



MEASURE Z and Measure Y: Questions and Answers

Get the facts.

The City of Hemet has received numerous questions regarding two competing ballot measures— Measure Y and Measure Z— which will be on the November 2018 ballot. Answered here are some of the most common questions. If you 'd like a free copy of these measures mailed to you, call (951) 765-2307 . View the full text of Measures Z and Y at www.cityofhemet.org.

Q: What is the law now?

A: Under federal law, cannabis remains illegal. It has not been decriminalized. The state of California has legalized cannabis use for those over 21. The conflict between state and federal laws has not been resolved. At present, the City of Hemet bans all retail sales, commercial cultivation, manufacturing, distribution and testing of cannabis. California state law designates cities to decide whether to allow cannabis businesses to operate within their jurisdictions.

Q: Why are there two measures about cannabis on the ballot?

A: The City Council passed a resolution opposing Measure Y stating concerns about local control and tax revenue. That is why the City Council put Measure Z on the ballot. Measure Z provides for three times as much revenue; enables the city to run background checks and establish its own licensing; and creates a two-year window period to determine the best course for cannabis policy.

Q. What would Measure Z and Measure Y do?

A. Measure Y would legalize indoor cannabis cultivation, manufacturing, distribution and testing laboratories to operate in Hemet's manufacturing zoning districts. It proposes a tax that would generate revenue for the city.

Measure Z would provide a two-year ban and establish penalty taxes on cannabis businesses that will generate funds for the city. All retail sales and manufacturing activities would remain illegal until 2020 when Hemet citizens can choose what should be the City's next steps.

Q: What are the biggest differences between Measure Y and Measure Z?

A: Measure Z provides greater local control and greater tax revenue. Measure Z proposes a \$30 per square foot tax on cultivation, 25 % tax of gross receipts from manufacturing and 15% tax on gross receipts for all other activities. It would enable the city to run background checks and establish its own licensing controls. Cannabis manufacturing would still be illegal but taxed. It would provide Hemet citizens a two-year process to determine the best policy and regulations for cannabis.

Measure Y would legalize cannabis manufacturing and take effect nearly immediately. Measure Y offers a city application process and proposes a 10 % tax rate on gross receipts.

Q: How much tax revenue does each ballot measure generate for the City if it is approved?

A: Measure Z is estimated to generate a maximum of \$3,500,000 in annual revenue.

Measure Y is estimated to generate \$1,000,000 in annual tax revenue to the city. The tax rate proposed is less than what other local cities have approved for similar cannabis businesses.

Q: Can the City lose any tax opportunities under either measure?

A: Yes. If **Measure Y** passes, the City can't propose any cannabis fines, taxes or a tax increase until after 2020. That's because state law requires any city-proposed general tax to be voted on at the same time as city general municipal elections. That's a two-year loss of tax revenue and a 10 percent limit after 2020.

Measure Z calls for a 30% penalty tax on cannabis cultivation to be imposed that would be in place for the next two years. And could continue after 2020.

Q: What exactly are tax provisions for Measure Z and Measure Y?

A: Measure Z would impose penalty taxes as follows:

- \$30 per square foot for cannabis cultivation
- 25% of gross receipts for cannabis manufacturing
- 15% of gross receipts for all other cannabis business including dispensaries, testing labs and distributors.

Measure Y proposes a basic 10% tax on gross receipts.

Q: Who proposed each ballot measure?

A: Measure Y was placed on the ballot by a private attorney who represents major cannabis manufacturers. The City had no part in initiating or drafting it. Two city residents are named as proponents of the ballot measure. Other persons or entities may be behind the submission of the ballot measure but are currently unknown. No business or investor affiliations were disclosed.

Measure Z was placed on the ballot by the Hemet City Council to provide voters with an alternative that gives residents greater local control. The City Council voted to oppose Measure Y.

Q: What cannabis businesses would be allowed by each ballot measure?

A: Measure Y would legalize all types of cannabis businesses except retail sales of cannabis (dispensaries) and outdoor cultivation. Allowed would be indoor cultivation, manufacturing, distribution, processing, storing, testing, packaging, labeling, and transportation.

Under Measure Z, all cannabis businesses would remain illegal. However, they would be taxed.

Q: Is there a difference in how long before each ballot measure would take effect?

A: **Yes.** Under Measure Y, the City Clerk would be required to accept applications from proposed cannabis businesses 31 days after Measure Y takes effect.

