



County of Monterey

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

Board Report

File #: ORD 16-028, **Version:** 1

Public hearing to adopt an ordinance adding Chapter 7.02 to the Monterey County Code to require annual business licenses for commercial cannabis business operations in unincorporated areas of Monterey County.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Adopt an ordinance adding Chapter 7.02 to the Monterey County Code to require annual business licenses for commercial cannabis business operations in unincorporated areas of Monterey County.

SUMMARY:

On December 6, 2016, the Board of Supervisors introduced, waived reading, and considered an ordinance adding Chapter 7.02 to the Monterey County Code to require annual business licenses for commercial cannabis business operations in unincorporated areas of Monterey County, and set December 13, 2016 at 10:30 a.m. as the date and time to adopt the ordinance. Adoption of the business license ordinance for specified businesses provides for necessary regulations of certain lawful businesses being conducted within the unincorporated area of Monterey County, and is in the interest of the public health, safety, and welfare of the people of the County. The business license function also provides a mechanism of registration for taxation, an annual census of specified businesses permitted to operate in unincorporated Monterey County, as well as ensuring that all required permits, licenses, and entitlements have been obtained prior to an operator commencing business. Annual renewal of business licenses identifies permitted businesses that remain in compliance with associated ordinances, including payment of voter-approved business taxes.

DISCUSSION:

On February 9, 2016, a draft ordinance establishing a new business license requirement for commercial cannabis business operations in the unincorporated areas of the County was presented to the Board as a final step in the permitting process. Shortly after this Board meeting, the ad hoc committee decided to focus on more immediate time-sensitive hearing dates for land use, permitting, and taxation ordinances, and to allow the Treasurer-Tax Collector opportunity to further refine the draft business license ordinance.

On July 19, 2016, the Board of Supervisors adopted several new ordinances providing for commercial medical cannabis operations in unincorporated areas, including cultivation, manufacturing, testing, transportation, delivery, dispensaries and distribution, in accordance with State law. To support projected compliance review, enforcement costs and demands on County services, the Board also adopted Ordinance 5274 adding Chapter 7.100 to the Monterey County Code to impose a Commercial Cannabis Business Tax. This tax measure was approved by a majority of the voters and will be certified as such by the Registrar of Voters on December 6, 2016. The Business Tax will be administered, collected and enforced by the Monterey County Treasurer-Tax Collector.

Most cities and many counties in California have a licensing requirement for certain businesses that operate within their jurisdictions. Monterey County does not have a business licenses requirement for any type of business. This ordinance, as presently drafted, specifies business license requirements only for commercial cannabis activities in the unincorporated areas of the County. However, the ordinance has been written so license requirements could be extended to other types of businesses as needed and if desired by the Board.

The issuance of business licenses provides a registration and reporting mechanism, identifies businesses operating within unincorporated Monterey County, related total jobs, and taxes generated. Annual business license renewals confirm that businesses continue to operate in compliance with state regulations and local requirements, including the payment of taxes.

OTHER AGENCY INVOLVEMENT:

The Business License Ordinance was drafted based on discussions with the Board's Medical Marijuana Ad Hoc Committee, and finalized in close coordination with County Counsel.

FINANCING:

Adoption of the Business License Ordinance does not directly impact the General Fund. However, the Treasurer-Tax Collector will have to redirect existing staff resources currently assigned to other Tax Collection programs to develop and implement a new business license program. As a result, those existing programs may see a commensurate decrease in revenue. To combat the loss of non-program revenue, the Treasurer-Tax Collector has requested Budget Committee review and support for necessary additional resources to run both business license and business tax programs at its special meeting on December 12, 2016. The request for increased resources and financing will be presented to the Board of Supervisors on January 10, 2017. Fees that will be collected for business licenses are limited to the actual cost of services provided and include the procurement of a new license, license renewal and duplication of license. Initial estimates are 150 licenses issued in the first year resulting in revenue of approximately \$23,000. Should the Board be desirous of including additional types of businesses in the license program, an evaluation of the new workload would be required in order to determine new resource needs.

Prepared by: Mari Beraz, Assistant Treasurer-Tax Collector, x5112

Approved by: Mary A. Zeeb, Treasurer-Tax Collector, x5474

All attachments are on file with the Clerk of the Board:

ATTACHMENT A: Marijuana Business License Ordinance

ATTACHMENT B: Marijuana Business License Ordinance Resolution