

# **GGT Project Description**

(former Uesugi Farms | 1020 CA-25)

## **Use Permit Modification**

### **July 2020**

#### **Project Description**

The application is for a minor modification to the existing Use Permit. The Applicant (“Garden Gate Tower, LLC” or “GGT”) is requesting a modification to allow 1) a change in the type of agricultural commodity processed onsite and 2) the processing (trimming) and extraction of industrial hemp onsite. It should be noted that the Applicant is not requesting a modification to allow any cultivation at this time.

#### **Background**

The subject site is approximately 68 acres in size, consists of mostly farmland and a produce distribution center along Hwy. 25, close to the city of Gilroy in the unincorporated area of Santa Clara County. The property is bordered on the northeast by Hwy. 25, on the west by Carnadero Creek and the remaining portion is surrounded by farmlands. The property is within the FEMA 100-year flood plain and the Pajaro River Watershed Flood Prevention Authority areas. Surrounding uses are mostly agriculture-related operations. Directly east of the subject property is an existing composting operation.

In 2006, Uesugi Farms received a Use Permit and Architectural and Site Approval for the existing operations. The project included construction of a 25,000 square foot cold storage building with an attached refrigeration room, dispatch room, trucker’s lounge, and nine (9) loading docks. The Applicant also proposed to maintain the existing buildings (for office, packing and storage uses) and to add (9) new parking and truck loading spaces. The dispatch room and trucker’s lounge were deferred at the time of building permit and never constructed. The Applicant is not proposing to build the dispatch room or the trucker’s lounge at this time.

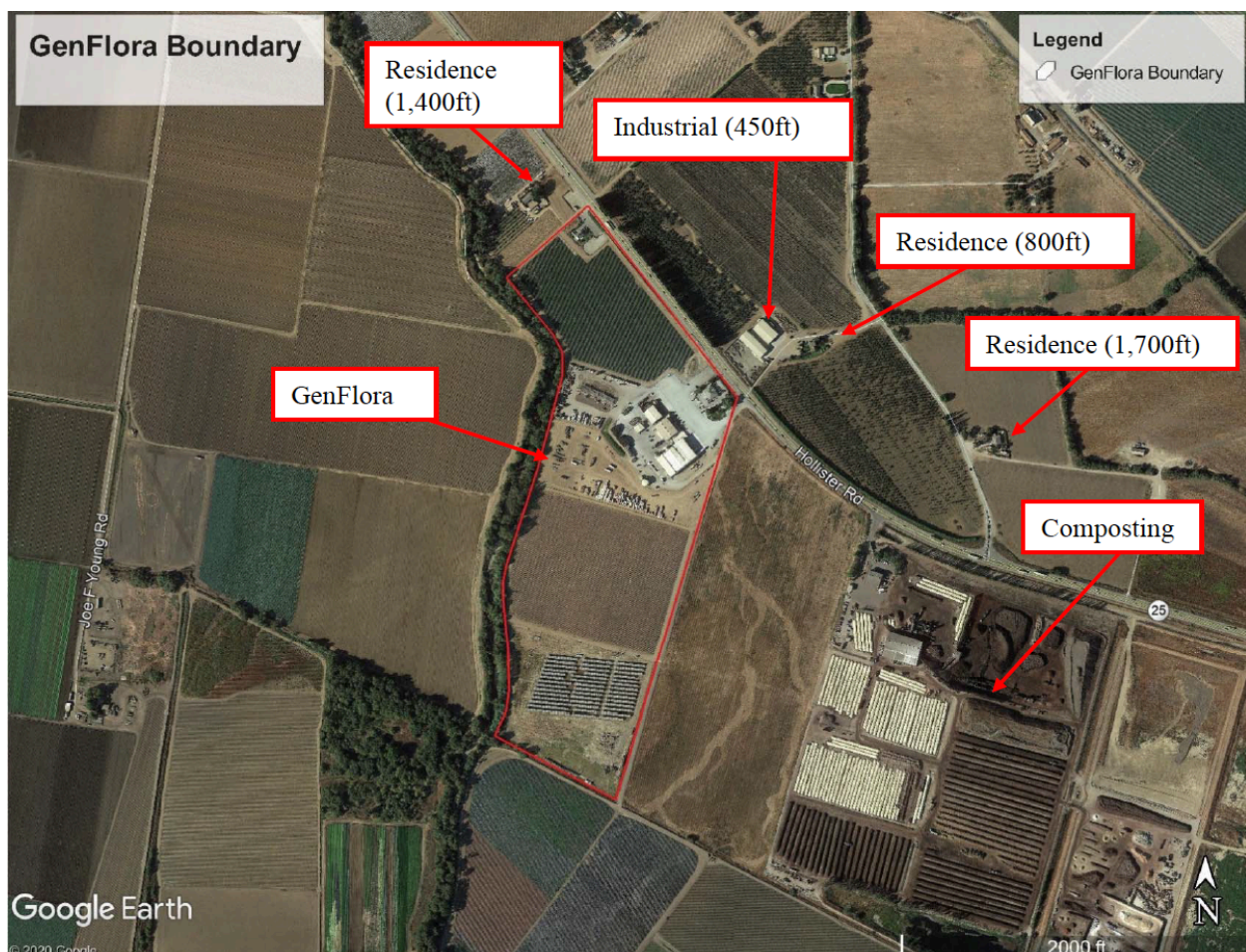
Uesugi Farms specialized in packing and storing a variety of produce including Napa Cabbage, Bell Peppers, Strawberries and Chile Peppers prior to shipping. With the added expansion under the Use Permit and ASA, produce could be stored longer onsite and shipping to other cold storage would not be necessary. Produce originated from Santa Clara County as well as other counties within California. The facility operated from 6am to 7pm (Mondays through Saturday) with a maximum 40 employees. The peak season ran from June through October (5 months).

