



# Merced, California Regulations and Applications

*Presented by:*

**Neil Hall  
Arcelia Herrera**

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4745 Mangels Blvd, Fairfield, California 94534  
707-430-4300

**SCI Consulting Group**



# Some Proposition 64 Highlights

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- AUMA – Allows Adult-Use Recreational
- 57% support
- Must be 21 years old
- Indoor cultivation of 6 plants for personal use allowed
- Outdoor cultivation may be prohibited
- Adults may possess 28.5 grams of cannabis plant material and 8 grams of concentrate
- Allows local taxation and regulation
- State excise tax of 15% on the average market price of commercial medical and recreational
- State cultivation tax of \$9.25 on flower/\$2.75 on non-flower plant leaf for commercial medical and recreational



# Some MAUCRSA Highlights

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- Creates the Bureau of Cannabis Control
- Allows vertical integration of everything but testing
- Eliminates transportation licenses
- Allows special permits for county fairs and agricultural events for the sale and onsite consumption of cannabis
- Provides a CEQA exemption for localities that require discretionary approval for permitting a commercial cannabis business



# From June to Present to the Future

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- Cannabis State ID cards vs medical recommendations
  - a. Where we were with MMRSA?
  - b. Where we are with SB 94?
  - c. Upcoming expected changes – November



# The Three Basic Elements of the Cannabis Industry

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Retail and Delivery



Cultivation



Manufacturing



# Delivery vs Distribution

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Delivery means bringing product to the consumer.



Distribution means transporting product between commercial licensees.



# Types of Manufacturing Licenses

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- Type 7 Manufacturing – Volatile
  - Hexane, butane, etc.
- Type 6 Manufacturing – Non Volatile
  - Water, CO<sub>2</sub>
- Type P Manufacturing
  - Packaging or repackaging
  - Labeling or relabeling
- Type N
  - Infusion process (non-extraction)
  - Edibles, tinctures



# If State-Issued Card Required: Medicinal vs Adult Use

- Accessibility
  - Adult use open to all
  - Medicinal use open to card holders only
- Projected Revenue
  - Medicinal only – 16 card holders
- Premises
  - Co-join allowed
  - Separation required





# State-Issued Medical Marijuana Cards

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Central Valley County	Medical Marijuana Cards Issued
Merced	24
Fresno	132
Madera	7
Tulare	23
Kings	3
Statewide	6,051

# Ordinance Structure

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Two elements:

All commercial cannabis activities required to have:

1. Commercial Cannabis Business Permit (CCBP)
2. Land Use Approval



# City of Merced Ordinance Structure

First element:

1. Land Use – permitted (p) or not permitted (x)

Commercial Cannabis Business Activities Use Type	City of Merced Municipal Code Table 20.44-1						Specific Use Standards
	Land Use Classification	C-C Zone	C-O Zone	C-G Zone	I-L Zone	I-H Zone	
Cultivator	Greenhouse, Type A	X	X	X	X	X	
Cultivator	Greenhouse, Type B	X	X	X	X	X	
Cultivator	Greenhouse, Type C	X	X	X	X	X	
Nursery	Greenhouse, Type D	X	X	X	X	X	
Manufacturing	Manufacturing, non-volatile	X	X	X	P	P	
Manufacturing	Manufacturing, volatile	X	X	X	X	X	
Dispensary [1]	Pharmaceutical, medical	P	P	P	X	X	
Dispensary	Retail, non-medical	X	X	X	X	X	
Testing Laboratory	No Retail	P	P	P	P	P	
Distribution	Freight/Transport	X	X	X	P	P	

