



Lakewood
Full of Possibilities

City Council Study Session May 3, 2021



Revenue Review Progress

- **August 2020** – Distributed white papers on taxation simplification and revenue opportunities
- **November 2020** – Voters approved recreational (“retail”) marijuana
- **December 2020** – City Council adopted the revised tax code with standardized definitions
- **February/March 2021** – City Council evaluated other options to further simplify taxation and align with other municipalities - *approved 3/22/2021*
 - Removal of certain exemptions (3)
 - Administrative changes

Revenue Review Progress

February - April 2021 - City Council identified following topics to discuss further for Citizen or Council action:

- **Marijuana**
 - Special tax
 - Excise tax on grow operations
 - Legalization of delivery
 - Licensing
- **Cigarettes and like products**
 - Special tax
 - Licensing
- **TABOR**

Objective: Identify what to explore further for the November 2021 ballot.



Marijuana Revenue Options

	Options	Authorizing Party	
		Citizens	City Council
1	Special Sales Tax	✓	
2	Excise Tax on Grow Ops	✓	
3	Delivery (legalization)	✓	✓
4	Marijuana Fees		✓
5	Licensing Fees		✓

** Licensing and marijuana fees have been included in order to have a comprehensive discussion on marijuana. Such fees are intended to cover administrative costs and are not for the purpose of generating revenue.*



Options for Citizen Vote: Marijuana

Marijuana Revenue Options – Citizen Vote

	Current	Options for Citizen Vote
Special Tax Rate	<p>Medical/Retail – Base sales tax rate (3%)</p> <p>The State imposes a 15% special sales tax on retail MJ exempt from TABOR (90% State retained, 10% shareback to City).</p>	An additional tax rate on sales of marijuana (MJ).
Excise Tax on Cultivation	<p>No Lakewood excise tax currently.</p> <p>The State imposes a 15% excise tax; no shareback to local jurisdictions.</p>	Lakewood excise tax on grow operations (transfer between cultivation and retail operations).
Delivery Legalization	<p>Not Authorized</p> <p>HB19-1234 allows for the creation of marijuana delivery permits for medical, recreational, and infused marijuana products.</p>	Allow delivery either by referendum (citizen vote) or by City Council authorization.



Marijuana Special Sales Tax



Marijuana Special Tax Rates

City	Current Retail Marijuana Tax Rates	City Base Sales Tax rate	Special City Marijuana Sales Tax Rate	Total City Sales Tax	Total State, County and District Taxes	Total Combined Sales Tax Rate
Lakewood	Currently no special sales tax	3.00%	0.00%	3.00%	16.60%	19.60%
Aurora (Arapahoe)	5% special sales tax with authority up to 10% on total city sales tax rate	3.75%	5.00%	8.75%	16.35%	25.10%
Boulder	3.5% special sales tax	3.86%	3.50%	7.36%	17.09%	24.45%
Commerce City	7% special sales tax	4.50%	7.00%	11.50%	16.85%	28.35%
Denver	5.5% special sales tax with authority up to 15%	4.81%	5.50%	10.31%	16.10%	26.41%
Englewood	3.5% special sales tax with authority up to 5%	3.50%	3.50%	7.00%	16.35%	23.35%
Littleton	3% special sales tax on medical and retail	3.0%	3.0%	6.0%	16.35%	22.35%
Wheat Ridge & Edgewater	Currently no special sales tax	3.50%	0.00%	3.50%	16.60%	20.10%

Estimated Financial Impact – Retail Marijuana

- Annual retail marijuana sales in Lakewood are estimated to be \$17M* (4 Retail applications received)

Special City Marijuana Tax Rates	3% Lakewood Base Sales Tax Revenue	Special City Marijuana Tax Revenue	1.5% State Special Marijuana Tax Share Back Revenue	Total Retail Marijuana Tax Revenue
-	\$0.5M	\$0	\$0.3M	\$0.8M
3%	\$0.5M	\$0.5M	\$0.3M	\$1.3M
4%	\$0.5M	\$0.7M	\$0.3M	\$1.5M
5%	\$0.5M	\$0.9M	\$0.3M	\$1.6M
6%	\$0.5M	\$1.0M	\$0.3M	\$1.8M
7%	\$0.5M	\$1.2M	\$0.3M	\$2.0M

**\$17M revenue estimate based on the average retail sales in Aurora multiplied by 4 retail applications*

***Medical marijuana generated \$507,000 in sales tax revenue in 2020.*

Estimated Financial Impact – Retail Marijuana

- Annual retail marijuana sales in Lakewood are estimated to be \$43M* (10 Retail Locations maximum)

Special City Marijuana Tax Rates Options	3% Lakewood Base Sales Tax Revenue	Special City Marijuana Tax Revenue	1.5% State Special Marijuana Tax Share Back Revenue	Total Retail Marijuana Tax Revenue
-	\$1.3M	\$0	\$0.6M	\$1.9M
3%	\$1.3M	\$1.3M	\$0.6M	\$3.2M
4%	\$1.3M	\$1.7M	\$0.6M	\$3.6M
5%	\$1.3M	\$2.1M	\$0.6M	\$4.0M
6%	\$1.3M	\$2.6M	\$0.6M	\$4.5M
7%	\$1.3M	\$3.0M	\$0.6M	\$4.9M

*\$43M revenue estimate based on the average retail sales in Aurora multiplied by 10 eligible locations

** Medical marijuana generated \$507,000 in sales tax revenue in 2020.



Discussion on Marijuana Special Tax Rates

Question to Address

Should a special tax be placed on retail and medical marijuana?

