

2016

THE DENVER COLLABORATIVE APPROACH

Leading The Way
In Municipal
Marijuana Management



DENVER
THE MILE HIGH CITY



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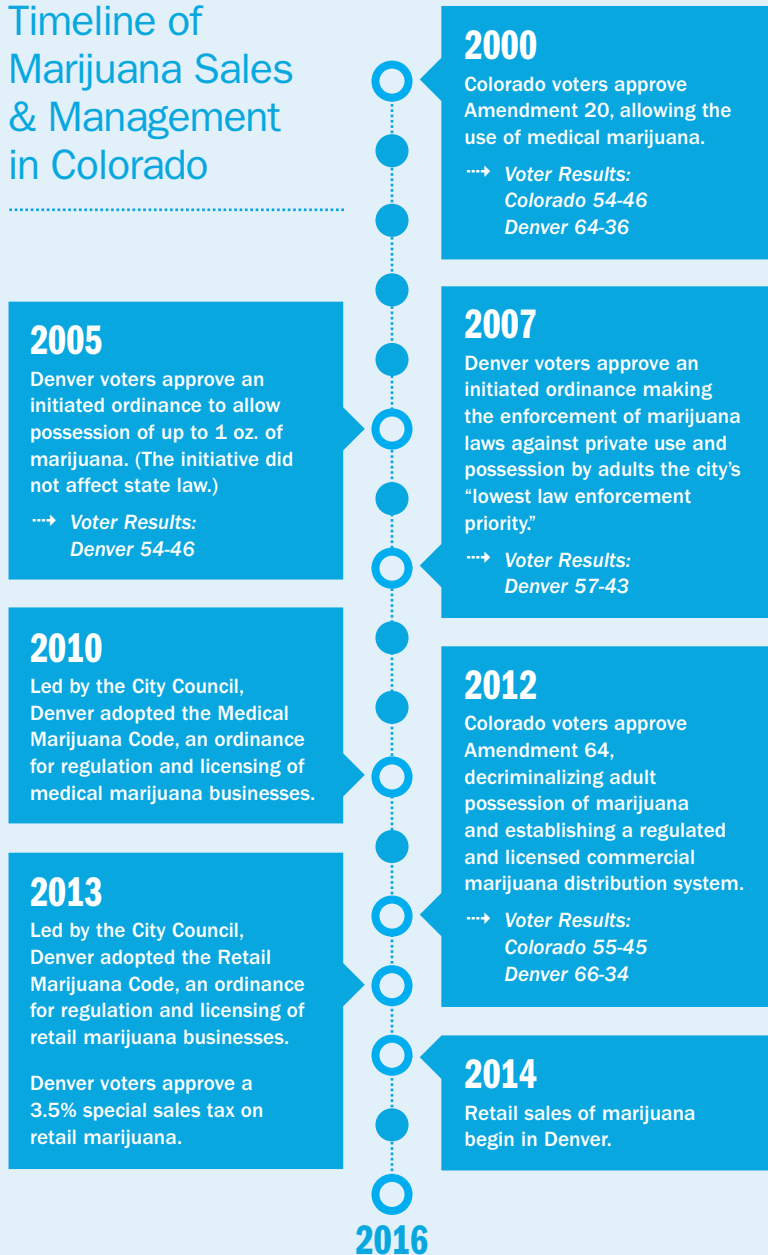


Marijuana in the Mile High City

Medical marijuana has been legal in Colorado since 2000, when voters approved Amendment 20. In November 2012 the voters of Colorado approved Amendment 64, which legalized retail marijuana. Since the passage of these amendments, the City and County of Denver has adopted ordinances to regulate, license and tax both medical and retail marijuana.

The first retail sales of recreational marijuana in the United States began in Denver on Jan. 1, 2014. Under Mayor Michael B. Hancock, Denver created a collaborative model of marijuana management and emerged as a global leader in cannabis regulation. Because the industry is developing and innovating so rapidly, and because the laws are changing and evolving at such a fast rate, Denver has embraced a management model that is quick, responsive and nimble.

Timeline of Marijuana Sales & Management in Colorado



Where are we now?

With the entire world watching, Denver effectively implemented the first-of-its-kind sales and commercialization of voter-approved retail marijuana. Through a far-reaching, collaborative approach, the city has implemented a regulatory process, established the Office of Marijuana Policy, educated the public on the new law, and passed several clarifying ordinances and a local sales tax, all in concert with the industry and the community.

