



Agenda Report

MEETING DATE: Tuesday, November 15, 2022

TO: City Council

FROM: COMMUNITY DEVELOPMENT DIRECTOR MERRIAM

THROUGH: CITY MANAGER MENDEZ

SUBJECT: RESOLUTION AUTHORIZING THE CITY MANAGER TO SUBMIT AN APPLICATION TO THE STATE FOR CANNABIS EQUITY GRANT FUNDING AND IF AWARDED, TO DIRECT THE CITY MANAGER TO EXECUTE AND SUBMIT ALL DOCUMENTS

RECOMMENDED ACTION:

It is recommended that City Council adopt a resolution approving submittal of an application for a Cannabis Equity Grant through the Governor's Office of Business and Economic Development, and if awarded, authorize the City Manager to execute and submit all documents necessary for completion of the project and appropriate funds to the Special Grants Fund [0260].

BACKGROUND:

In 2018, the state of California passed SB 1294, known as the California Cannabis Equity Act. The purpose of the Act was to ensure that people who were most harmed by past cannabis criminalization and poverty have assistance to enter the legal cannabis industry.

In 2021, the City applied for cannabis equity grant funding, however because the City had not conducted a cannabis equity assessment, the City was not eligible to receive grant funding. In 2022, the City contracted with Cal Poly Humboldt's Center for Rural Policy to develop a cannabis equity assessment that included recommendations to modify the City's equity ordinance to better target those residents who have been most impacted by the War on Drugs.

On October 25, 2022, the City Council approved the first reading of the modifications to Chapter 49 (Cannabis Equity Program) of Title 5 (Public Welfare, Morals and Conduct) of the Watsonville Municipal Code and accepted the cannabis equity assessment.

DISCUSSION:

Cannabis prohibition and criminalization had a devastating impact on populations and communities across California. Individuals convicted of a cannabis offense and their families suffer the long-term consequences of prohibition and criminalization. These individuals have

a more difficult time entering the adult-use cannabis industry due, in part, to a lack of access to capital, business space, technical support, and regulatory compliance assistance.

The state has \$15 million available to fiscal year 2022-2023. The City intends to submit a request for \$2 million in funding, however the award amount may be less due to the way that the application is scored, which provides more points to larger jurisdictions with more equity cannabis businesses. For instance, jurisdictions with fewer than 100,000 residents receive 4 points, while jurisdictions with over 3 million residents receive 22 points. Similarly, jurisdictions with 5-20 equity businesses receive 5 points, whereas a jurisdiction with more than 100 equity businesses received 15 points.

The City currently has 5 equity applicants who represent 3 cannabis businesses in Watsonville:

- Fog City Farms
- Sungrown Organics
- Crème de Canna

If awarded, the City will work with our cannabis equity businesses to identify their funding needs for the year and process grant requests through the Affordable Housing Division. The grant program is currently being developed, but will follow a similar framework as the façade improvement program that the City administered several years ago. Staff will provide direct grants to cover expenses and/or provide technical assistance, depending on the needs of our equity businesses and the amount of funding received from the state.

STRATEGIC PLAN:

The project supported by the proposed grant application supports Goal 4 (Economic Development) by providing financial assistance for the City's cannabis equity businesses.

FINANCIAL IMPACT:

There is no financial impact to the City by application for and receiving Cannabis Equity Grant funds. The grant allows the City to utilize up to 10% of the grant award to cover administrative costs such as staff time to administer the program.

ALTERNATIVE ACTION:

Council could choose not to apply for a cannabis equity grant during this year's funding cycle.

ATTACHMENTS AND/OR REFERENCES (If any):

- 1) Cannabis Equity Grant Application Guide