



County of Monterey

Item No.

Board Report

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

Legistar File Number: 24-144

March 12, 2024

Introduced: 2/27/2024

Current Status: Scheduled PM

Version: 1

Matter Type: General Agenda Item

- a. Receive a status update on the Cannabis Program Growing Equity Together Program and its accompanying grant funding; and
- b. Approve continuance of the Growing Equity Together Program to provide technical assistance and support without grant funding, or direct the Program to dissolve the Growing Equity Together Program; and
- c. Provide further direction as appropriate.

RECOMMENDATIONS:

It is recommended that the Board of Supervisors:

- a. Receive a status update on the Cannabis Program Growing Equity Together Program and its accompanying grant funding; and
- b. Approve continuance of the Growing Equity Together Program to provide technical assistance and support without grant funding, or direct the Program to dissolve the Growing Equity Together Program; and
- c. Provide further direction as appropriate.

DISCUSSION/SUMMARY:

This report has been prepared by the Cannabis Program (Program) to provide the Board Cannabis Committee (Committee) with a status update on the implementation of the Growing Equity Together (GET) Program and its accompanying grant funding and to request approval of proposed revisions to the GET Administrative Manual (Manual). The Program presented this item to the Committee on November 2, 2023. The Committee approved the recommendations and directed staff to present to the full Board.

In December 2019, Program staff applied for Type 1 funding through the Cannabis Equity Grants Program for Local Jurisdictions (CEG) offered by the Governor's Office of Business and Economic Development (GO-Biz). The County of Monterey (County) was awarded \$150k to conduct an equity assessment. In August 2021, Program staff presented the findings of the equity assessment completed by California State University Monterey Bay. Staff returned to the Board of Supervisors (Board) in October 2021 with the proposed framework for a local equity program.

In December 2021, the Board adopted a resolution to authorize the creation and implementation of the GET Program that was contingent upon a grant award. Program staff applied for Type 2 funding through the CEG offered by GO-Biz and was awarded \$550k to assist with the implementation of a local equity program. The GET Program and its accompanying funding was intended to provide those disproportionately harmed by the War on Drugs with the opportunity to participate in the licensed

commercial cannabis industry. The GET Program was designed with a phased implementation in mind, allowing staff time to slowly refine eligibility criteria, benefits, and administrative processes. The grant performance period is currently from March 15, 2022, to October 31, 2023. There were several key work tasks that were required based on the grant award and extensive work has been done to establish procedures for disbursing grant funding that are in accordance with protocols of the Budget and Auditor-Controller offices.

The Program created a prescreening application in December 2021 and immediately began to receive applications. Program staff conferred consulted the Workforce Development Board to align the GET prescreening application review with existing documentation and verification standards for similar programs. Where necessary, staff requested additional documentation from interested applicants to align with the criteria established in the approved framework. Staff have verified 14 local equity applicants, where the majority were approved in late 2022.

Staff have overseen the execution of agreements with 2 partner agencies to provide direct technical assistance. On April 8, 2022, a Request for Proposal was initiated to solicit vendors to provide direct technical assistance to equity applicants. On August 15, 2022, two vendors were awarded: Wise Education Technology, Inc. and California Asian Pacific Chamber of Commerce. Both agreements were approved on February 1, 2023, and November 28, 2022, respectively.

The 14 verified GET participants began meeting with the Program and two vendors in February 2023. During this initial outreach the exchanged contact information, introduced participants to the vendors, provided direction on the local authorizations required to begin commercial cannabis activities within the unincorporated areas of the County, and reviewed the milestones that are required to be met to receive direct grant funding. Since the onset, staff have reiterated the need to submit complete applications for the land use entitlement, cannabis business permit, and annual business license. Staff have assisted applicants in identifying properties eligible for their proposed commercial cannabis activities and have coordinated meetings to discuss application requirements.

Key factors that have delayed participants from utilizing the GO-Biz funding are:

- Inability to secure a property within an allowable zoning area.
- Inability to gain approval of small business loans or identify alternative funding sources to launch a commercial cannabis business.
- Challenges in meeting requirements to submit a complete land use permit application.
 - The Board directed staff to prepare an ordinance to make a change to Monterey County Code Chapters 20.69 and 21.69-both pertain to the Outdoor Commercial Cannabis Cultivation Pilot (Pilot) Program-applicants must provide proof of prior cultivation to qualify a property for the Pilot.
 - Removal of this requirement was originally considered by the Board in August 2022 but not approved until January 2024.
 - 10 of the 14 verified equity applicants previously cultivated under the Compassionate Use Act (Prop 215) and are trying to restart outdoor cultivation activities.
 - Many of these heritage Prop 215 growers no longer own/lease the original

- property, which would make them ineligible for the Pilot.
- Retirement, Remediation and Relocation (RRR) was a benefit to verified equity applicants under the original GET framework and would allow applicants who previously cultivated under Prop 215 to transfer development rights to a new property, however the RRR benefit was later removed from the GET Program by the Board.
- While some operators may qualify for an exemption from the California Environmental Quality Act (CEQA), those who do not would face steep costs and extended timelines for approval of their land use entitlements.
 - An Environmental Impact Report (EIR) pertaining to outdoor cultivation within District 5 was allocated within the budget of a separate grant-the Local Jurisdiction Assistance Grant-and would have removed the need for site-specific CEQA studies, but funding for the EIR was later reallocated by the Board.

