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Jim Dellalonga, Director of Economic Development
CITY OF BELLFLOWER
16600 Civic Center Drive
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CANNABIS ORDINANCE FISCAL/ECONOMIC IMPACT ANALYSIS

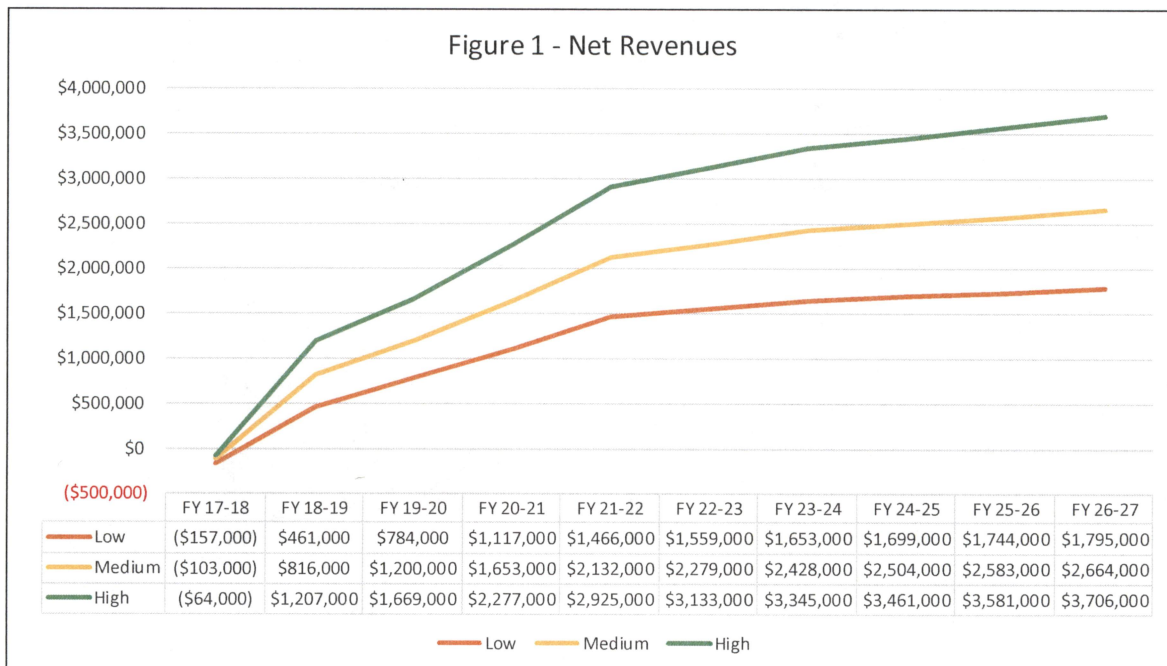
Dear Mr. Dellalonga:

RSG, Inc. was retained by the City of Bellflower ("City") to prepare a fiscal and economic impact analysis resulting from California's Proposition 64 (legalizing recreational cannabis) and Measure B passed by the voters of Bellflower in March 2107 (to impose taxes on non-medical cannabis-related businesses and uses).

Executive Summary

Fiscal Impact Analysis

Projected values have been calculated as a range with "Low," "Middle," and/or "High" points due to the relative uncertainty associated with projecting economic and fiscal impacts from non-medical cannabis in California. Annual net revenues to the City from cannabis-related businesses are estimated at \$461,000 to \$1.2 million in fiscal year 2018-19 and increase to \$1.8 to \$3.7 million by fiscal year 2026-27. **Total estimated revenues over a 5-year period range from \$3.7 million under the Low scenario to \$8 million under the High scenario; total revenues over a 10-year period are \$12 to \$25 million.**



