



COUNTY OF HUMBOLDT

For the meeting of: 4/15/2025

File #: 25-316

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:

Project Trellis Local Equity Program Update and Community Equity Grant (CEG) Award

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive Project Trellis efficacy report; and
2. Authorize the County Administrative Officer to accept the CEG for fiscal year (FY) 2024-25; and
3. Provide direction to staff on the continued implementation of the Project Trellis Local Equity Program.

STRATEGIC PLAN:

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: A Diverse, Equitable & Robust Economy

Strategic Plan Category: 2001 - Promote strong economic resiliency and growth

DISCUSSION:

The County of Humboldt's Cannabis Local Equity Program, commonly referred to as Project Trellis or Project Trellis Local Equity Program, is a state-funded initiative designed to support local communities and individuals that were negatively impacted by cannabis prohibition. Since its inception in 2019, the program has provided over 430 grants, dispersing approximately \$10 million to Humboldt County cannabis business operators (Attachment 1). Currently the program supports direct payments to applicants for a broad set of uses and payments on behalf to the Treasurer-Tax Collector for past due Measure S taxes and to Planning and Building for past due fees.

On Dec. 10, 2024, your Board authorized staff to apply for \$600,000 in CEG funding for the program. At the same time, your Board approved the required match of \$100,000 from the county's general fund for FY 2025-26, which had been committed as an ongoing annual allocation first approved on June 14, 2022. On Jan. 23, 2025, the Governor's Office of Business and Economic Development (GO-Biz) informed county staff that Humboldt County's application was eligible for \$657,436.98, contingent upon the county providing the \$100,000 match.

Although this funding will help support the program, recent state rule changes have made administration more complex. The new requirements include stricter cash-match rules and staggered fund disbursements, which increase administrative costs for the county and limit the amount of funds that the county can apply for due to one-to-one cash matching for any funds over \$500,000. This requirement reduces the impact of the program while maintaining a higher administrative burden. Additionally, under the state's contract terms, only 10% of awarded funds may be used for administrative expenses and those can only be expended during the performance period. This has been problematic as the administrative functions of the Local Equity Program continue past the

end of the grant's terms. Staff maintain participant contracts, financial oversight and required reports that continue after the grant period ends. These extra requirements, such as final reports due a month after the grant closes and annual reports required every January, create additional costs for the county that are not covered by the grant or the matching funds.

Currently, applicants are served on a first-come, first-served basis. However, at the existing rate of funding, it would take at least four more state grant applications and approximately three and a half years to fund the roughly 50 applications remaining in the queue. Given these funding challenges, your Board may consider whether the Project Trellis Local Equity Program is sustainable. Staff recommends accepting the new grant and using it to support businesses already in the queue for FY 2025-26. However, it is recommended that your Board also reassess the program's long-term future, including whether to provide further funding for accrued costs and staff time outside of the grant terms or whether to phase out the program once existing FY 2025-26 funds have been distributed.

Phasing out the program could create an opportunity to redirect resources toward other economic development priorities that have not been actively pursued, such as business attraction and recruitment. These efforts are essential to diversifying the local economy and fostering sustainable job growth. This would allow the county to seek alternative funding sources that better align with broader economic development goals, rather than continuing to absorb unfunded costs associated with maintaining the Project Trellis Local Equity Program.

Ultimately, your Board must weigh the benefits of continuing Project Trellis Local Equity Program against the financial strain caused by state-imposed requirements that extend beyond the grant period. Without additional county funding, the program will continue to put pressure on the economic development budget and in turn the county general fund. Staff is seeking Board direction on whether to continue, adjust, or phase out the program while ensuring that available funds are used effectively.

SOURCE OF FUNDING:

General Fund (1100)
Community Equity Grand Award (1120-275422)

FINANCIAL IMPACT:

<i>Expenditures (1120, 275422)</i>	FY24-25	FY25-26 Projected*
<i>Budgeted Expenses</i>	<u>\$256,225</u>	<u>\$1,201,212</u>
<i>Total Expenditures</i>	<u>\$256,225</u>	<u>\$1,201,212</u>

**Projected amounts are estimates and are subject to change.*

<i>Funding Sources (1120, 275422)</i>	FY24-25	FY25-26 Projected*
<i>General Fund</i>	<u>\$0</u>	<u>\$200,000</u>
<i>State/Federal Funds</i>	<u>\$256,225</u>	<u>\$1,001,212</u>
<i>Total Funding Sources</i>	<u>\$256,225</u>	<u>\$1,201,212</u>

**Projected amounts are estimates and are subject to change.*

Narrative Explanation of Financial Impact:

Project Trellis is funded by matching funds from the General Fund and state funding received under the Governor's Office of Business and Economic Development's CEG program. However, some costs associated with staff time for reporting after the grant period expires are unfunded.

If approved, the CEG award for FY 2024-25 would be \$657,436.98 in state funding, with a required General Fund match of \$100,000 and these funds would be distributed in FY 2025-26. Staff are preparing to draw the next tranche of funding from the prior award of \$600,000 in state funding which will be fully released at the beginning of FY 2025-26, when further administrative funding is

available. Therefore, the budgeted amounts above include two rounds of state funding in FY 2025-26.

With the March 31st, 2025 deadline to submit full payment of back due Measure S Taxes approaching, staff determined it necessary to release partial payments to the individuals in the queue with outstanding obligations. These payments were planned to go out in FY 2025-26 but without certainty of an extension to the Measure S deadline, staff determined to release these funds early to prevent negative consequences to the individuals in question with award notices. This action resulted in the release of \$135,717 to 7 of the 13 individuals in queue for funding from the previously accepted award of \$600,000. Additionally, at the release of the award prior, one contract was funded partially from this award. The amount from this round was paid out in the amount of \$60,508.42. The total funds that will be expended for this round in FY 2024-25, including \$60,000 in administrative funding, will be \$256,225.42 and results in full expenditure of the remaining cash advanced to the county for the initial tranche of funding. Remaining funds allocated will go out FY 2025-26 with the rest of the funding.

Administration of this program has and will continue to incur costs outside of the grant funding and performance period due to program and state requirements.

STAFFING IMPACT:

Accepting the CEG award and phasing out Project Trellis will not impact current staffing levels. However, a decision to phase out the Project Trellis Local Equity Program could create an opportunity to redirect resources toward other economic development priorities that have not been actively pursued, such as business attraction and recruitment, assuming your Board continues to invest General Fund in Economic Development activities.

OTHER AGENCY INVOLVEMENT:

County of Humboldt Planning and Building
County of Humboldt County Treasurer - Tax Collector
California Governor's Office of Business and Economic Development

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to approve an additional round of Community Equity Grant funding for the Project Trellis Local Equity Program and its General Fund match. However, this is not recommended as prior round funding remains available and the new funds could be allocated and processed simultaneously, reducing staff burden. Additionally, your Board could choose not to phase out the Project Trellis Local Equity Program. This is not recommended as administration of the program will continue to require expenses beyond the funding allocated.

ATTACHMENTS:

1. Project Trellis Efficacy Report
2. GO-Biz Award Agreement: CEG-2025-658 County of Humboldt

PREVIOUS ACTION/REFERRAL:

Meeting of: May 28, 2019; Jan. 12, 2021; Feb. 1, 2022; March 8, 2022; June 14, 2022; May 16, 2023; Aug. 22, 2023; Oct. 22, 2024; Dec. 10, 2024
File No.: 19-633, 21-1859, 22-94, 22-225, 22-283, 23-190, 23-1089, 24-1469, 24-1597