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Mendocino County

Cannabis Local Equity Program Manual

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Purpose of the Cannabis Equity Grants Program for Local Jurisdictions

Administered by The Governor's Office of Business and Economic Development (GO-Biz)

The purpose of the Cannabis Equity Grants (CEG) Program for Local Jurisdictions is to advance economic justice for populations and communities impacted by cannabis prohibition and the War on Drugs (WoD) by providing support to local jurisdictions as they promote equity in California and reduce barriers to enter the regulated cannabis industry for equity program applicants and licensees. By issuing these grants to local jurisdictions, the Governor's Office of Business and Economic Development (GO-Biz) aims to advance the well-being of populations and communities that have been negatively or disproportionately harmed by cannabis prohibition and the WoD.

The term "equity" recognizes that because different individuals or groups have different histories and circumstances, they have different needs and unequal starting points. Using an equity approach, individuals and groups receive different resources, opportunities, support, or treatment based on their specific needs. By providing what each individual or group needs, they can have equitable or fair outcomes.

Local jurisdictions can help further the purpose and intent of Proposition 64, the Control, Regulate, and Tax Adult Use of Marijuana Act (AUMA) by fostering equitable access to licensure and employment in the regulated cannabis industry, ensuring that persons most harmed by cannabis criminalization and poverty are offered assistance to enter into the cannabis industry as entrepreneurs or as employees with high-quality, well-paying jobs, and ensuring the cannabis industry is representative of the state's population.

Mendocino County's Cannabis Equity Program

Mendocino County is a small rural community in Northern California with a poverty rate that is significantly higher than the State average. The County, and its residents, face disproportionate impact from the State and Federal Government cannabis criminalization, as highlighted by the Mendocino County Equity Assessment. Mendocino County has been a focal point of cannabis-related law enforcement activities since the 1970s. Despite evolving trends in marijuana-related arrests and charges, persistent economic and racial disparities remain, revealing the unfair reality of a resilient community grappling with the consequences of cannabis criminalization. The goal of this Local Equity Entrepreneur Program (LEEP) is to support verified local equity applicants and assist those in Mendocino County who are disproportionately affected by the WoD. The purpose of this manual is to describe the qualifications for, and services to be provided by LEEP.

The County has submitted applications for LEEP funding in the six rounds which have opened so far; five of those applications were funded. The program offers applicants County fee relief of cannabis business expenses, direct grant funds for start-up and ongoing business expenses, and direct technical assistance based on individual needs and circumstances.

To date, the Mendocino Cannabis Department (MCD) has administered over \$6 million in assistance through direct grants and fee relief to verified equity applicants.

I. Qualifications / Program Eligibility

Mendocino County's LEEP program aims to provide support to local equity applicants and local equity licensees to assist those impacted by the WoD. To become a verified local equity applicant, applicants must be an individual who has worked in or currently works in the cannabis industry, who has obtained, applied for, or will apply for a cannabis business license in Mendocino County, and owns at least 50% of the business, meeting at least one of the following equity criteria:

- 1) Any person who lived in a place for at least 5 years between 1980 and 2016 that was a California county with drug arrest rates that were higher than the state average drug arrest rates and the top 25% for unemployment and poverty; you can use the [DCC map tool](https://maps.gis.ca.gov/DCC/map.html) (<https://maps.gis.ca.gov/DCC/map.html>) to see if you live in a qualifying area.
- 2) Any individual who was arrested and/or convicted of a non-violent cannabis-related offense prior to November 8, 2016, or who has a parent, sibling or child who was arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis (including as a juvenile) prior to November 8, 2016;
- 3) Any individual who was personally raided or was subject to asset forfeiture arising from a cannabis-related event;
- 4) Any person who experienced sexual assault, exploitation, domestic violence, and/or human trafficking while participating in the cannabis industry;
- 5) Any person who had become homeless or suffered a loss of housing as a result of cannabis enforcement.
- 6) Any person's whose household income is no more than 60% of the area's [median income](https://cannabis.ca.gov/applicants/equity-fee-relief/) (<https://cannabis.ca.gov/applicants/equity-fee-relief/>), or who is eligible to get financial aid through a program like:
 - a. CalFresh
 - b. MediCal
 - c. CalWORKS

- d. Supplemental security income
- e. Social Security disability

Equity certified individuals that withdraw their cannabis business license or application, have had their cannabis business license or application denied or terminated by either the County, or an applicable State Agency will be deemed ineligible to receive Cannabis Equity Grant (CEG) funding as of the date they no longer have an active license or application. Furthermore, the cannabis businesses of verified equity applicants must be in tax compliance with the Mendocino Treasurer-Tax Collector prior to receiving CEG funding. Applicants may coordinate with the Department to explore the potential use of CEG funding to support tax compliance; however, such use is not guaranteed and is subject to funding availability and program requirements. Applicants who previously qualified under "5-Mile CAMP Raid" as a sole criterion, are deemed ineligible for CEG funding and must work with Mendocino Cannabis Department to re-certify under one of the above criteria.