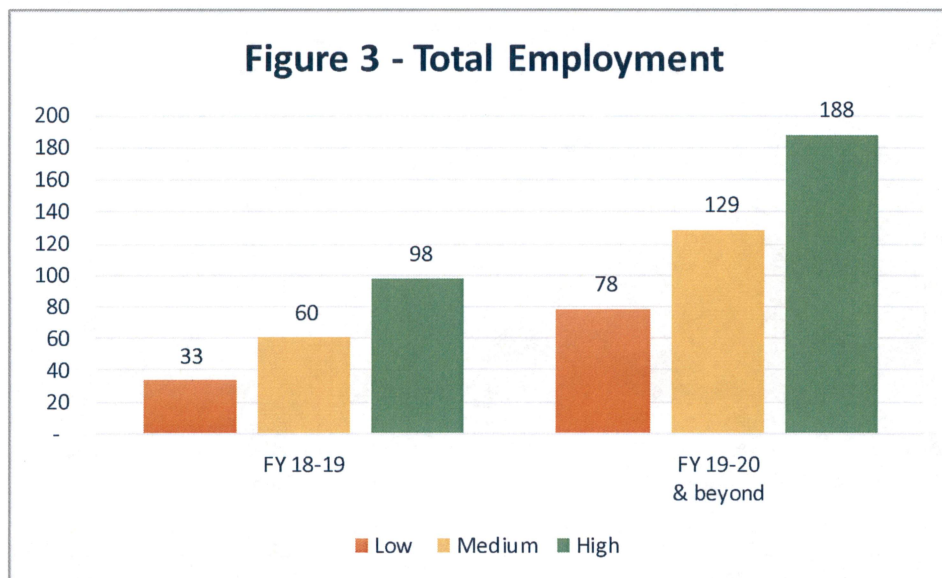
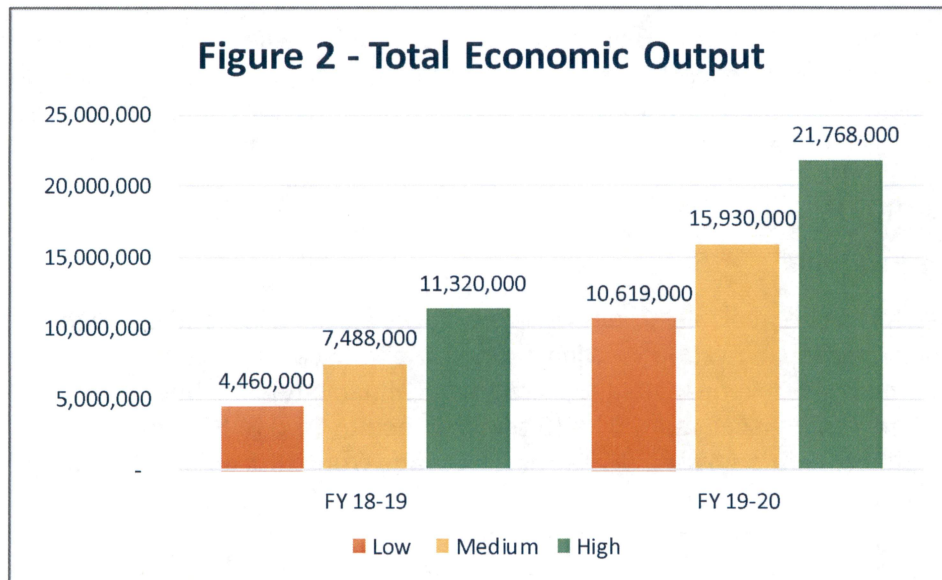
FISCAL HEALTH
ECONOMIC DEVELOPMENT
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AND HEALTHY COMMUNITIES

Economic Impacts

The estimated economic impacts resulting from non-medical cannabis businesses include:

- \$11 to \$22 million in Economic Output by 2019-20 (value of all sales of goods and services in Bellflower); and
- 78 to 188 new jobs in Bellflower.

These results are visually depicted in Figures 2 and 3 below.



Background

Proposition 64, passed by California voters in November 2016, legalized non-medical marijuana and allows for State and local regulation and taxation of marijuana-related businesses. While medical cannabis has been legal in California for approximately 20 years (the Compassionate Use Act in 1996), subsequent legislation established guidelines and requirements that established structure for local jurisdictions and State agencies. Available data on the fiscal and economic impacts of medical cannabis in California has been limited until very recently.

The states of Washington, Colorado, and Oregon are western states that have legalized the adult use of non-medical cannibals in recent years. As such, the amount of available data is limited to one to two years at the most and it is unknown if the future California regulations will be similar to those that currently exist in these states.

Despite the limited availability of data, RSG obtained three recent studies completed for both medical and non-medical cannabis in the states of California and Colorado. These studies proved useful for the development of valid assumptions that were used to project revenues going forward in the most accurate manner possible.

The University of California Agricultural Issues Center published a study titled "Economic Costs and Benefits of Proposed Regulations for the Implementation of the Medical Cannabis Regulation and Safety Act (MCRSA)," prepared for the California Bureau of Marijuana Control, February 23, 2017 ("UC Study"). This study is the most recent and comprehensive economic analyses related to cannabis in California available to date. Data from this report, such as average retail sales prices, have been utilized in this report.

Another study consulted for this report is "The Economic Impact of Marijuana Legalization in Colorado," prepared by the Marijuana Policy Group, October 2016 ("MPG Study"). This study examines actual data following the legalization of non-medical cannabis in 2014. Information on retail sales prices, economic modeling, and tax revenue growth rates were used in the assumptions of this report.

Finally, the California State Legislative Analyst's Office published an analysis of Proposition 64 in July 2016 that projected that revenues from legalized non-medical cannabis will take time to accumulate due to the time the State will need to issue licenses to businesses.

The projections contained in this report assume that businesses will start to generate revenue in fiscal year 2018-19 at a range of rates from 42% to 52% as a portion of outlets are assumed to be up and running during the last half of 2018-19, and all businesses operational during fiscal year 2019-20.

It is important to note that State regulations on adult use of marijuana have not been completed to date and these regulations could potentially alter the revenue projections contained in this report.

Non-Medical Cannabis – Los Angeles County

Bellflower is one of just three Los Angeles County cities to pass a ballot initiative on the taxation and regulation of marijuana businesses (as of the date of this report). Long Beach and Los Angeles also passed ballot initiatives between November 2016 and April 2017, respectively.

Both Los Angeles and Long Beach do not limit the number of non-medical cannabis businesses. Long Beach tax rates for every type of outlet are higher than those contained in the Ordinance, but Los Angeles tax rates are similar or lower than those established in the Ordinance.

