



COUNTY OF HUMBOLDT

For the meeting of: 3/19/2019

File #: 19-406

To: Board of Supervisors
From: County Administrative Office
Agenda Section: Departmental

SUBJECT:

Urgency Ordinance Adopting a Humboldt County Cannabis Local Equity Program

RECOMMENDATION(S):

That the Board of Supervisors:

1. Adopt Resolution No. _____ adopting the Humboldt County Local Equity Program Manual and authorizing the County Administrative Officer (CAO) to execute all documents necessary to submit a grant application to the Bureau of Cannabis Control, on behalf of the county, for the purpose of funding the Humboldt County Cannabis Local Equity Program;
2. Adopt Ordinance No. _____, regarding a Humboldt County Cannabis Local Equity Program as an urgency ordinance pursuant to Government Code Section 25123(d); and direct the Clerk of the Board to publish the full text of the ordinance with the names of the Supervisors voting for and against the ordinance within 15 days [Government Code Section 25124(a)];
3. Authorize the CAO to make changes, as necessary to better qualify for grant funding, to the Humboldt County Cannabis Local Equity Program (CLEP) Manual (Attachment 3) and to submit any new manual to the state and the Board; and
4. Direct the Auditor-Controller to establish the Community Reinvestment Fund (Fund No. 4215) for the purposes of receiving and distributing funding related to the LEP.

SOURCE OF FUNDING:

Bureau of Cannabis Control and Humboldt County cannabis excise tax

DISCUSSION:

On March 12 your Board adopted Resolution No. 19-23 adopting the County of Humboldt Local Equity Program (LEP) and directing staff to take whatever action is necessary to write and implement the LEP. The item before your Board adopts an ordinance establishing the LEP, defining the framework of the LEP, authorizes the CAO make necessary changes to the LEP, provides direction to staff regarding the administration of the LEP, and establishes the Community Investment Fund (Fund No. 4215) to receive and distribute funding related to the LEP.

LEP framework and LEP Manual

Resolution No. _____ (Attachment 1) defines the framework of the Humboldt County LEP and adopts the LEP Manual. The LEP manual (Attachment 2) lays out LEP guidelines including eligibility for equity applicants, acceptable funding uses, and services to be provided through the LEP. The CAO will submit an application to the California Bureau of Cannabis Control with relevant LEP information and may need to execute certain documents as part of the grant application process. This recommendation would authorize the CAO to execute those documents to ensure timely a timely application submittal.

Urgency Ordinance

The Humboldt County cannabis industry is at a critical moment in history. Cannabis businesses, especially small farmers, are struggling as they transition from an environment that has been illegal for more than 50 years to a legal market. This is especially important in Humboldt County as the local economy is critically linked to the success of the cannabis industry, as evidenced most recently in the 7 -year Financial Forecast presented to your Board in February which noted a 9 percent decline in sales tax that was directly linked to a significant decrease in agriculture suppliers, such as those that supply the cannabis industry.

Humboldt County has roughly one-fifth of all cannabis-related licenses in California. Continued decline in the cannabis industry could prove catastrophic for the Humboldt County economy and public safety. As your Board knows, Measure Z, the county's half-cent sales tax for public safety and essential services, is facing significantly less funding than anticipated in Fiscal Year 2019-20 due to the dramatic drop in local sales tax. Continued decrease in sales tax will lead to a loss of desperately needed local public safety services, such as 24-hour Sheriff's patrol, 9-1-1 emergency response, local volunteer fire service, rural ambulance service, repairing deteriorating roads, protecting victims of child abuse and more.

Many local businesses, especially small farmers, are having significant difficulty entering and sustaining in the new legal market for myriad factors including prohibitive startup costs, navigating state and local regulation, lack of access to banking services, the need for technical business skills and more. The LEP has the potential to provide supportive services, grants and loans that are critical to local cannabis businesses becoming more competitive in the market, thereby providing a greater chance that the Humboldt County economy can thrive and local public safety and essential services can continue to be provided to its residents.

Staff recommends that your Board adopt the attached urgency ordinance (Attachment 3) to ensure that Humboldt County can apply for grant funding to fund the county's LEP, which is critical to the future of the local cannabis industry and Humboldt County's overall well-being.

Potential changes to the LEP

Staff have created an initial structure for the LEP (Attachment 3). However, this program will likely need to be modified either to adhere to state guidelines and/or for local or other needs. This recommendation authorizes the CAO to make necessary changes to the LEP to ensure those changes can be done in a timely manner.

Establishing the Community Reinvestment Fund

It will be critical that Humboldt County keep LEP funding separate from other county funding for both tracking and transparency purposes. Spending for the LEP is restricted and establishing a separate fund outside of the General Fund will help accomplish these goals. Staff will also create a new budget unit to track related revenues and expenditures.

FINANCIAL IMPACT:

Funding for the LEP, if the county's grant application is accepted, would be no less than \$100,000. No more than 10 percent of the funding made available through the Bureau of Cannabis Control Local Equity Program grant could be applied to administrative costs. Additional funding to administer the LEP may be required from the General Fund. Staff estimates those costs could be as much as \$50,000 per year from the General Fund to partially fund staff or contract with an outside entity to administer the program.

If the county is successful in securing grant funding the BCC, it has the potential to provide significant additional funding and support to the local cannabis industry, which would have a positive effect on local cannabis excise tax revenue as well as sales tax and Measure Z revenues. The BCC has \$10 million in available funding for local agency equity applicants.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by supporting business, workforce development and creation of private-sector jobs .

OTHER AGENCY INVOLVEMENT:

Bureau of Cannabis Control

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board Discretion

ATTACHMENTS:

1. Urgency Ordinance
2. Resolution Adopting LEP Manual
3. LEP Manual

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-1

Meeting of: March 12, 2019

File No.: 19-367