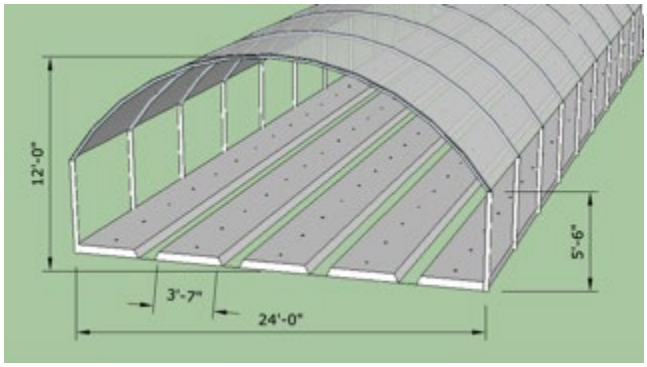
VERTICAL INTEGRATION CORP

REVISED May 2020
Minor Use Permit – DRC2020-00011/SC2
APN 037-371-002

Project
The proposed project is a request by Vertical Integration Corporation to cultivate an approximately 3-acre outdoor annual cannabis crop utilizing hoop structures within a 3.75-acre cultivation area and surrounded by secure fencing with vehicular access totaling a 5-acre footprint on APN 037-371-002, an approximately 199 acre agricultural parcel located on Shell Creek Road east of the community of Santa Margarita. The project site is a part of several contiguously owned agricultural parcels all totaling over 31,000 acres.

The cultivation will encompass 3.75 acres of hoop structures and be surrounded by a 10-acre exterior fence shared with a contiguously owned property and commonly operated cannabis cultivation on APN 037-371-001 (DRC2020-00012). The project proposes to share common facilities including an existing driveway, existing access road, existing below ground waterline from existing well, water treatment facility at the well pad, water storage, road extension to cultivation area, compost area, storage, parking, portable toilet facilities, and a 6' high chain link fence with wooden slats or as otherwise required by the County Sheriff's Department.

Each hoop house is 226.88' long x 24' wide x 12' high (5.5' high sidewalls, per SLO County requirements for temporary hoop structures). Inside each hoop structure are five canopy beds that are 3.7' wide. Total canopy under each hoop house is 0.964 acres. 2.89 acres of canopy will be grown within three sets of 10 hoop houses each having a footprint of 226.88' long x 240' wide, 54,451.2 square feet or 3.75 acres.



The annual crop is harvested in late October and immediately taken offsite for processing. No drying or curing of plant material or storage of harvested plant will occur onsite.

Background

The project site consists of approximately 199 acres consisting of actively irrigated farmland atop a mesa. The property is part of a larger complex of agricultural parcels consisting of several thousand acres. The project site (APN 037-371-002) is utilized for irrigated vegetable crop production. Access is provided to the project site from an existing driveway located on County-maintained Shell Creek Road. Water is provided to the site from a well located adjacent to the access road that is shared between three contiguously owned parcels and piped to flood irrigate the project site for carrots.

Site Location

The project site is located on Shell Creek Road, 2.5 miles north of Highway 58/Calf Canyon Highway and is accessed via an existing driveway. The site is zoned agriculture.

Legal Access

The parcel has an existing driveway on Shell Creek Road, a public County road. The existing driveway on the parcel provides access to the project site, as well as adjacent parcels 037-371-001 (pending project DRC2020-00012) and 037-351-001. To additionally support that legal access to the project site is provided by the existing driveway on Shell Creek Road, confirmation has been provided by the County Assessor's office. Please refer to attached County Assessor's correspondence. Additionally, as evidence that the adjacent contiguously owned properties have legal access to share the road, please refer to attached Legal Access Exhibit. A Shell Creek Road street address will be required to be assigned.

Statement of Neighborhood Compatibility

Grazing land, irrigated agriculture, and vacant properties surround the extremely rural site located over 30 miles east of the community of Santa Margarita and approximately 15 miles southeast of the community of Creston. There are no schools; alcohol or drug rehabilitation facilities within 1,000 feet of the property. The nearest

residence is located over 1.5 miles to the north. Shell Creek Road is a rural road with very low traffic volumes. This parcel and the neighboring parcels are uniquely suited for the cultivation of cannabis, as the distinctive odor near the time of harvest and during harvest activities dissipates with distance and the presence of intervening topography. These factors make it unlikely odor would be detectable to travelers on Highway 58, 2.5 miles south of the project site, or by any neighboring residential use. In addition, the project area is well setback from the public road and is not visible. See Location section of this document. The applicant has met with the single neighboring property not under contiguous ownership and established an open line of communication in the event concerns regarding odor are raised during times of harvest. Establishment of this communication is considered an effective tool for neighborhood compatibility of this project.

