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Statement from local consulting firm ETA Management Group LLC regarding recent changes to agricultural processing regulations in Humboldt County, and a proposal in favor of implementing critical improvements for Humboldt's Microbusiness Model.

Discussion regarding cannabis microbusiness model should focus on three (3) primary concerns¹:

1. **Cultivation:** Operators are permitted to dedicate up to 10,000ft² of total canopy area to microbusiness activities.
2. **Independent Distribution:** Legal ability to sell products directly to retailers and/or other distribution facilities without required interference from third-party distributors.
3. **Non-Storefront Retail Sales:** Delivery of cannabis products directly to consumers via home delivery and public events (i.e. festivals, tradeshow, farmer's markets, etc.).

It is true that some developments to the microbusiness model are generally positive – TPZ and ZCC allowances, for example – but the path to operating a compliant cannabis microbusiness in Humboldt County remains a quagmire of confusion and instability. The regulatory obstacles to microbusiness operation for mom-and-pop farmers in our area obscure any clear path forward toward profitability.

In their current state, Humboldt County cannabis microbusiness regulations choke the small craft growers and provide an unfair advantage to large operators competing for ever-leaner margins.

It is my firm opinion – which is based on nearly a decade of regulatory consulting management in the space – that owner-operators cultivating canopies of up to one (1) acre² must not be subject to the same microbusiness model as corporate multi-acre operations who leverage low employee wages and economies of scale for serious competitive advantage.

In 2025, survival in this industry relies upon a basic agricultural framework that avoids disadvantaging small-scale craft growers competing against permitted mega-operations (2+ acres) in other regions. I believe that purposeful adjustments to the microbusiness model which focus on supporting and empowering small family farms – a “True Microbusiness” model – is perhaps Humboldt County's most effective tool for managing the ongoing cannabis crisis we face.

¹ Non-volatile manufacturing, although technically a feature of current microbusiness model, is not highly desirable among licensed operators in Humboldt County – and therefore not critically important to the microbusiness conversation.

² Though more appropriately reserved for true “microbusinesses” cultivation 20,000ft² or less.

PROPOSED ADJUSTMENTS TO HUMBOLDT COUNTY MICROBUSINESS MODEL

I respectfully present the following microbusiness improvement proposal for earnest review and consideration by elected supervisors and commissioners. The proposal is intended to help Humboldt County develop its microbusiness permit model into an economic catalyst which protects a tradition of low-impact and craft cultivation.

A. CRITERIA STANDARD FOR FARMS & APPLICANTS (PROPOSAL)

Permits of up to one (1) acre eligible for microbusiness application under condition that permittee/operator cultivates, harvests, and processes entire canopy without use of permanent or temporary employees.

- Eligibility requires approved “1.0” or “2.0 – Pre-Approved” County cultivation permit(s).
- Microbusiness approval empowers eligible owner/operator applicants to engage in self-distribution, non-storefront retail sales, and operation of maximum immature nursery or mature canopies allowed by State and County licenses/permits.
- **All applicants and license holders who demonstrate qualifications for cannabis cultivation, independent distribution, and non-storefront retail commerce should be considered eligible for inclusion in a healthy microbusiness model.**

B. CRITERIA STANDARD FOR SUBMITTALS (PROPOSAL)

Eligible microbusiness permit applicants with pre-existing State and County cannabis certificates have demonstrated good faith toward regulatory compliance and deserve credit for investments of time and money in their licensed processes. Additional regulations and requirements for microbusiness permit applications unnecessarily disadvantage low-impact operators and severely impede free market competition in California’s cannabis industry.

- **Road Evaluation** submittals from approved cannabis cultivation permits are adequate to meet CEQA standards for microbusiness activities which do not involve employees or public access to cultivation premises.
- **Septic and Sanitation Plans** originally submitted as part of the permitting process are likewise considered adequate for microbusiness applications that do not involve additional employees and/or farm workers.
- **Operations Plans** which describe reasonable protocols for owner/operators to process and package product for transfer/sale should be considered sufficient and acceptable for the purpose of microbusiness permit application.³
- **Environmental Impact Reports** from both the “1.0 era” and the pre-existing from “2.0” applications provide sufficient evidence that cultivation, independent distribution, non-storefront retail sales have been historically common practices in Humboldt County. Given the lack of cannabis processing and packaging services prior to Prop 64, legacy farmers had no practical choice but to trim and distribute their own product prior to 2016.

