

## RESOLUTION NO. 18-40

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, REDUCING COMMERCIAL CANNABIS TAX RATES ASSESSED FOR PERMITTED COMMERCIAL CANNABIS BUSINESSES OPERATING IN THE CITY

**WHEREAS**, the Grover Beach City Council has identified Economic Development as a Major City Goal to strengthen the City's economic base by implementing an economic development strategy that includes establishment of commercial cannabis businesses; and

**WHEREAS**, the City has worked since 2016 to establish the commercial cannabis industry as an economic opportunity in a safe and responsible manner; and

**WHEREAS**, the City of Grover Beach seeks to appropriately regulate cannabis facilities and seeks adequate funding through a cannabis tax to provide essential public services, with all revenues received from the tax to be deposited in the General Fund of the City to be expended for general purposes; and

**WHEREAS**, the City Council placed Measure L-16 on the ballot at the November 8, 2016 General Municipal Election that proposed the City enact a tax on commercial cannabis businesses which may establish in Grover Beach. The tax would apply to both medical cannabis businesses and non-medical cannabis businesses; and

**WHEREAS**, Measure L-16 was approved by 70% of voters and the City Council subsequently adopted Ordinance No. 17-04 establishing the commercial cannabis tax and initial rate structure on February 21, 2017; and

**WHEREAS**, the City has developed and adopted comprehensive land use and regulatory ordinances to allow commercial cannabis businesses and to date has issued four retailer permits and one manufacturing permit with another three manufacturing permits to be considered for issuance in May 2018; and

**WHEREAS**, the City Council has provided policy direction to amend the land use and regulatory ordinances to allow for additional cannabis business activity through manufacturing use of volatile solvents along with adult use businesses and products with these amendments to be considered by the City Council in May 2018; and

**WHEREAS**, the City Council has also provided policy direction to amend the commercial cannabis tax structure to reduce the tax rates from the levels authorized by voters through passage of Measure L-16 to incentivize cannabis businesses to operate within the city with this direction reflected within this Resolution; and

**WHEREAS**, commercial cannabis retail businesses permitted to operate within the city will be taxed initially at an annual rate of five percent (5%) of all gross receipts for the business while other commercial cannabis businesses, except for cultivation businesses, will be taxed initially at an annual rate of three percent (3%) of all gross receipts for the business; and

**WHEREAS**, commercial cannabis cultivation businesses permitted to operate within the city will be taxed initially at an annual rate of Five Dollars (\$5) per square foot based on floor area of the business; and

**WHEREAS**, other provisions and procedures associated with collection of commercial cannabis tax revenue will be carried out consistent with Ordinance No. 17-04; and

**WHEREAS**, the Council retains the ability to create a different rate structure for an individual business through a development agreement or other mechanism based upon the scale of private investment or other economic activity of the particular business consistent with the adopted financial assistance framework for significant economic development projects, but not to exceed the maximum tax rate approved by Measure L-16; and

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Grover Beach, does hereby approve this reduced tax structure assessed at this time for commercial cannabis businesses permitted to operate in the city.


On motion by Mayor Pro Tem Lee, seconded by Council Member Nicolls, and on the following roll-call vote, to wit:

AYES: Council Member Nicolls, Peterson, Mayor Pro Tem Lee, and Mayor Shoals.  
NOES: Council Member Shah.  
ABSENT: Council Member – None.  
ABSTAIN: Council Member – None.  
RECUSED: Council Member – None.

the foregoing Resolution was **PASSED, APPROVED, and ADOPTED** at a regular meeting of the City Council of the City of Grover Beach, California this 7<sup>th</sup> day of May, 2018.

  
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JOHN F. SHOALS, MAYOR

Attest:

  
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DONNA L. McMAHON, CITY CLERK

