



ECONOMIC DEVELOPMENT  
& FINANCING CORPORATION



# Second Quarter Economic & Organizational Activity Report 2018-2019 Fiscal Year

January 14, 2019

Economic Development and Financing Corporation  
175 E. Church St., Ukiah, CA 95482  
(707) 234-5705  
[www.edfc.org](http://www.edfc.org)  
[info@edfc.org](mailto:info@edfc.org)

This report is funded by:



Unless otherwise noted, this report was written and data was compiled by:  
Heather Gurewitz, MCRP  
Executive Director

**About the Author:**

Heather Gurewitz became the Executive Director of EDFC in January of 2018. She holds a Master's of Community and Regional Planning from the University of Oregon and a Bachelor of Arts in Geography from UC Berkeley. Ms. Gurewitz came to EDFC with over ten years of experience in community and economic development. If you have questions or concerns, she can be reached at (707) 234-5705 or via email at [heather@edfc.org](mailto:heather@edfc.org).

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# Mendocino County Economic Development News

Big news came from the City of Fort Bragg the last quarter of 2018. The first commercial purchase of the former Georgia Pacific mill site was confirmed. In December, it was announced that the owners of Harvest Market purchased 15 acres on the site. This news is a boon to the local community as it will keep development of this portion of the property in the hands of a local company with a long history of serving the coastal community.<sup>1</sup> The GP mill closed in 2002 and since then the city and active community groups have been working on plans for the future development of the property. The City of Fort Bragg has acquired 104 acres of property over the past ten years including land used for the development of a coastal trail and the Noyo Science Center.

While no additional information has been reported regarding the Skunk Train owners' plan to purchase property on the mill site (as was reported in September), other development news in Fort Bragg included a proposal for new hotel north of the Pudding Creek Trestle in Fort Bragg.<sup>2</sup> The site is located between the Surf and Sand Motel and the North Cliff Inn on Highway 1.

In Ukiah it was announced that a 24-unit apartment building is currently underway at Norton and Main Sts.<sup>3</sup> These units will provide some much needed relief to the local housing crisis. We have heard repeatedly from local employers that they are struggling with employee recruitment and retention because of the housing crisis.

Also in Ukiah, discussions are currently taking place regarding a potential merger of the Greater Ukiah Valley Chamber of Commerce, Visit Ukiah, and the Ukiah Main Street Program.<sup>4</sup> This move has the potential to create better efficiency in serving the interests of the Ukiah business community and promoting Ukiah as a destination.

The Palace Hotel property in Ukiah was also in the headline again this quarter. The latest update is that it was scheduled for a foreclosure sale on December 21<sup>st</sup>, but it has been postponed to January 11, 2019.<sup>5</sup>

In the unincorporated parts of Mendocino County, big news came in November. ReTech, one of Mendocino County's largest for-profit employers, announced that it will be moving the majority of its manufacturing and assembly work out of the county.<sup>6</sup> At the time of the article, the Ukiah Daily Journal said that details were still being worked out but at the time of the report, it was expected that non-manufacturing and assembly related jobs would stay in Mendocino County. According to the North Bay Business Journal, "the Ukiah-based company, with 135,000 square feet of manufacturing space, has over

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<sup>1</sup> Calder, Chris, "Harvest owners buy 15 acres on millsite." Fort Bragg Advocate News, December 27, 2018

<sup>2</sup> Parks, Kelci, "New hotel, event center proposed." Fort Bragg Advocate News, October 18, 2018

<sup>3</sup> Travis, Scott. "Mendocino County: Year in Review." Ukiah Daily Journal, December 30, 2018 pg. A1

<sup>4</sup> Ibid. Pg. A1

<sup>5</sup> Ibid, pg. A2

<sup>6</sup> Fredricksen, Justine. "Retech jobs moving to Poland: Sales and engineering employees to be retained." Ukiah Daily Journal, November 23, 2018. Pg. A1

100 employees. It is unique in the North Bay and one of only a few players in a strategic global market that is largely unheard of outside of trade groups and some industries.”<sup>7</sup>

Cannabis legalization still dominates the news as the regulatory environment continues to develop. While cultivators face challenges with uncertainty in permitting and banking, there are several projects moving forward. In November, the Mendocino Voice reported that a new cannabis company, CordovaCann, was closing escrow on a number of properties in the Covelo area.<sup>8</sup> According to the article, “CordovaCann is a Canadian company with American owners and a California LLC Subsidiary.” Additionally, we have heard reports of large scale production and processing facilities projects in the works in Ukiah, Fort Bragg, and Willits.