Measure Z creates a two-year process for Hemet citizens to decide how they want to regulate cannabis business.

Q: Regulation of cannabis is a fast-changing area. If either ballot measure is passed, can the City make adjustments or changes?

A: If Measure Y passes, there is no opportunity for adjustments or amendments until after 2020. The City Clerk would be required to accept applications from proposed cannabis businesses 31 days after Measure Y takes effect. For example, Measure Y proposes a 10% tax rate and automatically legalizes cannabis manufacturing within the City. These provisions could not be amended by the City for two years.

Measure Z establishes two-year time frame for community feedback and development of a plan for regulating cannabis business in Hemet. After 2020, Hemet citizens can determine how they want to regulate cannabis activities.

Q: Measure Y says it will put an end to illegal cannabis businesses in Hemet. Is that true?

A: There is no evidence to support this claim. The majority of illegal cannabis activity in Hemet are retail cannabis dispensaries. Measure Y does **not** legalize them. Measure Y does expand the law to legalize cannabis manufacturing, testing and wholesale distribution cannabis. Cities that permit cannabis manufacturing report that they still struggle with illegal cannabis dispensaries opening their doors.

Q: How many cannabis businesses does each ballot measure allow?

A: Measure Y has no fixed cap on the number of cannabis businesses allowed within the City. It does limit the areas in Hemet in which cannabis manufacturing can locate and how many businesses can be within a certain radius.

Measure Z does not permit any cannabis business to open or operate. It does provide for a two-year process for Hemet citizens to decide how they want to regulate cannabis business and does create new revenue for the City by imposing penalty taxes on illegal businesses.

Q: Can the City conduct background checks?

A: Under Measure Y, no.

Unlike cannabis ordinances adopted by surrounding cities, Measure Y would prevent Hemet from conducting background checks or evaluating the suitability of an applicant to operate a cannabis business in the City. The City would be blocked from determining if past business records or criminal convictions should disqualify an applicant from operating a cannabis business within Hemet.

Under Measure Z, yes. Measure Z would create local control for establishing background checks and regulations.

Q: What conditions could the City impose to ensure cannabis businesses don't negatively impact the community?

A: Measure Y doesn't provide the City with the ability to impose conditions on the approval of a cannabis business. Measure Y provides for an application process only but no City enforced checks or regulations. There are no provisions in the measure for public impact such as public safety, health, odor, noise, traffic, parking, security and facility appearance.

Measure Z allows for background checks and regulations that could be enforced by the City so that it enforce provisions for public safety, health, odor, noise, traffic, parking, security and facility appearance.

Q: Where will cannabis businesses be allowed to operate if the ballot measure is approved?

A: Measure Y would allow cannabis business in Hemet's light and heavy manufacturing zones. If three or more cannabis businesses already operate within 1,000 feet of a proposed new cannabis business applicant, there may be no location available. State law requires cannabis businesses to be at least 600 feet from K-12 schools, day care centers and youth centers. If Measure Y passes, the City would be unable to pass stronger or more expanded requirements until after 2020.

Measure Z allows no manufacturing activities until the City completes its own planning process.

Q: Under each ballot measure, who qualifies to operate a cannabis business in the City of Hemet?

A: Measure Y limits applicants to businesses that:

- Filed for incorporation or organization with the state by October 6, 2017
- The state documents filed contain the exact phrase "Medicinal and Adult-Use Cannabis Regulation and Safety Act."
- The application is submitted within 15 days of the date applications begin to be accepted by the City.

Under Measure Z, no one will qualify to operate any cannabis business as Measure Z will continue the existing ban on all cannabis activities including manufacturing for the next two years. This is for several reasons:

- State law assigns local control to cities. Measure Y puts into place an application/permitting process no discretionary regulation. The City would not be able to screen applicants or do background checks;
 - Opponents of Measure Y have filed a law suit challenging Measure Y's creation of a potential monopoly.
 - Measure Y would take effect nearly immediately whereas Measure Z creates a two-year time frame for decision-making by all of Hemet's citizens
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VOTER ADVISORY: There is information being circulated which appears to be an official City of Hemet communication. It is not. The flyers are deceptive as they present misleading claims as facts. The flyers are paid for by supporters of Measure Y. All City communications will bear the seal of the City of Hemet and will be posted on the City website. If you have questions, you can call (951)765-2307.