



## CITY COUNCIL AGENDA REPORT

### City of Anaheim CITY MANAGER'S OFFICE

**DATE:** JUNE 9, 2020

**FROM:** OFFICE OF THE CITY MANAGER

**SUBJECT:** RESOLUTION CALLING FOR THE PLACEMENT OF A GENERAL TAX MEASURE ON THE BALLOT FOR THE NOVEMBER 3, 2020 GENERAL MUNICIPAL ELECTION SUBMITTING TO THE QUALIFIED VOTERS A PROPOSED ORDINANCE ADDING CHAPTER 2.15 TO TITLE 2 OF THE ANAHEIM MUNICIPAL CODE ESTABLISHING A TAX ON CANNABIS BUSINESSES OPERATING WITHIN THE CITY; REQUESTING THAT THE ORANGE COUNTY BOARD OF SUPERVISORS CONSOLIDATE THE CITY'S MUNICIPAL ELECTION WITH THE STATEWIDE GENERAL ELECTION TO TAKE PLACE ON NOVEMBER 3, 2020; SETTING RULES AND DEADLINES FOR THE FILING OF ARGUMENTS AND REBUTTAL ARGUMENTS; AND DIRECTING THE CITY ATTORNEY TO PREPARE AN IMPARTIAL ANALYSIS

**ATTACHMENT (Y/N):** YES

**ITEM #29**

#### **REQUESTED ACTION:**

That the City Council, by Resolution, call for the placement of a general tax measure on the ballot for the November 3, 2020 General Municipal Election submitting to the qualified voters a proposed ordinance adding Chapter 2.15 to Title 2 of the Anaheim Municipal Code establishing a tax on cannabis businesses operating within the city; requesting that the Orange County Board of Supervisors consolidate the City's municipal election with the Statewide General Election; setting rules and deadlines for the filing of arguments and rebuttal arguments; and directing the City Attorney to prepare an impartial analysis.

#### **DISCUSSION:**

At the April 21, 2020 Council meeting, Council Member Kring requested that staff research and bring back an ordinance imposing a tax on cannabis businesses. Under applicable law, including Proposition 218, that tax measure must be approved by the voters of Anaheim. In addition, under the City Charter, a two-thirds vote of the Council is required to place the measure on the ballot.

The attached Ordinance will levy a tax up to a maximum of six percent (6%) on all cannabis businesses based upon gross receipts, except for commercial cannabis cultivation, which shall be taxed at a rate of up to twelve dollars (\$12.00) per square foot. As noted, these rates are tax ceilings and the City Council has the authority under

the Ordinance to set and adjust the tax rates, as well as to provide different rates for different types of businesses, provided it does not exceed the maximum rates established in the Ordinance.

It's important to note that the approval of this Ordinance by the voters does not make cannabis businesses legal in Anaheim. Rather, the City Council will need to pass a separate ordinance that removes the ban on cannabis and regulates the sale and use of cannabis in the city.

The Resolution will authorize the city to submit the proposed cannabis business tax Ordinance as a ballot measure to the qualified voters of the city at the General Municipal Election to be held on Tuesday, November 3, 2020.

### **Fiscal Impact**

There are a number of factors that impact potential revenues for commercial cannabis including the tax rate that is established and the number of cannabis retail and other type of uses that are ultimately permitted within the city. In the early phases of implementation it is anticipated that revenues will could be in the \$1 to \$4 million range as retail operations ramp up. After a couple of years, these revenues could significantly increase as the maximum number of retail permits and other uses begin operating in Anaheim.

Additionally, should the City Council approve an ordinance that regulates the sale and use of cannabis in Anaheim, City staff intends to establish a series of fees regulatory fees that will cover all administrative costs associated with instituting regulations, managing the application process and all other activities related to overseeing the permit and compliance process.

### **IMPACT ON BUDGET:**

The city anticipates a positive increase to net revenue if the ballot measure is approved by the voters and the city council enacts a regulatory ordinance that permits the sale and use of cannabis. The cost associated with placing a city measure on the November 3, 2020 ballot is estimated to be between \$137,845-\$173,122.

Respectfully submitted,

Greg Garcia  
Interim City Manager

### **Attachments:**

1. Resolution
2. Ordinance