



COUNTY OF HUMBOLDT

For the meeting of: 10/24/2023

File #: 23-1314

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

Vote Requirement: Majority

SUBJECT:

Fourth Modification to Humboldt County Local Equity Program Manual

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve modifications to the Humboldt County Local Equity Program (LEP) Manual;
2. Authorize staff to open a new grant round for the LEP applicants using the 2023 Cannabis Equity Grant award and updated LEP Manual; and
3. Authorize the County Administrative Officer to execute sub-awards to eligible applicants under the Local Equity Program.

SOURCE OF FUNDING:

Economic Development Project Trellis (120-275422)

DISCUSSION:

On Mar. 19, 2019, your Board adopted Resolution No. 19-24 adopting the Humboldt County Cannabis Local Equity Program (LEP) Manual for the operation of the Local Equity Program (LEP) in response to Senate Bill (SB) 1294. The LEP Manual focuses on the inclusion and support of individuals and communities in Humboldt's cannabis industry that are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization. With the adoption of the LEP, the Economic Development Division (EcDev) was authorized to apply for the Bureau of Cannabis Control (BCC) Cannabis Equity Grant (CEG) funding.

Following changes to the BCC's criteria for local equity programs and the publication of Humboldt County's Equity Assessment, staff updated the LEP Manual. The Board approved those changes on Oct. 8, 2019. BCC subsequently released administration of the CEG funding to the Governor's Office of Business and Economic Development (GO-Biz) from which EcDev received three additional awards of \$2,459,581, \$1,055,870, and \$3,429,870

respectively.

Additional modifications have been made to the LEP Manual following input received from GoBiz, interagency partners, stakeholders, and community members which have modified the eligibility criteria for applicants. Your Board approved the third modification to the LEP Manual in August 2022 and EcDev is in the final stages of releasing the \$3,429,870 from the third award.

In May 2023, EcDev received an additional award of \$1,234,821.71 from GO-Biz with the requirement that the LEP's eligibility criteria be immediately changed. These changes would also be required prior to applying for future CEG funding.

On Aug. 22, 2023, your board reviewed GO-Biz's required changes to the LEP's eligibility criteria as part of the 2023 CEG Grant Agreement (Attachment 1) and directed staff to modify the LEP manual (Attachment 2 & 3) to replace the current eligibility requirements with those required by GO-Biz.

Following this action by your board, staff have worked with GO-Biz to address some of the concerns found with the required changes. These concerns included:

- a) The removal of the current Humboldt County residency requirement.
- b) The removal of language requiring businesses be located within Humboldt County.
- c) The addition of a residency requirement of at least 5 years in Humboldt County during the period between 1971-2016 and that the applicant be seeking entry into the legal market.
- d) The increase in the business ownership interest by an individual from 20%-51%.

GO-Biz has since clarified that the eligibility criteria modified under their direction are the minimum and that your board can add additional criteria on top such as applicants be current Humboldt County residents or that their business be located within Humboldt County. In addition, staff received an amendment to the eligibility criteria of the 2023 CEG Grant Agreement (Attachment 4) from GO-Biz, which lowered the business ownership interest requirement based on the number of equity participants with ownership interest and removed language indicating applicants must be seeking entry into the legal cannabis market. This amendment was signed by the County Administrative Officer through the authority granted in Resolution 23-63 (Attachment 5).

The proposed modifications to the LEP Manual will allow EcDev to administer the current CEG award with the required changes listed above. These modifications include:

- Replacing LEP eligibility criteria under Section "A. Qualifications" with the eligibility criteria outlined in the 2023 CEG Grant Agreement and the subsequent amendment (Attachments 1 and 4).
- Adding to Section "A. Qualifications, 1. Initial Program Eligibility" the criteria that an equity participant must be a current Humboldt County resident and that their business be located within or does at least 75% of its business in Humboldt County.

FINANCIAL IMPACT:

Expenditures (1120, 275422)	FY23-24 Adopted
Budgeted Expenses	\$1,234,821.71
Total Expenditures	\$1,234,821.71
Funding Sources (1120, 275422)	FY23-24 Adopted
State/Federal Funds	\$1,234,821.71
Total Funding Sources	\$1,234,821.71

Narrative Explanation of Financial Impact:

The LEP is supported by GO-Biz CEG funding through each specific CEG award. The 2023 CEG award of \$1,234,821 was included as part of Project Trellis’s adopted budget for Fiscal Year (FY) 2023-24. This award includes \$123,511.42 in administrative funding and has no funding match requirement.

STAFFING IMPACT:

The process of drafting modifications to the LEP Manual, engaging in discussions with GoBiz and preparing this agenda item has collectively required approximately 12 hours of staff time. Should your Board approve the proposed modifications to the LEP Manual, it is anticipated that there will be no future impact on staff, as the proposed changes should have no effect on the administration of the LEP.

STRATEGIC FRAMEWORK:

This action supports the following areas of your Board’s Strategic Framework.

- Core Roles: Support business, workforce development and creation of private-sector jobs
- New Initiatives: Seek outside funding sources to benefit Humboldt County needs
- Strategic Plan: 3.2 - Stabilize and support a successful cannabis economy

OTHER AGENCY INVOLVEMENT:

- Governor’s Office of Business and Economic Development
- Humboldt County Agricultural Commissioner
- Humboldt County Dept of Planning and Building

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board has the option to withhold approval of the proposed modifications to the LEP Manual. These modifications were either state-mandated or proposed by your Board in prior versions. Failure to approve them may result in a lapse of funding for the 2023 CEG Award and may require funds to be returned to the state. Failure to modify the LEP may eliminate the County’s ability to apply for future CEG funding opportunities.

ATTACHMENTS:

1. CEG 2023 Grant Agreement
2. Local Equity Program Manual V2.1 (Redlined)
3. Local Equity Program Manual V2.2 (Draft)
4. First Amendment - CEG 2023 Grant Agreement

5. Resolution No. 23-63

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-1; I-1; C-6; D-15; D-9; D-11; I-1

Meeting of: Mar. 12, 2019; Mar. 19, 2019; Oct. 8, 2019; June 29, 2021; Aug. 16, 2022; May 16, 2023;
Aug. 22, 2023

File No.: 19-367; 19-406; 19-1392; 21-666; 22-1077; 23-190; 23-1089