

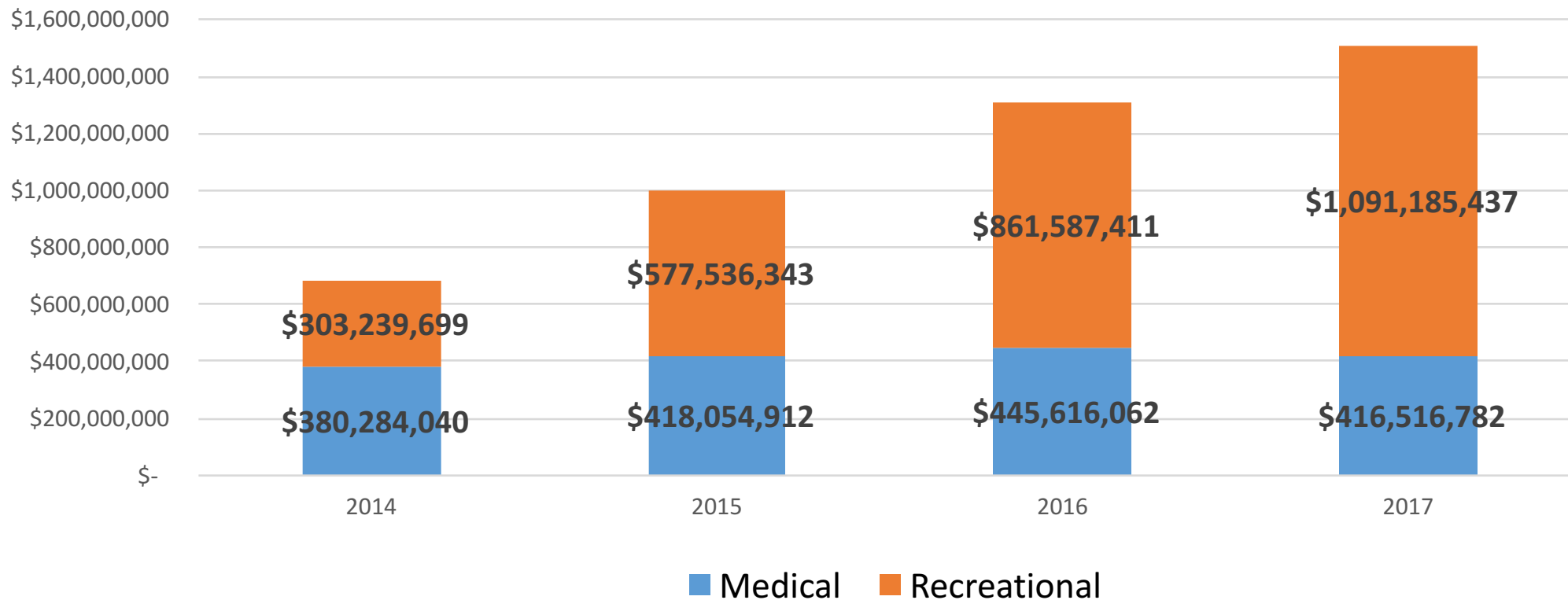
Recreational Marijuana Planning Process

Status Update by Anja Bernier and Fred Turkington

Finance Committee Meeting March 26, 2018

Cannabis Market size:

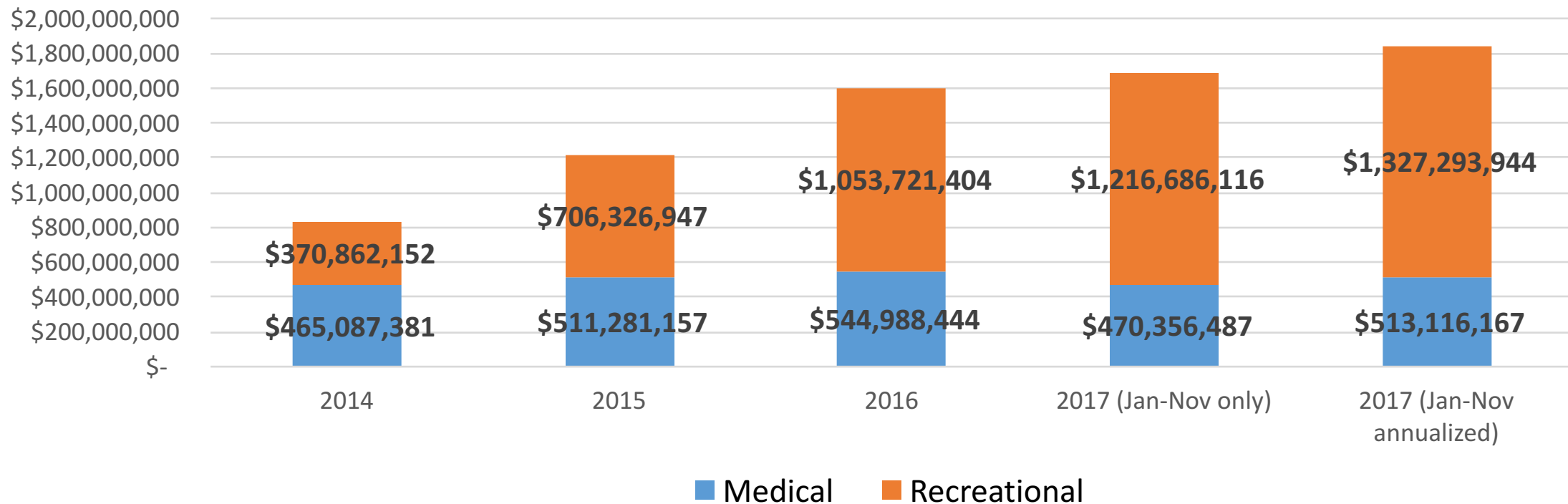
Legal Cannabis Sales in the State of Colorado (recreational marijuana started being sold in 2014)



Source: Colorado Department of Revenue

Cannabis Market size:

Legal Cannabis Sales in the State of Colorado adjusted for MA population size (CO population = 5.607 million , MA population = 6.860 million (+22.3%))



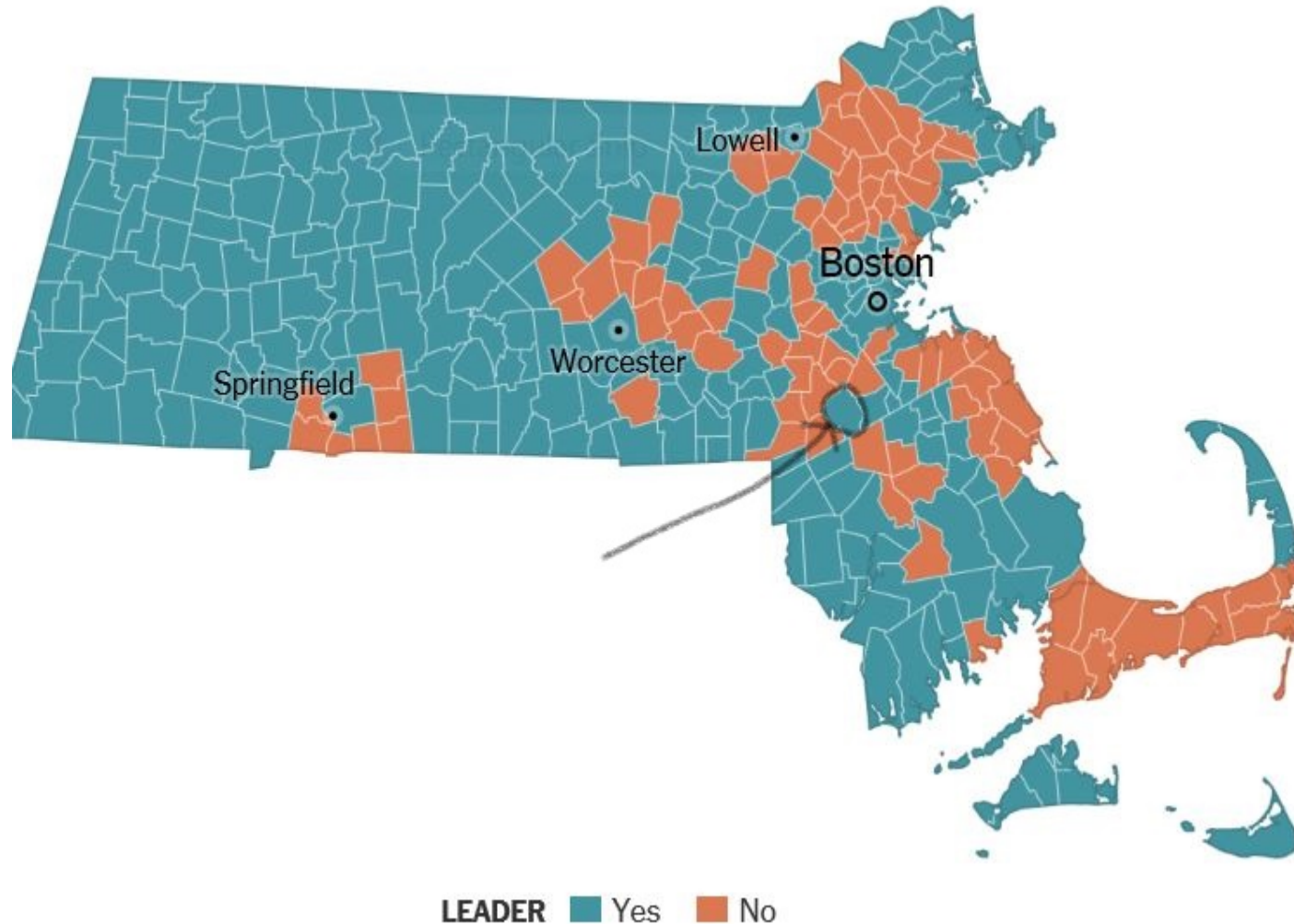
MA Revenue Commissioner C. Harding estimates total marijuana tax income to state (17% of revenues) in fiscal 2019 (July 2018 – June 2019) to be 44 - 82 million; that implies revenue projections of \$259 – 482 million and excludes sales tax income to local municipalities (Source: Annual Consensus Revenue Hearing, December 2017)

