

• GRASS VALLEY •

PROVISIONS

EST. 2023

February 9, 2024

Tim Kiser

125 E Main Street

Grass Valley, CA 95945

RE: THC TAX ORDINANCE NO. 807

Dear Mr. Kiser,

I write to report some exciting news - Grass Valley Provisions is close to opening its cannabis storefront in the City of Grass Valley, a project our team has dedicated countless hours to accomplish. The timeline is currently weather dependent, but I'm told we should be finalized in four to six weeks. I will keep you updated on as we near completion.

As you know, the City of Grass Valley has a unique cannabis tax structure. For dispensaries, this includes 4% of gross receipts, as well as an additional tax on high potency cannabis flower, products, and beverages. This additional tax is explained in Chapter 5.06.030 - Cannabis business tax:

- 1. An additional tax of up to one percent (1%) of the gross receipts from high potency cannabis and each high potency cannabis product cultivated, manufactured or sold by the taxpayer, multiplied by the percent of tetrahydrocannabinol (THC) content of the product above 17%; and,*
- 2. An additional tax of 20% of gross receipts from sweetened cannabis beverages.*

The impact of this THC based tax is clear when examining the difference in a customer's receipt should they purchase a cannabis product in Grass Valley versus in neighboring Nevada City. Locally produced cannabis cartridges containing 1 gram of 90.13% THC cannabis oil retail for around \$45. This single item when purchased in Nevada City would come to \$57.58 including all applicable taxes. The same item if purchased in Grass Valley would come to \$95.60.

As demonstrated, under this tax structure, Grass Valley Provisions would not be able to compete with surrounding retail operations, or the illicit delivery services and 'black-market' operators who pay no taxes whatsoever. The impacts of this tax will ultimately force Grass Valley Provisions out of business. As such, we respectfully request that the City of Grass Valley act to remove the above-mentioned tax language, specifically Section D of Chapter 5.06.030, and allow Grass Valley Provisions the opportunity to compete for customers in the area.

Grass Valley Provisions recognizes the opportunity that revenue from cannabis taxes present to support community programs and crucial services such as law enforcement, support for the unhoused, and youth programs. To aid this vision, we propose to donate \$10,000 to the City of Grass Valley, for the first two years of our operations, to be used exclusively for youth programs.

We appreciate the consideration of the City and request this matter be place on the agenda for discussion at the next available City Council meeting.

Sincerely,

Cameron Brady

Chief Legal Officer