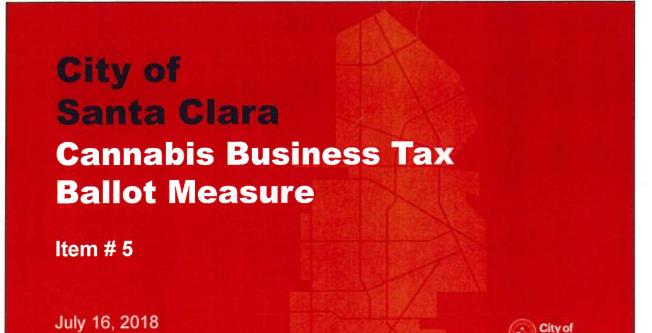
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item 5

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Background

- November 2016 Prop 64 Passed
- 2017 thru January 2018 State regulations developed and State licensing began
- January 2018 Council Goal Setting Meeting discussed the fiscal outlook of the City. Requested revenue options for further Council discussion
- February Community Outreach process began on possible Santa Clara commercial cannabis



Background

- May 29, 2018 Council directed staff to analyze two revenue options, Cannabis Tax and Infrastructure Bond Measure, for the 2018 November Ballot
- July 5, 2018 Results of polling suggested Cannabis Business Tax viable. Directed staff to bring back a measure to Council for consideration

Local Cannabis Policy

- Three separate bodies of regulations together form the overall policy framework:
 - Health & Safety Regulations (August and September)

City of Santa Clara

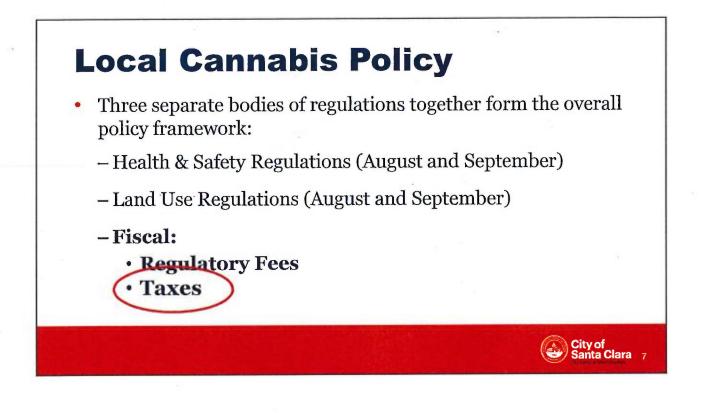
Local Cannabis Policy

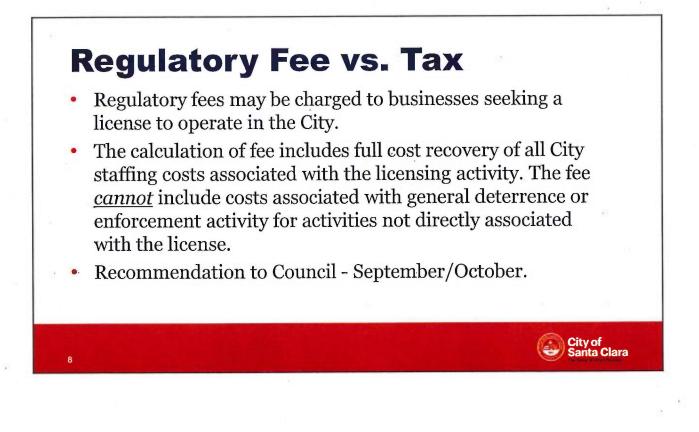
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 - Land Use Regulations (August and September)

Local Cannabis Policy

- Three separate bodies of regulations together form the overall policy framework:
 - Health & Safety Regulations (August and September)
 - Land Use Regulations (August and September).
 - Fiscal:
 - Regulatory Fees
 - Taxes

City of Santa Clara





Regulatory Fee vs. Tax

- Taxes may be used for specific or general purposes
- Direction to staff: seek revenue opportunities to improve the fiscal health of the City
- Proposed ballot measure would be a general tax on commercial cannabis activity - unrestricted revenue for General Fund.

