CUP and BOP Update

- **CUP** – 286 Approved
- **BOP**
  - Total applications received - 413
  - Total approved – 119 (96 Operating; 23 Non-Op)
  - Total pending – 273
  - Denials - 22
Update on 1/31/20 Deadline

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

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

• **Council Direction: Storefront Retail - CORE**
  - Ordinance with 10 new storefront retail permits over a 2-year period (5 now and 5 in 12 months)
  - New permits exclusive to CORE applicants
  - CORE participants must own 51% of business
  - Lottery winner(s) will have 3 years to open a retail storefront

• **Location:**
  - Existing zones + shopping centers + Del Paso Blvd.
  - Extend/reactivate CUP for locations previously occupied by retail storefront
Policy Update:

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

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

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

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

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

• Reimbursement Program (cont.)
  • Be verified by CORE facilitators (Sacramento Asian Chamber of Commerce and Greater Sacramento Urban League) to be CORE-eligible;
  • Graduate or currently going through SACC’s Sacramento Grow Green program or GSUL’s Sacramento Green Equity program;
    • CORE-eligible applicants that have been issued a Business Operating Permit (BOP) will not be required to go through the program(s) retroactively;
  • Hold a current BOP or has an active BOP application; and
  • Applicant has 51% ownership of the business
• **Current Reimbursable Expenses:**
  
  - Building permit fees;
  - State application fees;
  - Fees for other permits necessary to operate (e.g. Air Resources Board, County Environmental Health Division, Water Districts);
  - Rent subsidy for:
    - Applicants who paid for a CUP may qualify for a rent reimbursement up to the total amount of their CUP fees;
    - A shared manufacturing facility Type S license holder may qualify for a rental reimbursement; and
    - Incubators providing space to a certain number of CORE graduates may qualify for a rental reimbursement.
Cannabis Equity Grant Funds

• Current Reimbursable Expenses:
  ▪ Security Deposit
  ▪ Security System
  ▪ SMUD power upgrade
  ▪ Equipment specific to the BOP holder’s business type (e.g. manufacturing equipment, cultivation equipment, secured storage or safes, equipment for delivery vehicles, inventory management system, etc.)
  ▪ Business-related training and education
Cannabis Equity Grant Funds

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

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

• **Proposed Expansion Qualifying Expenses to Include (cont.):**

  • Allow up to two reimbursements - $25,000 on applying for BOP and $25,000 on BOP issuance - if businesses are 100% CORE
  • Allow retroactive reimbursements going back one permit cycle (as long as there was no change in ownership - reimbursement will not cover non-CORE period)
Cannabis Equity Grant Funds

• The reimbursement received from the City is considered an INCOME and therefore subject to tax.

• Reimbursement is in the form of a check.

• Reimbursement Request Forms are available at the cannabis website: www.cityofsacramento.org/cannabis under CORE Program tab
Cannabis Equity Grant Funds

- Go-Biz Equity Grant Funds
  - Up to $10 million in assistance for equity applicants and licenses from the Government’s Office of Business and Economic Development
  - Application now in progress (deadline: 3/9/20)
Cannabis Equity Grant Funds

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

Presented by Ranelle Kawasaki
Revenue Division
Who Pays Business Operations Tax (BOT)

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

On Line

In Person

Mail

E-Mail
How BOT is Calculated

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

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

**CITY OF SACRAMENTO - MONTHLY TAX RETAIL RENEWAL NOTICE**

<table>
<thead>
<tr>
<th>BUSINESS NAME</th>
<th>BUSINESS ADDRESS</th>
<th>TYPE OF BUSINESS</th>
<th>TAX PERIOD</th>
<th>ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>01/01/2020</td>
<td>01/31/2020</td>
</tr>
</tbody>
</table>

**COMPLETE THIS PORTION TO DETERMINE TOTAL AMOUNT DUE**

A. ENTER THE GROSS RECEIPTS FOR THE REPORTING MONTH

\[
\text{GROSS RECEIPTS} = \text{ENTER IN } 1 \text{ ABOVE}
\]

B. TAX ON REPORTING GROSS RECEIPTS - MULTIPLY LINE A BY 4%

\[
\text{TAX} = \text{GROSS RECEIPTS} \times 0.04
\]

C. TAX DUE

\[
\text{TAX DUE} = \text{ENTER THE SUM OF A AND B}
\]

D. STATE FEE OF $0.00 per SENATE BILL 1186 (Effective 01/01/2013)

\[
\text{STATE FEE} = \text{ENTER THE SUM OF A, B, AND D}
\]

E. PRIOR OVERPAYMENT / UNDERPAYMENT

\[
\text{PRIOR OVERPAYMENT} = \text{ENTER IN } 1 \text{ ABOVE}
\]

\[
\text{PRIOR UNDERPAYMENT} = \text{ENTER IN } 1 \text{ ABOVE}
\]

F. LATE PAYMENT PENALTY

\[
\text{LATE PAYMENT PENALTY} = \begin{cases} 
\text{ADD $15.00 PENALTY IF PAID AFTER 02/29/2020} \\
\text{ADD $115.00 PENALTY IF PAID AFTER 03/31/2020}
\end{cases}
\]

G. BUSINESS IMPROVEMENT AREA FEE

\[
\text{BUSINESS IMPROVEMENT AREA FEE} = \begin{cases} 
\text{SBBIA RETAIL} = \text{GROSS RECEIPTS} \times 1.17 \times 0.005 \\
\text{MIN FEE} = 5.00 \text{ MAX FEE} = 51.25
\end{cases}
\]

H. TOTAL AMOUNT DUE - ADD LINES C D E F & G

\[
\text{TOTAL AMOUNT DUE} = \text{ENTER THE SUM OF A, B, C, D, E, F, AND G}
\]

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

LAST DAY OF THE FOLLOWING MONTH

PENALTIES IF LATE

When to Pay BOT
How to Pay Tax

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


E-mail: rkawasaki@cityofsacramento.org

City of Sacramento
ATTN: Ranelle Kawasaki
915 I Street, Room 1201
Sacramento, CA 95814
Cash to Tax Electronic Tax Payments

Presented by DAMA
Contact us:

Office of Cannabis Management

Phone: 916-808-8955

Email: cannabis@cityof sacramento.org

On the web: www.cityof sacramento.org/cannabis