On June 23, 2023, staff submitted a request to GO-Biz to extend the grant term to December 31, 2024. GO-Biz staff requested a detailed timeline of anticipated expenditures on August 25, 2023. Staff responded with the requested information on August 29, 2023. GO-Biz management responded that “management has reviewed Monterey County’s request for an extension and has decided to not approve it because the County has not made sufficient progress towards expending the funds within the grant period to warrant an extension.” Approximately \$400,000 will need to be returned to the state after the grant agreement expires.

On September 6, 2023, the Program presented a request to the Committee for the Board to sign a letter of support to the GO-Biz requesting an extension to the existing grant agreement. The Committee directed staff to request approval of a letter of support from the Board, including relevant information on the obstacles to disbursing funding to GET participants and a request that GO-Biz reconsider the request to extend the grant agreement to December 31, 2024 or allow the County to retain \$100,000 of the award past the October 31, 2023 deadline if the denial is sustained; this would allow the County to conduct an analysis of the CEG program for GO-Biz leadership to consider in future grant solicitations.

This item requesting the Chair’s signature on the draft letter of support was approved via the September 26, 2023, consent calendar. A signed copy of the letter of support can be reviewed in Attachment A. In addition to the letter sent by the Board, 8 letters were sent by the partner agencies providing direct technical assistance to request GO-Biz support of the extension request. The Deputy Director of the unit responsible for the CEG submitted a letter sustaining the denial of the extension request on October 11, 2023, that can be reviewed in Attachment B. The request to retain \$100,000 and conduct an analysis of the CEG program was not acknowledged within this letter.

This letter also addresses a previous conversation with GO-Biz staff regarding eligibility criteria of the GET Program. During a meeting with GO-Biz staff in May 2023, Program staff was informed that the following GET eligibility criterion was in violation of Clauses of the U.S. and California Constitutions, and Article 1, Section 31 of the California Constitution (Prop. 209):

“An individual from a historically oppressed group.”

Program staff were informed that this criterion would need to be removed to receive any future award through a subsequent grant solicitation, but that this exclusion would not be applied retroactively to the existing grant award. The County is already ineligible to apply for the FY 2023-24 CEG grant solicitation because 18 or more months will have elapsed since the existing grant agreement was executed and the application is due; the existing grant agreement requires that 80 percent of grant funds must be expended to be eligible, however only 31% have been expended at the time of writing. Staff will not apply for a Go-Biz grant in this or next calendar year.

Staff have prepared proposed revisions to the Manual that would resolve the violation noted by GO-Biz and restore eligibility for the FY 2024-25 CEG grant solicitation. The Manual was first presented to the Committee in December 2022 and approved by the Board in January 2023. The Manual would rely upon Committee review and input to promulgate such administrative rules and procedures consistent with the purpose and intent of the GET Program. These proposed revisions can be found via redline in Attachment C and a clean copy in Attachment D.

Staff is grateful for the support of the Committee and Board to develop and implement the GET Program. Despite the challenges of its accompanying funding, staff would like to acknowledge the positive outcomes that were enabled by the GET Program:

- 8 applicants have enrolled in self-paced, online certification course specific to cannabis and 2 have converted to a live semester beginning this fall.
- 10 applicants have scheduled 35 1-on-1 meetings with subject matter experts.
- 6 applicants received permit application fee waivers totaling \$45k.
- 2 applicants received their full grant allowances of \$17k each.
- The local verification that has already occurred will enable applicants to apply for equity fee relief with the Department of Cannabis Control.

Staff believes in the intent of the CEG, and by extension, the GET Program. The limited outcomes of the GET Program will serve as a catalyst for future success stories, both within the small cohort of operators who received assistance and through the experience gained by staff to administer a local equity program. To continue providing opportunities to those disproportionately impacted by the War on Drugs, staff recommends the following actions to sustain the GET Program that will not require additional funding at the state or local levels:

- Approve proposed revisions to the Manual as requested by GO-Biz and continue to accept and qualify GET Program applications.
 - It should be noted that applicants enrolled in the equity program of a local jurisdiction-such as the GET Program-are eligible to obtain resources at the state level which include licensing fee waivers from the Department of Cannabis Control (DCC).
- Continue coordination of meetings to assist applicants in identifying properties eligible for their proposed commercial cannabis activities and discuss application requirements.
- Remain apprised of grant funding opportunities that align with the intent of the GET Program.

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Staff believes that these tasks could be absorbed within the workload of existing allocations. If, however the Board directs to dissolve the GET Program, public facing elements of the GET Program would be removed from the Program webpage and the DCC would be informed that the 14 applicants are no longer participants in the County of Monterey's local equity program.

OTHER AGENCY INVOLVEMENT:

The Cannabis Program prepared this report with input from the County Administrative Office and the Office of the County Counsel.

FINANCING:

Monterey County's Cannabis Program is funded in County Administrative Office - Department 1050, Intergovernmental and Legislative Affairs Division - Unit 8533, Cannabis. The approval of this report will not have any budgetary impacts as the existing Program staff allocations can provide non-financial assistance to verified equity applicants, for example, navigating County requirements for commercial cannabis activities.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

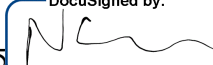
The Monterey County Cannabis Program addresses each of the Strategic Initiative Policy Areas that promote the growth of a responsible and legal Monterey County cannabis industry.

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

Prepared by: Joann Iwamoto, Interim Cannabis Program Manager

Approved by: Nicholas E. Chiulos, Chief Assistant County Administrative Officer, x5145

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Attachments:

- A. Signed Letter of Support for Grant Extension
- B. Letter Denying Grant Extension
- C. Proposed Revisions to Growing Equity Together Program Administrative Manual (redline)
- D. Proposed Revisions to Growing Equity Together Program Administrative Manual (clean)