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Streamlining Access to Safe and Regulated Vending and Micro-Entrepreneurship Opportunities

Small businesses and microenterprises are central to Los Angeles County’s (County) economy: there are over 250,000 local small businesses and over 55% are minority-owned; the County also has over 1.1 million non-employer sole proprietorships. According to a [2020 Small Business Ecosystem assessment](#)¹, these small employer firms and sole proprietorships account for 43% of the local workforce and make up the largest small business economy in the U.S. Small businesses build wealth in diverse, low-income communities. An estimated 68% of revenue generated by local businesses stays within the community through employment of community residents, compared to 43% of revenue generated by non-local businesses.

Given this critical ecosystem, the County Board of Supervisors (Board) has taken significant steps to support small businesses and microentrepreneurs so they can establish, thrive, and grow in the County. During the peak of the COVID-19 pandemic, the Board launched the [Economic Mobility Initiative](#)² to support historically disinvested communities and Black, Indigenous, People of Color (BIPOC) led small businesses

¹ <https://cameonetwork.org/wp-content/uploads/2021/03/Los-Angeles-County-Report-1.pdf>

² <https://file.lacounty.gov/SDSInter/bos/supdocs/159485.pdf>

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hardest hit by the COVID-19 pandemic. The County deployed over \$7M in funds for emergency rent relief to stabilize brick and mortar small businesses. Through its Economic Opportunity Grant program, the Department of Economic Opportunity is disbursing over \$54 million across 6,800 flexible grants for small businesses, microbusinesses, and nonprofit agencies, prioritizing the most COVID-impacted regions and organizations in the County. The County is prioritizing all elements of the startup ecosystem, including working with community partners to support sidewalk vendors and microentrepreneurs. In alignment with state of California (State) legislation (Senate Bill 946, *Sidewalk vendors* and Senate Bill 972, *California Retail Food Code* which legalized and increased feasibility for permitted sidewalk vending), the County, through the Departments of Public Health and Economic Opportunity, has launched a [program](#)³ that provides resources and technical assistance for sidewalk vendors to get legally permitted and thrive in the open-air economy.

The Board can continue advancing economic mobility for systemically excluded entrepreneurs and small businesses by establishing a Microenterprise Home Kitchen Operations (MEHKO) program. MEHKOs are a [type of food facility](#)⁴ that operates out of a private home and enables small-scale chefs to prepare, cook and serve food to consumers from their homes. Since 2019, the California Retail Food Code (CRFC) has allowed for home cooks to apply for a public health permit to operate a MEHKO and to sell food made in their home kitchens directly to the public with authorization from the enforcement agency's local governing body. The law gives a city or county "full discretion" to authorize the MEHKOs in their jurisdiction. The Department of Public Health is designated as the enforcement agency under the CRFC. The CRFC allows the governing body of a county to authorize the MEHKOs in all areas within its jurisdiction including all cities within that jurisdiction.

Authorizing MEHKOs would be a strategic, inclusive economic development strategy for the County while promoting safe and equitable pathways to legal food

³ <https://opportunity.lacounty.gov/how-we-help/sidewalk-vending-la-county/>

⁴ <https://www.cookalliance.org/frequently-asked-questions>

vending. Tens of thousands of Californians already sell food from their home informally because of high barriers to entry in the commercial food industry. Identifying available, suitable, and affordable commercial kitchens can be very difficult. A [survey](#) by COOK Alliance⁵ found that home cooks in this sector of the informal food economy are: 84% women, 48% Black, Latinx, or multiracial, and 30% first generation immigrants, and 36% of households had incomes under \$45k. Legalization offers economically excluded entrepreneurs the opportunity to come above ground and seek support and resources in becoming a safer, legitimate, and more successful business owner. The average cost to start a brick & mortar food establishment is \$400,000, while the all-in cost to launch a MEHKO is less than \$1,000.