Establishment of New Taxing Regulations

- California Constitution Article XIIIC, Section 2: No local government may increase any general tax unless submitted to the electorate and approved.
- A general tax measure must be considered at a general election and requires a 50%+1 majority vote to pass.

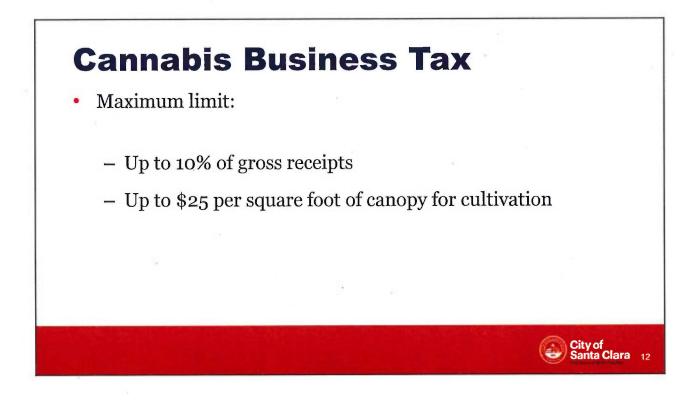
City of Santa Clara

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Cannabis Business Tax

- Only cannabis businesses would be required to pay tax to City
- Appropriate tax rates: Revenue maximization vs. black market suppression & possible market competition from nearby municipalities
- The economic impact on the industry and overall business climate
- Methodology commonly based on either gross receipts (i.e., revenue) and/or square footage



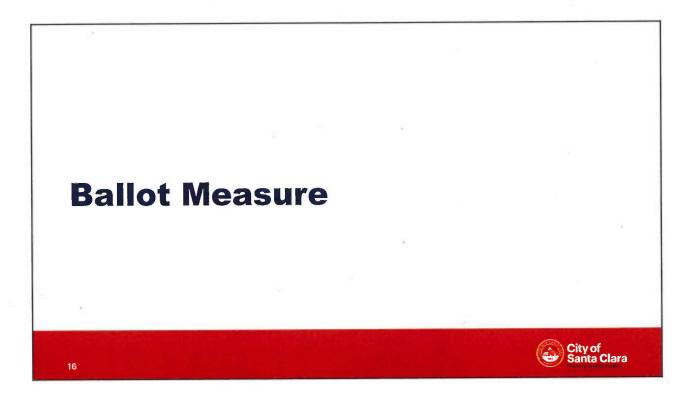
tial Rates:	
Business	Rate
Retail	5% of gross receipts
Manufacturing	5%
Cultivation	Greater of 5% or \$6/psf
Distribution	3%
Nurseries	3%
Testing	3%
Transportation	3%

Other Elements of Business Tax

- Collected by Finance Department on quarterly basis
- Subject to audit
- Data collection and review by staff on progress/trends with reports to Council
- Fee may be modified by adoption of a Resolution by Council no more frequently than on an annual basis
- Provides for flexibility for Council to adopt policies that ensure a sustainable approach to management of cannabis businesses

Taxing Regulations Statewide

- In November 2016, there were more than 35 local measures on the ballot throughout the State of California relating to a cannabis tax.
- Nearly all were passed by the voters.
- Examples of cities with a Cannabis Tax:
 - Campbell Initial rate of 7% and max rate of 15%
 - Oakland 5% of gross receipts
 - San Jose 10% of gross receipts
 - Hayward 6% of gross receipts
 - Richmond 5% of gross receipts
 - Sacramento 4% of gross receipts
 - Pasadena 6% on retail; 4% on other cannabis businesses; up to \$10 per canopy square foot for cultivation (adjustable for inflation)



