air pollution control district
SANTA BARBARA COUNTY

MEMORANDUM

DATE: July 23, 2026

TO: Community Advisory Council (CAC) Members

FROM: David Harris, (805) 979-8311, HarrisD@sbcapcd.org

SUBJECT: Update on Cannabis Permitting Fees

Summary:
This memo responds to the Community Advisory Council's (CAC) request for an update regarding the fees associated with the cannabis industry after the District switched cannabis permitting to cost reimbursement under revised Rule 210, effective July 1, 2024. It summarizes the District's cannabis permitting program, the basic permit process, and provides an analysis of the fees to permit post-harvest cannabis operations. As detailed below, cannabis permit fees are comparable to the fees to permit other categories of stationary sources.

Background:
The District's Community Advisory Council (CAC) met in January and February of 2024 to review and discuss proposed changes to the District's Rule 210, Fees. Rule 210 is intended to recover District costs associated with programs related to permitted stationary sources and for other District activities mandated by state and federal regulations. At the January CAC meeting, District staff presented information regarding the proposed amendments to Rule 210. The presentation was followed by CAC discussion, a public comment period, and further CAC deliberations surrounding the public comments. The public comments were focused on the new draft cannabis fees, which were developed to recover costs associated with permitting the relatively new cannabis industry. A motion was made at the end of the meeting to continue the item to another meeting in February to allow staff adequate time to reevaluate the draft cannabis fees.

Following the January CAC meeting, staff reevaluated the draft cannabis fees included in revised Rule 210. Due to the variations among the permitted facilities and the relative newness of the industry, staff proposed to remove the draft cannabis fees and instead process cannabis permits and conduct other District work such as inspections using the existing Cost Reimbursement provisions of Rule 210. This approach allows the District to achieve cost-recovery while permitting post-harvest cannabis operations in the County.

At the February CAC meeting, the District presented its proposed revisions to draft Rule 210, including the removal of the draft cannabis fee schedules and switching all cannabis facilities to cost reimbursement. After discussing the proposed changes and hearing all the public comments on the fee rule, the CAC voted unanimously to approve staff's recommendation that the Board of Directors adopt the proposed amendments to District Rule 210, Fees. In addition, the CAC requested that the District reassess the fees associated with the cannabis industry after implementation of cost reimbursement and report back to the CAC with its findings.

The Permit Process:
The District's basic permit process involves two steps. First, the applicant applies for an Authority to Construct (ATC) permit. This application is subject to a 30-day completeness review where staff determine whether the application has sufficient information for processing. Once deemed complete, the District has 180 days to issue or deny the permit. Once issued, the ATC permit is valid for one year.

The ATC permit is considered used once construction begins and equipment is physically installed at the facility. After construction is completed, the company is allowed to temporarily operate the permitted equipment during what is termed a Source Compliance Demonstration Period (SCDP), which provides the permit holder time to shake down the equipment and work out any start-up operational issues. During the SCDP, the District inspects the facility and witnesses source testing, if applicable, to ensure that the equipment complies with the permit's conditions as well as applicable local, state, and federal rules and regulations.

Upon successfully demonstrating that the permitted equipment complies with all applicable requirements, the business then applies for a Permit to Operate (PTO) within a timeframe stipulated in the ATC permit. Once issued, this operating permit governs operation of the permitted equipment and is valid for a three-year period. During this time, District staff perform field inspections, review data submittals, and observe source tests. After three years, the permit is reevaluated, revised if needed, and then re-issued (Reeval) for another three-year period.

Cannabis Permitting Program:
The District is mandated by the California Health and Safety Code to regulate stationary sources of air pollution, including odors. We implement this mandate by issuing permits with enforceable conditions, conducting routine inspections, responding to air quality complaints, reviewing records and reports, and assessing monetary penalties when violations occur.

The California Health & Safety Code defines the growing of cannabis as a crop. That means that cannabis cultivation is considered an agricultural operation, which limits the District's ability to regulate and permit the growing of cannabis.

Many post-harvest cannabis operations and equipment require District permits pursuant to District Rule 201, Permits Required due to the potential for issuance of air contaminants. The following post-harvest cannabis operations and equipment require a District permit prior to installation and operation:

- Processing (drying, trimming, curing, flash freezing, packaging, etc.)
- Storage (including cold storage)
- Distribution
- Manufacturing (volatile extraction, non-volatile extraction, post extraction refinement, etc.)
- Prime electrical generators that do not comply with the State's Distributed Generation regulation
- Emergency/standby electrical generators
- Transport Refrigeration Units (TRUs) used as stationary onsite storage for extended periods of time
- Boilers and hot water heaters rated greater than 2.00 MMBtu/hr (individual or combined)
- Odor-control equipment
- Emission-control equipment

The District is an independent local agency, separate from the County of Santa Barbara, and the District's regulatory authority is not bound by the County or City requirements or their permitting processes. The District coordinates with the County, and local cities, related to their land use permitting processes, as certain projects undergoing lead agency permitting also require District permits and/or potentially have air quality impacts. The overarching goal for the District's cannabis permitting program is to be as coordinated and streamlined as possible without relinquishing our regulatory authority.

Cannabis Permitting Program Fee Analysis:

The District analyzed the fees to cannabis facilities for all permits issued between July 1, 2024 (the date that revised Rule 210 went into effect and cannabis permitting switched to cost reimbursement) and March 31, 2026. We totaled the full cost of each permit, including the application filing fee, and all labor charges for staff time spent reviewing the application materials, performing CEQA review, drafting and issuing the permit, performing inspections, reviewing annual reports, and any enforcement and related mutual settlement. The fees were totaled for each permit issued and then analyzed and averaged based on permit type (ATC, PTO, Reeval) and cannabis facility type (manufacturing, processing/storage). The results of that analysis are presented in the tables below:

Permit Document Type	Permits Issued	Average Permit Fee
Authority to Construct (ATC)	17	$4,182
Permit to Operate (PTO)	7	$4,354
Re-evaluation *	1	$1,965
All Permits	**25**	**$4,142**

Note: * Fees represent only a portion of the 3-year reevaluation cycle. More staff labor related to inspections and annual report review may occur.

Facility Type	Permits Issued	Average Permit Fee
Manufacturing	6	$4,202
Processing/Storage	19	$4,123
All Permits	**25**	**$4,142**

In addition, we analyzed the fees associated with each step of the permitting process, including the filing fee, the engineering staff time for permit issuance, the planning staff time for CEQA review, and the compliance staff time for inspections, enforcement and annual report review. Those average fees are broken down and totaled below.

Activity Type	Average Fee
Filing Fee	$521
Permit Issuance	$2,029
Inspections	$1,115
Enforcement/Mutual Settlement *	$207
Planning/CEQA Review	$159
Annual Report Review	$111
Total	**$4,142**

Note: * Only 5 of the 23 permits issued included enforcement/mutual settlement time/fees.

Three facilities required heavy compliance and engineering work; repeated inspections, complaint response, enforcement, and complicated permitting. These "High Exception" cases averaged about $93,000 each, roughly 23 times a typical permit, and a single facility reached about $220,000. These are the exceptions, not the norm, and the fees are recovered from the facilities that generate them rather than spread across all applicants. These high exception facility fees are not included in the average fees presented in this document.

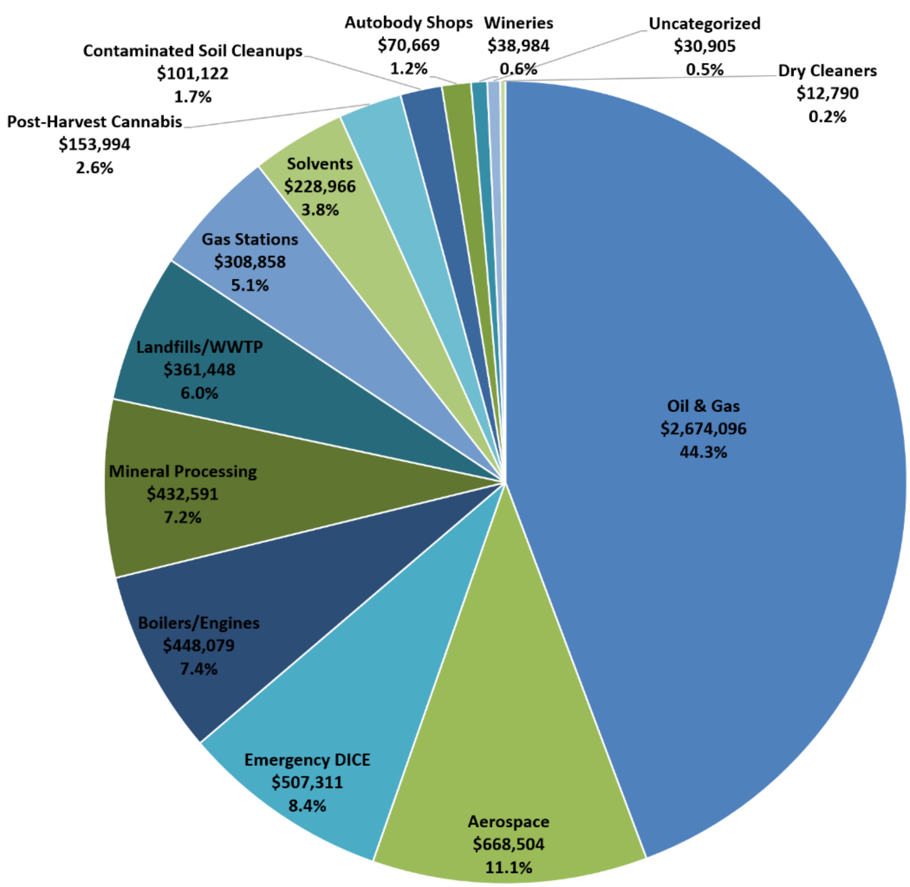
<u>How Cannabis Permitting Compares</u>:
Cannabis permitting fees are not unusual when compared with the District's other permitted source categories. Across all 398 fee-based permits issued District-wide since July 1, 2024, the average permit fee was $5,962, roughly 44 percent higher than the $4,142 average for a cannabis permit.