II. Services

Services to be provided by the Mendocino County Cannabis Equity Program may include, depending on need and the availability of funds from grants or other sources, the following:

Fee Relief

Verified equity eligible applicants may apply for Fee Payments to be made directly to County agencies for purposes of specific cannabis business expenses including:

- 1) Fees for cannabis related licenses or permits issued by a County agency; and
- 2) The amount of tax owed pursuant to Mendocino County Code Chapter 6.32 in a tax year or tax years, excluding penalties and/or interest associated with any delinquent tax payments.
- 3) Awarded fee relief shall not exceed ten thousand dollars (\$10,000.00) cumulatively per applicant.

Direct Grants

Verified equity applicants may apply for direct grant funds for the purposes of start-up and ongoing business expenses. Direct Grant awards shall not exceed fifty thousand dollars (\$50,000). Direct Grant expenses include, but may not be limited to, the following:

- 1) Grants for purposes of conducting business as a licensed cannabis operator and assuring compliance with regulatory requirements of local or state permits or licenses. This includes categories such as regulatory compliance, capital improvement, and fixtures or equipment for any licensed cannabis activities, whether currently licensed or as applied for before or as a result of grant funding including, but not limited to:
 - a. Water storage for cannabis businesses;
 - b. Installation of solar electrical systems or expansion of them for cannabis operations;
 - c. Connecting off-grid cannabis businesses operations to the power grid;
 - d. Road remediation, watershed mitigation, and culverts or infrastructure needed to meet state or local regulations;
 - e. Structures and equipment necessary to conduct or improve cannabis business operations.
- 2) Grants for the purpose of employment skills training for eligible equity participants that are employers, employed or are seeking employment in licensed cannabis operations in Mendocino County. This may include, but is not limited to, OSHA

training, certification training, HR training, and job advancement training.

- 3) Grants for the purpose of paying the income taxes in whole or in part generated by receiving direct grant funds provided by the LEEP, the Local Jurisdiction Assistance Grant Program (LJAGP) – Direct Grant Program, and other grant awards as approved by the Cannabis Department, or for assisting the cannabis business operator in paying any taxes incurred from the cannabis business operations (income taxes, business property taxes, and other taxes), excluding penalties or interest.
- 4) Grants for the purpose of paying county or state application and licensing fees, state application and permitting fees, and state reporting and filing fees.
- 5) Grants for the purpose of paying start-up and ongoing business expenses including but not limited to rent or lease, utility bills, staff salaries and hourly rates, insurance, fixtures and equipment, furniture, capital improvements, legal assistance, bookkeeping and accounting, regulatory compliance, the testing- laboratory costs of legal cannabis, and any other business expense for the cannabis business.
- 6) Grants for the purpose of paying for; expenses associated with marketing and branding, including but not limited to:
 - a. Third-party certification programs;
 - b. Appellation of origin development and program management; and
 - c. Traditional marketing and branding programs, such as supplies, packaging, artwork, website design or updates, or any other marketing or branding purpose.

Direct grant funding is subject to eligibility requirements and allowable use guidelines designed to ensure equitable distribution and alignment with the overall program goals. The following criteria must also be met for all direct grant awards:

- 1) Direct Grant awards for the purposes listed in 1 through 6 above shall not exceed \$50,000 per individual.
- 2) Awarded funds will be limited to one (1) Direct Grant award per Cannabis Business License.
- 3) Funding requests should be accompanied by a scope of work outlining goods and/or services to be performed.
- 4) Direct grant funding for awarded and amended contracts is not approved until a fully executed contract is complete with all county and grant awardee signatures.

Executed Direct Grant Amendments

Grantees may request amendments to executed Direct Grant Agreements when necessary to support project completion or address unanticipated circumstances. All requests must be submitted in writing to the Department prior to the expiration date of the original agreement. Amendment requests are subject to the following criteria:

- 1) Reasonable Standard: The Department will evaluate amendment requests based on reasonableness, including the justification provided, demonstrated need, and alignment with program goals. The Department reserves sole discretion to approve or deny amendment requests.
- 2) Documentation and Execution: All approved amendments must be documented in writing and executed by authorized representatives of both the Grantee and the County. Amendments become effective on the date of final County approval, unless otherwise specified in the amendment document.
- 3) Compliance with Program Manual: All amendment requests must remain consistent with the provisions of this Program Manual and comply with all applicable State and County guidelines and requirements. Requests that propose activities or expenditures

outside the approved scope of work, or that conflict with State or program requirements, will not be considered.

- 4) Time Limitations: No amendment shall extend the term of the agreement beyond twelve (12) months from the original contract expiration date.

Direct Technical Assistance

“Direct Technical Assistance” refers to support to help cannabis equity applicants and licensees acquire the knowledge and/or skills necessary in order to gain entry to, and to successfully operate in, the regulated cannabis marketplace.

No more than ten percent (10%) of the grant award may be used for direct technical assistance.

