

**CITY OF ARCATA
ECONOMIC DEVELOPMENT COMMITTEE
MINUTES**

**City of Arcata Council Chambers
736 F Street, Arcata (City Hall)**

**February 5, 2015
Thursday at 5:00**

- I. **ROLL CALL:** Brett Watson (Chair), Fawn Scheer (Vice-Chair), Jane Woodward, Maureen Hart, Darrell Burlison, Craig Wruck, (one vacant seat)
Guests: Mark Lovelace, County Supervisor
Jonah Ginsmuir
Jonathan Gilbert

- II. **APPROVAL OF MINUTES**
 - A. Minutes of January 15, 2015 were adopted by unanimous vote on motion by Hart and second by Woodward

- III. **ORAL COMMUNICATIONS:** This item is provided for people to address the Committee on matters not on the agenda. Any requests that require action will be set by the Committee to a future agenda, or will be referred to staff.
Jonah Ginsmuir (Humboldt Chocolate): interested in update on marijuana legislation; possibly pursuing a cannabis line.
Jonathan Gilbert

- IV. **PRESENTATION:** None

- V. **BUSINESS ITEMS:** (Note that Item A was discussed after Item E)
 - A. Update on Marijuana Legislation and Related Issues (Chair)
Chair invited Mark Lovelace, Humboldt County Third District Supervisor, to give an update from the County's perspective.
Lovelace is on the Board of Supervisors' medical marijuana (MM) subcommittee, and co-chairs the MM working group for California State Association of Counties. Has been working for years trying to find out what can be done locally in regulating cannabis, whether medical, recreation, or whatever.
Update on things that he is aware of:
 - Industry represents a huge portion of the economy – 4 years ago it amounted to from 1/5 to ¼ of the spending money of individuals in the County. (Spending data show that amount is spent beyond reported income.) That amount four years ago – \$1 billion – is estimated to have doubled each year as growers anticipate legalization.
 - HBMWD working with Fish & Wildlife performed analysis of the Mad River watershed – estimated ½ billion dollars worth of cannabis just in that watershed.
 - Every jurisdiction benefits from business tax revenue and other activity, supporting more bars, restaurants, and the like than our known economy should be able to bear. Capturing this flow of dollars in the community will be critical to the economy.
 - General assumption is that in November 2016 ballot initiative for legalization will be seen at the state level. This is pushing legislators to talk about the issue and formalize regulation of MM. 19 years after passage of Prop. 215, a pave the way for full legalization. Initiative process is a great barometer of voter values, but terrible way to pass legislation or regulation. Legislation is a better way to create law, but may not be the best reflection of voter values. Their point is to take care of regulatory aspect so the only question to the voters is one of preference for recreational legalization. Most legislators are aware that

it must be taken care of this year – 5 introduced this year as placeholders. Should see what the bills look like in August.

