



Planning Commission

Public Hearing Item #3

20-353 - Zoning Amendment for Commercial Cannabis Ban

April 8, 2020



Background

- In May 2018, the City Council discussed and considered five revenue options:
 1. Increase the Transient Occupancy Tax (TOT) Rate
 2. Increase the Documentary Transfer Tax
 3. Establishment of a Utility Users Tax (UUT)
 4. Establishment of a Cannabis Tax
 5. Establishment of an General Obligation Bond or Infrastructure Parcel Tax
- Establishment of Cannabis Tax (approved November 2018)



Cannabis Regulatory Program Background

- November 2016 – Prop 64 passed in California
- September 2017 – Council directed staff to proceed with a commercial cannabis program
- December 2017 – SCI consulting contract approved
- July 2018 – Council direction to pursue tax on commercial cannabis
- November 2018 – Santa Clara voters approve cannabis tax structure
- February 2019 – Council directed staff return with more information before proceeding



Background

- November 2016 – Prop 64 Passed
- 2017
 - State regulations developed
 - Council directed staff to develop commercial cannabis policy for Council consideration
 - Council authorized a moratorium on commercial cannabis (currently through June 2019)
 - Council approved contract with SCI consultants
- January 2018 – State licensing began



Background

- 2018
 - Early outreach with stakeholders and community
 - Review of other jurisdictions' cannabis policy and implementation
 - Council direction to pursue cannabis tax as revenue opportunity
 - Nov 6, 2018 – Measure M: Santa Clara Cannabis Business Tax approved by voters with 76.68% support.



Cannabis Business Tax

- Initial Rates per Measure M:

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

(Maximum limit: Up to 10% of gross receipts and Up to \$25 per square foot of canopy for cultivation)



Policy & Council Direction



Commercial Cannabis Policy

Amendments to Municipal Code together with corresponding resolutions

- Health & Safety Regulations (Title 8)
- Business License Regulations (Title 5)
- Land Use Regulations (Title 18)

2019 California Law/Regulations



Companion Policies (Resolution)

Regulatory Fees

- Full cost recovery (staff and third party costs for implementation of the cannabis program)
 - Cash Management
 - Annual Regulatory Fee Study to be completed & presented to Council



Follow Up Items

- Angels Care
- Impact on Public Safety Resources
- Cost Analysis
- Information from other cities



Cannabis Regulatory Program

- Cannabis tax was roughly estimated to generate \$1.2 - \$2.4 million/annually
- Cannabis tax has not met projections at State or local levels
- While there was broad local support for a tax program, there are varied levels of support for the establishment of a cannabis program
- Additional resources needed for implementation of a cannabis program. (PD, Fire, Finance, CAO and CMO)
- While costs can be directed to cannabis business, there are other costs from non-licensed activity that cannot be recovered



Recommendation

- Council opted for other revenue sources (bonds, TOT, parcel tax)
- Due to lowered revenue figures, and concerns/implication to community, less support at this time where and how to focus resources
- Council opted to ban commercial cannabis at this time
- Recommended to commence preparing for Council action for a Cannabis Permanent Ban
- PC consideration of Zoning Amendment
- Recommend PC support of Zoning Text Amendment to ban commercial cannabis



Questions

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