

City of Sparks
BUSINESS IMPACT STATEMENT

The following business impact statement was prepared pursuant to NRS 237.090 to address the proposed impact of an amendment to Title 5 of the Sparks Municipal Code entitled Business Licenses, Taxes and Regulations. Specifically, the amendment revises Sections 5.80.010 to 5.80.200 and adds new Sections 5.80.35, 5.80.55 and 5.80.195 to provide licensing requirements and establishment of fees to allow existing Medical Marijuana Establishments, including testing laboratories, cultivation facilities, production facilities, dispensaries, as well as distributors, to operate at retail, as permitted by the State of Nevada under NRS Chapter 453A, and providing other matters properly related thereto.

1. The following constitutes a description of the manner in which comment was solicited from affected businesses, a summary of their response and an explanation of the manner in which other interested persons may obtain a copy of the summary.

A. Notice

The City of Sparks requested input from affected businesses through the methods identified in the following paragraphs:

The City prepared a questionnaire requesting input regarding the potential impact of proposed amendments to Title 5 described above on businesses. On May 22, 2017, the questionnaire was sent with a copy of the proposed regulations to all existing medical marijuana establishments in Spark, cannabis organizations and licensed alcoholic beverage wholesalers, totaling 28 recipients. On May 24, 2017, City staff held a stakeholders meeting to discuss the changes to Title 5 and the business impact statement process. At the meeting, copies of the proposed Title 5 amendments and questionnaire were provided. There were 18 stakeholders in attendance.

A copy of the proposed amendment and the Business Impact Statement may be obtained by contacting the City of Sparks Community Services Department, 431 Prater Way, Sparks, NV 89431, (775) 353-7878, or kmelby@cityofsparks.us.

B. Summary of Comments

The City received two written responses. These responses indicated that the proposed amendments to Sparks Municipal Code Title 5 would not impose a direct and significant economic burden upon their business, or directly restrict the formation, operation or expansion of their business.

One respondent remarked that the “cannabis industry supports a 3% ceiling on license fees enacted by local government.” The other respondent expressed concern over requiring a retail marijuana license from the City of Sparks and that under a single stream inventory program as reflected in SB 487 a lab will have no way to distinguish retail from medical marijuana.

It is common for the City of Sparks to base a licensing fee on a percentage of gross receipts. For example, the City’s fee for providing telecommunication service is five percent (5%) of total gross

receipts. With passage of Senate Bill 487, staff will explore revising the proposed Title 5 amendments to address the single stream inventory program. Both responses to the City questionnaire indicated that the proposed business fee or fee structure will not directly restrict the formation, operation or expansion of their business.

Because this is an emerging industry in the State of Nevada, it is unclear what service demands the industry will pose to the City. The proposed business license fees are intended to offset the costs associated with the regulation and oversight of this new industry, including increased business license activity, code enforcement activity, police activity and emergency medical response. However, it is unknown whether the proposed fees will cover all costs associated with these activities.

2. The estimated economic effect of the proposed rule on businesses, including, without limitation, both adverse and beneficial effects, and both direct and indirect effects:

Adverse effects: Direct and indirect impacts are difficult to quantify and have not been determined. Potential impacts on current businesses are not apparent. “At retail” marijuana is a new industry for the State of Nevada regulated by the Department of Taxation.

Beneficial effects: It is anticipated that the amendments to Sparks Municipal Code Title 5 will provide rules and regulations for the licensing and operation of medical marijuana establishments to, among other things, supply marijuana to customers over the age of 21 to use for recreational purposes. The use, cultivation, distribution, production, possession, and transportation of marijuana remains illegal under federal law, and the Department of Justice has given guidance to enact strict regulatory structures to ensure federal priorities are upheld. By enacting these amendments to Sparks Municipal Code Title 5, the City is providing a strict regulatory framework under which medical marijuana establishments may operate at retail within the City of Sparks.

Direct effects: The proposed business license regulations for medical marijuana establishments to operate at retail do not impose a direct and significant economic burden upon a business nor restrict the formation or expansion of a business.

Indirect effects: The passing of this measure may have indirect effects. However, because this is a new industry in Nevada, those effects cannot be quantified at this time.

3. The following constitutes a description of the methods the local government considered to reduce the impact of the proposed rule on businesses and a statement regarding whether any, and if so which, of these methods were used:

Based on the written responses to the business impact questionnaire and staff’s analysis and research, it does not appear that the proposed ordinance imposes a direct and significant economic burden upon a business nor directly restricts the formation or expansion of a business.

4. The governing body estimates the annual cost to the local government for enforcement of the proposed rule is:

At this time, it is difficult to predict the cost to the City for enforcement but portions of the revenue generated from the changes are anticipated to cover the additional cost related to the enforcement of the proposed rule.

