

MEASURE I

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE I

In November 2016, California voters approved Proposition 64 legalizing the recreational use of cannabis (marijuana) by adults and establishing maximum cultivation allowances for personal use. Proposition 64 authorized the commercial cultivation and sale of non-medical cannabis and further allows for local control of all cannabis-related land uses. All commercial cannabis activities are currently prohibited in Morgan Hill.

If approved by voters, Measure I would impose a tax on both medical and non-medical cannabis businesses in the City of Morgan Hill. The measure would impose a tax on every person engaged in commercial cannabis cultivation in Morgan Hill at a maximum rate of \$15.00 per canopy foot of and at a maximum rate of 10% of gross receipts for all other cannabis businesses.

Measure I alone does not allow for commercial cannabis activities in Morgan Hill. Taxes on legal commercial cannabis activities would not be collected unless a separate ordinance is adopted authorizing and regulating commercial cannabis activities in the City of Morgan Hill.

Any cannabis taxes collected cannot be taken by the state, and will be placed in the General Fund to fund municipal expenses including police, fire, roads, recreation, and drug abuse prevention.

A "yes" vote on Measure I would approve the ordinance, taxing cannabis at annual rates not to exceed \$15.00 per canopy square foot for cultivation (adjustable for inflation) and up to 10% of gross receipts for all other cannabis businesses.

A "no" vote on Measure I would result in no local tax being imposed on cannabis businesses.

/s/ Donald A. Larkin
City Attorney

The above statement is an impartial analysis of Measure I. If you desire a copy of the ordinance or measure, please call the City Clerk's office at (408) 779-7259. A copy will be mailed to you at no cost.

ARGUMENT IN FAVOR OF MEASURE I

Voting Yes to pass Measure I will allow the City of Morgan Hill to impose a tax on cannabis businesses. The proposed tax will solely be paid by cannabis businesses or users.

This measure protects local control. With the passage of Proposition 64, legalizing recreational cannabis, local governments assumed responsibility to provide oversight and regulate cannabis businesses within their communities. This measure preserves the right for our community to apply a local tax to cover added costs should the City of Morgan Hill allow cannabis businesses within the city limits in the future.

This Measure does not establish a specific tax rate on cannabis, it only establishes a maximum tax rate should the City approve cultivation, R&D, manufacturing, or retail sales in the future. While those uses have not yet been approved by the City Council, this measure would ensure that the City has the financial resources to manage cannabis-related issues should the processing or sale of cannabis be allowed in the future.

Measure I is fiscally responsible, timely, and prudent. Over the past several years, the City of Morgan Hill has addressed ongoing essential needs such as increased public safety and street improvements: By proactively establishing a tax on cannabis businesses, the City's General Fund budget will be protected from new or unexpected costs associated with the cannabis industry, protecting City resources for general municipal services.

Whether you agree with the legalization of cannabis or not, it is imperative that the City has resources to address the impacts of the cannabis industry and to ensure that the cannabis industry complies with existing laws.

/s/ Steve Tate
Mayor, City of Morgan Hill

/s/ Rich Constantine
Mayor Pro Tempore, City of Morgan Hill

/s/ Larry Carr
Councilmember, City of Morgan Hill

/s/ Caitlin Robinett Jachimowicz
Councilmember, City of Morgan Hill

/s/ Rene Spring
Councilmember, City of Morgan Hill

NO ARGUMENT AGAINST MEASURE I WAS SUBMITTED