It is important to note that the effect of medical and non-medical cannabis related businesses outside of the City of Bellflower was not analyzed as part of this report. Additionally, non-sanctioned or illegal outlets and/or businesses was similarly not analyzed as part of this report.

Table 1 below summarizes the taxes established by these initiatives and outlet restrictions (if any) of all three cities for comparison.

Table 1
Annual Taxes and Maximum # Outlets ("GR" = Gross Receipts)

Business Type		Bellflower		Total # Outlets	Long Beach		Total # Outlets	Los Angeles			
		Taxes			Taxes			Taxes	Total # Outlets		
		Starting	Max		Starting	Max					
Dispensaries	Medical	5% GR	10% GR	12 for all business types Citywide	6% GR		32	5% GR	Not specified		
	Non-Medical				8% GR	12% GR		10% GR			
Cultivators	Medical	\$15/sf	\$25/sf		\$1,000 + \$10/sf			Not specified		2% GR	
	Non-Medical				6% GR + \$12/sf	8% GR + \$15/sf					
Nurseries	Medical	\$2/sf	\$5/sf		\$1,000					Not specified	2% GR
	Non-Medical				6% GR + \$12/sf	8% GR + \$15/sf					
Manufacturers	Medical	5% GR	10% GR		\$1,000		Not specified				2% GR
	Non-Medical				6% GR + \$12/sf	8% GR + \$15/sf					
Testing Sites	Medical	5% GR	10% GR		\$1,000			Not specified			1% GR
	Non-Medical				6% GR + \$12/sf	8% GR + \$15/sf					
Transporters	Medical	\$1,500			\$1,000					Not specified	1% GR
	Non-Medical				6% GR	8% GR					
Distributors	Medical	5% GR	10% GR		\$1,000		Not specified				2% GR
	Non-Medical				6% GR + \$12/sf	8% GR + \$15/sf					

Assumptions

Data and assumptions from the most current and reliable data sources available (as of the date of this report) were utilized to project revenue generated by excise and retail sales taxes related to non-medical cannabis in the City. These assumptions are summarized in Table 2 below and described in this section.

Table 2
Assumptions

	Dispensaries	Cultivators	Manufacturers	Transporters
# of Outlets	3	5	4	1-3/Dispensary
Retail Price	\$216-\$322	N/A	N/A	N/A
Wholesale Price	N/A	\$75-\$112	N/A	N/A
Ounces Sold/Dispensary	4,600-1,100	N/A	N/A	N/A
Total Square Feet	N/A	25,000-50,000	40,000	N/A
Ounces/Sq. Ft./Year	N/A	1.39	N/A	N/A

The Ordinance limits the total number of non-medical cannabis outlets to twelve (12) within the City limits, which includes dispensaries, cultivators, testing, manufacturers, nurseries and transporters. The assumed distribution of the businesses (or outlets) includes the following, as determined during discussions with City staff:

- 3 Dispensaries (with 1-3 transporters/dispensary)
- 5 Cultivators
- 4 Manufacturers

Table 2 contains assumptions related to each type of business, including the following:

- Retail and wholesale sales prices were derived from both the UC Study and MPG Study.
- Revenues derived from dispensaries are calculated by applying the retail sales price to the estimated amount of product sold, based on data contained in the UC Study and MPG Study.
- Ounces per square foot per year was taken from a study by the BOTECH Analysis Corporation ("BOTECH") titled, "Estimating Adequate Licensed Square Footage for Production". BOTECH conducted surveys to establish the production capabilities of cultivators and determine the average production on a square foot basis.
- The estimated total square footage of cultivator outlets is based on an analysis of available commercial industrial space in the City as of May 2017, according to CoStar real estate data. Costar showed approximately 40,000 square feet of commercial and industrial space available in the City. The assumptions used in this report assume a total of 25,000 to 50,000 square feet of cultivation space for the five (5) cultivator outlets in the City.
- Information from Costar also indicates that the average industrial space in the City of Bellflower (all built space in the City, not just available space) is approximately 11,000 square feet. Therefore, it is assumed that the square footage of the assumed four (4) manufacturing outlets will total 40,000 square feet.

Fiscal Analysis

RSG prepared a 10-year projection and analysis of estimated revenues and costs (and net fiscal impacts) to the City resulting from the Ordinance under three (3) scenarios – Low, Medium and High. The Low scenario utilizes the most conservative assumptions – the highest costs are assumed with the lowest amount of revenue. The High scenario incorporates the lowest assumed costs with the highest revenues, and the Medium scenario represents a midpoint (not an exact midpoint) between Low and High. The total 10-year revenues and the net present value of this revenue stream (i.e., the value of the revenue stream in 2017 dollars) have also been calculated. The results of this analysis are summarized and presented in Table 3.

