



*City of Novato
Youth Access, Land Use and
Taxes & Fees*

The image features three vertical grayscale panels. The left panel shows a close-up of a plant with large, dark leaves. The middle panel shows a globe of the Earth, viewed from a high angle, with a grid of latitude and longitude lines. The right panel shows another globe of the Earth, viewed from a different angle, showing the continents. The word "OUTREACH" is written in a white, sans-serif font across the center of these panels.

OUTREACH

CITY OF NOVATO

Core Values - Community Priorities



Public Safety



Environmental
Protection



Neighborhood
and Land Use
Protection



Access by
Youth

YOUTH, COMMUNITY AND NEIGHBORHOODS

Community Goals:

- Manage underage exposure to cannabis, prevent underage access to and use of product
- Prevent adult use disorders and associated with cannabis and abuse of product by adults
- Promote public health and public safety



YOUTH, COMMUNITY AND NEIGHBORHOODS (Cont'd)

- Protect the environment
- Establish Proper Buffer Zones
- Prevent unlawful production, distribution and sales of cannabis



Concerns triggered by cannabis legalization

- Broader availability of legal cannabis will make it easier for youth to access it
- Legalization could also lead youth to believe that cannabis is completely safe, which could result in higher rates of youth cannabis use over time
- Adverse changes in the brain affecting learning and memory



Strategies to Address Increased Youth Access

- In 2015, 80% of 12th graders in the United States reported that cannabis is “fairly easy” or “very easy” to obtain
- Reality is less than 20% polled really say they use it
- Successful strategies tend to focus on density, buffer zones and limiting hours of operation



WHAT'S
LEGAL?



State Regulations re: Conduct of Licensees

- Licensed retailers cannot sell cannabis to persons under 21
- Licensed retailers cannot allow persons under 21 on the licensed premises
- Licensed retailers and may not employ persons under 21
- Cities can establish routine inspections to enforce underage sales



State Regulations re: Conduct of Licensees

- Consumers must present a valid, government-issued ID card showing the consumer's age prior to purchase. Sales without ID are prohibited.
- Police are authorized by state law to use persons under 21 years of age to purchase or attempt to purchase cannabis or cannabis products for the purpose of enforcing age restriction laws





*Addressing Community Concerns
Through Regulations*

Sales to Minors

Strategies for reducing sales to minors include:

- Requiring training and education for cannabis retail employees, particularly those who engage directly with customers (“budtenders”)
- Requiring the use of technology that improves the accuracy of age verification processes
- Routine enforcement efforts (using minors who attempt to buy cannabis as part of a compliance check) and sufficient penalties to deter sales to minors



Advertising

- Advertising can strongly influence young people to consume certain products. This is supported by numerous studies evaluating the effects of youth exposure to alcohol and tobacco advertising.
- For this reason, state law expressly prohibits advertising that is geared to be appealing to children.



NOVATO ZONING DISTRICTS

BPO	Business and Professional Office
CDB	Downtown Core Business
CDR	Downtown Core Retail
CG	General Commercial
CI	Commercial/Industrial
CN	Neighborhood Commercial
LIO	Light Industrial/Office

Expressly protects local licensing practices, zoning ordinances,
and local actions taken under police powers

Time

Place

Manner

LEGISLATION PROTECTS LOCAL CONTROL

Strategies to Address Increased Youth Access

▪ Limiting Hours of Retail

Operations: In the context of alcohol, research is mixed about whether access to and problems associated with alcohol decrease when retail sales are restricted to certain hours or days. Such restrictions could limit youth access, but care must be taken not to stimulate black market activity.



