

CITY COUNCIL MEETING

NOVEMBER 7, 2023

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PUBLISHED AGENDA**

PUBLIC COMMENTS

From: Reena Karia
Sent: Tuesday, November 7, 2023 12:40 PM
To: List-Mayor-Council <List-Mayor-Council@hayward-ca.gov>
Subject: Public Comment - City Council Meeting - Nov 7, 2023

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Esteemed City Council Members, Mayor Salinas, and City Staff,

My name is Shane Gill and my comment is on behalf of my company Manifest California, one of the first businesses to be awarded a commercial cannabis license from the City of Hayward in 2018. As of yet, we are not open and we are struggling to do so. With over regulation and the pandemic, these have been hard years for us. But we are choosing to believe that we can work with city officials to make this happen. We do not have corporate backing and cannot find meaningful investment with the current city tax rates and economic circumstances. Manifest California is a family run business that encompasses multiple identities and is intergenerational. We are South Asian, woman, and veteran-owned and operated.

My comment today is about the 7% tax across all types of cannabis business activities. We are requesting for Council, City Staff, and the Economic Development committee to consider a tiered approach to cannabis business taxes. We have no issue with a 7% tax on gross profits of retail businesses and are happy to comply with the rate for our delivery. However, the business model for wholesale distributors in the cannabis industry is much different from retail. On average the margins are a slim 10%. A 7% tax on gross profits would make our business unsustainable. Potential investors that we have pitched our business to have told us that the tax rate is too high in Hayward for them to believe that this is a viable business. If economic development is one of the strategic goals of the city, you would have more applications to open cannabis businesses if the taxes were tiered. I have shared this research by email previously, and it is also attached to this written public comment.

It is no secret that the legal cannabis industry is struggling. Businesses are failing left and right and we are still just struggling to open. An [article in the San Jose Spotlight](#) in June of this year highlights the dip in cannabis tax revenue by 13% when it was projected to be much more. The City of San Jose is actively working on easing regulations as they are finding that over taxation and regulation is just making the illicit market stronger. Consumers will go where the prices are better and they can get practically the same product. If you want to combat illicit activity in Hayward, you must make the legal market sustainable for operators and accessible to consumers.

We have poured every resource we have into this business and at this point we just want the opportunity to try. Please help us and consider our request to tier the cannabis tax framework.

Thank you for your time.

Shane Gill

Oakland Cannabis Business Tax Rate

2022 & After Cannabis Business Tax Rates					
	Retail (store-front & delivery)	Indoor Cultivation	Outdoor Cultivation	Manufacturing Packaging & Storage	Distribution
Equity					
\$0 - \$1.5M	0.12%	0.12%	0.12%	0.12%	0.12%
\$1.5M - \$5M	5.00%	5.00%	4.50%	4.50%	3.00%
Over \$5M	5.00%	5.00%	5.00%	5.00%	4.00%
General (Non-Equity)					
\$0 - \$750K	0.12%	0.12%	0.12%	0.12%	0.12%
\$750K+ - \$1.5M	4.00%	4.00%	3.50%	3.50%	2.50%
\$1.5M+ = \$5M	4.00%	4.00%	4.50%	4.50%	3.00%
Over \$5M	5.00% (Non-Marginal)	5.00% (Non-Marginal)	5.00%	5.00%	4.00%

San Francisco Cannabis Business Tax Rate

Cannabis Business Activity	\$1M to \$1.5M	Over \$1.5M
Retail Sales	2.5%	5%
Other than Retail Sales	1%	1.5%

“The Cannabis Business Tax was approved by San Francisco voters on November 6, 2018 and becomes effective on January 1, 2023. Cannabis Business Tax rates vary depending on the type of Cannabis Business Activity and the gross receipts from such activity attributable to the City.”

Santa Rosa Cannabis Business Tax Rate

Cultivation	2% of gross receipts or \$5.00 per square foot.
Manufacturing	1% of gross receipts
Distribution	0%
Retail (Dispensary) Medical	0%
Retail (Dispensary) Adult Use	3%

Sacramento Cannabis Business Tax Rate

Cannabis businesses pay a business tax of 4% of their gross receipts.

San Jose Cannabis Business Tax Rate

Cultivation : 4% of gross receipts

Manufacturing: 3% of gross receipts

Distribution: 2% of gross receipts

Laboratory testing: 0% of gross receipts