

To: Supervisors Crandell, Sabatier, Simon, Scott and Pyska

cc: Carol Huchingson, Anita Grant, Mary Darby

Re: BOS Agenda Item 6.8 (File 22-346) on 4/12/2022

Our comments are regarding the BOS Agenda Item 6.8 (File 22-346) scheduled for 4/12/22 entitled "Discussion of Cannabis Tax Reform."

The memo from CAO Carol Huchingson refers to three items:

- 1) Approve Resolution Extending Due Dates for Cultivation Tax.
- 2) Proposed Rate Reductions for Cultivation Tax in 2021 and 2022.
- 3) Temporary Change in Taxable Area from Cultivation Area to Canopy Area

Item 1: We have no issues with extending the current tax bill/changing the tax dates, but we were informed by the Tax Collector's office that the county has no mechanism for collecting delinquent cannabis taxes. We would like to know what steps the county intends to take to remedy this.

Item 2: We are opposed to reducing the 2021 past season taxes by 50%. This would represent a funding drop of roughly \$5,000,000 on money the county has already allocated in good faith.

Regarding reductions for the upcoming 2022 cannabis season, in 2016 and 2018 a substantial majority of the voters of Lake County approved the Cultivation and Business Tax Ordinances by 62.7% and 68.55% respectively. As stated by Supervisor Sabatier during the 3/8/2022 Board meeting, any large change in taxes should be brought before the voting public. And as the State's tax can represent the primary tax burden on cannabis cultivators - up to 80% of the cultivation tax burden as mentioned in the memo - we agree with Supervisor Scott's remarks and feel the county should watch the State's actions before limiting the County's.

Item 3: Per the previous Board meeting, a change from cultivation to canopy area would cause an estimated decrease of \$1.5 to \$2 million dollars in revenue. We suggest that the County look into a more equitable and tiered approach. Changing the taxable area from cultivation to canopy area on projects 2 acres or less in size would represent a smaller decrease of less than \$400,000 in revenue, yet would provide tax relief to roughly 71% of the outdoor cultivation businesses - most of them locally owned rather than larger, outside consortiums.

There is currently a 20:1 cap on property acreage to allowable canopy, but no caps on cultivation. If this change were enacted today, it could encourage rampant growth which has not been factored into the use permits or cannabis cultivation applications.

We are respectfully requesting that the Board postpone decisions on Items 2 and 3 until after the Community Development Department completes the upcoming Cannabis Ordinance changes and has held public workshops to see how the communities feel - we understand these are currently scheduled for May. This would allow the County time to work out any conflicting issues, allow the public to make comments and consider options in a meaningful fashion.

Holly Harris/Chuck Lamb - Clearlake Oaks