5. The proposed rule provides for a new fee or increases an existing fee and the total annual amount expected to be collected is:

Because at retail marijuana is a new industry in Nevada, it is difficult to determine the total annual amount of revenue to be collected. The proposed amendment to Sparks Municipal Code Title 5 establishes licensing fees, which include a one-time application fee of \$5,000 for all at retail marijuana businesses except for independent testing laboratories and an annual fee based on a percentage of gross receipts, and are dependent upon the type of marijuana facility. Below is a table showing the fees that would be paid, based on a range of gross receipts, by each of the different types of at retail marijuana facilities:

gross receipts	Dispensaries			Cultivation & Production			Testing Laboratory			Distributor		
	Base Fee*	3% Gross Receipts	Fee	Base Fee**	3% Gross Receipts	Fee	Base Fee***	% Gross Receipts	Fee	Base Fee***	3% Gross Receipts	Fee
\$ 25,000		\$ 750	\$ 750		\$ 750	\$ 750	\$ 80	\$ (15)	\$ 65		\$ 750	\$ 750
\$ 50,000		\$ 1,500	\$ 1,500		\$ 1,500	\$ 1,500	\$ 80	\$ 10	\$ 90		\$ 1,500	\$ 1,500
\$ 100,000		\$ 3,000	\$ 3,000		\$ 3,000	\$ 3,000	\$ 80	\$ 60	\$ 140		\$ 3,000	\$ 3,000
\$ 250,000		\$ 7,500	\$ 7,500		\$ 7,500	\$ 7,500	\$ 80	\$ 210	\$ 290		\$ 7,500	\$ 7,500
\$ 500,000		\$ 15,000	\$ 15,000		\$ 15,000	\$ 15,000	\$ 80	\$ 460	\$ 540		\$ 15,000	\$ 15,000
\$ 1,000,000		\$ 30,000	\$ 30,000		\$ 30,000	\$ 30,000	\$ 80	\$ 960	\$ 1,040		\$ 30,000	\$ 30,000
\$ 2,500,000		\$ 75,000	\$ 75,000		\$ 75,000	\$ 75,000	\$ 80	\$ 2,460	\$ 2,540		\$ 75,000	\$ 75,000
\$ 5,000,000		\$ 150,000	\$ 150,000		\$ 150,000	\$ 150,000	\$ 80	\$ 4,960	\$ 5,040		\$ 150,000	\$ 150,000
\$ 10,000,000		\$ 300,000	\$ 300,000		\$ 300,000	\$ 300,000	\$ 80	\$ 9,960	\$ 10,040		\$ 300,000	\$ 300,000
\$ 50,000,000		\$ 1,500,000	\$ 1,500,000		\$ 1,500,000	\$ 1,500,000	\$ 80	\$ 49,960	\$ 50,040		\$ 1,500,000	\$ 1,500,000
\$ 100,000,000		\$ 3,000,000	\$ 3,000,000		\$ 3,000,000	\$ 3,000,000	\$ 80	\$ 99,960	\$ 100,040		\$ 3,000,000	\$ 3,000,000
\$ 150,000,000		\$ 4,500,000	\$ 4,500,000		\$ 4,500,000	\$ 4,500,000	\$ 80	\$ 149,960	\$ 150,040		\$ 4,500,000	\$ 4,500,000
	* \$5000 one time fee			** \$5000 one time fee						*** \$5000 one time fee		

6. The money generated by the new fee or increase in existing fee will be used by the local government to:

The anticipated revenue will be used to offset costs associated with the regulation and oversight of this new industry, including increased business license activity, code enforcement activity, police activity and emergency medical response.

7. The proposed rule includes provisions that duplicate or are more stringent than federal, state or local standards regulating the same activity. The following explains when such duplicative or more stringent provisions are necessary:

The proposed change is not duplicative and specifically authorized by State law; however, it will assist in recovering costs related to services provided by the City that are required as a direct impact of the businesses that are regulated by the proposed rule.

Conclusion

The proposed amendment to Sparks Municipal Code Title 5 does not impose a direct and significant economic burden upon a business, nor does it directly restrict the formation, operation or expansion of a business. The proposed ordinance complements the strict regulatory structure set forth in Nevada Revised Statutes and ensures the health, safety and general welfare of the citizens of the city are protected. The fees imposed for the application and licensing of medical marijuana establishments are specifically authorized by State laws and necessary to, at least partially, recover costs associated with the regulation and oversight of this industry.

CERTIFICATION REQUIRED PER NRS 237.090(2):

I, Stephen W. Driscoll, as City Manager for the City of Sparks, hereby certify that, to the best of my knowledge and belief, the information contained in this business impact statement was prepared properly and accurately.

Dated this _____ day of _____, 2017

Stephen W. Driscoll, ICMA-CM, City Manager
City of Sparks