Table 3
Fiscal Impact Analysis

Year	Revenues			Additional Costs			Net Impact		
	Low	Medium	High	Low	Medium	High	Low	Medium	High
FY 17-18	\$0	\$0	\$0	\$157,000	\$103,000	\$64,000	(\$157,000)	(\$103,000)	(\$64,000)
FY 18-19	\$613,000	\$910,000	\$1,261,000	\$152,000	\$94,000	\$54,000	\$461,000	\$816,000	\$1,207,000
FY 19-20	\$936,000	\$1,292,000	\$1,720,000	\$152,000	\$92,000	\$51,000	\$784,000	\$1,200,000	\$1,669,000
FY 20-21	\$1,275,000	\$1,748,000	\$2,329,000	\$158,000	\$95,000	\$52,000	\$1,117,000	\$1,653,000	\$2,277,000
FY 21-22	\$1,631,000	\$2,230,000	\$2,978,000	\$165,000	\$98,000	\$53,000	\$1,466,000	\$2,132,000	\$2,925,000
FY 22-23	\$1,730,000	\$2,380,000	\$3,188,000	\$171,000	\$101,000	\$55,000	\$1,559,000	\$2,279,000	\$3,133,000
FY 23-24	\$1,831,000	\$2,532,000	\$3,401,000	\$178,000	\$104,000	\$56,000	\$1,653,000	\$2,428,000	\$3,345,000
FY 24-25	\$1,884,000	\$2,611,000	\$3,518,000	\$185,000	\$107,000	\$57,000	\$1,699,000	\$2,504,000	\$3,461,000
FY 25-26	\$1,937,000	\$2,693,000	\$3,639,000	\$193,000	\$110,000	\$58,000	\$1,744,000	\$2,583,000	\$3,581,000
FY 26-27	\$1,993,000	\$2,777,000	\$3,765,000	\$198,000	\$113,000	\$59,000	\$1,795,000	\$2,664,000	\$3,706,000
Total	\$13,830,000	\$19,173,000	\$25,799,000	\$1,709,000	\$1,017,000	\$559,000	\$12,121,000	\$18,156,000	\$25,240,000
NPV (4%)	\$10,671,876	\$14,798,025	\$19,908,261	\$1,372,246	\$820,150	\$453,096	\$9,299,630	\$13,977,875	\$19,455,165

Revenues

Based on the tax rates required by the Ordinance and the assumptions detailed previously, estimated gross revenues generated by the excise tax and the City's share of retail sales taxes will range from \$461,000 to \$3.7 million annually over a 10-year period, with a 10-year total of \$13.8 to \$25.2 million (\$10.7 to \$19.9 million in 2017 dollars).

Given that each business must obtain legally-required approvals from the State and the City prior to opening, and the process to obtain required permits will not begin until January 1, 2018, it is unlikely that businesses will be operating and generating revenue prior to June 30, 2018. Therefore, this report assumes that the City will begin receiving revenues in fiscal 2018-19.

Costs

It is important to note that costs associated with preparing and implementing the Ordinance have occurred, and are occurring, in advance of revenues received from the anticipated businesses. As shown in Table 3, estimated net impacts in fiscal year 2017-18 are negative due to costs that are incurred prior to revenues generated by the businesses that will not begin until these outlets are established and operating. Incurring costs in the initial absence of revenue is common for all cities in California pursuing non-medical cannabis currently due to the need to establish requirements and regulations, incur staff

time and other costs associated with establishing a structured process, and reviewing applications and granting permits. These costs also include legal fees for Ordinance preparation, public outreach related to the Ordinance, staff coordination and other fees. Based on information provided by City staff, costs incurred to date related to the preparation of the Ordinance will be repaid from the future revenues generated to replenish the City's general fund.

Costs Covered by Permit Fees

The projected costs to the City's General Fund were estimated by using the requirements stated in the Ordinance as a guide. Information on projected staff costs was provided by City staff and a summary of each City department (and required actions) involved with cannabis-related businesses is provided in Table 4.

Table 4
Staff Costs/Permit Issued (*recovered by permit fees*)

City Department	Tasks	Estimated Annual Costs (2017 \$)
City Manager	<i>Prepare Application/establish minimum threshold requirements Application/Conditional Use Permit review Business Permits & Renewals Issue/enforce/renew Business Permits</i>	\$1,046
City Attorney	<i>Document review/enforcement</i>	\$1,750
Economic Development	<i>Coordination with business owners</i>	\$697
Finance	<i>Annual Review of Gross Receipts</i>	\$620
	<i>Conditional Use Permit/Application Review</i>	\$3,432
Planning	<i>Contract Planner (starting January 2018 and ending July 2019) *</i>	\$143,000
Public Safety	<i>Review and approve Operations Plan Background checks</i>	\$1,066
Building	<i>Review and approve Operations Plan Respond to complaints/review operational standards Check fire suppression system for cultivation</i>	\$222

* A contract planner is anticipated to assist with the application process until all 12 businesses are established. The contract is assumed to run from January 2018 through July 2019.

Based on discussions with City staff, it is anticipated that all activities shown above for all City departments will be performed by existing staff in those department.

With regard to public safety costs, the Public Safety department staff indicated that because the City purchases blocks of Los Angeles County Sheriff's Department time, any extra time resulting from the Ordinance (and above the permit fees) would not result in the City having to go up to the next threshold of time at an extra expense. Staff believes that there is enough extra time included in the block that is purchased now to accommodate an increase in time spent on cannabis-related issues, with the number of 12 outlets stated in the Ordinance.

