



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of March 25, 2024

Title/Subject

Possible Action to Place a Question on the November 2024 Ballot related to the sale/taxation of Cannabis

Summary and Background

Ordinance No. 2234 was passed by the city council on November 23, 2015. This ordinance prohibited the sale of marijuana in the city and put the issue to a vote at the November 8, 2016 election. Electors voted to prohibit marijuana processing sites and all medical/retail marijuana sales by a 442-vote margin (2786 to 2344). This ordinance is now codified as 157.151(B) in the Hermiston Municipal Code.

Beginning in the summer of 2023, the City began a detailed discussion of the city's general fund budget and possible revenue sources that might be available to increase funding to cover current and possible future operations. City staff did not consider this revenue source to be very viable for a variety of reasons and so detailed discussions did not happen during the budget discussions.

However, during this process of budget and revenue discussions, the City utilized a couple of different surveys and offered a couple of different public input opportunities. Following is a summary of those results on this topic:

- In an initial online survey getting some general feedback about several budget issues including possible additional revenue sources, 75% of the respondents (out of 425 total) said that a cannabis tax should be considered as an additional revenue source.
- In the City's November 2023 Budget Town Hall, several of those that commented stated support for taxing cannabis.
- Finally, as a response to the feedback from the initial survey, the City did an online cannabis focused survey in early 2024. There were 447 respondents to the survey and there was a lot of support within that group of responses for taxing the sale of cannabis.

All this background is to say that the City is discussing this topic in response to feedback given by residents specific to recent budget-related discussions. Based on the Council's discussion at the February 26th work session, staff is bringing this to council for formal direction relative to placing this question on the ballot.

Now a discussion of options related to placing this question on the ballot.

Option #1- City Council takes no action on repealing the current ban on the sale of cannabis within the City of Hermiston.

- No change

Option #1A - Citizens in favor of repealing the existing ordinance may file an initiative to place the repeal on the ballot.

- Can only be placed on the primary or general election ballot in even numbered years. On those ballots there would be no cost to the City or the petitioner.
- Currently this action requires 1,625 registered voters within the City of Hermiston city limits. This number is based on the number of registered voters so this could change depending on the date a person files to begin the initiative process.
- Deadline would be June 7, 2024, to be on November 2024 ballot.

Option #2 - City Council votes to refer to the November 2024 election a question to repeal the current ban on the sale of cannabis within the City of Hermiston and institute a 3% tax on those sales.

Following a decision to place the issue on the ballot, City staff would need to prepare several documents with input from multiple departments and possibly a citizen task force of some sort. Following is an overview of that work without every detail defined:

- An ordinance repealing the prohibition ordinance and allowing the sale of marijuana, that would only become effective if there is a yes vote at the ballot, effective January 1 following the election or January 1 following the next statewide general election.
 - “Allowing the sale of marijuana” would need to be defined. ORS 475C.950 allows the establishment of one or more of the following: marijuana processing sites, medical marijuana dispensaries, marijuana producers, marijuana processors, and marijuana wholesalers or any combination of the entities described in this subsection.
- An ordinance imposing up to a 3% tax rate on retail marijuana sales, only becomes effective if there is a yes vote on the question of allowing the sale of marijuana, effective January 1 following the election or January 1 following the next statewide general election.
- A resolution approving the referral to the electors of the City of Hermiston the question of repealing the prohibition ordinance and allowing marijuana sales and imposing a 3% tax on the sale of marijuana products and to place the questions for a vote at the next statewide general election.
- Create ballot measure for either one question or two for the question of allowing marijuana sales and whether the city should institute up to a 3% sales tax and file it with county elections (needs to be done by September).
- Prepare ordinances regarding time, place, and manner restrictions for the processing, wholesale, or retail sale of marijuana including any zoning or land use changes as needed.
- Prepare ordinance regarding business license and associated fee.

All these documents will require hearings/action at the planning commission and/or city council. There would also be a lot of discussion related to the specific content of all these items.

Tie-In to Council Goals

Public Engagement

Fiscal Information

Would require a large amount of staff time to prepare documents and execute processes to prepare for the ballot and what might happen at the election. Although it is very difficult to estimate the financial cost in staff time, it is certain to divert the focus of numerous high-level staff from other community priorities, which is also costly.

If tax is adopted our best estimate would be to expect revenue to ramp up to approximately \$400,000 per year after three years from the first business opening if a 3% tax rate on the retail sale of marijuana is approved.

As stated earlier in this report, this idea of changing the city's stance on allowing the sale of cannabis within the City came out of budget discussions. However, with the adoption of a number of expense cuts including substantial street maintenance fund cuts and the adoption of a law enforcement staffing fee, an increase in the Transient Room Tax rate, an increase in planning department fees, an anticipated adoption of a business license fee amount and the receipt of a COPS grant, there are no anticipated needs for the revenue that might be generated by a cannabis tax.

Alternatives and Recommendation

Alternatives

- Follow Option #1-#1A by taking no action on repealing the current ban on the sale of cannabis within the City of Hermiston
- Follow Option #2 and vote to refer to the November 2024 election a question to repeal the current ban on the sale of cannabis within the City of Hermiston and institute a 3% tax on those sales.

Recommended Action/Motion

- Take no action on repealing the current ban on the sale of cannabis within the City of Hermiston

Submitted By: Byron D. Smith