Significant economic news also came from the wine industry this quarter. Shortly after the start of harvest there were reports that inland Mendocino County wine grape growers were having issues with smoke taint resulting from the Mendocino Complex fires in 2018. On November 16, 2018, the Ukiah daily Journal ran an article about the grape growers request for “federal disaster aid after suffering from severe crop loss due to the Mendocino Complex Fires.”<sup>9</sup> EDFC has loan funds available to make low-interest loans to vineyards, wineries, and other small businesses that have been impacted by the fires.

## Register Now! Mendocino County Economic Summit: Charting a Path Forward

Thursday, January 31, 12:00-4:00 PM

111 E. Commercial St. in Willits

EDFC is organizing an important stakeholder meeting to start the process of planning for the future of Mendocino County’s economy. Funded by a grant from PG&E, the goal of the event will be to understand the resources currently available that support economic development, identify gaps in our system, improve collaboration, and begin the process of developing goals for the future. There will be break-out sessions covering a number of topics such as entrepreneurial development and financing, agriculture, cannabis, housing, and poverty alleviation. Details are available at [www.edfc.org/events](http://www.edfc.org/events). Tickets are \$20 in advance or \$25 at the door.

We know there is more happening in our local economy and we are happy to share more news in the future. If you have something you would like EDFC to share, please and send it to [heather@edfc.org](mailto:heather@edfc.org) before the last day of the quarter.

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<sup>7</sup> Gary Quackenbush, “Mendocino County's Retech Systems wins North Bay Maker Award for 'best manufacturing process innovation.” North Bay Business Journal, August 20, 2018

<sup>8</sup> Maxwell, Kate B. and Adrian Fernandez Baumann, “CordovaCann rep meets with Covelo cannabis group” Mendocino Voice, <https://www.mendovoice.com/2018/11/cordovacann-covelo-meeting/>, November 29, 2018

<sup>9</sup> Fredricksen, Justine. “Smoke taint affects grape crop growers request federal disaster aid.” Ukiah Daily Journal, November 16, 2018 Pg. A1

# Current Economic Overview

There were no major changes in the economy in the last quarter. Inland Mendocino County continues to recover from the Redwood Valley Wildfire of 2017 and the recent Mendocino Complex Fire which took place in July and August of this year. Additionally, the impacts of recreational cannabis continue to play out but with no definitive answers. The following data provides a current snapshot of the current economic conditions in the county using three main indicators:

- Employment Data
- Real Estate Market Data
- County and State Cannabis Licenses

This report identifies some trends, but the economy is not always predictable, so it is important to be proactive and prepared for a downturn.

