



**Mark Lovelace**  
Senior Policy Advisor  
HdL Companies

*City of Willows*  
Cannabis Tax Ordinance

# About HdL

- Municipal finance consulting firm providing revenue and economic insights to local governments
- HdL Serves:
  - 303 cities
  - 48 counties
  - 108 transaction districts
- We provide sales tax, property tax, business licensing, economic development, and cannabis management
- HdL has provided cannabis management and consulting services to over 200 local agencies
- Our team includes former policymakers, law enforcement and cannabis regulators with State, county and local level experience



# OBJECTIVES OF DISCUSSION

---

- Provide a brief overview of the cannabis tax ordinance
- Outline minor changes since the previous presentation
- Hear comments and questions from the public
- Take input and guidance from Council members for any additional changes, if desired



# March 10<sup>th</sup> City Council Direction

---

- Maximum tax rate of 10%; No minimum rate
- Allow the Council to set the initial rate after voter approval
- Applies to all cannabis business types, though only retail allowed
- Allow different rates for different types of cannabis businesses, if allowed in the future
- Allow the Council to adjust the rates as it sees fit



# City Staff Recommendations

---

- Place the new ordinance in Title 3 of the Municipal Code: Revenue and Finance.
- Taxes to be remitted monthly.
- City to require an annual audit for each business.
- Appeals to be heard by the City Manager.
- Place ordinance on ballot as a General Tax.



# KEY PROVISIONS

---

- Adds Chapter 3.12 to the City of Willows Municipal Code
- General tax to provide revenue for any governmental purpose
- Applies to sales by delivery into the City from locations outside
- Applies to all retail sales, including non-cannabis products
- Addresses non-arm's length transactions between corporate divisions
- Tax would be paid monthly or in 12 installments



## TAX IMPOSED

---

- Establishes a maximum rate of 10% of gross receipts
- Council may establish the initial rate after voter approval
- Council may increase or decrease the tax rate as desired up to the maximum
- If the City were to allow other business types in the future, the Council could set different rates for different types of activities



## 3.12.030 Intent

---

Nothing in this chapter shall be interpreted to authorize or permit any business activity that would not otherwise be legal or permissible under laws applicable to the activity at the time the activity is undertaken, nor shall this chapter be interpreted to obligate or compel the City to allow any such type of business activity.



## 3.12.040 (F) Definitions

---

“Cannabis product” means a product containing cannabis or cannabis concentrate and includes, but is not limited to, edible, topical, and inhaled products, and any product intended for human or animal consumption that contains or purports to contain any variant or derivative of tetrahydrocannabinol, regardless of the nature or source of the cannabinoids. “Cannabis product” also means cannabis products as defined by Section 11018.1 of the California Health and Safety Code and is not limited to medicinal cannabis products.



## 3.12.040 (M) Definitions

---

“Engaged in business as a cannabis business” means the commencing, conducting, operating, managing or carrying on of a cannabis business, whether done as owner, or by means of an officer, agent, manager, employee, or otherwise, whether operating from a fixed location in the City or coming into the City from an outside location to engage in such activities.



## 3.12.050 Tax Imposed

---

For every person engaged in retail sales of cannabis or cannabis products, including as a retailer (dispensary) or non-storefront retailer (retail delivery business), the person shall be subject to the tax rate as established by resolution of the City Council not to exceed the maximum rate of ten percent (10%) of gross receipts.



## 3.12.050 Tax Imposed

---

Should the City choose to allow additional types of cannabis businesses in the future, the City may apply the tax at a rate established by resolution of the City Council for each business type not to exceed the maximum rate of ten percent (10%) of gross receipts.



# ADMINISTRATIVE PROVISIONS

---

- Initial term of 1 year
- Renewal term 2 years to match regulatory permit
- Finance Director may promulgate rules as necessary
- Appeals heard by the City Manager
- Allows for audit and examination of records
- Allows for severability, amendment or modification



## NEXT STEPS

---

- Provide direction to staff for any additional changes on May 26.
- First reading of ordinance on June 9.
- Public hearing and second reading on June 23.
- Approval of ballot language and resolution to place on ballot on June 23.
- City Attorney prepares impartial analysis.
- Forward the ordinance, ballot language, resolution and impartial analysis to County Elections Office no later than July 14.

