

City of Watsonville
Medical Cannabis Advisory Committee

Meeting Notes

May 18, 2016
5:30-7:30 p.m.

Meeting Topic: Cannabis Taxation

Technical Advisory Committee Members:

Dorma Baker	Bryce Berryessa	Erica Padilla Chavez	Allan Flores
Thomas Frye	Felipe Hernandez	Aaron Newsom	Ari Parker
Jarrad Pecoraro	Henry Robles	Jenny Sarmiento	

Staff:

Suzi Merriam, Assistant CDD Director
Ezequiel Vega, Administrative Services Director
Kurt Overmeyer, Senior Planner
Laurie Blackwood, Administrative Analyst
Doug Mattos, Administrative Analyst

- I. **Call to order:** Suzi Merriam called the meeting to order at 5:30 p.m.
- II. **Roll call:** Committee members present were Bryce Berryessa, Erica Padilla Chavez, Allan Flores, Thomas Frye, Felipe Hernandez, Aaron Newsom, Ari Parker, Jarrad Pecoraro, Henry Robles, and Jenny Sarmiento. Committee members absent was Dorma Parker. Staff present were Suzi Merriam, Laurie Blackwood, and Doug Mattos.
- III. **Cannabis Taxation- (continued from 4/27/2016 meeting)**
 - a) **Report by Staff:** Presentation was made by Suzi Merriam summarizing information requested by the Committee on tax structures in other California jurisdictions, recommended taxes for each type of business, and proposed allocation of the revenue generated by the taxes.
 - b) **Advisory Committee Questions:** Members asked about the proposed allocation, if it was sufficient, and if it could be designated in the proposed Ordinance. There were questions regarding what roles each of the City Departments designated in the proposed allocation will have in the implementation and on-going administration of the Medical Cannabis Facilities Ordinance and the reasons for basing the cultivation tax on square footage rather than gross receipts. The Members also asked about financial/audit systems, acceptable forms of payment, and possible changes to the existing Facilities Ordinance and tax structure proposed by Staff to make it more equitable for businesses to locate in Watsonville.

- c) **Public Input:** Several members of the public spoke in favor of modifying the proposed tax structure and existing Facilities Ordinance to make it more equitable for existing as well as new businesses to locate in Watsonville. Other comments were made regarding the benefit these types of businesses will have in Watsonville, particularly on crime, and the Police Department's role with respect to implementation and enforcement of the Facilities Ordinance.
- d) **Advisory Committee Discussion:** There was some discussion regarding what impact these types of businesses will have on the City and its resources and the difficulty in determining those exact needs at this time, the economic benefits to Watsonville and what that encompasses, and possible modifications to the proposed tax structure including reasons to support or deny.
- e) **Motion:** A motion was made by Ari Parker and seconded by Jarrad Pecoraro to recommend the following proposed tax structure and items to the City Council for consideration:

Cultivation – \$12 per square foot of grow area as the initial tax with a cap of \$15 per square foot of grow area.

Manufacturing – 1% of gross receipts as the initial tax with a cap of 2% of gross receipts.

Dispensaries – 6% of gross receipts as the initial tax with a cap of 10% of gross receipts.

Include language in the proposed tax ordinance that:

- i. no increases may be considered until March 2018 to allow for collection of data for City Council to consider in their re-examination of the initial tax; and
- ii. revenue generated by the tax be allocated to the General Fund with the intended allocation as proposed by Staff in the Memorandum to the Committee dated May 13, 2016.

Ayes: Bryce Berryessa, Allan Flores, Thomas Frye, Felipe Hernandez, Aaron Newsom, Ari Parker, Jarrad Pecoraro, Henry Robles.

Noes: Jenny Sarmiento

Abstains: Erica Padilla Chavez

Motion passed

IV. Adjournment: Meeting was adjourned at 8:08 p.m. The next meeting is scheduled for July 13, 2016 at 5:30 p.m.