



County of Calaveras

Building Department

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891 Mountain Ranch Road, Building "E", San Andreas, CA 95249

BOARD OF SUPERVISORS

NOTICE OF ORDINANCE AMENDMENT

LEAD AGENCY: Calaveras County Building Department
891 Mountain Ranch Rd.
San Andreas, CA 95249

Proposed Ordinance to repeal the Cannabis Background Clearance Badge (CBCB) program: Calaveras County is proposing to repeal Chapter 9.22 of Calaveras County Ordinance Code in order to eliminate the Cannabis Background Clearance Badge program from the Division of Cannabis Control. The ordinance was introduced at a Board of Supervisors meeting on November 12, 2024. The repeal of this Chapter is not a project under the California Environmental Quality Act (CEQA), or it is exempt pursuant to 14 CCR §15061(b)(3).

NOTICE IS HEREBY GIVEN that the Calaveras County Board of Supervisors will conduct a public meeting on **December 10 at 9:00 a. m.** or soon thereafter to consider the above referenced ordinance. The public meeting will be held in the Calaveras County Board of Supervisors Chambers, Government Center, 891 Mountain Ranch Road, San Andreas, California.

You are welcome to review the application at the Calaveras County Building Department during normal working hours, 8:00 a. m. to 4:00 p. m., Monday through Friday except county holidays. The Chief Building Official can be reached at doliver@calaverascounty.gov or (209) 754-2823. Staff reports are made available for public viewing online at <https://calaverasgov.us/Meeting-Calendar> on the Friday prior to the scheduled meeting. The staff report can also be viewed at the Building Department located at 891 Mountain Ranch Rd. Building E, San Andreas, California.

Date of Notice –

Attachment: Notice of Ordinance Amendment [Revision 2] (8226 : INTRODUCE Repeal of Cannabis Background Check Ordinance)



CALAVERAS COUNTY BOARD OF SUPERVISORS AGENDA SUBMITTAL

Short Name/Subject INTRODUCE ORDINANCE REDUCING SECTION 3.56.050(B) TAX RATE PER SECTION 3.56.070	Board Meeting Date November 12, 2024	Agenda Number 19
Dept: Building Contact: Doug Oliver Phone: (209) 754-6390	Supervisory District Number Countywide	Regular Agenda
Published Notice Required: No Public Hearing Required: No		Estimated Time: 1 Hour
Type of Document: Action Item PowerPoint Presentation Included: No		

RECOMMENDATION:

1) Introduce and waive first reading of an uncodified ordinance temporarily reducing the cannabis cultivation tax rates specified in County Code Section 3.56.050(B)(1)-(3) by 60% through December 31, 2027, as authorized by Section 3.56.070; and 2) Authorize summary publication. Requires a 4/5 vote.

DISCUSSION/SUMMARY:

On January 9, 2024, the Board approved Ordinance No. 20240109o3191 pursuant to its authority under County Code § 3.56.070, temporarily reducing cannabis cultivation square footage tax rates by 60% for the entire calendar year of 2024.

Given that this temporary tax reduction sunsets at the end of December 2024, staff has conducted research into the state of the legal cannabis market and compared it to data from previous years. The major points gleaned from that research are as follows:

- Wholesale prices for dried cannabis flower in Calaveras County is rebounding, but there is no evidence yet of market stabilization:
 - 2020 - \$800 to \$1,000 per pound
 - 2021 - \$400 to \$500 per pound
 - 2022 - \$150 to \$300 per pound
 - 2023 - \$300 to \$450 per pound
 - 2024 - \$250 to \$400 per pound
- Beginning July 1, 2022, the State curtailed its \$150 per pound tax on cultivation and moved it to retail. This shift appears to have contributed to product values (wholesale prices) dropping rather than shifting the cost to consumers. Bottom line: State tax savings have not been realized by farmers.
- Examples of cultivation tax reduction actions taken by other counties:
 - Humboldt County – 90% reduction as of October 2023
 - Sonoma County – permanently changed their tax format to canopy size.
 - \$.69 per sq ft for outdoor canopy.
 - \$2.51 per sq ft for mixed light
 - \$7.58 per sq ft for indoor

INTRODUCE ORDINANCE REDUCING SECTION 3.56.050(B) TAX RATE PER SECTION 3.56.070

November 12, 2024

- Lake County – Reduced tax by 50% for two years and temporarily changed basis from cultivation area to canopy area
- Monterey County – Reduced tax by varying percentages, extended due dates with waived penalties
- Without interstate commerce, the State of California’s legal cannabis industry’s market prices are not expected to stabilize in a manner consistent with interstate commodities.
- Due to the extension of the temporary tax reduction, the number of permits has stabilized at a total of 92. Further, only 2 permits have been revoked this year for non-payment of taxes.

The information provided would indicate no stabilization of market prices in the immediate future. Until there is data to suggest a stabilized market, the Building Department believes that the industry will continue to need assistance in the form of tax reductions from local governments to support the industry’s economic benefit to local jurisdictions over the long term. The ordinance presented would extend the existing 60% reduction through 2027, at which point it would automatically sunset.

