

CITY-SPONSORED INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

The City Council for the City of Encinitas submits the following measure to the voters of the City for approval and enactment:

SECTION 1. Name.

This ballot measure shall be known and may be cited as “the City of Encinitas Cannabis Business Tax Measure” and shall be referred to herein as the “Measure.”

SECTION 2. Purpose.

The purpose of the Measure is to authorize the Encinitas City Council to adopt one or more ordinances to impose a Cannabis Business Tax, for revenue purposes, pursuant to sections 37100.5 and 37100.5 of the California Government Code, upon cannabis and hemp businesses that engage in business in the City. The Cannabis Business Tax shall be levied based upon business gross receipts at rates of between four to seven percent (4% to 7%) on retail cannabis uses, one to four (1% to 4%) on non-retail uses, except for commercial cannabis cultivation or commercial industrial hemp cultivation which shall be taxed on square footage at rates of between two to ten dollars (\$2 to \$10) per canopy area. It is not a sales and use tax, a tax upon income, or a tax upon real property and shall not be calculated or assessed as such. The Cannabis Business Tax shall not be separately identified or otherwise specifically assessed or charged to any member, customer, patient, or caretaker. The Cannabis Business Tax is a general tax enacted solely for general, governmental purposes of the City and not for specific purposes. All of the proceeds from the taxes imposed by this Measure shall be placed in the City's general fund and be available for any lawful municipal purpose

Now, therefore, the People of the City of Encinitas do ordain as follows:

AN ORDINANCE OF THE PEOPLE OF THE CITY OF ENCINITAS, CALIFORNIA, AUTHORIZING THE CITY COUNCIL TO ADOPT ONE OR MORE ORDINANCES ESTABLISHING A CANNABIS BUSINESS TAX OF BETWEEN 4% TO 7% ON RETAIL CANNABIS BUSINESSES AND BETWEEN 1% TO 4% ON NON-RETAIL CANNABIS BUSINESSES AND HEMP BUSINESSES AND FOR COMMERCIAL CANNABIS CULTIVATION OR COMMERCIAL INDUSTRIAL HEMP WHICH SHALL BE TAXED ON SQUARE FOOTAGE AT RATES OF BETWEEN TWO TO TEN DOLLARS (\$2 TO \$10) PER CANOPY AREA WITHIN THE CITY AS EXPRESSLY LIMITED HEREIN.

SECTION 3. Uncodified ordinance.

The City Council of the City of Encinitas, pursuant to the procedures set forth in the Government Code and the City's Municipal Code and without prior approval of the electorate, may by the adoption and/or amendment of one or more ordinances: a) impose a gross receipts tax upon cannabis businesses, of no less than 4% and no more than 7% on retail cannabis uses, no less than 1% and no more than 4% on non-retail cannabis uses, which shall be applicable to all cannabis businesses with physical premises in the City and/or that engage in retail delivery of cannabis within the City; and b) impose a tax on commercial cannabis cultivation or commercial industrial hemp cultivation which shall be taxed on square footage at rates of between two to ten dollars (\$2 to \$10) per canopy area.

SECTION 4. Definitions.

"Cannabis business" means any activity by any person involving cannabis or industrial hemp, including but not limited to cultivating, transporting, distributing, manufacturing, compounding, converting, processing, preparing, storing, packaging, delivering, testing, dispensing, retailing and/or wholesaling of cannabis, cannabis products, industrial hemp, industrial hemp products and/or of ancillary products and accessories, whether or not carried on for gain or profit, but does not include personal cultivation of cannabis pursuant to Health and Safety Code Section 11362.2 or the Compassionate Use Act and the Medical Marijuana Program Act.

"Canopy" means all areas occupied by any portion of a cannabis or industrial hemp plant whether contiguous or noncontiguous on any one site. When plants occupy multiple horizontal planes (as when plants are placed on shelving above other plants) each plane shall be counted as a separate canopy area.

"Person" means any individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit or entity, and the plural as well as the singular.

If not defined herein, the words and phrases used in this ordinance shall have the same definitions ascribed to them in Division 10 of the Business and Professions Code, including Section 26001, and in Title 4, Division 19, Department of Cannabis Control, of the California Code of Regulations.

SECTION 5. Future Changes and Amendments.

Any future changes or amendments to this ordinance, including any future changes or amendments to any Municipal Code section affected by or adopted pursuant to this Measure, may occur in the manner set forth in the Government Code and the City's Municipal Code, and shall not require a vote of the people, except that any increase of the gross receipts tax above 7% or reduction below 4% for retail cannabis uses, above 4% or reduction below 1% for non-retail uses, or any increase in the cultivation tax above ten dollars (\$10) or reduction below two dollars (\$2) per canopy area shall require a vote

of the people. The specific tax rate or rates as limited herein may be set by ordinance or resolution of the City Council.

SECTION 6. Inconsistencies.

Any provision of the Encinitas Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, is hereby repealed or modified to that extent necessary to affect the provisions of this Ordinance.

SECTION 7. Severability.

If any section, subsection, sentence, clause, or phrase of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The People of the City of Encinitas hereby declares that they would have adopted this ordinance, and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional, without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION 8. Effective Date.

This ordinance shall take effect according to law ten days after certification of the election at which it is adopted.