## Labor Market and Employment Data

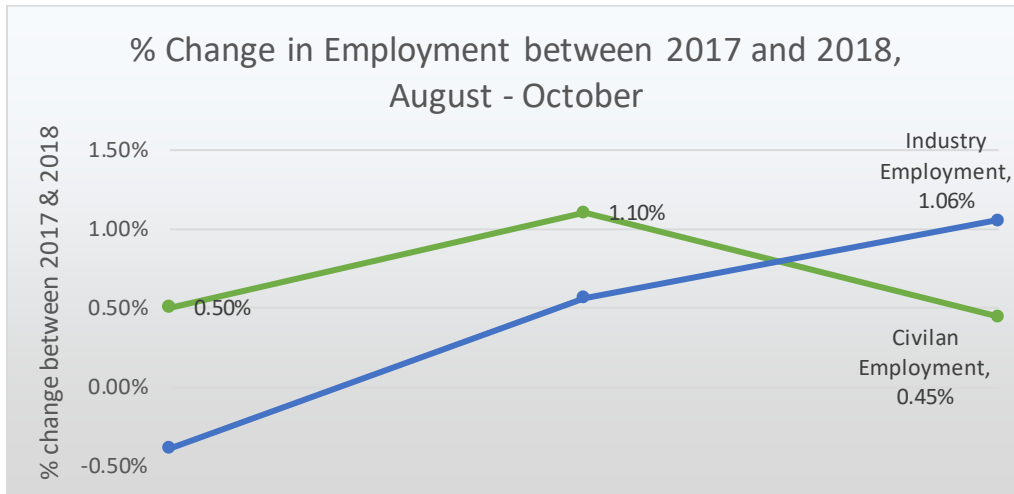
Due to the seasonal fluctuations in employment, a comparison of the same month in two separate years, is a better indicator than looking at month to month changes. Therefore, this report looks at the change in employment between 2017 and 2018 for August, September, and October. It also looks at a comparison of industry sector employment for October 2017 and October 2018.

It is important to distinguish between Industry Employment and Civilian Employment as both are relevant to Mendocino County. Civilian Employment is calculated by place of residence and includes self-employed individuals. This would include anyone who lives in Mendocino County but works in Lake or Sonoma County, for example. It also includes what is likely a large population of self-employed individuals, though the data available does not allow us to calculate the exact numbers. Industry Employment is calculated by place of work and excludes self-employed individuals and unpaid family workers as well as anyone working outside of the county.

These two data sources allow us to make some minor guesses at changes in self/employment and outside of county employment. By comparing the difference between civilian and industry employment for October 2017 and 2018, it is possible to see that there was an increase of nearly 400 estimated jobs. Based on the parameters of the data, this would have been growth in either self-employment or out-of-county based employment. More data is needed to be certain, but by tracking growth or shrinkage in the difference between industry and civilian employment, this could show growth in self-employment and even possibly telecommuter job growth.

While the graph below may look dramatic because of the peaks and valleys, keep in mind that the most significant decrease was only -0.39% between 2017 and 2018 in August, and the largest increase was only 1.1% between 2017 and 2018 in September. It shows that there has mostly been growth between 2017 and 2018 for the quarter, though marginally.

Chart 1: Percent Change in both Industry and Civilian Employment



Source: Weaver, Randall. California State Employment Development Department Labor Market Information Systems

It is also important to review changes in employment by industry sector. This data allows us to understand changes happening in specific areas of the economy.

The largest growth by number of jobs was in construction, which had 6% growth (80 more jobs) and retail trade, which had 1% growth (70 more jobs). Leisure and hospitality also had 1% higher employment in October 2018 than it did in October 2017. In the previous quarter there was a significant growth in education and health services compared to the previous year which was not seen in this quarter.<sup>10</sup> Additionally, there was no change in employment for manufacturing or federal government employment between October 2017 and October 2018. There were only four industries that showed a decline in employment; total farm employment (-8%), Mining and Logging (-2%), Information Services (-9%), and Local Government (-1%).

