



## SUMMARY REPORT

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**Agenda Date:** 3/11/2025

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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:** 4/5th

**Supervisory District(s):** Countywide

**Title:**

Local Cannabis Equity Grant Program Update and GO-Biz Equity Grant Award

**Recommended Action:**

Receive an update on the Local Cannabis Equity Program;

- A) Adopt a Resolution authorizing the County Executive, or designee, to accept and execute the Cannabis Equity Grant agreement with the Governor's Office of Business and Economic Development (GO-Biz);
- B) Adopt a Resolution adjusting the adopted FY24-25 County Administrator's Office managed Cannabis Tax Fund budget by \$189,525.51 programming Type 2 Cannabis Equity Grant funds and Cannabis Business Tax fund balance to conduct a Cannabis Equity Assessment (4/5th Vote Required); and
- C) Authorize the County Executive, 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 \$520,000.

**Executive Summary:**

The purpose of this item is to: 1) provide an update on the Sonoma County Local Cannabis Equity Program; 2) request authorization to enter into a grant agreement with GO-Biz and to designate the individual who is authorized to sign the agreement on behalf of the County; 3) request authorization for a budget adjustment to recognize the awarded state funding and program fund balance for an equity assessment; and 4) to request delegated authority for the County Executive, or designee, to determine grant funding level for recipients, execute grant agreements, and amend as needed in accordance with the Sonoma County Cannabis Equity Program Manual.

In March 2023, the County received a Type 2 Cannabis Equity Grant from the Governor's Office of Business and Economic Development (GO-Biz) to assist local equity applicants and licensees through the Sonoma County Local Cannabis Equity Program, established in 2021. A total of \$635,000 was awarded to 20 verified local equity applicants and operators.

The County applied for and received notice in January 2025 that it would be awarded \$558,102.04 in a new Type 2 Cannabis Equity Grant. A total of \$520,000 will be awarded to verified local equity applicants and operators for approved uses including rent, licensing fees, legal assistance, regulatory compliance, cannabis

testing, capital improvements, security equipment, workforce training, bookkeeping services, marketing, and tax relief. The remaining \$38,102.04 will be used for equity program administration, counsel, and translation costs.

The County's Local Cannabis Equity Program was established in November 2021. The Cannabis Equity Assessment accepted at the time recommended conducting an Assessment every three years. Now in the fourth year of the program, staff is recommending the allocation of \$50,000 of Cannabis Business Tax fund balance to engage a consultant to conduct an Assessment using approved County procurement processes.

**Discussion:**

Cannabis Equity Grants Program for Local Jurisdictions

The State of California 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.

The County has previously received two grants from GO-Biz:

- March 2021, Type 1 Grant for a cannabis equity assessment and local equity program development, grant award of \$75,000
- March 2023, Type 2 Grant to assist local equity applicants and licensees, grant award of \$687,561

The County applied for and received notice that it would be awarded \$558,102.04 in Type 2 Cannabis Equity Grant funding to continue to assist local equity applicants and licensees. The requirements related to Type 2 funding include the following:

- To provide grants, no-interest loans, or low-interest loans to the jurisdiction's local equity applicants and/or local equity licensees to assist with startup and ongoing costs.
- To provide or fund direct technical assistance to the jurisdiction's local equity applicants and/or local equity licensees. No more than 10 percent of the grant award may be used for direct technical assistance.
- To assist in the administration of the jurisdiction's local equity program. No more than 10 percent of the grant award may be used for administration.

To receive Type 2 Cannabis Equity Grant Funding, GO-Biz requires formal authorization for the County to enter into a grant agreement with GO-Biz and to designate the individual, or designee, who is authorized to sign the agreement on behalf of the County (see Attachment 1).

Sonoma County Local Cannabis Equity Program Update

*FY24 Grant Award Cycle*

With the Grant funding awarded in March 2023, a total of 20 grants totaling \$635,000 were awarded to verified local equity applicants and operators in Spring 2024. The grant awards range from \$18,520.83 to \$50,270.83 for approved uses incurred between April 1, 2023 and June 30, 2026. Approved fund uses include rent, licensing fees, legal assistance, regulatory compliance, cannabis testing, capital improvements, workforce training, bookkeeping services, marketing, and tax relief.

A survey was emailed to cannabis equity grant recipients in December 2024. Of the 20 grant recipients, 8 (40%) completed the survey. All 8 respondents believe the cannabis equity grant funding was helpful for their business, stating:

- “taxes are a huge stress and financial strain on the business, and it was very helpful to get some assistance with taxes”
- “it was extremely helpful in getting us current on local taxes”
- “it’s helping me launch my business by finalizing build out and getting occupancy”
- “startup fees being offset by grant funding has been very helpful”
- “to help relieve some financial expenses that we need to continue our business day to day”

#### *Equity Program Manual Updates*

When the Equity Program Manual was adopted in March 2023, the primary eligibility criteria were restricted to (as recommended by GO-Biz at that time):

Applicant conviction and/or arrest history	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.
Family conviction and/or arrest history	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).

