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Lenzi, Chelsea

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**From:** Cody Hemmah <roguepromo@gmail.com>  
**Sent:** Monday, January 22, 2018 2:25 PM  
**To:** Williams, Das; Hartmann, Joan; Wolf, Janet; Adam, Peter; sbcob; Lavagnino, Steve  
**Cc:** Rogue Entertaining  
**Subject:** File #18-00066 cannabis public comment

Hello supervisors,

Here's is my public comments for tomorrow's hearing.

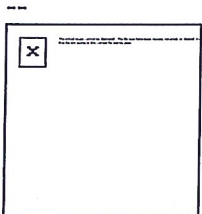
1. Taxes: No matter what, medical marijuana must continue to be available to qualified patients whether or not the county votes in favor, or not in favor of taxes for cannabis sales. Stopping all cannabis operations just because the taxes potentially wouldn't pass would be a huge blow to people desperately in need of quality and assured products. Compassion! I'm not against the small taxes your discussing, just please stay below 30% overall. 2-4% county tax seems sufficient if you make it an easier market for people to prosper.

Personal outdoor grow: We need it! Not allowing personal outdoor cannabis growing would be a huge problem for people with low money so they can grow their own. Growing inside is WAY harder than letting a seed do the job for you outside in the sun. Set standards for securing outdoor personal growing, not banning. Minimum allow only MEDICAL. We also want money from the general fund from the state and by not allowing outdoor personal cultivation, our county could not see any of that money.

Retail at microbusiness: It is a necessary function to have retail on site, and also do delivery. Just delivery shouldn't be an option. Not doing so makes the cost and overhead exponentially higher and also people love to see and talk about the products just like any local farm stand.

I am a industry professional in Santa Barbara, with over 12 years experience. I really care for the people of Santa Barbara who use medical marijuana and I've seen countless miracles so please stop making this so hard and just do what's right.

-Cody Hemmah  
805-886-4528



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**From:** Graham Farrar <graham@glasshousefarms.org>  
**Sent:** Monday, January 22, 2018 5:45 PM  
**To:** Adam, Peter; Hartmann, Joan; Lavagnino, Steve; Williams, Das; Wolf, Janet  
**Cc:** Nelson, Bob; Litten, Jefferson; Bantilan, Cory; Elliott, Darcel; O'Gorman, Mary; sbcob  
**Subject:** Public Comment - Item 2 Taxation of Cannabis-Related Operations

Chair Williams and Supervisors,

Re: Item #2 Taxation of Cannabis-Related Operations

Since the Board Hearing on December 14, 2017, a group of industry representatives met with County staff to discuss details of the current and projected cannabis market. We very much appreciate staff's time and good faith in the discussion.

Topics that were discussed included:

1. The State tax – which amounts to 40%;
2. New costs of compliance (testing, track & trace, security and odor control);
3. Price compression;
4. Impacts of a "layering" or "compounding" tax; and
5. Ability of the industry to compete with the black market and other jurisdictions.

We are largely supportive of staff's recommendation with two minor changes:

<del>1%</del> 0%	nursery
1%	distribution (type 11)
4%	cultivation
<del>4%</del> 3%	manufacturing
6%	retail
8%	vertical integration cap

The industry had a productive conversation with staff and is largely supportive of the staff recommendation, but urges the board to further lower the manufacturing rate to 3% and eliminate taxation of nurseries. We ask for the County to support a manufacturing tax rate that will allow local, compliant operators to be competitive with businesses in other jurisdictions. Sonoma County's manufacturing rate is 3% gross receipts, and Mendocino County does not tax manufacturing, but instead charges a flat annual tax rate of \$2,500. Nearby, the City of Los Angeles taxes manufacturers at 1-2% (Measure M).