In 2015 Denver marked the second year of retail sales of marijuana and the second year of the Office of Marijuana Policy's operation. Industry development continued, as the number of marijuana business licenses in Denver grew from 900 to more than 1,000. The city continued its collaborative approach, remaining nimble and flexible to keep pace with the sustained growth of the marijuana industry, while remaining in constant communication with the industry and residents in order to ensure balance among many competing interests.






Denver's Marijuana Industry

The Office of Marijuana Policy actively coordinates with other city departments and agencies, business owners, residents, neighborhood groups and industry representatives to ensure that it has a robust and effective regulatory system for the city's marijuana industry.

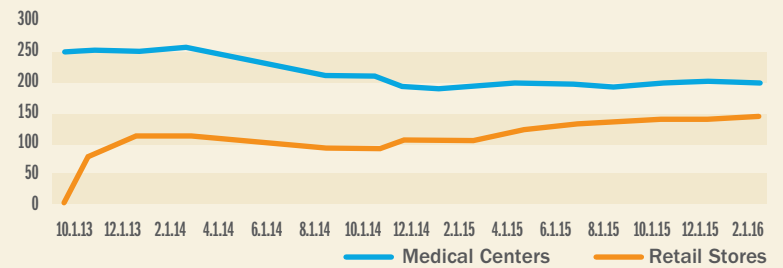
There are four types of marijuana business licenses issued by the City of Denver:

1. Medical Center / Retail Store
2. Medical Optional Premises Cultivation (OPC) / Retail Cultivation Facility
3. Marijuana Infused Product Manufacturer (MIP)
4. Marijuana Testing Facility

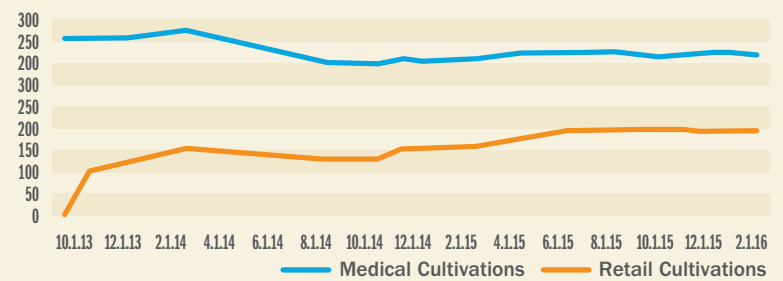
	 MEDICAL LICENSES	 RETAIL LICENSES	 UNIQUE LOCATIONS
1/1/14	731	270	454
1/1/15	621	301	419
1/1/16	657	392	453

The decrease from 2014 to 2015 happened in part because medical marijuana businesses that did not obtain both state and city licenses by July 1, 2014 were required to cease operations.

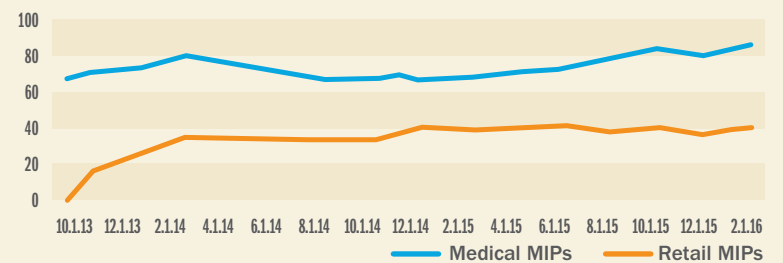
ACTIVE MEDICAL CENTER & RETAIL STORE LICENSES 2013-2016



ACTIVE MEDICAL OPC & RETAIL CULTIVATION FACILITY LICENSES 2013-2016

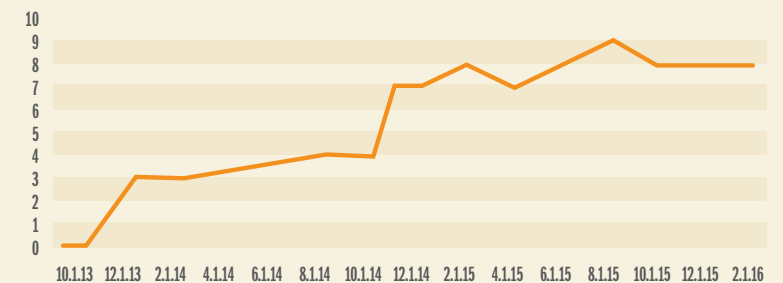


ACTIVE MARIJUANA INFUSED PRODUCTS MANUFACTURER LICENSES 2013-2016



ACTIVE RETAIL TESTING FACILITY LICENSES 2013-2016

Medical Testing Facility Licenses became available in Spring 2016





How is marijuana taxed in Denver?

