



Resolution Establishing Cannabis Business Tax Rate

March 20, 2017

Council Goals

- ▶ Place San Leandro on a firm foundation for long-term fiscal sustainability
- ▶ Advance projects and programs promoting sustainable economic development, including transforming San Leandro into a center for innovation

Background

- ▶ February 12, 2013: City Council holds special Town Hall meeting to receive public input on the draft dispensary ordinance
- ▶ December 16, 2013: City Council approves medical cannabis ordinance
- ▶ December 15, 2014: RFP from parties interested in serving as San Leandro's dispensary operator released.
- ▶ September 8, 2015: City Council awards first dispensary permit to Harborside San Leandro; Council also directs staff to explore cannabis tax
- ▶ Winter/spring 2016: Rules Committee explores various tax measures
- ▶ July 18, 2016: City Council issues 2nd dispensary permit
- ▶ **July 18, 2016: Council adopts resolutions asking voters to authorize Measures NN, OO, PP**
- ▶ October 17, 2016: Council awards 3rd dispensary permit to Blum SL
- ▶ November 8, 2016: San Leandro voters authorize Measures NN, OO, PP

Text of Measure NN

To maintain and enhance the City of San Leandro, with funding that cannot be taken by Sacramento, including: social services, public art, programs that celebrate diversity, multilingual programming and other general city services, shall the City of San Leandro levy an ongoing tax of up to 10% of gross receipts of cannabis (marijuana) businesses in the city, providing \$500,000 annually, requiring independent citizen oversight, financial audits, and that all funds stay in the City of San Leandro?

Results: 75.23% YES
24.77% NO

Cannabis Taxes in Neighboring Cities

- ▶ Berkeley: 2.5% of gross receipts
- ▶ Oakland: 5% of gross receipts
- ▶ San Jose: 10% of gross receipts
- ▶ Hayward: Up to 15% of gross receipts

Other Taxes:

- ▶ Proposition 64: 15% excise tax
- ▶ Sales Tax: 9.75% at point of sale
- ▶ Federal Taxes: Vary, Rule 280E disallows business expense deductions

Rationale For Proposed Local Tax

- ▶ Such taxes are common in other cities allowing these uses
- ▶ All three permit awardees voluntarily offered gross receipts contributions as part of their dispensary proposals
- ▶ Proposed tax creates a level playing field
- ▶ Other cities create additional regulatory hurdles
- ▶ All three dispensaries offer programs for low-income, terminally ill or otherwise disadvantaged patients

Recommended Tax Rate

- ▶ 7% of gross receipts through June 30, 2019
- ▶ 8% of gross receipts from July 1, 2019 - June 30, 2021
- ▶ 9% of gross receipts beginning on July 1, 2021

Next Steps/ Future Actions

Staff requests further direction concerning the following two tasks:

1) Per Council direction at the 12/19/2016 meeting:

- ▶ Proposed Zoning Code amendments to facilitate non-retail cannabis manufacturing and laboratory testing businesses tentatively scheduled for May 1st

2) Per Council direction at the 2/21/2017 meeting:

- ▶ Staff seeks directions on when to schedule a work session on recreational/ adult use of cannabis.

Direction also needed concerning adult use sales at three permitted dispensaries

Other Related Topics:

- ▶ CUP applications for two permitted dispensaries still outstanding