

ORIGINS COUNCIL



Mendocino County Board of Supervisors
501 Low Gap Road
Ukiah, CA 95482

November 4th, 2019

Re: Agenda Item 6b 11-5-19 BOS meeting

Agenda Item 6b:

Discussion and Possible Action Regarding Recommendations of the Cannabis Economic Development Ad Hoc Committee (Sponsor: Cannabis Economic Development Ad Hoc Committee)

Introduction:

MCA & MAP would like to thank the Cannabis Economic Development Ad Hoc Committee and County staff for dedicating significant time and resources to this collaborative exploration. The stakeholder meetings and work leading up to these recommendations represent a deepening of dialogue between the industry and county government that is extremely valuable to the members of the Alliance.

The timelines tied to the Cannabis Economic Development Ad Hoc recommendations address both short term needs and opportunities framed within a 2-3 year period, as well as long term considerations to be integrated into the 10 year economic development plan for Mendocino County as a whole.

MCA & MAP support this approach because it addresses the immediate needs of our local cannabis industry and cannabis program, while also helping to shape a future cannabis industry

rooted in regional heritage and sustainable economic development that is symbiotic with the development of other business sectors of Mendocino County, such as the hospitality and wellness industries.

MCA & MAP would like to provide the following comments and recommendations regarding the Cannabis Economic Development Ad Hoc Committee recommendations.

General Recommendations:

MCA & MAP fully support County efforts to streamline the permit application process and MCA commits to collaborating with the County to provide educational workshops to recruit and assist permit applicants, in addition to promoting the County program and any associated initiatives on our communications platforms.

MCA supports the review of our current tax fee schedule to determine if adjustments need to be made. Striking the right balance is very important so that the County maintains viable tax revenue from the cannabis community, while also supporting the industry during this formative period.

MCA & MAP are committed to supporting the legacy producing community in viably transitioning into regulation, while also welcoming new cannabis businesses within Mendocino County that contribute to sustainable development. We fully stand behind the words of Casey O’Neill and believe that “enforcement without opportunity is a broken paradigm.”, and encourage education, incentive based initiatives and policies that ensure that as many legacy operators come into regulation as possible. It is MCA & MAP’s position that this goal is integral to protecting the heritage and renown of our region, as well as the economic and social fabric of our community. We support the creation of financial incentives for cannabis business development through fee waivers, tax incentives, the pursuit of state grant funds and the development of a local equity program.

MCA is committed to broadening stakeholder input for these economic development recommendations through ongoing outreach to our membership, as well as supporting the aggregation of data that both industry and government are seeking to inform policy and development initiatives. There is an addendum to this memo which outlines an MCA survey that will be going out next week to both our membership and our broader stakeholder list. The survey seeks to capture information and data points identified within the economic development ad hoc recommendations. We welcome further input from the Cannabis Economic Development Ad Hoc Committee as well as County staff.

Additionally, we have included a second addendum, *The MCA Economic Development Partnership Strategy* which further outlines our commitment to collaborating with local government to achieve industry viability and sustainable growth.

Cultivation:

In assessing the interest and viability of expanding cultivation scale in Mendocino County, MCA believes that the assessment itself and any associated opportunities should be equitable and support economic, environmental and social sustainability.

The Economic Development Ad Hoc Committee has been working for solutions to the prospective challenges associated with our cannabis program CEQA Mitigated Negative Declaration. The MND may impact operators' ability to secure annual licensure from state regulatory agencies, as well as limiting the potential expansion of cultivation, processing, manufacturing, microbusiness and tourism - particularly in rural areas. These limitations impact immediate as well as long term opportunities. The impact to annual licensure is one such immediate impact. An example of a long term impact relates to Senate Bill 185 introduced by Senator McGuire and signed into law this year. SB 185 strengthens cannabis appellation protections mandating that any designated cannabis must be "produced" within the designated geographic area in order to qualify. CDFA defines "produced" to mean cultivated *and* processed. In order to for Mendocino County to meaningfully participate in the state's appellation program, petitioning micro regions must be able to both cultivate and process within their locality. The regulatory agencies are still working on how manufactured products might be integrated into appellation designations, and may require manufacturing to happen within designated geographic boundaries. Additionally, one of the fundamental deliverables of appellation designations are the stimulation of agritourism and farm to consumer direct sales. Appellations are essentially a standards based model of vertically-integrated cooperative production encompassing all activities from cultivation to sales within a given geographic designation, well suited for the development of centralized local hubs for processing, manufacturing, distribution and sales. These types of rural micro-development activities are hobbled by our MND and need to be taken into consideration when examining proposed solutions or further CEQA analysis.