Potential option: To explore a special tax on both retail and medical marijuana of 5%, TABOR-exempt.



Excise Tax on Marijuana Cultivation



Excise Tax on Cultivation

Excise tax is a tax on the first sale or transfer of marijuana from a grow operation to a marijuana store or a facility that manufacture marijuana products.

City	Excise Tax Rates on Cultivation
Lakewood	N/A
Aurora (Arapahoe)	5%
Boulder	5%
Commerce City	5%
Denver	5%



Discussion on Excise Tax on Cultivation

Question to Address

Should an excise tax be placed on cultivation?

Potential option: To explore an excise tax of 5% on cultivation, TABOR-exempt.



Marijuana Delivery Legalization

Legalization of Marijuana Delivery

Licensed marijuana stores & transporters to conduct deliveries to Lakewood consumers and to other consumers in jurisdictions that allow delivery.

City	Effective Dates
Lakewood	N/A
Aurora	1/23/2021
Boulder	2011 – medical only
Denver	7/1/2021
Longmont	1/7/2020 - follow state guidelines
Parachute	4/18/2020
Superior	10/14/2019 – follow state guidelines



Discussion on Legalization of Marijuana Delivery

Questions to Address

Should marijuana delivery be considered for Lakewood?

Should the citizens or City Council determine the legalization?

If implemented, State fees and guidelines would apply and the City would receive tax for purchases delivered to Lakewood residents.



Options for City Council Vote: Marijuana

Options for City Council Vote - Marijuana

	Current	Options for City Council Vote
Delivery Legalization	<p>Not Authorized</p> <p>HB19-1234 allows for the creation of marijuana delivery permits for medical, recreational, and infused marijuana products.</p>	<p>Allow delivery either by referendum (citizen vote) or by City Council authorization.</p>
Marijuana Fees	N/A	<p>City Council could establish a schedule of fees.</p> <p><i>Tabled for a future discussion.</i></p>
Licensing Fee	<ul style="list-style-type: none"> • Application fees <ul style="list-style-type: none"> - Medical n/a - Retail \$2,000 - Cultivation \$500 • 2-year license fees <ul style="list-style-type: none"> - Medical \$2,500 - Retail \$2,000 - Cultivation \$500 • Ownership transfer fee <ul style="list-style-type: none"> - Medical \$1,000 	<p>City Council could modify licensing fees, as appropriate.</p>



Marijuana Licensing

Licensing Fees - Retail

City	Application Fee	Operating Fee	License Fee
Lakewood	\$2,000	N/A	\$2,000 every 2 years
Aurora	\$2,500	\$15,000	\$15,000 annual
Boulder	\$2,500	\$2,000	\$2,475 initial license; \$3,560 annual
Commerce City	\$2,500	\$5,000	\$2,500 annual
Denver	N/A	\$5,000 annual	N/A
Englewood	\$2,000	N/A	\$2,000 annual
Edgewater	\$500	N/A	\$1,000 annual
Longmont	\$2,500	\$15,000	N/A



Discussion on Licensing Fees – Marijuana

Question to Address

Should Application, Operating, and Licensing fees be implemented or changed?

Potential options:

Change application and license fees to \$2,500 (medical and retail)

Change license renewal to annual at \$2,500 (medical and retail)

Implement an operating fee of \$5,000 (retail only)

Licensing Fees – Cultivation

City	Application Fee	Operating Fee	Licensing Fee
Lakewood	\$500	N/A	\$500 every 2 years
Aurora	\$2,500	\$15,000	\$15,000 annual
Boulder	\$4,500 medical; \$2,500 retail	\$2,000 retail	\$2,075 initial (medical) \$2,475 initial (retail) \$3,560 renewal (both)
Commerce City	\$2,500	\$5,000	\$2,500 annual
Denver	N/A	\$5,000 annual	N/A
Englewood	\$2,000	N/A	\$2,000 annual
Edgewater	\$500	N/A	\$1,000 annual

Discussion on Licensing Fees – Marijuana Cultivation

Question to Address

Should Application, Operating, and Licensing fees be implemented or changed?

