



Mendocino County General Government Committee
501 Low Gap Road
Ukiah, CA 95482

December 12, 2022

Re: Item 2b on 12/12 - Discussion and Possible Action Including Providing Recommendations to Staff and a Referral to the Board of Supervisors Regarding the County of Mendocino Cannabis Department Monthly Update (Sponsor: Cannabis)

Honorable Supervisors,

The Mendocino Cannabis Alliance views Director Nevedal's report from the MCD as illustrative of the significant decline in the number of our locally licensed cannabis operators, with no indication of any actions being taken to minimize the negative impacts of MCD policies which are leading to massive amount of operators leaving the program. In 2020 Mendocino County had approximately 1300 active AG numbers conducting licensed cannabis business. As of October 2022 we were down to 863. As of early December, we are down to 811, losing 52 AG numbers in just over 1 month. Materials provided for Item 4h on the BoS Agenda for December 13 include the following prediction from MCD:

“The cannabis department estimates there will be approximately 200-300 farms that make it to annual licensing at the state level. However, we have no way to identify which farms this will be nor can we identify the size of these farms making it impossible to determine a projected tax revenue amount.”¹

Does this Board legitimately want to see the number of locally licensed cannabis farms decrease by over 50%? The County will realize huge losses, including decreased revenue from property taxes, unless it takes decisive and immediate action to stop this carnage. We urge you to AGAIN direct MCD to keep operators working with the County towards full compliance in the program, rather than enact policies that are driving licensed operators out. Locally licensed operators were promised by the County that by entering the program they would have a pathway to compliance, yet at every turn MCD implements policies, and the Board supports them, that continue to tear our community apart. **We request a detailed explanation of the reasoning behind MCD's prediction that only 200-300 farms will make it to annual licensure.**

¹ <https://mendocino.legistar.com/View.ashx?M=F&ID=11511390&GUID=2DF23551-8CC2-4D56-919D-54E4BFCB718E>

The 2020 Cannabis Crop Report Addendum adopted by this Board on February 1, 2022² demonstrates that cannabis cultivation is a huge economic driver in the County. With a very small footprint of only 290 acres, licensed cannabis is one of the most economically and environmentally responsible industries in Mendocino, generating over \$450,000 per acre, (compared to 16,000 acres of grapes in the County generating just over \$5,000 per acre). This economic activity represents revenue for not just the County (bringing in over \$8 Million more in tax dollars than projected since the beginning of the program), but also for local businesses. While we are currently in a downturn of the cannabis market, we are seeing increases in demand and pricing for our local craft products as the cannabis market matures. Mendocino still has an opportunity to save as many remaining licensees as possible to protect these community members and their local contributions, but if the MCD and this Board do not adjust the current trajectory, we will see the continuation of one of the largest economic downturns in this County's history.

Below are our questions and comments on specific items included in the MCD Report:

1. De-prioritization Program - On November 2, Mendocino County's local public radio station KZYX reported that the Mendocino Cannabis Department (MCD) had 'De-prioritized' the application review of nearly 70% of locally licensed cannabis operators, citing apparent deficiencies in State Licensure (due to an inability to get State License information directly from the DCC), or Delinquent County Cannabis Taxes.¹

When this first occurred MCA shared a Public Records Act request response from the DCC (received within 3 hours of the request) with MCD that provided ALL license info for local licensees that MCD said they did not have. At the time MCD indicated that they did not think to make a PRA request of the State - despite numerous other failed outreach attempts to the DCC.

MCD now knows that they can obtain State License data from the DCC via PRA request, yet they continue to Deprioritize local operators. It is cruel and unethical to continue this process when MCD has a clear path to getting this information.

If MCD would like operators to send in their renewed State licenses individually as they are received, MCD should announce that policy to all operators, because up to this point operators have been told NOT to send in documents piecemeal until contacted by a Planner.

In summation operators are being told NOT to send in new paperwork until asked. They are NOT being asked to send in revised licenses when received from the state, and they are then Deprioritized and their applications are put on hold, jeopardizing the status of their local and state licensure. This program is cruel, unnecessary, and creates additional stress on an already severely burdened population. **We urge this Board to direct MCD to end the Deprioritization program and to utilize the State license information that they can easily receive from the State via PRA.**

² http://mendocino.granicus.com/MediaPlayer.php?view_id=1&clip_id=274&meta_id=480492

Regarding the other reason MCD identified for deprioritizing applicants -- tax delinquency -- the BOS directive of 3/9/22 asked the TTC to project future cannabis tax revenue. A comment was provided on 12/7/22 from MCD that this task was "Outstanding and likely not feasible to accomplish," and the fact that future revenue would be impossible to predict is a solid indicator of how current tax revenue from cannabis is also hard to identify. Numerous operators who were identified as being tax delinquent have receipts from the TTC for the years in which they are being identified as delinquent. We urge the Board to do a full audit of the Deprioritization program to determine how many Deprioritized operators did in fact have the materials that they were identified as not having.

