

**From:** J Brown <j.brown0316@gmail.com>

**To:** <BOS@mendocinocounty.org>

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**Subject:** Microbusiness Licenses.

## **TO: Mendocino County Board of Supervisors**

To whom it may concern:

I am currently a commercial cannabis license holder in unincorporated Mendocino county and I am writing today in regard to the Microbusiness license application which has been in review with planning and building since November 2017. Before I submitted the application, I had planning and building check the zoning on my property which is zoned UR. After three visits to planning and building I was instructed that my property did meet the zoning criteria and that they did not see any issues with my application.

After a 10-day waiting period I contacted planning and building to see if the license had been issued. At that time, I was informed that the license couldn't be issued due to a typo in the ordinance and that the county's legal counsel was in the process of correcting. Since that time, I have contacted planning and building once a week for an update on the status of the license. At the time of this email the application is still in review presumable due to this typo.

The B.O.S. gave direction on this matter several times back in September and October of 2017. Currently this issue hasn't been corrected. For most of us small farmers it's extremely difficult to compete with the larger cultivators in the surrounding counties. I was under the impression, that to help the small farmers of Mendocino County stay competitive, the B.O.S. gave direction to allow them the ability to become vertically integrated, by allowing microbusiness licenses to operate on prior cultivation sites. I feel this is particularly critical to the success of our cultivation community. It allows the small farmer to continue to do home manufacturing which is an integral part of most of their business; and allows the distribution of products that the farmer produces on site. This in turn reduces the cost of having to go through a distributor. The small farmer can pass down the savings to the consumer by allowing a lower price; and thus be competitive with the surrounding areas large cultivators and manufacturers. These large facilities are able to cut cost by cultivating and manufacturing on sites as large as 1 to 25 acres creating a highly competitive advantage.

By not allowing these microbusiness licenses to be issued many cultivators are not able to manufacture at all and are now left scrambling to find a distributor to purchase the flower that they have incurred substantial costs in cultivating. Most of these distributors are offering dramatically reduced purchase prices compared to market price. Many small cultivators are being turned away due to price drops in the cannabis market. They are waiting for the markets to stabilize and are forcing farm failures and liquidation sales.

I'm not sure if the Board has had a chance to read and research the current document available at the California Department of Finance that suggests almost 40% of all small cannabis farms will fail.  
(dof.ca.gov.forecasting)

The document describes what is already seen in almost all forms of the industry. This will cause major economic depressions in several of the cannabis farming municipalities in Northern California. A lot of these economies have been supported by the shadow cultivation economy. Now that this economy has been asked to come out of the shadows and comply with regulation it is critical that we make it possible to operate at full capacity legally and immediately. Allowing this economy to collapse due to failure in regulation and ordinances is inexcusable. By ignoring the value of the small farmer, a 40% failure rate seems very realistic in Mendocino county. With high regulatory costs, taxes and law enforcement eradication to worry about, even when fully compliant the small farmers chances of economic survival are very limited. By cutting off the small farmers revenue streams we are also cutting off this part of the county's cannabis tax revenue.

At the current time my farm is restricted from conducting business due to the fact I cannot be competitive with other counties supplying the cannabis distributors product at lower costs. This situation has forced me to stop all sales which mean reduced cannabis tax for Mendocino county and significantly increases the chances of farm failure. My farm competes with the larger cultivators by offering unique products such as home manufactured tinctures and being able to distribute fully organic cultivated flower. If I'm not allowed to utilize these process's to support revenue streams, I will become one of the 40% in the statistic that the department of forecasting speaks to in their document. My biggest concern is that the other 39% will be made up of the other Mendocino small farmers. We as a community need to address this matter A.S.A.P. , before that state forecasting becomes a reality and not just a forecast.

The problem that planning and building is encountering is that the ordinance is currently worded to only allow for adult use cultivation and cultivation is mandatory for the microbusiness license. When I read my final permit, it is for commercial cannabis cultivation and mentions nothing about being only for medical cannabis cultivation. I was under the impression that was the reason why the board removed medical from the license and changed it to commercial several months ago, to match the state guidelines and avoid encountering this problem. As we all know state bill SB 133 the 'trailer bill' allows for cultivation of both medical and adult use on the same premises. Furthermore, we all know that cultivation in Mendocino county of any type has only been permitted on the prior cultivation sites reinforcing the table one zoning chart for cannabis facilities.

" \*\*\*Microbusiness engaged in cultivation shall be allowed at such time as the County adopts an Adult Use Cultivation Ordinance and state Licenses are available."

It seems that the B.O.S is under the impression that the changes made back in September and October of 2017 would ensure an easy transition period and have been successful. The reality is they have not.

I urge the B.O.S. to carefully review these issues with planning and building and explain the changes or if they were done incorrectly to give direction to planning and building and the county's legal counsel to find a solution immediately. At this time, I have not applied for a state license due to the fact that I do not know which type of license to apply for, cultivation or microbusiness?

It is almost impossible to compete with these larger cannabis facilities. Small farmers are encountering extreme financial hardship, making it hard to survive in this current time of regulatory uncertainty.

Thank you in advance for your time.

Jay Brown

CAE Management.

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