

# **Cannabis Industry Clusters Key Findings**

**Mendocino County, California**

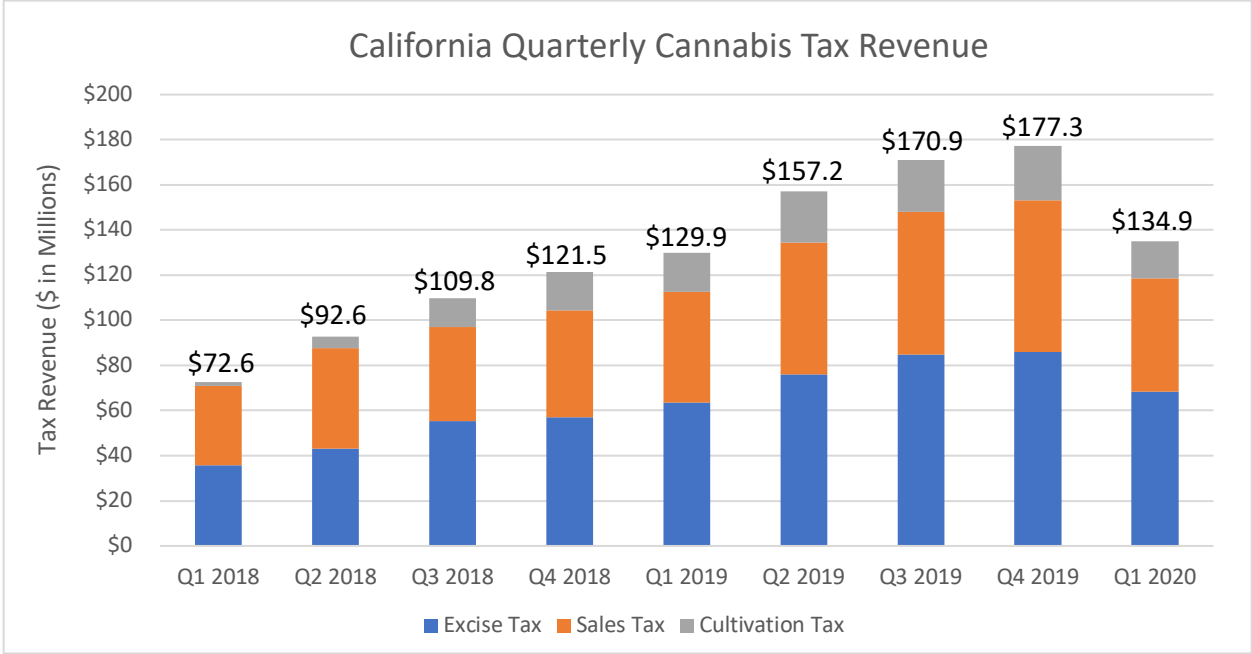
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In today’s economy environment, marked by near record levels of unemployment and significant business uncertainty, the legal cannabis market has emerged as a beneficial growth industry in California, from an employment, economic impact, and municipal finance perspective. If properly supported, it may provide significant economic relief to state and county coffers, local cities, existing workers, and those who have recently lost employment. The chart below highlights the growth of cannabis tax revenues in the state, which reached nearly \$180 million in Q4 2019 or \$635 million for the whole calendar year. The drop in tax revenue in Q1 2020 is related to disruptions caused by COVID-19.

