



LEE &  
ASSOCIATES

NEWPORT BEACH



PROPERTY GROUP  
INVESTMENT SERVICES™

RARE CANNABIS APPROVED INDUSTRIAL BUILDING FOR SALE

# 728-730

W ESTHER STREET

*long beach, california*



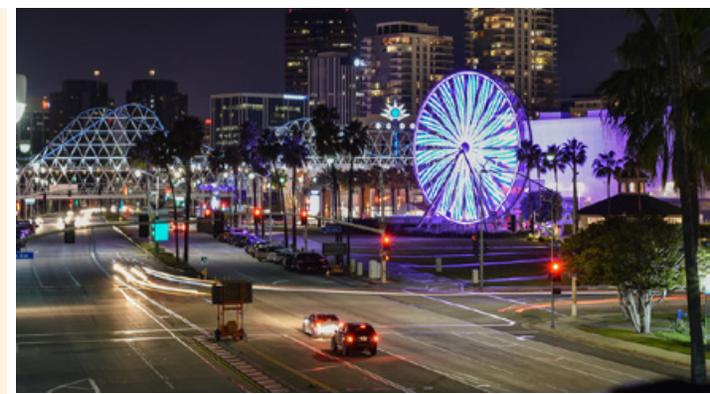
**CANNABIS  
APPROVED**



**FOR SALE**

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**±13,655**  
SQUARE FEET AVAILABLE



1. Federal Law. The Controlled Substances Act (the "CSA") makes it illegal under federal law to manufacture, distribute or dispense marijuana. 21 U.S.C § 801, et seq. Marijuana and cannabis is a Schedule 1 controlled substance under the CSA. Companies that engage in any form of commerce in the cannabis industry and individuals investing in a cannabis business may be subject to federal criminal prosecution along with civil fines and penalties. Federal enforcement could lead to dissolution, asset forfeiture and total loss of investment.

Since 2013, federal enforcement of state regulated cannabis operations has been deprioritized and defunded. The U.S. Department of Justice issued a memorandum (the "Cole Memo") that indicated that resources would not be directed for federal enforcement activity, including civil enforcement and criminal investigations and prosecutions related to marijuana activities. Essentially, the Cole Memo states that cannabis operations that are compliant with robust state regulatory systems are not priorities for federal enforcement. In 2014, Congress provided that "[n]one of the funds made available... to the Department of Justice may be used ... to prevent [various] States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana" (§ 542 of the Consolidated Appropriations Act). In 2016, the Ninth Circuit held that federal judges should stop prosecutions for conduct that is authorized by state medical marijuana laws. 2016 WL 4363168 (9th Cir. Aug. 16, 2016).

This position could change at any time. There is no way to predict how the government will enforce federal law or how he will deal with states that have legalized medical or recreational marijuana. Even for businesses compliant with state laws, cannabis-related investments remain a risk under federal law.

2. State and Local Compliance. In California, the state has enacted a series of laws to regulate medical cannabis, and recently voters passed Proposition 64 to regulate and tax recreational cannabis. The regulatory framework for commercial cannabis enterprises is currently being developed by several state agencies. For medical cannabis, the state anticipates issuing regulations and accepting applications for licenses in 2018. The state legislature may change Proposition 64 so long as the original intent of the initiative is maintained. For recreational cannabis, the state anticipates issuing regulations and accepting applications for licenses in 2018 as well. The cannabis industry will see many changes to laws and regulations in the coming years.

State medical and recreational laws allow local jurisdictions to enact codes so long as those regulations are more restrictive than state laws. Many local jurisdictions are in the process of developing cannabis policies. If the local jurisdiction allows cannabis operations, the business must first obtain local permits before seeking state licensing.

Permit and License requirements create a host of issues that investors should consider, including but not limited to the following:

- a. Limitations on the number of licenses and license types available to investors;
- b. Rapidly changing laws and regulations;
- c. Increased regulatory compliance costs and potentially lower gross margins;
- d. Competition; and,
- e. Potential changes to business plans, predicted income, or structure of business entities.