- The push has come from urban areas – dispensaries. No regulation possible on grows, as they are flat illegal. State needs to take growing into account, and to recognize that local jurisdictions hold land use authority, taking the impact to rural areas and local jurisdictions into account. State role / Local role and State agency / Local agency need to be clearly defined.
- One proposal is that any effort to regulate cannabis at state level should allow local jurisdictions to adopt legislation, modify it, or opt out entirely. This is what Colorado did. Of 62 counties, only 6 allowed commercial cultivation, manufacture of cannabis-related products, lab testing, and resale. This focuses all the economic activity in counties that do embrace it, and all the black market activity in counties that refuse to deal with it.
- Representatives Mark McGuire and Jim Wood have shown interest in wading into the issue. They represent an area with long term, and historic interest in the industry. Hope they can influence bills to protect watersheds, communities, economy – one out of four dollars leaving our pockets will be a problem.
- As with any industry, some growers will look for the least regulated, cheapest place to grow. If someone doesn't have an interest of being a good steward, good citizen, he would encourage them to leave. Legislation should appeal to those who will work within ordinances, responsibly protecting watersheds, wildlife, the community, and the economy. The idea is to be Napa County, not Almaden.
- The name “Humboldt” is the brand. Can't prevent people from using the name, but can certify that the product comes from Humboldt, grown in accordance with local programs – “County of Origin.” The idea is to set standards for the certification of Humboldt grown – salmon safe, sustainable, watershed safe, etc. – that will differentiate the product in the market.
- City's role in legislation? County takes care of some things. The City's primary focus is its land use authority. Expects that cities will focus on industrial/commercial use and the standards they would require for cultivation within City limits.
- County is looking at large scale, open cultivation regulation and controlling the chain of custody for certification of brand. The County would be cognizant of State, County and Local roles. For example, the industry may require State licensing, and the County might offer permits.
- In regards to the concerns of CCVH that small growers will be forced out of the business by law that may limit the number of growing licenses, and the initiative they are working on: Reiterated difference in initiatives vs. legislation. Legislation created by the regular legislative process can be tweaked when areas of concern are found. Initiatives cannot be changed and State is stuck with it for all time. For this reason the Mark has asked CCVH (Cannabis Community Voice Humboldt) to provide a draft of their initiative for review and would do all he could to have the BoS would give an up or down vote by November, before CCVH seeks enough votes to put the initiative on the ballot. (That is, CCVH would gather signatures but not submit the initiative until the BoS has a change to enact legislation.) County legislation as opposed to an initiative would allow tweaking as needed. This would also be in advance of the enactment of any State law, and grandfather County legislation in.
- Grandfathering suggested as a tactic for the City: make decisions within land use authority, identifying licensing authority, review caps on licenses, consider opt in/opt out, and look at ways to work with food product branding.
- Revenue generation: fees charged only over the cost for things like permits and business licenses. What brings dollars to the coffers is tax: sales tax and some some real estate tax when values increase. But best way to generate revenue is through excise taxes, and those would need to be allowed under any statewide bill. Something like a Special District, or TOT-type tax; special overlay zoning, where everyone within would create a special district. Perhaps tie a fee to a “County of Origin” tax.

- Fees vs. Taxes. Betty Yee with the State Board of Equalization did a well-grounded study showing that an excise tax could generate \$1.4 billion in revenues.
- Mark agreed to come back in a few months when he has further information. In March, Sonoma County is hosting a meeting for counties to come up with issues and targets that any State legislation should cover.
- Noted that the goal of CCVH and everyone is to create a situation we can be proud of. This is why legislation vs. initiative is so important, and how the actual words on the paper will govern how the industry is treated. A vision is one thing, but what matters is the words on the paper.
- Get regulations in place first, then legalize.

The conversation was then led by Larry Oetker:

- City focus is less on revenue generation via sales tax (which would push sales into an unregulated market).
- How can the EDC organize and draw on volunteerism to help the Council?
 - Extrapolate information about the Arcata economy – what our market share is of the cannabis funds. We have sales tax data on the dispensaries in Arcata, need to look at what our market share is and what retention level would be our goal.
 - Looking at growing, manufacturing, and how those can be influenced. Overlay zone – what is our market share and what would our role be? Proposed concept of a distribution hub and how that might look . . .
 - The Planning Commission looks at regulatory pieces of land use, while the EDC can research and provide information to the PC – how land use code will affect the outcomes the EDC would like to see.
 - Point is to get ready in advance of State legislation – to get out of theoretical discussion and into management of reality. Find common ground with other jurisdictions. Leave large scale grows to the County. Make sure that energy spent on research and analysis is not wasted.
- Grow house enforcement will need to be reviewed – wouldn't want to limit Home Occupation businesses by regulating against house grows.
- How do we give currently illegitimate businesses a platform for legitimacy?
- Recently used Conditional Use Permits to required façade improvements to dispensaries, which works to create legitimacy – bringing the neighborhood up to Central Business District standards. LUC should promote playing within the rules and bringing legitimacy to the area.
- Coordination between jurisdictions – City, County, State – is there any staff coordination on this manner? It is generally between planning departments. Regulations will be passed by the City in some form, so it is important to get the ground rules in place. The County and the City should be on the same page – Arcata led the way on original grow house regs and the County could adopt. Illegal cultivation and dispensaries are things that the City and County should agree on. Large scale grow regs will fall to the County.
- The general, potential categories that the EDC can research are: revenue retention, business clusters or innovation areas, and zoning that would promote economic development.

