



## City of Grass Valley City Council Agenda Action Sheet

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**Title:** Introduction of an Ordinance Approving the Development Agreement with Grass Valley Provisions, LLC and the Reduction of additional tax on high potency cannabis and cannabis products cultivated, manufactured, and sold.

**CEQA:** Not a Project.

**Recommendation:** That Council 1) consider the proposed Resolution to temporarily decrease the additional business taxes collected from cannabis businesses operating within the City of Grass Valley for high-potency cannabis products; and 2) Introduce the attached Ordinance approving the Development Agreement with Grass Valley Provisions LLC, waive full reading, and read by title only

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**Prepared by:** Timothy M. Kiser, City Manager

**Council Meeting Date:** March 26, 2024

**Date Prepared:** March 20, 2024

**Agenda:** Administrative

**Background Information:** On February 9, 2024, the City of Grass Valley received correspondence from Grass Valley Provisions, LLC (Provisions), highlighting the adverse effects of the City's implemented Tetrahydrocannabinol (THC) and sweetened cannabis beverages taxes. The tangible impact of this THC tax becomes apparent when comparing customer receipts between Grass Valley and neighboring Nevada City. For instance, locally manufactured cannabis cartridges containing 1 gram of 90.13% THC cannabis oil are priced around \$45. In contrast, the same item purchased in Nevada City amounts to \$57.58, inclusive of all taxes, whereas in Grass Valley, it totals \$95.60. This stark contrast illustrates how the current tax structure places Provisions at a competitive disadvantage against neighboring retailers and illicit delivery services, which operate without tax obligations. Ultimately, if left unchanged, these tax burdens will inevitably drive Provisions out of business.

Provisions respectfully urges the City of Grass Valley to consider the removal of the aforementioned tax provision, specifically Section D of Chapter 5.06.030, thereby enabling Provisions to compete effectively for customers in the region. While Provisions acknowledges the potential benefits of cannabis tax revenue in supporting community initiatives such as law enforcement, aid for the homeless, and youth programs, they propose an alternative solution. To align with this vision, Provisions offers to contribute \$10,000 to the City of Grass Valley for the first two years of its operations, earmarked exclusively for youth programs.

This correspondence marks the initial presentation of the attached Ordinance and Development Agreement. The Planning Commission is scheduled to convene a Public Hearing on this matter on April 3, 2024.

Please note that the attached Resolution suspends the supplementary THC tax for the duration outlined in the Development Agreement. This matter will be revisited by the

City Council, alongside the second reading of the Ordinance and Development Agreement, during the first regular scheduled meeting in of April 2024.

**Council Goals/Objectives:** The execution of this action attempts to achieve Strategic Goal #5 - High Performance Government and Quality Service.

**Fiscal Impact:** The exact fiscal impact on this item is unknown due to the discrepancy in price difference between the current THC extra tax and the ability to sell products. If the Development Agreement is implemented the City will receive \$10,000 per year for two years for recreational purposes.

**Funds Available:** N/A

**Account #:** N/A

**Reviewed by:** Tim Kiser, City Manager

**Attachments:**

- Letter from Grass Valley Provisions
- Ordinance approving the Development Agreement with Grass Valley Provisions
- Proposed Development Agreement
- Proposed Resolution