



City of Greenfield

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March 2, 2018

Melissa Fulton
Lake County Chamber of Commerce
875 Lakeport Blvd.
Lakeport, CA 95453

RE: Cannabis Benefits to a Small Community

Dear Ms. Fulton,

Greenfield is a small, agricultural based community in the heart of the Salinas Valley in Monterey County. Greenfield is a disadvantaged small community with a population estimated at 24,000. A sampling of the community's demographics include: population is 90% Hispanic, more than 40% of all employment is in the agricultural industry, median household income is \$47,000, 26% of the population is classified as "below poverty level," 30% of the adult population has less than a high school education, and the average household size is 4.5. The City's current general fund budget is approximately \$6.0 million.

Greenfield began its journey with the emerging cannabis industry starting in early 2015. I was approached by one of the partners in our then City Attorney's law firm asking if Greenfield had any interest in exploring opportunities to bring the emerging cannabis industry to our community. This was something that I had not even considered. After several meetings and my own research, the then City Manager and I arranged for a presentation to our City Council on the topic of medicinal cannabis. Industry representatives were invited as were medical care providers. This first presentation generated significant public interest and attendance. Thereafter, the City Council held a series of public meetings on this topic. Each of these public meetings were attended by more than 400 members of the public. There was both strong support and strong opposition to any consideration of allowing this industry to come to Greenfield.

After considering the pros and cons of drafting an ordinance to establish a comprehensive regulatory scheme for medicinal cannabis, the City Council in December 2015 introduced an ordinance that would allow medicinal cannabis businesses to operate in Greenfield. The City Council was not unanimous, but four of the five councilmembers were strongly in support of bringing the cannabis industry to Greenfield. In June 2016, the first two medicinal cannabis regulatory permits were approved. In February 2017, the City Council approved issuance of nine additional regulatory permits. The approved permits were only for medicinal cannabis cultivation and manufacturing. In November 2017, three regulatory permits were approved for dispensaries. Up to that point, all regulatory permits were for medicinal cannabis only.

In February 2018, the City Council amended our cannabis ordinance to allow both medicinal and adult-use. All cultivation and manufacturing permits were amended to allow both medicinal and adult-use. The City Council, however, continued to restrict the three dispensary permits to medicinal cannabis only.

As the City traveled down this road, there were two overriding considerations. First, the Compassionate Use Act of 1996 established the right of qualified patients and their caregivers to purchase, possess, and use cannabis for medicinal purposes. This right was further codified and a comprehensive state regulatory scheme was put in place with the passage of the Medical Cannabis Regulation and Safety Act of 2015. With the legalization of medicinal cannabis in California, the question faced by the City Council was why should Greenfield residents be denied the opportunity to purchase and use medicinal cannabis for which they had a right under state law. The second consideration was the significant general fund revenue potential through the imposition of annual permit fees and business taxes. Today, our City Council continues to support the bringing of cannabis businesses to Greenfield for the dual reasons that cannabis is legal in California, for both medicinal and adult-use, and that the businesses the City has approved for issuance of regulatory permits will bring substantial revenue to the City's general fund once all are operational.

Greenfield has issued regulatory permits to some of the industry leaders in cannabis cultivation, research, and development. One permitted operator is the exclusive West Coast cultivator, manufacturer, and distributor for Tikun Olam, the first, largest, and foremost supplier of medicinal cannabis in Israel and one of the leading medicinal cannabis research and development companies in the world. Tikun Olam also has affiliations with Canadian and Australian cannabis licensees.

Rubicon Organics is a leading cannabis management and private equity firm that specializes in the growing, processing, packaging, and marketing of affordable, sustainably produced, connoisseur grade organic cannabis. Headquartered in Canada, Rubicon Organics was the first cannabis company licensed by the Canadian government. Its staff includes experienced industry visionaries, brand architects, investment bankers, professional agronomists, Ph.D. scientists, and local operators. Rubicon Organics has partnered with a Los Angeles based cannabis enterprise and will be developing a world-class manufacturing facility in Greenfield.