Marijuana Usage

	Total US	Colorado	Massachusetts
Use in the last year Age 12-17 in 2013/14	13.28%	20.81%	15.56%
Use in the last year Age 12-17 in 2015/16	12.29%	16.21%	14.45%
Use in the last year Age 18+ in 2013/14	12.87%	20.74%	17.38%
Use in the last year Age 18+ in 2015/16	13.85%	23.82%	19.02%
Use in the last month Age 12-17 in 2013/14	7.22%	12.56%	8.88%
Use in the last month Age 12-17 in 2015/16	6.75%	9.08%	8.68%
Use in the last month Age 18+ in 2013/14	8.04%	15.17%	12.01%
Use in the last month Age 18+ in 2015/16	8.79%	16.62%	12.14%

- Despite CO recreational marijuana shops opening on January 1, 2014, both, “last year marijuana use” and “last month use” of 12-17 year olds have gone down over-proportionately when compared to national data
- Usage by adults has increased over-proportionately for “past year use” and increased proportionally for “last month use” (indicating that the opening of recreational marijuana shops led to more adults occasionally consuming marijuana but not to an increase in consuming regularly)

Election Results for Ballot Question 4 (legalization of recreational marijuana)



- Within 25 miles, many municipalities did not vote in favor of legalization
- A store based in Sharon is thus likely to have limited competition for customers from other stores

Estimates of Potential Customers

MA total population	6,742,143	
MA population 21+	5,036,394	74.7% of total population
Total population within approx. 25 miles of Sharon (Middlesex, Norfolk, Plymouth, Suffolk Counties)	3,584,750	53.2% of total population
Estimated 21+ population within approx. 25 miles of Sharon	2,677,808	74.7% of total population with 25 miles
Total Last month Marijuana users in MA 21+	611,418	12.14% of 21+ population
Total Last year Marijuana usage in MA 21+	957,922	19.02% of 21+ population
Within 25 miles last month Marijuana users in MA 21+	325,086	12.14% of 21+ population within 25 miles
Within 25 miles last year Marijuana usage in MA 21+	509,319	19.02% of 21+ population within 25 miles
Revenue from last year users within 25 miles @\$1,176*	\$598,959,144	

*Based on CO data= 23.82% last year usage of 21+ = 927,842 users producing \$1,091,185,437 in recreational marijuana sales = \$1,176/person

Reasonability Analysis

	Necessary consumption in oz./year/user to sell 56,000 oz., if				
# of marijuana users within 25 miles	10 stores	20 stores	30 stores	40 stores	50 stores
509,319	1.1 oz.	2.2 oz.	3.3 oz.	4.4 oz.	5.5 oz.

