



## Frequently Asked Questions: Cannabis Regulations and Tax

### **What is the Adult Use of Marijuana Act (AUMA) or Proposition 64?**

Proposition 64 was a 2016 voter initiative to legalize cannabis in California. The initiative passed with 57% voter approval and became law on November 9, 2016.

### **What is allowed under Proposition 64?**

Proposition 64 legalized the use of cannabis by adults 21 years or older and allowed the growing of cannabis indoors (up to six plants per residence) for personal use. The use of cannabis is still prohibited in public and in all areas where smoking tobacco is prohibited.

### **Are cannabis businesses permitted in the City of Tracy?**

Currently, all cannabis businesses are prohibited in the City of Tracy. This includes manufacturing, cultivation, distribution, testing, and any other commercial cannabis activity licensed by the State of California.

### **Is the City considering allowing commercial cannabis businesses in Tracy?**

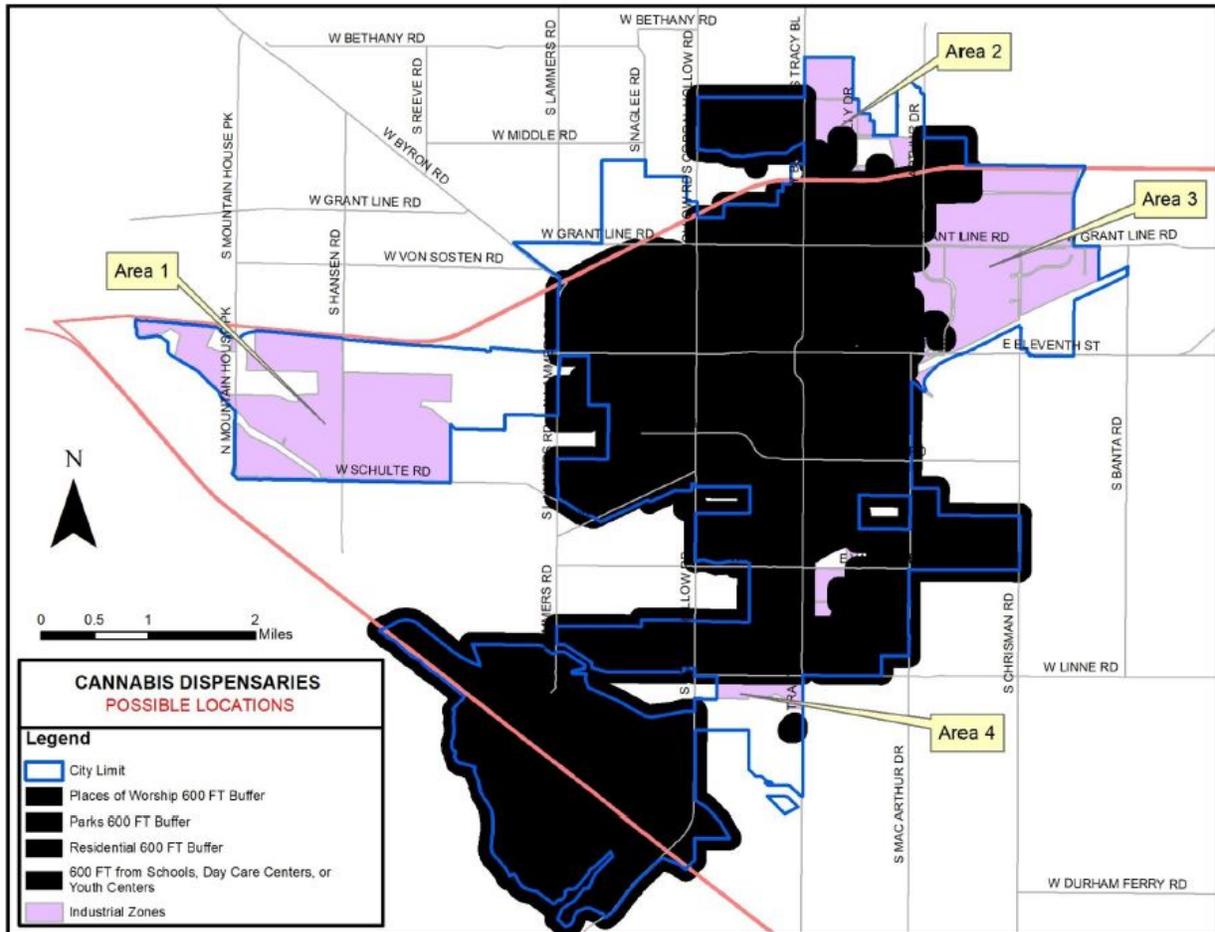
The City Council is considering permitting up to two (2) medical non-storefront (delivery only) dispensaries (retail) businesses pending the approval of a City Cannabis Business Tax by voters in November 6, 2018.

### **Can a business apply for a permit to operate a cannabis dispensary in Tracy?**

At this time, the City prohibits all cannabis business activities. Should the City Council adopt an ordinance to allow commercial cannabis activities, the City would develop a permit and approval process.

### **If approved, where are cannabis businesses going to be located in Tracy?**

Staff presented a draft ordinance amending Section 10.08.3196 of the Tracy Municipal Code to establish zoning and locational requirements for cannabis delivery only retailers that would make them conditional uses in certain industrial areas in the City. A map of the proposed zoning amendment can be found below:



*Cannabis M-License Non-storefront Retailers are permitted to establish as a conditional use on property meeting the following criteria, subject to the granting of and compliance with the terms and conditions of a City cannabis business permit and a conditional use permit:*

- (i) Property must be located in an area designated as industrial in the City's General Plan; and*
- (ii) Property must be located at least 600 feet from any areas zoned as residential and any parcel containing any of the following sensitive uses as of the date the conditional use permit is issued: school, day care facilities, youth center, places of assembly, public parks, and youth congregating land uses.*
- (iii) The distance between the cannabis business and the sensitive use property shall be measured from the outer boundaries of the sensitive use parcel to the first structure on the property seeking to operate a cannabis business.*

**What is the proposed Cannabis Business tax?**

The City Council directed staff to place a tax measure on the November 6, 2018 ballot to mitigate the fiscal impacts of Proposition 64. The Cannabis Business Tax is a special tax enacted solely for raising revenue for the stated purposes and not for regulation. It shall apply to all persons engaged in Cannabis Business in the City of Tracy. The City Council further directed staff to commit the revenues generated by the Special Tax to Police and Code Enforcement services to mitigate the City's costs relating to the passage of Proposition 64.

**What is the proposed tax rate?**

The tax rates set forth in the proposed City Cannabis Business Tax ordinance are equivalent to 15% of the total gross receipts. The tax for cultivation would not exceed \$12.00 per canopy square foot for cultivation (adjusted for inflation), 6% of gross receipts for retail cannabis businesses, and 4% for all other businesses.

**What is a special tax?**

Any tax on cannabis commercial activity must be approved by the voters. The level of voter support needed to enact a tax depends on whether the tax is a special or general tax. A "special tax" is imposed for a specific purpose and cannot be used for any other purpose. A two-thirds (66%) vote by the voters is needed to impose a special tax.

**How much revenue will the tax generate?**

With the assumption that the maximum tax rate is applied to two non-storefront (delivery-only) medical cannabis business activities, this special tax measure may generate between \$35,000 to \$100,000 a year.

**How will the City use the revenue?**

The revenue projections are equivalent to approximately 500-1000 annual service hours from Police and Code Enforcement.