Formal permit fees have not been established to date, but information provided by City staff indicates that a permit fee of approximately \$21,600 per business (in 2017 dollars) would be sufficient to cover staff time needed to process the initial business permits.

Costs Not Covered by Permit Fees

In addition to the costs presented in Table 4, information from City staff and projected costs from other cities were utilized to project the annual costs that are estimated to be incurred by the City, and not covered by permit fees, related to the administration and enforcement of the Ordinance. These costs are described below.

City Attorney

Costs for ongoing enforcement or actions at \$50,000 for the first year, and an average of \$43,000 to \$47,000 annually (with an annual inflator applied in the Low, Medium and High scenarios). It is assumed for the purposes of this report that these costs would not be covered by the permit fee.

Public Safety

Availability of Data

RSG staff conducted substantial research to obtain data on increases in public safety costs, specifically to City budgets, resulting from the legalization of non-medical cannabis. However, because cannabis sales (even medical cannabis) are relatively new to California (as well as other states like Washington, Colorado and Oregon) and data on actual impacts to public safety costs are extremely limited, it appears that there is a lack of compelling data on the cost of public safety impacts at this time.

Colorado and Washington statistics on decreases in the *number* of arrests after non-medical cannabis legalization, as well as some increases in the *number* of persons driving under the influence ("DUI") and the *number* of traffic collisions were found, but no cost estimates on a city or state-wide basis were provided with this information. An important issue with the data on DUIs and collisions is that if other substances were present with cannabis (such as alcohol or drugs), it is difficult to determine if cannabis was the cause of the impairment/accident.

Additionally, it is important to note that statistics from other states may not be an accurate data source as Bellflower only allows 12 outlets, whereas other cities in Colorado, Washington and Oregon have much higher caps on outlets (if at all). It's very difficult to get an "apples-to-apples" comparison outside of California as the population, density and community characteristics can be very different.

Validity of Available Data

In order to conduct a valid fiscal and economic impact analysis, only those impacts (costs, revenues, etc.) actually *caused by the variable* (in this case, non-medical cannabis) are to be measured. Therefore, simply reporting the change in the amount budgeted for public safety in another city (out of state) before and after the legalization of cannabis data that does not represent changes resulting from only cannabis would not be an accurate analysis as other factors may be affecting the changes. For example, a public safety cost increase in a Colorado city would only be valid if only the increases due to cannabis were isolated in the budget, and increases resulting from other factors (such as increased retirement obligations, adding uniformed officers and equipment due to population increases with new development, etc.) were shown separately. Public safety cost impacts on a city-level resulting from cannabis is not reportable data to date.

In the absence of this data, RSG staff reviewed additional data sources to provide most accurate projection possible. As stated earlier in this report, Public Safety department staff does not project additional public safety costs with the establishment of the 12 outlets because the City purchases blocks of time from the Los Angeles County Sheriff's Department that are in excess of the amounts utilized. However, in an effort to provide conservative projections of impacts, additional public safety costs (above those covered by permit fees) have been incorporated in an effort to provide conservative projections of net revenue (gross revenue less City costs) given the extent of review, inspections and background checks for businesses that could have multiple owners (each one requiring an individual background check). Average costs range from \$4,700 to \$6,200 per year in fiscal years 2017-18 and 2018-19 (when businesses will be established) with annual costs estimated at \$900 to \$1,300 annually in the remaining 8 years of the projections.

Additional Administrative and Enforcement Costs

The fact that cannabis-related businesses are somewhat new to the State presents a certain number of unknowns when predicting future costs to the City. Although a contract planner will be retained to assist with the application and permitting process, it is anticipated that select City staff will require some training related to reviews of businesses operational plans, conditional use permits, auditing financial information and gross receipts (the basis for a significant amount of the revenues generated), and complete inspections of the businesses in the City. In addition, public safety costs may potentially exceed those stated above and the City may need to retain subject-matter experts to assist with the ongoing administration and regulation of the businesses.

To account for the additional costs related to non-medical cannabis businesses in the City, information from the City of Long Beach fiscal impact analysis completed for medical cannabis (August 2016) was utilized to estimate other potential costs that could arise related to the administration and enforcement in the City. It is important to note that Long Beach assumed a much higher number of businesses, therefore a cost per outlet or business was calculated. In addition, the population of Long Beach is 6-7 times greater than Bellflower, so an adjustment factor was applied to correct for the population difference. Finally, these additional costs were reduced by the City Attorney and Public Safety departments costs referenced above.

This calculation yielded additional costs (above those stated in the paragraph above) of ranging from \$10,000/year in the High scenario to \$144,000/year in the Low (or most conservative) scenario (Table 5 shows the *average* annual costs of \$10,300 to \$121,700 rather than the actual annual costs). Given that the City will employ a contract planner dedicated to the application/permit process, these additional administrative and enforcement costs would cover (or exclusively be for) additional public safety. Table 5 provides the average annual costs (for each City Department) not covered by the business permit fee that will be established for each non-medical cannabis outlet.