Challenge of enacting precise restrictions:

- “Attractive to children” is not defined in the law, state regulations will hopefully provide clarity
- Local ordinances establishing advertising rules more restrictive than state law may be difficult to implement
- Overly broad restrictions or bans on advertising may be subject to legal challenge



Advertising – Strategies for Cities

- Adopt an ordinance consistent with state law, prohibiting advertising “attractive to children” or intended to encourage youth use (bans on cartoon or branded characters or celebrity endorsements)
- Establish sufficient penalties for violating advertising restrictions, up to and including permit revocation
- Advertising placed in broadcast, cable, radio, print, and digital media is restricted to audiences where at least 71.65% of audience members are 21 or older



Challenge of enacting precise restrictions:

- State law prohibits advertising within 1,000 feet of schools, day cares, youth centers, and playgrounds.
- But it does not address on-site marketing or other forms of advertising which youth may frequently encounter.
- Cities can limit advertising at retail locations including posters, billboards, window coverings



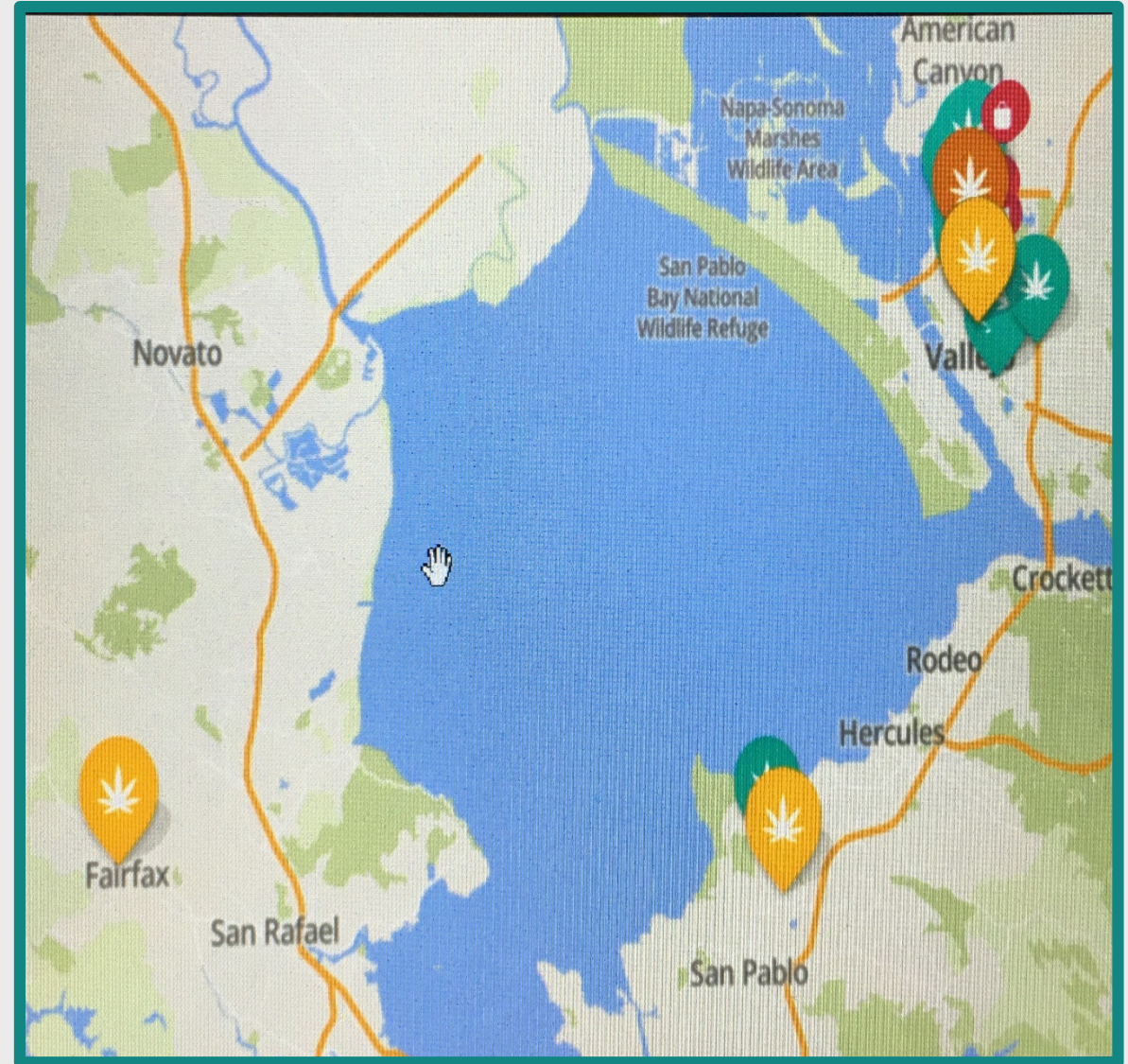
State Mandated Buffer Zone

- Cannabis businesses cannot be located within 600 feet of a “sensitive use,” defined as a school, day care center, or youth center. This rule includes private schools, but not those in private homes.
- **Day Care Center:** Includes pre-schools but not home day cares with less than 14 children.



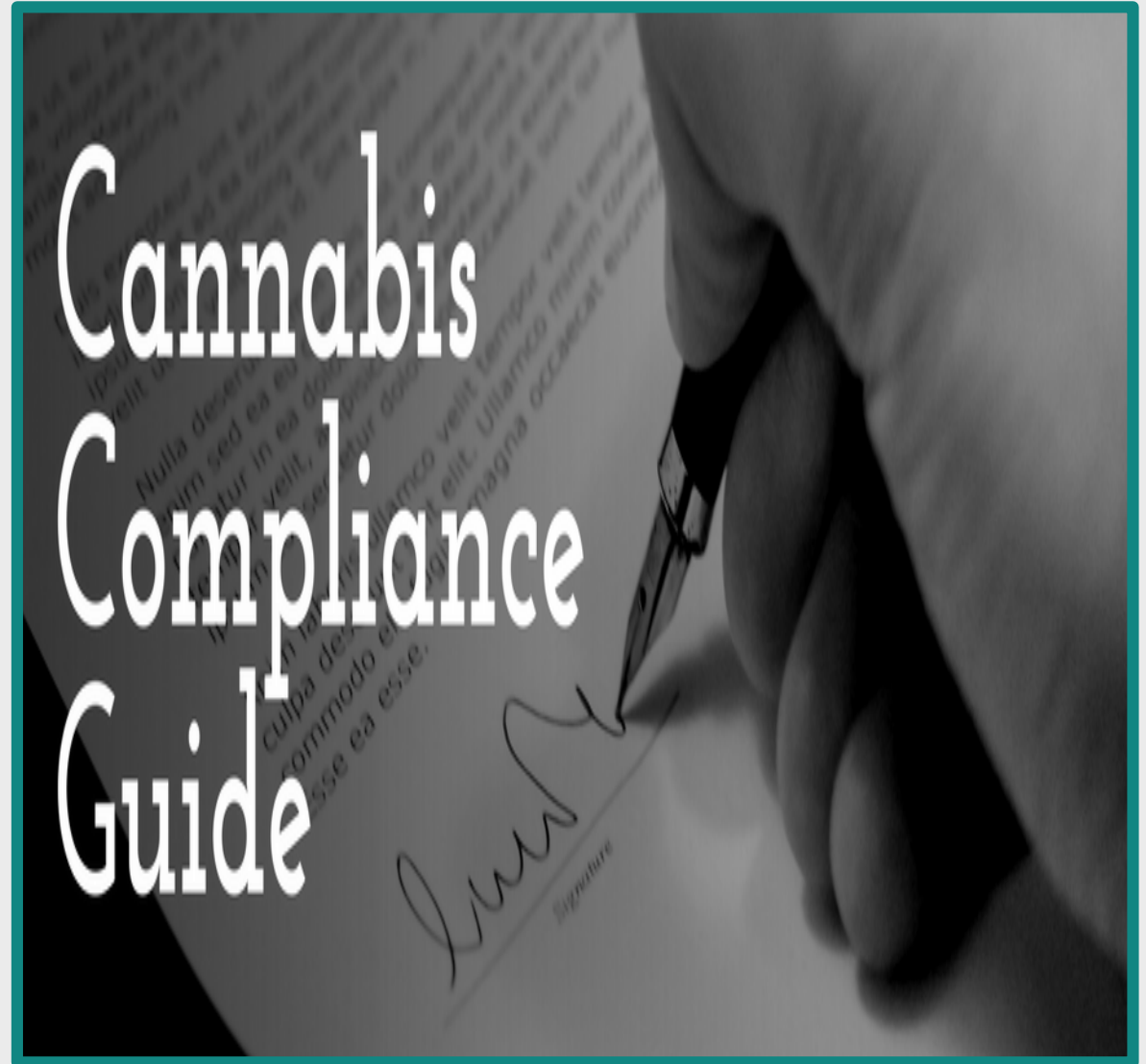
Strategies to Address Increased Youth Access