# City of Merced Ordinance Structure

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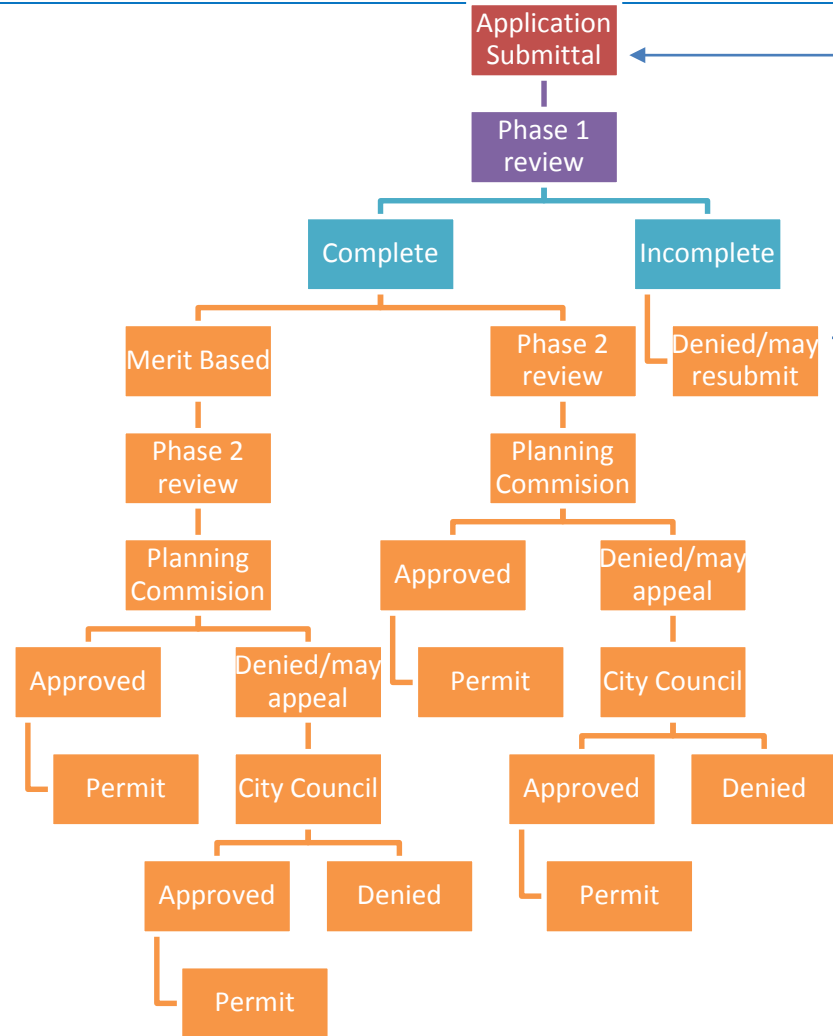
Second elements:

## 2. Commercial Cannabis Business Permit (CCBP)

- **Components**
  - Compliant with all local regulations
  - Compliant with all State regulations
  - Pay all associated fees
  - Submit all required documents
  - Zoning Verification Form



# Selection Process Flow Chart





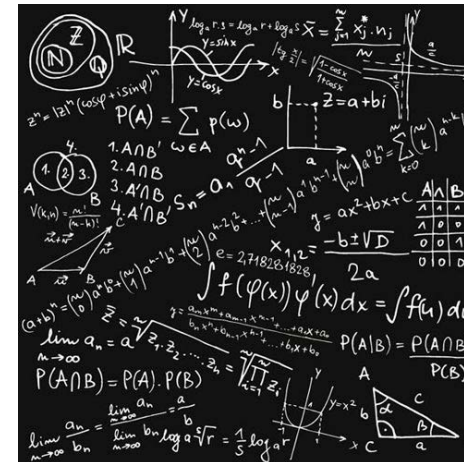
# How Much Revenue?

- SCI's rule-of-thumb revenue formula:
  - Based upon statewide empirical analysis