Table 5
Additional Staff Costs *(not covered by permit fees)*

City Department	Tasks	Average Annual Costs	
		Initial	Ongoing
Public Safety (Initial Cost for Yrs 1 and 2)	Approve Operations Plan for each business Checking for compliance with standards and regulations Background Check for each owner	\$4,700 to \$6,200	\$900 to \$1,300
City Attorney (Initial Cost @ \$50,000 in Yr 1)	Criminal/civil violations Recovery of fines, penalties, forfeitures Other enforcement	\$50,000	\$43,400 to \$46,800
Additional Administrative and Enforcement Costs *	Additional Public Safety Staff training for select department Subject matter experts retained to assist with auditing/administration	\$9,400 to \$101,400	\$10,300 to \$121,700
Total Additional Costs		\$64,100 to \$157,600	\$54,600 to \$169,800

* - these costs are assumed to begin in year 1 and remain at constant levels.

As shown in Table 5 above, the additional costs (above those covered by the anticipated permit fees) total \$64,100 to \$157,600 for initial costs (fiscal year 2017-18 and 2018-19) and annual ongoing costs that range from \$54,600 in the High scenario and \$169,800 in the Low Scenario.

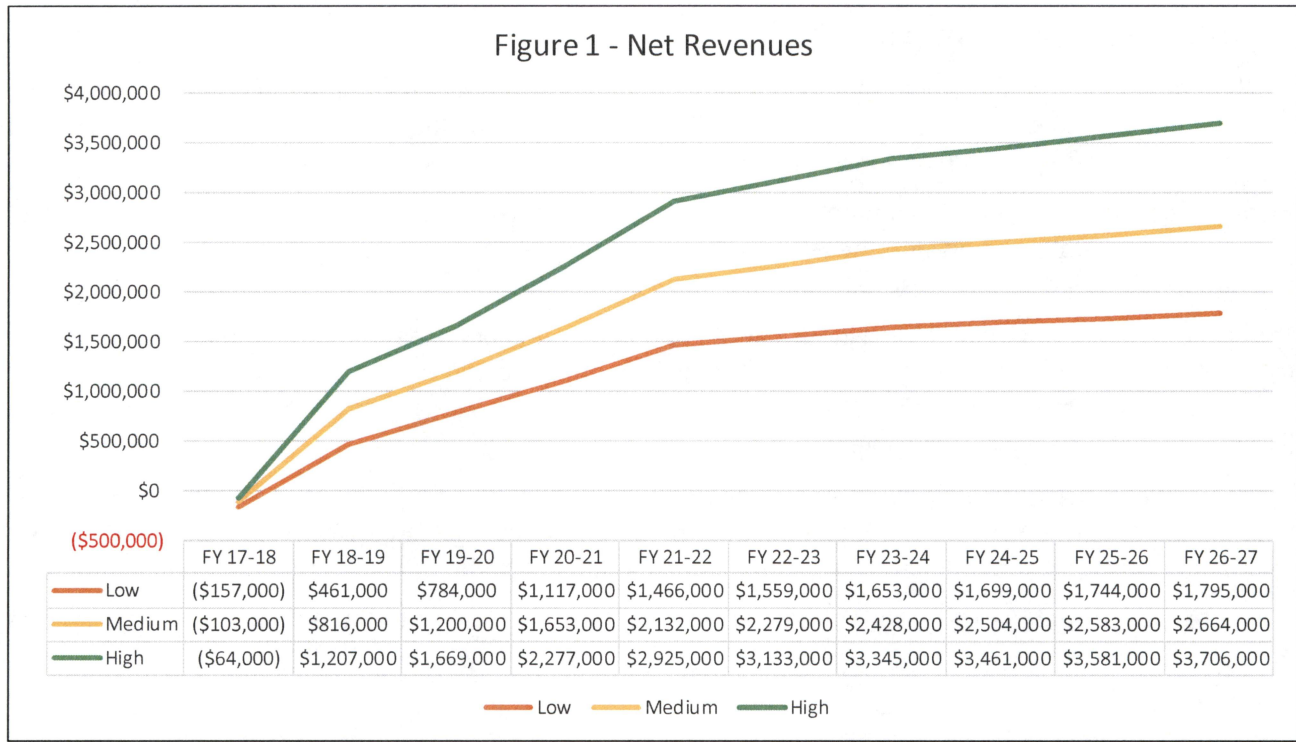
Net Impact

Figure 1 from the Executive Summary for this report is provided to graphically depict the growth in revenues over the 10-year period.

As shown below, projected costs exceed projected revenues in fiscal year 2017-18 as costs are incurred to establish the structure and requirements contained in the Ordinance to allow the process for permits to be issued to potential businesses. These costs are primarily related to staff time (including the City Attorney) and additional public safety and consultant fees.

The State will not begin to authorize non-medical cannabis uses until after January 1, 2018, which will need to occur in advance of a City-issued permit for businesses. Given this timing, it is assumed for the purposes of this analysis that businesses will begin to be established and generate revenues during fiscal year 2018-19, with all 12 businesses established and operating by July 1, 2019 (fiscal year 2019-20).