- **Buffer Zones:** Research on alcohol and tobacco show that creating buffers or “safe zones” around areas that youth frequent has association with lower levels of youth substance abuse. Similar strategies can be implemented for cannabis retailers to minimize youth exposure and opportunity.



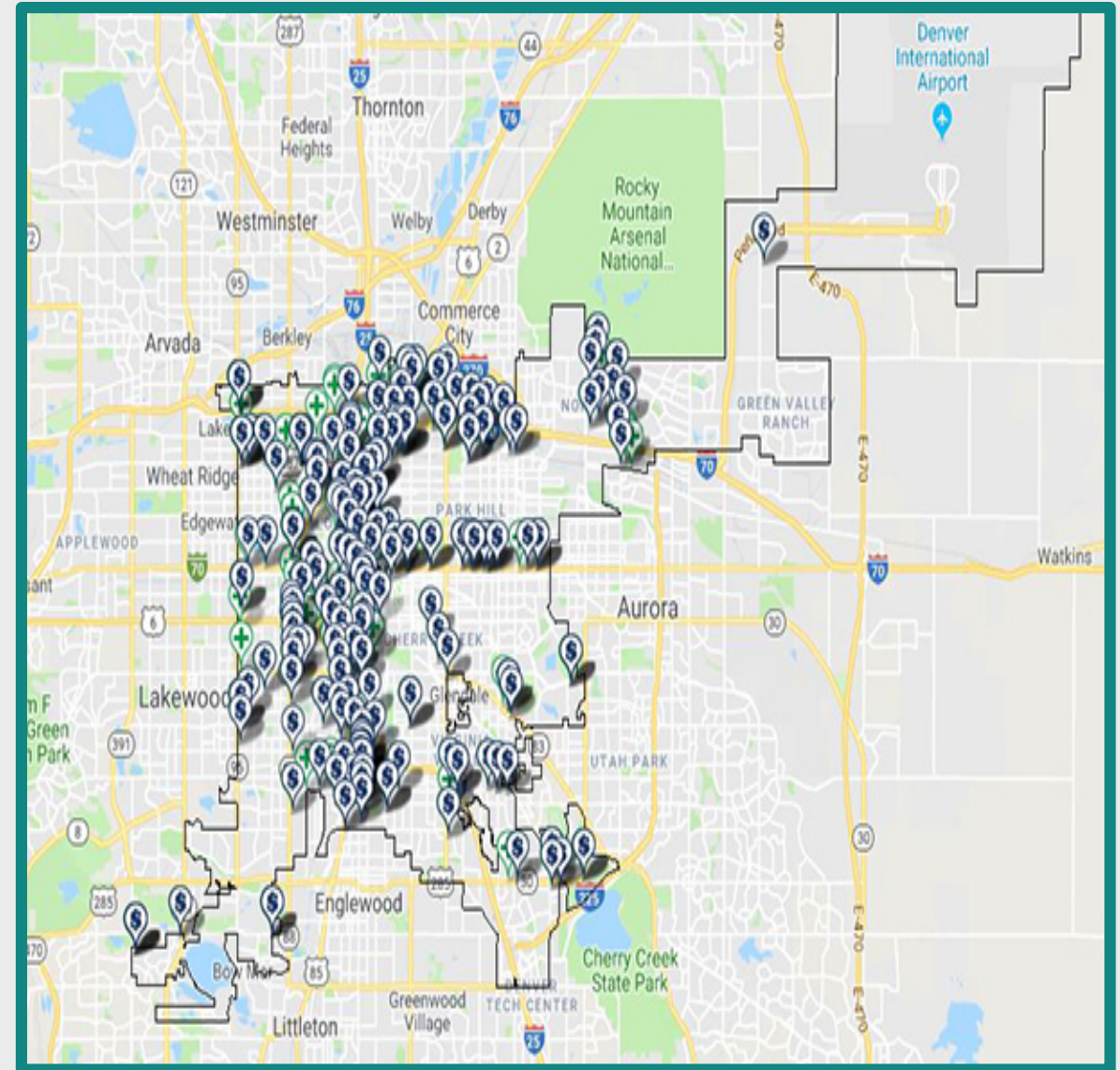
State Mandated Buffer Zone

- **Youth center:** Currently this term is poorly defined in state law, causing cities some difficulty.
- Cities can address this by providing their own detailed definition of a youth center in their ordinances, including what is excluded.



Strategies to Address Increased Youth Access

- **Density:** Studies show that concentration of alcohol retailers can increase abuse of alcohol by youth. Cities can control the density of cannabis retailers by requiring them to be located a minimum specified distance from one another.



State Mandated Buffer Zone and Local Rules

- Cities can designate a greater or lesser buffer zone than 600 feet, but it should be codified in an ordinance. The state will defer to such rules.
- Per state law, distances must be measured from parcel to parcel, boundary line to boundary line – not structure to structure.



POTENTIAL
PUBLIC
CONCERNS



PUBLIC SAFETY RISK ASSESSMENT

REGULATED CANNABIS ALLOWS POLICE TO:

- Monitor business practices
- Conduct background checks
- Approve security plans
- Offset resource cost for staffs time
- Regulate time, place, and manner requirements

UNREGULATED ILLEGAL SALE OF CANNABIS:

- Reduces police power due to limited search and seizure laws under Prop 64
- Makes it difficult to gather intelligence information
- Encourages black market sales
- Creates a reliance on public safety resources with no mechanism for cost recovery
- No control regarding sales to youth



PUBLIC SAFETY CONCERNS

- Bad actors
- Black market diversion/inversion
- Illegal cultivation activities
- Illegal business activities