Grupo Flor, a Salinas-based cannabis entrepreneurship, is dedicated to utilizing its diverse expertise in commercial real estate, cannabis law, ag technology, and relationship building to be a leader in shaping California's emerging cannabis market. Grupo Flor views cannabis as another agricultural crop that will rely on state-of-the-art technological advances to meet regulatory and profit-margin pressures, and be a model for a robust, boutique, and craft industry like the many wineries along the central and northern coastal regions of California. Grupo Flor will also be developing a state-of-the-art manufacturing facility in Greenfield.

Loudpack Farms out of San Luis Obispo County is a recognized leader in cannabis cultivation and manufacturing, not only in California but throughout the United States. Loudpack Farms has developed numerous award-winning proprietary strains. It utilizes only organic cultivation methods. This company is affiliated with several Greenfield permitted operators as their exclusive cultivator.

A long-time Salinas Valley agricultural crop rancher and vintner has expressed strong interest in expanding his agricultural and wine industry experience to include the emerging cannabis industry. This rancher sees cannabis as another agricultural product that can benefit from his considerable knowledge and expertise in local climate and growing conditions, production of high quality agricultural products, pesticide management, and overall dedication to producing quality products for human consumption.

Other entities that are investing in, constructing, financing, and operating cannabis facilities in Greenfield include a major New York real estate development company, Los Angeles based music and entertainment industry executives, and long-time successful cannabis operators from the Los Angeles, San Jose, and state

of Washington areas. Silicon Valley technology executives are associates of a number of these companies and enterprises. The industry, business, and technological talent that will be developing major cannabis facilities in Greenfield is nothing short of outstanding.

One thread common to all the operators that will be coming to Greenfield is their dedication to research and development, pesticide management, organic growing methods, state-of-the-art technology, and consumer protection. They will all be making very large investments in their Greenfield facilities. Their interest is truly for the long-term. Their interest is to become part of our community and to enhance the quality of this community for both current and future residents. They too will be relocating to Greenfield and call this community their home.

One item of particular note is that these operators are reaching out to the local agricultural community to coordinate pesticide management plans. They understand the importance of agriculture and vineyards to our local economy. It is their interest to be “good neighbors” and ensure the compatibility of this new agricultural crop with long established row crops and vineyards. In all aspects of their business, they wish to complement existing businesses and economic drivers of the community. It is not their desire to be seen as a competitor or producing a crop that is incompatible with existing agricultural uses. There is much commonality between the techniques, knowledge, and expertise necessary for a successful and sustainable cannabis industry with the existing agricultural industry that surrounds Greenfield.

When all approved cannabis businesses are fully operational, Greenfield will be supporting more than 1,000,000 square feet of cannabis cultivation and more than 150,000 square feet of manufacturing, distribution, processing, administrative, and support space. This will all be primarily new construction. These facilities will include state-of-the-art technology and will showcase excellence in design. The combination of technology and design will establish Greenfield as a true industry leader and demonstrate how a City can embrace the cannabis industry for the betterment of the entire community.

At this time, one cannabis facility has been constructed and is operational. This facility, which happens to be located immediately across the street from City Hall, is on a 5-acre parcel and includes approximately 85,000 square feet of greenhouses and a 43,000 square foot manufacturing and office building. The total construction cost is in the neighborhood of \$70 million. Two additional facilities have just begun construction, one on a 10-acre parcel and the other on a 14-acre parcel. The “smaller” facility includes approximately 225,000 square feet of greenhouse and manufacturing space construction and the “larger” facility will be approximately 350,000 square feet, primarily cultivation greenhouses. The construction costs are not known but they will be substantial. All of the remaining cannabis facilities will be under construction this year, with a goal to be at least partially operational by the end of the year.

The new construction program that Greenfield is about to experience will have a significant impact on the community. Many new construction jobs will be created. Many of those workers will be looking for places to stay when they are in Greenfield – be it in local motels, the local RV park, or short-term apartment rentals. These construction employees will also contribute significantly to the local economy through consumer spending at local restaurants, grocery stores, the local Rite-Aid, gas stations and convenience stores, the local hardware store, and other local retail establishments. Although the dollar amount of these contributions to the local economy cannot be quantified, there is no doubt that the contribution is significant.

