

# Direct Grant and CEQA Fee Relief Program Manual Local Jurisdiction Assistance Grants Program (LJAGP) December 19, 2023

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## Purpose of the Local Jurisdiction Assistance Grants Program (LJAGP)

### I. Direct Grant & Fee Waiver Program for Qualified Provisional License Holders

In October 2021, the Department of Cannabis Control (DCC) announced the availability of \$100 million in funding for the Local Jurisdiction Assistance Grants Program (“LJAGP”). The LJAGP dedicates funding to local jurisdictions with the greatest need to transition provisional licenses to annual licenses. The LJAGP is authorized by the Budget Act of 2021, Item 1115-101-0001 – For local assistance, found in Senate Bill 129 (2021).

Under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (“Act”), the DCC licenses and regulates cannabis businesses. The DCC issues annual licenses once an applicant or licensee meets all requirements for annual licensure.

Local jurisdictions eligible to receive grant funding represent those with significant numbers of provisional licenses who are legacy and equity applicants and provisional licensees that are more likely to have arduous environmental compliance requirements associated with CEQA. The LJAGP allocated \$100 million on a one-time basis to aid local jurisdictions and their provisional licensees in completing CEQA compliance requirements necessary to achieve annual licensure. LJAGP funds may also be used to aid local jurisdictions in more expeditiously reviewing provisional licensee local requirements. Allowable uses are intended to encourage local jurisdictions to administer grant funds in ways that allow the DCC to transition provisional licenses to annual licenses more expeditiously without sacrificing California's environmental commitments.

## II. Qualifications & Program Eligibility

Additional funding was allocated to local jurisdictions that received grant funding from the State to support an already established local equity program. Grant Program funds are available for encumbrance prior to disbursement at any time during the grant period, but funds shall be expended no later than March 31, 2025.

The county will provide the application materials, including a guidance document, in advance of the opening of the application period, and hold at least one (1) public meeting, within ten (10) days of materials being available, to go over the application process with local licensees.

For the purposes of this grant, 'Equity Operator' includes any provisional licensee who meets the requirements of the County's local equity program.

## III. Services

Services to be provided by the LJAGP Direct Grant and CEQA Relief Program may include, depending on need and the availability of funds, the following:

### A. Fee Relief related to CEQA compliance.

The LJAGP fee relief program is intended to assist State provisional licensees in meeting annual license requirements by providing LJAGP funding to pay for local permitting fees directly related to CEQA compliance and review, environmental compliance and mitigation measures including water conservation and water quality protection measures. Such fees may include but are not limited to:

1. Special Inspection Fees if one or more additional inspections are necessary to complete environmental and performance standard review.
2. County fees for all CEQA compliance and review including but not limited to grading permits, environmental health permit fees, air quality fees, planning permits (administrative or use permits), or other CEQA related projects as approved by the MCD.
3. State or local commercial cannabis application or license fee relief are strictly prohibited.

### B. Direct Grants

The LJAGP direct grant program is intended to provide support to applicants and license holders that have a valid state provisional license in order to achieve state annual licensures. LJAGP direct grant funds may be used for the following reimbursement for allowable expenses dated back to 1/1/22:

1. Improving Air Quality and Reducing Greenhouse Gas Emissions. Direct Grant funds may be used for reimbursement of costs expended for the purpose of improving air quality and reducing greenhouse gas emissions by eliminating or reducing the commercial cannabis business' use of combustion engines. Projects eligible for reimbursements related to improving air quality and reducing greenhouse gas emissions include:
  - a. Generators used to power, in whole or part, commercial cannabis business activities,
  - b. Water pumps used for the purposes of commercial cannabis irrigation and the business' related potable water needs, including multi-use water systems, and
  - c. Other improvements and modifications of operations resulting in reduced

