



COUNTY OF HUMBOLDT

For the meeting of: 2/1/2022

File #: 22-94

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:
Project Trellis Update

RECOMMENDATION(S):
That the Board of Supervisors:

1. Receive a presentation on Project Trellis;
2. Receive the staff report on the Project Trellis Marketing Request for Proposals (RFP);
3. Confirm the conclusions and analysis of the Fair Political Practices Commission's (FPPC) formal advice letter to exclude Humboldt Community Business Development Center's (HCBDC) proposal in response to the RFP; and
4. Consider appointing a District Supervisor as a liaison to the Project Trellis Committee.

SOURCE OF FUNDING:
Economic Development (1120)

DISCUSSION:
The County of Humboldt's Cannabis Business Micro-grant, Marketing, and Local Equity Program, are commonly referred to as Project Trellis, and is a cannabis support initiative.

- The Micro-grant program utilizes Measure S funding to provide cannabis businesses with funding for business-related expenditures.
- The Local Equity program utilizes state funding and provides resources to local communities and individuals who have been impacted by the War on Drugs.
- The Marketing program utilizes Measure S funding and is designed to promote and maintain Humboldt-grown cannabis as a national and industry brand.

Since inception of Project Trellis, in 2019, the program has funded over 200 projects for the cannabis community, totaling approximately \$4.1 million in awards for grants (more detail on these projects is

included in Attachment 3).

Trellis Micro-grant Program Updates

Between fiscal years (FY) 2019-20 and 2020-21, 30 projects have been funded, for a total of approximately \$800,000. Emergency Micro-grant applications for the \$1 million allocation from your Board in September 2021 are in final review, with funding expected to go before the Project Trellis Committee in February 2022. The FY 2021-22 Micro-grant is scheduled to open to applications in February 2022.

Trellis Local Equity Program Updates

The initial Cannabis Equity Grant from the Bureau of Cannabis Control for \$1.33 million was expended for 81 grantees. The second award from the Governor's Office of Business and Economic Development for \$2.4 million is in the process of being expended for 89 grantees, and potentially another 48 pending contracts. An additional award of \$1.05 million will be expended in the coming months. Finally, staff has applied for further funding for fiscal year 2022-23.

General Project Trellis Updates

- 20 Project Trellis Committee meetings from fiscal year (FY) 2019-20 to year to date (YTD)
- 13 Project Trellis community & stakeholder meetings from FY 2019-20 to YTD
- Cannabis Equity Assessment completed
- Local Equity Program Manual adopted and revised
- Cannabis Marketing Assessment completed
- Regions rural equity program cohort meeting

Interagency Agreements

- County of Humboldt Department of Agriculture for applicants and licensee's costs of Weights and Measures certification
- County of Humboldt Department of Planning and Building for applicants and licensee's costs associated with cannabis permitting
- College of the Redwoods for development and administration of cannabis business education workshops

Project Trellis Marketing Request for Proposals (RFP)

Sept. 30, 2019, the County Administrative Office Economic Development Division issued an RFP for the cannabis marketing initiative under Project Trellis.

After collecting and reviewing 28 submissions the Marketing Ad Hoc Committee identified that many of the proposals were not comparable. As a result, the RFP process was placed on hold and the Marketing Ad Hoc Committee was dissolved.

It was determined that the creation of a marketing assessment would help guide marketing planning

through a strategic framework based in research. Staff commissioned the creation of a marketing assessment with the Humboldt County Growers Alliance (HCGA).

After the Humboldt County Marketing Assessment was completed, staff reached out to Humboldt's cannabis community to solicit input and feedback. Feedback was requested and the assessment was shared through an online survey, two virtual (Zoom) town hall discussions, two KMUD interviews, press releases, and articles in multiple news outlets (Lost Coast Outpost, Times-Standard, and Redheaded Blackbelt).

The most common responses received through staff's outreach indicated that transparency and accountability were major concerns of the community. There was a strong interest/need for community involvement from farmers, stakeholders, and industry professionals in the decision-making process, including selecting the group that will create the marketing plan, and in the creation of the marketing plan

Aug. 24, 2020, the Humboldt County Marketing Assessment, which identified eight findings and 30 recommendations, was shared with the Project Trellis Committee and brought to your Board on Nov. 17, 2020. Your Board directed staff to abandon the former RFP process and issue a new RFP which used the Humboldt County Marketing Assessment as the RFP framework and add a new criteria to direct toward Humboldt County-based organizations.

May 7, 2021, the second RFP was issued and closed on June 30, 2021. Due to lack of participation the RFP was extended to July 30, 2021. Only one proposal was received which came from Humboldt Community Business Development Center (HCBDC). The proposal included a partnership with HCGA (the author of the cannabis marketing assessment), and Iconic, an-out-of-area marketing firm.

Throughout this period staff learned that HCGA might be subject to Government Code Section 1090 due to its role as an independent contractor for the county related to authoring the county's cannabis marketing assessment. Staff also learned that HCGA and HCBDC were related entities which shared resources and that the two parties might potentially have a shared a financial interest. These findings, and concerns about potentially disqualifying behavior on the proposer's part, led staff to seek formal advice from the FPPC.

Oct. 5, 2021, through mutual agreement with HCBDC on the findings and facts, staff remitted a list of facts and posed two questions in a request for formal advice to the FPPC. The two questions posed to the FPPC were as follows.