Medical marijuana is subject to standard state and local sales taxes:

Denver Standard Sales Tax:	3.65%
State Standard Sales Tax:	2.90%
RTD Sales Tax	1.00%
SCFD Sales Tax	0.10%
Medical Marijuana Sales Tax:	7.65%

In November 2013 Denver voters approved adding a special 3.5% sales tax on retail marijuana. The tax is in addition to standard sales tax and all other applicable state taxes:

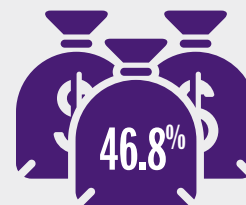
Existing sales taxes (above)	7.65%
Denver Special Sales Tax on Retail MJ:	3.50%
State Special Sales Tax on Retail MJ:	10.0%
Retail Marijuana Sales Tax:	21.15%

Marijuana Sales

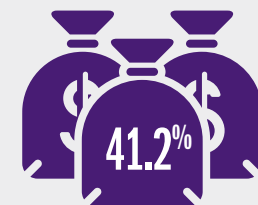
Denver	2014	2015
Retail	\$148.8M	\$218.7M
Medical	\$178.2M	\$191.7M
Total	\$327.0M	\$410.4M

Colorado	2014	2015
Retail	\$313.2M	\$587.8M
Medical	\$386.0M	\$408.4M
Total	\$699.2M	\$996.2M

Denver's Percentage of Statewide Sales



2014



2015



Marijuana-Related Revenue

Marijuana is helping to pay for the resources the city must put toward the robust regulation and enforcement involved with the responsible implementation of legalized marijuana.

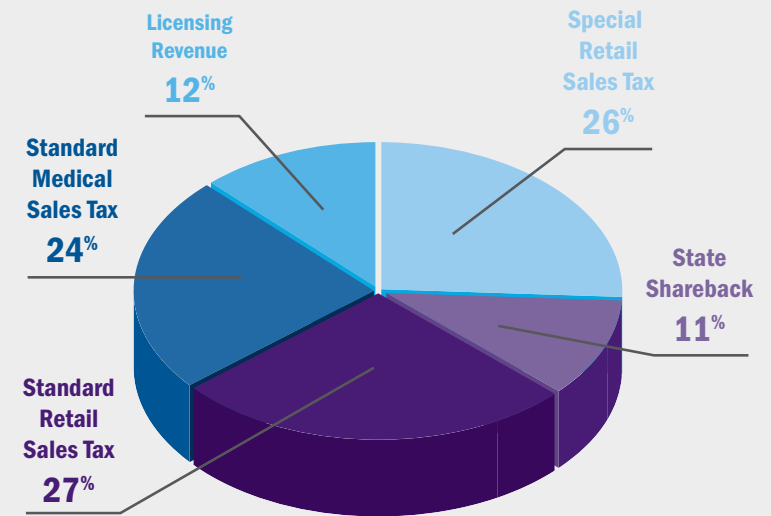
However, it's important to understand that marijuana revenue constitutes only 2.5% of the city's general fund revenue.

	2014 Actuals	2015 Actuals	2016 Projected
Special Sales Tax-Retail (3.5%)	\$5,207,671	\$7,653,800	\$7,537,949
State Shareback*	\$2,274,754	\$3,197,238	\$3,220,542
Licensing Fees	\$2,838,377	\$3,715,824	\$3,254,375
	\$10,320,801	\$14,566,862	\$14,012,866
	2014 Actuals	2015 Actuals	2016 Projected
Standard Sales Tax-Retail (3.65%)	\$5,386,270	\$7,981,837	\$7,861,004
Standard Sales Tax Medical (3.65%)	\$6,450,952	\$6,996,353	\$6,100,258
	\$11,837,222	\$14,978,190	\$13,961,262
TOTAL	\$22,158,024	\$29,545,052	\$27,974,128
Total General Fund Revenue:	\$1,124,673,650	\$1,202,103,000	\$1,212,098,000
% of General Fund Revenue:	2.0%	2.5%	2.3%

* "Shareback": The State of Colorado contributes a portion of its 10% special sales tax on retail marijuana back to the City of Denver.