However, the results of the fiscal analysis indicate that total revenues will exceed costs beginning in fiscal year 2019-20. More specifically, projected fiscal year 2019-20 net revenues to the City range from \$461,000 to \$1.2 million in the first year that revenue is generated and growing to \$1.8 to \$2.7 million in annual revenue in 2026-27. **The average annual revenues to the City over a 10-year period are estimated at \$1.2 to \$2.5 million.**



Economic Analysis

Economic impact analyses measure the changes in business **revenue**, business **profits**, personal wages, and/or **jobs** as a result of a change or an event in a defined location, such as a neighborhood, city or county. It is widely reported that the legalization of non-medical cannabis will have significant impacts on State and local tax revenues and on the California economy as a whole. In addition to the new tax revenues the City will receive, the Ordinance will directly and indirectly create jobs and increase economic output in the City.

For this analysis, RSG used the IMPLAN model to measure the economic impacts of the Ordinance in the City of Bellflower specifically. It is important to note that economic impacts outside of the City were not measured as part of this analysis. IMPLAN is an input-output analysis software tool that tracks the interdependence among various producing and consuming sectors of the economy. According to MIG, Inc., the creators of IMPLAN, the software measures the relationship between a given set of demands for final goods and services and the inputs required to satisfy those demands.

IMPLAN publishes countywide data on an annual basis; this analysis utilizes the 2015 Los Angeles County dataset (the latest available) to calculate direct, indirect, and induced impacts. The City was defined using the 90706 and 90707 zip codes.

Indirect and Induced Impacts

RSG analyzed the direct, indirect, and induced effects for employment and economic output (i.e., the value of goods and services produced) from revenue generated by the Ordinance. The various types of effects are described according to IMPLAN below:

Direct Effect- a series of production changes or expenditures made by producers/consumers as a result of an activity or policy. Applying these changes to the multipliers in an IMPLAN model will predict how the region will respond, economically to these initial changes.

Indirect Effect- the impacts of local industries buying goods and services from other local industries. The cycle of spending works its way backward through the supply chain until all money leaks from the local economy, either through imports or by payments to value added. The imports are calculated by applying Direct Effects to the Type I Multipliers.

Induced Effect- the response by an economy to an initial change (direct effect) that occurs through re-spending of income received by a component of value added. The money is recirculated through the household spending patterns causing further local economic activity.

In this report, "Direct" will refer to the direct effect and "Total" will refer to the sum of the direct, indirect, and induced effect.

Jobs

According the results of the IMPLAN analysis, the fiscal year 2018-19 Direct and Total employment created will range between 27 and 82 jobs and between 33 and 98, respectively. In fiscal year 2019-20, Direct and Total employment created will range between 64 and 157 and between 78 and 188, respectively. After this large jump in the first two years, employment is anticipated to grow modestly as the number of total non-medical cannabis businesses will remain relatively constant, due to the maximum number of outlets established by the Ordinance. Table 6 below presents these findings in summary form.

Table 6

Year	Direct Employment			Total Employment		
	Low	Medium	High	Low	Medium	High
FY 18-19	27	50	82	33	60	98
FY 19-20 & beyond	64	107	157	78	129	188

Economic Output

Economic Output (Direct and Total) represents the value of industry production or goods and services. For example, a furniture manufacturer buys wood from a saw mill for \$100 and adds value to it by producing a piece of furniture which is then sold for \$300. Economic output would total \$400 (the value of all sales in the chain of activity).

It is acknowledged that a furniture manufacturer could buy wood from a supplier in another county or state. In this case, the local economic output would be \$300, the value of the furniture produced with the wood (but not including the value of the initial purchase of the wood).

The estimated Economic Output resulting from the Ordinance is presented in Table 7 and depicted graphically in Figure 4.

