

Dear Cannabis Facility Owners and Operators,

During the City Council meeting on July 5, 2023, the Council voted to approve recommendations to amend cultivation tax liabilities and operating conditions for cannabis facilities. They are outlined below. Please understand the approved recommendations are not yet approved. City staff will need to draft new ordinances, which will then need to be approved by the City Council. There will be a second reading of the approved ordinance. Thirty days after the second reading, the ordinances will be effective. Until that time, current tax and operating conditions will remain in effect. Please feel free to contact the Cannabis Compliance Supervisor at [anielsen@cityofdhs.org](mailto:anielsen@cityofdhs.org) with any further questions.

Staff Recommendations:

1. Permanently modify the definition of cultivation space, for the purposes of tax collection, to encompass "canopy space" vs. the City's current methodology of taxing the full square footage of "space utilized" in connection with the cultivation process.
2. Permanently reduce the cannabis cultivation tax rate from \$10.20 per sq. ft. of "space utilized" in connection with the cultivation process to \$7.50 per sq. ft. of canopy space.
3. Align the City's security requirements to mirror state law for cultivation, manufacturing, and distribution facilities.
4. Allow for a 6-month ramp-up period for new businesses to phase in canopy space, for the purpose of calculating tax liability, as new rooms are brought online within a facility.