Local growers would strongly prefer to extract their product at their farms in Santa Barbara County. However, even a 1% difference in gross receipts tax can make a huge difference. At the proposed rate, it is likely more economical for SBC farmers to manufacture their product in the City of LA. It's also worth noting that many other jurisdictions are not taxing nurseries. For example, Sonoma County and Mendocino County. Furthermore, many of the Counties that have issued authorization for Temporary State Licenses do not have a tax and may or may not pursue one in the future. Nursery's are really and adjunct to cultivation and not a business on their own.

Additionally, the County's proposed tax is *in addition to the State tax, which amounts to 40%*. The State taxes \$148 per pound of cultivation, and 15% excise tax at retail sales. Furthermore, the recently released final implementing regulations included increased annual licensing fees for cultivation. For example, average sized greenhouse will be required to pay approximately \$100,000 *annually per farm* in licensing fees.<sup>[1]</sup>

In addition to the State tax and licensing fees, there are also new annual costs of compliance, per the State regulations:

1. Odor control - \$30,000-\$80,000/yr<sup>[2]</sup>
2. Testing - \$150,000-\$350,000/yr
3. Track and trace software - \$30,000-\$50,000/yr

The industry has also experienced significant price compression in recent months. Therefore, the price per pound is expected to continue to decrease which makes the above fees and costs particularly regressive.

Thank you for your consideration of the above-mentioned comments. We look forward to continuing to work collaboratively with the County,

Sincerely,

Graham

<sup>[1]</sup> CDFA Article 3, Section 8200 annual license fees, "small mixed light tier 1" annual license cultivation fee \$11,800 x 10 licenses per greenhouse = \$118,000 annual cultivation license fee per average sized greenhouse.

<sup>[2]</sup> Depends on the size of the farm

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**From:** Hans Brand <Hans@bandhflowers.com>  
**Sent:** Monday, January 22, 2018 6:27 PM  
**To:** Adam, Peter; Hartmann, Joan; Lavagnino, Steve; Williams, Das; Wolf, Janet  
**Cc:** Nelson, Bob; Litten, Jefferson; Bantilan, Cory; Elliott, Darcel; O'Gorman, Mary; sbcob  
**Subject:** Proposed tax rates

Honorable Chair Williams and Supervisors,

First, I would like to thank you for your support during this very difficult past couple of months with the fire and then mudslides. It has been very challenging, but I appreciate how you immediately got involved. Cathy Fisher from the County Ag commissioner's office was very involved as well and we are really thankful how the county stepped up and acted swiftly to minimize our damages.

I'm supportive of staff's recommendation (option 2) as a compromise with the county but would urge the board to lower the cultivation and manufacturing rate from 4% to 3% gross receipts and have Vertical integration gap of no more than 6%:

- 1% gross receipts tax on nursery and distributor (type 11)
- 3% cultivation
- 3% manufacturing
- 6% retail
- 6% vertical integration cap

It's important for our business that we have the option to manufacture at our farm in the future, in order to prepare our product for market. Consumers are increasingly demanding manufactured products and in order for us to be successful and sustainable, we urge you to adopt a tax rate that is competitive compared to other jurisdictions.

Our analysis is that the State tax amounts to as much as 40%, especially with declining price per pound. Not to mention, we all also have to abide by the 280e tax law, which means only cost of good sold are actually deductible from income taxes. The new annual State licensing fees are enormous. Additionally, the new cost of compliance is costly including track and trace software(\$75,000/year), odor control (\$60,000/year), and testing (\$100,000/year).

We support a tax rate that gives local operators a competitive advantage. Santa Barbara County is our home and we want to vertically integrate here. However, even 1-2% points can make a huge difference when it comes to gross receipts. For example, the City of Los Angeles is taxing manufacturing at 2%. Therefore, we encourage the Board to lower the manufacturing tax to at least 3% gross receipts so that we can still be competitive with our neighbors to the south.

Sonoma County taxes manufacturing at 3% gross receipts and Mendocino County only collects a flat rate of \$2,500 annually for manufacturing.

Thank you for your consideration of this minor recommended change, that is critical for the success of the local industry.

Sincerely,  
Hans Brand

Sent from my iPad