- 1. Is the Humboldt County Growers Alliance ("HCGA") subject to Section 1090 in its role as an independent contractor for the County related to the County's current cannabis marketing services request for proposals?*
- 2. If yes, is the County is prohibited from entering into a cannabis marketing services contract with HCGA's partner organization, North Coast Small Business Resource Center, doing business as HCBDC under Section 1090, if HCBDC submits a proposal without the*

participation of HCGA, specifically in regard to supplying staffing services?

While waiting for a response from the FPPC, staff brought an update to your Board Sept. 21, 2021, wherein your Board directed staff to amend and extend the RFP for a third and final time. The RFP was reissued with amended language, allowing any qualified Humboldt County-based entity (rather than only non-profits) to submit a proposal.

On Dec. 1, 2021, staff received a formal response and conclusion from the FPPC (Attachment 1). The determination letter provided the following responses:

1. *“Yes. HCGA is an independent contractor subject to Section 1090 due to its role in advising the County on its request for proposals for marketing services related to the County’s cannabis marketing strategy.” - FPPC Advice letter received on 12-1-2021*
2. *“Yes. Section 1090 prohibits the County from contracting with HCBDC due to HCGA’s shared financial interest in the contract. Removing HCGA’s name or staffing resources from the proposal will not alter the inter-relationship and expectation of mutual benefit between the two organizations.” - FPPC Advice letter received on 12-1-2021*

Due to the FPPC conclusion and analysis HCBDC was disqualified from participating in the RFP process. The letter from the FPPC is attached. It must be noted that a violation of Section 1090 can have serious consequences, including the voiding of contracts, criminal, civil, and administrative penalties, as well as a ban on holding public office.

On Nov. 22, 2021, the third RFP round closed, and staff received six submissions.

- One was disqualified due to being and out of area agency;
- One was disqualified due to receipt of the FPPC Advice Letter; and
- Four are still in the RFP process, awaiting review by the Project Trellis Committee.

On Dec. 2, 2021, HCGA was notified by the county of the FPPC’s conclusion and analysis (Attachment 5). In this notification the county requested a meeting to discuss potential for HCGA’s continued provision of services under the marketing assessment agreement, as a potential avenue for HCGA to provide their expertise and assistance.

On Dec 14, 2021, staff followed up on this request for a meeting with HCGA. HCGA responded with a request that the county provide a formal written proposal. The county clarified that this was a request for a discussion to determine how to keep HCGA involved with the marketing initiative pursuant to the advice of the FPPC. Staff and HCGA traded emails on this matter however, no meeting was set after this exchange of communication.

On Jan. 19, 2022, HCGA sent a letter to your Board (Attachment 2) wherein HCGA made a recommendation to eliminate the marketing component of Project Trellis and to return funds set aside for a marketing program to the cannabis community. However, in September of 2021 HCGA

performed a survey of local cultivators which highlighted the Project Trellis marketing initiative as a top priority.

Today your Board is also considering an item which may result in a suspension, waiver, or reduction of the cannabis excise tax i.e., Measure S. Project Trellis is funded via a 10% percent allocation of all Measure S cannabis excise tax collected. Should your Board waive, suspend, or otherwise reduce the Measure S tax, this will have significant impacts on Project Trellis and decisions will need to be made as to how, if at all, the county will continue to fund Project Trellis and/or the marketing initiative.

In light of this decision facing your Board, your Board may wish to consider Project Trellis's ongoing support of the cannabis community as well as feedback collected from staff, Humboldt's cannabis stakeholders, and cannabis business community about the Project Trellis program. Commonly occurring themes from feedback collected are attached hereto (Attachment 4) for your Boards review.

Before you today is a request confirm the conclusions and analysis of the FPPC formal advice letter to exclude the HCBDC proposal in response to the marketing RFP. Upon your Board's confirmation of HCBDC's exclusion, staff will continue to review and consider award of proposals from the third RFP.

Also, before your board today is the consideration to appoint a District Supervisor to serve as a member of the Project Trellis Committee. If your Board chooses to take this action, staff will return with a resolution and updated bylaws for the committee to effectuate that decision.

FINANCIAL IMPACT:

Project Trellis is funded through a 10 % allocation of the Measure S cannabis excise tax collected. The allocation set aside for Project Trellis is based on actual collections in arrears. In addition to approximately \$600,000 in matching dollars for the Project Trellis equity program, and the county's investment in administrative and staff time, Project Trellis has provided approximately \$800,000 in General Fund dollars to support the Cannabis Business Community, with over \$1.2 million more in process. Should your Board waive, suspend, or otherwise reduce the Measure S tax, this will have significant impacts on Project Trellis and your Board will need to determine how, if at all, the county will continue to fund Project Trellis and/or the marketing initiative.

STRATEGIC FRAMEWORK:

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

OTHER AGENCY INVOLVEMENT:

N/A

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose to not affirm the conclusions and analysis from the FPPC. However, doing so may violate Government Code section 1090, as addressed in the FPPC advice letter.

Your Board could choose to not appoint a District Supervisor to the Project Trellis Committee.

However, this is not recommended because this suggestion came directly from the Project Trellis Committee.

Other alternatives concerning Project Trellis, the marketing initiative, and funding for each, is your Board's discretion.

ATTACHMENTS:

Fair Political Practices Commission Final Advice Letter
HCGA Letter on Collective Marketing
Project Trellis projects funded
Project Trellis community feedback
CR to HCGA and HCBDC re FPPC advice 120221

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-1, H-2, I-1, D-11
Meeting of: March 12, 2019; Nov. 17, 2020; Sept. 21, 2021; Jan. 11, 2022
File No.: 19-367, 20-1409, 21-1368, 21-1859