



Monterey County

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: 22-912

October 06, 2022

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Matter Type: General Agenda Item

- a. Receive a report outlining the need for an administrative manual and revisions to the Growing Equity Together framework; and
- b. Consider recommending that the Board of Supervisors adopt the proposed administrative manual and revisions to Growing Equity Together framework; and
- c. Provide direction to staff as appropriate.

RECOMMENDATIONS:

It is recommended that the Board of Supervisors:

- a. Receive a report outlining the need for an administrative manual and revisions to the Growing Equity Together framework; and
- b. Consider recommending that the Board of Supervisors adopt the proposed administrative manual and revisions to Growing Equity Together framework; and
- c. Provide direction to staff as appropriate.

SUMMARY/DISCUSSION

In August 2021, the Cannabis Program (Program) presented the findings of the equity assessment (Assessment), which was funded by the Governor's Office of Business and Economic Development (GO-Biz) Tier 1 grant award. Staff was directed to develop an equity program structure and applicant criteria and return to the Board of Supervisors (Board) to gain policy direction. In October 2021, the Program presented a proposed framework for the Growing Equity Together (GET) Program. In December 2021, the Board adopted the GET Program, which authorized staff to apply for a GO-Biz Tier 2 grant.

Below are the qualifying criteria and benefits initially adopted by the Board:

Criteria

- Initial qualifier
 - Applicant is not applying for a cultivation license for a premises that exceeds one acre of total canopy for outdoor cultivation, or 22,000 square feet for mixed-light or indoor cultivation
- Convicted of a non-violent, cannabis-related offense.
 - This is to help ensure that harms caused by the War on Drugs are addressed and reversed.
- An individual from any group with a protected status.

- This is to help ensure diverse representation throughout the cannabis industry.
- Household income is below the California poverty level.
 - This is to help ensure that applicants are not utilizing funding that would better serve less privileged applicants.
- A primary resident of Monterey County for at least five years from 1971 - 2016.
 - This is to help ensure that applicants are invested in their local community and are not relocating to Monterey County to access equity program benefits.

Benefits

- Revolving Loan Program
 - Low or no interest loans to establish or expand a commercial cannabis business, which are repayable in the interest of making monies available to future applicants
- Technical Assistance
 - Provide technical assistance to support establishing and maintaining a commercial cannabis operation, including licensing and compliance.
- Legal Assistance
 - Legal services to advise equity applicants on expungement, business formation, contracts, commercial leasing, and dispute resolution
- Shared Use Facilities
 - Allow operators to share a licensed premise for certain commercial cannabis activities.
- Application/Permit Fee Waivers
 - Offer waivers for various local permits requirements, including the land use permit, cannabis business permit, and annual business license.
- Retirement, Remediation and Relocation
 - Permit the transfer of development rights from one area to another that satisfies criteria not met at the original site.

Reasons to adopt administrative manual and revise GET Program criteria and benefits

Due to the evolving nature of local equity programs, other jurisdictions have adopted administrative manuals that are used to manage their equity programs. Staff have adapted an administrative manual (Attachment A) to the GET Program for review and discussion. This concept would rely upon Cannabis Committee review and input to promulgate such administrative rules and procedures consistent with the purpose and intent of the GET Program. This mechanism would allow the GET Program and its accompanying grant funding to be more effectively and expeditiously utilized.

In February 2022, GO-Biz announced an award amount of \$550,000 for the County of Monterey. Within the grant budget, \$50,000 was reserved for administrative costs and \$500,000 was reserved for a consultant to provide technical and legal assistance to qualified equity applicants. After conferring with the grant analyst assigned to Monterey County, it was discovered that direct technical assistance was limited to 10% of the overall grant award for a limit of approximately \$55,000.

Staff began an RFP process in May 2022 to identify a vendor experienced in providing direct technical assistance to qualified equity applicants. These proposals have been reviewed, scored, and as to some, sent tentative award letters. Discussions have begun with each successful vendor and

agreements will soon be executed. Staff continues to correspond with applicants interested in the GET Program. Staff has received 21 applications to date. Staff is working with these applicants to obtain sufficient documentation to complete their applications so that formal review can begin.

After deducting \$50k for administrative costs and \$50k for vendor-provided direct technical assistance, approximately \$450k of grant funding will remain. The only mechanism to spend this grant funding through the currently adopted GET benefits would be through the revolving loan program, however the particulars of this benefit have not been reviewed or approved by the Board.

Considering experience with the initial cohort of GET applicants and limitations on eligible usages of grant funding, and recent Board direction related to the Outdoor Commercial Cannabis Cultivation Pilot (Pilot) Program, staff proposes revisions (Attachment B) to GET Program criteria and benefits.

Regarding the initial qualifier, staff failed to clarify within the initial framework that the GET Program is limited to those pursuing businesses located within the unincorporated area of Monterey County that the Program has regulatory oversight of. As presented in the initial framework, the intention was to begin with a small and controlled equity program. The Board may wish to expand this to include businesses located outside of their jurisdiction, but staff maintains that this approach is essential to retain focus and effectiveness during the infancy of the GET Program. Removal of the shared use facilities benefit also aligns with this intent, as staff have discovered it is highly complex and would be more effectively implemented in later iterations of the GET Program.

Removal of the RRR benefit aligns with Board direction given in August 2022. Staff recommended to remove the requirement for proof of prior cultivation, as this would expand the pool of eligible applicants. The Board did not agree to this recommendation. Instead, it directed staff to return to the Committee with recommended amendments to the Local Jurisdiction Assistance Grant (LJAG) budget to remove approximately \$520,000 in costs related to commissioning an environmental impact report and ordinance work related to the Pilot and RRR.

Considering that non-equity operators have struggled with depressed prices this past year, staff would like to transition from a loan to a grant program. Other jurisdictions have been challenged with collection efforts of similar loans and the optics of such a situation would look unfavorable when considering the intent of equity programs to support disadvantaged individuals. Staff envisions that, like passthrough funding offered by the LJAG, equity grant funding would be dispersed in progress-based installments.

Lastly, staff proposes that applicants provide proof from any five years of residency rather than being limited to 1971 - 2016. The existing timeframe was adapted from other jurisdictions, however local equity applicants have expressed frustration with producing this documentation and in some instances, their records were destroyed through natural disasters, and they are unable to produce sufficient documentation of residency during this period.

Amid the ongoing industry downturn, staff wishes to increase accessibility of grant funding and to streamline application processing. As such, staff seeks Committee direction on the administrative manual concept and proposed revisions to the GET framework, in addition to supporting a

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recommendation that the Board adopt these changes.

OTHER AGENCY INVOLVEMENT:

No other departments were involved in the preparation of this report.

FINANCING:

Monterey County's Cannabis Program is funded in County Administrative Office - Department 1050, Intergovernmental and Legislative Affairs Division - Unit 8533, Cannabis. The proposed recommendations will not incur additional expenses to the Program, as the Growing Equity Together Program is exclusively grant-funded.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

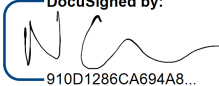
The Monterey County Cannabis Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

Mark a check to the related Board of Supervisors Strategic Initiatives

- X Economic Development
- X Administration
- X Health & Human Services
- X Infrastructure
- X Public Safety

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Attachments:

- A: Proposed Growing Equity Together Administrative Manual
- B: Proposed Revisions to Growing Equity Together Program Framework