

RESOLUTION NO. RES-2017-035

RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA ROSA (1) ORDERING A SPECIAL ELECTION TO BE HELD ON TUESDAY, JUNE 6, 2017 FOR THE PURPOSE OF SUBMITTING TO SANTA ROSA VOTERS AN ORDINANCE OF THE CITY OF SANTA ROSA ADDING CHAPTER 6-10 TO THE SANTA ROSA CITY CODE AND AMENDING CHAPTER 6-04 OF THE SANTA ROSA CITY CODE TO IMPOSE A CANNABIS INDUSTRY TAX ON CANNABIS BUSINESSES OPERATING IN SANTA ROSA, (2) APPROVING BALLOT LANGUAGE, (3) PERMITTING THE FILING OF BALLOT ARGUMENTS, (4) DIRECTING THE CITY ATTORNEY TO PROVIDE AN IMPARTIAL ANALYSIS, AND (5) SETTING INITIAL TAX RATES FOR A 2-YEAR TERM

WHEREAS, the City of Santa Rosa has responsibly and proactively managed its finances and its taxpayer dollars through transparent budget and decision-making processes and recently enacted Measures O and N to ensure the City's fiscal stability by updating budget formulas and extend locally-enacted funding; and

WHEREAS, on November 5 1996, the California voters enacted Proposition 215 to legalize medical use of cannabis, and in October 2015, the Governor signed into law the Medical Marijuana Regulation and Safety Act (now known as the Medical Cannabis Regulation and Safety Act or MCRSA), establishing a state licensing framework and authorizing local regulation of the medical cannabis industry; and

WHEREAS, for the past year, the City of Santa Rosa's Medical Cannabis Policy Sub-Committee has been working with cannabis industry stakeholders to develop comprehensive policies to regulate those in the medical cannabis industry in a way that supports region's small, locally-operated providers without overburdening that new market; and

WHEREAS, as these policy discussions continue, on November 8, 2016, California voters enacted Proposition 64 to legalize adult recreational use of cannabis and to allow businesses that support such cannabis use to operate legally, subject to regulations imposed by state and local public entities; and

WHEREAS, the permitting and support of this industry, in association with the earlier passage of Proposition 215, and the recent enactment of MCRSA and passage of Proposition 64, has significant cost implications for the City of Santa Rosa due to the substantial costs to the City of adopting and implementing regulations to govern this new industry, enforcing those regulations, ensuring public safety, addressing environmental concerns, providing economic development services, and providing other related services, totaling over \$1,000,000 annually; and

WHEREAS, the City must identify a funding source to support regulation of the industry while not adversely impacting the general fund in order to maintain consistent funding and financial stability for essential services such as police and fire protection, 911 emergency response times, streets and road maintenance, affordable housing, gang prevention, recreational programs and other general city services; and

WHEREAS, the City's existing general business tax ordinance, which generally levies a limited business tax on all businesses operating in Santa Rosa, is insufficient to generate the

volume of revenue needed to pay the City's costs of allowing the new and unique cannabis industry to operate in Santa Rosa; and

WHEREAS, nearly 50 other California jurisdictions – typically in collaboration with cannabis businesses – have enacted local measures to impose a general tax on cannabis business for the privilege of operating within the local jurisdiction; and

WHEREAS, such business taxes are imposed on cannabis businesses, and not directly on cannabis users or consumers; and

WHEREAS, adopting such a local cannabis industry business tax measure in the City of Santa Rosa will benefit residents of the City by ensuring that cannabis businesses contribute reasonably and fairly to paying for the costs associated with allowing this emerging industry to operate in Santa Rosa while allowing the City to continue to maintain stable funding for essential City services and continued quality of life; and

WHEREAS, the City recognizes the volatility of the newly-legalized cannabis market and will therefor set limited initial tax rates to balance the financial needs of the City and the desire of the City to support and encourage the industry to engage in the regulated market; and

WHEREAS, such a measure will provide locally-controlled revenue that cannot be taken by the State; and

WHEREAS, such a measure will help to maintain the City's long-term financial stability, with public oversight and annual fiscal reviews; and

WHEREAS, the City of Santa Rosa wishes to continue its policy engagement and discussions with stakeholders and the public about how cannabis businesses operating in Santa Rosa should be regulated, while acting quickly and decisively to address any significant financial disruptions or impact to the City's General Fund and provision of services to Santa Rosa citizens; and

WHEREAS, the City Council desires to consolidate the election regarding the adoption of an Ordinance authorizing the imposition of a cannabis industry tax on cannabis business with the other elections to be conducted by the Sonoma County Registrar of Voters on the established election date of June 6, 2017.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Santa Rosa hereby resolves:

1. Pursuant to California Elections Code sections 1000 and 1400, and Government Code sections 53723 and 53724, a Special Municipal Election of the City of Santa Rosa is ordered and shall be held in the City of Santa Rosa, California, on Tuesday, the 6<sup>th</sup> day of June 2017 for the purposed of submitting to the qualified voters of the City an ordinance entitled "AN ORDINANCE OF THE VOTERS OF THE CITY OF SANTA ROSA, STATE OF CALIFORNIA, ADDING CHAPTER 6-10 TO THE SANTA ROSA CITY CODE AND AMENDING CHAPTER 6-04 OF THE SANTA ROSA CITY CODE TO IMPOSE A CANNABIS INDUSTRY TAX ON

CANNABIS BUSINESSES OPERATING IN SANTA ROSA” in the form attached hereto as Exhibit A, which is incorporated by this reference as if fully set forth herein. The full text of the provisions of the Ordinance submitted to the voters shall be available to any member of the public in the Office of the Registrar of Voters.

2. The proposed Ordinance shall be submitted to the voters in the form of a measure entitled “Santa Rosa Cannabis Industry Tax Measure” and printed on the ballot as follows:

Shall an ordinance be adopted authorizing a cannabis business tax in the City of Santa Rosa on cultivation businesses up to \$25 per square foot of cultivation area (annually adjusted by CPI) or 8% of gross receipts, and on cannabis manufacturing, distribution and dispensary businesses up to 8% of gross receipts, to maintain general funds for City services and to address cannabis industry impacts, with all funds subject to audits and staying local, generating undetermined revenue until repealed?	Yes  _____	No  _____
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3. Pursuant to California Elections Code section 10403, the Board of Supervisors of the County of Sonoma is hereby requested to consent and agree to the consolidation of the Special Municipal Election with the elections to be conducted on the established election day of Tuesday, June 6, 2017, for the purpose of submitting the Ordinance to voters for approval and for election services to be provided by the County Elections Department in conducting the Special Municipal Election. The vote requirement for the Ordinance’s passage is a majority of votes cast.
4. The City Council recognizes that the consolidated election will be conducted in the manner prescribed by the Elections Code section 10418. The County Elections Department is authorized to canvass the returns of the Special Municipal Election. The election shall be held in all respects as if there were only one election, and only one form of ballot shall be used.
5. The Board of Supervisors is requested to issue any necessary instructions to the County Elections Department to take any and all steps necessary for the holding of the consolidated election, and the City Clerk is authorized and directed to work with the County Elections Department as necessary and appropriate.
6. The City of Santa Rosa recognizes that additional costs will be incurred by the County by reason of this consolidation and agrees to reimburse the County for any costs.

7. The City Attorney's impartial analysis of and written arguments for and against the proposed measure shall be prepared in accordance with the Charter of the City of Santa Rosa and the California Elections Code.
8. The City Clerk shall certify to the passage of this resolution and cause this resolution to be published in the manner provided by law, and shall file a certified copy of this resolution with the Clerk of the Board of Supervisors of Sonoma County and the Registrar of Voters of Sonoma County promptly upon its adoption.
9. Arguments for and against the proposition may be submitted to the qualified voters of the City in accordance with sections 9282 through 9287 of the California Elections Code. The deadline date for submitting ballot arguments for or against the proposition shall be set by the City Clerk. Proposed arguments shall not exceed 300 words and shall be submitted to the Office of the City Clerk. The deadline for submitting rebuttal arguments shall be set by the City Clerk. Proposed rebuttal arguments shall not exceed 250 words and shall be submitted to the office of the City Clerk. The provisions of Section 9285(a) of the California Elections Code shall apply to the submittal of rebuttal arguments.
10. Initial cannabis business tax rates, should the proposed ballot initiative pass on June 6, 2017, shall be set as follows for a term of 2 years beginning the day the Ordinance goes into effect:
  - a. Cultivation Initial Rate: 2% of gross receipts or \$5.00 per square foot of cannabis cultivation area, at the taxpayer's election
  - b. Manufacturing Initial Rate: 1% of gross receipts
  - c. Distribution Initial Rate: 0% (instead subject to standard city business tax under Santa Rosa City Code Chapter 6-04)
  - d. Dispensaries: 3% of gross receipts (recreational only and only after state and local regulations are in place)

IN COUNCIL DULY PASSED on this 7th day of March, 2017.

AYES: (6) Mayor Coursey, Vice Mayor Tibbetts, Council Members Combs, Olivares, Rogers, Schwedhelm

NOES: (0)

ABSENT: (1) Council Member Sawyer

ABSTAIN: (0)

ATTEST: \_\_\_\_\_  
City Clerk

APPROVED: \_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

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Interim City Attorney