



STAFF REPORT – CITY COUNCIL MEETING

October 18, 2023

TO: Honorable Mayor and City Council Members

FROM: David Loya, Director of Community Development

PREPARER: David Loya, Director of Community Development

DATE: October 11, 2023

TITLE: **Consider Opposing the Humboldt Cannabis Reform Initiative.**

RECOMMENDATION:

Staff recommends the Council consider opposing the Humboldt Cannabis Reform Initiative and authorize the Mayor to communicate the City’s opposition to the public.

INTRODUCTION:

The Humboldt Cannabis Reform Initiative (the “Initiative”) is a voter initiative that has qualified for the June 2024 ballot. The initiative would amend the Humboldt County cannabis regulatory framework to be more restrictive to size, types of activities, and operations of cultivation in the County. While the goals identified in the Initiative have broad support, the restrictions the Initiative will impose will not promote the goals. While the regulations would not affect cultivation within the City, it likely would have secondary negative impacts on manufacturing in the City as the additional constraints imposed on cultivators will affect the local supply chain. Staff recommends the Council oppose the initiative and communicate that opposition to the voters.

DISCUSSION:

The Initiative (<https://cannabisinitiative.org/wp-content/uploads/2022/03/Cannabis-Reform-Initiative-Text-file-stamped-and-scanned-3-4-22.pdf>) cites several goals, including supporting small-scale, high-quality cannabis cultivation, environmental protection, water conservation, and public transparency and participation, among others. These are admirable goals that the majority would support.

The cannabis industry has been hit by several industry wide shocks since legalization. Each sector has had to respond to transitions, pivoting their business models to remain viable. Many, if not most, businesses have not survived the multiple internal and external market pressures. And the industry as a whole continues to struggle to remain viable.

During the transition to full legalization, the County and several environmental oversight agencies, including the North Coast Regional Water Quality Control Board, the California Department of Fish and Wildlife, and the Department of Cannabis Control, developed strong regulatory oversight and

enforcement teams. In Humboldt, these oversight agencies were effective at mitigating the environmental impacts of cultivation, and the cultivation sector of the industry is one of the most highly regulated in the state in any industry.

While this regulatory oversight was in fact one of the shocks to the market that the industry had to learn to pivot with, the positive effects of regulatory oversight are evident and well documented. The Water Board and Fish and Wildlife routinely respond to enforcement inquiries, addressing concerns promptly. While the County has reduced its enforcement due to budget constraints, there is still regulatory oversight by the County. The Initiative does nothing to improve regulatory oversight.

The Initiative proposes to implement the goal to promote high-quality, small-scale cultivation through a variety of measures that limit cultivation to 10,000 s.f., limiting the number of cannabis activities that may occur on a cultivation site, and imposing several new restrictions on expansion. It also requires cultivators that are not complaint with the regulations to come into compliance instead of recognizing existing non-conforming uses.

There are several problems with the Initiative's approach to implementation. The size limitation of 10,000 s.f. per cultivator is much too low to support a viable farm. For context, the City of Arcata allows cultivation up to 4,000 s.f. per lease area. Limiting cultivation in the County, where cultivation should be occurring, to just over half the cultivation area allowed in the City will hamper the ability for cultivation to be financially viable. Arcata's manufacturing sector will be negatively impacted by this limitation. The City's policy has supported permitted and regulated farms in the County to help the City emphasize its position as a manufacturing and distribution hub.

The limitation on cannabis activities for cultivators also will interfere with the viability of the cultivation sector. Each sector in the industry has had to pivot multiple times in response to the changing market. Many cultivators have had to assume some processing role to remain viable. Several have had to take over some distribution to ensure their product was marketed appropriately to bring the best value to market. These additional activities would be prohibited under the Initiative. This will negatively affect the underlying core sector by preventing it from responding to changes in the market that may require expansion into other sectors.

There are several positive suggestions in the Initiative. Expanding public notice, ensuring appropriate use of generators, limiting noise, are among the positive aspects of the Initiative that should be considered and discussed in a public forum. The regulations around these issues may need to be revised from time to time. And regular enforcement to ensure that everyone's quality of life is respected are critical concerns of the community. Staff would suggest that considering amendments to the County's regulations through the Board of Supervisors would be the appropriate pathway. This regulatory framework is amendable through public process and hearing at the County level.

Voter initiatives are only amendable through subsequent voter initiative. If the regulations do not work out to accomplish the stated goals, as staff has concerns that they will not, the County cannot amend them to better accomplish the goals. Instead, the County would have to continue to implement the framework that does not accomplish the goals.

Staff recommends the Council consider formally opposing the Initiative because it will likely have negative impacts on the cannabis industry in Humboldt as a whole and because it will negatively effect the Arcata manufacturing sector.

The Humboldt County Growers' Alliance provided input on the Initiative prior to the writing of this staff report (Attachment A). The Humboldt Cannabis Reform Initiative Committee was notified of the Council item and may provide input prior to or at the Council meeting.

Lastly, the County has prepared its analysis of the Initiative that it took to its board in June of 2023 (Attachment B).

POLICY IMPLICATIONS:

The implementation of the Initiative would likely negatively impact the City's economic development goals with respect to the cannabis industry.

COMMITTEE/COMMISSION REVIEW:

None

ENVIRONMENTAL REVIEW (CEQA):

This is not a project pursuant to CEQA so is not subject to environmental review.

BUDGET/FISCAL IMPACT:

None

ATTACHMENTS:

- A. HCGA comment "HCRI_-The-Fine-Print" (PDF)
- B. Attachment 1 to HC 2023-06-27 staff report on HCRI (PDF)