# Thank You!

Mark Lovelace

HdL Companies

707-845-8490

[mlovelace@hdlcompanies.com](mailto:mlovelace@hdlcompanies.com)

A stylized globe in shades of teal and dark teal, showing continents and oceans, positioned in the background. The word "Questions?" is written in white, bold, sans-serif font across the center of the globe.

**Questions?**



# BALLOT STATEMENT

<b>Shall the measure to tax commercial cannabis businesses at a rate not exceeding 10% of gross receipts raising approximately \$260,000 annually for the City's general governmental use and lasting until ended by voters, be adopted?</b>	<b>YES</b>
	<b>NO</b>



# ELECTIONS CODE SECTION 9280

---

**EC 9280:** The city attorney shall prepare an impartial analysis of the measure showing the effect of the measure on the existing law and the operation of the measure. The analysis shall include a statement indicating whether the measure was placed on the ballot by a petition signed by the requisite number of voters or by the governing body of the city. If the measure affects the organization or salaries of the office of the city attorney, the governing board may direct the city elections official to prepare the impartial analysis. The analysis shall be printed preceding the arguments for and against the measure. The analysis shall not exceed 500 words in length



# ELECTIONS CODE SECTION 9282

---

**EC 9282:** (b) For measures placed on the ballot by the legislative body, the legislative body, or a member or members of the legislative body authorized by that body, or an individual voter who is eligible to vote on the measure, or bona fide association of citizens, or a combination of voters and associations, may file a written argument for or against any city measure.

(c) An argument shall not exceed 300 words in length.



# Cannabis Taxes and Rates

Cannabis Retail Tax Rates in Nearby Jurisdictions			
City/County	Cannabis Retailers	Tax/CBA	Tax or Fee Rate
Willows	2	CBA	2.0% - 5.0%
Chico	2	CBA	5.0%
Red Bluff	4	CBA	3.0%
Marysville	2	Tax	6.0%
Woodland	4	Tax	10.0%
Yolo County	0	Tax	5.0%
Total / Average	14		5.8%
Average; Nearby Cities			4.7%
HdL Recommended Range			4.0% - 7.0%
Red or - indicates not allowed; Green indicates allowed Average for Nearby Cities includes Chico, Red Bluff and Marysville			



# Projected Gross Receipts

Estimated Gross Receipts for Cannabis Retailers		
	Category	Estimate
1	Population of Willows	8,300
2	Population of surrounding unincorporated area	18,300
3	Total service area population	26,600
4	Assumed leakage to retailers in other jurisdictions	10%
5	Adjusted service area population	23,940
6	Percentage of population that uses cannabis	16%
7	Consumer base (number of cannabis users)	3,830
8	Average transaction amount	\$57
9	Transaction frequency (per month)	2
10	Monthly gross receipts	\$436,666
11	Annual gross receipts	\$5,239,987



# Projected Cannabis Tax or CBA Revenues

Estimate of Cannabis Tax or CBA Revenues		
12	Averaged annual gross receipts (from Line 11)	\$5,239,987
13	Cannabis Business Tax / CBA Rate:	
14	2.0%	\$104,800
15	4.0%	\$209,599
16	5.0%	\$261,999
17	6.0%	\$314,399
18	8.0%	\$419,199
19		
20	Bradley-Burns Local Sales Tax (1.0%)	\$52,400
21	Measure I Local Tax (1.5%)	\$78,600
22	Total Sales and Transactions Taxes	\$131,000
23	Total Revenue Assuming 5.0% Tax or CBA Rate	\$392,999



# Taxes vs. Community Benefit Agreements

<b>Community Benefit Agreement (Current)</b>	<b>Cannabis Tax (Proposed)</b>
Requires negotiation for each agreement	Requires one-time voter approval
Can be negotiated at any time	Can only be approved in an election year
Upfront cost to the business	Upfront cost to the City
Rates can be adjusted through negotiation	Rates can be adjusted by City Council resolution
Some businesses may negotiate better terms	Tax applied evenly to all similar businesses
May include non-monetary contributions	May be general tax or special tax
May include benefits to community organizations	All revenue must go to City



# Ballot Measure Timeline

Month	Action
March	Presentation to City Council Council provides direction and parameters for draft cannabis tax ordinance
March - April	Prepare draft cannabis tax ordinance
May - June	First and second readings of the ordinance before the City Council
July	Ordinance, resolution, ballot statement and all other materials must be submitted to the County Elections Office no later than the first week of August
November 3	Election day