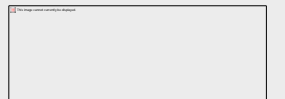




PROPOSED CANNABIS BUSINESS TAX ORDINANCE FOR THE CITY OF SOUTH LAKE TAHOE

AGENDA

- Overview of proposed ordinance
- Review fiscal analysis
- Review cumulative tax calculation
- Next steps



PROPOSED ORDINANCE

3.40.030: Purpose

3.40.040: Definitions

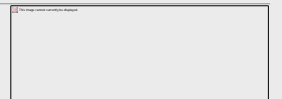
3.40.050: Tax Imposed

3.40.060: Reporting and Remittance of Tax

3.40.080: Payments – when taxed deemed delinquent

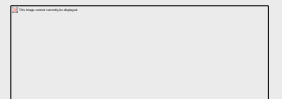
3.40.100: Penalties and Interest

3.40.250: Violation deemed Misdemeanor - Penalty



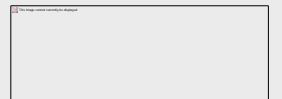
TAX POLICY ON CULTIVATION

- Square footage based on approved permit
 - Reduction for unused square footage, partial year (pro-rated)
 - Square footage of cultivation area, not of building
 - Deferred payment to match cash flow associated with harvest
- Predictable, stable revenue stream for financing on-going City costs



RATE OF TAX

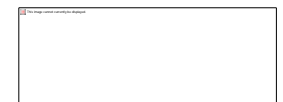
- High enough to generate proceeds to offset costs
- Low enough to avoid over-taxing and ensure sustainability
- Ability to match tax rates with neighboring jurisdictions or other regions
- Limit cultivation permits due to excess capacity
- Three year freeze on tax increase to stabilize market
- Flexibility 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 Retail and unlawful commercial activity



PROPOSED
MAXIMUM
RATES

RATES

LICENSE TYPE	RATE
Cultivation: Indoor, artificial lighting	\$10.00 SF
Cultivation: Indoor, mix lighting	\$7.00 SF
Cultivation: Outdoor	\$4.00 SF
Cultivation: Nursery	\$2.00 SF
Testing Laboratory	2.5% GR
Retailer	6% GR
Distribution	3% GR
Manufacturing	4% GR



PROPOSED
INITIAL
RATES

RATES

LICENSE TYPE	RATE
Cultivation: Indoor, artificial lighting	\$7.00 SF
Cultivation: Indoor, mix lighting	\$4.00 SF
Cultivation: Outdoor	\$2.00 SF
Cultivation: Nursery	\$1.00 SF
Testing Laboratory	1% GR
Retailer/Deliveries	4% GR
Distribution	2% GR
Manufacturing	2.5% GR



**FISCAL
ANALYSIS**

RETAILERS

	Gross Receipts	# of Businesses	Total GR	4%	5%	6%
Scenario 1	\$2.5M	1	\$2.5M	\$100,000	\$125,000	\$150,000
Scenario 2	\$2.5M	2	\$5M	\$200,000	\$250,000	\$300,000
Scenario 3	\$2.5M	3	\$6.6M	\$264,000	\$330,000	\$396,000





**FISCAL
ANALYSIS**

CULTIVATION

	Avg. Sq. Ft.	# of Businesses	Total Sq. Ft.	\$7	\$9	\$10
Scenario 1	5,000	1	5,000	\$35,000	\$45,000	\$50,000
Scenario 2	5,000	2	10,000	\$70,000	\$90,000	\$100,000
Scenario 3	5,000	3	15,000	\$105,000	\$135,000	\$150,000



**FISCAL
ANALYSIS**

MICROBUSINESS

	Gross Receipts	# of Businesses	Total GR	2.5%	3%	4%
Scenario 1	\$2.5M	1	\$2.5M	\$62,500	\$75,000	\$100,000
Scenario 2	\$2.5M	2	\$5M	\$125,000	\$150,000	\$200,000
Scenario 3	\$2.5M	3	\$7.5M	\$187,000	\$225,000	\$300,000



**FISCAL
ANALYSIS**

TESTING LABORATORIES

	Gross Receipts	# of Businesses	Total GR	1%	2%	2.5%
Scenario 1	\$2M	1	\$2M	\$20,000	\$40,000	\$50,000
Scenario 2	\$2M	2	\$4M	\$40,000	\$80,000	\$100,000
Scenario 3	\$2M	3	\$6M	\$60,000	\$120,000	\$150,000





Revenue Projections – All Businesses

	Retail	Cultivation	MicroBusiness	Testing
Conservative	\$100 - 150K	\$35 – 50K	\$62.5 – 100K	\$20 – 50K
Moderate	\$200 - 300K	\$70 – 100K	\$125 - 200K	\$40 – 100K
Aggressive	\$264 - 396K	\$105 - 150K	\$187 – 300K	\$60 – 150K

