

I-3

For Public
Comment

From: Margro Advisors <info@margroadvisors.com>
Sent: Monday, March 6, 2023 11:13 AM
To: COB
Cc: Ford, John; Johnson, Cliff
Subject: BOS 3/07/23 - Agenda Item I(3) - Analysis of HCRI
Attachments: BOS_HCR_Initiative Response_MargroAdvisors_3-6-2022.pdf

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Please see attached Public Comment from Margro Advisors with regard to Agenda Item I(3) *Analysis and Recommendations related to the Humboldt Cannabis Reform Initiative* for the Board of Supervisors meeting on 03/07/23.

Thank You,

Kelly

Kelly Flores
Co-Founder



(707) 500-2420

MARGRO ADVISORS

Perspective on the Humboldt
Cannabis Reform Initiative

— March 7, 2023 —

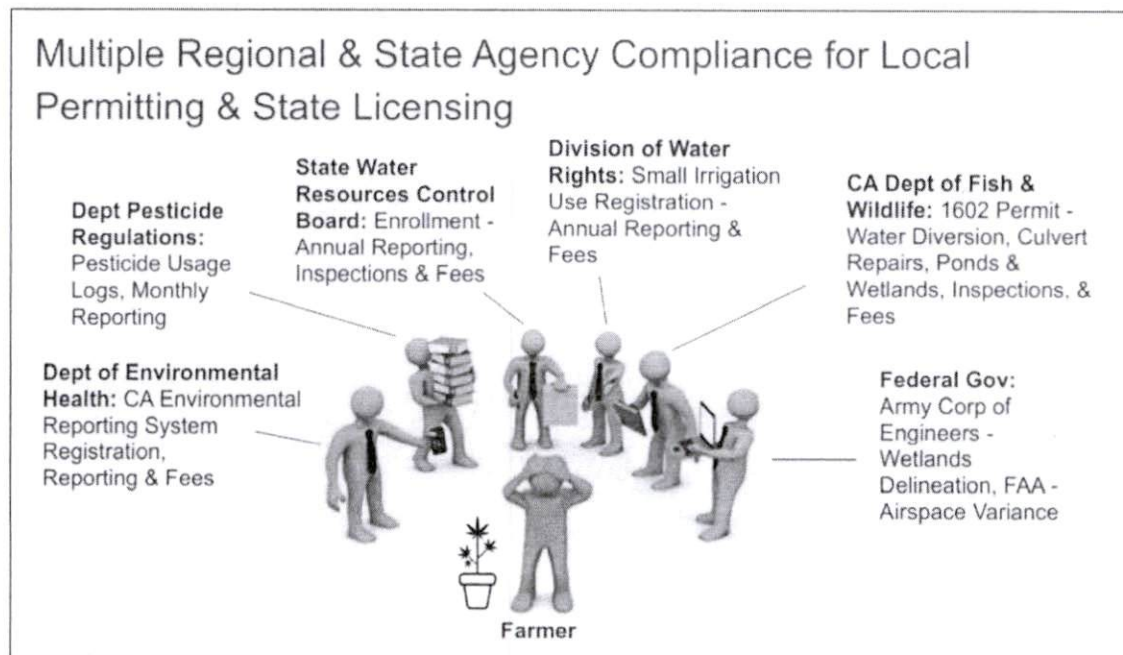
Introduction

Last year a group of citizens organized to obtain signatures to place an initiative on the ballot called the “Humboldt Cannabis Reform Initiative (HCRI)”

We are providing perspective on how cannabis compares to other agriculture in the county, as well as observations on the efforts made to support the initiative, and our assessment of the potential consequences of imposing additional regulations, restrictions, and requirements on those in an already highly regulated industry operating in a challenging market.

Cannabis Compliance

Farmers are subjected to permit approvals and ongoing Cannabis regulations, annual reporting & fees, and inspections from multiple agencies.