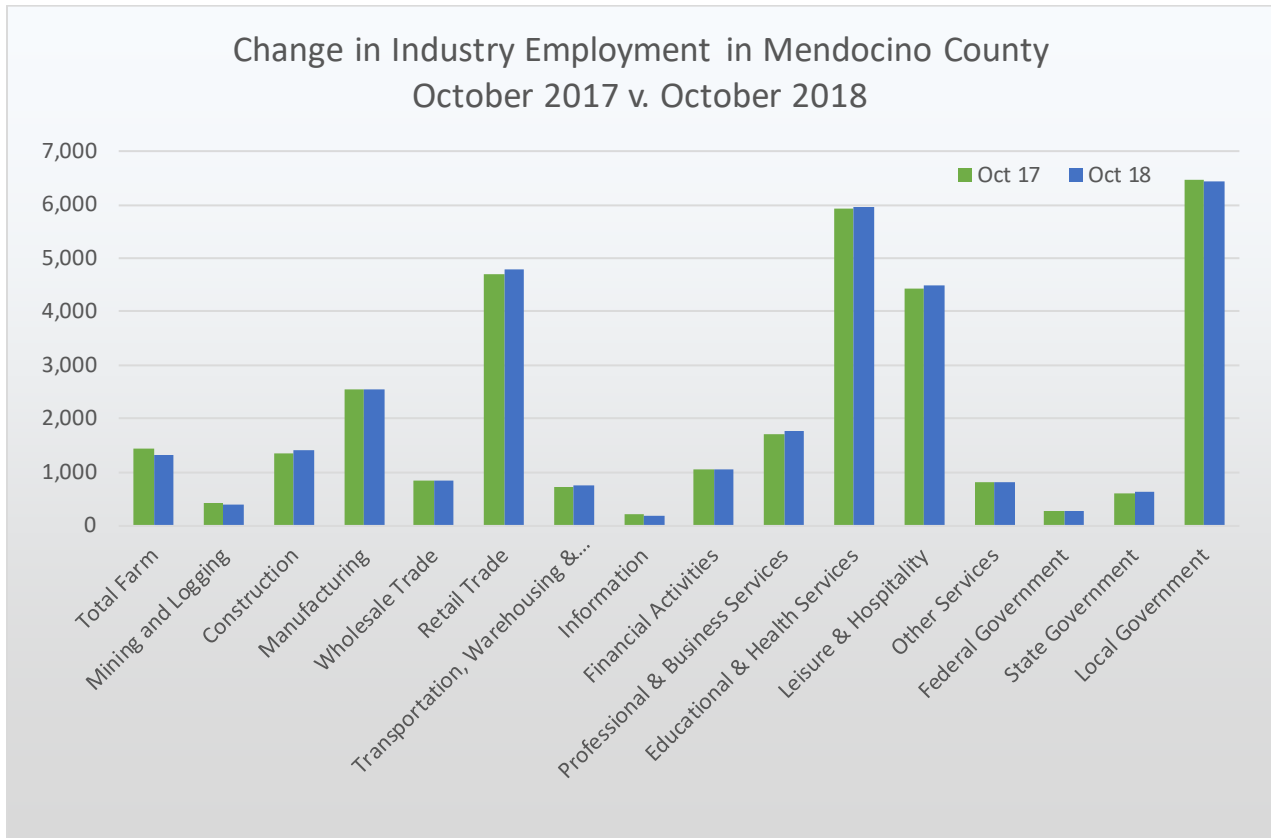
The following chart shows the employment by industry comparison for October 2017 and October 2018. As is very apparent from the chart below, government employment, specifically local government (which includes public schools) constitutes a huge percentage of the Mendocino County work force and changes in local government can have impacts on the economy.

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<sup>10</sup> Q1 Economic Report



Chart 2: Total Industry Employment October 2017 v. October 2018



Source: Weaver, Randall. California State Employment Development Department Labor Market Information Systems, November and December 2018 Reports. December 21, 2018 and

Overall, employment trends in the county are equal to or better than they were at the same time the previous year. However, these are indicators of what has happened in the past and do not necessarily reflect the future. While we have seen growth, the current “government shutdown,” rising interest rates, trade wars, and uncertainty in the cannabis industry make it difficult to project the future of our economy. Issues with smoke taint and the reported closing of manufacturing facilities do not bode well for future employment numbers.