- greenhouse gas emissions including, but not limited to modification of lighting type or converting from nonrenewable or minimally renewable electricity plan to a plan with a greater amount of renewable electricity provided or lower greenhouse gas emissions,
- d. Reimbursable costs include but are not limited to: consultants required for planning and permitting, equipment, installation costs, labor, and any additional items as approved by MCD related to improving air quality and reducing greenhouse gas emissions.
2. Remediation. Direct Grant funds may be used for reimbursement of remediation and environmental correction related expenses including, but not limited to, the following circumstances:
    - a. Remediation of a commercial cannabis cultivation site located within a streamside management area, a wetland, and/or floodplain,
    - b. Remediation of a commercial cannabis cultivation site that is determined to have potential impacts on sensitive species as identified during the Sensitive Species Habitat Review, and
    - c. Remediation of a commercial cannabis cultivation site as compelled by a state agency or as recommended in a biological or any other professional report submitted in the Sensitive Species and Habitat Review (SSHR) or CEQA processes,
    - d. Reimbursable costs include but are not limited to: consultants required for planning and permitting, equipment, installation costs, labor, and any additional items as approved by MCD for remediation.
    - e. Remediation is not permissible if it is already being funded by other means, including any other grant funding.
  3. Premise Modification. Direct grant funds may be used for reimbursement of costs related to partial or complete cultivation premise modification on the same parcel, if retiring and premise modification was required to comply with an agency requirement, including but not limited to:
    - a. Vegetation modification associated partial site closure,
    - b. SWRCB or CDFW related site premise modification,
    - c. Any other partial or complete closure and premise modification of the same parcel as needed for any reason.
    - d. Reimbursable costs include but are not limited to: consultants required for planning and permitting, equipment, installation costs, labor, and any additional items as approved by MCD for premise modification.
  4. Hydrology and Improved Water Quality. Direct Grant funds may be used for reimbursement of costs related to mitigation measures related to water conservation and water quality protection measures. Measures may include, but are not limited to the following:
    - a. California Department of Fish and Wildlife (CDFW) Lake or Streambed Alteration Agreement (LSAA) projects and related expenses including but not limited to:
      - i. LSAA permit fees such as notification major and minor amendment, and extension related to transitioning from provisional licensees to annual licensure,
      - ii. Hiring consultants and other professionals to provide technical support for completing notification and/or implementation of a Lake or Streambed Alteration Agreement required for local permitting and State annual licensure, and

- iii. The purchase and installation of water meters is necessary to ensure compliance with surface water diversion and reporting requirements.
  - b. Projects and permits required by the State Water Resource Control Board (SWRCB), and the Division of Water Rights, including enforcement of the Cannabis General Order, and/or the Clean Water Act. Such projects and expenses may include but are not limited to:
    - i. Hiring consultants and other professionals to provide technical support for the purposes of filing any required permits including but not limited to section 401 permits, Small Irrigation Use Registrations, and the payment of fees associated with such permits,
    - ii. Hiring consultants and other professionals to provide technical support for the development and/or implementation of Water Resource Protection or Site Management plans, and any other special or annual reporting to any division of the Water Board,
    - iii. The payment of fees associated with annual water reporting and monitoring programs related to transition from provisional to annual licensure, and
    - iv. The purchase and installation of water meters is necessary to ensure compliance with annual monitoring requirements.
  - c. Projects that increase water conservation, and/or reduce reliance on surface water and groundwater resources. Such projects and expenses may include but are not limited to:
    - i. Water availability studies and hydrological connectivity studies required by local and/or state agencies,
    - ii. Planning and design costs,
    - iii. The installation of water storage and distribution systems including but not limited to ponds and water tanks, and rainwater catchment and distribution systems.
  - d. Reimbursable costs include but are not limited to: consultants required for planning and permitting, equipment, installation costs, labor, and any additional items as approved by MCD for hydrology and improved water quality.
- 5. Site specific CEQA and SSHR Related Expenses. Direct grant funds may be used for the reimbursement of expenditures by State provisional licensees in order to transition to a State annual license related to CEQA document preparation and any costs related to demonstrating a less than significant impact to sensitive species and habitat during the SSHR process, but are not limited to:
  - a. Hiring consultants and other professionals to provide technical support for the purpose of preparing CEQA documentation, including the project description and supporting materials.
  - b. Hiring consultants and other professionals to prepare associated studies used as a basis for demonstrating the project has a less than significant impact to sensitive species and habitat and which may be utilized in developing the project description or CEQA review, such as archeologic, biologic, hydrologic, forestry, invasive species management plans, engineering plans, geotechnical reports, soil studies, etc.
  - c. Reimbursable costs include but are not limited to: consultants required for planning and permitting, equipment, installation costs, labor, and any additional items as approved by MCD for CEQA and SSHR work, projects, and studies.

