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To: <bos@mendocinocounty.org>
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Subject: Public Comment for BOS Meeting on 11-12-19 Item 6c

Honorable Supervisors,

Thank you for taking the time to consider an amnesty program for cultivators in order to bring black market operators into compliance.

It doesn't need to be said that the regulatory paradigm as it exists right now has fallen far short of expectations and has actually bolstered black market operators and their profit margins. There are several reasons that have emerged as the leading causes of this problem. Cost of compliance, sophistication of compliance, inadequate legal retail markets, and an uncertainty of viability of the legal market. The barriers to entry are very high and the path a tricky one to navigate. An image that has continuously popped into my mind over the past three years is David Bowie's "The Labyrinth".

For the traditional "weed" farmer who chose the cultivation career in order to avoid the headaches and rigamarole of running a traditional business, the legal cannabis industry is a 180 degree juxtapose as it is currently being regulated far beyond what any business or plant has ever been regulated in history. Caught between the dark ages of the past and what hopefully will be an open market, those who have written the current set of regulations have written ordinances and laws with the stigma of an illicit market dealing in contraband that brings in profits hand over fist. This mindset has created an extra heavy and costly set of regulations for cultivators to navigate through in order to be compliant.

First, the initial mistake was for the state to completely wipe out and restructure an existing free market that was supporting tens if not hundreds of thousands of people under the original Prop 215 in order to create a regulated system that was contrived by big business, politicians and bureaucrats that have no understanding of cannabis cultivation, processing, and marketplace. Once this mistake can be acknowledged, true and meaningful change can occur. Secondly, the expectation for businesses to update all of their infrastructure, operating procedures, business practices, and adhere to/understand all regulatory requirements in a very very short timeframe has put an enormous and unrealistic amount of financial as well as physical pressure on operators to come into FULL compliance or risk losing everything that they have invested and worked for.

The cost of compliance can be broken down into three categories; Permitting and Licensing Fees (including taxes), Infrastructure and Business Build-out Costs, and Operating and Opportunity Costs.

- Permitting and Licensing Fees aside from the minimum gross tax, the licensing fees taxes at the county level are fairly reasonable. At the state level, they are a bit excessive. However, the application process is lengthy, sophisticated, cumbersome, and intimidating.
- The Infrastructure and Business Buildout phase is the area where the costs and expectations begin to become untenable. In order to legally operate a business, one must have buildings that are completely permitted, yet people have been drying and trimming plants in garages and barns for years. The monetary and time costs of these retrofits can be in the tens to hundreds of thousands of dollars which do not include the time and sophistication of weaving through the permitting, building, and inspection processes while trying to navigate one's business through a rapidly changing marketplace. Through my own experience as well as others, this is where the inability to immediately pay for these requirements begins to become insurmountable and thus people either quit or continue to operate their business not completely in compliance.
- The Operating and Opportunity Costs are the combination of running a business on increasingly smaller margins, while at the same time not having enough retail demand to support the amount of supply of legally grown product. This market condition is creating a situation where farms are getting stuck with product that can only be sold on the legal market, but there isn't enough customers buying the product before the next year's fresher product begins to hit the market. Cultivators are finding themselves sitting on hundreds of thousands of dollars of product that costed tens of thousands of dollars to produce with no viable outlet for it, thus forcing the cultivator to suffer massive losses and risk going out of business.

What are the solutions? We need to make it easy and inexpensive for anyone and everyone to get a permit. Simply come in, fill out your application, show us where and how you have been growing, and pay for your permit. Let the cultivator know their product must be tested and it will be taxed. Then, redesign the whole regulatory system so that it works within the parameters of the medical marijuana market that has existed healthily since 1996, allowing the small farmer to sell their products directly to distributors and retail businesses as long as the product is tested before it makes it to the end consumer. Then build in the tighter regulations such as OSHA compliance, commercial building requirements, and operational standards over a 5 to 10 year period so that individuals can gradually convert their clandestine operations into legitimate businesses rather than require all of the changes to be made up front while the legal market is still very volatile and uncertain. This will make it safe and easy for operators to continue operating their businesses and be able convert from the black market to the white market in a reasonable fashion.

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