ADULT USE CANNABIS IN SAN JOSÉ
From the Wild Wild West to Regulation & Beyond

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San José Cannabis Program Timeline

- Nov. 2010: SJ Voters approve Measure U (Marijuana Business Tax)
- June 2014: Council approves medical marijuana Zoning & Regulatory program
- Dec. 2015: 16 medical collectives achieve registration (of 65 applicants)
- Nov. 2016: California voters approve Prop. 64, legalizing cannabis for those over 21
- Nov. 2017: Council authorizes Registered Collectives to sell adult use cannabis
- Jan. 2019: Council adds cannabis manufacture, distribution, & testing to program
- March 2019: Council approves Cannabis Equity Ordinance
Current Program

16 Registered Dispensaries
• 1 retail location (open to public)
• Up to 2 cultivation/manufacturing sites (not public)
• Annual City Registration required
• Annual State License required
• Delivery allowed

Program Expansion

3 new categories added in 2018. Currently, open for applications.

- Manufacture
- Distribution
- Testing Labs
# Cannabis Business Tax Revenues

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$10.5 million</td>
<td>$13.0 million</td>
<td>$14.0* million</td>
</tr>
</tbody>
</table>

# Program Costs
- $2.3 million
- 9 FTEs

## 2019-2020 Updated Tax Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Cultivation</th>
<th>Manufacturing</th>
<th>Testing</th>
<th>Distribution</th>
<th>Retail / Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Rates</td>
<td>10%</td>
<td>10%</td>
<td>N/A</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>New Rates</td>
<td>4%</td>
<td>3%</td>
<td>0%</td>
<td>2%</td>
<td>10%</td>
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</tbody>
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# Current Workplan

## Land Use
- Evaluate current zoning program & recommend updates
- Hot topics
  - Delivery-only businesses
  - Second retail locations
  - Expanding the “green zone”
  - Allowing private consumption events

## Regulatory
- Consider allowing sale of business components
- Update cannabis waste & disposal policy
- Evaluate retail cannabis oversaturation & consider cap

## Other
- Implement Cannabis Equity program
- Monitor retail tax rate
Challenges

- Unlicensed storefronts
- Unlicensed delivery businesses
- Lack of access to banking