B. *Preparation for Study Session with City Council – February 26, 2015 at 6:00*

Staff reported that the Council sets the agenda; Committee gets copy. Additional ideas and thoughts can be brought up.

Community Development Department Director suggested to Staff that the Committee focus on activity that will create ≥ 20 jobs and/or \$100k in revenue. Areas of Committee interest have been:

- Opportunity Zones
- Valley West
- Cannabis
- Happy Valley
- Night life

How do we discuss this? Goal is to align Council goals with EDC goals – issues that create jobs and revenues. Things that develop the economy, rather than things like installing solar at Foodworks.

Staff goal is to relate the new areas of direction from the Council to the Council goals for the coming year.

Question about whether the Council gets a copy of meeting minutes – no. Available on website.

C. *EDC Role in Discussion About Bulk Overnight Shipping (Chair)*

Discussion about how critical the need is and need for private enterprise to manage. RREDC and others are looking at solutions: Jacqueline Debets is working on this issue, having a study done, and reports that 299 and 101 will be passable or meeting a standard for large trucks in 2016 – 2018.

Interest in having updates throughout the year instead of taking direct action, it's not a new question and other people are working on it. Decision made to drop the issue entirely.

D. *New Committee Member Applications (Staff)*

Two old applications and one new application. When Council is prepared to hold interviews, the liaison will indicate to Council the skill sets and existing needs of the Committee. The Council makes the appointment; no additional input or conversation from the Committee is required.

Should new applications be solicited? Qualified applicants are always welcome.

E. *Planning Permit Fees and Streamlining the Permitting Process (Woodward and Staff)*

Most recent in-depth research was done for Housing Element that was put in place last year, which determined that current fee rates are not a barrier in general (although they may be those with limited financial resources).

It was noted that the largest fees are generally with Public Works – most costly and drive up the price. Also: planning fees are collected as a deposit. Charged against that deposit is the 10% General Plan Update fee and flat fees by other City departments (for plan checks, attorney review, and other work done) and outside agencies (such as environmental reviews). Then, Planner time is tracked and customers are invoiced after deposit depleted. Thus, planning fees can really increase if the project is not well thought out initially, or if the project is very difficult.

This is different than Building and Public Works fees, which are flat fees, all charged up front.

Recent complaint about fees. Can be a difference between major and smaller factors. The Planning Commission's annual report noted a project that was halted because fees were too high. And a larger contractor confirmed that the permit fees are acceptable – it's the connection fee that is too costly. Question about whether cost is reduced if the homeowner does water or sewer work – sometimes a possibility.

Cost of tree removal permits - \$900 for large removals; \$50 for fewer than four trees. Lists of fees provided to the Committee were the published fees that were established in 2007-2008, in a different economic climate. Staff assessment is that City continues to undercharge basic fees to cover its costs, which is important during the budgeting process.

It was noted that the Housing Element permit fee review was focused on general housing, not amenities like decks, gazebos, etc. How does discussion about fees fit in with economic development?

Discussion tabled as speaker for Agenda Item V-A had arrived. Later tabled for the next meeting.

F. *Possible Contract with the Creamery District (Scheer and Staff)*

What would the benefits be to the City, and what would the cost be?

VI. **CORRESPONDENCE / COMMUNICATIONS**

G. **ECONOMIC DEVELOPMENT COMMITTEE:**

- Brett Watson – Report on Meeting with City Manager, HSU Staff, and other Commission/Committee Chairs – moved to next meeting.
- There was a request by Jonathan Gilbert to make a presentation about CCVH in our April meeting. Chair is also wanting to put Fox Olson from Arcata House, and another presentation later about industrial hemp.

H. **STAFF:**

- i. No new loan activity, but First Time Homebuyer applications are coming in.
- ii. HSU Update will be given at 03-05-15 meeting – Joyce Lopes. Will give 30 minutes.

