



Update on the Cannabis Industry in California

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Legal cannabis in California has already exceeded its saturation point.

Medical cannabis consumption:	2.5 million pounds
10% increase for 'recreational' use:	0.25 million pounds
Total combined consumption:	2.75 million pounds
30% to remain in black market:	- .83 million pounds
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Total size of legal cannabis market:	> 2 million pounds

CalCannabis Cultivation Licenses Issued Statewide as of 4/20/18

Type of License	Total	Avg. SF	Total SF	Cycles	Yield
Specialty Cottage Outdoor	27	2,000	54,000	1	5,400
Specialty Cottage Indoor	25	500	12,500	5	6,250
Specialty Cottage Mixed-Light Tier 1	62	2,000	124,000	3	37,200
Specialty Cottage Mixed-Light Tier 2	25	2,000	50,000	3	15,000
Specialty Outdoor	178	3,750	667,500	1	66,750
Specialty Indoor	240	3,750	900,000	4	360,000
Specialty Mixed-Light Tier 1	128	3,750	480,000	3	144,000
Specialty Mixed-Light Tier 2	27	3,750	101,250	3	30,375
Small Outdoor	725	7,500	5,437,500	1	543,750
Small Indoor	221	7,500	1,657,500	4	663,000
Small Mixed-Light Tier 1	743	7,500	5,572,500	3	1,671,750
Small Mixed-Light Tier 2	298	7,500	2,235,000	3	670,500
Medium Outdoor	187	32,670	6,109,290	1	610,929
Medium Indoor	106	16,500	1,749,000	4	699,600
Medium Mixed-Light Tier 1	96	16,500	1,584,000	3	475,200
Medium Mixed-Light Tier 2	95	16,500	1,567,500	3	470,250
TOTAL CULTIVATION	3183		28,301,540		6,469,954

Legal cannabis in California has already exceeded its saturation point.

Temporary cultivation licenses issued so far:	3,200
Production capacity:	6.5 million pounds
Total legal cannabis market:	> 2 million pounds
Oversaturation factor:	3.25 X
Anticipated failure rate:	60% - 70%

CalCannabis Cultivation Licenses Issued in Contra Costa County as of 4/20/18

Type of License	Total	Avg. SF	Total SF	Cycles	Yield
Specialty Cottage Outdoor	0	2,000	0	1	0
Specialty Cottage Indoor	0	500	0	5	0
Specialty Cottage Mixed-Light Tier 1	0	2,000	0	3	0
Specialty Cottage Mixed-Light Tier 2	0	2,000	0	3	0
Specialty Outdoor	0	3,750	0	1	0
Specialty Indoor	2	3,750	7,500	4	3,000
Specialty Mixed-Light Tier 1	0	3,750	0	3	0
Specialty Mixed-Light Tier 2	0	3,750	0	3	0
Small Outdoor	0	7,500	0	1	0
Small Indoor	0	7,500	0	4	0
Small Mixed-Light Tier 1	0	7,500	0	3	0
Small Mixed-Light Tier 2	0	7,500	0	3	0
Medium Outdoor	0	32,670	0	1	0
Medium Indoor	0	16,500	0	4	0
Medium Mixed-Light Tier 1	0	16,500	0	3	0
Medium Mixed-Light Tier 2	0	16,500	0	3	0
TOTAL CULTIVATION	2		7,500		3,000

Cannabis tax rates are settling and stabilizing around the State.

- HdL is currently working on cannabis tax measures for 25 local agencies for the June and November 2018 ballots
- Rates for cultivation range from \$2/sf to \$4/sf for outdoor cultivation, \$4/sf to \$7/sf for mixed-light, and \$7/sf to \$10/sf for indoor
- Rates for other activities range from 2% to 3% of gross receipts for distributors, 2.5% to 4% for manufacturers, and 4% to 6% for retailers.

Cannabis tax rates are settling and stabilizing around the State.

	2018 Ballot Measures*	
Cannabis Business Type	Initial Rate	Max Rate
Cultivation (outdoors)	\$2/sf	\$4/sf
Cultivation (mixed light)	\$4/sf	\$7/sf
Cultivation (indoors)	\$7/sf	\$10/sf
Nurseries	\$1/sf	\$2/sf
Manufacturing	2.5%	4%
Distribution	2%	3%
Retail	4%	6%
Testing	1%	2.5%

Common rates taken from 25 local government tax measures for the upcoming June and November 2018 ballots

Dual State cannabis taxes leave little room for local taxes

- The target cumulative tax rate for all State and local taxes is 30%
- California's two separate taxes can add around 25% to retail prices
- This leaves very little room for local jurisdictions to work within
- AB 3157 would reduce the excise tax on cannabis to 11% through June 30th, 2021, and suspend the cultivation tax for the same period
- This would allow the legal industry to be more competitive against the black market while still generating revenue for local governments
- The County may wish to consider supporting this bill.