COUNTY OF HUMBOLDT

For the meeting of: 8/22/2023

File #: 23-1089

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:
Project Trellis Local Equity Program Update Regarding Program Modifications Mandated by The Governor's Office of Economic Development

RECOMMENDATION(S):
That the Board of Supervisors:

1. Approve and direct staff to modify the Humboldt County Local Equity Program Manual V2.1 (Attachment 1) to replace current eligibility requirements with those required by the Governor's Office of Economic Development;
2. Authorize the County Administrative Officer to execute the 2022 grant award contract (Attachment 3); and
3. Provide direction to staff on how to proceed with regard to applying for Project Trellis LEP funding in Fall 2023 considering modifications needed to sustain state funding.

SOURCE OF FUNDING:
Economic Development (1120), Project Trellis Equity Fund (1120-275442)

DISCUSSION:
Staff are seeking direction from the Board of Supervisors regarding modifications to the Humboldt County Local Equity Program (LEP) manual (Attachment 1).

On May 5, 2023, staff in the County Administrative Office - Economic Development Division received a memo (Attachment 2) from the California Governor's Office of Business and Economic Development (GO-Biz) detailing findings following GO-Biz's review of the county's LEP manual V2.1. The memo stated that numerous items in the LEP's eligibility criteria that would need to be modified prior to applying for further Cannabis Equity Grants (CEG) funding in Fall 2023.

On May 16, 2023, your Board approved the receipt of $1,234,821.75 in funding from GO-Biz to support the LEP for fiscal year (FY) 2022-23 to FY 2023-24.

On May 31, 2023, GO-Biz emailed staff explaining that the time frame to execute the 2023 award agreement had passed and that to allow further time to execute the agreement, the County of Humboldt would need to adopt all changes outlined in the prior referenced memo immediately which had previously been required to be completed prior to submission of the Fall 2023 application for funding (Attachment 3).

Staff are concerned over several of the requested changes to the eligibility criteria requirements, found in Exhibit B of Attachment 3:

a) Removal of current Humboldt County residency requirement
b) Removal of language restricting business be located within County of Humboldt
c) Addition of residency requirement of at least 5 years in County of Humboldt during the period between 1971-2016
d) Increase of business ownership interest from 20% to 51%

The removal of language restricting applicant residency and business location may result in funding being awarded outside of the community or even the state. The increase in residency duration is difficult if not impossible to confirm and does not consider that negative impacts of cannabis prohibition could have been felt in any period and length of time, or that living in Humboldt County during the period of the criminalization of cannabis does not directly correlate to having experienced the effects of the cannabis enforcement. The increase in business ownership percentage will prevent many individuals who pooled limited resources to form partnerships, limited liability corporations, and cooperatives to engage in the legal market from being eligible.

Given this change in the program at the State level, staff are seeking guidance and direction on how to proceed with the Project Trellis LEP:

Option #1 Modify the program, execute the 2022 award, and continue to apply for funding in Fall 2023:

If the changes are implemented and the agreement with CEG executed, staff will be required to amend the LEP, modify and reopen the application, reopen review of eligibility of previously reviewed applicants. Due to staff limitations and budget constraints, this will impact the Economic Development Division's ability to service several programs under its management. Additionally, GO-Biz is currently preforming a comprehensive multi-year audit of the equity program requiring significant staff time and resources.

Additionally, on June 14, 2022, your Board took action to allocate a minimum of $100,000 in annual General Fund contributions to be used as match funding. This decision was made based upon the inclusion of match in the formula for funding. Since then, due to the changes implemented by GO-Biz, starting with the Fall 2023 application, they will require 1:1 match funding for funding awarded over $500,000. In-kind match is possible for staff time however any additional match must be in cash.

Option #2: Modify the program, execute the 2022 award, and not seek future funding:

This option will require the same modifications to the LEP as described in option #1 in order to execute and distribute the 2022 award. Your Board may consider not applying for future funding given the increase in match requirements to a 1:1 match.

Option #3: Not modify the program and finalize previous awards:

This option will not allow staff to execute and distribute the 2022 award, as modifications to the LEP are required to do so and directs staff not to apply for future rounds of funding. Under this option, staff would only finalize any outstanding executed contracts under previously awarded funds.

FINANCIAL IMPACT:
The financial impact varies significantly depending on which option your Board chooses to move forward with. If staff recommendations are approved, staff will return to your Board with a supplemental budget in fund 1120, budget unit 275442 for the already approved annual allocation of $100,000 in General Fund. Additionally, if approved to apply, additional General Fund will be required based on amount of the award for the Fall 2023 application cycle with a 1:1 match.

STAFFING IMPACT:
There are no proposed staffing changes, however, future decreased funding will lead to decreased administrative dollars consequently reducing program staffing. If your Board approves the GO-Biz requested changes to the Local Equity Program, significant staff time will be required to update the program, re-open the application process, review applications, and move through the contracting process.

STRATEGIC FRAMEWORK:
This action supports the following areas of your Board's Strategic Framework.

Core Roles: Encourage new local enterprise
New Initiatives: Seek outside funding sources to benefit Humboldt County needs
Strategic Plan: 3.2 - Stabilize and support a successful cannabis economy

OTHER AGENCY INVOLVEMENT:
Governor's Office of Business and Economic Development
Humboldt Planning and Building Dept
Humboldt County Agricultural Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:
Board discretion.

ATTACHMENTS:
1) Local Equity Program Manual V2.1
2) 5-5-23 Local Equity Program Review Memo from GO-Biz
3) 5-31-23 CEG 2023 Grant Agreement

PREVIOUS ACTION/REFERRAL:
Board Order No.: I-2; C-11; H-2; D-7; D-10; D-11
Meeting of: May 28, 2019; Jan. 12, 2021; Feb. 1, 2022; March 8, 2022; June 14, 2022; May 16, 2023
File No.: 19-633, 21-1859, 22-94, 22-225, 22-283, 23-190