In addition to developing regulatory systems and local ordinances, cannabis operations must comply with all state laws and regulations as well as local ordinances and codes. Failure to comply with state and local laws and regulations could result in civil penalties, and in some cases criminal prosecution. There is no guarantee that any cannabis operation will get a local permit or state license. For a wide variety of reasons, cannabis businesses may not be granted state licenses. Failure to obtain a local permit or state license will prohibit future cannabis-related business activity until the business can obtain the required permits and licenses.

3. Lack of Adequate Banking Systems. Due to federal laws against marijuana, most banks are unwilling to take deposits, issue credit cards, open bank accounts or assist with payroll services for cannabis businesses. While efforts are underway to address the banking issue, cannabis businesses deal primarily with cash. This presents numerous risks related to security, managing cash flow and the inability to invest funds. The California Board of Equalization allows for cash payments of tax bills at county branches located throughout the state. Nevertheless, cash-related issues continue to present risks for investors.
4. Taxes. Under Internal Revenue Code Section 280E, cannabis businesses are prohibited from deducting their ordinary and necessary business expenses, except for some "costs of goods sold" by cultivators. This results in cannabis enterprises facing much higher federal tax rates than similar companies in other industries. While opinions differ, experts estimate from 40% to 70% as the effective federal tax rate imposed by Section 280E.

In addition, the state and localities may levy various taxes on cannabis operators. The recent passage of Proposition 64 imposes new excise taxes, including \$9.25 per ounce on flowers, \$2.75 per ounce for leaves, and 15% of gross receipts for sales. Local jurisdictions are permitted to impose additional taxes. In total, the aggregate tax rate for cannabis operations is well above other similar industries. Tax rates and structures (example: gross receipts vs square footage) are rapidly changing and will continue to change in the coming years.

5. Food and Drug Administration (FDA). The FDA does not permit or allow any statement that cannabis or cannabinoid is intended to treat or cure any disease. Research and scientific studies are underway throughout the U.S.; however, no product may make statements of diagnosis, treatment, or cure for any disease without FDA approval.
6. Developing Cannabis Market. The legal commercial cannabis industry in California is nascent. Although the medical collective model has existed since 2004, the commercial medical and recreational regulatory framework is currently being developed by state agencies. Commercial cannabis enterprises will start operating for-profit after state medical licenses become available in 2018. The market for medical and recreational products will likely experience fluctuation as supply chains become operational. Demand for cannabis products has been predicted to be substantial; however, there are no guarantees. Investors must consider the developing nature of the state regulated industry and the corresponding unpredictability of the cannabis market.
7. Product Liability Claims. Insurance law and available products for cannabis operations, and product liability of cannabis, is a major concern for the industry. Investors should be aware that insurance policies may be limited or claims may be challenged by insurance carriers.
8. Background Checks. California and some local jurisdictions require background checks for management and employees as well as applicants for licenses and permits. Although some cannabis-related convictions are not prohibited for obtaining licensing, convictions for other offenses may cause a delay or make a company ineligible for licensing.
9. Agricultural Product. Cannabis cultivation is essentially a form of farming. Crop loss due to acts of nature, infestation or pests are commonplace for cultivation.
10. Inspections. As part of the permitting and licensing process, state and local officials will conduct random and scheduled inspections of cannabis operations.
11. Utilities. Cannabis cultivation may consume large amounts of water and electricity. Investors should be aware of additional costs associated with commercial cultivation.

The building located at 728-730 West Esther Street, Long Beach will be used as a cannabis facility for cultivation, manufacturing and distribution activities. To prevent access into the Facility Center, there are limited points of access. An Iron gate, 12ft fencing system is surround the perimeter of the parking area. The premises is compliant with zoning restrictions for commercial cannabis businesses pursuant to Title 21 (Zoning Ordinance) of the Long Beach Municipal Code. The premises is located in a General Industrial (IG) Zoned building with a permitted use for a manufacturing facility of an Adult-Use Cannabis Business. The premises is compliant with distance requirements from sensitive uses.

