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PRESS RELEASE

10-10-2017

What is Measure X? Inside Rio Dell's Cannabis Taxation Measure.

On November 7, 2017, voters in Rio Dell will decide the fate of Measure X, a cannabis taxation measure aimed at generating needed revenue in order to pay for streets, infrastructure, public safety and other services for the citizens of Rio Dell. The tax is applied only to commercial cannabis operators and not the general public. The measure would allow the city to collect up to 10% of gross receipts from these businesses and the starting rate will be 2%. Cultivation may be taxed using a separate methodology involving a square footage assessment of up to \$5.00 per square foot, but the starting rate will be \$2.00 per square foot. Commercial cannabis operators will be required to pay all other taxes, including payroll and property taxes. Estimates of the revenue potential of this measure are \$980,000 annually, subject to numerous variables that may increase or decrease the actual receipts.

Proceeds from this tax may be used for any public purpose but the City Council has prioritized streets, other infrastructure and police services. The tax proceeds and their uses would be subject to annual independent audits which would become part of the City's public record.

Measure X follows on the heels of Measure T which appeared before the voters of Rio Dell last year on November 8, 2016. Measure T was a non-binding advisory measure that presented the following question: *"Should the City of Rio Dell, by the necessary and appropriate action, permit commercial cannabis business activity, including cannabis cultivation, testing, processing and sales, within the area of the City that is located to the north of the Eel River and commonly referred to as the Sawmill Annexation Area if that activity is subject to local taxation?"* The voters of Rio Dell responded to this question with 53.41% saying yes.

Measure X is the culmination of over two years of community effort to bring this economic development opportunity to the City. The City Council spent much of 2016 hammering out a land use ordinance that would allow commercial cannabis operations at the former Eel River Sawmills facility, now renamed the Humboldt – Rio Dell Business Park. Strategically located in the center of Humboldt County along the US-101, the Humboldt - Rio Dell Business Park is situated to be a regional center for value-added processing in the newly legal cannabis industry. The Business Park is located on prime industrial lands that are separate and distinct from Rio Dell's residential neighborhoods. The Business Park has sat largely idle since the last logs were milled around 2005 and the proposed use of the area as a regional manufacturing center for cannabis does not compete with or displace other pre-existing uses. As of October 2017, 50,000 square feet of new development has been approved by the Planning Commission, potentially creating over 100 living wage jobs.

“What has already been approved by the Planning Commission represents the largest economic development projects in the City’s history. And there’s more in the works. This community has been hit hard over the past 30 years of economic takeaways associated with the decline of the timber industry. Measure X represents a unique opportunity to invest in public safety, streets and all of the things that will help make this community successful and sustainable in the long-term.” States City Manager Kyle Knopp.

Attachments:

- Materials from Humboldt County Elections. * No argument against Measure X was submitted.
- Visual aide for Humboldt-Rio Dell Business Park.

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IMPARTIAL ANALYSIS OF MEASURE X

The City Council is submitting to the voters the question of whether to approve an ordinance enacting a tax on commercial cannabis activity within the City of Rio Dell to fund City services and facilities, such as improving police protection, repairing streets and potholes, and improving other City services and facilities.

The ordinance creates a range of tax rates the City Council may impose from time to time. For persons authorized by permit to engage in commercial cannabis cultivation, the tax rate is either: (a) \$0.00 to \$5.00 for each square foot of cultivation space allowed by the permit or (b) 0% to 10% of the business' gross receipts. As part of the ordinance, the City Council elected to set the initial tax rate at \$2.00 per square foot for all commercial cultivation activity, except for persons authorized by permit to operate a nursery, who will be taxed at the rate of 2% of gross receipts. For all other authorized commercial cannabis activity within the City, the tax rate range is 0% to 10% of the business' gross receipts. As part of the ordinance, the City Council elected to set the initial tax rate at 2% of gross receipts.

If the ordinance is approved, the City Council retains the discretion to adjust the applicable tax rate within the range of rates in the future without seeking voter approval. The City Council may not, however, increase the tax rate more than once per calendar year and may not increase the currently imposed rate by more than \$1.00 per square foot or 2% of gross receipts at a time.

The proposed ordinance imposes a tax only upon those persons engaged in commercial cannabis activity under a permit issued by the City. The tax is not imposed upon persons cultivating cannabis for their personal use.