Lighting
No lighting will be utilized. Due to the nature of outdoor growing this crop, no lights are necessary and all work will occur during daylight hours. No security lighting is necessary due to the remote nature of the site, lack of visibility, and immediate removal of all harvested cannabis within daylight hours.

Parking Modification Request
A designated parking area with 10 spaces will be located adjacent to the outdoor cultivation site, outside of the fenced boundary, to be shared with adjacent cannabis cultivation on the neighboring parcel.

Section 22.18.050 (B) requires 1 space per 1,000 sf of outdoor cultivation area, which equates to 131 spaces (130,680 sf of cultivation). In order to grant a parking modification, the following findings must be made according to Chapter 22.18.020H:

a. The characteristics of use, the site, or its immediate vicinity do not necessitate the number of spaces, types of design, or improvements required by this Chapter; and
b. Reduced parking or an alternative to the parking design standards of this Chapter will be adequate to accommodate on the site all parking needs generated by the use, or that additional parking is necessary because of special features of the use, site, or site vicinity and
c. No traffic safety problems will result from the proposed modification of parking standards.

The characteristics of use for the site (a single harvest, outdoor cultivation) do not necessitate the number of parking spaces required by Chapter 22.18. The immediate vicinity is agriculturally active parcels, and the proposed project essentially represents a crop change.

Reduced parking of 10 total spaces will be adequate to accommodate on the site all parking needs generated by the use. Excluding harvesting, a maximum of 5 workers

will be onsite simultaneously. For harvesting, all workers will carpool. Total number of cars onsite will not exceed 5 per cultivation site.

No traffic safety problems will result from the proposed modification of parking standards. All parking is located adjacent to cultivation site on the project parcel. A Shared Use agreement has been established for the parking arrangement.

Signage
No signage is proposed.

Setbacks –Modification Request
The outdoor cultivation area meets the required setbacks for all parcels not in contiguous ownership. The outdoor cultivation area is situated beyond 300' at all property lines that are not in contiguous ownership. The nearest residence outside of ownership is over 1.5 miles to the north.

The project is proposed at the property line of contiguously-owned parcel APN 037-371-001/DRC2020-00012 and a modification of the setback requirement of 300' is requested. In order to consolidate disturbance and efficiently manage the cultivation operation, the two projects will share a fence, parking, storage, and water distribution. These shared common facilities make extending the setback to 300' inefficient and unnecessary. The setback distances area as follows:
N 2548.4'
S 2011'
W 1049.6'
E 0' (distance to the edge of contiguously owned APN 037-371-001 is 5323')

Employee Safety and Training Plan
An Employee Safety and Training Plan has been prepared for the project.

Staffing
Seasonal planting will occur during daylight hours in the month of May for 5 days and require 30 staff who will meet offsite to bus, carpool, or vanpool to the site. Seeds and/or clones will be procured in compliance with CA State track-and-trace regulations and delivered to the site. Crop maintenance will require 3 full-time staff to attend the crop during daylight hours. No deliveries of soil will occur prior to the initial planting season. Nutrients, pesticides, and other typical agricultural support deliveries are anticipated biweekly throughout the growing season during daylight hours. Harvest will occur during the month of October during daylight hours and will require 30 staff for a total of 5 days who will cut the plants at the base, weigh them for wet plant weight as required by CalCannabis/CDFA, place them into bins, and load the bins onto a truck. The truck will immediately transport them to the company processing and distribution facility. Harvested cannabis will be immediately transported offsite in 5 trucks in compliance with CA State track-and-trace

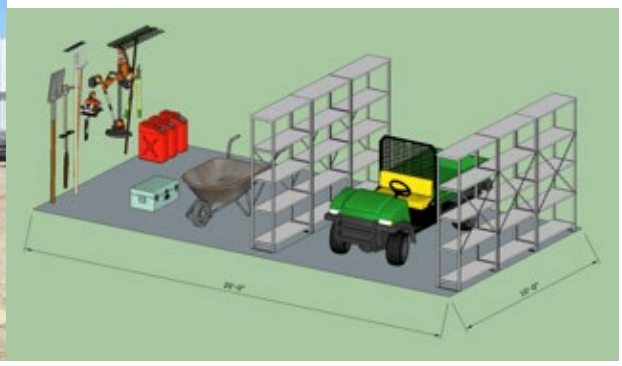
regulations. No cannabis will be stored on-site at any time. All activity will occur during daylight hours.