In late 2019, Uesugi Farms was forced to suspend packing and cold storage operations at the facility due to volatile market conditions. The Applicant completed the purchase of Uesugi Farms on May 29, 2020. Consistent with the County’s goal of preserving and encouraging the long-term viability of agriculture and agricultural lands with the intent of reserving those lands most suitable

for agricultural production for agricultural and appropriate related uses, the Applicant plans on purchasing the property for the immediate purpose of storing and processing industrial hemp.

- The Applicant is not cultivating industrial hemp onsite.
- The Applicant is not proposing any exterior modifications to the existing buildings. There will be no modifications to the existing site utilities, grading and/or drainage.
- The operation proposes to comply with the business hours allowed under the current CUP (6am-7pm Monday through Saturday).
- The operation will not exceed 40 employees as described in the CUP.
- As discussed with the Department of Environmental Health, the operation will limit the number of people onsite to less than 25 except during the peak harvest season which is less than 60 days per year.

**Figure 1: Vicinity Map**



## Industry Overview

The industrial hemp market is booming due to recent changes at the federal and state level and Santa Clara County has the opportunity to become a leader with the right regulatory framework. Industrial hemp promises to improve the economic viability of many farm operations in Santa Clara County and create high paying jobs in the agricultural industry at this time of chronic unemployment.

The cultivation and processing of industrial hemp are currently allowed under federal and state law. The Applicant is not seeking to cultivate industrial hemp until the County's hemp ordinance is adopted. The USDA's Interim Final Rule ("IFR") and the California Industrial Hemp Program govern the cultivation and processing of industrial hemp at this time. The interim final rule governs the production of hemp under the 2018 Farm Bill. The interim final rule does not affect industrial hemp that was or is being cultivated under the 2014 Farm Bill programs.

For further information regarding the USDA's interim final rule, please use the link.

<https://www.ams.usda.gov/rules-regulations/hemp>

Regardless of any federal requirements, all hemp growers in California must comply with existing state laws and regulations as well as any local restrictions that may apply. All growers and breeders of industrial hemp must register with the county agricultural commissioner prior to cultivation. According to Division 24 of the Food and Agricultural Code, the cultivation of industrial hemp is legal when grown by registered growers, hemp breeders, and established agricultural research institutions. The Applicant is currently registered in San Benito and Riverside County with the Ag Commissioner and has provided documentation to the County as part of this application.

- **California law does not currently provide any requirements for the manufacturing, processing, or selling of non-food industrial hemp or hemp products.**
- **California law does not currently provide for a permit or license for the manufacturing, processing, or selling of non-food industrial hemp or hemp products.**

For further information regarding California's Industrial Hemp Processing, please use the link.