- Driving while impaired
- Increased traffic from Retailers



PUBLIC HEALTH CONCERNS

- Bad odors
- Pollutants/Air Quality
- Overdose Response Calls
- Access by youth in homes/illegal sales

PERSONAL USE PUBLIC SAFETY & WELFARE

- ✓ Grants person right to cultivate (indoor) up to six (6) plants
- ✓ Can be subject to reasonable local regulations
- ✓ Can prohibit outdoor cultivation
- ✓ The primary use of the property must be for a residence
- ✓ Must comply with building and construction code
- ✓ Use of gas products or generators for cultivation are prohibited
- ✓ Any structure used must be secure and fully enclosed
- ✓ Must have written consent of the property owner

FEES AND TAXES

- ✓ Initial Application Fee
- ✓ Annual Regulatory Fee
- ✓ Cannabis Tax
- ✓ Sales Tax



WHO IS SUBJECT TO THE CANNABIS TAX?

A Commercial Cannabis Tax is a tax on the business entity who is authorized to conduct these activities and holds a Commercial Cannabis Permit.

This is **not** a tax on the consumer.

RATE OF TAX

- High enough to generate proceeds to offset costs
- Low enough to avoid over-taxing and ensure sustainability
- Ability to match tax rates with neighboring jurisdictions
- Encourage licenses in short supply
- Three year freeze on tax increase to stabilize market
- Flexibility options
 - City Council may increase or decrease rate
 - Index for inflation
 - Minimum and Maximum rates
 - Tax other categories not currently permitted in the City such as Testing Labs, Distribution facilities and unlawful commercial activity

THINGS TO CONSIDER IN DEVELOPING TAX

- Adult Use Marijuana Act (AUMA) 15% Excise Tax Effective tax rate.
- Cultivation Excise Tax \$9.25 per oz. (Flower)
- Cultivation Excise Tax \$2.75 on (Leaves)
- Distribution and processing cost of 15% to 30%.
- State permit cost to be implemented.
- City regulatory permit fees which may be charged to offset staff costs to manage the program.