Security
A Confidential Security Plan has been prepared for the project for review by the Sheriff's Department, including security staffing and strict access controls. No harvested cannabis will be stored onsite.

Fire and Life Safety
The applicant has consulted with CDF/CAL Fire and existing access from Shell Creek Road is anticipated to be adequate for the proposed project. The proposed access road extension to the project site from the existing road terminus will consist of an approximately 550' length of 16' wide decomposed granite base road.

A 10,000 galvanized steel water tank will be installed on a compressed gravel pad outside the fence line. The tank will also be used as a source of irrigation water for the grow sites. Accordingly, the tank will have a booster pump and a nutrient injection system.

Chemical and Equipment Storage
One 10'x20' Seatrain will be placed adjacent to the well on the lower portion of the property for equipment and supplementary chemicals in small quantities. An additional 10'x20' Seatrain will be placed on the mesa adjacent to the fenced area. Storage will include only typical farm equipment and cultivation supplies such as small (under 20 gallons) containers for nutrient and pest management stored on racks, garden tools, workshop tools, supplies, paper products, tractors, ATVs, protective gear, and similar. Layout for storage structures will be multi-use and generally as shown below.



Pesticide and Fertilizer Application
All products are non-hazardous and in compliance with the Department of Pesticide Regulation (DPR) and the County of San Luis Obispo Agricultural Commissioner (CAC).

Fertilizer application will be monitored by the Regional Water Quality Control Board annual reporting of the project's Nitrogen Management Plan.

The project includes a water treatment system at the well site that will allow for blending fertilizer into the water prior to irrigation via a direct drip irrigation system. The pesticide plan will evolve and change depending on pests encountered on site and will be varied to avoid pest adaptation. Any pest management will be contracted out for application, and carefully selected from the following list:

Insecticides and Miticides
Azadirachtin • Bacillus thuringiensis sub. kurstaki • Bacillus thuringiensis sub. israelensis • Beauveria bassiana • Burkholderia spp. strain A396 • Capsaicin • Cinnamon and cinnamon oil • Citric acid • Garlic and garlic oil • Geraniol • Horticultural oils (petroleum oil) • Insecticidal soaps (potassium salts of fatty acids) • Iron phosphate • Isaria fumosorosea • Neem oil • Potassium bicarbonate • Potassium sorbate • Rosemary oil • Sesame and sesame oil • Sodium bicarbonate • Soybean oil • Sulfur • Thyme oil

Fungicides and Antimicrobials
Bacillus amyloliquefaciens strain D747 • Cloves and clove oil • Corn oil • Cottonseed oil • Gliocladium virens • Neem oil • Peppermint and peppermint oil • Potassium bicarbonate • Potassium silicate • Reynoutria sachalinensis extract • Rosemary and rosemary oil • Sodium bicarbonate • Trichoderma harzianum

Vertebrate Repellants
Castor oil

Storage and Hazard Response Plan
Vertical Integration has prepared hazard response procedures within the Emergency Management Section of the Employee Saftey Plan. In addition, as described above, all pest managment will be contracted out and the water treatment system will provide direct fertilization to the irrigation system. Any small chemical containers needed for day to day operations will be securely stored within a seatrain container located at the well pad and utilized in accordance with good farming practices implemented via staff training.

Odor Management Plan
The proposed annually harvested operation is not anticipating any odor nuisance since a majority of neighboring parcels are under the same ownership, the nearest residence is over 1.5 miles from the proposed project, the area is dominated by agriculture and is very rural. Outdoor cannabis cultivation does not produce odor for the majority of the year, with a 3-5 week window where the odor could potentially be detected. The site meets all setbacks and is not anticipated to be of nuisance to any surrounding property. The applicant has met with the single neighboring property not under contiguous ownership and established an open line of communication in the event concerns regarding odor are raised during times of harvest so they can work to identify measures to ensure the operation is compatible with the neighborhood.

Establishment of this communication is considered by the neighborhood to be an effective odor management plan tool.

Traffic
A Trip Generation Study and Sight Distance Analysis has been prepared by OEG, Inc. in 2020 and is enclosed. Traffic volumes for cannabis cultivation are considered similar to other open agriculture activity and the County's adopted trip generation rates have been applied to the project. The project has an anticipated average daily trip rate of 6 per day, with zero peak hour trips.

The sight distance requirement is met in both directions for the access driveway. The driveway is recommended to be improved to meet County B-1a standard.