6. Cost of Preparing Grant Application. Direct grant funds may be used for the reimbursement of costs related to the preparation of the LJAG application up to ten percent (10%) of the requested direct grant award amount.
7. Professional Compliance Assistance. Hiring consultants to support cultivators' ability to maintain compliance with every local and state agency for which compliance must be maintained to achieve and maintain local licensing or necessary for state annual licensure.
8. Prohibited and Allowable Uses. Notwithstanding the above, direct grant awards can only be used for those allowable uses identified in the Department of Cannabis Control's *Local Jurisdiction Assistance Grant Program: Guidelines and Application Instructions* dated October 2021 (the "Guidelines"). MCD will not award any direct grant funds for reimbursement of any prohibited uses identified in the Guidelines.

### C. Award Thresholds & Disbursement of Funds

Eligible provisional license holders may be awarded up to \$25,000 award which may be used for fee relief related to CEQA compliance and review, direct grants, or both.

1. The grant calls for the prioritization of locally designated Equity operators with State Provisional licenses. To this end the County will allocate 25% of Direct Grant funding (\$1.2M) exclusively to verified local or State licensed Equity Operators. The remaining 75% of Direct Grant funding (\$3.6M), will be available for both equity and non-equity applicants and will be processed and distributed in the order they are received.
2. LJAGP awards may be comprised of direct grant items, eligible fee relief, or both. Fee relief may be applied for and awarded as a part of the total grant budget and will be paid directly to the local permitting agency after submission of the appropriate fee relief forms. Direct grants may be issued as a part of the total grant budget after the approval of a complete application submitted to the MCD on forms, and in a format prescribed by the MCD.

### D. Application Requirements

1. Applications for Fee Relief Fee relief may be applied for on a form prescribed by the MCD and applied for at either the time the fee is due or included in the direct grant application. Fee relief must be turned into MCD directly to ensure successful processing.
2. Applications for Direct Grants Reimbursements for allowable expenses may be applied for on a form, or forms, prescribed by the MCD and must include the following information:
  - a. Improving Air Quality and Reducing Greenhouse Gas Emissions – Applications for reimbursements that improve air quality and reduce greenhouse gas emissions must include the following information:
    - i. The purpose, type and size of each combustion engine that has been replaced, or had its use vastly reduced, by a renewable resource or the comparison chart of utility provider plans the applicant is switching from and to that reduce greenhouse gas emissions by utilizing a greater amount of renewable sources in production of the utility's electricity,
    - ii. A narrative explaining how the renewable resource eliminated or reduced the provisional license holder's reliance on the combustion engine(s) or reduction of greenhouse gas emissions through conversion to a partial or total renewable electricity plan from a utility provider,

- iii. Original Receipts of paid invoices for contractor or consultant services, receipts for materials, or fees necessary to substantiate the cost of the work completed, or in the case of conversion to plan that reduces greenhouse gas emissions by switching to a greater percentage of or total renewable production of electricity by a utility, receipts for payment of utility bills showing the plan partial or total renewable electricity.
  - b. Remediation– Applications for reimbursements for the remediation of a cultivation site must include the following information:
    - i. A site plan showing the original site and remediated area,
    - ii. The environmental reasons for remediating,
    - iii. A detailed Remediation plan,
    - iv. If consultants and/or professionals were hired for the project, include a scope of work from the consultant(s) and/or professional(s), an itemized invoice for the work, the total hours worked, and the services provided and,
    - v. Estimates, invoices, and any contractor scope of work necessary to describe the cost of completing the Remediation project.
  - c. Premise Modification - Application for reimbursements for cultivation area premise modification on the same parcel must include the following information:
    - i. A site plan showing the original site and identify the premise modification,
    - ii. The environmental reasons for premise modification,
    - iii. If consultants and/or professionals were hired for the project, include a scope of work from the consultant(s) and/or professional(s), an itemized invoice for the work, the total hours worked, and the services provided and,
    - iv. Estimates, invoices, and any contractor scope of work are necessary to describe the cost of completing the premise modification project.
  - d. Hydrology and Improved Water Quality – Applications for reimbursements for hydrology and improved water quality related projects must include the following information:
    - i. Invoices for any contractor or consultant services, and/or receipts for materials or labor necessary to complete the project.
    - ii. For applications that include reimbursement for LSAA and/or SWRCB license or application fees related to CEQA compliance and review, provide the receipt, applicable agency's fee schedule, and a description of the required fees and why they are required for the proposed project(s). For applications that include professional services related to water availability or hydrologic connectivity, invoices for services to complete the required studies and a narrative describing each project.
    - iii. For applications that include Water Conservation projects must provide the following information:
      - 1. A water budget identifying the amount of water used annually by the commercial cannabis business,
      - 2. The amount of water to be stored,