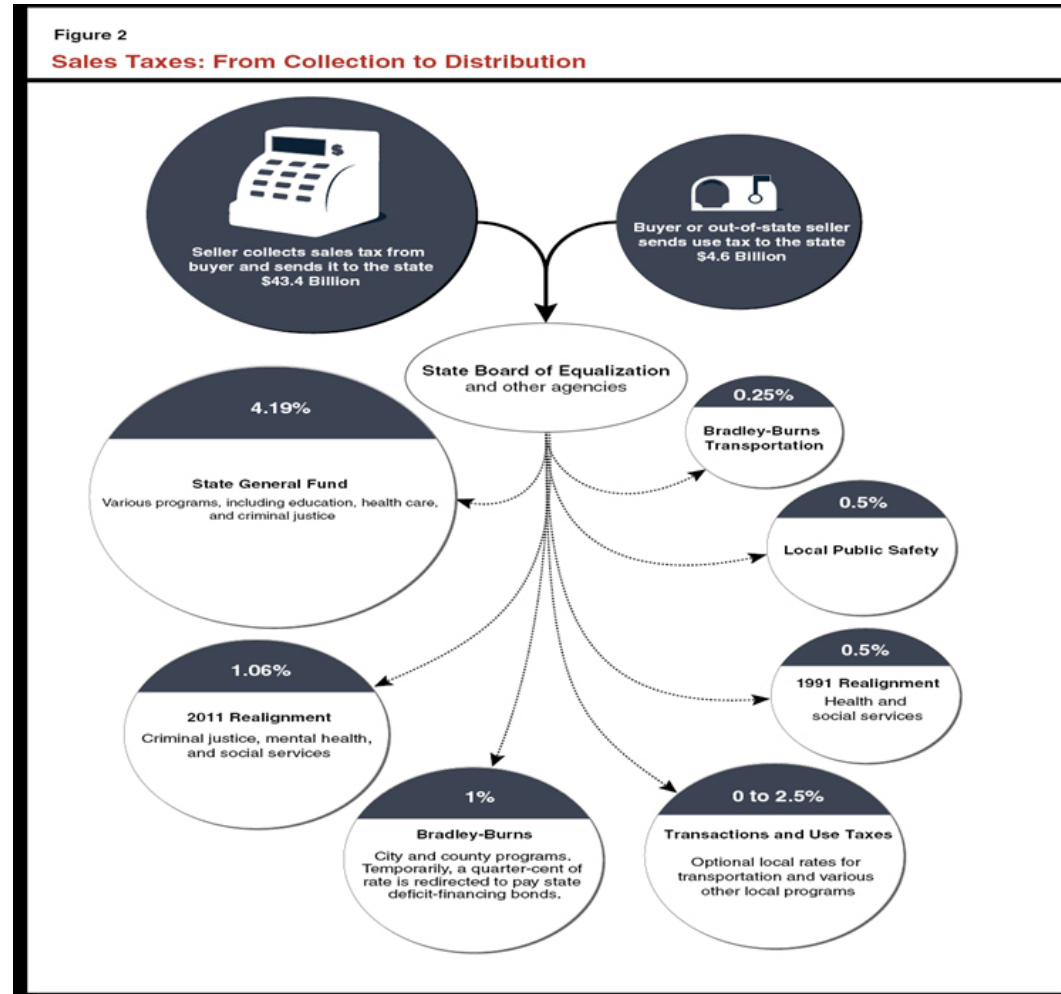
Predicted annual general fund revenue =  
(Agency Population) \* (\$10 to \$20)

Example:

- City Population = 100,000
- Annual Tax = \$1,000,000 to \$2,000,000



# Sales and Use Tax Distribution – 8.25%



# Taxation for General Fund Revenue

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- General fund enhancement through taxation
- Requires balloted tax measure
- Tax Methodology
  - Gross receipts
  - Square footage
  - Inventory weight
  - other





# Manufacturing and Dispensary Taxes in Other Localities

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- Calaveras County – 7% Dispensaries – 7%
- Carson= 18%
- Cloverdale, Ca = 10%
- Coachella, Ca = \$15 s/f Dispensaries – 6%
- Greenfield, Ca = 10%
- Grover Beach = 5% medical; 10% non-medical
- Hayward = 15%



# Cultivation Taxes in Other Localities

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- Carson, Ca = \$25 s/f
- Cloverdale, Ca = 10% of Gross Receipts
- Coachella, Ca = \$15 s/f
- Greenfield, Ca = \$25 s/f
- Grover Beach, Ca = \$25 first 5,000 s/f; \$10 s/f after that
- Hayward, Ca = 15% of Gross Receipts
- King City, Ca = \$25 first 5,000 s/f; \$10 s/f after that



# How Much Taxation?

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- Merced sales tax: 8.25%
- +
- AUMA 15% Gross Receipts (average market price)
- +
- AUMA \$9.25/oz. on flower + \$2.75/oz. on non-flower plant leaf
- +
- Local commercial cannabis taxes (5% to 20%)



# Questions and Answers

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## Direction to Staff Regarding Ordinance