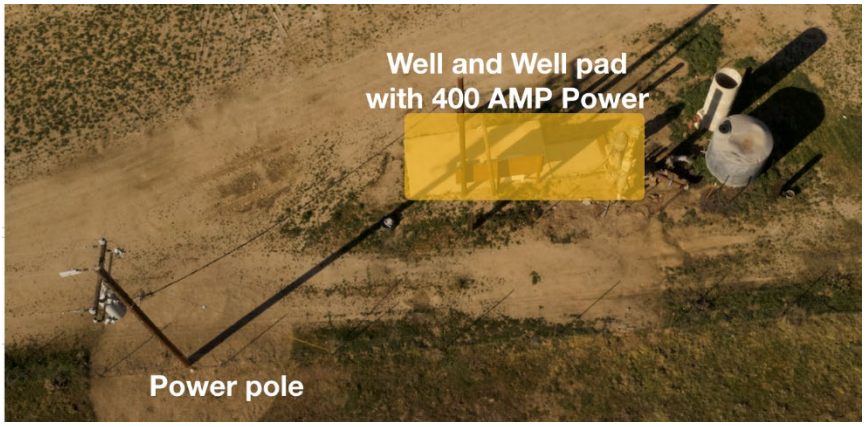
Waste Management Plan
For solid waste, a large waste bin will be located adjacent to the grow site. Trash pick-up services will be contracted, and the bin will be emptied when it becomes full. For compostable waste, all unused plant materials and soils will be shredded and tilled back into the soil after harvest. During the grow season, compostable waste will be maintained in a pile inside the secured portion of the grow site.

Air Quality
The project is accessed from Shell Creek Road, a paved County maintained roadway. Existing agricultural and proposed gravel roads will be used on the subject property. Good agricultural practices of low vehicle speeds and regular road maintenance as needed will reduce potential for dust.

Water
The property is located within the Paso Robles Groundwater Basin- Level of Severity III (Shandon Subarea). Section 22.40.050.CD.5 specifies that cultivation sites requiring a land use permit must offset water use at a 1:1 ratio. Project estimated water use is 2.17 acre-feet/year (AFY), which requires an offset of equal value. The offset will be achieved by the onsite crop replacement of carrots with cannabis within the project footprint. As analyzed by Wallace Group in the Engineered Water Management Plan prepared for the project, the 3 acres of outdoor cannabis will utilize a total of 2.17 AFY, replacing a five-acre footprint of carrots.

Vegetables have a County-defined annual usage factor of 1.9 AFY/acre, which when multiplied by the 5 acres of the project footprint is 9.5 AFY. The project will utilize 2.17 AFY, a significant reduction of water use on the parcel.

Energy Use (for Irrigation)
The project will be served by an existing 175 horse power (HP) pump powered by grid-connected electricity to fill a 10k gallon storage tank near the well on the project site. Energy estimate for this pump is anticipated at 19,000 KwH/year. No lighting is proposed and the staff will be served by portable toilet facilities.

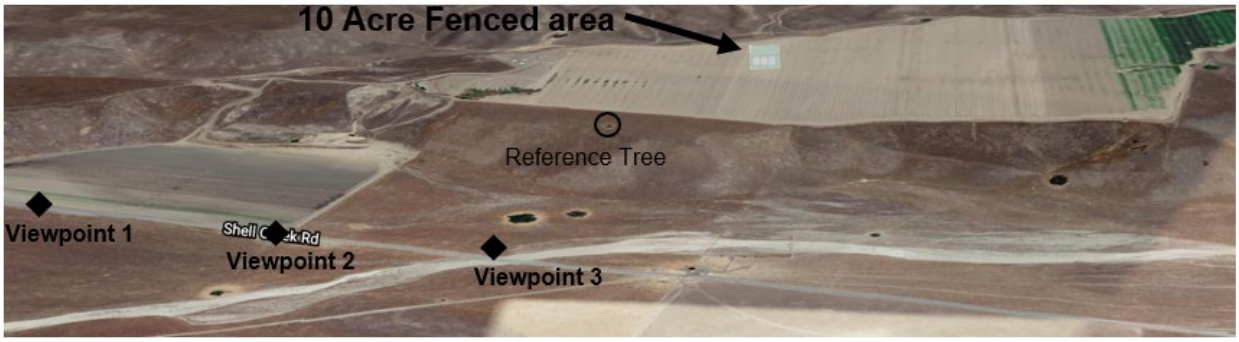


Disturbance Area
The project specific activity includes three sets of 10 hoophouses with a total footprint of 3.75 acres that will be placed on previously tilled agricultural land. This activity will only require re-tilling the land for placement of the hoop structures where cannabis will then be planted. A 10-acre fence will encompass the project and adjacent operation, totaling 5,610 sf of disturbance and 9 cy cut/0 cy fill. In addition to the fencing, the project and adjacent parcel operations will share an access road, storage, water treatment, and parking area. It is anticipated that the first project approved will file for the grading and/or building permits required for the shared use facilities. The following is a summary of disturbance required for the project, including the shared use facilities.