Potential options:

- Change application and license fees to \$2,500 (medical and retail)
- Change license renewal to annual at \$2,500 (medical and retail)
- Implement an operating fee of \$5,000 (retail only)



Cigarettes & Other Tobacco Products



Cigarettes & Other Tobacco Options

	Options	Authorizing Party	
		Citizens	City Council
1	Special Tax - Cigarettes	✓	
2	Special Tax – Other Tobacco Products	✓	
3	Licensing of Tobacco Retailers		✓

** Licensing has been included in order to have a comprehensive discussion on cigarettes.*



Options for Citizen Vote: Cigarettes & Other Tobacco Products

Options for Citizen Vote – Special Tax

House Bill 19-1033

Authorized jurisdictions, if approved by vote of the people, to impose special taxes on cigarettes, tobacco products, or nicotine products.

	Current	Options for Citizen Vote
Special Tax - Cigarettes	Base sales tax rate of 3%	An additional tax on sales of cigarettes.
Special Tax – Other Tobacco Products	Base sales tax rate of 3% Examples: electronic smoking devices, vape pens, and any refill, cartridge or component of such product	An additional tax on sales of non-cigarette tobacco products.

Cigarettes and Other Tobacco Products – Special Tax Examples

	Special Tax Rate
Lakewood	<ul style="list-style-type: none"> N/A
Aspen	<ul style="list-style-type: none"> \$0.15 per cigarette 40% sales tax on other tobacco, nicotine and delivery products
Boulder	<ul style="list-style-type: none"> 40% sales tax on electronic smoking devices
Crested Butte	<ul style="list-style-type: none"> \$0.15 per cigarette 40% sales tax on other tobacco & nicotine products
Glenwood Springs	<ul style="list-style-type: none"> \$0.20 per cigarette 40% sales tax on other tobacco products

Estimated revenue of a 30% special tax on cigarettes and other tobacco products >\$6M.



Special Tax Rate Example - Cigarettes

	On or After 4/21/2021 (Exemption Removed)	Lakewood Special Tax Example ²
Retail Price/Pack ¹	\$8.94	\$8.94
Sales Tax		
State/Other Sales Tax (4.0%)	\$0.36	\$0.36
Lakewood Sales Tax (3.0%)	\$0.27	\$0.27
Lakewood Special Sales Tax (30%)		\$2.68
Total Price/Pack	\$9.57	\$12.25

¹ Retail Price/Pack includes the State Excise Tax of \$1.94/pack.

² Lakewood special sales tax example assumes 30% as the selected rate.



Discussion on Special Tax – Cigarettes and Other Tobacco Products

Question to Address

Should a special tax be placed on cigarettes and other tobacco products?

Potential option: To explore a special tax of 30% on cigarettes and other tobacco products, TABOR-exempt.



Options for City Council Vote: Licensing of Tobacco Retailers

Licensing Fees of Tobacco Retailers

House Bill 19-1033

Authorized cities to impose fees or licenses on cigarette retailers.

	Current	Options for City Council Vote
Licensing	License required for non-cigarette tobacco retailers: <ul style="list-style-type: none"> • Application Fee \$100 • Annual License Fee \$300 	City Council could expand licensing to retailers of cigarettes, tobacco, and nicotine, as well as related paraphernalia.

* Revenue for these scenarios depends on the fee decided upon and number of new licenses.



Licensing Fees of Tobacco Retailers

	Application Fee	Annual License Fee
Lakewood	\$100 (non-cigarette tobacco retailers only)	\$300
Aurora	\$50	\$50
Boulder	\$370	\$280
Broomfield	N/A	\$300
Denver	\$250	\$500
Edgewater	\$25	\$175
Golden	\$25	\$150

Revenue for these scenarios depends on the fee decided upon and number of new licenses.



Discussion on Licensing Fees of Tobacco Retailers

Questions to Address

Should licensing be expanded to include cigarette retailers?

Should the application fee be revised?

Potential option: To explore an application fee of \$300 on the licensing of tobacco retailers.



TABOR - Background

- **TABOR (Taxpayer Bill of Rights)**
 - Tax proposed changes go to the voter
 - Revenue collection cap and refunds
 - **Ratcheting down effect** – Base revenue is reset to lower levels in years that have lower revenue than the previous year
- **Lakewood TABOR limits lifted for 2017 - 2025**
 - Open space and parkland (1/3)
 - Police safety equipment or police agents (1/3)
 - Transportation / infrastructure improvements (1/3)

In 2020, it was estimated that it would take at a minimum through 2023 to recover from the ratcheting down effect driven by the pandemic.



TABOR

	Options for Citizen Vote	Financial Impact
Do nothing	N/A	Total Estimated: \$6.8M in 2021 \$4.3M in 2022 \$3.1M in 2023 Excess after 2025 – refunded to taxpayers
Base reset to 2019 level	Citizens to vote on modifying the City's base for revenue/expenses at the 2019 level	Would continue to fund operations. Excess through 2025 – City's TABOR fund Excess after 2025 – refunded to taxpayers
Debruce	Citizens to vote on the elimination of the revenue cap, allowing the City to retain and spend all collected revenue	Excess through 2025 – City's TABOR fund Excess after 2025 – retained by City



Discussion on TABOR

Question to Address

Should the option of Do Nothing, Reset the TABOR Base to 2019 Levels or Debruce be explored further?



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Recap of City Council's Recommendations