<https://www.cdfa.ca.gov/plant/industrialhemp/faq.html>

The Applicant has operated in conjunction with MaD Farm I San Benito, Inc. ("MaD Farms"), which is the subject of a Memorandum of Understanding between Imperial Valley Conservation Research Center Committee, Inc., an established agricultural research institution defined by Section 81000(c)(1) California Food and Agriculture Code. The Applicant also operates in conjunction with Genflora, LLC ("Genflora") in Riverside County which is also the subject of a Memorandum of Understanding between Imperial Valley Conservation Research Center. Copies of these MOUs have been provided to the County.

In summary, these research arrangements provide the basis and authority for the Applicant to lawfully conduct hemp processing and storage under the 2014 Farm Bill, subject to local restrictions such as the modification of the CUP.

## **Operational Overview**

Industrial Hemp is typically planted in June/July and harvested from October through the middle of November. The peak season runs for approximately 40-45 days (substantially less than the existing condition). The operation will source product initially from our farming operations in San Benito County. Longer term, industrial hemp will be imported from neighboring counties such as San Benito County, Monterey County, Riverside County and the Central Valley. The industrial hemp will be harvested, dried and bucked in the field and trucked to the site.

Once stored onsite, the hemp will be moved from climate-controlled storage and processed onsite for hemp flower and the resulting biomass will be extracted for CBD oil. The hemp will be trimmed mechanically and manually. A mechanical continuous feed trimmer will be placed into service to trim the hemp in bulk. Final trimming will be performed by hand at trimming stations. CBD oil will be extracted from biomass produced from the trimming process.

Extraction systems for CBD oil are highly sophisticated and involve a variety of proven extraction methods commonly used in other industrial applications. Supercritical CO<sub>2</sub>, Hydrocarbon (Butane or Propane) and Ethanol are just some of the current industrial scale methods being utilized. Each method has its pros and cons in terms of quality and speed. However, one thing is common; each method involves a closed loop system with minimal environmental impacts. Safety concerns can be addressed with appropriate mitigation measures. The Applicant believes that allowing extraction in agriculturally zoned areas is not only appropriate, but sound policy for economic development within agricultural communities.

The Applicant proposes to operate the CO<sub>2</sub> method of extraction after careful analysis. The potential impacts from the operation of the CO<sub>2</sub> extraction equipment are easily mitigated with appropriate signage, carbon monoxide monitoring, etc. compared to the other systems. While considered a hazardous substance due to inhalation risks, CO<sub>2</sub> is a non-volatile, non-flammable extraction methodology. In order to operate, the extraction equipment will require ancillary equipment such as a heat exchanger and chiller as well as a 1200 lb. (600-800 liter) CO<sub>2</sub> tank. The tank will be serviced by an industrial gas provider such as Praxair and is similar to tanks used in commercial beverage applications.

Both flower and CBD oil will be sold wholesale. No retail sales will be operated onsite under the proposed modifications. Some customers will visit the site to evaluate product quality and product will be delivered to customers primarily via USPS. In addition, the fruit stand will no longer be utilized.

## **Proposed Uses**

The Property currently provides cold storage, equipment storage, office and agricultural processing. Buildings A will be administrative office. Buildings F & G were approved under the Uesugi CUP and have not been constructed. There is no plan to construct these buildings at this time. The balance of the property consists of a fruit stand, fallow agricultural land and a solar array. No cultivation is proposed on the fallow agricultural land at this time.

In response to comments received from various departments, the Applicant has provided the following information:

- An Overview Site Plan that illustrates the properties existing characteristics including building area, mound/septic location, future cultivation areas, existing solar array and creek setbacks.
- A Detailed Site Plan denoting the existing buildings, parking areas, proposed fire access (no change from prior approval), the location of existing fire hydrants, water tanks (including size and use of tanks) and existing sprinkler systems.
- A Floor Plan for Building D
- A Signage Plan
- A Parking Plan

## Storage

Buildings B, C and H as shown on the site plan will primarily be used for storage. Initially, approximately 150,000-180,000 lbs. (75-90 tons) of inventory will be transferred from San Benito County. Max capacity of Building B & Building H is approximately 600,000 lbs. (300 tons) of inventory. Storage deliveries will occur primarily during the peak harvest which runs from October through the middle of November. Product will be moved from storage to processing in Building B primarily using forklifts on an as needed basis.