Further, following the passage of State law SB 972, MEHKOs can be utilized as commissary kitchens for compact mobile food vendors to safely store their carts and prepare food. There are an estimated 50,000+ unpermitted sidewalk vendors in the County and one major challenge for sidewalk vendors seeking public health permits is the limited availability of permitted, affordable commissary spaces to prepare food. Thus, by allowing MEHKOs to serve as sidewalk vending commissaries, the County can tackle this key barrier and support the broader goal of regulating sidewalk vending permitting at scale to address the growing unregulated activity. Ultimately, the MEHKO program will help more sidewalk vendors enter the formal economy, vend more safely and cleanly in their neighborhoods, and achieve greater economic security.

State laws ensure that MEHKOs also promote public health and community well-being. MEHKOs are small scale and intended as incubators or commissaries, not as a substitute for commercial-scale operations. For MEHKOs that aren't serving as commissaries, they are only allowed to sell up to \$100,000 per year or 90 meals per week. Cooks must serve food on the same day either through delivery, take-out, or dine-in the home. Further, MEHKOs are inspected annually and home kitchen operators are trained (requires Food Safety Manager certificate and Food Handler card). Menus are restricted

⁵<https://docs.google.com/presentation/d/18DISS08tLaXqySTh3xfp51bAFJ7iQ6fYK8DYtuAqoDA/edit#slide=id.p>

to items that can be prepared and sold the same day, and risky food preparation techniques are prohibited. Cooks must also sell transparently and serve food directly to their end customers, not through a retailer or 3rd party service.

As of August 2023, eleven counties in California have authorized MEHKOs and over 200 MEHKOs have been permitted. Los Angeles can learn best practices from counties across the State. For example, San Diego County conducted an extensive stakeholder engagement process to inform its ordinance and launched a public education campaign with materials about the permitting program. Counties have also explored waiving or subsidizing costs to incentivize permitting and to lower barriers to entry for microentrepreneurs since permits cost roughly \$600 (using a cost recovery model). In both the [Santa Clara](#) and [San Mateo](#) Counties, the Boards provided fee relief and waived MEHKO permit fees for 2023. In [San Mateo](#) County, the Board also allocated \$62,500 in American Rescue Plan Act funds to create a grant program to help small-scale food entrepreneurs who were affected by the COVID-19 pandemic cover startup costs associated with becoming a MEHKO⁶.

Over the past few years, numerous proof points have shown that MEHKOs provide a safe, accessible economic entry point for micro-entrepreneurs. A two-year case study of the legal MEHKOs in Riverside County in 2021 found that during that time frame, there were zero food safety complaints, and 98.5% Code Enforcement Compliance. The permitted operators were 60% women and 85% were people of color. The County of San Diego Health Department has also closely monitored their program since it started in 2022 and reported to the public on August 8th, 2023, that thus far, there have not been any major risk factor violations observed, no reports of food borne illness, and no reports of community impact complaints.

In response to the model's demand and demonstrated success, the 2022-2023 State Budget ([Assembly Bill 178](#)) included \$8 million to support MEHKO entrepreneurs

⁶ <https://www.almanacnews.com/news/2021/07/21/san-mateo-county-to-legalize-home-cooking-businesses-and-offer-start-up-grants-for-home-chefs#:~:text=The%20grants%20will%20provide%20up,and%20developing%20an%20online%20presence>.

