



COUNTY OF HUMBOLDT

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Title: Recommended Actions to Address Cannabis Permit Holders and Applicants with Delinquent Excise Taxes and Unpaid Application Costs
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10/24/2023	1	Board of Supervisors	approved	Pass

To: Board of Supervisors
From: Planning and Building Department
Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:

Recommended Actions to Address Cannabis Permit Holders and Applicants with Delinquent Excise Taxes and Unpaid Application Costs

RECOMMENDATION(S):

That the Board of Supervisors direct staff to take the following actions

1. Implement the Proposed Actions listed below (a-d) for cultivation sites with delinquent taxes; and
2. Implement the Proposed Actions listed below (a-d) for applicants and permit holders who have not paid their permit processing fees.

SOURCE OF FUNDING:

Current Planning (1100277) and allocated General Fund contribution.

DISCUSSION:

At the Board of Supervisors meeting of Oct. 3, 2023, staff was directed to develop an approach to address cannabis permit holders who were delinquent in paying their Measure S taxes, not paying the

cost associated with processing their permit or not paying for the required annual inspection. This report includes a proposal to provide opportunities for cannabis applicants and permit holders to come current on their taxes and permit costs and to provide consequences if this is not accomplished.

1. Measure S Taxes

At the Oct. 3 meeting a list was provided showing 962 permit holders owing a total of \$14,193,000. This list has not been thoroughly examined but it is known that many of these tax bills were associated with Interim Permits and are no longer active cultivation sites. One such example, the first entry, is for \$481,109.20. This property was illegally expanded, fined, continued to cultivate, was raided by the Sheriff, and ultimately the applicant left, and the property reverted to the lien holder. This is a tax that is owed but is unlikely to be paid.

Information from the Treasurer-Tax Collector shows there are approximately 307 approved cannabis cultivation permits owing \$4,058,763.61 in unpaid Measure S taxes. There are also 78 active interim permits owing a total of \$1,118,512.73 in Measure S taxes. This is a strong indication that many of the 962 permit holders owing taxes are either not yet approved or are no longer active.

Your Board on Oct. 3, reinstated a 10% Measure S cannabis cultivation tax for 2024 which will be due in 2025. Part of the rationale for reinstating the tax is to gain an understanding of how many farmers are actively cultivating and whether they are cultivating at the limit of their permitted area. There was testimony by some farmers that they are completely up to date relative to their taxes. It is not equitable for some to pay taxes and for others to not be accountable for paying taxes. In addition, part of the permit requirements of a cannabis permit is to comply with County Code. Not paying taxes is a violation of the County Code. To address this the following actions are proposed.

Proposed Actions:

- a. Review the 962 cultivation permits or applications where taxes are owed and assess whether they are associated with an active permit either in the permit process or an approved permit.
- b. For applications that have not been active for some time, provide 30-day written notice that unless the applicant commits to a payment plan with the Treasurer-Tax Collector's Office to have all taxes paid by Dec. 31, 2024, the application will be scheduled for denial at the Zoning Administrator. The payment plan must be signed by both the permit holder and the Treasurer-Tax Collector and provided to the Planning and Building Department.
- c. For applications actively being worked on, including Interim Permit holders, not later than Dec. 31, 2023, the applicant shall commit to a payment plan to have all taxes paid by Dec. 31, 2024. If a payment plan has not been agreed to by Dec. 31, 2023, the application will be taken forward to the Zoning Administrator, with a recommendation for denial. If the complete payment has not been received by Dec. 31, 2024, the application shall be taken forward with a recommendation for denial. An Interim Permit will not be extended beyond Dec. 31, 2023 where taxes are not current or a payment plan has not been agreed to.
- d. For permit holders, not later than Dec. 31, 2023, the permit holder shall commit to a payment plan to have all taxes paid by Dec. 31, 2024.

- i. If a payment plan is not entered by Dec. 31, 2023, the permit will be suspended, per a Zoning Ordinance provision currently being developed at the Board’s direction, for up to 90 days. If, at the end of 90 days, a payment plan has not been submitted with payments equivalent to what should have been paid for the first 90 days of the year, the permit will be scheduled for revocation.
- ii. If the payment plan is not being followed and the permit holder is significantly behind, the permit will be suspended. The permit will remain in a suspended status until the payments are current or until Dec. 31, 2024, at which time the permit will be scheduled for revocation.
- iii. If all payments are not received by Dec. 31, 2024, the permit will be suspended for up to 90 days to allow the permit holder to bring the balance current. If the permit holder has not paid the tax owed by that time the permit will be scheduled for revocation.

2. Planning Permit Fees

As discussed at the Oct. 3, Board of Supervisors meeting, the Planning and Building Department has faced significant budget challenges related to unpaid permit fees for discretionary cannabis permits. The Planning and Building Department has approved approximately 1,288 land use permits related to cannabis activities. Of that total, approximately 150 permits have been approved for non-cultivation activities (i.e., distribution, manufacturing, processing, etc.).

As of Sept. 19, 2023, the Planning and Building Department outstanding accounts receivable totaled more than \$2.1 million. The outstanding amounts reflect the following invoice aging details:

➤ Less than 30 days:	\$177,713.82
➤ Days 31 through 59:	\$139,293.73
➤ Days 60 through 90:	\$155,372.28
➤ Over 90 days:	\$1,642,487.04

Of the outstanding accounts receivable, \$829,984.40 in permit fees remains unpaid on 568 approved cannabis permits. There are 122 valid interim permits. Of the approved interim permits, 62 owe outstanding permit fees of \$140,416.80.

Proposed Actions:

- a. Applications will not be worked on unless there is a deposit on hand to complete the work on the application through final action.
- b. Applications which are delinquent by more than 90 days will be provided with written notice that they have 90 days to become current or they will be taken forward with a recommendation for denial by the Zoning Administrator.
- c. Interim Permits will not be extended beyond Dec. 31, 2023, unless the applicant is current on their permit costs and there is a sufficient deposit on hand to complete processing the application to action.

- d. Approved permit holders will be provided 60 days to become current or their application will be suspended. If the costs of the permit are not paid within 90 days of being suspended, the permit will be scheduled for revocation.

Narrative Explanation of Financial Impact:

This effort will take staff time, which will be paid for in the General Fund allocations to the Treasurer-Tax Collector and Planning and Building. The expected result is that there will be more revenue received than it will cost so it will be a net benefit to the General Fund.

STRATEGIC FRAMEWORK:

This action supports the following areas of your Board's Strategic Framework.

Core Roles: Create opportunities for improved safety and health

New Initiatives: Facilitate the establishment of local revenue sources to address local needs

Strategic Plan: 3.2 - Stabilize and support a successful cannabis economy

OTHER AGENCY INVOLVEMENT:

N/A

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion to provide direction to the Planning and Building Department

ATTACHMENTS:

N/A

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

File No.: N/A