Submission of Measure

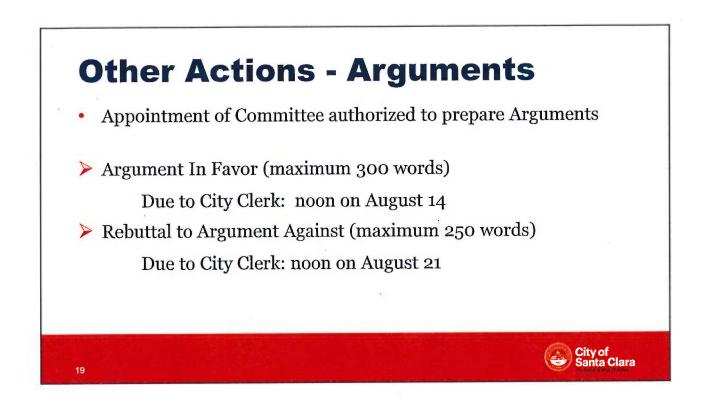
- Ballot measures must be forwarded to the Registrar of Voters 88 days prior to the November 6, 2018 election for placement on the ballot.
- The deadline is August 10, 2018.

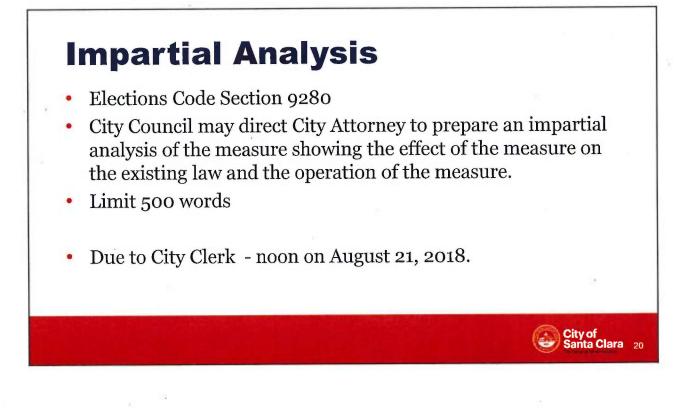
Proposed Ballot Question

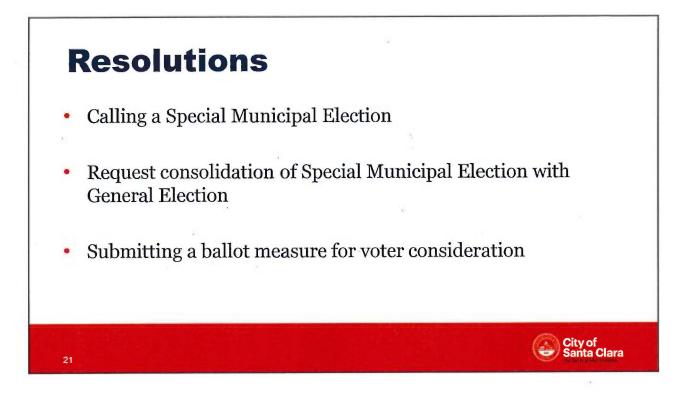
City of Santa Clara Commercial Cannabis Activity Measure To maintain fiscal stability/essential city services, including rapid 911 emergency response times; preventing cuts to police officers/firefighters; repairing streets/potholes; maintaining library/youth/senior services, shall an ordinance be adopted establishing a tax on commercial cannabis up to 10% of gross receipts and up to \$25 per square foot for cultivation, generating approximately \$2,200,000 annually until ended by voters, with annual independent audits, and all funds used locally? City of Santa Clara

