

*Supplemental Item –*  
Correspondence for Item No. 10 - Commercial Cannabis Tax Rates  
Policy Direction

**Agenda Item No. 10**  
**Correspondence for Item No. 10 -**  
**Commercial Cannabis Tax Rates Policy Direction**

**(CC Mtg 10/25/2021)**

**From:** [kim.lancashire](#)  
**To:** [CouncilMembers](#)  
**Cc:** [Ryan Kruse](#); [Kevin Kruse](#)  
**Subject:** Cannabis Gross Receipts Tax Rate Reduction  
**Date:** Monday, October 25, 2021 1:21:00 PM

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Dear Mayor Lee and Council Members,

We would like to thank City Council and City staff for addressing the cannabis gross receipts tax rates in Grover Beach.

Our company, El Dorado Brands is family owned and operated here on the Central Coast in Santa Barbara and San Luis Obispo counties. We are motivated to invest substantially in the pursuit of successful operations that propel our efforts in the California cannabis industry forward. We purchased the building at 931 Huston and are pursuing licenses for cannabis Processing, Manufacturing and Distribution projected to be operational Q1 2021 upon City and State approval.

As a family run business with a history of innovative leaders in California agriculture, we are excited for the growth potential of this industry. The welcoming community spirit and central location of Grover Beach is ideal and provides access to a skilled, diverse workforce, as well as, the local, Northern and Southern California wholesale and retail markets.

The 17,000 square foot building on Huston will house our drying, trimming, packaging, edible and distribution facilities to service licensed farms on the Central Coast and ultimately our own farm located in Santa Barbara County with projected harvests coming in the summer of 2022 upon final County and State approval.

Our 180-acre farm in Buellton will cultivate 35 acres of cannabis with up to three harvests per year to be transported to the Grover Beach facility for processing, and packaged for distribution locally and throughout California. On the same property, we also currently farm organic raspberries, lavender, various row and cover crops, and raise long horned cattle honoring the long-standing agricultural traditions of farming and ranching on the Central Coast.

Once operational, El Dorado's Grover Beach facility will employ 20-30 local residents from the Grover Beach and San Luis Obispo County area in our first year, and over 50 local workers once our farm completes the first harvest in 2022 offering year-round, well compensated employment opportunities to our diverse community.

However, due to the highly competitive nature of the cannabis industry, along with unprecedented fall of the bulk wholesale prices, our margins are inherently slim. Our competitors are located in Cities and Counties with lower tax rates (Long Beach is 1%, Lompoc is .5%, Santa Barbara is 1%). To be competitive, we will not be able to pass along the additional costs of the higher Grover Beach tax rate of 3% along with the extra employment costs of required background checks. Even after making a significant investment in the Grover Beach facility, our business structure will be vertically integrated and we would be forced to look to other jurisdictions to house our main distribution center.

**We would like to urge the City Council to accept staff recommendations and revise the tax rate on cannabis gross receipts for manufacturing and distribution to be on par with the tax rates that our competitors pay.**

Our current family run business has a long history in California spanning three generations of strong commitment to our employees, our customers and our community. The Central Coast is home to our family and our businesses and we look forward to bringing that same commitment and success to Grover Beach.

Please feel free to reach out to us with any questions. We would be happy to walk you through our vision and project anytime. Thank you for your thoughtfulness and consideration.

Kind Regards,

Kevin and Ryan Kruse

El Dorado Group

**Kim Lancashire** (on behalf of El Dorado Group)

Compass Consulting Services

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