On Oct. 22nd the Bureau of Cannabis Control's Cannabis Advisory Committee Sub Committee on Cultivation took up the issue of CDFA's CEQA requirements for cannabis producing regions, and discussed that there is precedent in CEQA law for exemption of new "like uses", calling into question the need for further CEQA analysis for municipalities such as Mendocino County that already provide for "like uses", i.e. agricultural production and processing, under our general plan. The CAC Sub Committee on cultivation has recommended to agendize this issue for their next meeting, tentatively scheduled for December, and will be offering their recommendations to

CDFA and the Governor's Office for consideration. We bring this forward to highlight the need for further research and coordinated understanding regarding our cannabis program's standing with CDFA and CEQA compliance before committing significant county and industry resources to a short term solution that either may not be necessary or may not adequately address the full scope of needs associated with both our near term and long term development goals.

Manufacturing:

MCA support efforts to develop innovation zones to support cooperative pursuits. In particular MCA is supportive of the opportunity to support Type S license shared manufacturing facilities, and the relocation of cannabis businesses that are facing imminent sunset due to zoning restrictions.

Regional Branding, Marketing & Tourism:

MCA & MAP deeply appreciate the depth of exploration and support from the County to pursue regional branding, marketing and tourism development for the local cannabis industry. MCA & MAP support the recommendation to amend the Temporary Special Events ordinance to accommodate cannabis tourism.

We believe that it is essential that the brand identity and brand voice of the Mendocino cannabis industry be driven by the industry, as a matter of efficacy and cultural provenance.

We would like to emphasize that cannabis tourism and marketing is most effectively and powerfully grown out of the opportunity to develop a County of Origin program for Mendocino cannabis. By designing the brand identity and voice for Mendocino cannabis products, we are inherently promoting both the product itself as well as the region, our culture and values, and leveraging every single Mendocino designated product on the market, soon to be National and eventually International, to promote our region and attract tourism as well as market share.

We embrace the opportunity to collaborate on marketing efforts with other local business sectors such as hospitality and wine. We are confident that cannabis tourism can contribute meaningfully to the Transient Occupancy Tax that funds Visit Mendocino County, supporting the inclusion of cannabis within the organization's leadership and initiatives.

MCA & MAP have been researching potential funding structures for a regional branding, marketing and County of Origin program for cannabis. Our research includes tax structures such as the business improvement district model as well as prospective grant funding such as the state equity program. In our conversation with state legislators and regulators, we have determined that there is an appetite on the part of the state to explore the development of additional programs to support regional economic development and small business development. We feel that it is

important to develop a local program that can take advantage of these diverse prospective funding opportunities as they unfold, perhaps even drive their formation.

With respect to the Cannabis Economic Development Ad Hoc Committee recommendations regarding appellations development, Ca statute provides that licensed cultivators may establish appellations of origin, inclusive of region specific shared standards, practices and cultivars. MAP has been working with CDFA since January of 2018 to support the agency's research and stakeholder input shaping the development of the state appellations policy and program for cannabis. This spring MAP participated in CDFA's Appellations Working Group along with 20 other trade associations and advocacy organizations from around the state to support the development of the regulatory framework that CDFA is currently drafting for the program, expected to be released at the end of this year. Once those regulations are final, the industry will have guidelines to support the research and application process.

Advocacy:

The Mendocino Cannabis Alliance was formed from the merger of the Mendocino Cannabis Industry Association and the Mendocino County Growers Alliance, established in 2017 and 2016 respectively. While MCA is newly launched, the industry and policy experience of our leadership and the coalition we have built with regional and statewide advocacy organizations as well as our regional legislators and state regulators over these past several years is well established.

MCA & MAP fully supports the recommendations of the Cannabis Economic Development Ad Hoc Committee to work within larger regional coalition with both industry and local government, to effect change within state policy. MCA & MAP have significant resources to contribute to this effort, and very much look forward to taking on pressing state policy reform, such as direct sales, cannabis cooperative associations and tax reform with the weight of our local government, regional partners and regional legislators unified as one voice. We can and must effect great change to state policy if our region is to thrive in this volatile regulatory and market climate.

We sincerely thank you for this opportunity to provide comment, and to work together to shape a vital cannabis industry and a sustainable future for Mendocino County as a whole. We are indeed stronger together.

Sincerely,

The [Mendocino Cannabis Alliance](#)

The Mendocino Appellations Project, a Regionally Sponsored Project of [Origins Council](#)

Addendum I : Proposed MCA Cannabis Economic Development Survey

- **General:**

- What metrics can Mendocino County use to track cannabis policy and development accomplishments and revenues over the next 12 months?

- **Cultivation:**

- What are suggested sources for reliable industry data to help inform local and state policy and development initiatives?
- What data and metrics would you suggest for assessing yields for regulated cultivation and manufacturing?
- What are suggested sources of research, data and metrics to gauge market development and Mendocino County's position within the current market and developing markets?
- What are suggested sources of research, data and metrics to assess the number of operators and cumulative production of current unlicensed production within Mendocino County?
- What sites and projects would you propose for cultivation expansion?
- What sites and projects would you propose for Innovation Zones?
- What recommendations would you make to improve and streamline the permit process?
- Do you want to expand cultivation scale in Mendocino County?
- Do you personally want to expand the scale of your cultivation? If so, how big?
- Cultivators: What percentage of your crop do you anticipate will be purchased by local distributors and manufacturers?
- Distributors: What annual percentage of cannabis do you anticipate purchasing from local Mendocino cultivators?
- Manufacturers: What annual percentage of cannabis do you anticipate purchasing from local Mendocino cultivators?