### Real Estate Trends

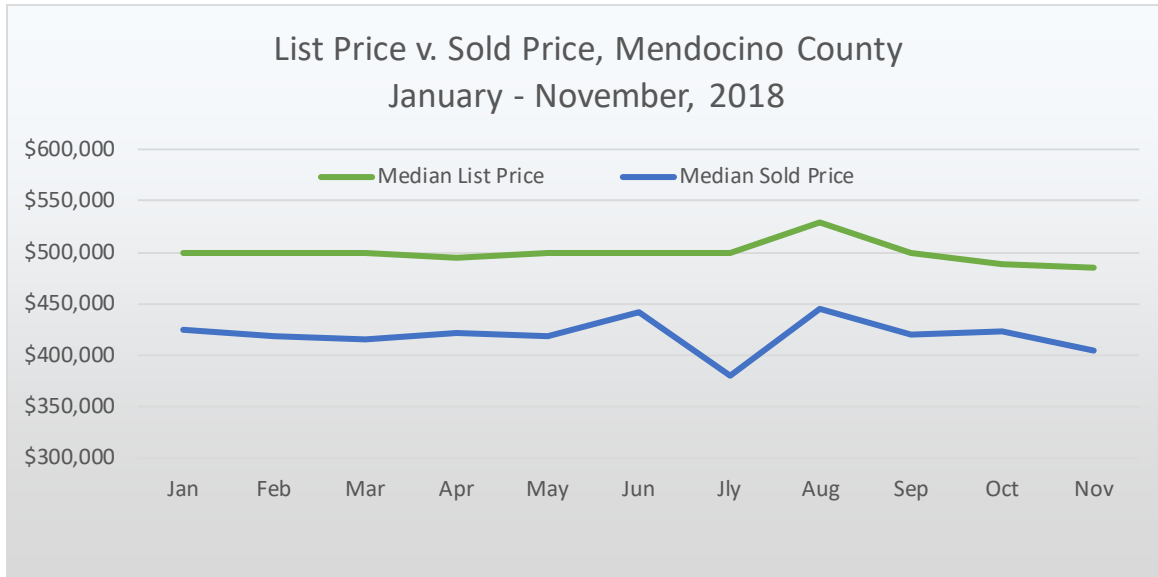


This report looks at the Median List Price v. Sale Price for properties sold between January and November of 2018. This is an important distinction because the list price is significantly lower than was reported in the first quarter when the data included all properties on the market. While there is not new data on this figure, the average Median list price for properties between August 2017 and August 2018 was \$864,846<sup>11</sup>. It is unlikely that this statistic has changed significantly, so it can still be used as context in looking at list price versus sale price. The Average median list price of properties sold between January-November of 2018 was \$499,227 and the average median sale price

<sup>11</sup> Q1 Economic report.

for the same time was \$419,491.<sup>12</sup> There were only minor fluctuations in the sale price of real estate sold and with a very slight downward trend that can be seen in Chart 3 below. It is reasonable to hypothesize that the significant dip in July was related to the Mendocino Complex Fires.

Chart 3: List Price v. Sold Price, January – November 2018



Source: [https://www.realtor.com/local/Mendocino-County\\_CA](https://www.realtor.com/local/Mendocino-County_CA), January 7, 2019

Based on the available data, it is reasonable to draw the conclusion that the single family home market for properties listed under \$500,000 continues to be robust but with slightly declining sale prices.

## Cannabis



It is extremely difficult to quantify the economic impacts of legalization of recreational cannabis. Currently, it is only possible to present baseline data by looking at temporary licenses issued by the State of California and permits issued by the County of Mendocino. This is very preliminary data, but as we track this data over time, we hope to provide more insight into this segment of the economy.

According to the State of California Department of Food and Agriculture, there are 779 active Cannabis Cultivation Licenses issued to about 574 “unique” entities in Mendocino County. As all licenses are temporary and re-issuance has been slow, this includes both active and “about to expire” licenses. The following table shows where in Mendocino County the licenses were issued and compares the first quarter data (July-Sept) with the second quarter data (Oct-Dec).

