

# City of Hesperia STAFF REPORT



**DATE:** September 17, 2019  
**TO:** Mayor and Council Members  
**FROM:** Nils Bentsen, City Manager  
**BY:** Mike Blay, Assistant City Manager  
Tina Bulgarelli, Administrative Analyst  
**SUBJECT:** Commercial Cannabis Program Update

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## RECOMMENDED ACTION

It is recommended that the Council receive and file the report on the Commercial Cannabis program after one year of operation.

## BACKGROUND

In November 2017, the City Council adopted regulations to allow for Commercial Cannabis activity specific to Medicinal Non-Storefront Retailer Delivery Only Dispensaries.

In February 2019, the City Council ratified a tax on Commercial Cannabis businesses and set the rate at 4%.

## ISSUES/ANALYSIS

To date the City has accepted thirty-five applications for Commercial Cannabis businesses. Of these thirty-five, eight businesses have opened and are operating. Thirteen of the applicants are in Part II of the process, meaning they have received approval from Planning and are working to complete their Tenant Improvements. The remaining applicants are in Part I of the process, including verification of zoning, eligibility, and general site review.

The Police Department has had 15 calls for service to the operating businesses in the past 12 months. The calls were for burglary (7), credit card fraud (1), robbery alarm (1), missing person (1), information (2), attempting to commit a crime (1), extra patrol (1) and transients (1).

The City has collected \$50,600 dollars in tax revenue since February 2019.

The City revoked one license and fined the participant. The participant paid all fines, closed the illegal operations and is operating legally within the confines of the program today.

The City has responded to 53 cases of illegal cannabis activity, mostly related to illegal cultivation. The City has collected \$331,752 in fines from these illegal operations. There have been no code enforcement cases at any of the legally operating businesses.

Staff has inspected each facility and audited security measures and product protection and have not observed any violations of state or City law.

### **FISCAL IMPACT**

The City collects taxes monthly from the cannabis businesses, resulting in new revenue. Based on first quarter results of \$27,400, the annual revenue could be anywhere from \$100,000 to \$125,000 per year. This amount will fluctuate based on how many businesses open and remain open each year.

### **ALTERNATIVE(S)**

1. Provide alternative direction to staff.

### **ATTACHMENT(S)**