



# City of Santa Rosa

## Legislation Details

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<b>File #:</b>	16-1190	<b>Version:</b>	1	<b>Name:</b>	Tax on cannabis cultivation
<b>Type:</b>	CC- Report	<b>Status:</b>		<b>Status:</b>	Agenda Ready
<b>File created:</b>	11/17/2016	<b>In control:</b>		<b>In control:</b>	City Council
<b>On agenda:</b>	12/6/2016	<b>Final action:</b>		<b>Final action:</b>	
<b>Title:</b>	REPORT - RESOLUTION TO (1) DECLARE A FISCAL EMERGENCY AS A RESULT OF THE RECENT PASSAGE OF CALIFORNIA STATE PROPOSITION 64 (ADULT USE OF MARIJUANA ACT); (2) ORDER A BALLOT SUBMISSION TO SANTA ROSA VOTERS 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; (3) APPROVE BALLOT LANGUAGE; (4) PERMIT THE FILING OF REBUTTAL ARGUMENTS; (5) DIRECT THE CITY ATTORNEY TO PROVIDE AN IMPARTIAL ANALYSIS; AND (6) PROVIDING DIRECTION REGARDING BALLOT ARGUMENTS IN SUPPORT OF THE MEASURE.				

BACKGROUND: On November 8, 2016, the California State election passed ballot measure Proposition 64, known as "the Adult Use of Marijuana Act." Prop 64 brings businesses to support 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 passing of Proposition 64, the City is facing a fiscal emergency when considering and adopting appropriate regulations to govern this new industry, administer business permits, inspect businesses, enforce code regulations, support public safety, protect the environment, and provide education to the industry and community. Such significant costs to the City may deplete general fund resources that are needed for other crucial City services.

City Staff recommends that the Council seek authorization from the voters to impose a local business license tax on the cannabis industry in order to pay for the significant costs to the City of allowing cannabis businesses to operate in Santa Rosa. The proposed business tax is not a sales tax and would not be imposed directly on cannabis users or consumers.

Under the proposed measure, the voters would authorize the City Council to impose up to a maximum business tax rate on cannabis businesses. Specifically, the measure would authorize the City Council to set the initial tax rate and adjust that rate as appropriate from time to time up to the maximum approved by the voters. For commercial cannabis cultivators, the maximum tax rate would be based on \$38 per square feet of cultivation space, adjusted annually based on the CPI index, or up to 10% on gross receipts. For all other cannabis businesses (including nurseries, transporters, distributors, testing labs, manufacturers, dispensaries and delivery providers) the maximum tax rate would be 10% of gross revenues.

The City recognizes businesses will be bearing many initial costs as they adjust to the new legal environment and adhere to state regulations that are yet to be developed. As such, the tax rates the City intends to impose will be sufficient to secure funding for the needs of the community, while not overburdening the industry.

For the City to bring the proposed ballot measure to the voters at the March 7, 2017 election - at the same election the County of Sonoma is considering submitting its own cannabis business license tax measure to County voters - as a general tax measure requiring approval by only a simple majority of the City's voters, the members of the City Council in attendance for this item must vote unanimously to declare a fiscal emergency based on the passage of Proposition 64. Without such a unanimous declaration, the City must wait until the November 2018 election to submit to the voters a tax measure requiring approval of only a simple majority of voters.

**RECOMMENDATION:** It is recommended by the Planning and Economic Development and Finance Departments that the Council continue Item 14.3 to a Regular Meeting in February 2017 and direct staff to revise the resolution to submit the Cannabis Industry Tax Measure to the Santa Rosa Voters at a special election on June 6, 2017.

**Sponsors:**

**Indexes:** Not a Project

**Code sections:**

**Attachments:** 1. Staff Report, 2. Staff Report Addendum (uploaded 12/5/2016), 3. Resolution, 4. Ordinance, 5. Presentation, 6. Presentation Amendment

Date	Ver.	Action By	Action	Result
12/6/2016	1	City Council		