with \$3 million allocated to support Environmental Health Departments with more resources to implement MEHKO programs. Given the impending availability of State funding for Environmental Health Departments, the County should advance their program in the next few months to ensure the potential of leveraging these investments. As a national hub of entrepreneurship, the County can play a leading role in ensuring that all entrepreneurs - no matter their size - have equitable access to economic opportunity.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Direct the Director of the Department of Public Health (DPH), in collaboration with County Counsel and the Director of the Department of Economic Opportunity (DEO), to report back in writing within 120 days with a draft ordinance authorizing Microenterprise Home Kitchen Operations (MEHKO) within the Los Angeles County (County) public health jurisdiction consistent with the provisions of the California Retail Food Code.
2. Direct the Director of DPH, in collaboration with County Counsel and the Director of DEO, to provide opportunities for public input during the drafting of the MEHKO ordinance and development of the MEHKO permitting program through proactive outreach and engagement with impacted stakeholders, including representatives from cities across the County, microentrepreneurs, sidewalk vendors, and brick and mortar businesses.
3. Direct the Director of DPH, in collaboration with County Counsel, to report back to the Board in writing within 90 days with recommendations to ensure the County's ordinance and program aligns with best practices for equitable, safe, and accessible MEHKO adoption, including in the design of fees, permitting processes, and other program components. DPH's research and recommendations should include a review of implementation learnings from the other 11 counties with MEHKO programs, including model jurisdictions such as San Diego County, Riverside County, Santa Clara County, and San Mateo County. The programmatic research should also consider opportunities for how to best coordinate and streamline MEHKO permitting, commissary permitting, and sidewalk vending permitting processes to streamline the process for microentrepreneurs. DPH

should also consult with MEHKO policy expert organizations and microentrepreneur stakeholders, including the COOK Alliance. County Counsel's draft ordinance in Directive 1 and MEHKO permitting program in Directive 5 should consider and incorporate the recommendations in this DPH report.

4. Direct the Director of DPH, in collaboration with the Director of DEO, the Chief Executive Office (CEO), and the Directors of the Departments of Regional Planning (DRP), and Public Works (DPW), to prepare a MEHKO permitting program that can be established within 120 days of the Board's adoption of a MEHKO ordinance. The program should include permit processes, consistent with Senate Bill 972, *Sidewalk vendors*, enabling sidewalk vendors to utilize MEHKOs as a commissary space; this should include an increase or waiver of the annual cap on revenue and number of meals for MEHKO commissaries, consistent with State of California (State) law.
5. Direct the Director of DEO, in partnership with the Directors of DPH, DRP, and DPW, to prepare a public education program for small home-based retail food operations and food safety, that will be ready for immediate implementation upon the Board's adoption of a MEHKO ordinance and the establishment of the permitting program. This education program should:
 - a. Coordinate with the County's existing outreach and education efforts to support sidewalk vendors, including promoting opportunities for sidewalk vendors to get their home kitchens licensed as MEHKOs so they can serve as commissaries;
 - b. Include general educational guidance on how to be a good neighbor while running a small volume retail food operation, including considerations of land use, traffic, parking, noise and the importance of appropriate disposal for grease and other food-related waste;
 - c. Utilize a proactive outreach strategy that engages sidewalk vendors, microentrepreneurs, and brick and mortar businesses through canvassing, events, media, and other outreach approaches in the main [threshold](#) languages spoken in the County.

6. Direct the CEO, in collaboration with the Directors of DPH and DEO, to report back to the Board in writing within 90 days with the identification and analysis of potential funding sources to cover the costs of MEHKO-related programming. The funding assessment should include an analysis of the County's opportunity to pursue grant funding at the State and federal level and through philanthropic partners. The report back should consider funding to cover the following costs:
 - a. Funding DPH's start-up and ongoing MEHKO program implementation activities;
 - b. Funding DEO's public education program and ongoing MEHKO-related outreach activities;
 - c. Subsidizing the full or partial fees for DPH's MEHKO permits, particularly in the program's first year, to increase accessibility for low-income microentrepreneurs;
 - d. Providing grants or loans to cover other MEHKO-related start-up costs for low-income microentrepreneurs, such as equipment investments and other non-County-related permitting costs;
7. Direct the Director of DPH, in collaboration with County Counsel and the Director of DEO, to report back to the Board quarterly following the passage of the ordinance, and annually thereafter for five years, with progress updates including the number of MEHKOs permitted, the length of time from submission until approval for these permits, and the neighborhood locations of the MEHKOs permitted. Within one year of the ordinance passage, the report should include a deeper analysis of the economic impact of MEHKOs and a full assessment of the program's successes and challenges – including recommended adjustments and improvements to the County's ordinance and program model to ensure MEHKOs are being implemented carefully and in a way that addresses the needs of brick and mortar businesses, sidewalk vendors, and other community stakeholders.

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