³ Operations which rely on permanent and/or temporary employees/workers for product processing and packaging do not meet the proposed Criteria Standards for microbusiness permit eligibility.

These core activities are common to all cultivators and are exempt under CEQA as pre-existing activities. For this reason, microbusiness applicant zoning categories are unimportant and irrelevant if they secured valid County cultivation permits under either pre-existing 1.0 or 2.0 permit application phases.

- Current Criteria Standards require applicants to provide a ***dedicated commercial facility for essential processing and packaging activities***. In addition to being prohibitively costly for most local operators to implement, dedicated commercial facilities for processing and packaging cannabis for market have no foundation in historical pre-legalization industry standards or common practices. Such arbitrary requirements must be waved for microbusiness operators and applicants who demonstrate an ability to process and package product without the aid of permanent/temporary employee assistance.
- ***Residential Trimming Exemptions*** for operators cultivating less than 10,000ft² (as recently proposed by Humboldt County Planning Department) may appear to represent good-faith compromise on behalf of County regulators. However, this opens private residences into commercial cultivation premises – which seems like an unfair offer. If microbusiness owners with distribution permits can prove that they do not leverage unpermitted labor to process and package their product for independent distribution or delivery to consumer market, any building that satisfies State regulations (including sheds, garages, pop-up tents, portable garages, and other structures) should be available for such activities. All legal cannabis product in California is required to pass quality and safety testing standards in order to reach the consumer market, regardless of where the trim machine processes occur.

SUMMARY OF ISSUES RELATED TO CURRENT MICROBUSINESS MODEL

It should be noted that *microbusiness licenses at the State level are subject to much higher regulatory scrutiny from the State DCC when compared to regular cultivation licenses*. Given the current state of the California cannabis industry, there can be no valid justification for holding independent microbusiness owner/operators to costly standards designed for categorically different type of operation.

The purpose and intent of the microbusiness permit model is as important to small business cultivators as it ever was. But a gradual shift in focus and enforcement priorities over the past years – especially at the local County permit level – has turned this small business protection into an expensive and intimidating liability for the “acre-and-under” cultivator demographic in our area.

Ask practically any grower still operating in Humboldt County these what their business needs most to survive...you are almost guaranteed to hear some iteration of “direct-to-consumer sales”.

The fact of the matter is that the “*True Microbusiness*” model proposed above is one of very few ways a large portion of the remaining permit holders will be able to continue to participate in Humboldt County’s legal cannabis industry.

When we consider that all County cultivation permits have been subject to different rules on key issues including trellis netting, road standards, processing, and even being able to dry cannabis on site, the need to level the playing field – especially for small permittees – is glaringly apparent. Streamlining the Microbusiness application process (perhaps as an add-on to existing small cultivation permits by way of a minor deviation) can also allow more cultivators to regain control of their products and hopefully stay in business. Returning to a “True Microbusiness” designed to support cultivation permits of up to one (1) acre may very well be the answer we’ve been digging to find!

Thank you for your attention today. I have prepared a summary comparison chart for the purpose of identifying which current Microbusiness provisions may benefit from revisions guided by the ideas presented in this proposal. This chart is available as both a printed and digital handout – please feel free to approach me or my staff to receive a copy.

in comparison:

CURRENT COUNTY MICROBUSINESS MODEL (2025)

vs.

“TRUE MICROBUSINESS” SUPPORT MODEL

FOR SMALL FARMERS (UP TO 1 ACRE)

