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MEMORANDUM

DATE: September 14, 2018
TO: City Council
FROM: Brandon Goldner, Cannabis Program Coordinator
SUBJECT: Summary of Proposed Amendments to PCC 14B.130 and Portland Policy Document ADM-20.01

The Cannabis Program is responsible for regulatory oversight of the City's cannabis industry, but must also ensure it conducts that oversight responsibly. The City has a strong interest in encouraging entrepreneurship, supporting small businesses, and promoting healing in relation to the harmful legacy of cannabis prohibition. Based on ongoing industry feedback, the Cannabis Program recognizes the disproportionate impact that barriers to entry, including regulatory costs, can have on smaller businesses and those pursuing novel business models that benefit the community. To begin addressing some of these inequities, the Cannabis Program recommends amendments that reduce licensing fees, streamline the licensing process, and provide additional assistance to small businesses and individuals impacted by cannabis prohibition.

The proposed amendments will make six substantive changes:

1. Reduce licensing fees for all license types
2. Offer a deferred payment plan for license fees
3. Create a Social Equity Program
4. Modify permitting requirements for processors and producers
5. Modify permitting enforcement procedures
6. Add a Micro-Tier Processor endorsement

1. Reduce License Fees

The amendments reduce licensing fees for all license types. There will now be only two tiers of licensing fees, distinguished by the typical size of the businesses within each category. Micro-Wholesalers, Micro-Producers, and Retail Couriers will pay a \$200 application fee and \$1,000 license fee. All other license types will pay a \$500 application fee and \$3,500 license fee.

2. Deferred Payment Plan

Currently, most applicants pay for their annual State and City licenses within weeks, if not days, of each other. To offset the due dates, the amendments allow applicants to defer payment of the bulk of their City license fee until

six months after issuance. The amendments also add minor late fees to encourage timely payment and compensate for additional administrative costs associated with collecting overdue fees.

3. Social Equity Program

The amendments create a Social Equity Program to assist small businesses and individuals directly impacted by cannabis prohibition. Based on the number of qualifying factors, businesses will receive 15% or 25% license fee reductions. And, if the qualifying business is a processor or producer, they will also receive up to a \$750 or \$1,500 reduction to reimburse costs incurred for Early Assistance meetings at the Bureau of Development Services (BDS). Applicants may qualify if the business is:

- A small business (based on revenue and number of state licenses);
- At least 25% owned or 20% staffed by individuals with prior cannabis convictions; or
- A small business and contracts with a vendor that is certified by the State as socially or economically disadvantaged and/or an emerging small business.

4. Modify Permitting Requirements

Currently, non-extract processors require “issued” building and trade permits to obtain a new license and “final” permits before license renewal. Extract processors and producers require “final” building and trade permits to obtain a new license. Despite businesses’ efforts to align the timing of their permitting with State and City licensing deadlines, many businesses are unable to do so successfully. To address this, the amended language only requires “issued” building permits from producers and non-extract processors for both new and renewal licenses. BDS will retain its oversight of the “issued” permits, as with all other industries. In recognition of the greater life-safety risks associated with extract processors, and to remain in alignment with State requirements, extract processors must still demonstrate “final” permits prior to receiving a City license.

5. Modify Enforcement Procedures

The amendments remove overly broad language that requires licensees remain in compliance with fire, building, and zoning codes to comply with Chapter 14B.130. The Cannabis Program will retain authority to assist partner bureaus with enforcement of their violations and stop work orders through the enforcement mechanisms in Chapter 14B.130. However, pursuant to the amendments, the Cannabis Program will rely on the experts at BDS and Portland Fire & Rescue to independently identify, prioritize, and enforce for fire-life-safety hazards related to fire, building, and zoning codes.

6. Add Micro-Tier Processor Endorsement

The State added a “Producer Micro-Tier Processor” endorsement option for Micro-Tier Producers. The amendments allow the Cannabis Program to issue an equivalent Micro-Tier Processor endorsement without a new license application and at no additional cost to the applicant.

In sum, the proposed amendments represent early steps by the Cannabis Program to identify and help address inequities in the cannabis industry and its regulatory framework. To continue supporting this work in the coming year, the Cannabis Program will conduct an independent market study, solicit input of the Cannabis Policy Oversight Team advisory body, and use other methods to meaningfully engage stakeholders and collect data for informed decision-making.