The tax proceeds would be deposited into the City's general fund and be available to support the full range of municipal services. Because this measure does not legally restrict the use of tax revenue to any specific purposes, it is classified as a "general tax," not a "special tax." The tax proceeds cannot legally be taken away by the State. The tax proceeds would be subject to the same independent annual audit requirements as other general fund revenue. The audit report would be a matter of public record.

A "Yes" vote is a vote in favor of the tax. A "No" vote is a vote against the tax. This measure would be approved if it receives a simple majority of "Yes" votes.

/s/ Russell S. Gans
City Attorney for the City of Rio Dell

The above statement is an impartial analysis of Measure "X". If you desire a copy of the Measure, please call the Elections Official's office at (707) 445-7481 and a copy will be mailed at no cost to you. The Measure is also available at the Rio Dell City Clerk's Office or by visiting www.riodellcity.com.

ARGUMENT IN FAVOR OF MEASURE X

Measure "X" is a comprehensive tax on all aspects of the emerging legal commercial cannabis industry. The tax will only be levied on city approved commercial cannabis operators and not on the general public.

Measure X will help fund basic City services such as street reconstruction and public safety and will help spur additional economic development outside of the cannabis industry.

In 2016, the City Council rezoned the former Eel River Sawmills (now known as the Humboldt Rio Dell Business Park) to allow for tightly controlled commercial cannabis activity at the unused industrial site. This location is far away from residential areas of the City but is within the city limits. Interest in the site has gained tremendous momentum with 50,000 square feet of development already through the Planning Commission. The site is expected to create **100 jobs** and another 50 could be possible. This is the largest economic development activity in Rio Dell's history with over \$8,000,000 in new development.

Under State law, cities and counties are allowed and encouraged to pass revenue measures on cannabis to help fund services to the broader community. Many have already passed such measures. Rio Dell is uniquely positioned to reap tremendous benefits from this emerging legal industry, with estimated revenues of **\$980,000 annually**.

Revenues generated from Measure "X" can go towards the city's infrastructure, including streets and parks. The funds can be used to preserve and build up our Police Department and spur additional economic development. The funds can even be used to *lower your sales taxes* without diminishing public services.

Without Measure "X" the broader community will reap no benefit from these legal developments.

Your **YES** vote will show your support for protecting and enhancing the interests, values and quality of life for the residents of Rio Dell.

Respectfully submitted,

/s/ Graham Hill, Ex-Police Chief, City of Rio Dell
/s/ John Beauchaine, President Rio Dell Police Officer Association
/s/ Shane Wilson, Rio Dell Resident
/s/ Frederick Charles Grundman, Pres. Grundman's Sporting Goods
/s/ Linda G. Barsanti, Rio Dell Resident



Humboldt - Rio Dell Business Park

The Heart of Humboldt County



Development in progress with US 101 frontage.



Building 1: Retail Sales
Humboldt Holistic Spa & Wellness Center, Hemp Collection Clothing & Coffee Bistro



Building 2
Processing, Packaging and Distribution



Building 3
Manufacturing, Testing Lab, Tissue Culture Facility
and Research & Development



Humboldt - Rio Dell Business Park

The Heart of Humboldt County



Development in progress off of Northwestern Avenue
Manufacturing, Cultivation, Processing, Packaging and Distribution



Humboldt - Rio Dell Business Park

The Heart of Humboldt County





Humboldt - Rio Dell Business Park

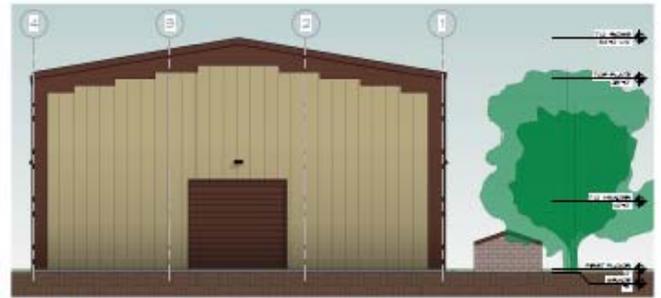
The Heart of Humboldt County



Development in progress off of Northwestern Avenue
Manufacturing, Cultivation, Processing, Packaging and Distribution