Projected 4 Daughters Sales at Sharon store (in oz.): 56,000

Projected 4 Daughters Sales at Sharon store (in \$): 25.2 million

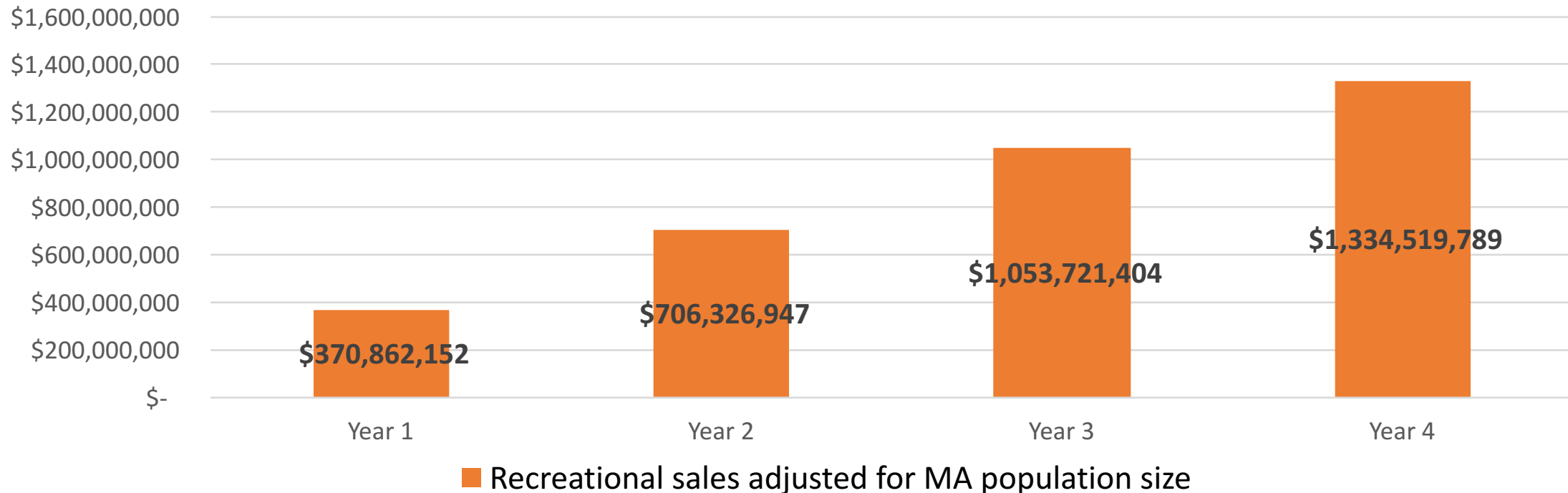
Projected sales price/oz.: \$450

Average annual spending of a recreational user*	\$1,274
Users needed to generate \$25.2 million in store revenues	19,780
% of all last year Marijuana users 21+ within 25 miles of Sharon	3.9%
# of dispensaries if each has 3.9% of users	26

*Source: New Frontier; study based on data from 300 retail & medical dispensaries across 10 states

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Reasonability Analysis

	Total MA Recreational Sales Estimate	Within 25 miles Recreational sales Estimate (53.2%)	Market share within 25 mile region at \$25.2 million
Year 1	370,862,152	197,298,665	12.8%
Year 2	706,326,947	375,765,936	6.7%
Year 3	1,053,721,404	560,579,787	4.5%
Year 4	1,334,519,789	709,964,528	3.5%

Conclusions

- Our analysis shows that the projections of 4 Daughters to generate up to \$25.2 million in annual store revenues, while not guaranteed, and depended on the amount of competition from other stores they will face, are achievable
- At that number, Sharon would receive \$756,000/year in sales tax (General Fund) and another \$756,000/year in Community Impact Fees (will pay for mitigation activities), for a total of \$1,512,000/year
- According to 4 Daughters projections, Sharon would receive another \$420,000/year from its wholesale growing activities
- Total payments to Town of Sharon/year: \$1,932,000
- For the payments to Town of Sharon to fall below \$1,000,000/year, realistically, at least 50 retail dispensaries would have to open up within 25 miles
- Voters should be aware of the fact that the payments to Town of Sharon will likely decline with time, as retail prices for marijuana will most likely fall, and more dispensaries will open up