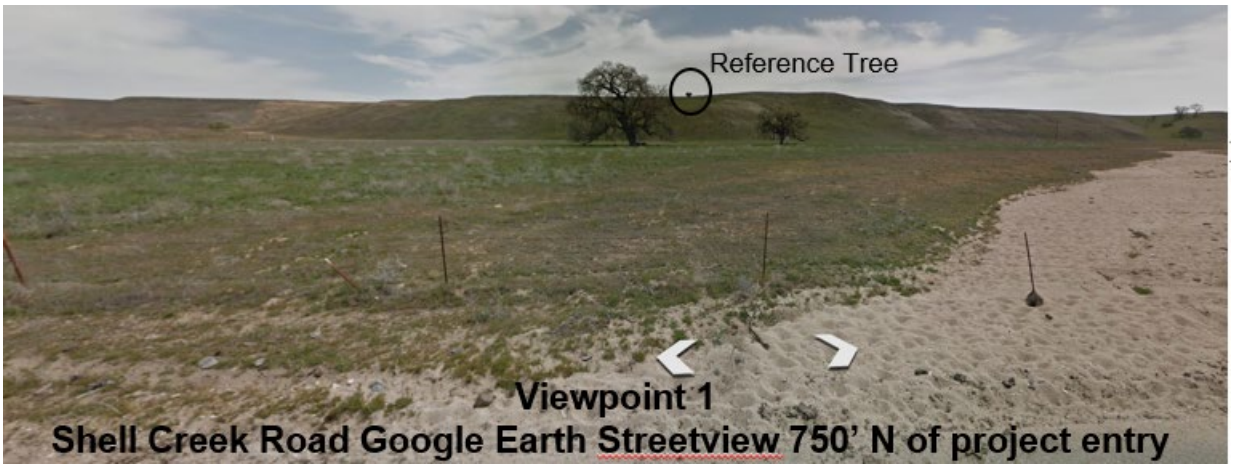
SITE DISTURBANCE TABLE

	AREA OF DISTURBANCE (SF)	EARTHWORK (CUT/FILL) (CY)
ACCESS 16' ROAD EXTENSION	8576	317 / 244
FENCING	5610	9 / 0
STORAGE	550	4 / 3
WATER TREATMENT	3000	0 / 0
PARKING AREA	3855	214 / 165

Location
The project area is uniquely suited to a discreet operation that will not be visible to passing motorists or adjacent properties. Shell Creek Road is oriented in a generally north-south direction and is located in a large valley. The project parcel is located on a mesa east of Shell Creek Road and accessed via a road that travels due east along the valley until it reaches a hillside approximately 1,000' from the roadway. The road then goes up the hill to a mesa where the project area is set back another 1,400' for a total distance of 2,400' or 0.46 mile from Shell Creek Road. See Google Earth study below for reference.



Project Area is setback approximately 0.46 mile from Shell Creek Road and is not visible



Archaeology
A Phase 1 Archaeology Evaluation was completed by Robert L. Hoover, PhD. and David N. Hoover, M.A. in 2019. The report effort included a detailed documentation of the cultural history of the area, a records search of the Regional Archaeological Information Center in Santa Barbara, and a physical surface survey of the project area and surroundings. The records search and field survey did not indicate presence of cultural resources within the project area or a zone of ¼ mile surrounding and determined that the project will not impact any cultural resources.

Biological
A Biological Resources Assessment and San Joaquin Kit Fox evaluation has been completed by Althouse and Meade, in compliance with County and resource agency guidelines. This report identifies potential impacts to sensitive biological resources and provides recommended avoidance, minimization, and mitigation measures including compensatory habitat mitigation as required to avoid or reduce those impacts.

Additional Agency Consultation

Cannabis projects are required to consult with California Department of Fish and Wildlife (CDFW) for securing either a General Cannabis Cultivation Permit or a Waiver on enrollment with the agency. The project and the adjacent operation are anticipated to qualify for a Waiver with CDFW. The Regional Water Quality Control Board (RWQCB) requires every cannabis cultivation to enroll in the agency's Cannabis Regulatory Program. The project and the adjacent operation are anticipated to be enrolled as a Tier 2-low risk site with the RWQCB. The California Department of Food and Agriculture (CDFA) CalCannabis branch is the regulatory agency overseeing the cannabis industry in California. CDFA/CalCannabis will be issuing several permits to the applicant to cultivate 2.89 acres total.