VII. **ADJOURNMENT** – the meeting was adjourned at 7:04 on motion by Woodward and second by Hart

| 2015 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Jane Woodward | X | X | | | | | | | | | | |
| Fawn Scheer | X | X | | | | | | | | | | |
| Brett Watson | X | X | | | | | | | | | | |
| Maureen Hart | X | X | | | | | | | | | | |
| Darrell Burlison | X | X | | | | | | | | | | |
| Craig Wruck | X | X | | | | | | | | | | |
| VACANT | | | | | | | | | | | | |

KEY:

| | | | | |
|---------|--------|------------------------------|------------|--|
| X | A | N | C | |
| Present | Absent | NA – Not a member this month | No Meeting | Special Meeting (not regular attendance) |

Attest: _____
Susan Diehl McCarthy, Committee Liaison

1:18:58: Brett Watson: "So under item number 2, um, or, 2 under item A: 'New regulatory schemes to match community needs,' we're talking about a joint study session with the planning commission. It seems like what you said was we should lay down regulation first and then give the voters a choice?"

1:19:13: Mark Lovelace: "That's my, been my perspective on it from the State, and I've been trying to push that for years. It used to be you hear people say, you know, when you talk about marijuana they say, 'oh, we need to legalize it and regulate it,' and I would say that too. And then I started realizing that, no: we need to regulate it then legalize it. Because you know, like I said with 215, 19 years after passing it we still don't have a regulatory framework."

1:19:38 Brett Watson: "So do we want to do that? Should we approach the planning commission to--you know, is there a time we can get together to--"

1:19:44: Unknown woman: "Seems like we should, yeah."

1:19:46: Maureen Hart: "Uh, just to mention that Larry and I had talked about this and he had some thoughts about waiting until after our study session."

1:19:56: Brett Watson: "Okay."

1:19:57: Maureen Hart: "Um, and he also gave me some thoughts on--maybe you could speak about them, now that you're here--but I took excellent notes while we were talking, about how the EDC could best help the City Council."

1:20:06: Brett Watson: "Yeah. Cool. Real quick, let's just go over really fast what we want to cover left; so Larry's going to talk and then we also want to cover item number F—or no, we want to revisit E for Jane, and we still need to cover item F."

1:20:20: Jane Woodward: "Well, we can postpone that."

1:20:21: Brett Watson: "Okay—so just to draw attention to that."

1:20:27: Larry Oetker: "So—if--you guys will get notes if I could kind of just start, and then let me know—"

1:20:34: Maureen Hart: "Here are the bullet points that I took away if you just want to use those."

1:20:36: Larry Oetker: "Okay—well I guess my [inaudible word] first."

1:20:39: Maureen Hart: "Oh well."

1:20:40: Larry Oetker: "And so for the most part the discussion—and this is just in general—is the—I've had several conversations with different Council members etcetera, and at this point the focus really is not on revenue generation to the City, and that's kind of counter to what the Council has talked to me about. That's not really an objective, because they just think that, um, that's not really the goal of this whole thing, is to get additional revenue into the City. And for the most part what the likely impact would be if we went onto the ballot, as an example of the discussions we had, if we went on the ballot and said, 'we want to have a 5% sales tax on marijuana,' (that's an example) then basically what that does is that just puts you into the unregulated market. And that's kind of the big concern, and so, and I'm not saying they haven't made that decision, it's just kind of, all the discussions have been let's just not even bother going there. Because I think every jurisdiction has thought about this, they haven't realized what they were anticipating getting. So, that's not really a primary goal in what our discussions were. And then, the secondary is kind of, uh, what would—what I was talking to Susan about was how can we get—there was so much energy and so much discussion and vibrancy on this topic—how can we sort of get organized so that over a couple month period then we can have subcommittees that can focus on certain key aspects of this, that then we can come together and give a report that is coordinated and each one covers a certain topic and then when we come together, then we have a coherent strategy instead of, because, we don't want to just keep on talking and talking and talking. We want to actually produce something. And so, it was kind of like, how can we get down to what are these topics that we want to talk about, and then who is really interested in that, and then trying to tap into all that volunteerism that is out there to try to get some input. And so, um, you know, in general the part of the discussion and the conversation is that we looked at sort of from the pure economics perspective as local as we can, [inaudible words] by which the study, and then the first kind of concept is okay, well that's kind of at the certain level, and then can we extrapolate out certain key information down to the Arcata level. Because again we're interested in Arcata's economy and it's a subset of the Eureka economy but we're focusing on the Arcata economy and so that the concept is how can we extrapolate general concepts, general things out of hers and then get down to the Arcata level. We already have the sales tax data that we have on the couple of the dispensaries that we have, and so therefore it's kind of a general assumption of how many people that are currently using medical marijuana would also be recreational users as well. Because you know that's kind of one of the key things—are they really sick? Or are they using 215 essentially for, recreational, and really is there a blend in there? And so, do we already have a portion of the market? And so when you get back into pure economics perspective, typically what you would look at is what is Arcata's market share in the economy. And then, do we have a certain amount of leakage? In other words, are people going to Eureka or McKinleyville to get their marijuana or are we essentially an importer of retail and an exporter of the raw product? Because this is kind of a raw economics standpoint—what is our market share? So to a certain extent if we're going to look at this from an economic standpoint that somehow, trying to get