 **Cultivation facility:** The cultivation operation at 730 West Esther street is consist of eight rooms for a total of 6,725 sq. ft., total 227 blooming lights.

Grow Room 1 - 1,542.75 sq. ft., Grow Room 2 - 2,335.75 sq. ft., and Grow Room 3 - 1,861.22 sq. ft.

The Mother Room - 212.94 sq. ft.

The Clone Room - 218.27 sq. ft.

The Veg Room - 774.06 and 264.25 sq. ft.

The Trim Room - 402.62 sq. ft. for trim.

The Dry Harvest Room - 297.89 sq. ft.

The Storage Room - 189 sq. ft.

**Manufacturing facility:** The manufacturing operation at 728 West Esther street is consist of three rooms.

Mechanical room- 135.8 sq. ft.

Extraction room- 819.82 sq. ft. and Processing room - 337.55 sq. ft.

Distribution facility: The distribution operation at 728 West Esther Street is consist of one room- 770.98 sq. ft.

The permitted premises at 728-730 West Esther street will share a common lobby, common interior walkway, and common interior hallway and bathrooms, where no permitted privileges will be exercised, provided that all premises comply with the requirements and any applicable State laws and regulations.

# 728-730

WESTHER STREET  
long beach, california



## - BUILDING HIGHLIGHTS -

- Property Size: 13,655 SF
- Land SF: 21,315
- APN: 7271-016-005
- Private Fenced Yard
- 21' Clear Height
- 1.46:1,000 Parking Ratio
- Ground Level Loading
- Close Proximity to Ports of Long Beach and Los Angeles
- State and City Cultivation & Manufacturing License Approved - Distribution license in Progress
- Plans for 6,725 SF for Cultivation and 1,726 SF for Distribution
- Asking Sales Price: \$5,500,000

## - WORK RECENTLY COMPLETED ON THE BUILDING -

- New iron fence in front & back, parking lot sides and sliding gate (12'h x 100'w) have been installed
- Electrical upgrade 2000 AMP has been approved by Southern California Edison
- Installed a back iron solid back fence with a gate 6'6" high.
- Southern California Edison installed the pole in the alley for the electrical upgrade.