2 SOUTH
VIEW #102



1 NORTH
VIEW #101



3 WEST
VIEW #103



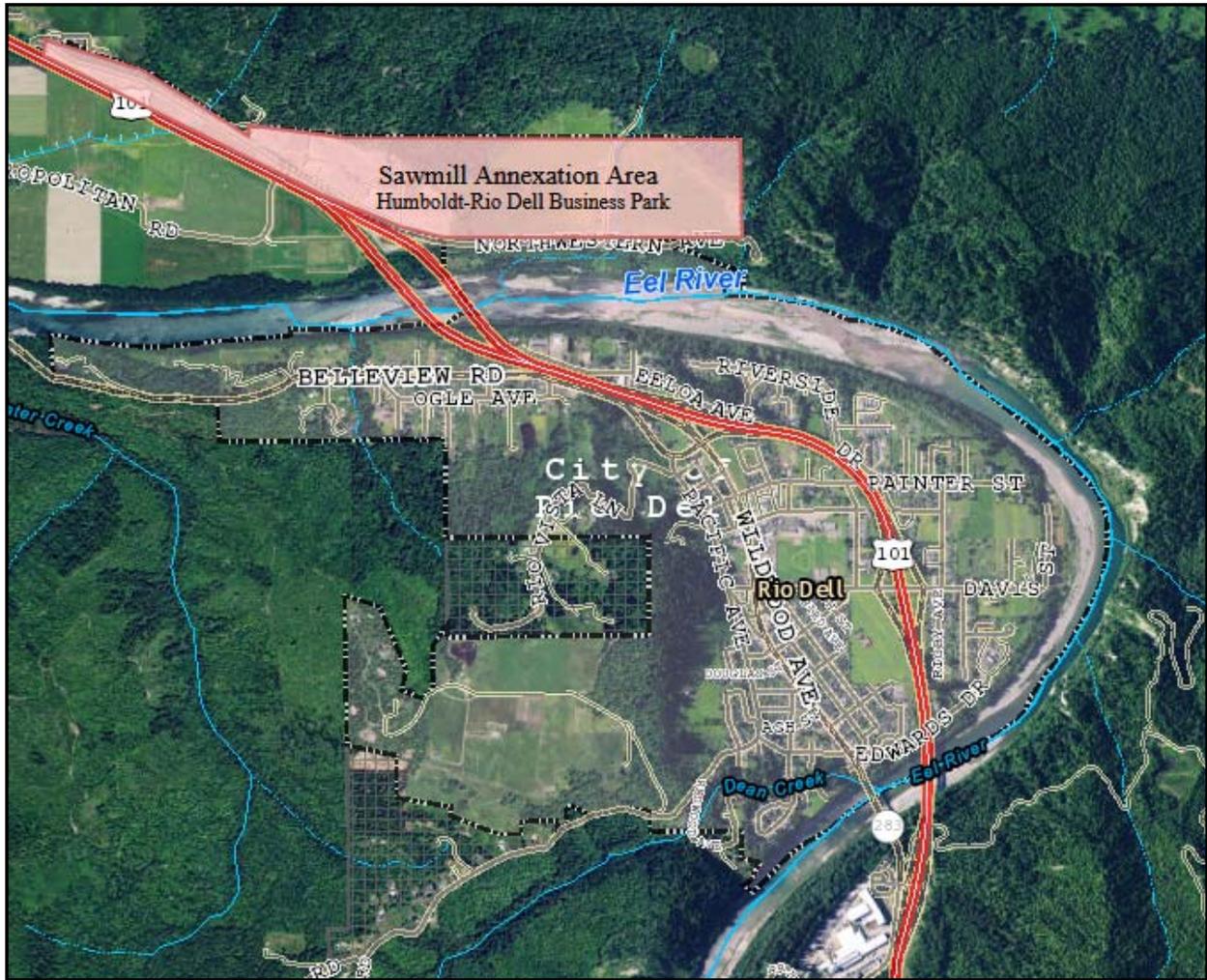
4 EAST
VIEW #104



Humboldt - Rio Dell Business Park

The Heart of Humboldt County





Strategically located in the center of Humboldt County along the US-101, the Humboldt - Rio Dell Business Park is situated to be a regional center for value-added processing in the newly legal cannabis industry. The Business Park is located on prime industrial lands that are separate and distinct from Rio Dell's residential neighborhoods. The Business Park has sat largely idle since the last logs were milled around 2005 and the proposed use of the area as a regional manufacturing center for cannabis does not compete with or displace other pre-existing uses. As of October 2017, 50,000 square feet of new development has been approved by the Planning Commission, potentially creating over 100 living wage jobs. Additional developments are also in the works that could see the site built out to capacity. On November 7, 2017, voters will decide the fate of Measure X a cannabis taxation measure aimed at generating needed revenue in order to pay for streets, infrastructure and public safety services for the citizens of Rio Dell.



Humboldt - Rio Dell Business Park

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