3. A site plan showing the location of the water source and location of the water storage and distribution system installation,
  4. Invoices and/or receipts for the permits, materials, and labor required to complete the project.
  5. Invoices for professional services related to design of storage and other irrigation conservation systems, water availability analyses, or hydrological connectivity studies.
- e. CEQA and SSHR related expenses – Applications for CEQA and SSHR related reimbursements must provide the following information:
    - i. Invoices for consultants and other professionals to provide technical support for the purpose of creating any CEQA and SSHR materials including the project description and supporting materials, and responses to requests for information or remediations requested in SSHR comment letters during the local licensing process.
    - ii. Invoices for consultants and other professionals to prepare associated studies used in preparation of CEQA materials, the SSHR process, or for completion of an LSAA.
  - f. Cost of Grant Preparation - applications for cost of grant preparation related must provide the following information:
    - i. Invoices, receipts, total hours worked, and scope of work.
  - g. Compliance Assistance - applications for professional compliance business entity, local licensing, and state provisional licensing assistance must provide the following information:
    - i. Invoices, receipts, and scope of work.
3. Timeline for Application Submission Direct Grant applications may be submitted during submission timelines prescribed by the MCD. At the close of the submission timeline, MCD staff will review all complete applications received and award the qualifying applications based on funding availability and according to the equity prioritization described above. Payments will be distributed on a reimbursement basis substantiated by invoices and receipts.

#### IV. Program Administration

1. Principal Administration and Coordination of Services shall be performed by the MCD, or a contractor selected by the county.
2. The MCD shall promulgate any policies, procedures, grant funding caps, grant agreements/execution deadlines, application windows, and forms necessary for program administration.
3. The MCD shall monitor and report on all program services provided through the LJAGP, as directed by the State grant agreement.
4. The MCD or contractor(s) selected by the County may be designated to receive and process applications to determine eligibility and grant funding of program participants.
5. Pre-application and workshop shall be provided by MCD with contractor participation.
6. This manual, all review criteria, and all rules and processes governing the administration of this grant shall be posted to the MCD website. Reasonable communication with applicants and awardees will be maintained by MCD

throughout the application and award process and questions shall be responded to within a reasonable time period, as staffing permits.

## V. Use of Direct Grant Awards

Direct Grant Awardee Obligations to Preserve and Submit Documentation. Direct Grant awardees shall comply with the following:

1. All use of Direct Grant awards shall be documented through invoices, receipts, canceled checks, or other similar means of memorializing the use of such funds.
2. All such documentation shall be retained for at least seven (7) years following the completion of all obligations arising under the grant agreement entered with the County.
3. Use all reasonable efforts to provide any additional documentation requested by staff of the MCD or its contractor that they deem necessary to further support the use of such funds.
4. All requests by staff of the MCD or its contractor necessary to perform a compliance audit to demonstrate that all Direct Grant reimbursements have been used in accordance with the terms of the grant agreement.
5. The Awardee shall submit any additional data and/or information requested by MCD to support the Awardee's reimbursement request and shall submit any additional data and/or information that may be required.
6. Upon MCD's review and approval of the Awardee's reimbursement request, the County will distribute to the Awardee the approved reimbursement amount.
7. MCD may deny part or all of the reimbursement request if it believes that it is not a supportable Project expense per grant guidelines or direction of the DCC.
8. No reimbursement will be made which would cause the distribution of grant funds to exceed, through such payment(s), the limits of grant funds.
9. MCD may withhold payment if the Awardee is not current in its reporting requirements.

Mendocino County's Obligations to Manage Direct Grant funds are following:

- 1) Staff of the MCD or its contractor shall comply with the following:
  - a) Ensure all Direct Grant awardees are notified and agree to the documentation and retention requirements in Section IV.1.
  - b) Retain all such documentation received for at least seven (7) years following the end of each grant agreement.