

City of Santa Rosa



Legislation Details

File #:	17-0167	Version:	1	Name:	Cannabis Tax Ordinance
Type:	CC- Report	Status:		Status:	Agenda Ready
File created:	2/14/2017	In control:		In control:	City Council
On agenda:	3/7/2017	Final action:		Final action:	3/7/2017

Title: REPORT - A) RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA ROSA DECLARING A FISCAL EMERGENCY IN THE CITY AS A RESULT OF THE RECENT ENACTMENT OF THE MEDICAL CANNABIS REGULATION AND SAFETY ACT AND PASSAGE OF CALIFORNIA STATE PROPOSITION 64 (ADULT USE OF MARIJUANA ACT)

B) 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 AMENDING CHAPTER 6-04 OF THE SANTA ROSA CITY CODE AND ADDING CHAPTER 6-10 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

BACKGROUND: In September, 2015, the State enacted the Medical Cannabis Regulation and Safety Act (MCRSA), establishing a state licensing framework and authorizing local regulation of medical cannabis. The City has adopted interim regulations and is in the process of developing comprehensive medical cannabis policies. On November 8, 2016, the California State election passed ballot measure Proposition 64, known as "the Adult Use of Marijuana Act." Proposition 64 brings businesses that support adult recreational cannabis use into a regulated market, and allows the City of Santa Rosa to enact local regulations on such businesses in addition to the regulations that will be imposed by the state.

With the passage of Proposition 64, the enactment of MCRSA and the City's existing and anticipated cannabis regulations, the City of Santa Rosa anticipates incurring substantial costs associated with the newly-legalized cannabis industry, including code enforcement of City business regulations, policy development and administration, legal support and oversight, public safety, non-recoverable permit, planning and inspection, education, workshops, and outreach (for the industry and for the community), and economic impact research and studies. In light of the imminent financial burdens on the City, Staff recommends the Council declare a fiscal emergency.

In order to pay for the expected costs of authorizing and regulating cannabis businesses, it is recommended that the Council submit an ordinance to the voters that would authorize the Council to impose a local business tax on the cannabis industry to cover the costs to the City of allowing this emerging industry to operate in Santa Rosa. The proposed ordinance includes a cap of \$25 per sq foot or 8% of gross receipts for cultivation, and a cap of 8% of gross receipts for cannabis manufacturing, distribution and dispensaries. The resolution recommends starting rates for the cannabis business tax between 1% and 3%. The proposed tax is not a sales tax and would not be imposed directly on cannabis users or consumers.

RECOMMENDATION: It is recommended by the Planning and Economic Development and Finance Departments that the Council adopt the following:

- a. Resolution to declare a fiscal emergency as a result of the recent enactment of the Medical Cannabis Regulation and Safety Act and passage of Proposition 64 (the Adult Use of Marijuana Act); and

b. Resolution to (1) order 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 amending Chapter 6-04 of the Santa Rosa City Code and adding Chapter 6-10 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.

Sponsors: Planning and Economic Development

Indexes: Not a Project

Code sections:

Attachments: 1. Staff Report, 2. Resolution 1, 3. Resolution 2, 4. Ordinance, 5. Presentation, 6. Ordinance_Redlined (3/6/17), 7. Ordinance_Revised (3/6/17), 8. Resolution 1_Redlined (3/6/17), 9. Resolution 1_Revised (3/6/17), 10. Resolution 2_Redlined (3/7/17), 11. Resolution 2_Revised (3/7/17), 12. Ordinance_FINAL (3/9/17), 13. Resolution 1_FINAL (3/9/17), 14. Resolution 2_FINAL (3/9/17), 15. Ordinance_FINAL (revised 3/13/17)

Date	Ver.	Action By	Action	Result
3/7/2017	1	City Council	to waive reading of the text and adopt as amended	Pass
3/7/2017	1	City Council	to waive reading of the text and adopt as amended	Pass