Since then, GO-Biz has revised the allowable eligibility criteria to include low-income status and a residency consideration. As such, the primary eligibility criteria will be revised to include, as approved by GO-Biz (new language is underlined):

Applicant conviction and/or arrest history 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 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.
Family conviction and/or arrest history	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), <u>or other non-violent cannabis-related crime between 1971 and 2016.</u>
<u>Low-income status</u>	Applicant whose household income is at or below the “ <u>Low Income 60% Area Median Income</u> ” level based on the <u>Department of Housing &amp; Urban Development (HUD) State and Local Program income limits (ILs) for Sonoma County.</u>
<u>Residency in low HDI areas</u>	Applicant lived for at least five years between 1971 and 2016 in a census tract identified in the <u>Portrait of Sonoma (2021)</u> as having an <u>American Human Development Index (HDI) of less than or equal to 6.19.</u>

The inclusion of the two additional eligibility criteria will expand the pool of equity applicants and operators. Some applicants have been unable to submit documentation due to the costs associated with procuring arrest records or retaining legal counsel to provide an affidavit of arrest or conviction history.

To ensure economic assistance is provided to most equity applicants and operators, those who received funding during calendar year 2024 will not be eligible for grant funding prior to the end of the term of their current grant, or June 30, 2026. This provision will ensure new applicants and operators benefit from grant funding.

Existing additional criteria are used for the purpose 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 a 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 is a veteran of the United States Armed Forces.
- Applicant is a verified Department of Cannabis Control Equity Applicant.

#### Application Process & The Future of the Local Cannabis Equity Program

The application process is divided into two phases: Phase 1 - applicants apply to become a Verified Cannabis Equity Applicant/Operator; and Phase 2 - Verified Equity Applicants/Operators apply for Cannabis Equity Grant funding. The Phase 1 application period opened on September 8, 2023. As of February 1, 2025 and since the Phase 1 application period opened, 25 applicants/operators have been deemed verified local equity applicants/operators.

Once the grant agreement with GO-Biz is executed and grant funds are received, applications for both phases will be revised to reflect the proposed changes. Cannabis equity grants awarded with the new funding will be disbursed in four installments, as the County receives disbursements from GO-Biz. With the expanded eligibility criteria, it is expected that the Program will serve an additional 25-50 applicants and operators.

The County's Local Cannabis Equity Program was established in November 2021. The Cannabis Equity Assessment (2021) included a recommendation that the Assessment be redone every three years. Now that the Local Cannabis Equity Program is in its fourth full year of existence, staff recommend allocating \$50,000 from the Cannabis Business Tax Fund for this purpose (note: GO-Biz Type 2 Cannabis Equity Grant funds may not be used for Equity Assessments).

Staff recommends the Board adopt a resolution authorizing the County Executive, or designee to accept and execute the Cannabis Equity Grant agreement with the Governor's Office of Business and Economic Development (GO-Biz); adopt a resolution adjusting the adopted FY24-25 County Administrator's Office managed Cannabis Tax Fund budget by \$189,525.51 programming Type 2 Cannabis Equity Grant funds; and authorize the County Executive, 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 \$520,000.

#### **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 7.

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:**

4/13/2021 - Received Type 1 Cannabis Equity Grant from GO-Biz

11/16/2021 - Received the Cannabis Equity Assessment and established the Local Cannabis Equity Program

3/14/2023 - Received Type 2 Cannabis Equity Grant from GO-Biz and adopted the Local Cannabis Equity Program Manual

4/30/2024 - Authorized County Executive to award FY23-24 Cannabis Equity Grants

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY24-25 Adopted</b>	<b>FY25-26 Projected</b>	<b>FY26-27 Projected</b>
Budgeted Expenses	\$139,525.51	\$279,051.02	\$139,525.51
Additional Appropriation Requested	\$50,000.00		
<b>Total Expenditures</b>	<b>\$189,525.51</b>	<b>\$279,051.02</b>	<b>\$139,525.51</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal	\$139,525.51	\$279,051.02	\$139,525.51
Fees/Other			
Use of Fund Balance	\$50,000.00		
General Fund Contingencies			
<b>Total Sources</b>	<b>\$189,525.51</b>	<b>\$279,051.02</b>	<b>\$139,525.51</b>

**Narrative Explanation of Fiscal Impacts:**

The Type 2 Cannabis Equity Grant total award is \$558,102.04, of which \$520,000 will be awarded to verified equity applicants/operators and \$38,102.04 will be used for costs associated with program administration. GO-Biz will disburse the Type 2 Cannabis Equity Grant in four payments. Upon execution of the grant agreement, the County will receive \$139,525.51. The timing of the remaining three disbursements is currently unknown but is projected to be \$279,051.02 in FY25-26 and \$139,525.51 in FY26-27.

Any Cannabis Equity Grant revenue will be received in FY24-25 with disbursement to verified local equity applicants/operators anticipated to begin in FY24-25, continuing into FY25-26 and FY26-27. Unspent grant funds in the current year will be rolled forward to the next year's budget. Grant funds must be spent by October 31, 2026.

In FY24-25, staff recommend allocating \$50,000 of Cannabis Business Tax Fund Balance for the purposes of engaging a consultant to conduct a new Cannabis Equity Assessment. Consultant agreements of \$50,000 or less may proceed through a Department-led procurement process.

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

N/A

**Attachments:**

Attachment 1: Authorizing Resolution

Attachment 2: Budget Resolution

Attachment 3: GO-Biz Type 2 Grant Agreement

Attachment 4: Draft Local Cannabis Equity Program Manual (with track changes)

Attachment 5: Draft Local Cannabis Equity Program Manual (clean version)

Attachment 6: Local Cannabis Equity Program Grant Agreement Template

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**Agenda Date:** 3/11/2025

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Attachment 7: Sonoma County Cannabis Equity Assessment, 2021

**Related Items “On File” with the Clerk of the Board:**

N/A