Self-dealing is strictly prohibited. Grant funds may not be used to pay the applicant, their family members, or any individual with whom they have a close personal or financial relationship. All expenditures must reflect fair and unbiased business practices and ensure there is no actual or perceived conflict of interest. Direct technical assistance includes:

- 1) One-on-one consulting and training, including direct interactions in group settings, to provide equity applicants and licensees the technical knowledge and expertise necessary to facilitate business ownership and employment in the cannabis industry.
- 2) Small business support services, professional mentorship services, training and education regarding state cannabis licensing and regulatory requirements, manufacturing assistance, financial management, and business resilience such as emergency preparedness.

Direct Technical Assistance with the procured County vendor shall be provided as follows:

- 1) Direct Technical Assistance for Cannabis and Small Business Development Assistance including business planning, loan application preparation, site location services, human resource management, capital procurement services, bookkeeping and accounting practices and systems, etc.
- 2) Direct Technical Assistance regarding legal regulations for Cannabis Cooperative associations pursuant to Business and Professions Code sections 26220 - 26231.2, and educational information regarding the process of forming Cannabis cooperatives.
- 3) Small business support services, professional mentorship services, training and education regarding state cannabis licensing and regulatory requirements, manufacturing assistance, financial management, and business resilience such as emergency preparedness.

III. Direct Grant Obligations

- 1) Direct Grant Awardee Obligations to Preserve and Submit Documentation. Direct Grant awardees shall comply with the following:
 - a. All use of Direct Grant awards shall be documented through invoices, receipts, or other similar means of memorializing the use of such funds.
 - b. Copies of all such documentation shall be provided to staff of the Cannabis Department or its contractor no later than four (4) weeks following each use of such funds.
 - c. All such documentation shall be retained for at least four (4) years following the completion of all obligations arising under the grant agreement entered into with the County.
 - d. Use all reasonable efforts to provide any additional documentation requested by staff of the Cannabis Department or its contractor that they deem

necessary to further support the use of such funds.

- e. Any and all reasonable requests by staff of the Cannabis Department or its contractor necessary to perform a compliance audit to demonstrate that all Direct Grant awards have been used in accordance with the terms of the grant agreement.
- 2) County's Obligations to Manage Direct Grant funds.
- a. Staff of the Cannabis Department or its contractor shall comply with the following:
 - i. Ensure all Direct Grant awardees are notified and agree to the documentation and retention requirements in Section IV.1.
 - ii. Retain all such documentation received for at least four (4) years following the end of each grant agreement.
 - iii. Perform audits of a random sampling of Direct Grant awardees each year to determine whether such awardees are in compliance with their agreement obligations.
 - iv. Provide information and answers to applicant and awardee questions.
 - v. Provide updates regarding program changes to the public.
 - b. If staff of the Cannabis Department or its contractor determine that Direct Grant funds were misused by an awardee, staff shall do the following:
 - i. Withhold any and all further grant funds from said awardee until all misused funds have been repaid to the program.
 - ii. Promptly notify GO-Biz of the awardee's misuse of funds.
 - iii. Attempt to recover the misused funds in a manner similar to how the County attempts to collect other debts, including, but not limited to, demands for payment, litigation, any other remedy in equity or at law, or, in the alternative, file an action seeking specific performance.
 - iv. Promptly notify GO-Biz when the misused funds have been collected or were deemed unrecoverable.
 - c. Mendocino County may withhold direct grant payment if the Awardee is not current in licensing or tax requirements and/or payments

IV. Program Administration

- 1) No more than ten percent (10%) of any funding from the Governor's Office of Business and Economic Development Cannabis Local Equity Program Grant Funds may be utilized for program administration.
- 2) Principal Administration and Coordination of Services shall be performed by the Mendocino Cannabis Department.
- 3) Mendocino Cannabis Department shall promulgate any policies, procedures, grant funding caps per category, grant agreements/execution deadlines, application windows, and forms necessary for program administration.
- 4) Mendocino Cannabis Department shall monitor and report on all program services provided through the LEEP, as directed by the State grant agreement.
- 5) Mendocino Cannabis Department shall receive and process applications to determine eligibility and approval of awarded grant funding of equity program participants.
- 6) Mendocino County will administer and perform annual reporting, including Demographic and Business Ownership questionnaires on behalf of the Cannabis Equity Grants Program for Local Jurisdictions

V. Provision of Services

Staff in the Mendocino Cannabis Department, or Administration Services contractor selected in the County's procurement process, may serve as the liaison between equity applicants/licensees who receive grant funding and the selected agency(ies) that provides an eligible service. Agencies include, but are not limited to:

- 1) Technical Assistance Service Contractor selected in the County's procurement process
- 2) Mendocino County Departments (Mendocino Cannabis Department, Planning and Building Services, Environmental Health, Ag Department, Treasurer Tax Collector, etc.)

Mendocino Cannabis Department may enter into a contract agreement in accordance with the County's procurement process with qualifying agencies/vendors capable of providing the services described in SB 1294, business and professional codes and this Program Manual. These services may include:

- 1) Direct Technical Assistance Services
- 2) Assistance in Administration of the Local Equity Program

VI. Budget Allocation

Total available program funds shall be allocated for Program Services specified in Section B., above, as follows:

Grants	80%
Direct Technical Assistance (not to exceed)	10%
Administration (not to exceed)	10%