<sup>12</sup> [https://www.realtor.com/local/Mendocino-County\\_CA](https://www.realtor.com/local/Mendocino-County_CA)

**Table 1: California State Temporary Cannabis Cultivation Licenses by Location**

	As of 12/31/2018	As of 09/30/2018
Albion	1	1
Boonville	6	6
Branscomb	1	1
Calpella	1	1
Comptche	4	4
Covelo	41	38
Dos Rios	4	4
Fort Bragg	10	8
Gualala	2	2
Hopland	13	13
Laytonville	38	41
Leggett	1	1
Mendocino	2	0
Navarro	2	2
Philo	9	9
Piercy	1	1
Point Arena	3	0
Potter Valley	15	15
Redwood valley	17	16
Ukiah	103	41
Unspecified, Mendocino County	380	85
Westport	1	1
Whitethorn	1	1
Willits	115	70
Yorkville	8	8
<b>Total Licenses Issued</b>	<b>779</b>	<b>369</b>

Source: <https://aca6.accela.com/CALCANNABIS/Cap/CapHome.aspx?module=Licenses>

It is worth noting in the table above that the state issued over 300 licenses in the second quarter, most of which were approved in December. This is probably related to the backlog of state licensing and an attempt to get licenses issued before the end of the year, rather than an increase in requests.

Additionally, it is notable that the number of permits issued within the city of Ukiah increased from 41 to 103, and that Willits and Laytonville also had significant increases.

The type of licenses issued by the state provides interesting baseline data. The table below shows the types of licenses issued in the county:

**Table 2: Cannabis Cultivation License by Type**

License Type	Dec-18	Sep-18
Medium Indoor	1	1
Medium Mixed-Light Tier 1	2	0
Medium Mixed-Light Tier 2	2	0
Medium Outdoor	4	0
Nursery	72	22
Processor	12	4
Small Indoor	1	0
Small Mixed-Light Tier 1	230	92
Small Mixed-Light Tier 2	49	28
Small Outdoor	170	102
Specialty Cottage Indoor	9	5
Specialty Cottage Mixed-Light Tier 1	30	8
Specialty Cottage Mixed-Light Tier 2	9	9
Specialty Cottage Outdoor	24	12
Specialty Indoor	10	5
Specialty Mixed-Light Tier 1	54	26
Specialty Mixed-Light Tier 2	14	10
Specialty Outdoor	86	45
<b>Total Active Permits</b>	<b>779</b>	<b>369</b>

Source: <https://aca6.accela.com/CALCANNABIS/Cap/CapHome.aspx?module=Licenses>

It is interesting to note that there were only 22 nursery permits in September and there are now 230. This may also have something to do with changes in regulation and not an actual increase in nursery operations. Additionally, there was a significant increase in processors which was only 4 in September and now there are 12. This is significant and important because processing facilities may provide higher skilled labor jobs and serve as buyers and processors for local cultivators.

The following tables look at the permits issued by Mendocino County. Table 3 shows the breakdown by type of permit and Table 4 shows location of the permitted facility in the county.

**Table 3: Mendocino County Cannabis Cultivation Permits issued by Type in 2018**

Type	Permits Issued
Medium Outdoor	3
Medium Mixed Light	7
Large Multi-type	1
Large Outdoor	42
Large Mixed Light	58
Nursery/Seed	15
Small Outdoor	13
Small Indoor	1
Small Mixed Light	6
<b>Grand Total</b>	<b>146</b>

Source: Mendocino County Department of Agriculture

**Table 4: Mendocino County Cannabis Cultivation Permits Issued by Location in 2018**

Location	Number of Permits Issued
Branscomb	3
Comptche	1
Covelo	18
Dos Rios	2
Fort Bragg	3
Gualala	1
Hopland	3
Laytonville	26
Philo	3
Piercy	1
Point Arena	2
Potter Valley	16
Redwood Valley	14
Ukiah	17
Whitehorn	1
Willits	28
Yorkville	4
Unspecified Location	3
<b>Total</b>	<b>146</b>

Source: Mendocino County Department of Agriculture

There is a very significant difference between the number of licenses issued by state and permits issued by the county. According to Sarah Dukett of the Mendocino County Executive office, this is in part because “[the county doesn’t] require different permits for adult and medical [cannabis]. We also allow the mixing of light types under one permit and the state does not. So there are a few reasons for the difference in state vs. local.”

