

CITY ATTORNEY IMPARTIAL ANALYSIS OF MEASURE C

Ballot Measure C, placed on the ballot by the Fairfield City Council, asks the voters in the City to adopt a Cannabis Business Tax Ordinance (“Ordinance”) that imposes a tax on all cannabis and industrial hemp businesses operating within the City, beginning January 1, 2021. All references in this analysis to cannabis include industrial hemp, cannabis products and industrial hemp products. The Ordinance authorizes the following maximum tax rates:

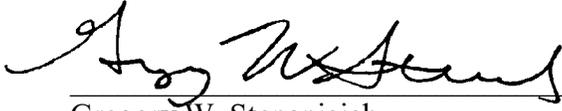
1. For commercial cannabis cultivation:
 - a. Ten dollars (\$10.00) per square foot of canopy space in a facility that uses exclusively artificial lighting.
 - b. Seven dollars (\$7.00) per square foot of canopy space in a facility that uses a combination of natural and supplemental lighting.
 - c. Four dollars (\$4.00) per square foot of canopy space in a facility that uses no artificial lighting.
 - d. Two dollars (\$2.00) per square foot of canopy space for any nursery.
2. For operation of a testing laboratory for cannabis, a maximum tax rate not to exceed two percent (2%) of gross receipts.
3. For retail sales of cannabis, a maximum tax rate not to exceed six percent (6%) of gross receipts.
4. For distribution of cannabis, a maximum tax rate not to exceed three percent (3%) of gross receipts.
5. For manufacturing or processing of cannabis or any other type of cannabis business, a maximum tax rate not to exceed four percent (4%) of gross receipts.

On January 1, 2024 and each January 1 thereafter, the maximum annual tax rates on commercial cannabis cultivation will increase by the percentage increase in the Consumer Price Index (“CPI”) for consumers in the San Francisco-Oakland-Hayward Region published by the United States Bureau of Labor Statistics. The Ordinance allows the City Council to set the tax rate for each type of cannabis business in an amount equal to or less than the maximum rate.

The Cannabis Business Tax is a general tax. These tax revenues would be deposited in the City’s general fund to be used for any municipal purpose. It is estimated by the City’s Finance Director that this tax would raise between \$237,500 to \$360,000 per year for the City. A full copy of the text of the Ordinance is printed in these ballot materials.

Article XIIC of the California Constitution provides that the proposed Ordinance will be adopted only if a majority of the voters voting on Measure C vote “yes.” A “yes” vote

authorizes the City to impose a tax as permitted by the Ordinance on cannabis businesses operating in the City. A “no” vote will result in the tax not being imposed and the City will not receive the revenues that would have been generated by the tax.

A handwritten signature in black ink, appearing to read "Gregory W. Stepanicich", written over a horizontal line.

Gregory W. Stepanicich
City Attorney
City of Fairfield