

Commercial Cannabis Ballot Measure

**Marc Zafferano, City Attorney
June 9, 2020**

AGENDA

- ▶ Review direction provided at last two study sessions
- ▶ Review options for City Council
- ▶ Provide additional direction to staff regarding potential cannabis tax measure for November 2020
- ▶ Next steps

Prior Study Sessions

- **June 2, 2020**
 - **Received comprehensive staff report**
 - **Reviewed federal, state, and local laws**
 - **Reviewed status of commercial cannabis activities in all San Mateo County jurisdictions**
 - **9 cities: prohibited**
 - **8 cities and County: only delivery permitted**
 - **8 cities: various commercial activities allowed**
 - **Taxes levied at 2.5-10% by voters**
 - **Only Pacifica has operating dispensaries producing significant tax revenue, due to legacy businesses**

Prior Study Sessions (cont.)

- **June 2, 2020 (cont.)**
 - **Discussed barriers to entry into new markets**
 - **Daly City, Brisbane, SSF, San Mateo, RWC allow dispensaries, but none have opened**
 - **Discussed ballot measure options**
 - **Tax only, tax+regulatory, regulatory only**
 - **Discussed obtaining expert assistance for polling, elections, economic analysis, CEQA, mailers**
 - **Cost varies, could be up to \$100K depending on services selected**

Prior Study Sessions (cont.)

- June 2, 2020 (cont.)
 - Direction provided:
 - No majority support for regulatory ballot measure
 - Despite lacking 4 affirmative votes that would ultimately be required for tax measure, unclear direction whether to continue work on tax-only measure
- June 4, 2020: City Council strategic priorities study session for FY 2020-21
 - Further discussion, request to return at this meeting for additional direction

Review Options for City Council

Type of Action	Threshold to Direct Staff	Threshold to Place on Ballot	Authority to Implement
Tax only	Majority (3/5)	Super Majority (4/5)	Voters
Tax + Regulatory	Majority (3/5)	Super Majority (4/5)	<u>Tax:</u> Voters <u>Regulatory:</u> Voters or Council
Regulatory only	Majority (3/5)	Majority (3/5)	Voters or Council
Defer Action at This Time	Majority (3/5)	Majority (3/5)	Council

Provide Additional Direction

- Should staff continue work on a tax measure?
- If so, provide direction regarding what level of tax would be appropriate
 - Align to highest in County: 10% (Daly City, San Carlos)
 - Align to lowest in County: 2.5% (HMB, SM) for some activities
 - Select another rate (SSF: 5%; Brisbane: 6%)
 - Set low but allow CC to raise (Pacifica: 6% initially raised to 10%)
 - Retain experts to evaluate appropriate level for each permitted activity

Provide Additional Direction (cont.)

- **Should City provide information to community about the tax measure?**
 - **Hold public meetings, staff presentations to community, mailers**
- **Consider effect of potential cannabis measure on potential TOT tax measure**
- **Consider that voters will be asked to approve tax for activities that are not yet permitted**

Provide Additional Direction (cont.)

- **Polling: \$30K**
 - **Potential additional cost for election consulting**
- **Comprehensive services including economic analysis, ballot measure development, public meetings: \$30K**
- **CEQA/GIS Services: \$10K-\$25K (only if regulatory)**
- **Informational mailers: \$8K per mailer**
- **Election costs: \$7K-11K**
- **Staff time**
 - **50-150 hours depending on ballot measure**

Summary

- **Timeline: Ballot Measure and associated materials to County by 08-08-2020**
- **Approximately 6 weeks remain to perform all necessary work before second July CC meeting**
- **Consultants and staff required to immediately begin work**

Next Steps

- **Discuss whether to place tax measure on November 2020 ballot**
- **Discuss whether to retain consultants to perform necessary work to determine viability and content**
 - **Discuss source of funds for work**