Again, we cannot make any conclusions about the industry at this time, but it is certain that there is significant interest and initial activity in the legal recreational cannabis industry in Mendocino County and it is important to monitor in the future.

### Summary of Economic Conditions

In quick summary, Mendocino County’s economy may be changing. The news over the course of the last year suggests that to be the case. Change is always hard, and it will take time and effort to support economic development in a way that ensures positive change. While these indicators show some growth from the previous year, the economic news including the slight drop in real estate sales prices and the expected loss of manufacturing jobs in the coming quarters, indicate a need for planning, collaboration, and investment in economic development activities.

# EDFC's 2018-2019 Second Quarter

## Organizational Accomplishments & Deliverables

In the second quarter of the 2018-2019 Fiscal Year, EDFC accomplished the following contract deliverables and auxiliary activities to support economic development in Mendocino County, the City of Ukiah, the City of Fort Bragg, the City of Willits, the City of Point Arena, and the Sonoma Mendocino Economic Development District:

### Grants and Lending Program

- Submitted one grant application to the Community Foundation requesting \$10,000
- Provided technical assistance through our Rural Microentrepreneur Assistance Program via West Company and EDFC to three potential borrowers.
- EDFC approved 2 loans totaling \$210,000.

### Community Collaboration and Outreach

- Participated in the California Economic Summit in Santa Rosa November 15-16, 2018
- Gave a presentation on economic development and loan programs to: Rotary of South Ukiah, Kiwanis of Ukiah, and Rotary of Fort Bragg
- Provided direct outreach to seven partner organizations in Mendocino County.
- Participated in the Healthy Mendocino Poverty Action Team
- Coordinated with the Alex Rorabaugh Center (ARC) Family Resource Center, Ukiah Vecinos en Accion, and West Company to develop a potential program for a Community Market in Ukiah and participated in an outreach session at the ARC on Monday, December 10, 2018.
- Provided fiscal sponsorship to the Mendocino Latinx Alliance
- Participated in the quarterly meeting for the Workforce Alliance of the North Bay (WANB), and the Policy & Oversight Committee
- Began planning of the Mendocino County Economic Summit which will take place on January 31, 2019.
- Conducted direct outreach to promote EDFC during the KZYX Pledge Drive, Mendocino Works on KZYX, and Peggy's Place on KGUA.
- Participated in the City of Ukiah CDBG Loan Committee

### Programs and Training

- The majority of activities this month were centered around collecting data through three surveys and completing the *Mendocino County Digital Infrastructure Strategic Plan for 2019-2025*. The plan was completed and will be presented to the Mendocino County Board of Supervisors in February, 2018.
- EDFC completed the *Mendocino County Opportunity Zones Report* which is available on our website and Facebook page. We continue to monitor the status of Opportunity Zones and changes in the regulation as it continues to be developed.

# 2018-2019 Second Quarter Loan Program

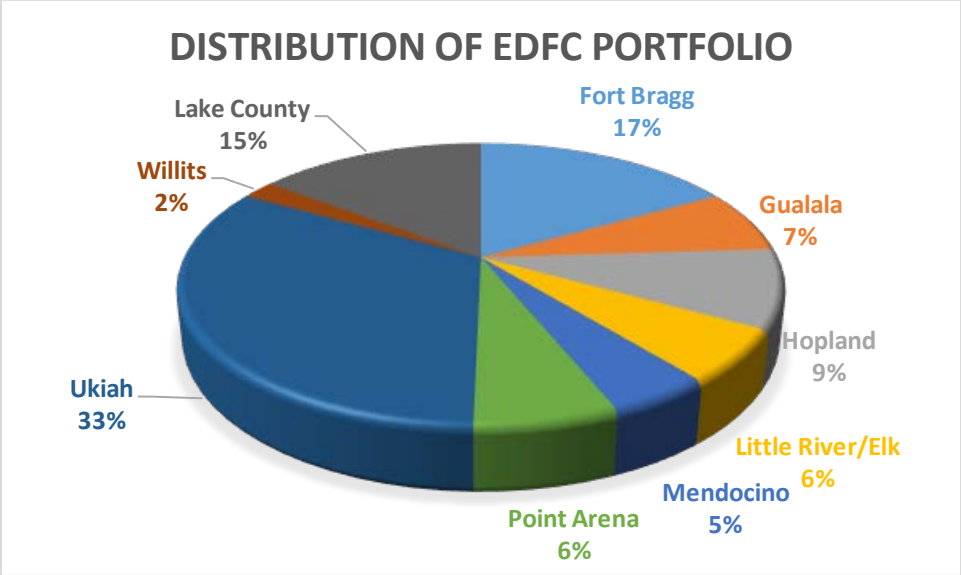
In the second quarter, EDFC finished work on the restructure of our loan program to improve our capacity. This is part of an overall plan to create long-term sustainability in our loan funds.

## Second Quarter Loan Program Statistics

- Loan Inquiries: 9
- Pre-Applications Received: 2
- Applications Received: 2
- Applications Denied: 0
- Applications Approved: 2
- Total # Current Loans in Portfolio: 33
- Total Dollar Amount of Portfolio: \$1,645,963
- Total Dollar Amount Available to Lend: \$1,390,174

EDFC has loans throughout Mendocino and Lake Counties. Of the total number of active loans, 85% are in Mendocino County, the largest portion of which are in Ukiah, followed by Fort Bragg. The following chart shows the breakdown of loans by county and city:

Chart 4: EDFC Loans by Location



EDFC has over \$1.3 Million available to lend in Mendocino and Lake Counties. Of this amount, \$200,000 is currently committed to an approved loan. The remaining funds available come from the following sources:

**Table 5: Breakdown of Funds Currently Available for Lending from EDFC**

Source of Funds	Amount Available
Community Development Financial Institution Fund	\$297,575
EDFC Revolving Loan Fund	\$24,859*
Direct Public Offering	\$0
Rural Microentrepreneur Assistance Program - USDA	\$407,601
Intermediary Revolving Loan Program - USDA	\$603,989
<b>Total Available</b>	<b>\$1,334,024</b>

In addition to these programs, EDFC also administers the Community Foundation’s Microloan Program which currently has an estimated \$13,000 available to lend. These funds can be used as match for some of our USDA loans that require 25% private investment. Additionally, the funds that are listed as “EDFC Revolving Loan Funds” are currently pledged as match for our approved USDA Rural Development IRP funds and an Economic Development Administration Revolving Loan Fund application. If approved, we will leverage approximately \$30,000 local dollars to create a \$1,000,000 loan fund to help grow local businesses. The \$800,000 requested from EDA is a grant and not a loan, which will build long-term sustainability in our loan program.

### Loan Program Income

Between October 1, 2018 and December 31, 2018, EDFC our net interest income (minus interest expense) was approximately \$24,753 to support the operation and sustainability of EDFC. This covers approximately 26% of our operating expenses.

EDFC’s loan program income is a critical base for the financial health of EDFC, however, from our research and networking with other CDFIs, alternative financiers, and microlenders, for the geographic area we serve, it is unlikely that EDFC could financially sustain itself just on the lending program alone. For that reason, it is critical that we continue to receive financial support from our cities and the County of Mendocino.

### Thank You to Our Sponsors

EDFC will continue to provide quarterly reports on the status of Mendocino County’s economy and important developments happening throughout the county. We appreciate the support we receive from our local jurisdictions including the County of Mendocino and the Cities of Fort Bragg, Point Arena, Ukiah, and Willits and the Sonoma Mendocino Economic Development District. We also receive funding from AT&T and PG&E to support our general work.

While we are fortunate to have the support of these organizations, EDFC is a 501(c)(3) not-for-profit organization, and we always need funding and support to continue this work. We are happy to take your donation, grant, or other contribution that you would like to make to EDFC. If you would like to reach us for this purpose or for any other reason, please contact us at (707) 234-5705.