## Processing

Building D was utilized for processing bell peppers, napa cabbage and other products and will be repurposed for processing and extraction of industrial hemp. Dried hemp will be processed for wholesale distribution and the resulting biomass will be extracted producing hemp oil. A floor plan for Building D has been submitted as part of this package. The sorting and grading line will be reconfigured, and a mechanical trimming line and the extraction equipment will be added within the processing/extraction area shown on the floor plan provided. A mechanical trimmer is capable of processing between 400-1200 pounds per hour and is approximately 12' long x 4' wide x 6' tall. Product is loaded into a hopper, passes through the barrel trimmer and discharged into storage bins for further processing as flower or biomass for CBD oil extraction.

Each hemp oil extraction system will occupy less than 100 SF of floor space and can be run in parallel to increase extraction capacity. Initial plans call for one machine to be employed. The maximum extraction capacity is approximately 200-500 lbs. of industrial hemp per day. Each machine can be operated with two employees during a cycle. The yield per system is approximately 10% or a maximum of 50 liters per shift of CBD oil. Additional CO2 machines

may be added as market conditions warrant. Minimal facility safety requirements including signs and a CO2 monitor will be installed.

## **Environmental Discussion**

The following environmental criteria were evaluated by the Applicant and its third party consultants to determine if the minor modifications proposed to the existing CUP would result in any environmental effects:

### Aesthetics

The project is subject to the original Architectural and Site Approval (ASA). No changes to the site plan are currently proposed. The buildings on the site shall continue to be in compliance with the ASA guidelines and standards. Maintenance of the existing landscape will continue to ensure that any visual impacts remain insignificant.

### Air Quality

The Applicant engaged Yorke Engineering, LLC to perform an Odor Analysis. The Odor Analysis was completed in May 2020 and has been submitted as part of the County's application process. The Odor Analysis included a discussion of the existing background odor environment, proposed odor environment, proposed mitigation measures and an odor modeling assessment for the project. The report shows that there is substantial reason to believe that the proposed facility will not result in a significant impact of odors.

### *Mitigation Measures*

The facility is proposing that FogCo install an odor mitigation fog device by the exhaust fans of the processing building that utilizes odor neutralizing material Odor Armor 420. This system aerosolizes water mixed with Odor Armor into a fog, which mixes with the ventilation air. The micro-sized droplets absorb the odor-causing organics, and the Odor Armor reacts with the organics to eliminate odorous substances. This system is expected to significantly reduce the odors associated with all activities that take place in the processing building, with the exception of the low organic extraction chamber ventilation, which is vented at the roof. The system specifications indicate that odors are reduced by 90%, and St. Croix Sensory certified the efficacy of a similar FogCo and Odor Armor system in 2017.

### Agricultural Resources

The site is currently zoned for agricultural use and used for storage and packing of agricultural products. The existing uses will continue except for the type of agricultural commodity being processed onsite. No other changes in the existing environment are proposed that would result in the conversion of farmland to non-agricultural purposes.

### Biological Resources

The property is an already developed agricultural production site and will be maintained as such. No changes to the physical site plan are currently proposed.

The Applicant completed a Habitat Conservation Plan (HCP) Screening Form as part of the review with the Habitat Plan Coordinator.

### Cultural Resources

Since the project is not proposing any modifications to the existing site plan that would require grading, excavation or fill, the project would have no significant impacts to cultural resources given adherence to the mitigation measures in the Use Permit and ASA.

### Geology and Soils

Since the project is not proposing any modifications to the existing site plan that would require grading, excavation or fill, the project would therefore have no significant impacts to the topography or soil conditions from excavation, grading or fill activities.

### Hazards and Hazardous Materials

The proposed modifications will not create a significant hazard to the public or the environment. The site is zoned agricultural and there are no sensitive receptors such as a school or residence in close proximity to the site. The project would have no impacts to public health and safety given the location of the property, proposed operations and adherence to the County requirements under the existing Use Permit.

### *Mitigation Measures*

Any requirements of the County Environmental Health Department and the County Fire Marshall's Office for fire protection and prevention shall be met. For example, the project will mitigate the potential impacts from the operation of the CO2 extraction equipment with appropriate signage, carbon dioxide monitoring, etc. if required.

### Hydrology and Water Quality

The proposed modifications will not alter the existing drainage onsite, result in the increase impervious surfaces or degrade water quality. No changes to the existing elevations will be required.

