



Monterey County

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: ORD 22-031

July 26, 2022

Introduced: 7/11/2022

Current Status: Agenda Ready

Version: 1

Matter Type: Ordinance

Adopt an ordinance amending Chapter 7.100 of the Monterey County Code to reduce the commercial cannabis business tax rates for mixed-light and indoor cultivation retroactive to July 1, 2022 and authorize the Board to, by Resolution, waive and/or stay interest and penalties for cannabis operators with delinquent cannabis business taxes.

RECOMMENDATION:

Staff recommends that the Board of Supervisors:

Adopt an Ordinance amending Chapter 7.100 of the Monterey County Code to reduce the commercial cannabis business tax rates for mixed-light and indoor cultivation retroactive to July 1, 2022 and authorize the Board to, by Resolution, waive and/or stay interest and penalties for cannabis operators with delinquent cannabis business taxes.

SUMMARY/DISCUSSION

The County imposes an annual business tax on cannabis businesses under Monterey County Code (MCC) Chapter 7.100. That tax is collected by the Treasurer-Tax Collector. On June 1, 2022, the Cannabis Program (Program) reported to the Board of Supervisors on the implications of the decline in wholesale price points for commercial cultivation and the impacts of that decline on the cannabis industry and provided six options to consider.

The Board approved the following.

1. Effective July 1, 2022, reduce the mixed-light and indoor cultivation tax rates to \$2 per square foot and \$3 per square respectively.
 - a. This option would estimate FY 22-23 commercial cannabis business tax revenue at \$7.8m, which would not have budgetary impacts from the perspective of how the Recommended Budget is built.
 - i. In a report to the Board on June 1, 2022, the Program reported the estimated commercial cannabis business tax revenue at \$8.2m. At the time it was written, we did not have FY 22-23 Registration forms. Based on the FY 22-23 registration forms, we estimate cultivation and nursery square footage to be 2,965,568 square feet and 1,237,456 square feet respectively.
 - b. This option does not present operational challenges to the Treasurer-Tax Collector's office, as the proposed effective date coincides with the start of the fiscal year and aligns with established quarterly reporting due dates.

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After adjusting for these reductions, the estimated FY 22-23 commercial cannabis business tax revenue is \$7.8 million dollars.

Additionally, the Board is concurrently considering potential payment options, which may include a waiver and/or stay of penalties and interest accrued on delinquent cannabis taxes. Any such action would, under existing law, require an Ordinance and two readings, delaying such a plan. Consequently, the draft Ordinance would amend Chapter 7.100.100 to authorize the Board to take any such action, should it decide to do so, either now or in the future, by Resolution. This amendment does not commit the Board to take any particular action; it merely gives the Board a faster tool to respond to market conditions as necessary, both in this case and going forward.

The Ordinance was introduced for its first reading on July 12, 2022 and is currently before the Board of Supervisors for final adoption. Redlined and clean versions of the Ordinance are attached to this report as Attachments A and B, respectively.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel and Treasurer-Tax Collector’s Office were involved in the preparation of the Ordinance and report. The Office of the County Counsel approved the draft Ordinance as to form.

FINANCING:

The proposed amendments to Chapter 7.100 will reduce estimated commercial cannabis business tax revenue by approximately \$3.2 million dollars.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The Monterey County Cannabis Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

Mark a check to the related Board of Supervisors Strategic Initiatives

- X Economic Development
- X Administration
- X Health & Human Services
- X Infrastructure
- X Public Safety

Prepared by: Joann Iwamoto, Program Manager II
Approved by: Nicholas E. Chiulos, Assistant CAO

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7/12/2022 | 5:18 PM PDT

Attachments:

- A. Draft ordinance (redline version)
- B. Draft ordinance (signed clean version)

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