some sort of handle on what is the existing market share that we currently have, and then within our goal, then what is our goal? Is our goal to try to retain that market share? Because that's a lot of what I hear, is we're concerned that legalization is going to cause the bleeding or the leakage of our market share and so we want to try to retain our market share. Then the question is, can we get some raw information on what is our market share and then what is our goal here and then establishing some priorities on getting our goal. And again, those are sort of the market share and then the leakage if we're looking from a pure economic standpoint. And then part of what Jennifer is, you know, kind of the sales tax and the jobs, and then the multiplier effect that goes out in the community you know, how many accountants and lawyers and retail establishments and restaurants what is kind of the impact on Arcata's economy from this? And what I'd like to do is, if this is the direction, somewhat of the direction that we'd like to do, is kind of organize some categories so generally that we can try to get some focus on. And then kind of the next general topic is sort of what you had said too, and we're not the only ones in this, and I just wrote down this term: "innovation area" which is the growing and manufacturing and the product development and can we establish an overlay zone in the area that sort of the focus is kind of Humboldt framework you know area and that's kind of because of reduced energy costs and also this huge vacant underutilized area—

1:26:25: Fawn Scheer: "And air filter."

1:26:30: What was that? And air filter, yes. And then if we were to create an overlay zone, then what would we try to target? Again, what is our market share and what is it we're trying to do? Do we really want growing there or are we really looking to incubate businesses around a common—so I guess the question would be, that's been approached with me, is that do we really want to be more like um, you think of a distribution hub where you have growers that are out there and then they take their product and then it goes to a larger distribution hub, and then that larger hub can send it out to other retailer outlets, or to a manufacturing or retail sort of sector, that builds around that cluster? And if we were going to do something like that, what would that look like? So then we can tell the planning commission if this is something we're trying to accomplish then we want to go into the next step, which is our zoning regulations. Then you design your zoning regulations in order to accommodate the type of development that you're trying to promote within that. And within those zoning regulations you kind of have to look at the growing, the manufacturing, the retail, and then the question of on-site consumption where you might think, like a bar, so to speak. And then this is, for the most part, these are the roles that the planning commission is primarily going to do is looking at these regulatory pieces of this of how each one of those might play into it. And so the general concept is if we can come together and agree on a, what is our kind of goal or outcome that we'd like to do, identify the categories, and then assemble some subcommittees to start working on that with some timeline so we can come back and have a cohesive report that we can intellectually talk about the subject and get beyond the 'oh wouldn't it be great to

have, you know, if we could all just smoke dope?' Because we've been doing that for a long time and talking about this for a long time and we're ready to move on—we're ready to—so let's get going."

1:28:48: Maureen Hart: "We need to get ready."

1:28:49: Larry Oetker: "We do. We need to be ready, because it's going to be legal, and sometime after November, whatever time period they say that starts, and we're going to have to be prepared."

[Next discussion of subcommittees at 1:41:15]

1:29:05: Maureen Hart: "So I think that one of the things that I had heard on the news just today was that there was a jurisdiction in either Oregon or Colorado, that wanted to go back and make amendments and I think that was a voter initiative. And that is exactly what you're talking about I think, you can't really go back on the voter initiative but legislation can be tweaked and adjusted as it's tested. Is that right?"