Cannabis vs Other Agriculture

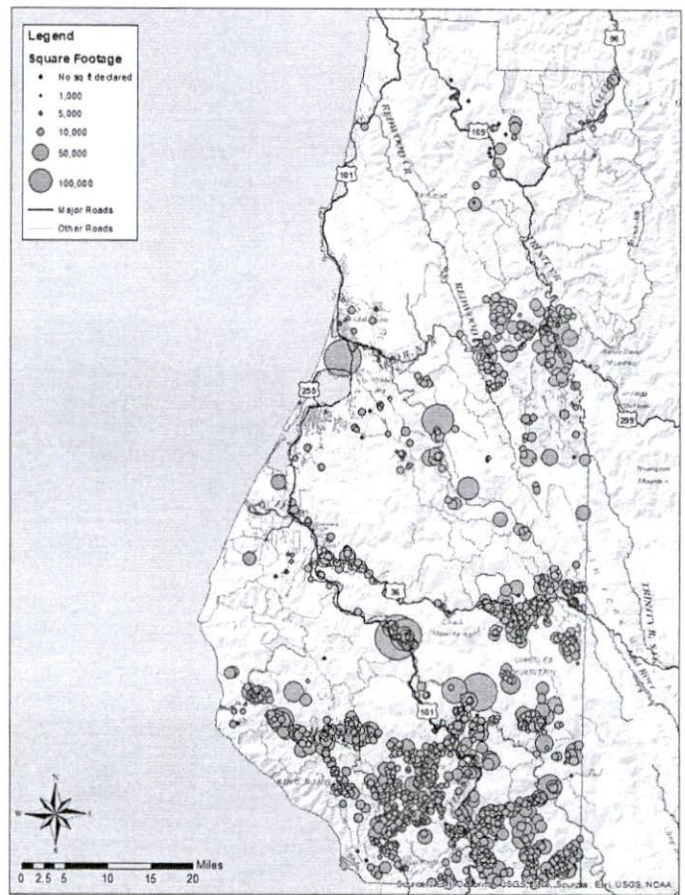
How do Cannabis Farms compare with other farms in Humboldt?

Measure	Non-Cannabis	Cannabis
Average Size Farm	731 acres 31,482,360 sq ft	.36 acres 15,475 sq ft
Number of Commercial Farms	849	1,027
Total amount of County Land Used	970 sq miles	.52 square miles
Percentage of Humboldt Land Used for Farming	27%	.016%
Percentage of Commercial Farms over 1 acre	100%	2%
Percentage of Commercial Farms Over 10 Acres	75%	0%
Median Size Farm	60 acres / 2,613,600 sq ft	.23 acre / 10,000 sq ft

Data Sources: 2017 Census of Agriculture County Data, Humboldt County CCMLUO Report 9-15-2022 & HCRI Analysis and Recommendations

Voters Were Approached with Skewed Info

Voters were presented with information such as this map implying a significant portion of the county was being utilized for Cannabis:



