



SUMMARY REPORT

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**Agenda Date:** 4/30/2024

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**To:** Board of Supervisors

**Department or Agency Name(s):** County Administrator's Office

**Staff Name and Phone Number:** McCall Miller, 707-565-2431

**Vote Requirement:** Majority

**Supervisorial District(s):** Countywide

**Title:**

Sonoma County Local Cannabis Equity Program Update and Grant Program Authorization

**Recommended Action:**

- 1) Receive an update on the Local Cannabis Equity Program; and
- 2) Authorize the County Administrator, or designee, to determine recipients, enter and execute grant agreements, and amend these agreements in accordance with the Cannabis Equity Program Manual and for approved uses intended to assist Verified Cannabis Equity Applicants/Operators. The total collective amount shall not exceed \$635,000.

**Executive Summary:**

The County of Sonoma received a Type 2 Cannabis Equity Grant in the amount of \$687,561 from the Governor's Office of Business and Economic Development (GO-Biz) in March 2023 to assist local equity applicants and licensees through the Sonoma County Local Cannabis Equity Program, which was established in November 2021.

The purpose of this item is to provide an update on the Local Cannabis Equity Program and to request delegated authority for the County Administrator, or designee, to determine grant funding level for recipients, execute grant agreements, and amend as needed in accordance with the Cannabis Equity Program Manual and for established approved uses which includes but is not limited to: permit fees, state license fees, consultant fees, and tax liability.

The current Type 2 Grant term expires in October 2024, which requires that all grant funding must be awarded by then. The total amount for the 20 applicants' agreements will not exceed \$635,000.

Finally, the County was not selected for a FY 23-24 Cannabis Equity Grant from GO-Biz. However, the funding is expected to continue to be available annually and staff will continue the process of verifying local applicants/operators, as staff will continue to apply in future cycles.

**Discussion:**

**Cannabis Equity Grants Program for Local Jurisdictions**

The State of California, through the Governor's Office of Business and Economic Development (GO-Biz), set aside funds through the Cannabis Equity Grants Program for Local Jurisdictions. The purpose of the program is to advance economic justice for populations and communities harmed by previous cannabis prohibition and to

provide support to local jurisdictions as they promote equity and mitigate barriers to enter the newly regulated cannabis industry. By issuing grants to local jurisdictions, GO-Biz aims to advance the well-being of populations and communities that have been negatively or disproportionately impacted by cannabis prohibition and the war on drugs. Sonoma County has received two grants through this program:

- March 2021: the County received a Type 1 Cannabis Equity Grant in the amount of \$75,000 for a cannabis equity assessment and local equity program development.
- March 2023: the County received at Type 2 Cannabis Equity Grant in the amount of \$687,561 to assist local equity applicants and licensees for commercial cannabis activities.
  - \$635,000 to be disbursed in the form of grants.
  - The remaining \$52,561 to be used for administrative costs.

### **Sonoma County Local Cannabis Equity Program**

The Sonoma County Local Cannabis Equity Program (Program) was established by Resolution No. 21-0457 on November 16, 2021, after completion of a Cannabis Equity Assessment (Assessment).

Based on information and analysis from the Assessment and through discussions with GO-Biz, the following Program eligibility criteria were established:

- Applicant was arrested and/or convicted of the sale, possession, distribution, use, manufacture, or cultivation of cannabis (including as a juvenile), or other non-violent cannabis-related crime, or been subject to asset forfeiture because of a cannabis-related offense between 1971 and 2016.
- Applicant with a parent, sibling, spouse, child, or a guardian/member of immediate household who was arrested for or convicted of the sale, possession, distribution, use, manufacture, or cultivation of cannabis (including as a juvenile).