When the City approved its eleven cultivation and manufacturing regulatory permits, it was estimated that these new businesses would create 700 to 1,000 new jobs. The facility that has already been constructed estimated it would employ between 70 and 100 persons. Although this facility is still reaching its full operational status, it has already created nearly 200 new jobs. This is two to three times the number of jobs

originally estimated. If this employment trend holds true for all other approved cannabis operations, the total new jobs created by the cannabis industry in Greenfield has the potential to be closer to 2,500 or 3,000.

The new jobs that will be created are not just entry-level growing, trimming, and extraction positions. The cultivation and manufacturing equipment and systems that will be installed in each facility are state-of-the-art. Some of the most sophisticated manufacturing, climate control, and odor control equipment and technology will be used. Research and development will be very important components of our local cannabis industry. Quality control and product testing will have a high priority and attention to detail. The staff that will be responsible for operating and overseeing these systems, controls, and processes will require high levels of knowledge and training. Scientists will be involved in research and development. Highly trained laboratory technicians will be required for quality control and testing. The staff that will be employed by the cannabis industry will reflect a broad range of knowledge, experience, qualifications, and expertise, from entry-level positions to those requiring advanced degrees.

Greenfield's current population in the 20 to 59 age bracket is approximately 11,500. The current employed population is estimated at 8,500. A new industry that will bring 1,000 and potentially 2,500 to 3,000 new jobs to the community will have a very significant impact on the current workforce. The new job potential is equal to approximately 25% of Greenfield's total work-age population. The economic impact on current Greenfield residents will be substantial.

As these new jobs are created, they cannot all be filled by current Greenfield residents. Many, if not a majority, of these new employees live elsewhere. Greenfield currently has a very low housing vacancy rate. New employees looking to move to Greenfield have found it very difficult to find suitable available housing. As a consequence, many are renting apartments and houses in neighboring communities. To address this housing shortage, one of the cannabis operators has proposed the development of a 324-unit apartment complex. Construction is currently under way for a 64-unit complex. Plans are also proceeding for several other multi-family and single-family development projects. Even with these planned or proposed projects, there will be a continuing housing shortage. As more cannabis operations come on-line and new jobs created, there will be a strong market and need for further housing development projects.

Greenfield has adopted an annual business tax for cannabis operations. That tax was subject to a Proposition 218 vote of the local electorate. The maximum adopted annual business tax is \$15 per square foot for cultivation canopy space, \$2 per square foot for nursery canopy space, and 5% of gross receipts for all other cannabis businesses. In December 2017, the City Council modified the business tax structure to place limits on the maximum imposed tax rate. The maximum tax rates for cultivation, nursery, and other cannabis businesses remains unchanged, but to ensure Greenfield's tax structure is competitive with other communities within Monterey County and throughout the state, maximum annual caps were established based on the size of each cultivation operation. For the largest of cultivation operations, the maximum annual business tax is capped at \$1,100,000. For a manufacturing facility, there is an annual cap of \$300,000.

Based on currently available information on the square footage of the cannabis facilities that will be developed in Greenfield, it is estimated the annual business tax revenue to the City will be nearly \$8,000,000. In addition, each approved regulatory permit holder must pay to the City an annual permit fee. Those permit fees range from \$16,600 to \$20,900 per year depending on the type and size of cannabis business. For the currently approved operations, the annual permit fees will be more than \$600,000. As these new facilities are developed, there will be an increase in the assessed value of the properties. This will translate into increased property taxes. Although the City's share of property taxes is only about 10%, this will increase City general fund property tax revenues by at least \$200,000 per year. In total, it is

estimated that once all current approved cannabis businesses are fully operational, the additional revenue to the City's general fund will be approximately \$8,500,000. With a current City general fund budget of approximately \$6,000,000, within a very short time period, the City's general fund will more than double – from \$6,000,000 to more than \$14,000,000.