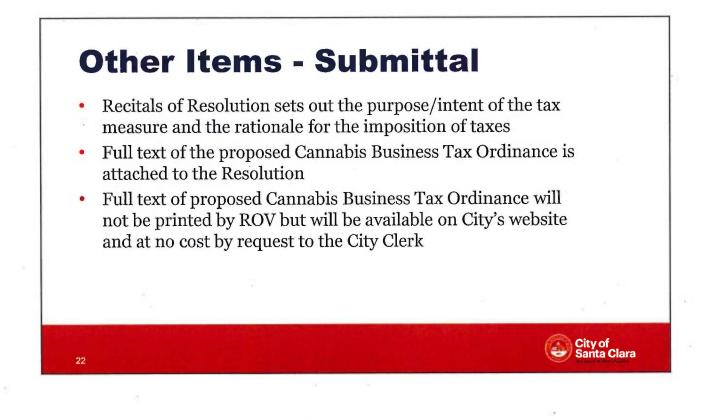
YES

NO





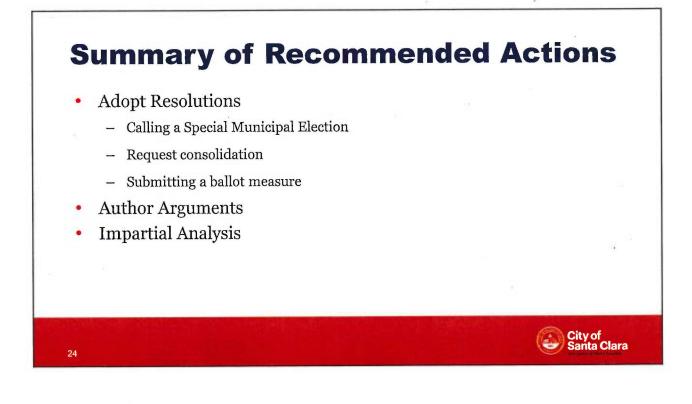




Cost

- Registrar of Voters (ROV) has provided cities with an estimated cost of \$366,605 for General Municipal election and one ballot measure
- ROV as estimated that each additional ballot measure to be \$90,800
- City Clerk has included estimated cost associated with General Election and two ballot measures in FY2018/19 Operating Budget

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Recommendation #1

 Adopt Resolution calling for a Special Municipal Election on November 6, 2018 for a vote on a ballot measure entitled City of Santa Clara Commercial Cannabis Activity Measure which would amend Title 3 "Revenue and Finance" of the Code of the City of Santa Clara adding a new Chapter 3.60 entitled "Cannabis Business Tax"

Recommendation #2

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 Adopt Resolution requesting the consolidation of a Special Municipal Election with the Statewide General Election to be held on November 6, 2018 for the purpose of submitting a ballot measure entitled City of Santa Clara Commercial Cannabis Activity Measure related Cannabis Business Tax

City of Santa Clara

Recommendation #3

 Adopt Resolution ordering the submission of a ballot measure entitled City of Santa Clara Commercial Cannabis Activity Measure to qualified electors of the City related to Cannabis Business Tax

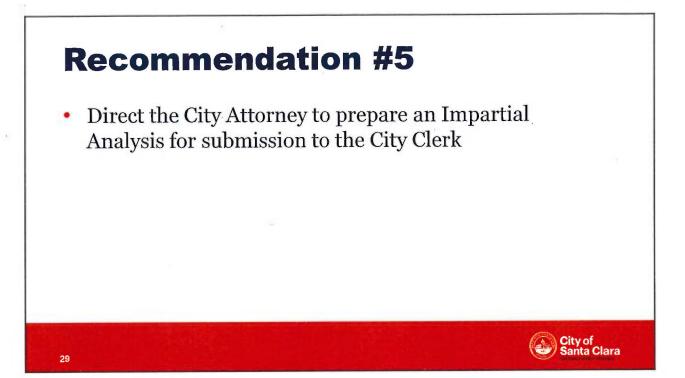
Recommendation #4

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 Authorize three members of the Council to author and submit an Argument in Favor of the ballot measure, and if necessary, a Rebuttal to an Argument Against the ballot measure

City of Santa Clara



City of Santa Clara

Cannabis Business Tax Ballot Measure

Item #5

July 16, 2018