FINANCING:

Below is a chart that shows Cannabis Excise Tax receipts in Calaveras County over the past few years:

FY 2021-22 Actuals	FY 2022-23 Actuals	FY 2023-24 Actuals	FY 24-25 Estimate
\$3,554,634	\$3,646,515	\$2,920,920	\$2,800,000

This chart shows growing cannabis tax receipts between FY 2020-21 and FY 2022-23 followed by a sharp reduction in revenue in FY 2023-24 that reflects canopy size reduction across the local industry in response to market volatility. The projection for FY 2024-25 is \$2,800,000, which anticipates zero growth in the industry. Given the estimate in this year’s budget and the on-going volatility in the cannabis industry, staff recommends continuing the reduction through 2027 in order to monitor the industry for long term market patterns.

ALTERNATIVES:

The Board could choose to take the following alternative actions.

- 1) Take no action and allow the tax rates to automatically raise to prior levels on January 1, 2025, or could approve a lesser reduction level (e.g., 30% versus 60% reduction). The information provided above indicates that eliminating or modifying the reduction to a lower amount would not be prudent in this still evolving market and could have immediate and long-lasting negative effects on the County’s General Fund revenues and legal cannabis industry in general.
- 2) The Board may choose to change the duration of the tax reduction by reducing or increasing the number of years that the tax reduction is in effect as well as eliminating the time limitation completely. These alternatives will have no effect on the industry. However, the proposed longer reduction duration would allow staff to establish long term market data to establish a baseline for what is a standard market fluctuation without the need to return to the Board annually for direction. Further, the Board is not constrained to any particular timeframe and may direct staff to return for further amendment of the timeframe if the market stabilized.

INTRODUCE ORDINANCE REDUCING SECTION 3.56.050(B) TAX RATE PER SECTION 3.56.070

November 12, 2024

OTHER AGENCY INVOLVEMENT:

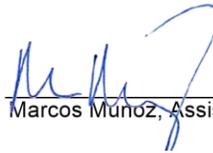
Tax Collector

APPROVED BY:



Doug Oliver, Chief Building Official

10/28/2024



Marcos Muñoz, Assistant, CEO

10/29/2024



Julie Moss-Lewis, Deputy County Counsel

10/31/2024



Stacy Simpson, Deputy Clerk to the Board

11/7/2024

AN UNCODIFIED ORDINANCE OF THE CALAVERAS COUNTY BOARD OF SUPERVISORS TEMPORARILY REDUCING CANNABIS CULTIVATION SQUARE FOOTAGE TAX RATES ESTABLISHED BY SECTION 3.56.050(B)(1)-(3) BY 60%, AS AUTHORIZED BY SECTION 3.56.070

The Calaveras County Board of Supervisors ordains as follows:

SECTION I. FINDINGS. The Board of Supervisors finds as follows:

- A. On July 14, 2020, the Calaveras County Board of Supervisors adopted a resolution calling an election for a Measure (Measure “G”) to amend and replace in full Chapter 3.56 of the Calaveras County Code of Ordinances and establish administrative procedures and tax rates for commercial cannabis activities for unrestricted general revenue purposes.
- B. Measure G was submitted to the voters in the General Statewide Election on November 3, 2020 and passed with 64.04% voting in favor of the measure. The measure became operative on January 1, 2021.
- C. Among the express provisions in Measure G, codified as Chapter 3.56 of County Code, were provisions in Section 3.56.090 authorizing changes to the Chapter by a four-fifths vote, including changes to the tax rates. Section 3.56.070 expressly authorizes the Board of Supervisors to lower tax rates, if approved by a four-fifths vote, and to “establish exemptions, incentives, or other reductions.”
- D. County Code Section 3.56.070 provides in full as follows: “The board of supervisors may, by a four-fifths vote, impose the tax authorized by this chapter at a lower rate and may establish exemptions, incentives, or other reductions, as otherwise allowed by state law. No action by the board of supervisors under this section shall prevent it from later restoring the tax to the levels authorized by voter approval of this chapter or removing any exemption, incentive, or reduction, and restoring the maximum tax specified in this chapter. This section does not apply to a modification of permit tax basis as provided in Section 3.56.050(B)(1)-(3), as distinguished from the tax rate itself.”
- E. Measure G established a cannabis cultivation tax in Section 3.56.050(B)(1)-(3) of the County Code based on square footage of canopy area at \$2/sq. ft. for outdoor cultivation, \$3/sq. ft. for mixed light cultivation, and \$4/sq. ft. for indoor cultivation.
- F. On March 8, 2022, considering evidence that the licensed cannabis market was experiencing a price collapse and that the average wholesale price for dried cannabis flower had fallen to approximately five hundred dollars (\$500) a pound, and that the average wholesale price for dry leaves and trim had fallen to thirty dollars (\$30) a pound, the Board of Supervisors approved Ordinance No. 20220308o3170, temporarily reducing cannabis cultivation square footage tax rates by 60% for the entire calendar year of 2022.
- G. On December 13, 2022, considering evidence that the licensed cannabis market was continuing to experience a decline in the price of dried cannabis flower, coupled with the expectation of the loss of 10% of the permitted cultivators in the County, the Board of Supervisors approved Ordinance No. 20221213o3183, temporarily reducing cannabis cultivation square footage tax

rates by 60% for the entire calendar year of 2023.

