

We appreciate all of the work done by the Cannabis Ad Hoc Committee and your staff. We have concerns that the tax rates established will be a significant burden on the startup fledgling legal cannabis businesses who until their first harvest have no revenue from which to pay the taxes.

The struggle for a successful legal cannabis market involves competition against illicit market cannabis prices and government over-regulation.

The cannabis cultivation taxes pursuant to the proposed cannabis tax resolution put El Dorado County's fledgling businesses at a competitive disadvantage when competing against the illicit market and even competing against other counties such as Humboldt which has half the tax rate for cultivation.

Humboldt County's tax rate is \$1 a square foot for outdoor cultivation and \$2 a square foot for mixed-light cultivation.

Additionally, the taxes on other components of the cannabis market here in El Dorado County create a compounding tax that gives illicit market cannabis a price advantage and puts our county product at a disadvantage versus other county products sold in our county.

El Dorado County cannabis will be less competitive because it's taxed from cultivation to retail, hence cannabis from other counties will be cheaper than cannabis from our County. This cultivation tax will be 5%-10% of the value, adding to the 14% state cultivation tax, 15% state excise tax, County 2% distributor tax and 4% county retail tax and the 7.25% sales tax equals a 52.25% tax on cannabis.

A two-acre cultivation operation will be paying \$174,240 in County taxes annually whether they have a successful crop or not. A mixed-light operation will be paying \$348,480 per year in County taxes whether they make a profit or not. This is a punitive tax and will not support a community of strong businesses that can compete with Mendocino, Humboldt, Yolo, Nevada County and nationally.

If there are few businesses that can survive the county's taxes and setback regulations then the County will not collect much tax. Medical patients cannot afford to pay these high prices for their medicine.

Right now most of the businesses likely applying for cannabis licenses will be El Dorado County businesses. If they can't survive in the legal market they will either return to the illicit market or sell their distressed companies to multinational corporations who have no contact with our community.

Please reduce the tax rate to \$1 a square foot for outdoor cultivation and \$2 a square foot for mixed-light cultivation.

Secondly, please allow the payment of the first year's tax to occur after December of 2020.

How can you expect small businesses to survive the tax burden when competing with folks who pay no tax? Enforcement has not worked at eliminating the illicit market. The transition to a legal market will happen faster if our legal market can out-compete the illicit market on safe quality and price.

With a high tax burden, many folks may try to survive the first couple years and then abandoned their infrastructure in the county. The County will have this infrastructure without an industry to support its maintenance.

The cannabis industry is the next version of wine. We should support the cannabis industry like we support our wine industry.

Re File 19-1152 Commercial Cannabis Ordinance Revision

Supervisors:

We appreciate the tremendous amount of work done by the Cannabis Ad Hoc Committee and County staff. The ordinances before you today reflect all that hard work. Cannabis industry folks have commented that El Dorado County's ordinances are some of the most comprehensive regulations developed by local governments.

Please vote to move forward with commercial cannabis licensing. The legal cannabis industry in El Dorado County could provide a substantial boost for the county economy and community services.

As the implementation of these ordinances moves forward, we do have a concern that the balance between regulation and providing opportunities for licensing in the county are weighted too heavily on the regulation. There are three areas that could provide significant barriers to the County utilizing the County's unique situation for participating in California's market and in future national markets for cannabis.

1. The ordinances have property setbacks that are unprecedented and pointless. Cannabis is not radioactive waste. An 800-foot setback is irrational when cannabis cultivators have rules for preventing off-site impacts of their cultivation that they are required to follow or risk substantial penalties. The ordinances allocate 75 of the 150 cultivation operations for small parcels, such as 10-acre parcels. The 800-foot setbacks in the ordinances are larger than the parcel itself. An 800-foot setback is over 14 acres of property. Yes, there are waivers to the setbacks, however, almost every cannabis cultivation or commercial operation in a commercial zone will have to get setback waivers.
2. The tax levels established under agenda file Re: File 19-1250 place our County businesses at a competitive disadvantage. We have commented through a separate letter on that file item.
3. The ordinances declare that cannabis is not agriculture in El Dorado County. While the section may have been well intended to protect the agricultural industry in El Dorado County it actually penalizes them. The section potentially makes it extremely difficult for existing agricultural crop growers within Williamson Act preserve contracts to get commercial cannabis licenses. Supervisors can fix this problem for existing properties who are grape and apple growers who want to add commercial cannabis licenses to their businesses. The Board of Supervisors can simply declare that commercial cannabis cultivation is a compatible activity for a Williamson Preserve contract. Yolo County did this.

El Dorado County is positioned to have a vibrant futuristic agricultural economy. The County just needs to allow the legal market to out-compete the illicit market. It is often true that taxes and over-regulation can kill or severely damage nascent industries. Our County should not miss out on the commercial cannabis opportunity.

Cannabis is the new wine industry.

Thank you for your attention to this matter.

Rod Miller

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