- Retailers: What percentage of your flower sold annually was grown in Mendocino County? What percentage of products sold annually were manufactured in Mendocino County?
- **Manufacturing:**
 - Would you personally, or do you know a cannabis manufacturer that would be interested in S-Type licensed facilities for small-scale manufacturing?
- **Branding/Marketing/Tourism:**
 - Would you be willing to pay a tax to support regional branding, marketing and tourism promotion for the local cannabis industry? If so, what percentage tax?
- **Advocacy:**
 - What are the top 3 reasons that you or others you know have not entered into the regulated market?
 - What do you feel would incentivise people to enter into regulation?
 - What are your top 4 state policy priorities?
 - What are your top 4 local policy priorities?
 - Would you consider joining a local trade association such as MCA?

Addendum II: MCA Economic Development Partnership Strategy



MCA ECONOMIC DEVELOPMENT PARTNERSHIP STRATEGY

8-1-2019

The Mendocino Cannabis Alliance serves and promotes Mendocino County's world-renowned cannabis cultivators and businesses through sustainable economic development, education and public policy initiatives.

Goal: Assist in the creation of a 5-year visioning and planning document for cannabis economic development in Mendocino County.

Introduction: The Mendocino Cannabis Alliance (MCA) is interested in partnering with the county's Economic Development Ad Hoc Committee and participating in the planning process by providing:

1. Facilitated Public Forums
2. Data Collection
3. Education Initiatives

Fundamental Concepts:

- **Public Process** - MCA can act as a vehicle for wider community engagement in this process. It is important that the plan produced through this process has sufficient input and buy-in from all sectors and scales of local cannabis businesses, as well as other economic sectors and the general public.
- **Economic Development vs. Economic Growth** - Economic growth in certain sectors is part of the solution, but a simple increase in aggregate output is not enough. Our Economic Development Plan needs to incorporate a dynamic, cross-sector approach, adequate funding and strategies for reinvestment. It requires collective action and a large-scale, long term approach to establish a balance between job training, education, infrastructure, innovation, new technology, and new product development.
- **The Value of Heritage** - Mendocino County has an incredible wealth of untapped value in our heritage. Few cannabis producing regions have the fully developed cultural identity and genetic resources that we have. Our Economic Development Plan must have a

central focus on developing, leveraging and protecting our regional intellectual property and the integrity of Mendocino County as a world-renowned brand of cannabis products.

- **Sustainable Economic Development** - “Cannabis Economic Development” is inseparable from the overall economic development of our county. The economic value we create for the future is inseparable from the environmental impact we have now and equity we create for our citizens through this process.

PROPOSED MCA INITIATIVES

- **FACILITATED PUBLIC FORUM**

- **ECONOMIC DEVELOPMENT TOWN HALL EVENT SERIES**

- i. What is your vision for the future of our county? How should we get there?
- ii. Organized by MCA and MAP in collaboration with County Econ Dev Ad Hoc Committee
- iii. (Forum for stakeholder input on Econ Dev Ad Hoc Recommendations)

- **DATA COLLECTION**

- **PUBLIC SURVEY SERIES**

- i. What amendments to local and state policy would empower you to succeed?
- ii. Are you opposed to, or in support of, these potential shifts in local policy? And why?
 1. Permit Expansion
 2. Allowance for Biomass Production
 3. Hemp Production

- **LOCAL CANNABIS BUSINESS DATA**

- i. What data sets would assist in the Econ Dev Planning Process?
 1. Tax & Employment Data
 2. County Cannabis Retailer Earnings, % revenue/tax & % of products sold from Mendo

- **CROSS-SECTORAL ECONOMIC DEVELOPMENT WHITE PAPER**

- i. What economic changes can be observed in Mendocino County in the time period prior to the passage of Prop. 64 through current time related to:
 1. Household Income
 2. Employment Rate
 3. Local Business viability (restaurants, retail, etc)
 4. Local reliance on social services
 5. Hospitality / Tourism
 6. Timber Harvest on private land
 7. Real Estate Transactions and Property Taxes
 8. Mental Health

- ii. Which observed changes can be attributed to the change in cannabis regulation?
- iii. Which aspects of Mendocino County’s cannabis regulations that can be amended to encourage/discourage these economic outcomes?

- **EDUCATION INITIATIVES**

- **WORKSHOP PRESENTATION SERIES**

- i. What areas of professional development will benefit our local economy more?
 1. Industry Trends
 2. Agricultural Practices
 3. Regulations and Compliance
 4. Business Fundamentals & Development
 5. Marketing / Branding
 6. Workforce Development & Training

- **PARTNERSHIP WITH POLICYMAKERS**

- i. What complex areas of the cannabis industry can local stakeholders help you understand?