Additional criteria were established for the purposes of determining and categorizing those applicants most in need of support:

- Applicant has “small scale” cultivation as defined by Sonoma County’s ministerial (zoning) permit criteria as stated in Ordinance No. 6436 adopted June 6, 2023.
- Applicant is legal guardian of at least one child that has been enrolled in a Sonoma County School District for at least five (5) consecutive years prior to application.
- Applicant operating in the legal cannabis industry in Sonoma County who has been directly impacted (i.e.: damage to/loss of home or business) by wildfires in the County in the period from 2017 to present.
- Applicant currently participates in or previously participated in the cannabis Penalty Relief Program (PRP).
- Applicant was cultivating on land zoned Agricultural Residential (AR) or Rural Residential (RR) when cannabis Ordinance No. 6189 adopted December 20, 2016, which did not allow for commercial cultivation in those zoning districts; or on a parcel under 10 acres in size when the minimum parcel size was raised per Ordinance No. 6245 adopted October 16, 2018.
- Applicant was a part of the foster care system.
- Applicant has completed a drug diversion program.
- Applicant has resided in Sonoma County for at least ten years between 2011-2023.
- Applicant is a veteran of the United States Armed Forces.

- Applicant is a verified Department of Cannabis Control Equity Applicant.
- Applicant whose household income is at or below the “Low Income 80% AMI” level based on the Department of Housing & Urban Development (HUD) State and Local Program income limits (ILs) for Sonoma County.

The application process was divided into two phases: Phase 1 - Applicants apply to become a Verified Cannabis Equity Applicant/Operator; and Phase 2 - Verified Cannabis Equity Applicants/Operators apply for Cannabis Equity Grant funding. The Phase 1 application period opened September 8, 2023. As of April 22, 2024: 24 applications have been received and 22 applicants/operators have been verified as equity applicants/operators. The Phase 2 application period opened on November 7, 2023 and closed on January 22, 2024:

- 20 applications were received
- Total of requested grant funding: \$4.78M
- Total funding available for disbursement: \$635,000

**Funding Distribution**

The intent of the Program is to support and assist local equity applicants and operators. As such, each of the 20 applicants have qualified to receive funding. Grant funds available for each applicant will be determined as follows:

- One-quarter of available funding will be distributed evenly among the 20 applicants
  - $\$635,000 / 4 = \$158,750 / 20$  applicants = \$7,937.50 base funding for each applicant
- Three-quarters of available funding will be distributed weighted by how many Tier B eligibility criteria each applicant were confirmed to have met
  - $\$635,000 - \$158,750$  in base funding = \$476,250 weighted funding
  - Confirmed eligibility points available: 90
  - Weighted funding per eligibility point: \$5,291.67
- The smallest grant amount will be \$18,520.83; and the largest grant amount will be \$50,270.83

The table below shows the amount of weighted funding by number of eligibility points.

Number of Verified Eligibility Points	Weighted Funding Amount
1	\$5,291.67
2	\$10,583.33
3	\$15,875.00
4	\$21,166.67
5	\$26,458.33
6	\$31,750.00
7	\$37,041.67
8	\$42,333.33

Staff requests delegated authority for the County Administrator, or designee, to determine grant funding

recipients, enter and execute grant agreements, and amend these agreements in accordance with the Cannabis Equity Program Manual and approved uses that do not increase the amount awarded under the agreement. After award and agreement execution, staff will publish the list of grant recipients including grant amount on the Cannabis Local Equity Program webpage (<https://sonomacounty.ca.gov/administrative-support-and-fiscal-services/county-administrators-office/projects/cannabis-program/cannabis-local-equity-program>). A grant agreement and budget template are attached as Attachment C.

### **The Future of the Sonoma County Local Equity Program**

The current Type 2 Grant term expires in October 2024. The agreement with GO-Biz requires that all grant funding must be awarded and disbursed by that time. However, the work will continue for the Program through the term of the grant agreements, through June 30, 2026, including assisting recipients through required documentation processes and preparation for possible future audits by the County or State Auditor. Additionally, adjustments to the Program Manual are necessary as eligibility criteria have been updated by GO-Biz. The Phase 1 application process to verify local applicants/operators will continue as other agencies such as the Department of Cannabis Control will use local equity status as part of their equity programs and as new applicants may wish to apply over time.

