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TO: Eileen Donoghue, City Manager  
FROM: R. Eric Slagle, Director of Development Services  
DATE: January 31, 2019  
RE: Informational – Sources and Requirements for Marijuana Revenues.

This memorandum addresses the questions regarding the various sources of revenue from marijuana facilities located in the City of Lowell.

As the Council is aware, the City is anticipating new revenue from the sale of recreational/adult use marijuana within the City limits. That revenue will come from two distinct sources authorized in the Legislation that made recreational marijuana legal in the Commonwealth – additional tax revenue, and community impact fees – both of which are discussed below.

The first source of revenue authorized under the statute is a 3% local tax on all recreational marijuana sales. This local tax requires adoption by a vote of the City Council, which the Council took on May 15, 2018. This local tax is unrestricted revenue deposited into the General Fund which the City may appropriate and spend as it sees fit, as it does with any other General Fund revenue. On January 29<sup>th</sup>, 2019, the Council voted to dedicate 25% of this local tax revenue to repair and maintain municipal buildings. The legislation does not contain a sunset provision on this local tax, so there is no end date for the collection of this revenue.

The second source of revenue contemplated in the regulations is the community impact fee which a municipality is allowed to negotiate in a Host Community Agreement (HCA) with a marijuana business. The regulations specifically cap this fee at 3% of the gross sales of the marijuana business. In each HCA that has been executed by the City Manager for a recreational marijuana business in the City, we have required the maximum community impact fee of 3%, and will continue to require this percentage in HCAs executed in the future. Unlike the local tax option described above, the community impact fee can only be used to offset specific community impacts of a marijuana business. Those expenditures must be documented and maintained as a public record. In the HCAs that the City has negotiated thus far, we have added a clause which spells out a list of items that the parties agree are eligible expenses for the community impact fees, which include, but are not limited to, the following:

- A. First responder programs (including, but not limited to law enforcement, fire response, EMS, hospitals and clinics);
- B. Lowell Board of Health initiatives;
- C. Drug abuse prevention/treatment/counseling/education program(s);
- D. Primary and secondary drug education programs;
- E. Traffic mitigation and infrastructure improvement;

- F. Increased police patrols;
- G. Costs associated with Secret Shopper program;
- H. Drug recognition expert funding;
- I. City purchase, use, and training associated with administering Narcan;
- J. City planning and inspectional staff, including overhead.

At the current time, the statute and regulations limit the collection community impact fee to five years. Thus, under the current setup, this revenue source will cease after five years.

To sum up, for five years, the City will collect a total of 6% of gross marijuana sales from recreational marijuana facilities, divided evenly between 3% unrestricted local tax revenue and 3% community impact fees which must be used for a specific purpose. After five years, the City will only collect the 3% unrestricted local tax revenue.

ES

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