

## CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE \_

The City Council of Redwood City voted 7-0 to place Measure\_\_ on the ballot. The Measure would establish a business tax on cannabis businesses for general city purposes.

Medical cannabis use has been legal in California since 1996, and adult recreational use by persons 21 or older became legal in California in November 2016. In 2017, the State of California enacted a comprehensive state law and emergency regulations covering cannabis cultivation, sale and use. These state rules include a variety of licensing, operation and business location requirements for commercial cannabis businesses. On January 1, 2018 the state began issuing licenses for businesses from which adults 21 or older could purchase cannabis.

Based on actions taken by the City Council in 2017 and 2018, City law now allows the following business activities in Redwood City:

- *Commercial cannabis delivery centers*, with storage and sale by delivery only.
- *Indoor cannabis nurseries* with commercial sales only.
- *Deliveries by cannabis retailers* located outside of Redwood City. Walk-in retail sales remain prohibited in the City.

City code currently imposes a variety of business license taxes that vary depending on the types of businesses operating in Redwood City. This measure would impose a business tax specifically on cannabis businesses, based on gross receipts. The proposed tax is not a sales tax on cannabis consumers. The proposed tax is separate from the permit fees imposed on cannabis businesses by the City, which do not require voter approval.

The initial rates would be:

- 2.5% of gross receipts for *Cannabis Nursery Businesses*.
- 4.0% of gross receipts for *Delivery-Only Cannabis Retail Sales*; this applies to all cannabis retailers operating in the City regardless of whether their business is located in the City.

In addition, the measure specifies tax rates for cannabis businesses that are not currently allowed in Redwood City, if the activities are authorized at a later date. The rates would be:

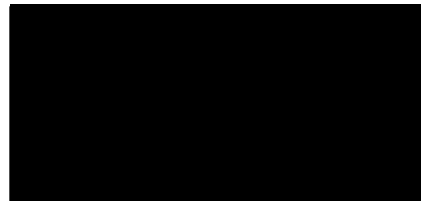
- 1.0% of gross receipts for *testing*.
- 2.0% of gross receipts for *distribution*.
- 2.5% of gross receipts for *cultivation other than in a nursery*.
- 4.0% of gross receipts for *retail walk-in sales*.
- 2.5% of gross receipts for *any other type of cannabis business*.

The measure allows the City Council by resolution or ordinance to adjust these tax rates up or down up to a maximum rate of 10% of gross receipts. This allows the City to tailor the rates to different businesses within the supply chain that have different profit margins and levels of competition, while ensuring the tax rate does not make the City noncompetitive.

All funds generated by the measure would be placed in the City's General Fund to be used for any valid governmental purpose. The measure is estimated to generate \$210,000 annually.

A simple majority vote is needed for adoption (50% plus 1). The measure if enacted stays in effect unless and until changed by the voters.

**The above statement is an impartial analysis of Measure \_\_\_\_\_. If you desire a copy of the full text of the measure, please call the City Clerk at (650) 780-7220 and a copy will be mailed at no cost to you.**



Veronica Ramirez, City Attorney  
City of Redwood City