

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 adds a new Chapter 5.80, entitled "Medical Marijuana Establishments," to provide for the licensing requirements and establishment of fees to operate Medical Marijuana Establishments including testing laboratories, cultivation facilities, production facilities, and dispensaries, which are registered and 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

Pursuant to NRS 233B.0608(2)(a), the City of Sparks requested input from all interested parties through the methods identified in the following paragraphs.

The City prepared a questionnaire that asked for input regarding the potential impact to small businesses. On July 2, 2014, this questionnaire was sent with a copy of the proposed regulations to all members of the Nevada Division of Public and Behavioral Health's medical marijuana List Serve, which contains 1702 recipients. On July 3, 2014, the questionnaire was sent to the Department of Taxation's list of interested persons (over 100 recipients) and to the Reno, Sparks, Northern Nevada Chamber of Commerce. The questionnaire was also sent to those parties who submitted formal applications to the City of Sparks for the operation of a medical marijuana establishment.

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) 353-2340, or tthompson@cityofsparks.us.

B. Summary of Comments

Staff received six written responses. Two 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.

The third response indicated the City of Sparks should consider a higher base fee rather than a lower base fee plus a percentage of gross receipts. The respondent believes the implementation of the fees as proposed would have a direct and significant economic burden upon their business, and would directly restrict the formation, operation, and expansion of their business.

While staff understands the respondents concerns, the proposed business licensing fee structure for medical marijuana establishments is not unique to the City of Sparks. 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 the total gross receipts.

Because this is an emerging industry in the State of Nevada, it is unclear what service demands the industry will require. 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 and police activity. However, it is unknown whether the proposed fees will cover all costs associated with these activities.

The other three responses indicated the imposition of the proposed regulations would have a direct and significant economic burden upon their business, and would directly restrict the formation, operation, and expansion of their business. However, the respondents cite NRS 453A as the regulations which would impose the impact. The respondents also state the regulations would discourage minority participation. Based on the references to NRS 453A, it does not appear the regulations proposed by the City of Sparks are at issue.

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 unknown since they are difficult to quantify. Potential impacts on current businesses are not apparent. Medical marijuana is a new industry for the State of Nevada regulated by the Division of Public and Behavioral Health of the Department of Health and Human Services.*

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 provide for, among other things, the authorization of appropriate methods to supply marijuana to patients authorized to use it for medical 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 amendment to Sparks Municipal Code Title 5, the City is providing a strict framework of regulations under which medical marijuana establishments may operate within the City of Sparks.*

Direct effects: *The proposed business license regulations for medical marijuana establishments do not impose a direct economic burden upon a business nor restrict the formation or expansion of a business to comply with the proposed rules and regulations.*

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 and staff's analysis and research, it does not appear that the proposed ordinances impose a direct and significant economic burden upon a business nor directly restrict 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 any 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 medical marijuana is a new industry for the State of 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 an annual base fee and an additional fee based on a percentage of gross receipts, and are dependent upon the type of medical marijuana facility. Following is a table of anticipated revenues for each of the different types of medical marijuana facilities:

Gross Receipts	Dispensaries			Cultivation & Production			Testing Laboratory		
	Base Fee	% Gross Receipts	Total	Base Fee	% Gross Receipts	Total	Base Fee	% Gross Receipts	Total
\$25,000	\$5,000	\$0	\$5,000	\$3,000	\$0	\$3,000	\$80	\$0	\$80
\$50,000	\$5,000	\$50	\$5,050	\$3,000	\$10	\$3,010	\$80	\$10	\$90
\$100,000	\$5,000	\$300	\$5,300	\$3,000	\$60	\$3,060	\$80	\$60	\$140
\$250,000	\$5,000	\$1,050	\$6,050	\$3,000	\$210	\$3,210	\$80	\$210	\$290
\$500,000	\$5,000	\$2,300	\$7,300	\$3,000	\$460	\$3,460	\$80	\$460	\$540
\$1,000,000	\$5,000	\$4,800	\$9,800	\$3,000	\$960	\$3,960	\$80	\$960	\$1,040
\$2,500,000	\$5,000	\$12,300	\$17,300	\$3,000	\$2,460	\$5,460	\$80	\$2,460	\$2,540
\$5,000,000	\$5,000	\$24,800	\$29,800	\$3,000	\$4,960	\$7,960	\$80	\$4,960	\$5,040
\$10,000,000	\$5,000	\$49,800	\$54,800	\$3,000	\$9,960	\$12,960	\$80	\$9,960	\$10,040
\$50,000,000	\$5,000	\$249,800	\$254,800	\$3,000	\$49,960	\$52,960	\$80	\$49,960	\$50,040
\$100,000,000	\$5,000	\$499,800	\$504,800	\$3,000	\$99,960	\$102,960	\$80	\$99,960	\$100,040
\$150,000,000	\$5,000	\$749,800	\$754,800	\$3,000	\$149,960	\$152,960	\$80	\$149,960	\$150,040

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 and police activity.

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; however, it will assist in recuperating some of the 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.

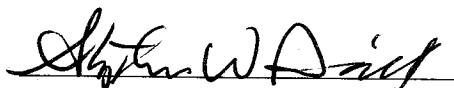
Conclusion

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 is protected. The fees imposed for the application and licensing of medical marijuana establishments are 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 the this business impact statement was prepared properly and accurately.

Dated this 28 day of JULY, 2014



Stephen W. Driscoll, City Manager
City of Sparks