### Land Use

The purpose of the Agriculture Zoning District and General Plan Land Use Designation is to preserve and encourage the long-term viability of agriculture and agricultural lands with the intent of reserving those lands most suitable for agricultural production for agricultural and



appropriate related uses.

The site is currently used for packing and storing agricultural commodities such as Napa Cabbage, Bell Peppers, Strawberries and Chile Peppers. However, due to market conditions, the type of agricultural commodities stored and processed onsite are not economically viable. The proposed CUP modification includes allowing the storing and processing of industrial hemp and extraction of CBD oil from hemp biomass. It should be noted that:

- Industrial Hemp is defined as an agricultural commodity by the USDA
- The Applicant and the hemp proposed for storage and processing has operated under a Memorandum of Understanding with an established agricultural research institution defined by Section 81000(c)(1) California Food and Agriculture Code as allowed under the 2014 Farm Bill.
- The Applicant proposes to process an approved agricultural commodity, in an agricultural zone and in a facility designed to process agricultural products with an existing CUP.
- California law does not currently provide any requirements for the manufacturing, processing, or selling of non-food industrial hemp or hemp products.
- California law does not currently provide for a permit or license for the manufacturing, processing, or selling of non-food industrial hemp or hemp products.

Note: The proposed modification does not include the cultivation of hemp at this time. The Applicant will await the adoption of the County's Industrial Hemp Ordinance.

### Noise

The project would not create any significant noise impacts given compliance to the County Noise Ordinance standards and operation of the extraction equipment indoors. During operation of the site, noise impacts would remain insignificant also. Highway 25 located adjacent to the project site has a high ambient background noise level due to cars and other vehicles traveling on this road. The truck traffic during operation of the facility will not exceed the existing conditions as discussed in the Kimley Horn Traffic Analysis.

Construction activities related to the installation of the extraction equipment such as plumbing, ventilation and electrical may temporarily generate increased noise levels on and adjacent to the project site. However, the project proponent is required to comply with the County Noise Ordinance. Noise is regulated by time-of-work restrictions and other measures as specified in the County Noise Ordinance. Thus, it is anticipated that short-term noise resulting from the equipment installation of the project will not present a significant impact to neighboring property owners.

### Population and Housing

The project would not significantly increase growth in the area as the Applicant will comply with the maximum number of employees in the existing Use Permit. There will be a significant decrease in the amount of storage and processing capacity on the property. No housing would be displaced as a result of this project. There are no residences on the subject site.



### Public Services

This project would neither require the significant expansion of nor substantially alter government facilities or the provision of public services.

### Resources and Recreation

The project would not result in the loss of any mineral resource or increase the use of any parks or involve any recreation facilities. There are no known mineral resources located on-site. The project does not involve the construction or expansion of recreation facilities.

### Transportation and Traffic

The Applicant retained Kimley Horn to compare the existing conditions as approved under the existing CUP to the proposed operations. The analysis was completed in May 2020 and has been submitted to County Planning for their review as part of the application process. The Kimley Horn traffic memorandum reviewed both Trip Generation and Vehicle Miles Traveled. The evaluation indicates that the proposed Project would generate the same number of trips for the built and approved buildings on the site.

The delivery of hemp and the distribution of CBD oil trips are anticipated to be consistent with the approved 2006 permit since no building expansion is planned. Thus, the proposed Project would not generate any additional trips. The general geographic location for growth of hemp and the distribution of CBD oil is anticipated to be the same as for fresh produce, and as such, no increase in vehicle miles traveled (VMT) is anticipated and the project wouldn't trigger any VMT transportation impacts.

### Utilities and Service Systems

Utility and service systems for this site is provided by the County Department of Environmental Health and California Department of Health Services. The project would not negatively impact any utilities or service systems. The project will not exceed the capacity of existing utilities and service systems nor result in the construction of new facilities that could cause significant environmental impacts. The project would have no significant utility or service system impacts.

The project would substantially reduce the number of people onsite from existing conditions. The Applicant is limiting the maximum number of employees pursuant to the existing CUP at 40 employees. In addition, the operations will require less than 25 people onsite for most of the year. During peak harvest which runs less than 60 days, the number of people onsite will exceed 25 people as discussed with DEH.

The Applicant provided the Department of Environmental Health mound and septic inspections as part of the review process.