



**City of Huntington Beach**

# **Cannabis Business Tax Ballot Measure**

**City Council Meeting**

March 1, 2022



# Background - City of Huntington Beach

- The City prohibits medical and recreational cannabis activities in the City.
  - Exception: allowing/regulating non-medical marijuana cultivation per a private residence up to six plants
- As of now, two private parties have filed separate cannabis petitions requesting that the City prepare documents allowing their proposed regulations to be placed before the voters of Huntington Beach for consideration.
  - November 3 - *Huntington Beach Cannabis Taxation and Regulation Act*
  - December 2 - *Huntington Beach Cannabis Regulation & Land Use Measure*
- Such initiative measures proposing legalization, taxation, and regulation of commercial cannabis businesses in HB were created without City Council or staff input.



# Background - Continued

- On December 21, 2021 Study Session, the City Council formed an ad-hoc subcommittee to further assess, research and present a balanced cannabis regulation framework for the Council's consideration.
- An Ad-hoc subcommittee of 3 City Council members consisting of City Council members Bolton, Kalmick, and Peterson, was formed. The subcommittee met twice to deliberate key policy areas and make recommendations.
- On February 15, 2022 Study Session, the City Council held to discuss the recommendations by the subcommittee and deliberated next steps.



# Special Tax vs. General Tax

## June 7, 2022 Primary Election Ballot as a Special Tax

- Requires 2/3 votes of the electorate
- Tax Revenue must be deposited into a separate fund only be used for specific purposes. Proposed purposes are:
  1. Police services and;
  2. Behavioral health and homeless prevention & intervention services
- Estimated election cost: appx. \$317,000 to \$450,000 per the OC Registrar of Voters based on the number of registered voters. The final cost will depend on the total # of entities placing items on the ballot, etc.



# Special Tax vs. General Tax

## November 8, 2022 General Election Ballot as a General Tax

- Requires a majority of the electorate
- Tax Revenues will be used for general municipal services
- Estimated election cost: appx. \$8,500 to \$25,500 depending on the # of ballot pages required as the City is committed to the upcoming City Council and City Attorney elections
- A Resolution calling for a general tax to be placed on a general municipal election – requires 2/3 of the City Council votes.



# Proposed Tax Rates

- Up to 6% for retailers (storefront, delivery and both); and
- Up to 1% for other cannabis businesses (non-retailers including but not limited to indoor cultivation, manufacturing, testing lab, and distribution); and
- Allowing flexibility for the City Council to adjust tax rates up to a maximum voter-approved rate for each type of cannabis businesses to address yet emerging economic market conditions



# City of Huntington Beach - Cannabis Business Tax Measure - Special Tax

<p>“Shall the City adopt a special tax measure of up to 6% of gross receipts on cannabis retailers and up to 1% of gross receipts on all other cannabis businesses, which is expected to generate an estimated \$300,000 to \$600,000 annually for the specific purposes of funding police and homeless and behavioral health services, and levied until terminated by voters?”</p>	YES
	NO



# Timeline for June Election as Special Tax

- **March 11, 2022:** Submit Direct Argument
- **March 11, 2022:** Submit an Impartial Analysis of the Measure by CAO
- **March 21, 2022:** Submit Rebuttal Argument
- Council as a whole, or any member of members authorized by the City Council may submit ballot arguments, for or against the measure pursuant to Elections Code section 9281 & 9282.
- Council can designate three or less members to draft and submit a direct argument supporting or against the measure.
- In the event such a Council authorized argument is not prepared, individual voters (including Council Members) can submit an argument, and a priority is set forth by Election Code Section 9287 to be applied by the City Clerk in selecting the ballot argument to use.





# Recommended Actions:

## If the City Council wishes to put a tax ballot measure before voters in June as a special tax:

- A) Adopt Resolution No. 2022-07, calling for a Special Election to place a special tax measure on the June 7, 2022 Statewide Primary election ballot; and,
- B) Direct staff to schedule a future meeting date at which the City Council can further consider the implications of various unresolved policy/regulatory matters associated with cannabis, after which time the City Attorney can prepare and return to the City Council for its consideration, a regulatory ordinance regarding cannabis regulations for City Council adoption or voter approval; and
- C) Authorize a General Fund appropriation of up to \$450,000 for the OC Registrar of Voters to cover all associated election costs related to placing the measure on the June 7, 2022 ballot; and
- D) Designate to three or less Council members to draft and submit a direct argument supporting or against the measure.



# Recommended Actions:

**If the City Council wishes to put a tax measure before voters in November as a general tax:**

- 1) Direct staff to return to the City Council with a resolution to place a cannabis tax measure on the November ballot; and,
- 2) Direct staff to schedule a future meeting date at which the City Council can further consider the implications of various unresolved policy/regulatory matters associated with cannabis, after which time the City Attorney can prepare and return to the City Council for its consideration, a regulatory ordinance regarding cannabis regulations for City Council adoption or voter approval.

If this option is selected, the cost of election will be budgeted in the FY2022-23 budget.





**QUESTIONS?**