CANNABIS STATE AND LOCAL TAX RATES

State Cannabis Excise Tax (Applies to medical and non-medical)

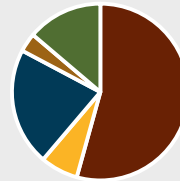
Retail Tax
15%
Gross Receipts of Retail Sales

Cultivation Tax
\$9.25/oz.
Flowers
\$2.75/oz. Leaves

Sales and Use Tax:

7.25% +

Adult-Use Subject to Tax
Medicinal May be
Subject to Tax



- State General Fund (3.9375%)
- Local Public Safety Fund (.50%)
- Local Revenue Fund (1.5625%)
- County Transportation Fund (.25%)
- City/County Operations Fund (1.00%)

City Cannabis Tax (Medicinal /Adult –Use)

XX% of Gross Receipts
\$XX Per Square Feet
\$XX Flat Rate
\$XX Per Weight

City Cost Recovery Fees (Prop 26) (Medicinal/Adult-Use)

\$XX Application Fee
\$XX License Fee
\$XX Renewal Fee
\$XX Administration Fee

SQUARE FOOTAGE TAX OPTIONS FOR CULTIVATION

- \$XX sq. ft. (Fixed Rate)
- \$XX sq. ft. w/initial tax with a not to exceed amount
- \$XX sq. ft. w/initial tax with a not to exceed amount and then a CPI thereafter
- \$XX sq. ft. w/CPI annual adjustment
- \$XX sq. ft. on first XX sq. ft. and then reduce amount for additional sq. ft.
- \$XX for total sq. ft. authorized based on permit type (i.e. Type 1A Permit 5,000 sq. ft.)
- Stacking prohibited vs stacking permitted (State may calculate this activity in the rules)
- No rate increase for three years

GROSS RECEIPTS TAX OPTIONS

- Gross Receipts (Flat rate)
- Gross Receipts (Initial rate then automatically adjusted annually up to the not to exceed limit)
- Gross Receipts (Initial rate then adjusted only if authorized by the City Council up to the not to exceed limit)
- No Rate Increase for the first three years

Cumulative Cannabis Taxes

Category	Amount	Increase	Cumulative Price
Producer Price	\$1,000	\$1,000	\$1,000
State Cultivation Tax	\$9.25/oz	\$148	\$1,148
Local Tax	2.50%	\$25	\$1,173
Batch Testing	\$50/lb, + 0.50%	\$55	\$1,228
Wholesale Price w/ Taxes		\$1,228	
Total Tax at Wholesale		\$228	
Tax as %		22.80%	
Manufacturer Markup	20.00%	\$246	\$1,474
Local Tax	4.00%	\$59	\$1,533
Total Manufacturer Price		\$1,533	
Total Taxes at Manufacturer		\$287	
Total Tax as %		18.72%	
Distributor Markup	30.00%	\$460	\$1,992
Local Tax	3.00%	\$60	\$2,052
Total Distributor Price		\$2,052	
Total Taxes at Distributor		\$347	
Total Tax as %		16.90%	
Retailer Markup	100.00%	\$2,052	\$4,104
Local Tax	5.00%	\$205	\$4,309
State Excise Tax	15.00%	\$616	\$4,925
Total Retailer Price		\$4,925	
Total Taxes at Retail		\$1,168	
Total Tax as %		23.71%	
CA Sales Tax	7.50%	\$369	\$5,294
Local Sales Tax	1.00%	\$49	\$5,344
Total Taxes at Retail		\$1,586	
Total Tax as %		29.68%	
Total Local Tax		7.45%	\$398.17

CUMULATIVE CANNABIS TAXES HdL Analysis





Thank you!

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