



# HUMBOLDT COUNTY GROWERS ALLIANCE

August 8, 2022

On behalf of Humboldt County Growers Alliance, we are writing today regarding Item D10 on tomorrow's Board of Supervisors agenda, which concerns an updated program manual for Humboldt's local cannabis equity program.

We strongly support and appreciate the county's willingness to prioritize the administration of equity funds under the Project Trellis program. As discussed in the staff report, forthcoming equity funding from the state totals approximately \$4.5 million based on a county investment of under \$500,000. The prioritization of the equity program under Project Trellis serves to support operators who have been most impacted by the War on Drugs, and has brought in considerable resources from the state to support struggling cannabis operators in the county.

While we support the overall direction of the updated LEP manual, we also believe there are important opportunities to continue to improve the program, and request that Item D10 is pulled from tomorrow's consent agenda to consider the following modifications.

### **Eligible Services: Request to Expand to Appellation Development**

We appreciate the proposed expansion of eligible services under the new LEP, including the ability to apply equity funds to cover processing costs, transportation costs, licensing costs, state and local taxes, and fees for cannabis business certifications. These new services provide additional flexibility in addition to a range of services which have historically qualified for equity services under LEP criteria.

In addition to these services, we strongly encourage the Board to further amend the LEP to establish eligibility for cannabis appellations. We are currently aware of farmers in 3-4 separate regions of Humboldt who have concretely invested in organization and research in the hope of submitting to an appellation petition to CDFA when this process opens in the near future. With appellation research and development costs estimated at approximately \$150,000, however, these projects currently face significant financial barriers. While \$150,000 would be a nominal investment for a large corporate entity, such a long-term investment is difficult for small farms to finance under current market conditions.

Once successfully established through CDFA's petition process, cannabis appellations have the potential to benefit the county broadly by supporting small farmers, driving cannabis tourism, and further enhancing Humboldt county's reputation for world-class craft cannabis. Additionally, because state law only allows appellation designations to be applied to cannabis which is planted in the ground and without the use of artificial light, successful appellations will drive incentives for cannabis to be grown utilizing environmentally sustainable methods.

Although the LEP currently includes provisions that establish eligibility for cannabis business certifications, these certifications are distinct from appellations, which have yet to be formally established through farmer-driven petitions approved by CDFA. Once established, appellations will supplement existing state protections for county of origin (i.e. the “Humboldt County” name) by further protecting the names of geographically distinct subregions within Humboldt County.

To include appellation development within LEP service criteria, we request that the LEP specifically include eligibility for *“appellation research and development, petition fees, and development of appellation brand identity.”*

### **Request to Revise Income Limitations**

The proposed LEP appears to require that *“the applicant’s household is at or below the moderate income level based on current available year Department of Housing and Urban Development (HUD) Income Limits (ILs) for Humboldt County”* in order to qualify as an equity-eligible business. It appears to us that this income threshold under HUD definitions would be set at \$43,680 for a single-person household, or \$62,320 for a four-person household.

We understand that income limitations may be the result of state requirements for dispersal of equity funds, and not county-level preferences. To the extent possible, however we request that the county seek to increase the income cap for qualification, or provide alternative criteria to allow operators to become equity-eligible by meeting non-income standards.

The proposed cap of equity grants at \$65,000 per recipient, under the current LEP, is ironically greater than the allowable income for a family of four to be eligible for equity funds. While a household of four with an income of \$60,000 would have the ability to more than double their income through equity grants under these guidelines, a household of four with an income of \$70,000 would have no access to equity grants whatsoever.

The impact of the War on Drugs in Humboldt County is and has been widespread, and financial challenges facing cannabis operators are broadly applicable beyond the HUD impact caps. We encourage the county to revisit these caps to the extent possible.

In addition to revisiting income limitations in general, we request that previous grant awards not be factored into income limitations for current rounds of grant funding. As worded, successfully receiving an equity grant in a previous year may now exclude operators from equity eligibility going forward due to the effect on their overall incomes.

### **Clarification Regarding Measure S Tax Payments**

We understand that there is some confusion regarding whether farmers who are not current on Measure S tax payments are eligible to receive equity funds. While this is not our understanding of program guidelines, we believe that clarification from staff on this point would be helpful.

Thank you for your consideration,

Ross Gordon  
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Humboldt County Growers Alliance