As reported in agenda item 4h at the 12/13 BoS meeting, "12.7.2022 MCD has received and reconciled delinquent tax rolls for the 2018, 2019, 2020, and 2021 tax years, notified the applicants that they owe outstanding taxes, and reported those numbers back to the board via the monthly update and in closed session." While protecting applicants privacy, we request information on how many "delinquent tax payers" were Deprioritized, how many have been shown to have paid the taxes for which they are being Deprioritized, and whether they have been reprioritized.

2. Application Review - There have still been NO reviews of any applications submitted during the initial Portal Submission period. Of 153 submitted renewals, only 104 are under review. No Appendix G's have been reviewed.
3. LEEP Update - The report shows that 214 operators have been designated as Equity eligible, and that MCD has received 308 completed Equity applications. The documents provided for agenda item 2c indicate that there are 712 active non-equity licensees. Given the numbers shared regarding active AG numbers in the program, it's clear that there is misalignment. If there are 811 active AG numbers, and 214 equity operators, how can there be 712 non-equity Licensees? **We request clarification on these actual numbers.**
4. Annual Permit and Application Review - In the section titled 'Timeline for DCC Provisional License Renewals' it lists only 256 Provisional renewals to be completed by 2024. We currently have 811 active AG numbers. These figures do not align. Further, the timelines presented assume full department staffing and 20 contract planners. There has been no timeline provided for when the contract planners will actually begin, nor has there been an indication as to when MCD will fill their internal positions. **We request clarification on these discrepancies, and how MCD plans to actually achieve this workload and in what timeline.**

The report says "Currently MCD staff is working with County Counsel to address any potential conflict of interest issues that may restrict and to wrap up contract negotiations. We hope to bring contracts to the board in the early part of 2023."

Based on past experience, we believe that these hopes are insufficient to manage all the tasks that need to be accomplished in the timelines provided. **We request clarification on exact plans for hiring additional staff and engaging the contractors.** 'The early

part of 2023' is a vague window and puts operators in jeopardy of not meeting State deadlines.

5. LEEP Funding To Date - This section of the MCD Report includes the following text: 'Waiver Program & State Licensing / Permit Fees' as a category of funding, but Waivers for taxes, fees and permits can ONLY go to the County. Any State license fees or tax payments must be included as part of a Direct Grant budget, NOT as part of the Fee Waiver program. **We request that the word 'State' be removed from this heading, as it incorrectly identifies waiver funds as going to the State, when in fact all Waiver funds have gone to the County.**

Further, we request clarification from MCD on the status of the remaining Technical Assistance funds, the number of requests from operators for Technical Assistance funds, and when Technical assistance funds will be made available to the Equity Operators who have requested them.

6. LJAGP - Please reference our memo of December 6³ on this topic. There are many State-allowable expenses that are not currently included in the Manual, and like the botched rollout of the Equity Program, if more allowances are not made the funds will not be as useful as intended. **We urge the County to revisit our recommendations and to revise MCD's LJAGP application to the State as necessary to expand uses in line with State allowances.**

Further, on Dec 6 MCD was directed to provide an Application Guidelines Document to operators PRIOR to the opening of the LJAGP grant application window (currently identified as mid January). An MCD meeting was scheduled for Friday December 9, which was canceled, and has yet to be rescheduled. MCD will be closed from Dec 23 - January 6. **We request that applicants be given a date that the Application Guidelines Document will be released, and that MCD schedule at least one Public Meeting to go over the Application Guidelines Document in detail with operators well before opening the application window.**

7. Public Outreach - The report indicates that MCD has used CannaNotes to inform those who have signed up of the dates of public meetings. This system has also apparently been programmed to send In Good Standing Portal Open emails to the entire list of recipients, as opposed to just the operators who are assigned to use the portal. At this time the email has been sent to the full list no less than 9 times.

Unfortunately, many important items of note are NOT included in CannaNotes updates. At this time there have been NO CannaNotes sent out about the Following Submission window for the 2023 season which closes on December 31. **We request that MCD utilize CannaNotes more regularly to share relevant and time sensitive information, and that notices meant for a small group of operators not be spammed to the entire CannaNotes list.**

³ https://speakup-us-production.s3.amazonaws.com/uploads/attachment/file/638f726b4425386fad03b1d2/12-06-2022_MCA_BoS_Memo_Re_Item_3m_-_LJAGP.pdf

Ultimately, we have grave concerns about MCD's ability to manage the tasks required of them to support local applicants staying in the program per previous Board directives, and to meet State deadlines for application processing. We have presented, and continue to present, concrete solutions to procedural issues within MCD. These recommendations have been largely ignored, and the result is rapidly diminishing numbers of local operators in the program. By continuing to ignore stakeholder input, this Board is driving our locally licensed cannabis community out of the regulated market, and in the process hurting every resident of Mendocino County. **We urge you to act now before it is too late.**

Sincerely,

Mendocino Cannabis Alliance
e: info@mendocannabis.com