. Other cities have done excellent jobs implementing social equity programs such as Oakland and there is absolutely no excuse for Long Beach not to use their program as a guide. The City has an obligation to make the cannabis market equitable which can begin to be done by allowing only social equity applicants to obtain delivery-only licenses. They should be allowed in both commercial and industrial zones because that will create reasonable rent for applicants looking for location as those who own industrial property are asking astronomical prices that don't allow social equity applicants to even begin to enter the cannabis market.</p>
10	<p>We should allow all delivery applicants to have access to all locations without buffers.</p>
11	<p>As most equity applicants have trouble finding property within the green zone for the licenses already offered. The best suitable way to assure equity applicants can create a delivery is by giving verified equity applicants lee-way on green zone barriers.</p> <p>Social Equity needs to be the most important item within the city of Long Beach's agenda. Social equity as well as the city needs and can create success stories to further build Long Beach communities and communities of color, which is most deserved.</p>
12	<p>Unlimited delivery licenses to social equity applicants</p> <p>Delivery licenses should be allowed in industrial zones AND commercial zones. There should be no buffer between deliveries because delivery services do not generate any foot traffic.</p> <p>Due to how small the designated cannabis zone is, the owners of property in the Long Beach cannabis zone essentially have been given special privilege. Property in the cannabis zone is limited meaning prices have become unaffordable and it is obvious that a social equity applicant would not be able to own property in the cannabis zone therefore they have to rely on the owners to offer fair prices which they absolutely do not. If the city was to expand the cannabis zone for delivery licenses it will normalize prices meaning more social equity applicants would be able to afford property, enter the cannabis industry and create a successful business to build generational wealth.</p>
13	<p>Sadly in these times, there are desperate people and a marijuana delivery person is not safe.</p>
14	<p>A regular commercial office space is enough to operate a delivery only business. So, the barrier should be almost absent</p>
15	<p>Commercial preferred</p>
16	<p>Delivery businesses should be associated with licensed MMJ distribution facilities and be allowed to co-locate in these approved zones for safety and consistency. Social equity should be encouraged and incentivized for delivery licensees to work with an approved distributor in Long Beach.</p>

Non-Storefront Retail (Delivery) Community Engagement Report

17	Encourage as many licensed business as possible to improve odds of success. Again limits only help poorly ran business to hold monopolies and provide poor service. Let the customers choose and weed out who will succeed and who will fail by competition. Licensed business who want limits want monopolies, well run business arent afraid of competition and free market.
18	If you all could provide office space to Equity Applicants so they can build out their Delivery businesses, without the need of investors, using City Funds solely, that is the goal. Thank you for the survey.
19	Let's focus on the city, that is IF THEY HONESTLY want to help Equity businesses, which unfortunately, I see no proof of, since only ONE -YES ONE (well, you know that) has actually opened since this program began in 2018 sending out a survey regarding you, the city buying a building to house us Equity Applicants in. Sorry, I see this survey as moot.
20	These are thoughtful questions and I appreciate the intent. The state requires that deliveries operate out of a licensed facility that is licensed to store cannabis and there are other requirements as well. Considering that storing cannabis is required, the city would then require the delivery to be located within the already established cannabis zones. Most deliveries will be operating with a distribution license or a retail license but not always, the main thing is having a licensed premises to store product for the delivery service business and with that comes the intricacies of licensure for a brand new delivery business which will further delay the implementation of getting licensed deliveries operating in the City of Long Beach.
21	They deliver so they don't have the concentration problems that store fronts face.
22	They should be treated as any commercial business since absolutely no sales are done on the office and nothing is visible. It also will allow the prices of rent to stay competitive since there will be more available property to rent
23	We already have delivery licensed in Long Beach. There is no need to add additional licenses.
24	We qualify for this program and it acknowledges we were wronged so why not give us the money without milestones and let us go to work like the big companies!

Town Hall Results

On June 16, 2021, the Office of Cannabis Oversight conducted a virtual town hall meeting that was open to cannabis businesses, equity applicants, community members, and the general public. The goals of the meeting were for interested stakeholders to provide feedback on some of the key policy areas under Council's consideration and to understand the needs and challenges facing equity applicants.

There were 47 individuals who attended the town hall, with the majority of the town hall being attended by equity applicants and industry advocates. Participants had the opportunity to provide feedback by speaking directly to the group or through the chat feature.

[June 16th, 2021 Town Hall Video](#)