- H. On January 9, 2024, considering evidence that the licensed cannabis market had improved but had not stabilized yet, the Board of Supervisors approved Ordinance No. 20240109o3191, temporarily reducing cannabis cultivation square footage tax rates by 60% for the entire calendar year of 2024. Ordinance No. 20240109o3191 automatically sunsets at the end of 2024. At this time, staff research indicates that wholesale prices for dried cannabis flower in Calaveras County has dropped to between \$250 to \$400 per pound. With no method of interstate commerce for the legal cannabis market, price stabilization does not appear reasonable in the immediate future.
- I. In response to the above and to continue to preserve the benefits provided by thriving local permitted cannabis cultivators and to prevent the long-term loss of general fund tax revenue, the Board of Supervisors desires to extend the temporary reduction enacted on January 6, 2024, temporarily reducing the cannabis cultivation tax rates in Section 3.56.050(B)(1)-(3) by 60% for each respective rate for all twelve calendar year quarters of CY 2025 through CY 2027- January 1, 2024 through December 31, 2027.
- J. The reduction in tax provided for in this resolution shall be narrowly construed and is temporary in nature, and no waiver of any portion of the cultivation tax will prevent the Board of Supervisors from restoring the tax at any time. Pursuant to Section 3.56.090(a), nothing prevents “[t]he restoration of the rate of the tax to a rate that is no higher than that set by this chapter, if the board of supervisors has acted to reduce the rate of the tax.”
- K. This ordinance can only be approved with an affirmative vote of 4/5ths of the Board of Supervisors.

SECTION II. ENACTMENT.

- A. The Board of Supervisors finds that there is a public benefit in providing temporary tax relief to cannabis businesses to preserve the local economy, prevent long term loss of general fund revenue benefitting the public, and to support the competitive countermeasure that licensed cannabis businesses provide against illicit cannabis operations.
- B. For the period of January 1, 2025 through and including December 31, 2027, representing all twelve calendar year tax quarters of 2025 through 2027, the cultivation tax rates provided for by Chapter 3.56.050(B)(1)-(3) of Calaveras County Code are reduced by 60%.
- C. This Ordinance, and its reduction in tax rates, shall automatically expire after 11:59 p.m. on December 31, 2027, and be of no further force and effect after the fourth tax quarter of CY 2027, and may be terminated or extended by any subsequent enactment of the Board of Supervisors pursuant to Sections 3.56.070 and 3.56.090.
- D. The Division of Cannabis Control is directed to provide notice to cannabis businesses in the County of Calaveras possessing a local authorization to conduct cannabis activities subject to Section 3.56.050(B)(1)-(3).

SECTION III. EFFECTIVE DATE.

Pursuant to Government Code Section 25123(c), this ordinance shall be effective and in full force and effect immediately upon its adoption, and a summary of its contents shall be published once within fifteen (15) days of its passage in a newspaper of general circulation in the County, as provided by law.

**PUBLIC NOTICE
COUNTY OF CALAVERAS**

SUMMARY PUBLIC NOTICE

On Nov 12, 2024, the Calaveras County Board of Supervisors introduced and waived the first reading of an uncodified ordinance which, if adopted, would extend the current 60% reduction in square footage canopy tax rate for each type of cannabis cultivation specified in County Code 3.56.050(B)(1)-(3) for an additional three (3) calendar years.

The ordinance would be operative from January 1, 2025, through and including December 31, 2027, applying to cultivation tax due during said period, and constituting four calendar year tax quarters under Chapter 3.56 of the County Code. The ordinance would be self-terminating at the end of 2027. The proposed ordinance requires a 4/5ths affirmative vote for adoption. The ordinance would take effect and become operative upon adoption, with publication according to law.

Copies of the Ordinance being considered for adoption are on file with the Calaveras County Clerk located at 891 Mountain Ranch Road, San Andreas, CA 95249.

NOTICE IS HEREBY GIVEN that the Calaveras County Board of Supervisors will consider the above summarized uncodified ordinance for adoption at the regular meeting of the Board of Supervisors to be held December 10, 2024 at 9:00 a.m., or as soon thereafter as the item is called, in the Board of Supervisors Chambers as noticed in the published agenda for said meeting, located at 891 Mountain Ranch Road, San Andreas, California 95249.

/s/ Rebecca Turner

Clerk of the Board of Supervisors,
County of Calaveras

PUBLISH DATE: