



Mendocino County

Legislation Text

File #: 16-805, **Version:** 1

To: Board of Supervisors

From: Executive Office

Meeting Date: July 19, 2016

Department Contact: Carmel J. Angelo
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Item Type: Regular Agenda

Time Allocated for Item: 30 min

Agenda Title:

Discussion and Possible Adoption of Resolution to Present to the Voters of the County a Measure Adding Chapter 6.23 of Title 6 to the Mendocino County Code Establishing Cannabis Business License Taxes and Ordering Consolidation of Said Election with the Consolidated General Election Called for November 8, 2016; and Introduction and Waive Reading of an Ordinance Adding Chapter 6.23 to the Mendocino County Code Imposing a Cannabis Business Tax on Commercial Cannabis Businesses

Recommended Action/Motion:

Adopt Resolution presenting to the voters of the County a measure adding Chapter 6.23 of Title 6 to the Mendocino County Code imposing a Cannabis Business License Tax and ordering consolidation of said election with the consolidated General Election called for November 8, 2016, and authorize Chair to sign same; and introduce and waive reading of an Ordinance adding Chapter 6.23 to Title 6 to the Mendocino County Code imposing a Cannabis Business Tax on commercial cannabis businesses.

Previous Board/Board Committee Actions:

On May 16, 2016, the Board of Supervisors received a presentation by Hdl Companies regarding a medical cannabis ballot initiative strategy which included various taxation options for Mendocino County. On June 20, 2016, the Board of Supervisors' General Government Standing Committee received a presentation on timelines and requirements to place a cannabis tax measure on the 2016 General Election ballot in November. The Standing Committee directed staff to bring forward a cannabis tax ordinance to the Board on July 12, 2016, for consideration.

Summary of Request:

The Medical Marijuana Regulation and Safety Act (MMRSA) was passed by the legislature and signed into law by the Governor in 2015, creating a regulatory framework for medical cannabis in California. MMRSA allows for a County or City to pass tax measures around medical cannabis. A local tax on cannabis requires voter approval. Per Board direction, the Executive Office is bringing forward a proposed cannabis tax ordinance for the 2016 General Election ballot in November.

Humboldt and Sonoma County are currently in the process of developing a cannabis tax. Humboldt County will bring forward a tax ordinance on July 19, 2016, for Board consideration. Sonoma County is currently in the development phase and does not plan to bring forward a tax for the November 2016 election. In addition, other counties and municipalities throughout California have forwarded cannabis tax measures to the voters for consideration or are considering continuing to analyze a cannabis tax. A recent survey conducted by the California State Association of Counties indicated that 10 counties are currently planning to impose some type of tax on cannabis, however, no additional details were provided.

The proposed cannabis tax ordinance is a County general tax on commercial cannabis businesses in the unincorporated area of Mendocino County. Cannabis businesses include: cultivation, nursery, dispensaries, manufacturing, testing, transporting, distribution and delivery. The ordinance contains payment and reporting requirements and enforcement provisions and authorizes the County Treasurer-Tax Collector to administer the tax. The tax is for general governmental purposes and will go into effect only if the tax is approved by a majority of the voters voting on the tax at an election. Additionally the tax would only become effective when the Board of Supervisors adopts a permanent cannabis regulatory ordinance. The proposed ordinance would tax cultivation by square footage and other cannabis businesses by gross receipts per fiscal year. The charts below outline the proposed tax rates.

A variety of items were reviewed and analyzed to determine reasonable rates including other proposed regional models, the various permit types, the production and earning potential of each grow type and size, etc. The analysis resulted in a proposed tax rate structure that is envisioned to be reasonable in supporting the impacts on the cannabis industry on the local community without unduly burdening the business models. Mixed light and indoor grows are proposed to be taxed at a higher rate due to the additional grow cycles allowed over an outdoor grow. While the current draft regulatory ordinance only allows up to 10,000 sq. ft. grows (with the exception of nurseries), due to the complexity of addressing adjustments to a voter approved tax, it is recommended that a proposed rate is included at this time so it would be covered if the Board decided to permit larger grows in the future.

Grow Type	Canopy/Cultivation Area	Proposed Rate Per Square Foot
Outdoor		
	Up to 2,500 sq. ft.	\$0.75
	2,501-5,000 sq. ft.	\$1.00
	5,001 - 10,000 sq. ft.	\$1.50
	Over 10,000 sq. ft.	\$2.50
Mixed Light		
	Up to 2,500 sq. ft.	\$1.50
	2,501-5,000 sq. ft.	\$2.00
	5,001 - 10,000 sq. ft.	\$2.50
	Over 10,000 sq. ft.	\$3.50
Indoor		
	Up to 2,000 sq. ft.	\$1.50
	2,001-5,000 sq. ft.	\$2.00
	5,001 - 10,000 sq. ft.	\$2.50
	Over 10,000 sq. ft.	\$3.50
Beginning on July 1, 2020, a yearly adjustment will be made equivalent to the Consumer Price Index (CPI).		

Business Type	% of Gross Receipts
Nurseries	5%
Dispensaries	5%
Manufacturing	5%
Testing	5%
Transportation	5%
Distribution	5%
Delivery	5%
Beginning on July 1, 2020, tax rate automatically increase each fiscal year 2.5%, not to exceed the maximum tax rate of 10% per fiscal year on gross receipts.	

To deadline to provide items to the Registrar of Voters for placement on the November 2016 ballot is August 12, 2016. The proposed timeline to avoid the need for a special meeting requests the Board introduce and waive the first reading of the Ordinance on July 12, 2016, with the second reading on August 2, 2016.

Alternative Action/Motion:

Decline to adopt resolution and introduce ordinance or provide alternative direction.

Supplemental Information Available Online at: N/A

Fiscal Impact:

Source of Funding: N/A

Current F/Y Cost: N/A

Budgeted in Current F/Y: N/A

Annual Recurring Cost: N/A

Supervisory District: All

Vote Requirement: 4/5's

Agreement/Resolution/Ordinance Approved by County Counsel: Yes

CEO Liaison: Alan D. Flora, Assistant CEO

CEO Review: Yes

Comments: