



# County of Monterey

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

## Board Report

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**File #:** ORD 22-028, **Version:** 1

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Introduce, waive reading of, and set July 26, 2022 at 10:30 a.m. as the date and time for the Board of Supervisors to consider adoption of 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 authorizing the Board to, by Resolution, waive and/or stay taxes and penalties for cannabis operators with delinquent cannabis business taxes.

RECOMMENDATIONS:

It is recommended that the Board of Supervisors:

- a. Introduce, waive reading of, and set July 26, 2022 at 10:30 a.m. as the date and time for the Board of Supervisors to consider adoption of 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 authorizing the Board to, by Resolution, waive and/or taxes 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 (TTC). 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 of the writing 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.

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.

Attached as Attachment A and B are the clean and redline copies of a draft Ordinance amending Monterey County Code Chapter 7.100 to effect these changes.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel was involved in the preparation of the draft ordinance and report. The Treasurer-Tax Collector has reviewed the changes and 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 for FY 21-22.

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

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Approved by: Nicholas E. Chiulos, Assistant CAO

Attachments:

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