This significant increase in City general fund revenues brings with it many unique and previously unimagined opportunities to significantly enhance the quality of life for all Greenfield residents. Greenfield is not a wealthy community. It has always struggled to provide a level of service the public desires and expects within the limited funds available. The list of needs and “wish list” items is long and the cost is in the 10s of millions of dollars. Just a few of the critical needs include: more police officers, more fire staffing and EMS services, replacement of 50-year old water and sewer infrastructure, a new water storage tank and well, improvements and modernization of the downtown business corridor streetscape, resurfacing local streets, improvements to and expansion of the City's wastewater treatment facility, construction of ADA pedestrian ramps at street crossings, improvements to the City's stormwater detention and conveyance systems, expanded youth recreation programs, replacement of dead and dying street trees, repair and replacement of damaged City sidewalks, construction of a new south county courthouse, expansion of social services to a greatly under-served population, more affordable housing, and expansion of local retail and commercial opportunities. Over the years these needs have gone unmet simply because of the limited City revenues. With the coming cannabis industry, Greenfield will finally have an opportunity to take significant strides towards meeting those needs, thereby improving the quality of life for the entire community. Without embracing the cannabis industry, none of this would be possible.

Although there remains opposition within the community, and some continued opposition even at the City Council level, to the new cannabis industry, the significant benefits to the community cannot be understated. The revenue potential to the City will create opportunities for improved and expanded public services that in the past were only a dream. These opportunities will improve the quality of life, economic opportunities, and our overall community, for all residents. The financial benefits of this new industry will flow to all residents, whether they are supportive or opposed to this industry.

As the cannabis industry becomes engrained in our community, so too will its “rebranding.” It is our vision that Greenfield will become a leader in the California cannabis market. As we extend our leadership, Greenfield will become a highly attractive place to live and call home. Just as the technology industry transformed the Silicon Valley, the emerging cannabis industry, and Greenfield's embracement of it, will transform this community. It will no longer be simply known as an agricultural community with a large field worker population. It will become a progressive and cutting-edge community. Progressive communities become a magnet for like-minded individuals and families. The progressive nature of a community is uplifting and invigorating for its residents. It becomes a place that people are proud to call home. It becomes a community with a bright and rewarding future.

Thirty states and the District of Columbia have legalized cannabis, some just for medicinal use and some for both medicinal and adult-use. California legalized medicinal cannabis in 1996 – more than twenty years ago. The reality is that cannabis is being broadly legalized throughout the country and this will not change. State after state has legalized cannabis and this trend will only continue.

For a local city or county in California, the question is really does the local community wish to embrace the cannabis industry or continue to keep the door closed? Does the community seek to take advantage of a significant economic opportunity that is not an everyday occurrence – maybe it's a once-in-a-lifetime opportunity? Will the community look to the future or be complacent with what it is in the present? All communities seek to expand their economic base and the opportunities available to its residents. The

question is how can it do this? Will it embrace a new industry that may have some local opposition? Is that community willing to take some risk and uncertainty? Is that community willing to embrace a new industry that has the potential to truly transform the community and lead it to a new future?

If cannabis businesses are not allowed in one community, they will go to another. The local taxes each cannabis business will pay will go to another community. The new jobs that could be created in a community will go elsewhere. So too will the economic benefits that could accrue to the community. The additional housing, at all income levels, that will be required to support the new jobs associated with this industry will be constructed in another community. The significant increase in local consumer spending and support for local businesses that will come with all these new jobs will be taken to another community. All the local public infrastructure improvements, job opportunities, recreation programs, new retail opportunities, and enhanced quality of life that could benefit the residents of a community will be taken elsewhere, as will the opportunity for significant economic growth and development.

With the passage of the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) of 2017, the window of opportunity at the local level is now. Investors and respected business people are actively looking for communities that have local ordinances in place that allow new cannabis business opportunities and have a welcome sign out to this industry. They bring with them significant capital to ensure that quality facilities are developed. They are committed to full compliance with all state and local regulatory requirements. They are committed to embracing their new community and working with local leaders and officials for the benefit of all. But the time for a local community to act is now. If a community does not now create an environment supportive of the cannabis industry, those opportunities will go elsewhere – and the opportunity to receive the economic benefits for the broader community may not come back.

Sincerely,

A handwritten signature in black ink that reads "Mic Steinmann". The signature is written in a cursive, slightly slanted style.

Mic Steinmann
Community Services Director