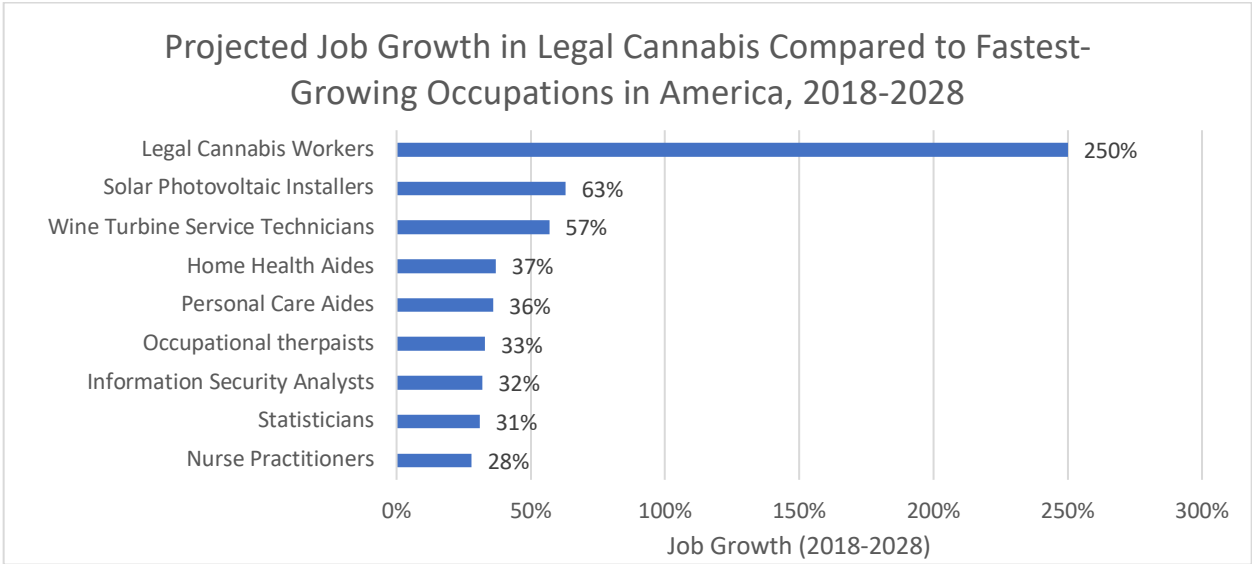


Source: California Department of Tax and Fee Administration, Cannabis Tax Revenues

An industry with roots dating back to the 1960’s, Mendocino County is part of the “Emerald Triangle” – the nation’s largest cannabis-producing region – along with Trinity and Humboldt counties. The region’s history, combined with the existing regional specializations of agriculture and farming, make Mendocino County and the broader region including Humboldt, Sonoma, and Trinity counties ground zero for the legal cannabis market.

According to Leafly’s 2020 Cannabis Jobs Report, cannabis jobs in the nation have grown from 122,800 in 2017 to 243,700 in 2020, an increase of 120,900 jobs or 98 percent, with 33,700 jobs added in the last year alone. In 2020, California had the most cannabis jobs at 39,804, followed by Colorado (34,705) and Washington

(23,756); the state’s legal cannabis sales totaled \$2 billion in 2019. Overall, the industry is expected to continue its rapid growth, denoted by the expected 250 percent increase in cannabis workers between 2018 and 2028.



