

RESOLUTION 18-XXXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, SETTING THE INTEREST RATE ON UNPAID CANNABIS TAXES PURSUANT TO SECTION 61340(A) OF CHAPTER 13 OF ARTICLE VI OF THE CARSON MUNICIPAL CODE, AND SETTING THE TAX RATE ON CANNABIS RELATED BUSINESS ACTIVITIES PURSUANT TO SECTIONS 61320(A-B) OF CHAPTER 13 OF ARTICLE VI OF THE CARSON MUNICIPAL CODE

WHEREAS, a General Municipal Election was held in the City of Carson, California, on November 8, 2016, at which a ballot measure was submitted to the voters concerning the adoption of a proposed ordinance for both the imposition of a tax of 18% of proceeds (total revenue) of commercial operations conducting retail sales, wholesale distribution, cultivation, manufacture, transportation, or testing of cannabis, as well as the imposition of an annual tax of twenty-five dollars (\$25) per square foot of space utilized as cannabis cultivation area, which is codified under Chapter 13 of Article VI of the Carson Municipal Code (“Measure KK”); and

WHEREAS, Measure KK was overwhelmingly approved by the voters with 19,835 voting yes and 10,972 voting no; and

WHEREAS, Section 61340(A) of Chapter 13 of Article VI of the Carson Municipal Code (“CMC”) provides that any person who fails or refuses to pay City cannabis taxes shall pay “interest on the unpaid Tax calculated from the due date of the Tax at a rate established by resolution of the City Council” and “interest on the unpaid penalties calculated at the rate established by resolution of the City Council”; and

WHEREAS, the City Council now desires to set the interest rate on unpaid City cannabis taxes, and the interest rate on unpaid penalties (for unpaid City cannabis taxes), at 5% per annum or fractional part thereof; and

WHEREAS, Section 61320(B) of Chapter 13 of Article VI of the CMC provides that the City Council “may establish exemptions, incentives, or other reductions, and penalties and interest charges or determinations of tax due for failure to pay the tax in a timely manner,”; and

WHEREAS, the City Council now desires to set the cannabis operations tax rate authorized by Section 61310(B) of Chapter 13 of Article VI of the CMC at 18% for manufacturing, 18% for (wholesale) distribution, 18% for testing, and 18% for cultivation; and

WHEREAS, the City Council now desires to set the cannabis cultivation tax rate authorized by Section 61310(A) of Chapter 13 of Article VI of the CMC at twenty-five dollars (\$25) per square foot for space utilized as cannabis cultivation area, with annual CPI adjustments; and

WHEREAS, the ballot label question presented to voters for Measure KK estimated that tax revenues to the City from cannabis business activities would range from \$500,000 to \$3,500,000 annually; and

WHEREAS, the Los Angeles County area Consumer Price Index (CPI) average (i.e., inflation) from the passage of Measure KK on November 6, 2016 through mid-2018 has averaged approximately 3.3%, and thus by 2019 estimated commercial cannabis tax revenues based on analysis from the Measure KK ballot label are from approximately \$530,000 to \$3,725,000 annually; and

WHEREAS, Chapter 15 of Article VI of the Carson Municipal Code provides that only four commercial cannabis centers will be authorized within the City; and

WHEREAS, based on the Measure KK ballot label question tax revenue estimates, each of the four commercial cannabis centers is expected annually to generate up to approximately \$1,000,000 in tax revenue for the City during each cannabis center's first year of operations; and

WHEREAS, reasonably each commercial cannabis center in its second year of operation can be expected to generate \$1,250,000 in tax revenue for the City, reasonably each commercial cannabis center in its third year of operation can be expected to generate \$1,750,000 in revenue for the City, totaling \$4,000,000 in total tax revenue to the City from each commercial cannabis center by the end of the third year of operation, and reasonably thereafter each commercial cannabis center is expected to continue generating additional and increasing cannabis tax revenues for the City; and

WHEREAS, the City seeks assurances this tax revenue generated from the four commercial cannabis centers will be available in the general fund for years to come, and a guarantee of annual amounts of tax revenue from each commercial cannabis center is desired by the City; and

WHEREAS, the City Council intends and desires that the provisions of this resolution shall be memorialized in any development agreement entered into by a commercial cannabis operation with the City; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. That the recitals set forth above are true and correct and incorporated herein by this reference.

Section 2. That, pursuant to the authority provided by Section 61320(B) of Chapter 13 of Article VI of the Carson Municipal Code, the City Council hereby establishes the tax rate imposed upon the proceeds of commercial cannabis operations engaged: in manufacturing shall be 18% of proceeds; in (wholesale) distribution shall be 18%; in testing shall be 18%; and, in cultivation shall be 18%.

Section 3. That, pursuant to the authority provided by Section 61320(A) of Chapter 13 of Article VI of the Carson Municipal Code, the City Council hereby establishes the annual tax rate imposed upon the square foot for space utilized by commercial cannabis cultivation operations shall be twenty-five dollars (\$25), the flat per square foot tax rate adjusted annually on July 1 after the date of tax approval by the voters, and then July 1 of each succeeding year, based on the Consumer Price Index (“CPI”) for all urban consumers in the Los Angeles-Riverside-Orange County areas as published by the United States Government Bureau of Labor Statistics.

Section 4. That, pursuant to estimates in the ballot label question for Measure KK of tax revenue to be generated from commercial cannabis tax centers, each commercial cannabis center shall annually remit through the taxes provided herein a total cannabis tax revenue to the City: in the first year of operation of \$1,000,000 each; in the second year of operation of \$1,250,000 each; in the third year of operation of \$1,750,000 each; and, thereafter annually from each the amount remitted the prior year, adjusted upwards based on the Consumer Price Index (“CPI”) for all urban consumers in the Los Angeles-Riverside-Orange County areas as published by the United States Government Bureau of Labor Statistics. The foregoing amounts suffice for liability under Chapter 13 of Article VI of the Carson Municipal Code. The foregoing amounts will be adjusted upwards in the context of a development agreement dependent on the size of, scope of, and permits under, the operation conducted by a commercial cannabis center.

Section 5. That, pursuant to the authority provided by Section 61340(A) of Chapter 13 of Article VI of the Carson Municipal Code, the City Council hereby establishes the interest rate for unpaid City taxes on commercial cannabis operations, and for unpaid penalties concerning such unpaid City taxes, are both set at 5% per annum or fractional part thereof.

Section 6. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

Section 7. This Resolution shall be effective immediately upon passage and adoption.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Carson, California, at a regular meeting held on the ____ day of _____, 2018.

ATTEST:

Mayor Albert Robles

City Clerk Donesia Gause-Aldana

APPROVED AS TO FORM:

City Attorney Sunny K. Soltani