Applications for Cannabis Equity Grants for Local Jurisdictions continue to be available on an annual basis. For the FY 23-24 grant cycle, the County was not selected as a grant recipient. Despite not receiving a grant for this year, staff intends to apply for funding for the FY 24-25 grant cycle, opening in Fall 2024.

### **Strategic Plan:**

N/A

### **Racial Equity:**

#### **Was this item identified as an opportunity to apply the Racial Equity Toolkit?**

Yes

In 2021, the County contracted with the California Center for Rural Policy (Humboldt State University), using Type 1 Cannabis Equity Grant Funds for Local Jurisdictions from the Governor's Office for Business and Economic Development (GO-Biz), to conduct a Cannabis Equity Assessment (Assessment). See Attachment A.

The analysis provided by the 2021 Sonoma County Cannabis Equity Assessment informed the initial design for the draft Local Equity Program Manual. Key findings from the Assessment include:

- Sonoma County's legacy small cultivation applicants, particularly those in the Penalty Relief Program (PRP), have been disproportionately impacted by bottlenecks, program requirements, and subsequent costs in the County's permitting process.
- State classification of cannabis as an agricultural product rather than agriculture creates a distinct and more expensive permitting process than other agricultural businesses follow. Other issues include rural neighborhood opposition, ordinance volatility, and high capital barriers to entry such as high real estate values in the County.
- Sonoma County's Latinx and low-income populations have been disproportionately impacted by pre-Proposition 64 enforcement and the war on drugs.

- As in the rest of California and across the nation, wealthy, white stakeholders increasingly own the County’s licensed cannabis landscape whose investments in land and resources result in limited opportunities for small cannabis operators.

The intent is that the Assessment and initial program criteria design are not static and will be revised to a) incorporate new data as it becomes available; b) align to process and criteria to better serve socioeconomically disadvantaged individuals applying for Cannabis permits; and c) to improve Sonoma County’s Local Equity Program funding annual eligibility.

It is also believed that cannabis’ illegal status at the State and Federal levels has had a disproportionately negative impact on certain individuals who were convicted of cannabis offenses as well as on their families and communities, and the Assessment provides a data-rich identification of those areas of disproportionate impact. Over the years, cannabis criminal enforcement led to residents being labelled criminals for simple possession and other cannabis-related convictions that would carry little to no criminal consequences under California’s new regulations. Unfortunately, long lasting consequences combined with high capital and compliance requirements provide limited opportunities for socioeconomically disadvantaged and Latinx individuals looking to transition into Sonoma County’s now legal cannabis industry.

**Prior Board Actions:**

- 04/13/2021 - Received Type 1 Cannabis Equity Grant from GO-Biz ( <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=4903212&GUID=BD8971D0-C636-4D31-AA19-986986710EB3&Options=&Search=>> )
- 11/16/2021 - Received the Cannabis Equity Assessment and established the Local Cannabis Equity Program ( <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=5209412&GUID=654153FC-7F81-40F5-A52F-1DE366AACE07&Options=&Search=>> )
- 3/14/2023 - Received Type 2 Cannabis Equity Grant from GO-Biz and adopted the Local Cannabis Equity Program Manual ( <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6053601&GUID=5B86F7F5-BD73-40A0-8776-71CFAB6BFB2D&Options=&Search=>> )

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected</b>	<b>FY25-26 Projected</b>
Budgeted Expenses	\$687,561		
Additional Appropriation Requested			
<b>Total Expenditures</b>	<b>\$687,561</b>		
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal	\$687,561		
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
<b>Total Sources</b>	<b>\$687,561</b>		

**Narrative Explanation of Fiscal Impacts:**

The Cannabis Equity Grants are funded by the state funded GO-Biz Cannabis Equity Grant for Local Jurisdictions grant received in FY 22-23.

<b>Staffing Impacts:</b>			
<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

N/A

**Attachments:**

Attachment A: Cannabis Equity Assessment, 2021

Attachment B: Local Cannabis Equity Program Manual, 2023

Attachment C: Example of Cannabis Equity Grant Funding Agreement and Exhibit A Budget

**Related Items "On File" with the Clerk of the Board:**

N/A