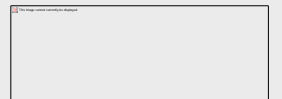


FISCAL ANALYSIS – Cannabis Revenues

Conservative estimate: \$217,000 – 350,000 (4 Businesses)

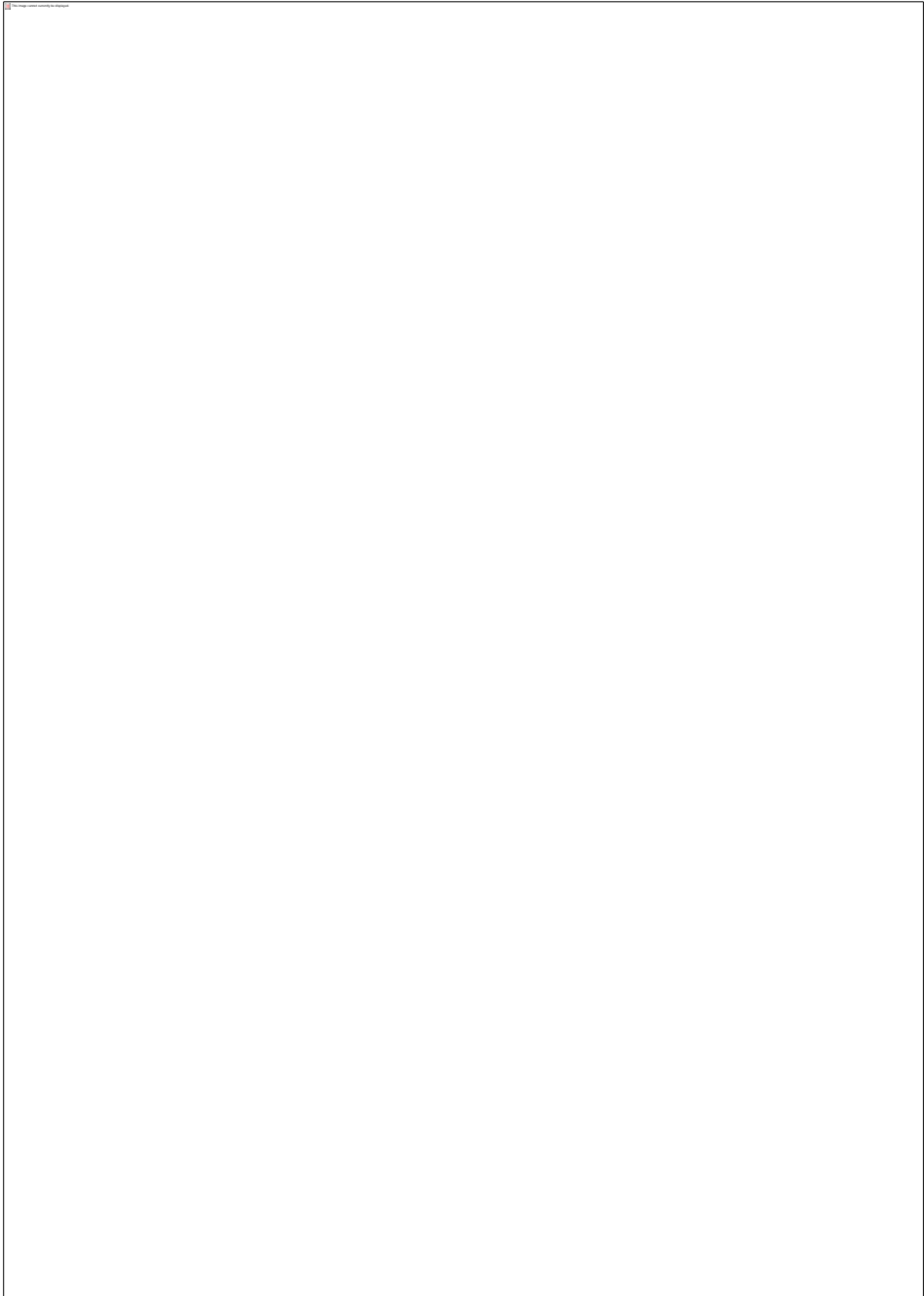
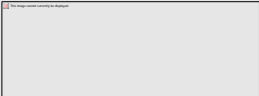
Moderate estimate: \$435,000 - \$700,000 (8 Businesses)

Aggressive estimate: \$616,000 – \$996,000 (12 Businesses)





CUMULATIVE
TAX



NEXT STEPS

Approve ordinance

Update ordinance based on City Council direction

Adopt resolution calling the election

Tax measure appears on November 6, 2018 ballot

Tax ordinance becomes effective Jan 1, 2019





Tim Cromartie, Senior Advisor
tcromartie@hdlcompanies.com
(909) 861-4335

Thank you!