Cannabis permits also fall in the lower-to-middle range relative to specific source/permit types. The average cannabis permit costs less than the average permit for a boiler, steam generator, or process heater, a concrete batch plant, a piston internal-combustion engine, an onshore oil and gas source, and a sand, rock, and/or gravel operation. Of the permit types examined, only general solvent operations and emergency/standby diesel generators, both comparatively simple permit types, averaged less than cannabis.

Permit Type	Permits Issued	Average Permit Fee
Boilers/Steam Generators/Process Heater	40	**$5,405**
Concrete Batch Plant	13	**$5,838**
E/S Diesel Generator	46	**$2,939**
Onshore Oil & Gas	76	**$10,780**
Piston IC Engine	18	**$9,859**
Sand, Rock and/or Gravel	14	**$14,413**
Solvents (general)	28	**$2,190**
All Permits	**398**	**$5,962**

The total revenue generated by the post-harvest cannabis permitting and compliance program was also calculated for the 2024-2025 Fiscal Year and compared to the total permitted source revenue broken down by facility type. In Fiscal Year 2024-2025, the cannabis permitting program generated $153,994 in revenue, which represents approximately 2.6% of the District's $6,038,318 in total revenue generated by our stationary source permitting program. The breakdown of permitted source program revenue by facility type is presented in the chart below:

Fiscal Year 2024-2025 Revenue By Facility Type



Cannabis Permitting Efficiency Measures:
As stated above, the overarching goal for the District's cannabis permitting program is to be as coordinated and streamlined as possible without relinquishing our regulatory authority. Accordingly, since its beginning in 2019, the District has implemented multiple measures to streamline the permitting process and minimize the burden on the cannabis industry while maintaining a robust permitting and compliance program. We quickly developed a dedicated cannabis permit application form (Form-104) to help ensure applications include all the information needed to deem the application complete and process the permit with the first submittal. We have coordinated with the Santa Barbara County Planning and Development department, who also issue permits for cannabis operations, to align our permitting programs and perform coordinated inspections when possible. For post-harvest cannabis operations that require an Odor Abatement Plan (OAP) with another agency, we have incorporated those plans by reference into our permits rather than require overlapping or duplicative plans or permit conditions. After issuing our initial cannabis permits and receiving feedback from cannabis operators, we developed a unique "Expedited Cannabis Equipment Changes" permit condition that allows cannabis operators to add or replace equipment without submitting a permit application if certain criteria are met. All these measures increase efficiency, save time and lower permitting fees for cannabis operators.

Conclusions:
The analysis shows that cost reimbursement for cannabis operations is working as the CAC and Board of Directors intended. It recovers the District's actual costs of permitting and overseeing cannabis facilities while keeping the cost of a typical permit moderate and in line with what the District charges to permit other industries.

Because charges follow the actual work each project requires, straightforward facilities pay less, while the few facilities that generate repeated inspections, complaints, or enforcement pay more, with those higher costs borne by the facilities responsible rather than the broader applicant pool. Approximately 20 additional cannabis permits remain in process, so these averages will continue to evolve as that work is completed. The District will continue to track cannabis permitting fees and can report back to the CAC as the program matures.