1:29:36: Mark Lovelace: "There's a section in the CA elections code that does allow I think amendment, that you can--basically says that you can't modify or amend an initiative, an initiative approved by voters, other than as specified in the initiative itself. Um, and so, they've been trying to reference that and say that we could, but we're limited to the, you know, based upon data and evidence and keep looking at tax, and all these kinds of things that there really is no standard for, but they put in there, what do we actually have to demonstrate to do this. It basically takes away the ability to propose and say does 10,000 square feet of cultivation is just too much on every parcel. And it would require that we do some kind of study and analysis to demonstrate the cumulative impact on that over what, because there's no cumulative effects analysis of the issues to compare with. So with Oregon I don't know what provisions they have there—

1:31:03: Maureen Hart: "I was just looking and seeing if I could find that article."

1:31:07: Mark Lovelace: "And I have heard about that example you're talking about, but generally when something's passed by the voters it's very, very difficult to modify it, even with you know, the 215, uh, SP 420 was passed as a companion legislation because it said something about the state of CA shall—I can't remember the exact language, but basically, provide guidelines or whatever for to regulate the amount and something like that—it provided some language saying here's what the state needs to do, but the language wasn't specific enough, wasn't vague enough that it could be interpreted and challenged.

[1:31:52 – 1:31:37: Mark Lovelace describes the VIR act in response to a question from an unknown woman, and neg-deck, full VIR. Jane Woodward asks about Mark's Board's view on the issue. 1:34:25: Woman asks Larry, what level of coordination between jurisdictions and staff on understanding the issue and regulation. Subcommittees don't come up again until Mark Lovelace leaves at 1:41:15]

1:41:15: Mark Lovelace: "I'm going to need to take off."

1:41:17: Brett Watson: "Thanks a lot for coming."

1:41:18: Staff: "Thank you!"

[Mark Lovelace exits]

1:41:23: Brett Watson: "So, back to the committee idea, I just want to be clear on that, you said you already had some ideas of some committees we could form?"

1:41:31: Larry Oetker: "Yeah, so what I'd kind of like to do is if I could work with Susan and we could kind of put these things together and then put this on your next agenda with kind of a time schedule, of you know, when is the joint study session with the council and then so you may be able to present these things, you know, together. And ultimately going and saying okay, can we have a joint study session with the planning commission to provide input in a meaningful time so that they can be relevant to when they are making the decision. Last thing we want to do is to have all this energy and spend on it and then have it not be used, so one measure is timed and coordinated together, because we want this information to be relevant to the decision making process."

1:42:16: Jane Woodward: "Our next joint study session is the 26th of February, and we don't meet again before then."

1:42:23: Larry Oetker: "Well we can—and I know you guys—we can put something together and we can email it out to you. You won't be able to have a discussion internally, and then can bring it to the meeting, and then you can have that dialogue with the Council. If that's what you wanted to do."

1:42:39: Brett Watson: "Um, so we'd be having the dialogue with Council about--"

1:42:45: Jane Woodward: "The categories."

1:42:45: Brett Watson: "—a document that we just weren't able—the only difference was we weren't able to meet about it beforehand."

1:42:50: Larry Oetker: "Yeah."

1:42:51: Brett Watson: "But everybody got it."

1:42:55: Maureen Hart: "The thing is, is it's a discussion with the City Council—it isn't a commitment—"

1:42:58: Brett Watson: "Yeah, okay."

1:43:00: Maureen Hart: "And as far as the Brown Act is concerned, you can all receive any number of documents you just can't discuss them amongst yourselves."

1:43:10: Jane Woodward: "With more than two others."

1:43:13: Brett Watson: "What do you think, Fawn?"

1:43:15: Fawn Scheer: "Uh, I don't see a problem with that. Either I um, yeah, I mean as long as it's not like, 'here's our plan, we're committed to doing this because we've all had a chance to think it over and discuss it,' but, um, because, you know, my main concern is I don't want to take on something that is either redundant (which is kind of why I asked what's already being done) or else unused because it's poorly timed, so, yeah. If it's important to get it in to the Council just to say, 'we want your blessing on this then I think we should—'

1:43:50: Brett Watson: "So, and then like, as I'm thinking about it, it's almost like you know, suggestions of what we'll talk about with the Council together."

1:43:55: Unknown Male: "Yeah."

1:43:56: Brett Watson: "Sounds good to me."

1:43:58: Unknown Male: "I think it makes sense."