

## CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE F-18

Measure F-18 is a cannabis business tax measure placed on the ballot by unanimous vote of the San Luis Obispo City Council. If approved by a majority of City voters, the Measure would enact a tax charged upon persons engaging in commercial cannabis cultivation, retail sales, and other cannabis business activities. Under current City law, all commercial cannabis activities are prohibited within the City, personal cultivation is limited, and there is no City tax specifically applicable to cannabis businesses. The proposed tax would apply only to cannabis businesses.

The City Council previously adopted Ordinance No. 1647 (2018 Series) to permit and regulate commercial cannabis businesses. However, that ordinance provides that no permits shall be issued, and no commercial cannabis business operations shall be allowed in the City, unless City voters approve a cannabis business tax.

This Measure provides that “The Cannabis Business Tax is a general tax enacted solely to raise revenue for general governmental purposes...”, meaning that all revenue from the tax can be used for any City projects, services or operations, without limitation. Revenues from the Measure would be deposited into the City’s general fund with expenditures determined by the City Council.

Measure F-18 would approve an ordinance to be codified as Chapter 5.10 of the City’s Municipal Code to define cannabis businesses and activities subject to the tax; establish administration, payment and compliance procedures; and impose the tax on commercial cultivation and cannabis business activities. The Measure would impose a tax not to exceed \$10 per square foot of plant canopy grown on commercial cannabis cultivation and not to exceed 10% of gross receipts on retail sales. Taxes would also be imposed on testing labs, manufacturing, processing and distribution businesses at maximum rates between 2.5% and 4% of gross receipts. Uncompensated personal cultivation consistent with State and City law would not be taxed. The Measure provides for a phased imposition of taxes on all cannabis businesses, establishing initial rates, beginning January 1, 2019, below the authorized maximum rates. The initial rate for commercial cultivation is fixed through January 1, 2021. After January 1, 2022, the maximum commercial cultivation tax rate will increase based on a specified Consumer Price Index. For all other cannabis business types, the City Council can, by resolution or ordinance, raise rates up to the specified maximums for the business type at any time after January 1, 2019. The Measure authorizes the Council to eliminate taxes or reduce tax rates at any time. The tax cannot be increased above the maximum amounts specified without additional voter approval.

A “yes” vote on Measure F-18 means the City will be authorized to impose and collect the tax and the City will begin permitting cannabis businesses that comply with State and City laws after January 1, 2019. A “no” vote means that the City will not be authorized to impose and collect the tax and the City will not permit or allow any cannabis business operations in the City.



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