

CITY ATTORNEY'S IMPARTIAL ANALYSIS

MEASURE I

In 2016 voters approved the Adult Use of Marijuana Act, which legalized the recreational use of cannabis (marijuana) by adults in the State of California, and established a regulatory framework for commercial production, distribution and retail sales of cannabis products. In early 2018, after initially waiting for the regulatory framework to take shape at the state level, the City Council directed staff to present options to allow limited retail cannabis sales.

At its July 26, 2018, meeting, the City Council adopted an ordinance amending the Capitola Municipal Code by adding Chapter 5.36 "Retail Cannabis Licenses" and amending Chapter 17.24 "Commercial and Industrial Zoning Districts" to authorize retail cannabis sales in the C-R-Regional Commercial Zoning District. Under the terms of that ordinance, it will only go into effect with voter approval of the cannabis tax.

At the same meeting, the Council ordered this Measure added to the November 6, 2018, ballot which, if approved, would establish a cannabis business tax cannabis for businesses operating in Capitola. The ordinance would authorize the City Council to set a maximum tax rate of seven percent (7%) of gross receipts, and also sets the initial tax rate at seven percent (7%), i.e., the Council would retain the authority to reduce the tax rate.

The ordinance broadly defines "cannabis business" to include any for-profit or nonprofit business that distributes, delivers, dispenses, exchanges, barter or sells either medical or non-medical cannabis and includes, but is not limited to, medical marijuana cooperatives and businesses, and any other business which transports, manufactures, compounds, converts, processes, prepares, stores, packages, sells at wholesale, or sells at retail, cannabis or products made of cannabis. The tax is not a sales tax imposed on persons who purchase or otherwise acquire cannabis for their personal use. The proposed tax is a "general tax" as defined by the California Constitution. As such, all revenue it generates may be used by the City to pay for the provision of municipal services to City residents and visitors, including such services as emergency response, parks, street maintenance and repair, police, libraries, youth and senior programs, economic development and job creation, and other essential city services.

This ballot measure has been placed on the ballot by the Capitola City Council. It requires a simple majority to pass.

/s/ Anthony Condotti, Capitola City Attorney