2015 Marijuana Revenue Sources

Total = \$29.5 million

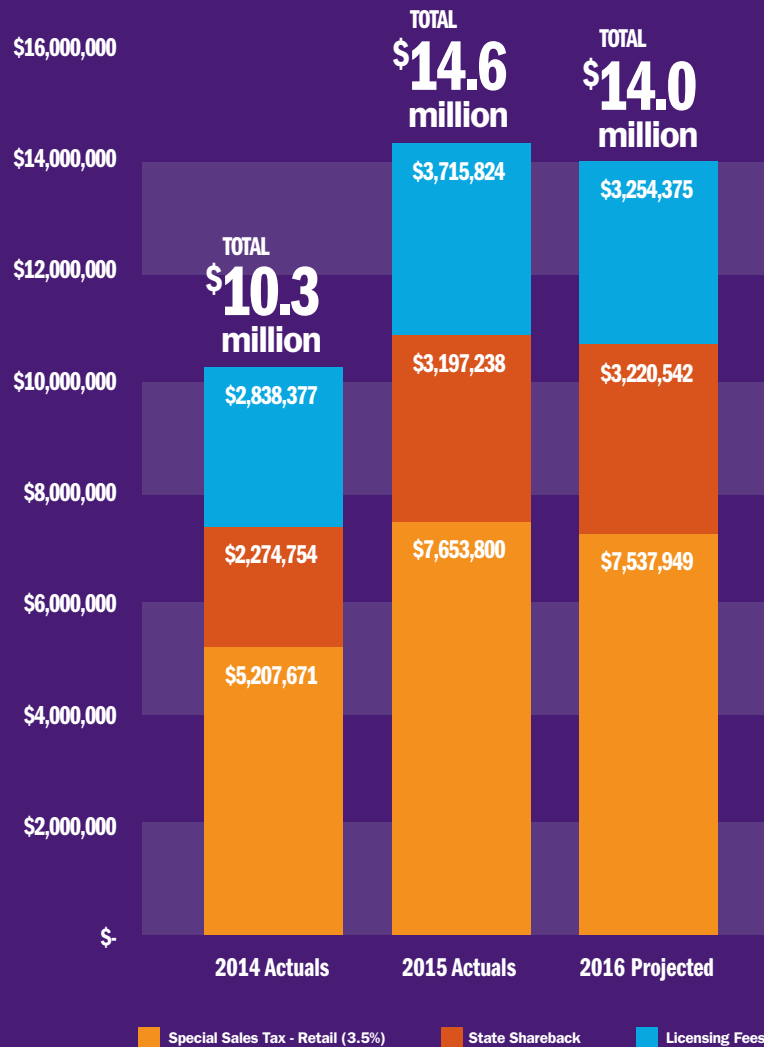


Through the special sales tax revenue, state shareback funds and licensing fees, the city has funded marijuana regulation, enforcement and education.

- These funds go into the city's general fund and are allocated toward Denver's immediate needs to responsibly regulate the marijuana industry, enforce the law, and educate the general public about marijuana with a focus on youth.
- The standard sales tax collected goes into the city's general fund to pay for city services, as is the case with medical marijuana standard sales tax collected.



Marijuana Revenue Sources for Regulation, Enforcement & Education



What does the city do with that revenue?

All of Denver's marijuana-related revenue goes to the city's general fund to pay for city services. The city first allocates the special retail sales tax, state shareback and licensing revenues to fund priority areas:

- Regulation
- Enforcement
- Education
- Public Health

Of the projected \$14 million that can be appropriated for marijuana-specific spending in 2016, the city has budgeted **\$9.1 million** in expenditures across city departments and agencies for regulation, enforcement and education efforts. The city also set aside an additional \$2 million for marijuana-related contingencies.