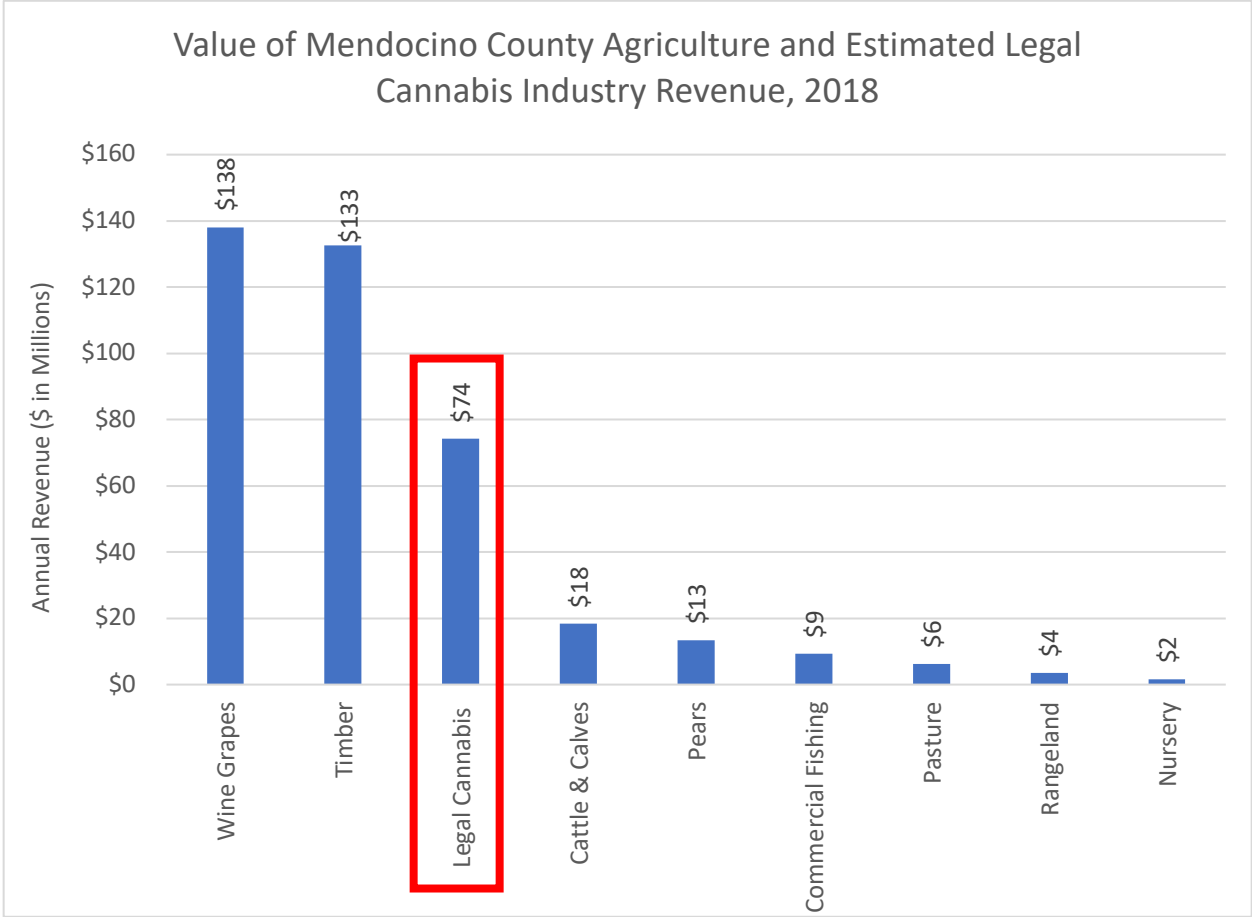
Source: Leafly 2020 Cannabis Jobs Report

This shifting job market is readily apparent in Mendocino, Humboldt, Trinity, and Sonoma counties, where wineries and other farmers are starting to lose workers to this growing industry. As the regulatory environment has improved, workers have been increasingly attracted to the industry as it offers year-round employment with livable wages and benefits compared to the more seasonal and uncertain wine sector. A February 2020 *Sun Gazette* article profiles former vineyard worker Maria Vilchis, who “...now makes more money and has more time to spend with here family. She is paid \$15 an hour and works Monday to Friday, eight hours a day – an improvement from the 60-hour work week tending vineyards Monday to Saturday. Soon she’ll be a regular employee, which comes with \$17-an-hour pay, full benefits and a 401K.”<sup>1</sup> This highlights the projected decline in concentration of Wineries in the broader four-county region and increased diversification of specialized industries.

According to the *2018-2019 Mendocino County Economic Assessment* created by the Economic Development & Financing Corporation, the value of agricultural

<sup>1</sup> <https://thesungazette.com/article/news/2020/02/05/wine-grape-growers-are-losing-labor-to-commercial-cannabis-farms/>

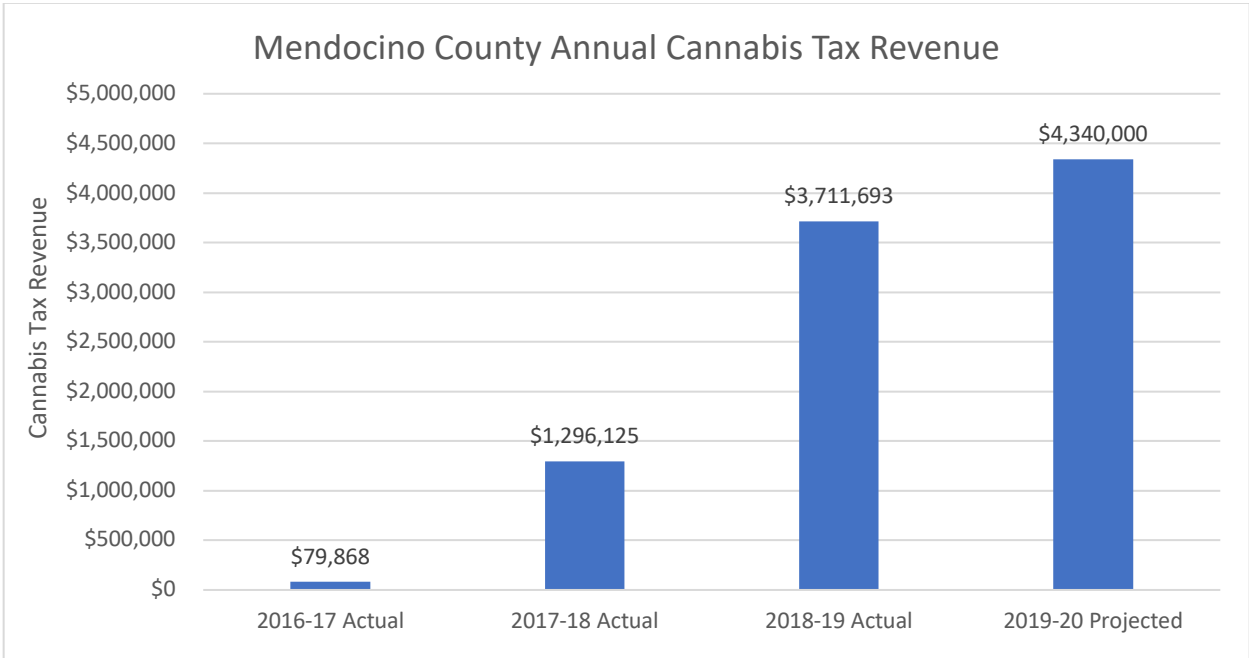
commodities in Mendocino County increased from approximately \$140 million in 2015 to well over \$160 million by 2017. Mendocino County currently has an estimated 277 cannabis facility licenses and has issued approximately 265 cannabis cultivation permits with an additional 800 permits currently in the application process. Overall, 80 percent of state issued cannabis licenses in Mendocino County were in cultivation, 17 percent in sales and distribution and the remaining 3 percent in manufacturing. It is estimated that cannabis industry revenue totaled over \$74 million in 2018-19 and that it is projected to grow to over \$86 million by 2019-20. According to the 2018 Mendocino Crop Report, this puts cannabis as the third most valuable commodity in the region.



Source: TCCG; Mendocino County 2018 Crop Report

Mendocino County cannabis tax revenue increased from \$79,868 in 2016-17 to over \$3.7 million in 2018-19 and is expected to surpass \$4 million by 2019-20.

Cannabis tax revenues have become increasingly important contributors to county and municipal budgets, especially as aging populations put a strain on retirement and health insurance costs. Humboldt County expects a negative general fund balance to develop in FY 2020-21 but indicates that potential cannabis sales may help to offset increased county expenditures.



Source: County of Mendocino FY 2020-21 Proposed Budget, June 2020

Due to the nascent history of the industry, government data is almost nonexistent, which means that calculating total sales, industry concentration, employment and impacts in this sector remains a challenge. Overall, the cannabis market is expected to continually grow and potentially drive significant economic activity across the state, so much so that Mendocino County recently announced an award of more than \$2 million from the Governors’ Office of Business and Economic Development to support local cannabis businesses.