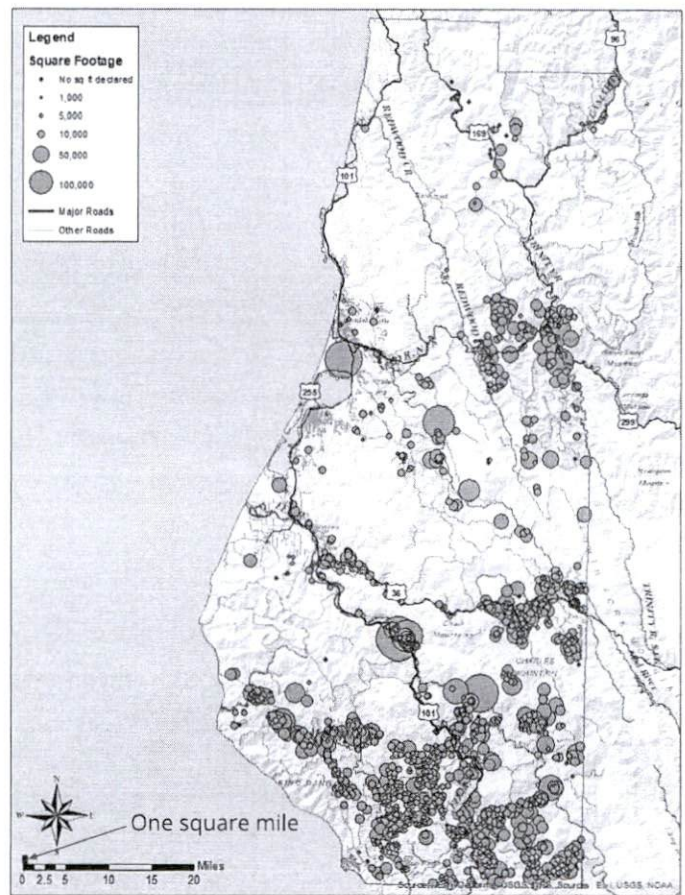
Voters Were Approached with Skewed Info

Based on County Permit Data, total legal Cannabis cultivation is less than one square mile:

1 square mile = 640 acres

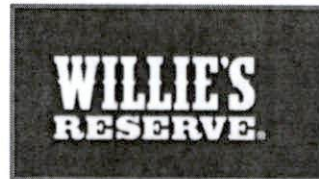
Total Permitted Canopy Approved: 332 acres

Just over 1/2 a square mile is being used for Cannabis



Data Source: Humboldt County HCRI Analysis and Recommendations

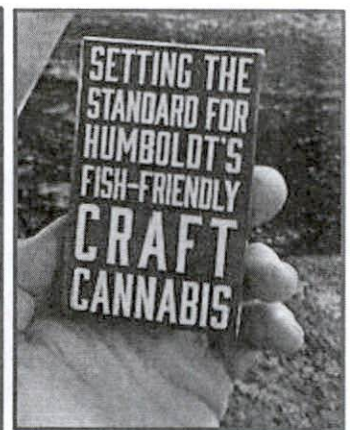
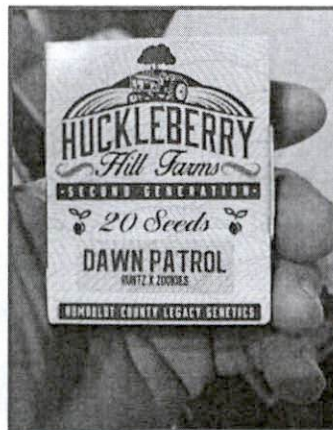
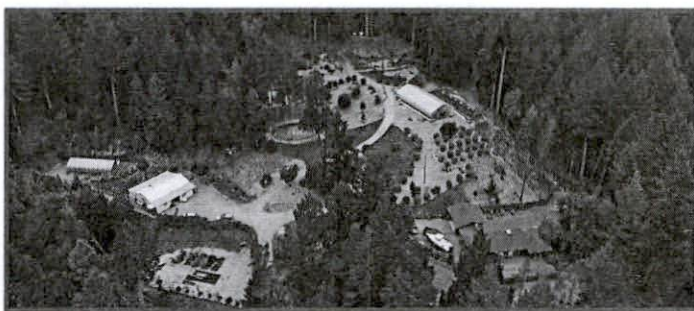
Who will be impacted?



Huckleberry Hill Farms is a supplier to Willie Nelson's brand "Willie's Reserve" and a vocal advocate for sustainable farming by providing educational tours to visitors through their county Tourism Permit.

The farm has an Outdoor Permit along with a Nursery Permit to share their genetics with other farmers. The company would lose two permits due to prohibition on having more than one permit per parcel.

The HCRI would remove the competitive advantage for Craft Cannabis farmers who sell genetics or support CannaTourism on their farms.



