

RESOLUTION NO. _____ (N.C.S.)

RESOLUTION BY THE SALINAS CITY COUNCIL AMENDING COMMERCIAL CANNABIS TAXATION RATES

WHEREAS, based on voter approval, the City Council adopted Ordinance 2583 on December 6, 2016, establishing a cannabis business tax in Chapter 19A of the Salinas Municipal Code;

WHEREAS, under Section 19A.10.330, the City Council is granted the authority to amend the tax rates without the vote of the people as long as the amendment would not increase the rates of any tax levied above the maximum outlined in the Chapter 19A; and

WHEREAS, on February 15, 2022, the City Council directed staff to hire a consultant to prepare a report on recommended taxation rates after hearing testimony of multiple cannabis business owners concerned about the long-term financial viability of the industry; and

WHEREAS, after completing a competitive Request for Proposal process, the City Council selected SCI Consulting Group (“SCI Group”) to complete a taxation recommendation report (“Report”); and

WHEREAS, SCI Group presented the report to City Council on August 23, 2022, and found that the City’s “current rates, rate structure, number and types of businesses are generally appropriate and well within California norms”, however, the report did recommend a reduction to the tax rates for manufacturing to between 2.5% and 3% of gross receipts and for cultivation to between \$7 to \$10 per square foot of canopy; and

WHEREAS, during the August 23rd meeting, the City Council was unable to achieve a clear consensus among Councilmembers on recommended rates, and ultimately staff was directed back to the Cannabis Committee for guidance; and

WHEREAS, on September 22, 2022, the Cannabis Committee met and Councilmembers McShane and Osornio recommended that staff return to City Council with a recommended rate reduction of 2.5% of gross receipts for manufacturing and a rate of \$7 per square foot of canopy for cultivation; and

WHEREAS, the rates recommended by the Cannabis Committee are consistent with the SCI Group report that recognizes some of the ongoing challenges among manufacturing and cultivation businesses because of greater volatility and higher operational expenses; and

WHEREAS, the City of Salinas has determined that the proposed action is exempt from environmental review under the California Environmental Quality Act (CEQA) because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment pursuant to CEQA Guidelines Section 15061(b)(3).

NOW, THEREFORE, BE IT RESOLVED that the Salinas City Council hereby reduces the commercial cannabis business tax to 2.5% of gross receipts for manufacturing businesses and \$7 per square foot of canopy for cultivation businesses. Existing rates for all other commercial cannabis business types are retained.

PASSED AND APPROVED this 18th day of October 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Kimbley Craig, Mayor

ATTEST:

Patricia M. Barajas, City Clerk