

## RESOLUTION NO. 2022-22

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COACHELLA, CALIFORNIA, SETTING CANNABIS BUSINESS TAX RATES

**WHEREAS**, on January 27, 2016 the Coachella City Council (“City Council”) of Coachella (“City”) approved Ordinance 1083 allowing for commercial cannabis related land-uses including indoor cultivation, manufacturing, testing, and distribution; and,

**WHEREAS**, on July 27, 2016 the City Council at a regularly held City Council meeting adopted Resolution No. 2016-36 calling for the placement of a General Tax Measure on the ballot for the November 8, 2016 General Municipal Election for the submission to qualified voters of a proposed ordinance establishing a tax on cannabis businesses operating within the City of Coachella (“Cannabis Tax Measure”); and,

**WHEREAS**, the Cannabis Tax Measure passed by a majority vote of the People on November 8, 2016; and,

**WHEREAS**, the Cannabis Tax Measure added Chapter 4.31 *Cannabis/Marijuana Business Tax* to the City of Coachella Municipal Code (“Municipal Code”); and,

**WHEREAS**, Municipal Code Chapter 4.31 provides that tax rates can be set at a maximum of (1) fifteen dollars (\$15) per square foot of space utilized in connection with cannabis cultivation and manufacturing businesses, and (2) six (6) cents for each \$1.00 of gross receipts, or a fractional part thereof, for retail and wholesale cannabis businesses; and,

**WHEREAS**, as allowed by Proposition 218, Municipal Code Chapter 4.31 further provides that the City Council may impose the tax detailed above at a lower rate without a vote of the People; and,

**WHEREAS**, on February 14, 2018, the City Council approved Ordinance No. 1114 allowing for retail cannabis related uses, including delivery, within the City; and,

**WHEREAS**, the City has implemented a cannabis business tax rate structure based on development agreements; and,

**WHEREAS**, on December 8, 2021, the City Council approved Ordinance 1188 allowing for outdoor cannabis cultivation; and,

**WHEREAS**, on January 31, 2022, the City Council held a study session to examine the current cannabis business tax rates and structure; and,

**WHEREAS**, the City Council now wishes to set the tax rates for cannabis businesses operating within the City by Resolution.

**NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Coachella, as follows:**

**SECTION 1. Incorporation of Recitals.** The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

**SECTION 2. Cannabis Business Tax Rates.** Pursuant to Sections 4.31.010 and 4.31.050 of the Coachella Municipal Code, the City Council of the City of Coachella hereby sets the tax rates for cannabis businesses as follows:

- A. Cultivation (indoor & outdoor) – annually zero dollars (\$0) per square foot of space utilized in connection with cannabis cultivation businesses and:
  - i. \$0.04 per dollar of gross receipts for reporting periods beginning January 1, 2022 (Quarter 1, 2022);
  - ii. \$0.03 per dollar of gross receipts for reporting periods beginning January 1, 2023 (Quarter 1, 2023);
  - iii. \$0.02 per dollar of gross receipts for reporting periods beginning January 1, 2024 (Quarter 1, 2024) provided that overall cultivation tax collections have not decreased from 2021 tax year levels. Should this rate not go into effect in tax year 2024, it will go into effect in the first tax year where the preceding tax year cultivation tax collections meet or exceed the tax year 2021 collection amount.
- B. Retail - six cents (\$0.06) for each \$1.00 of gross receipts;
- C. Manufacturing – annually zero dollars (\$0) per square foot of space utilized in connection with cannabis cultivation businesses and \$0.02 per dollar of gross receipts;
- D. Distribution - zero cents (\$0.00) for each \$1.00 of gross receipts; and
- E. Testing - zero cents (\$0.00) for each \$1.00 of gross receipts.

**SECTION 3. Tax Abatement Agreements.** In an effort to entice new cannabis business within the City, the Council authorizes a tax abatement program. The City Manager, Finance Director or designee is hereby authorized to implement an administrative process for tax abatements. Existing agreements with varied tax rates will be considered tax abatements under this program. Standard abatement parameters will be for the first two years of operations beginning from the date the establishment or significant expansion first fully opens for business. The maximum allowed abatement is 50% of the calculated taxes to be refunded provided established abatement requirements are met. Abatement requirements will be established for minimum employment and/or sales levels considered beneficial to the City as determined based on an analysis provided by the finance department of the specific business requesting the abatement. If

sufficient economic benefit to the City does not exist, an abatement will not be granted or furthered to the City Council. Any abatement request exceeding 50% of the taxes due or a term of two years will require City Council approval.

**SECTION 4. CEQA.** The City Council hereby FINDS and DETERMINES that this Resolution relates to organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment, and therefore is not a project within the meaning of the California Environmental Quality Act (“CEQA”) and the State CEQA Guidelines, section 15378(b)(5).

**SECTION 5. Severability.** If any provision of this Resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the Resolution which can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The City Council hereby declares that it would have adopted this Resolution irrespective of the invalidity of any particular portion thereof.

**SECTION 6. Effective Date of Resolution.** This Resolution shall take effect immediately upon its adoption.

**PASSED, APPROVED AND ADOPTED** this 23<sup>rd</sup> day of February, 2022.

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Steven Hernandez, Mayor

**ATTEST:**

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Angela M. Zepeda, City Clerk

**APPROVED AS TO FORM:**

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Carlos Campos, City Attorney

STATE OF CALIFORNIA     )  
COUNTY OF RIVERSIDE    ) ss.  
CITY OF COACHELLA        )

**I HEREBY CERTIFY** that the foregoing Resolution No. 2022-22 was duly adopted by the City Council of the City of Coachella at a regular meeting thereof, held on this 23<sup>rd</sup> day of February, 2022 by the following vote of the City Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Andrea J. Carranza, MMC  
Deputy City Clerk