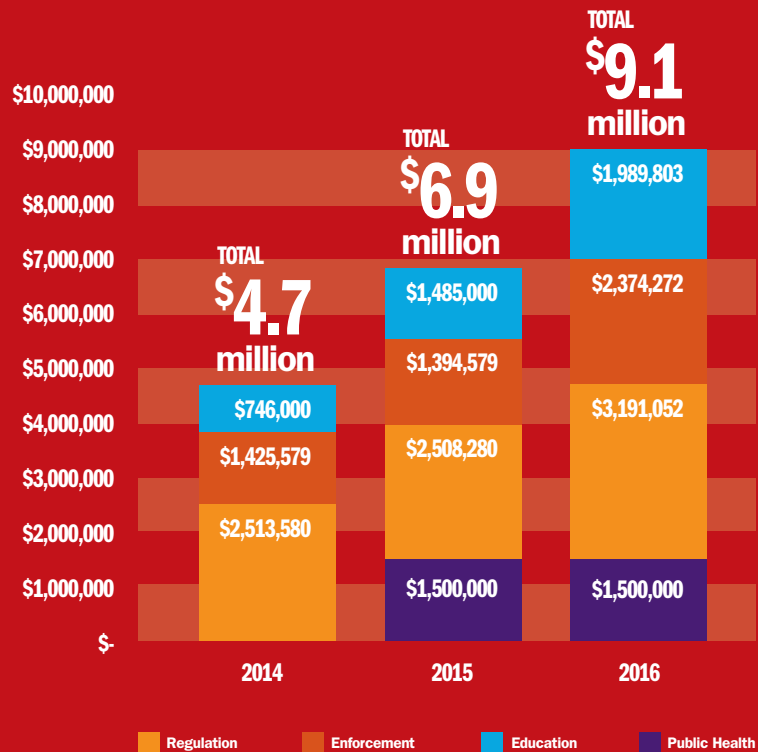


CITY AGENCIES
working collaboratively on marijuana issues

The entire projected revenue amount is not appropriated in the budget because the city is still building out the framework for how it will manage marijuana in the long term. The city recognizes the importance of budgeting conservatively and not assuming sustained, over-performing revenue.

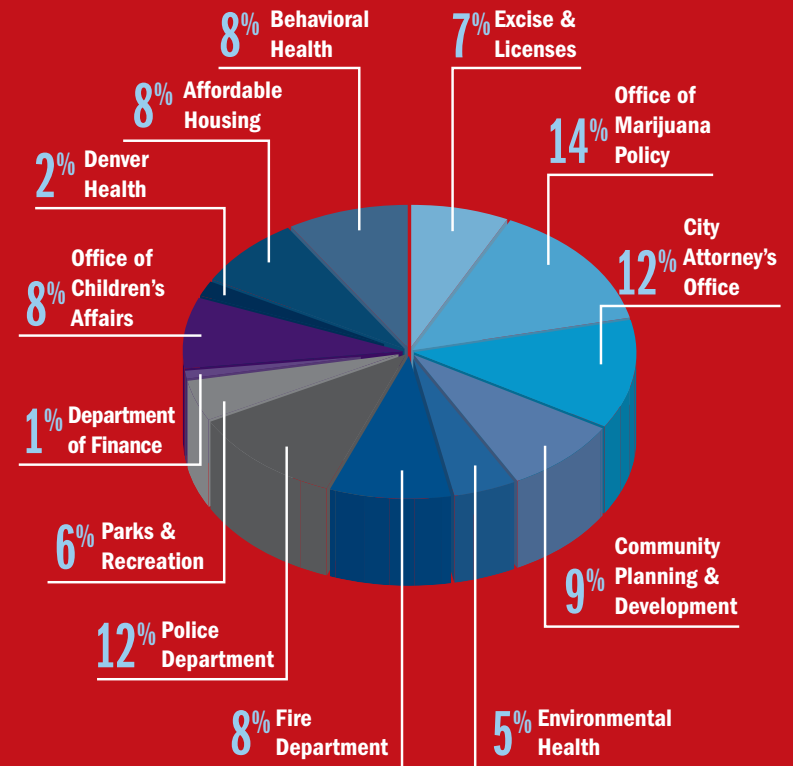
Finally, the standard sales tax received from marijuana is treated the same as the city's other sales tax revenue sources (such as clothing and other goods) in that it goes into the general fund and is spread across the city for a variety of general operating needs (libraries, parks, recreation programs, street maintenance, auditors, attorneys, etc.).

Budgeted Marijuana Expenses



Budgeted Marijuana Expenses 2016 - By Department

Total: \$9.1 million





The Denver Collaborative Approach in Action

The regulation of legalized marijuana is a new and evolving challenge for the entire country. On the leading edge of this challenge, Denver is committed to ensuring that its regulations address both current and future issues.

Change is happening in Denver at an ever-increasing pace and the collaborative approach enables the city to respond quickly and effectively to address issues as they arise.

Denver partners with city agencies, departments, institutional stakeholders and the community to develop sensible policies which balance the needs of industry, consumers, families and neighborhoods, and preserve Denver's quality of life, public health and safety.

Under the leadership of Mayor Hancock, the city has adopted this collaborative model to manage marijuana, which includes multiple agencies working together to accomplish goals related to the city's top priorities of marijuana management: Regulation, Enforcement, Education and Public Health.

Utilizing this collaborative model, Denver has made great strides and improvements in areas such as **youth prevention, sustainability, enforcement issues and other accomplishments**. See the following pages for more.

Youth Prevention & Education

→ **\$1.5 MILLION** **Retail marijuana sales tax revenue** that Denver committed to be distributed to youth-serving organizations by the city's offices of Children's Affairs and Behavioral Health.

- The "Healthy Lifestyles for Youth" funds administered by Children's Affairs support quality after-school and summer programs.
- The funds leverage existing best practices and processes to enhance quality programs, and promote pro-social activities to youth living in an environment with legalized marijuana.
- The funds utilize youth development programs as a place for early education and as a first step to preventing marijuana use for fourth- through eighth-grade youth.
- In an effort to help youth build the skills they need to make positive, healthy lifestyle choices, existing programs already using effective positive youth development and social-emotional learning strategies were provided additional funding to expand or enhance services.
- The Youth Opportunity and Behavioral Health Diversion funds administered by Behavioral Health provide for intervention, treatment, education and alternatives for youth and young adults who have violated a city or state law or school code.
- The funds help:
 - ↳ Create alternative consequences for unlawful marijuana use or possession.
 - ↳ Prevent further involvement of youth and young adults in the justice system.
 - ↳ Improve outcomes for youth through coordinated services.
 - ↳ Reduce and address the potential harm of substance use.
 - ↳ Promote core competency training for youth serving professionals.



Denver Marijuana Management Symposium

- Denver hosted the world's first Marijuana Management Symposium to share information with other state and local governments.
- The two-day conference had more than 300 attendees and featured guest speakers, panels and breakout sessions on a number of topics.
- Denver has become a model for local governments that are adjusting to legalized marijuana or facing the possibility of future legalization.
- The city is committed to exchanging information and best practices with others to contribute to the public good, build better communities and develop common ground for the future.

The Leader in Consumer Health & Safety Protection

- Denver took the lead globally to protect against pesticide contamination in marijuana products through the city's public health authority.
 - In the absence of state and federal regulations and guidelines, the city stood in the gap, looking out for its residents and protecting consumer health and safety.
- Denver coordinated with federal and state agencies and the marijuana industry to establish protocols and procedures for identifying potentially harmful marijuana products and placing them on hold and/or recalling them when necessary.
 - Through its inspection process, Denver discovered that some marijuana products were contaminated with unapproved pesticide residues that could pose a threat to consumer health.
 - ↳ Denver Environmental Health placed holds on more than 100,000 cannabis plants in 2015, and issued 19 product recalls.

Managing Non-Licensed Grows

- In March 2015, the city moved to make it unlawful to cultivate more than 36 marijuana plants on any non-residential zone lot in the city, except in a licensed marijuana cultivation facility.
 - The change addressed several health and safety concerns posed by large, non-licensed marijuana grow operations in Denver's dense, urban environment.
 - Concerns included:
 - ↳ Unsafe conditions which put workers, neighbors and first responders at risk.
 - ↳ Large amounts of untracked marijuana provided an opportunity for crime and diversion to the black market.
 - ↳ Health and environmental issues, hazardous structural features and blocked egresses, dangerous pesticide contamination, improper waste disposal and uncontrolled odor mitigation.

Odors

- The city continues to work with neighborhoods and the industry on controlling odors caused by marijuana facilities.
- The North Denver Cornerstone Collaborative and Department of Environmental Health partnered to update the city's nuisance odor provisions within the Air Pollution Control ordinance to address concerns about odors and their negative impacts on quality of life in Denver's neighborhoods.
 - The updates include a provision that requires businesses within certain industries, including marijuana grow operations and marijuana infused products manufacturers, to develop, submit and implement an odor control plan for approval by the city.



Sustainability

- The city educates business owners on the importance of actions and technologies that can be used to minimize the environmental impacts of operating a marijuana business.
 - Denver Environmental Health is working with the marijuana industry to put together best practices for sustainable growing.
 - The goal is to obtain commitments from industry to implement these best practices.
 - Leading into the second Denver Marijuana Management Symposium in October 2016, the city will also participate in the first Cannabis Sustainability Symposium.

Safety

- The city took several measures to help protect the safety of individuals working in the regulated marijuana industry and for city employees tasked with inspecting facilities, including:
 - Updates to the Denver Fire Code regarding extraction processes and equipment at licensed commercial facilities.
 - Researching and ordering personal protective equipment for city inspectors to use during visits to commercial facilities.
 - Online training for inspectors to learn best safety and risk management practices to utilize while inspecting marijuana facilities.

Managing Growth

- The Office of Marijuana Policy initiated the process to craft new regulations that manage the growth of the industry in Denver.
- The initial transition phase for retail businesses, which required them to be previously operating medical businesses, was set to expire at the end of 2015, so the city started the conversation to create a more permanent solution for managing the industry's footprint in Denver.
- The process highlighted the feeling that the industry's footprint in Denver is significant.
 - There was consensus that many of Denver's neighborhoods are saturated with marijuana businesses and the Denver City Council crafted legislation that places caps and limits on the number of marijuana store and cultivation locations.
 - The city's priorities were and continue to be to address that saturation, and to protect vulnerable neighborhoods, children and our residents' quality of life.

Customer Service

- The city provides several services to help residents and businesses navigate the changing landscape of marijuana in Denver:
 - Developed the Marijuana Information Center online at www.Denvergov.org/MarijuanaInfo
 - Analyzed more than 1,000 inquiries to 311 to identify frequently asked questions and provide answers.
 - ↳ Reduced call volume and **increased first-call resolution from:**

17% → **92%**

- Developed the Marijuana Industry Bulletin to keep businesses apprised of regulatory changes.



Enforcement

Denver remains committed to robust regulation and enforcement of the laws around marijuana. The city continues its focus on education about the laws and regulations, seeking compliance ahead of enforcement.

Remaining consistent with its commitment to the voters and to the federal government, the city has a high level of focus on illegal marijuana activities outside the boundaries of amendments 20 and 64.

Patrolling the Boundaries of Law

→ The implication of a legal commercial market is not that enforcement needs will necessarily decrease.

- The opposite is true in the short run. The black market will not simply vanish.
- People will continue pushing the boundaries and operating outside of the rules.

→ What does the Black Market look like?

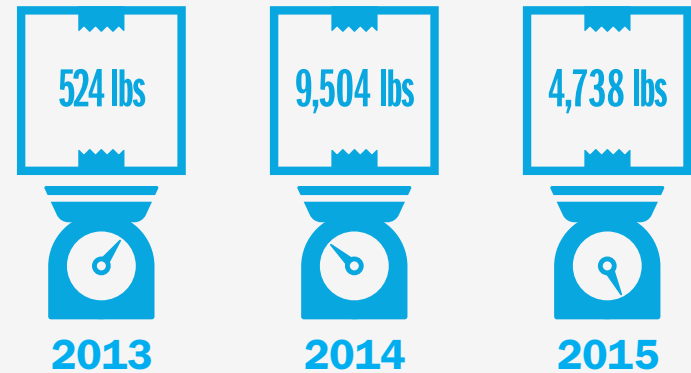
- The market for Denver marijuana is lucrative and extends across the U.S.
- Internet sales (Craigslist, Facebook groups, etc.)
- Mid-level trading: Continuous market of people purchasing \$5,000-\$10,000 of Colorado marijuana and transporting/shipping it out of state for resale.
- Large criminal organizations.

→ The city has intensified its focus on those who refuse to play by the new rules with increased education and enforcement.

- The Denver Police Department Marijuana Team's work around illegal marijuana has increased significantly over the last couple of years.



Marijuana Processed by DPD Crime Lab



→ This data reflects only seizures processed through the Denver Police Department crime lab.

→ DPD's marijuana team has been involved in numerous other operations in which the marijuana was processed by the Drug Enforcement Agency, but those numbers are not reflected here.

→ For example, in 2013 DPD worked with federal agencies and seized more than 10,000 pounds in one case alone, all of which was processed by the DEA.

Police Outreach

→ DPD has worked proactively with marijuana business owners to provide them with crime-fighting tips.

- Best practices shared to and among marijuana businesses.
- DPD hosted meetings with industry in each of six police districts last year.



Home Grows

- Denver residents are allowed to cultivate up to 12 plants per household. Over the last several years, the city has received an increasing number of complaints of home growing that exceeds the legal plant count.
- In 2015, communications processes were streamlined between police and city inspectors to better help address these complaints.
- We are taking action to mitigate diversion, including:
 - Making it unlawful to grow more than 36 plants in a non-licensed facility.
 - Increasing the number of officers working on the police department's marijuana team.

Marijuana Crime & Arrest Data

CRIME

1. Marijuana-Related Crime

- Definition: Crimes reported to the Denver Police Department that, upon review, have a clear connection or relation to marijuana. Crimes that have an incidental relation to marijuana are not included.
- Note: These data do not include violations restricting the possession, sale and/or cultivation of marijuana (see Arrest data on following pages).
- Marijuana-Related Crime accounts for less than 1 percent of overall crime in Denver.
 - Total Marijuana-Related Crime (and percentage of crime overall):
 - ↳ **2012:** 256 (0.58%)
 - ↳ **2013:** 257 (0.53%)
 - ↳ **2014:** 293 (0.48%)
 - ↳ **2015:** 270 (0.42%)



2. Marijuana Industry-Related Crime

- Definition: The subset of Marijuana-Related Crime where licensed marijuana businesses were either the victim or the perpetrator of a crime.
 - Marijuana Industry-Related Crime represents less than 1/2 of 1 percent of overall crime in Denver.
 - ↳ **2012:** 191 (0.43%)
 - ↳ **2013:** 167 (0.35%)
 - ↳ **2014:** 179 (0.29%)
 - ↳ **2015:** 192 (0.30%)
 - In 2015, burglary or attempted burglary accounted for 64% of Marijuana Industry-Related Crime. Larceny (theft) accounted for another 11% of all Marijuana Industry-Related Crime.
 - ↳ **2012:** Of 191 industry crimes, 142 were burglaries and 13 were larcenies
 - ↳ **2013:** Of 167 industry crimes, 130 were burglaries and 16 were larcenies
 - ↳ **2014:** Of 179 industry crimes, 118 were burglaries and 24 were larcenies
 - ↳ **2015:** Of 192 industry crimes, 117 were burglaries and 21 were larcenies
 - Violent Crime related to the licensed marijuana industry is rare, with seven reported in 2013, 10 reported in 2014, and eight reported in 2015.
 - Note: Violent Crime includes such things as homicide, rape, robbery, aggravated assault and arson.
 - There were eight violent crimes related to the marijuana industry in 2015, or one violent crime related to the marijuana industry for every 1,357 violent crimes overall.
 - Marijuana businesses make up less than 1% of all businesses in Denver but account for approximately 11% of all reported business burglaries (2012-2015).



	2012	2013	2014	2015
TOTAL CRIME IN DENVER	44,338	48,153	60,788	63,816
TOTAL MARIJUANA-RELATED CRIME	256	257	293	270
% of Total	.58%	.53%	.48%	.42%
Industry-Related Crime	191	167	179	192
% of Total	.43%	.35%	.29%	.30%
Non-Industry Crime	65	90	114	78
% of Total	.15%	.19%	.19%	.12%

ARRESTS

Definition: City and County of Denver arrest data include citations and bookings for violations of marijuana laws in State of Colorado statute and/or City of Denver municipal code.

VIOLATION DESCRIPTION	2014	2015	CHANGE	% CHANGE
Unlawful Distribution of Marijuana/ Marijuana Concentrate	74	147	73	99%
Unlawful Cultivation of Marijuana/ Manufacture of Marijuana Concentrate	9	90	21	900%
Unlawful Possession of Marijuana/ Marijuana Concentrate	408	460	52	13%
Unlawful Public Display or Consumption of Marijuana	762	761	-1	0%
Marijuana Prohibited in Parks	248	183	-65	-26%
Marijuana Business License Violations	2	25	23	1,150%
Grand Total	1,503	1,666	163%	11%



PUBLIC CONSUMPTION

→ Since 2014 Denver has tracked public consumption using citations for “Unlawful Public Display or Consumption of Marijuana” and “Marijuana Prohibited in Parks.”

- Public consumption citations remained flat last year, decreasing from 762 in 2014 to 761 in 2015.
- Additionally, the city issued 183 citations for marijuana prohibited in parks in 2015.

VIOLATION	2014	2015	CHANGE
Public Consumption	762	761	0%
Prohibited in Parks	248	183	-26%

3. Driving Under the Influence of Drugs – Marijuana-Related

→ Marijuana-related DUIs increased 10 percent from 66 in 2014 to 73 in 2015.

- Note: Marijuana-related DUIs are a subset of DUIs, which are a subset of DUIs.
- Marijuana-related DUIs represent a very small portion (2.8%) of overall impaired driving arrests.
- Since 2013, the city has increased the number of trained Drug Recognition Expert officers to better manage the increase in marijuana impaired driving arrests.

	DUI	DUID	DUID-MJ
2013	2,896	84	33
2014	2,619	129	66
2015	2,532	148	73



EMAIL:
MarjuanaInfo@Denvergov.org

WEB:
www.Denvergov.org/MarijuanaInfo