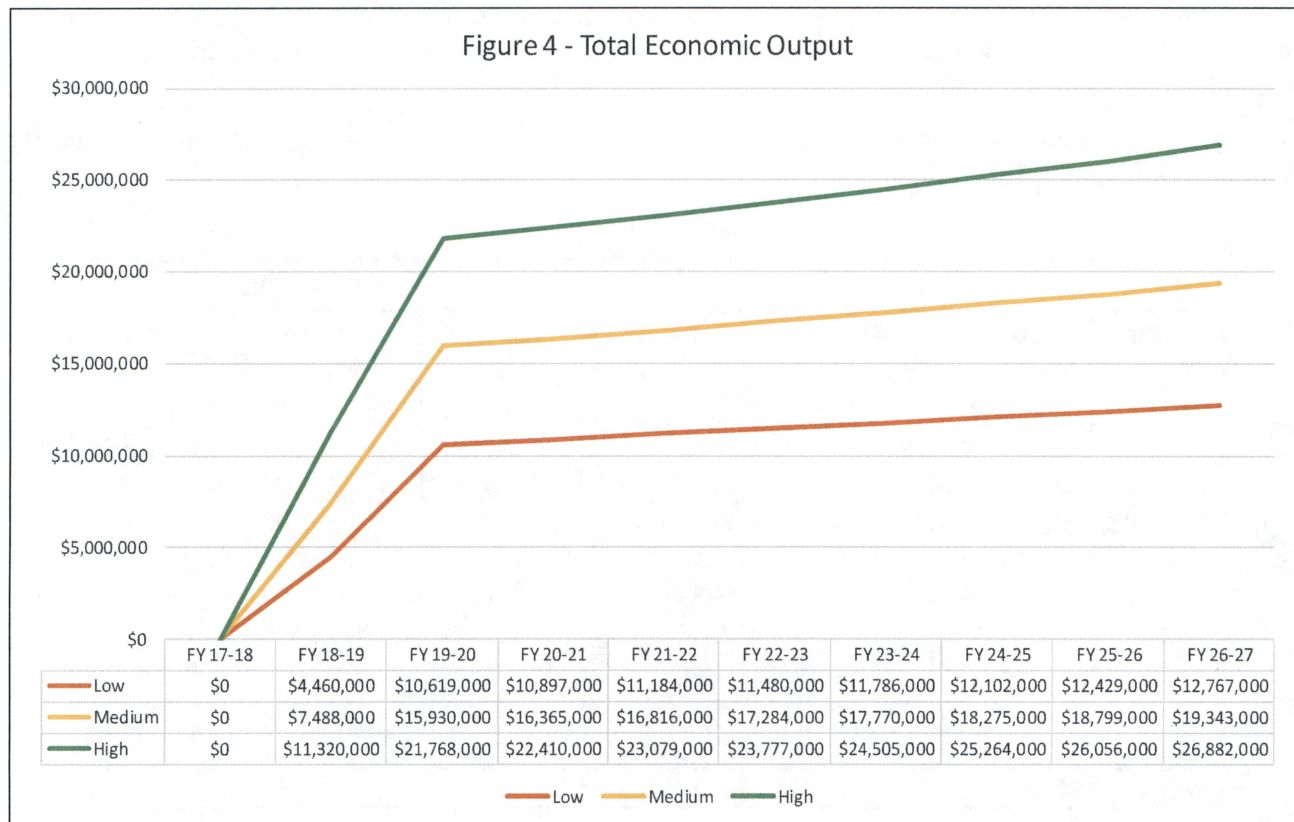
Table 7

Year	Direct Output			Total Output		
	Low	Medium	High	Low	Medium	High
FY 17-18	\$0	\$0	\$0	\$0	\$0	\$0
FY 18-19	\$3,575,000	\$5,969,000	\$8,960,000	\$4,460,000	\$7,488,000	\$11,320,000
FY 19-20	\$8,511,000	\$12,700,000	\$17,230,000	\$10,619,000	\$15,930,000	\$21,768,000
FY 20-21	\$8,734,000	\$13,047,000	\$17,738,000	\$10,897,000	\$16,365,000	\$22,410,000
FY 21-22	\$8,964,000	\$13,407,000	\$18,268,000	\$11,184,000	\$16,816,000	\$23,079,000
FY 22-23	\$9,202,000	\$13,780,000	\$18,821,000	\$11,480,000	\$17,284,000	\$23,777,000
FY 23-24	\$9,447,000	\$14,168,000	\$19,397,000	\$11,786,000	\$17,770,000	\$24,505,000
FY 24-25	\$9,701,000	\$14,570,000	\$19,998,000	\$12,102,000	\$18,275,000	\$25,264,000
FY 25-26	\$9,963,000	\$14,988,000	\$20,625,000	\$12,429,000	\$18,799,000	\$26,056,000
FY 26-27	\$10,234,000	\$15,422,000	\$21,279,000	\$12,767,000	\$19,343,000	\$26,882,000
Total	\$78,331,000	\$118,051,000	\$162,316,000	\$97,724,000	\$148,070,000	\$205,061,000
NPV (4%)	\$61,159,000	\$92,233,000	\$126,872,000	\$76,300,000	\$115,687,000	\$160,283,000

The information presented in Table 7 can be summarized as follows:

- Annually - Direct Economic Output ranges from \$3.6 million to \$9.0 million and Total Economic ranges from \$4.5 and \$11.3 million.
- 10-year Period – the Direct and Total Economic Output is estimated at \$78 to \$162 million and \$98 to \$205 million over 10 years, respectively.
- Net Present Value of 10-Year Output (2017 dollars) - Direct Economic Output will range between \$61 to \$127 million and Total Economic Output will range between \$76 and \$160 million.

Figure 4 below provides a graphic representation of the Total Economic Output and projected growth over the 10-year period.



Disclaimer

It is important to note that with the recent passage of Proposition 64, the limited availability of data related to medical cannabis and non-medical cannabis fiscal and economic impacts in other western states, and the State regulations (in process) that could affect the amount of cultivation, manufacturing and sales in the State, the projections contained in this report are based on the best available data as of June 2017. It is also important to note that if the actual distribution of cannabis outlets differs from that presented in this report (3 dispensaries, 5 cultivators and 4 manufacturers), the revenue actually generated could be somewhat higher or lower than those estimated. The final State regulations and future legislative changes could also alter the projections contained in this report.

We hope that the projections and forecasting contained in this report will prove helpful to the City. Please don't hesitate to contact me at hmosesman@webrsg.com or (714)316-2137 with any questions or comments.

Sincerely,
RSG, INC.

Hitta Mosesman
Principal