



# COUNTY OF HUMBOLDT

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**Attachments:** 1. Staff Report, 2. 2021 Local Equity Program (LEP) Manual V2.0 amendment.pdf, 3. 2021 Local Equity Program (LEP) Manual V2.0 amendment\_redline.pdf, 4. Public Comment.pdf, 5. Public Comment.pdf

Date	Ver.	Action By	Action	Result
9/21/2021	1	Board of Supervisors	approved as amended	Pass

**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Departmental

**SUBJECT:**

Project Trellis Funding and Programmatic Changes

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Approve a spending plan to include \$1 million for the County Administrative Office - Economic Development and other programmatic changes as detailed within the staff report for Fiscal Year 2021-22;
2. Approve emergency updates to the Local Equity Program manual that provide payment of Equity Certification and increase income level eligibility requirements;
3. Receive an update from staff on the Request For Proposals (RFP) for a Collective Cannabis Branding, Promoting and Marketing Strategy for Humboldt County;
4. Receive a report from staff on Project Trellis programmatic updates since creation of the program.

**SOURCE OF FUNDING:**

Measure S, General Fund (1100), Economic Development Fund (1120)

DISCUSSION:

The Humboldt County cannabis industry is at a critical moment in its history. Cannabis businesses, particularly cultivators, are struggling as they transition from a market which has been illegal for more than 50 years to a heavily regulated, but legal market. The successful transition of cultivators from the previously illicit market is important in Humboldt County as the local economy is critically linked to the success of its own cannabis industry.

To support the cannabis industry your Board previously directed the creation of the Project Trellis program, an advocacy and relief initiative designed to support the cannabis industry during its regulatory transition to the legal market. Federal grants and federally funded programs (like the Small Business Development Center and Small Business Administration) are not available to cannabis businesses. Therefore, Project Trellis was designed to fill this support gap by providing Humboldt County's cannabis community with micro-grant, equity, and marketing assistance.

At present, Humboldt County hosts roughly 1/5th of all cannabis-related licenses in California which is why the continued decline in the cannabis industry is proving particularly catastrophic for the Humboldt County economy. Current per-pound prices have decreased from approximately \$1,100 per pound to a low of \$400 per pound. Despite this price decrease, local and state taxes and fees have remained the stagnant. In a recent survey of more than 50 local cannabis cultivators the majority of cultivators reported that they will not be able to pay their October cannabis excise taxes to the county. Continued decline in the cannabis industry is proving catastrophic for the Humboldt County economy.

Many local cannabis businesses, especially small farmers, have reported significant difficulty in 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. Cultivators have also reported crop loss and revenue decline due to drought conditions and climate change, a decrease in tourism (due to COVID-19), and a shift in priorities to enact measures related defensible space and fire mitigation.

Continued adverse impacts to the cannabis industry also carry the potential for ancillary negative impacts on other revenue sources for the county, including sales tax and Transient Occupancy Tax (TOT). Decreases to secondary funding streams have the potential to lead to a loss of tax revenues that support local ballot measures and provide additional funding throughout the county for services including but not limited to public safety, mental health, roads, and fire through Measure Z.

An increase in Project Trellis funding can provide emergency grants and other relief which will be critical to local cannabis cultivators who struggle to remain viable in the commercial cannabis marketplace. Given the aforementioned circumstances and described conditions, staff recommends that your Board approve staff recommendations.

**Recommendation #1**

**Staff's proposed spending plan for the request for \$1 million to CAO-Economic Development and other programmatic changes is as follows:**

1. \$800,000 to create an emergency grant program that provides financial assistance to cannabis cultivators facing issues related to crop loss, fire mitigation, drought, and other adverse marketplace conditions caused by the drop in cannabis prices.
2. \$200,000 to create an emergency short-term cannabis marketing program aimed at providing regional market visibility for the current and subsequent harvest cycles.
3. Solicit qualified vendor(s) for immediate advancement and administration of an emergency short-term marketing program.
4. Explore regulatory and/or lobbying options consistent with the county's Legislative Platform and local regulatory programs related to reforming state cultivation tax, restrictions for onsite trimming, expanding allowable areas for the sale of boutique craft (small batch) cannabis (farmer's markets, for example), and ability to suspend licensing and permitting requirements during non-cultivation years.
5. Work with California Department of Fish and Wildlife (CDFW) and other agencies on new initiatives for Project Trellis to aid the cultivation community with projects which may be unaffordable for many smaller cultivators, and to support activities which also promote environmentally sustainable cultivation practices.
6. Add a certification component to the County of Humboldt's existing Project Trellis Local Equity Program (LEP) to aid Humboldt County cultivators who are seeking shelf space in metro area dispensaries throughout the state which are requiring equity certification for cannabis goods sold. This is related to Recommendation #2 to approve an emergency update to the LEP (Attachment 1).
7. Broaden the eligibility requirements for the Project Trellis Local Equity Program (LEP) to make the program available to a greater diversity of applicants.