2025 COUNTY MICROBUSINESS PERMIT REQUIREMENTS	“TRUE MICROBUSINESS” PROPOSAL FOR SMALL FARMERS (UP TO 1 ACRE)
1. Current regulations require that all microbusinesses that are approved take access from a paved road with a center stripe that meets or exceeds category 4 road standards. Certain exceptions can be made with a conditional use permit and an engineered road evaluation. The engineer’s report shall include substantial evidence to support a finding that standards for the protection of public health and safety, including fire safe road access, capacity to support anticipated traffic volumes, water quality objectives, and protection of habitat can be met.	Only require an update on existing road conditions that were required within the approved cultivation permit on site. A photo log, permit numbers, or the signed off compliance inspection would fulfill this requirement. If you currently have a valid cultivation license and transporters can pick up cannabis from you, there is no reason you should not be able to deliver it. Our condition would be if the cultivator does not have retail sales on site, that the road standard should be met by the conditions of approval for the cultivation site itself. A delivery schedule limited to 2 days a week could be implemented to reduce traffic however allowing a farmer to deliver cannabis to a retailer or distro should not change current road conditions already met by road assessments in the approved cannabis cultivations.
Sites for microbusinesses that involve visitor-serving uses must also comply with the public accommodation standard.	This is not our issue now. Adding on-site pedestrians opens up more regulations. We are specifically asking for these changes to be for micro business that have cultivation, distribution and non-storefront retail (giving them the ability to participate in trade shows and festivals)
Microbusinesses shall also comply with all performance standards applicable to any of the uses combined under a single microbusiness license.	We want exemptions for cultivation, distribution of the farm’s own products only, and non-storefront retail.
Microbusiness Plan	Will choose 2 of the 3 options with the state to add on to the cultivation (this is to meet state requirements of a microbusiness) Processing Nursery Non-Storefront Retail Sales
Cultivation plan (for microbusinesses that include cultivation)	This will apply regardless
Processing plan Current rule is onsite processing allowed in the residence and only if the permit is 10,000ft² or less DCC has proposed regulations that ban animals from inside spaces where cannabis is processed, so people will not be able to process in their homes if they own an animal that lives inside	Processing should be allowed by the owners of the cultivation license. They should be able to process in any ag-exempt building (not including private residence) as long as no employees are used. This should be allowable under our three focus points. This would allow for an exemption of having a commercial building to process your own cannabis. Most farmers under 20,000ft² are now self-processing and should have that exception from the commercial building if no employees are utilized.

(continued)

**CURRENT HUMBOLDT COUNTY MICROBUSINESS MODEL vs.
“TRUE MICROBUSINESS” SMALL BUSINESS SUPPORT MODEL**

Cultivation plan (for microbusinesses that include cultivation)	This is already approved within your cultivation plan in your approved permit. An updated small report could be required to confirm no changes or explain the changes and how they qualified under the approved cultivation permit.
Processing Plan	Processing should be allowed by the owners of the cultivation license. They should be able to process in any ag exempt building (not the personal residence this is a horrible idea) as long as no employees are used. This should be allowable under our three focus points. This would allow for an exemption of having a commercial building to process your own cannabis. Most farmers under 20,000 sq ft are now self-processing and should have that exception from the commercial building if no employees are utilized. Current rule is onsite processing allowed in the residence and only if the permit is 10,000ft ² or less and opens cultivator up to no privacy on a homesite that is an operating farm.
Distribution transportation plan	The transportation plans should clearly state that no on-site sales would occur. Cultivators should be allowed to transport their own cannabis already however they are not without a separate license. As long as transport plans met criteria such as using existing roads evaluated in the approved cultivation plan, sales to consumers only happen by delivery no more than 2x per week, and all other sales to retail or other distributions would have no limits. This should make them exempt from the bent road qualifier for cannabis. No limits currently exist for how many times a distro vehicle drives your roads to pick up cannabis, therefore this should be good enough for cultivators to also transport.
Retail sales plan	For the purpose of our exemptions the retail sales plan would be off site delivery to customers, retailers and other distribution centers as well as processing facilities if required. By not having farm sales on site the road standards and commercial building standards should be waived.
Onsite septic system info or will serve letter from wastewater service provider	This is also already resolved in all approved cultivation permits and should be removed from the regulations altogether. This should only apply to large operations with employees, and this should be met as a condition of Approval for the Cultivation License before they can apply for a new permit or a minor deviation (as proposed).
Engineered road assessment, functional capacity, water quality	This should be exempt for reasons stated above
Manufacturing plan if applicable	Open for discussion and community input.
Existing Commercially permissible building with ADA access for processing/packaging, manufacturing or distribution activities- no AG exempt permitted buildings would be allowed for microbusiness use aside from Greenhouses for cultivation or drying room	As stated above I believe this should be non-applicable to small farms that handle processing by the owners