



City of Needles, California Request for City Council Action

CITY COUNCIL NPUA RDA

Regular Special

Meeting Date: October 26, 2021

Title: Establish a Numerical Limitation on the Number of Cannabis Dispensaries (at the request of Councilor Evans)

Background: On October 12, Councilor Evans requested that the City Council consider a limitation on the number of cannabis dispensaries in the City. The matter is agendized to determine if the City Council wants to consider an action on the matter at a subsequent meeting.

“Please add an item to the October 12th agenda for council to DIS/ACT on setting a limit of 10 to retail/dispensary CUP’s with a stipulation of after January 1, 2022 any retail CUP that expires or if a dispensary closes, that limit/cap moves to the number of the remaining active CUP’s not to go below six.

I believe with too many retail/dispensaries open the supply for cannabis retail will be much higher than the demand which in my opinion is not economically sound. I do not believe this will affect the amount of excise tax the City of Needles will collect from retail cannabis. “

History of Dispensaries

- 6 dispensaries opened without permits in 2010. The Council immediately established a ban on them.
- In 2012 the voters passed the Marijuana Tax. The existing dispensaries were granted immunity from the ban if they paid the Marijuana Tax while the City was developing an ordinance regulating them.
- In 2014 the Sheriff’s Office raided all 6 as unpermitted which led to 2 permanently closing.
- In 2015 the City developed the original Medical Marijuana regulations (Ordinance 12-A). That initial ordinance did not include any provisions to permit a new dispensary beyond the four that pre-existed the ordinance: THC, H Street, Herbarium, and BudFarmacy.
- In December 2019 Councilor Tom Darcy requested that the Council amend the ordinance to allow one new dispensary on the west end of town; the Council denied the request.
- May 26, 2020, the Council amended the ordinance to allow new dispensaries upon application. No limit as to the number of new dispensaries was set, instead their stated intent at the time was to rely on the marketplace to determine a dispensary’s viability. The process chosen to allow a dispensary is through a Conditional Use Permit which is discretionary as opposed to an outright use. The Conditional Use Permit process allows the Council to deny any application if they fail to meet all of the requirements for a Conditional Use Permit, such as neighborhood compatibility or adverse impact to nearby property values. Likewise, if an application does meet all of the criteria there is a presumption that they should get the permit.
- Since 2020 10 total dispensaries have been permitted; including the original 4. Of those 10, 5 are operating as of today. Two are in permitting review.

The revenue chart since the change to allow additional dispensaries is attached. Of note is that while there are seasonal and monthly changes, the revenue trend is generally flat meaning that the additional dispensaries are not increasing the overall revenue.

What will change the overall revenue is an increase in customers such as population growth. Population estimates from the Census Bureau are that in 2019 there was 4976 people. Population in 2021 is estimated at 4974. These are estimates. The actual official population for 2020 will be released by the Census Bureau once the census data is released.

→ 10

The California Department of Finance is responsible for determining official population for cities and counties for purposes of state-shared revenue distribution (gas tax, CDBG, etc.). They report the following:

COUNTY/CITY	4/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
Needles	4,844	4,879	4,945	5,107	5,134	5,175	5,271

Fiscal Impact: Unknown if more dispensaries will increase overall dispensary revenue or merely redistribute it amongst the dispensaries.

Sylvia Miledi AM

Recommendation: Provide direction on whether the Council wants agendize this matter for action at a subsequent meeting to establish a limitation on dispensaries, and, if so, direct staff to develop the methodology to do so.

Submitted By: Councilor Wade Evans

City Management Review: Rice

Date: 10/20

Approved: <input type="checkbox"/>	Not Approved: <input type="checkbox"/>	Tabled: <input type="checkbox"/>	Other: <input type="checkbox"/>
			Agenda Item: <u>10</u>

Dale Jones

From: Wade Evans
Sent: Wednesday, October 6, 2021 3:34 PM
To: Dale Jones
Cc: Rick Daniels
Subject: Retail CUP Cap

Hi Dale,

Please add an item to the October 12th agenda for council to DIS/ACT on setting a limit of 10 to retail/dispensary CUP's with a stipulation of after January 1, 2022 any retail CUP that expires or if a dispensary closes, that limit/cap moves to the number of the remaining active CUP's not to go below six.

I believe with too many retail/dispensaries open the supply for cannabis retail will be much higher than the demand which in my opinion is not economically sound. I do not believe this will affect the amount of excise tax the City of Needles will collect from retail cannabis.

Respectfully,

Wade Evans

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Operational (Regulatory Permit + CofO)						
Under Construction (UC)						
CUP Issued						
	ADDRESS	BUSINESS	STATUS	CUP TYPE	BUSINESS SF	CC Resolution
Operational						
1	101 E. Spikes Road (Suite A)	Budfarmacy	Operational	Dispensary/Micro	705	Zoning Permit
2	1400 Needles Hwy Suite 100	The Healing Center Needles	Operational	Dispensary	720	Zoning Permit
3	221 H Street	H Street Patient Care	Operational	Dispensary	900	Zoning Permit
4	300 J Street	OPG - Ontana Planet Green	Operational	Dispensary	2,022	Zoning Permit
5	2208 Needles Highway Building 1 Phase 1	Marvins Mary J	Operational	Dispensary	1,315	2020-78
Under Construction						
6	2205 Needles Highway Suite 101	AB Project	Under. Const	Disp. & Lounge	3,458	2020-61
7	209 H Street	H Street Patient Care	Under. Const	Dispensary	11,460	2020-40
Conditional User Permit Issued						
8	1005 E Broadway	Jason Boatner	CUP Issued	Dispensary	1,102	2021-53
9	1400 J Street	Herbarium	CUP Issued	Dispensary	2,627	2021-27
10	2103 Ndl's Hwy	2103 Dispensary	CUP Issued	Dispensary	1956 sq. ft.	2021-48

**Cannabis Dispensary Tax Revenue
By Month**

Month Tax Revenue

May-20	162,342
Jun-20	171,203
Jul-20	192,870
Aug-20	198,275
Sep-20	194,247
Oct-20	197,126
Nov-20	196,910
Dec-20	210,620
Jan-21	208,923
Feb-21	179,826
Mar-21	237,598
Apr-21	215,005
May-21	193,521