Upon approval, staff will return to your Board with a supplemental budget to effectuate your direction.

### **Recommendation #2**

As detailed immediately above, this recommendation would approve a certification component to the LEP to aid cultivators seeking shelf space in equity-certified dispensaries.

### **Recommendation #3**

#### **Update on request for proposals (RFP) for Project Trellis Marketing Program**

On Sept. 30, 2019, the County Administrative Office (CAO) of Economic Development Division issued an RFP for a Collective Cannabis Branding, Promoting and Marketing Strategy for Humboldt County. After reviewing 28 submissions (most of which came from out-of-area agencies) the Marketing Ad Hoc Committee was quick to identify that many of the proposals were not comparable. As a result, staff determined that the RFP process was not ready to advance forward.

The suspension of the RFP caused staff to deliberate on best practices for designing a marketing program that would be suited for success. Additionally, COVID-19 created a real and pressing need for comprehensive and data-driven planning for policies related to the Humboldt County's economic future. Therefore, it was determined that the creation of a marketing assessment would help guide the Project Trellis Marketing Program by basing a new RFP on a strategic framework based in research.

Staff commissioned the Humboldt County Growers Alliance (HCGA) to complete this marketing assessment and to develop a comprehensive Humboldt County Cannabis Marketing Assessment to be shared with the public, cannabis businesses and other stakeholders. The assessment took over 120 days to complete and contained over 80 pages of data related to marketing Humboldt County's cannabis industry.

On Nov. 17, 2020, staff brought the HCGA assessment, which included a summary of the eight findings and 30 recommendations, to your Board. Your Board directed staff to issue an RFP to encourage Humboldt County non-profits, coalitions or groups of non-profits working together to develop a program manual and plan for implementation of marketing efforts. On May 7, 2021, the county announced that it was seeking requests for proposals from qualified Humboldt County based non-profit entities to work with county staff and leadership to develop a distinct national and industry "branding initiative" for Humboldt County-grown cannabis and cannabis-related products and services.

The RFP indicated that the selected proposer would serve as the County of Humboldt's lead contracted agency for cannabis marketing initiatives and would provide a broad range of professional marketing services, including promotion of Humboldt County Cannabis as a unique, high-quality product sourced solely in Humboldt County. The RFP also stated that the successful proposer would utilize and employ specific recommendations and findings of the Humboldt County Marketing Assessment and would also provide recommendations for a county-wide stamp, terroir or place of origin program.

As the RFP period approached its deadline staff identified that no competing proposals had been received. Staff therefore amended the RFP to extend the deadline to July 30, 2021. After this deadline passed only one proposal (from the Humboldt Community Business Development Center (HCBDC)) had been received. It should be noted that HCBDC shares Board members, staff, and operational resources with HCGA, the author of the Marketing Assessment. In order to ensure a competitive proposal process, staff is working to amend and extend the RFP for a third and final time with an anticipated final RFP deadline of Oct. 22, 2021.

## **Recommendation #4**

### **Project Trellis programmatic updates since program creation**

#### General Project Trellis Administrative Updates

- Recruited and hired Project Trellis Specialist, September 2020.
- Hired Project Trellis Extra Help Admin Analyst, July 2021.
- Developed and managed press releases and media promotions for Project Trellis activity.
- Ongoing website maintenance and promotional activity for County Project Trellis programs and

initiatives at [www.gohumco.com](http://www.gohumco.com) <<http://www.gohumco.com>> .

- Engaged in multiple program and public educational interviews for local print and radio.
- Developed and managed community and stakeholder education, including facilitated multiple meetings with stakeholders to discuss (and solicit input for) Trellis programs.
- Countless hours with County Counsel and other partner agencies to explore programmatic details such as road maintenance associations, legal definitions of eligibility, contract creation, etc.
- Development of exhibits, policies, and other supporting documentation (forms and processes) for Project Trellis programs.
- Facilitated and coordinated a multitude of calls and meetings with vendors and partner agencies (HCGA, CCRP, etc.) community interest groups, trade associations, lobbyists, legislators, and media partners to discuss, promote (and solicit input for) Project Trellis programs.
- Investigated potential additional grant funding sources to enhance and augment Project Trellis.

### General Project Trellis Committee Updates

- Provided staff support, including drafting, and posting agendas, meeting minutes, documents, and public comment, and oversight for more than 20 Project Trellis Committee public meetings (i.e., YTD)
- Facilitated Brown Act training for Project Trellis Committee members.
- Facilitated ethics training for Project Trellis Committee members.
- Facilitated Roberts Rules training for Project Trellis Committee members.
- Developed and made subsequent updates to Project Trellis Committee By-Laws.
- Managed Project Trellis Committee vacancies and recruitments.
- Developed and provided staff support for the Project Trellis Micro-Grant Scoring Ad Hoc Committee.
- Developed Ad Hoc Committee for creation and implementation of Project Trellis policy and procedures manual.

