

Commercial Cannabis Tax Ballot Measure & Ordinance

City Council

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David Guhin
Director
Planning and Economic Development

City Response to MMRSA

- In 2005, the City of Santa Rosa adopted its initial regulations for Medical Cannabis Dispensaries
- 2016 - City Council Priority - Medical Cannabis Policy Development
- January 19, 2016 - Council initiated a **comprehensive policy** effort and reconvened Medical Cannabis Policy Subcommittee.
- February 23, 2016 - Council adopted an interim ordinance allowing commercial **cultivation** with a Conditional Use Permit.
- August 2, 2016 - Council directed the Zoning Administrator to issue a Zoning Code Interpretation to address: **manufacturing, testing, distribution and transportation**

The Adult Use of Marijuana Act:

- Passed on November 8, 2016
- Legalizes adult recreational use and commercial and personal cultivation
- Allows City & County agencies to enact local requirements
- Allows City & County agencies to authorize taxes on the commercial cannabis business

Estimated City Costs of Supporting Cannabis Industry

- \$250,000: Code Enforcement of City business regulations
- \$200,000: Policy development and administration
- \$150,000: Legal support and oversight
- \$150,000: Public Safety
- \$150,000: Non-recoverable permit, planning and inspection costs

~\$900,000 per year

Fiscal Emergency

- Current Business Tax does not support the generation of funding necessary to support industry
- Impact to general fund is anticipated if a sustainable revenue source is not identified
- County is holding Special Election on March 7, 2017 to put a Cannabis Business Tax on the Ballot
- Next opportunity will be in two years at the statewide General Election
- Council must unanimously declare a fiscal emergency in order to bring this measure to the voters for a simple majority vote

- An **excise tax** is a tax on the privilege of using or doing something with property.
 - Examples: business license tax, transient occupancy tax
- **Sales tax** is a tax on the privilege of selling tangible personal property at retail
 - Prop 64 exempts medical marijuana from state/ local sales tax
- The ordinance proposed authorizes an **excise tax** on those in the business of commercial cannabis, including cultivation, dispensaries and support businesses

Authorization to Impose Tax

- The proposed ordinance authorizes the City to impose a Cannabis Business Tax on the commercial cannabis industry
- The proposed tax is not a sales tax and would not be imposed directly on cannabis users or consumers
- Council can set and adjust tax rates at any time, by resolution, up to the maximum set by the voters
- Staff proposes to bring recommended initial tax rates to the Council in Jan/Feb 2017 to provide direction to the voters

Proposed Cannabis Business Tax Authorization

Cultivation (Maximum)

- \$38 per square foot, adjusted by CPI
- Or
- 10% of gross receipts

Other Cannabis Businesses (Maximum) – *Manufacturing, Testing, Distribution, Transportation, Dispensaries*

- 10% of gross receipts

“Santa Rosa Cannabis Industry Tax Measure.”

Shall an ordinance be adopted authorizing a cannabis business tax in the City of Santa Rosa on cultivation up to \$38 per square foot (annually adjusted by CPI) or 10% of gross receipts, and on other cannabis businesses up to 10% on gross receipts, to maintain financial stability for city services such as addressing cannabis industry impacts, public safety, affordable housing, and youth programs, with all funds subject to audits and staying local, generating undetermined revenue until repealed?

It is recommended by the Planning and Economic Development and Finance Departments that the Council adopt a resolution to:

- (1) unanimously declare a fiscal emergency as a result of the recent passage of Proposition 64 (the Adult Use of Marijuana Act)

(2) order a ballot submission to Santa Rosa voters at a special election on March 7, 2017, of an ordinance amending chapter 6-04 of the Santa Rosa City Code and adding chapter 6-10 of the Santa Rosa City Code to authorize the City to impose a business tax on cannabis businesses,

Recommendation

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- (3) approve ballot language,
- (4) permit the filing of rebuttal arguments,
- (5) direct the City Attorney to provide an impartial analysis and,
- (6) provide direction regarding ballot arguments in support of the measure.