

**Board of Supervisors
Consent Item
May 5, 2020**

Introduce, waive reading, and set May 19, 2020 at 10:30 a.m. as the date and time to consider adoption of an ordinance amending Chapter 7.100 of the Monterey County Code to suspend the Fiscal Year 2020-2021 automatic increases on the County's commercial cannabis business tax rates and resume the automatic increases in Fiscal Year 2021-2022 on July 1, 2022.

RECOMMENDATIONS:

It is recommended that the Board of Supervisors:

Introduce, waive reading, and set May 19, 2020 at 10:30 a.m. as the date and time to consider adoption of an ordinance amending Chapter 7.100 of the Monterey County Code to suspend the Fiscal Year 2020-2021 automatic increases on the County's commercial cannabis business tax rates and resume the automatic increases in Fiscal Year 2021-2022 on July 1, 2022.

SUMMARY/DISCUSSION:

Monterey County imposes an annual business tax on cannabis businesses pursuant to Monterey County Code Chapter 7.100 and such tax is collected by the Treasurer-Tax Collector. The COVID-19 pandemic has created economic turmoil for numerous types of businesses, and cannabis businesses in particular have been impacted because they are not eligible for federal assistance or traditional banking relief to survive the economic downturn and many faces permanent closure. The permanent closure of cannabis businesses may cause widespread unemployment, abandonment of ongoing greenhouse rehabilitation in the Salinas Valley, and reversion to the illegal black-market sale of cannabis and cannabis products.

In response to the Board of Supervisors Referral 2020.15, staff presented a report on implications of the automatic cannabis tax escalator that would take into effect on July 1, 2020. The Board of Supervisors approved to freeze the automatic cannabis tax increases and directed staff to return to the Board with an amendment to Chapter 7.100.

The ordinance modifies the automatic increases to commercial cannabis tax rates. Specifically, it prescribes the following:

- Taxes on indoor and mixed light cultivation and nurseries will automatically increase by \$1.00 on July 1, 2021.
- Taxes on manufacturers and distributors will automatically increase by 1% on July 1, 2021.
- Tax on retail facilities will automatically increase by 0.5% on July 1, 2021.

A redlined and clean version of the ordinance are attached to this report as Attachment 1 and 2.

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. Due to late submission of this Board Report, the CAO Budget and Analysis Division was not provided adequate time to fully review for potential fiscal, organizational, policy, or other implications to the County of Monterey.

FINANCING:

The proposed amendments to Chapter 7.100 will impact the estimated commercial cannabis tax revenue for FY 20-21 by approximately a loss of \$4 million dollars. The automatic escalators that were supposed to take place in FY 20-21 will not be recovered in later years.

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, Cannabis Program Manager
Kelly Donlon, Deputy County Counsel

Approved by: Nicholas E. Chiulos, Assistant CAO

Attachments:

- 1: Draft ordinance (redline version)
- 2: Draft ordinance (signed clean version)