

## CITY ATTORNEY IMPARTIAL ANALYSIS OF MEASURE D

The Tracy City Attorney has prepared the following impartial analysis pursuant to California Elections Code section 9280:

The Tracy City Council has placed Measure D on the November 6, 2018 ballot to ask voters if the City should adopt a special tax on commercial cannabis (marijuana) activities. The tax, if approved, would levy a maximum tax of \$12.00 (adjusted for inflation) per square foot of plant canopy for businesses engaged in the cultivation of cannabis; a maximum tax rate of 6% of gross receipts for businesses engaged in the retail sale of cannabis; and a maximum tax rate of 4% of gross receipts for all other cannabis businesses such as manufacturers, testing laboratories, and distributors of cannabis, cannabis products and any ancillary products. Cannabis businesses are currently prohibited from operating in Tracy. However, the City is drafting ordinances and regulations to allow up to two cannabis non-storefront retailers (delivery only) to operate in the City. This tax would not apply to the cultivation of cannabis for personal use allowed under local and state law.

The City Council may, in its discretion, adjust the cannabis business tax rates, including establishing different tax rates for different types of cannabis businesses such as medical versus adult-use. However, in no event may the City Council set any adjusted rate that exceeds the maximum rate established by Measure D.

The proceeds of the tax imposed by this measure shall be deposited in a special account to only fund police services and code enforcement. The services to be funded by this special tax shall include: police (such as patrol, gang and narcotics enforcement, other police services) and code enforcement (business and community compliance, ordinances and resolutions in such areas as planning, zoning, community nuisance, property maintenance, housing, signs, blight and other related areas).

Measure D also requires that the City's independent auditors complete a financial audit report, by no later than December 31<sup>st</sup> of each year, which will include the revenue raised and expended by this tax. This tax would continue until repealed by the voters.

If Measure D is approved by a 2/3 majority of the votes cast (67% plus one or more voters), the proposed Cannabis Business Tax would be levied on all persons engaged in cannabis commercial activity starting on January 1, 2019, whether or not done for profit. A "yes" vote on Measure D would approve the Cannabis Business Tax and authorize the City to establish the maximum tax rates listed above on cannabis businesses if they are allowed to operate in the City in the future. A "no" vote would reject the Cannabis Business Tax.

The above statement is an impartial analysis of the measure. If you desire a copy of the full measure, please call the Tracy City Clerk at 209-831-6000 and a copy will be mailed at no cost to you.