



COUNTY OF HUMBOLDT

Legislation Text

File #: 20-1293, Version: 1

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

SUBJECT:

Revised Funding Recommendations for the Fiscal Year (FY) 2019-20 Project Trellis Grant Award for Five Sisters Farms and Project Trellis Spending Plan for FY 2020-21

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the revised funding recommendation for the FY 2019-20 Project Trellis Grant Award for Five Sisters Farms LLC;
2. Authorize the County Administrative Officer (or designee) to sign the grant agreements when completed, after review and approval by County Counsel and Risk Management; and
3. Approve the proposed Project Trellis spending plan for FY 2020-21.

SOURCE OF FUNDING:

Fund 1120, Budget Unit 275 Economic Development, Trellis Micro-Grant Fund 3996

DISCUSSION:

Background

On March 12th, 2019, your Board adopted a framework for Project Trellis, the County of Humboldt's Cannabis Micro-Grant, Marketing, and Local Equity Program. Your Board further directed staff to return with a suggested framework for reviewing, ranking and scoring micro-grant applications. Staff returned with a recommendation for establishing a grant committee and, on May 28th, 2019, your Board adopted Resolution 19-45 forming the Humboldt County Cannabis Micro-Grant & Loan Advisory Committee (hereinafter referred to as Committee).

On April 28th, 2020, your Board adopted a second Resolution #20-33 (File ID 20-452) which amended the original Resolution #19-45 modifying the Committee's purpose to "review, rank and score" applications, and your Board further directed staff to provide recommendations to your Board for final funding approval based on the Committee's review, ranking and scoring of the applications.

On October 14th, 2019, staff began accepting applications for the Project Trellis Micro-Grant program

which included two grant thresholds for different types of entities. Those thresholds being \$10,000 for single business entities (e.g. sole proprietorships, limited liability companies, corporations, etc.) and \$50,000 for Cannabis Cooperatives Associations (CCA), Cannabis Associations, and/or Road Maintenance Associations (i.e. where said road improvements is related to commercial cannabis activity). For all future activities under the County of Humboldt's Project Trellis program a Cannabis Cooperative or Association is to be defined as:

1. Cannabis Cooperative Associations (CCA) *aka Cannabis Cooperatives, Cannabis Associations.*
 - a. Defined by the State of California's definition for Cannabis Cooperatives and CCA's.
 - b. Required documentation
 - i. Attestation to California Business and Professions Code § 26220.
 - ii. Articles of incorporation and proof of filing with California Secretary of State (CASOS).
 - iii. Incorporators of a CCA are required to hold cultivation licenses.
 - iv. Employer Identification Number (FEIN) from the Internal Revenue Service (IRS). Once a FEIN has been obtained, the CCA will need to apply for the following:
 1. Registration as a licensee with the CalCannabis unit of the California Dept. of Food and Agriculture (CDFA).
 2. Seller's Permit for Sales Tax and a Cannabis Permit from the California Dept. of Tax and Fee Administration (CDTFA) if it is engaged in distribution activities.
 3. Copy of application with CalCannabis in order to register with the CDFAs as a CCA.
2. Road Maintenance Associations (RMA's) held by a majority of members engaged in Commercial Cannabis Activities.
 - a. Defined by Humboldt County Code Section 314-55.4.12.1.8(d).
 - b. Required documentation:
 - i. Attestation to Humboldt County Code Section 314-55.4.12.1.8(d).
 - ii. Proof of RMA membership - Evidence shall be provided to the satisfaction of the county, and may include minutes from a meeting, written correspondence and confirmation from the RMA Secretary, or similar information.
 - iii. Copy of Professional Private Road Evaluation.
 - iv. Commercial Cannabis Activities within any RMA shall provide evidence they are current on all applicable dues or other payments required by the RMA.
 - v. Members of an RMA engaged in Commercial Cannabis Activities are required to hold cultivation licenses.

Revised Five Sisters Farms Funding Recommendation

On May 19th, 2020, your Board approved a slate of funding recommendations (File ID 20-582) which included a \$50,000.00 recommendation for Five Sisters Farms. After approval of this item staff learned that Five Sisters Farms was a single business entity and therefore did not meet eligibility criteria to

support the recommendation of a \$50,000 grant.

Subsequently, staff worked with the applicant and other county personnel (including County Counsel) to come to a solution. The solution was for Five Sisters Farms to complete its formation of a Cannabis Cooperative named the SoHum Farm Co LLC (a domestically registered Limited Liability Corporation), and to relinquish any claim on the grant award and to acknowledge that, after formation of its new Cannabis Cooperative, the \$50,000 recommendation of funding would be changed from Five Sisters Farms to SoHum Farm Co LLC.

The applicant has since completed its formation of a SoHum Farm Co LLC. Therefore, staff recommends that your Board approve the revised funding recommendation by defunding Five Sisters Farms in the amount of \$50,000 and funding its newly formed Cannabis Cooperative, SoHum Farm Co LLC, in the amount of \$50,000.

Proposed Project Trellis spending plan for FY 2020-21

Staff have previously recommended to your Board (Agenda item 20-1409) that a new Request for Proposals (RFP) be issued for the Marketing initiative. That RFP is expected to be issued in Dec. 2020, with a contract anticipated to be awarded in Feb. 2021, and a contract commencement date of March 2021. Currently, \$642,600 is allocated for the Marketing initiative. Given an RFP is being pursued, it is not anticipated that the full allocation of marketing funds will be expended in FY 2020-21.

Accordingly, staff recommends dividing the Marketing budget and allocating \$428,400 to the Micro (Business) Grant initiative, leaving \$214,200 for the Marketing initiative to be completed in FY 2020-21.

This allocation would increase the Micro (Business) Grant Initiative to \$696,150. Of which, funding of \$179,658 (i.e. the first micro business grant round) has been recommended, leaving the remaining \$516,492 for the next Micro (Business) Grant round.

FINANCIAL IMPACT:

Project Trellis is funded through the county's cannabis excise tax via a 10% allocation of Measure S funding. The Proposed Project Trellis spending plan for FY 2020-21 allocates \$1.19 million as follows:

- \$119,000: 10% Administrative Oversight
- \$1,071,000: Project Trellis initiatives.
 - \$214,000: 20% Marketing Initiative
 - \$696,150: 65% Micro (Business) Grant Initiative
 - \$160,650: 15% Equity Budget

Funding of \$179,658, including \$50,000 for Five Sisters, was approved for allocation in FY 2019-20, however due to COVID-19 impacts, funds were not expended in the previous fiscal year and have been budgeted in FY 2020-21, leaving an additional \$516,492 available for additional Micro Grant

Initiatives.

STRATEGIC FRAMEWORK:

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

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion

ATTACHMENTS:

Attachment 1: Five Sisters Farms Application Summary

Attachment 2: Five Sisters Farms Acknowledgement

Attachment 3: Letters of Support for SoHum Farm Co LLC

Attachment 4: Revised Trellis Grant Funding Recommendations

Attachment 5: SoHum Farm Co LLC Articles of Organization

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-1

Meeting of: 3/12/19, 4/28/20, 5/19/20

File No.: 20-452, 20-582