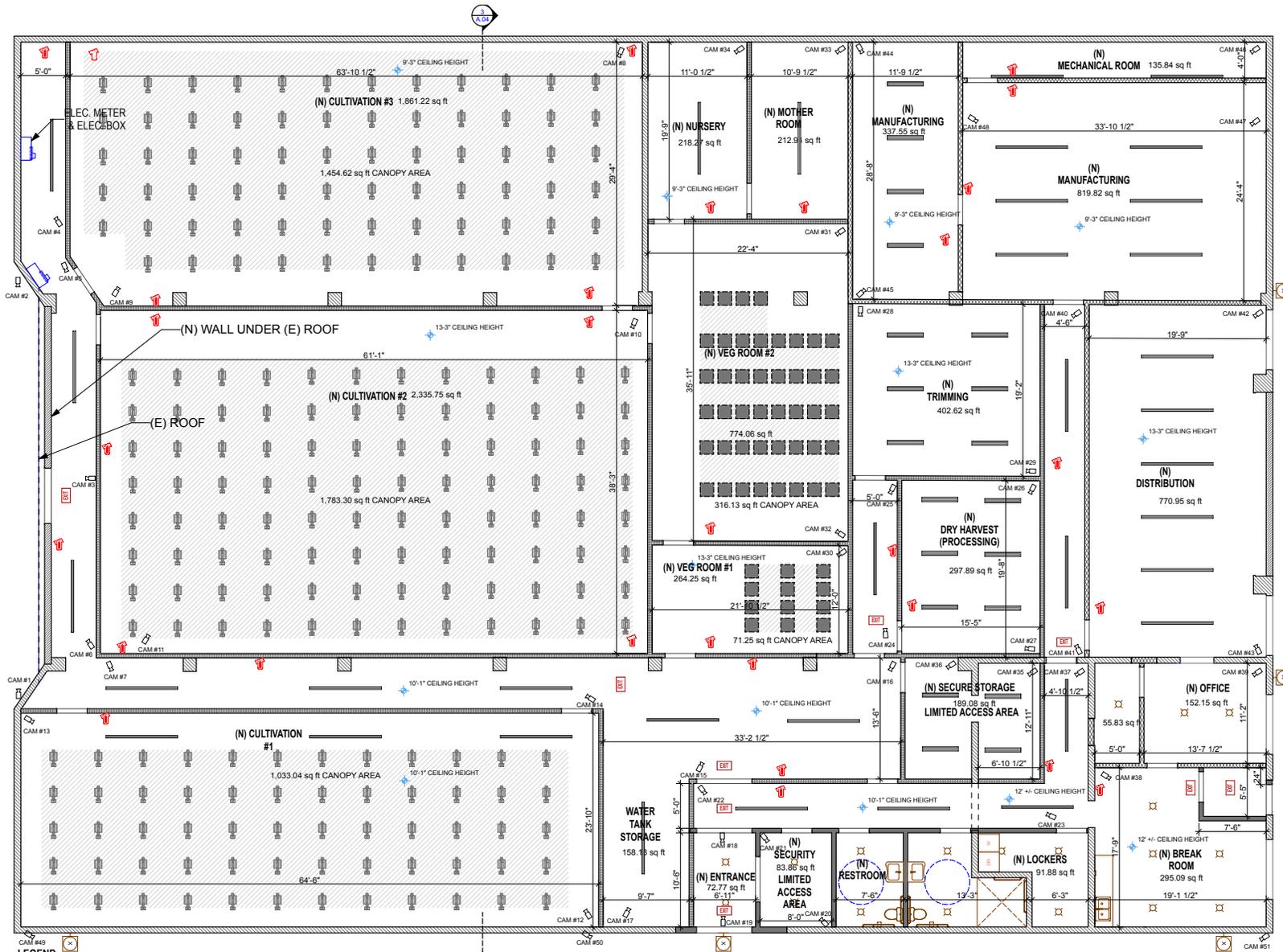
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- Conditional Use Permit- The Administrative Use Permit approval for the establishment and operation of an adult-use cannabis cultivation and 3rd party distribution for the facility was executed on October 23rd, 2020 with City Conditions of Approval Acknowledgement.
- Lot Merger. The property has obtained a Grand of Certificate of Compliance. The approval granted by this permit is for the merger of three parcels, within the General Industrial (IG) zoning district, located at 720-730 West Esther Street, and legally described as follows: LOT 8 AND LOT 9 TRACT NO. 5730, IN THE CITY OF LONG BEACH, AS PER MAP RECORDED IN BOOK 67, PAGE 88 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY. TOGETHER WITH LOT 7 AND LOT 8 BLOCK 2 THE TOWN OF SEABRIGHT, IN THE CITY OF LONG BEACH, AS PER MAP RECORDED IN BOOK 23, PAGES 43 THROUGH 47 OF MISCELLANEOUS RECORD, IN THE OFFICE OF THE COUNTY RECORDER OF LOS ANGELES COUNTY
- The Property has received CDTFA permit (Cultivation)
- The Property has received the following licenses:
  1. A type 2A Adult-Use Indoor Cannabis Cultivation License by The City of Long Beach (Cultivation) The maximum cultivation canopy is 6,725 sq ft. After construction work, dimension should be checked by inspector and reported to the City.
  2. SIEN # 126-7990-8. (Cultivation)
  3. A provisional cannabis cultivation license by California Department of Food and Agriculture. License type: Adult-Use-Specialty Indoor.
  4. CDTFA SELLER'S PERMIT (Distribution)
  5. TYPE 11 Adult-Use Cannabis Distribution Business license of The City of Long Beach
  6. CDTFA SELLER'S PERMIT (manufacturing)
  7. TYPE 6 an Adult-Use Cannabis Manufacturing Facility Business license of The City of Long Beach
  8. A provisional annual manufacturing adult and medical cannabis products license. The license type: 6, Non Volatile Solvent Extraction.

The permits were in plan check but have been suspended for a new buyer.



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