

MEASURE M

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE M

The Santa Clara City Council has placed Measure M on the ballot which, if approved by the voters, would enact a Cannabis Business Tax on cannabis businesses operating in the City. The Cannabis Business Tax is a general tax enacted by simple majority vote for general municipal purposes such as fire/police/911 services, road repairs, and library services. All tax proceeds would go to the City's General Fund.

The Cannabis Business Tax is not a sales tax or a property tax. The tax would only affect businesses that engage in commercial cannabis (marijuana) operations by imposing a tax levied on the basis of gross receipts or square footage of canopy, depending on the activity involved. "Gross receipts" is generally defined as the revenue received by cannabis businesses for sales before deducting expenses. The plant "canopy" of a cultivation business is generally defined as the maximum area occupied by any portion of a cannabis plant. The tax would not apply to personal use of cannabis allowed under state law.

Currently, cannabis businesses are not allowed to operate in the City of Santa Clara. Approval of Measure M would not change this. However, the City Council will separately consider modifying Title 18 ("Zoning") of the City Code to allow cannabis businesses in certain areas. If this Measure is adopted, the tax would take effect at the later of ten (10) days after City Council certification of election returns, or when commercial cannabis is permitted in Santa Clara.

The Measure will set the **maximum** tax rate for all commercial cannabis businesses at ten percent (10%) of gross receipts or \$25 per square foot area of cultivation. However, initial rates shall be as follows:

- Retail: 5% of gross receipts
- Manufacturing: 5% of gross receipts
- Cultivation: greater of \$6 per sq. ft. of canopy or 5% of gross receipts
- Distribution: 3% of gross receipts
- Nurseries: 3% of gross receipts
- Testing: 3% of gross receipts
- Transportation: 3% of gross receipts

The City Council may, once per year, increase or decrease the tax rates, up to the maximum rates stated in the Measure.

The Ordinance includes provisions for collection of the tax (monthly or quarterly), handle delinquencies, impose penalties or interest, handle appeals/refunds, and enforce the taxing provisions. Cannabis businesses will be subject to City audit, including review of documents, tax returns and operations. Such businesses are also required to comply with other permitting and business tax requirements.

A "Yes" vote on Measure M would adopt the Cannabis Business Tax Ordinance. A "No" vote would not adopt the Cannabis Business Tax Ordinance.

The above statement is an impartial analysis of Measure M. The full text of the measure is available at www.santaclaraca.gov or by calling the City Clerk's Office at 408-615-2220, and a copy will be sent to you at no cost.

/s/ Brian Doyle
City Attorney

ARGUMENT IN FAVOR OF MEASURE M

Safe neighborhoods, parks, libraries, programs for children and youth and seniors, and well-maintained roads all lead to a better quality of life. Keep Santa Clara a great place to live! Vote Yes on M!

Over the last 10 years, Sacramento politicians took millions of dollars from Santa Clara-hurting our public safety and local services. Yes on M keeps our tax dollars local, and can only be spent on OUR vital city services.

Yes on M helps the City:

- Maintain rapid 9-1-1 emergency response times
- Prevent cuts to the number of firefighters and police officers
- Repair streets and fix potholes
- Protect neighborhood library services
- Protect vital city services

Yes on M protects our fast 9-1-1 emergency response times. Every second counts in an emergency! Yes on M supports our City's paramedics and firefighters who are the first to respond and save lives. Vote Yes on M!

Yes on M protects our firefighters, police officers, and paramedics. When times are tough, the last thing we need is to cut the number of firefighters and police officers. Vote Yes on M and protect our emergency police and fire services!

Yes on M is fair for Santa Clara taxpayers. The cannabis industry must pay its fair share for the right to conduct business within our city. Support our police, fire, road repair, and youth/senior programs! Vote Yes on M.

Yes on M does NOT increase taxes on local Santa Clara residents homes, property, or groceries. Only those in the cannabis industry will pay for Measure M. Vote Yes on M!

By law, all Measure M funds must be spent in Santa Clara for local services—Sacramento cannot touch one cent! Yes on M includes strict accountability, including independent audits and citizen oversight.

Join us in voting YES on M.

/s/ Kathleen Watanabe
Vice Mayor, City of Santa Clara

/s/ Debra Ann Davis
Santa Clara City Council Member

/s/ Teresa O'Neill
Santa Clara City Council Member

/s/ Patrick Kolstad
Santa Clara City Council Member

/s/ Loretta Beavers
Cultural Commissioner

NO ARGUMENT AGAINST MEASURE M WAS SUBMITTED