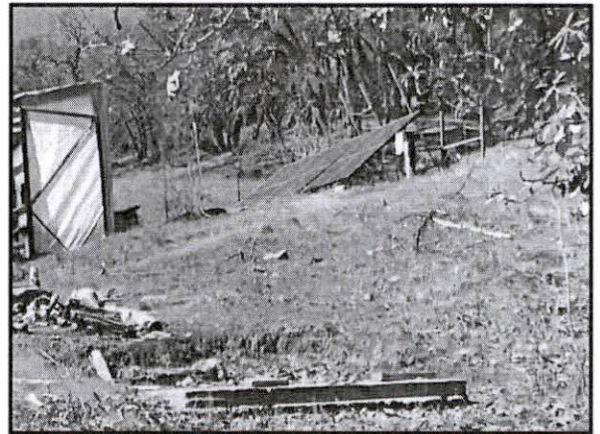
Who will be impacted?



Moon Made Farms is a regenerative Sun + Earth certified and DEM Pure certified farm that works to contribute more to the environment than it takes from the ecosystem.

It has plans to expand its solar array by adding a larger \$50,000 system partially funded through state Cannabis grants.

Their farm is 16,934 sq ft. The HCRI would force them to reduce their farm by 40% to 10,000 sq ft or cancel moving forward with permitting the solar "expansion" project.



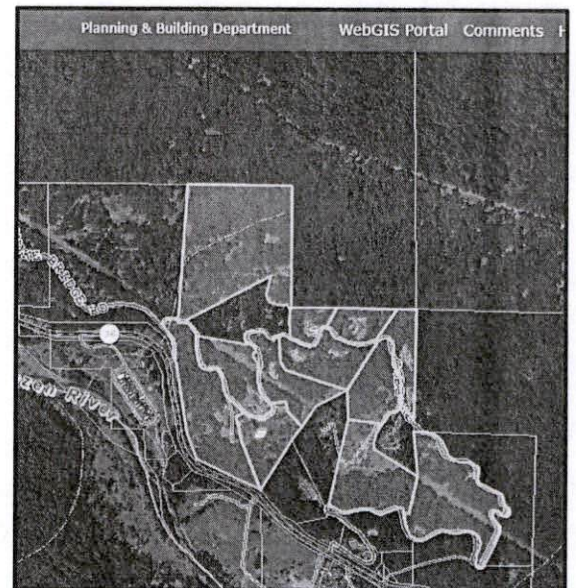
Who will be impacted? 11 Pre-Existing Farms

A group of 11 small farms have 2.46 acres of cultivation on a private dirt road that starts about 1/10 of a mile from Highway 36. They have all been in the process since December of 2016 and have:

- Paid over \$420,000 in county excise taxes since 2018
- Paid over \$80,000 in Planning fees
- Formed a Road Association
- Developed 3 Cannabis Brands

Many have been awarded water grants to add additional tank storage to their farms for drought resilience.

Since adding tanks is considered "expansion" in the rigid language of the HCRI the lack of a Category 4 road would not qualify them to move forward with water storage improvements.



Conclusion

While the intent of the HCRI may have been honorable, the actual text of the initiative does the opposite of what they told voters signing the petition it was meant to do:

- It does NOT “support small-scale, high quality cannabis cultivation” because they would not be able to use a second nursery permit to establish new genetics, or participate in CannaTourism, hurting the county’s competitive advantage
- It does NOT “reduce the impacts of Cannabis cultivation on water availability and water quality”, it would actually prohibit drought resilience improvements for many farmers
- It does NOT “limit the use of generators in cultivation operations” because it would prevent large solar projects from moving forward to reduce legacy generator use

Conclusion (cont)

As the saying goes:

"You can't ban Cannabis, you can only ban *legal* Cannabis."

Due to the rigid restrictions of the HCRI, it has the potential to make operating a legal Cannabis farm untenable. The result could push some farmers back into the illicit market, which they have worked so hard to put behind them.

We recommend that the Board of Supervisors vote to present its own initiative which corrects these issues and resolves ongoing challenges such as adequate propagation areas for craft farmers.

We believe this is necessary to preserve the investment made by the county, the farmers, and the tax payers in building a legal Cannabis industry in Humboldt County.