### Cannabis Business Micro-Grant Program Updates

- Developed the Trellis micro grant application forms and application process.
- Developed the Trellis micro grant scoring rubric and scoring/ranking process.
- Facilitated and concluded first round micro grant program for 14 out of 74 grantees (\$180K)
  - o Application review, filing, compiling, and verifying applications and supporting documentation.
  - o Micro-grant contract management (Drafting, processing, monitoring, and tracking contract, activity for 30 grantees)
  - o Payment distribution management and fiscal transaction management for grant distributions.
  - o Of the 14 awardees, 5 have completed their projects and received their full award payments. 7 have received the first 90% of their award and are working on their projects, 1 is awaiting the first payment of 90%, and 1 has not accessed the first of their payments due to a licensing issue.
- Facilitated and concluded second micro grant program for 16 out of 58 grantees (\$519K)

- o Application review, filing, compiling, and verifying applications and supporting documentation.
- o Micro-grant contract management (Drafting, processing, monitoring, and tracking contract, activity for 30 grantees)
- o Payment distribution management and fiscal transaction management for grant distributions.
- o Of the 16 awardees, 5 have completed their projects and received their full award payments. 7 have received the first 90% of their award and are working on their projects, 1 is awaiting the first payment of 90%, and 1 has not accessed the first of their payments.

### Local Equity Program Updates

- Drafted staff reports, agenda items, Local Equity Ordinance(s) and supporting Resolutions for BOS approval.
- Commissioned and managed the Cannabis Equity Assessment (CEA) and CEA process.
- Applied for and obtained three (3) competitive State funded cannabis equity awards.
- Managed and concluded negotiations with State agencies for equity funds.
- Developed LEP Manual and subsequent LEP updates.
- Managed updates to Cannabis Equity Assessment (CEA).
- Developed and managed NOFA for first Trellis Equity grant round.
- Developed and managed release of first eligibility application to the public, have collected approx. 195 applications to date.
  - o *Staff is currently processing 195 equity applications.*
- Drafted and released RFQ for equity services
  - o *Staff is currently processing 60 service applications received.*
- Engaged in negotiations with, and developed MOU for, County Planning and Building to provide equity services to equity licensees.
- Engaged in negotiations with, developed MOU for, Department of Ag to provide equity services to equity licensees.
- Engaged in negotiations with, and developed contract for, College of the Redwoods for equity services to equity licensees.

### Humboldt County Cannabis Marketing Program Updates

- Drafted staff reports, agenda items and presentations for BOS approval to create Trellis Marketing program.
- Developed contract with SHBVB to promote and market Humboldt County cannabis at trade shows and events.
- Developed and released an initial RFP for the COLLECTIVE CANNABIS BRANDING, PROMOTING AND MARKETING STRATEGY FOR HUMBOLDT COUNTY.
- Formed and managed the Project Trellis Marketing Ad Hoc Committee.
- Facilitated and managed Project Trellis Marketing Ad Hoc Committee meetings.
- Managed receipt of 3<sup>rd</sup> party marketing proposals (i.e., processed, monitored, and tracked marketing proposals) and facilitated multiple bidder conferences and meetings.
- Disbanded Project Trellis Marketing Ad Hoc committee and revised Project Trellis Marketing

strategy.

- Commissioned the Project Trellis Cannabis Marketing Assessment (CMA) with HCGA.
- Conducted multiple Town Halls meetings and performed marketing outreach to solicit community input for Trellis Marketing program(s).
- Drafted and released 2<sup>nd</sup> RFP for the Project Trellis COLLECTIVE CANNABIS BRANDING, PROMOTING AND MARKETING STRATEGY FOR HUMBOLDT COUNTY.

#### FINANCIAL IMPACT:

Approval of Recommendation #1 to add \$1 million in funding to CAO-Economic Development will allow staff to move forward with the activities detailed in the spending plan in this agenda item. Staff will return with a supplemental budget upon approval.

Approval of Recommendation #2 will add a certification component to the county's LEP, which will make the county more competitive for future grants and will allow the local cannabis industry to be more competitive in the state-wide market.

#### STRATEGIC FRAMEWORK:

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

#### OTHER AGENCY INVOLVEMENT:

CDFW

#### ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose to not approve the supplemental budget. However, that is not recommended as this aid to the cannabis community is time sensitive and based on market conditions which are immediately prevalent, and the recommendations herein are based on direct feedback and meetings with cannabis industry stakeholders and trade association representatives, and other options have either not been thoroughly vetted by staff or sufficiently explored with the cannabis community. Alterations to the recommendations herein may be made at your Boards discretion.

#### ATTACHMENTS:

- 1 - LEP Manual Amendment
- 2 - LEP Manual Amendment redline

#### PREVIOUS ACTION/REFERRAL:

Board Order No.:

Meeting of: March 7, 2019, November 17, 2020

File No.: 19-367, 20-1409