

**MOTION BY SUPERVISORS HOLLY J. MITCHELL
AND HILDA L. SOLIS**

May 21, 2024

**Creating a Fee Subsidy Program to Equitably Implement the County’s New
Microenterprise Home Kitchen Operations Program**

In October 2023, the Los Angeles County (County) Board of Supervisors (Board) unanimously approved a motion, authored by Supervisor Mitchell, directing relevant departments to develop an ordinance authorizing Microenterprise Home Kitchen Operations (MEHKOs) within the County. The goal of this motion was to streamline access to safe and regulated micro-entrepreneurship opportunities across the County as tens of thousands of Californians were already selling food from their home informally due to high barriers to entry in the commercial food industry. The motion also requested a report back with an identification of funding sources to subsidize the full or partial fees for MEHKO permits to ensure the program is accessible for low-income entrepreneurs.

MEHKOs are a type of food facility 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 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.

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Following the passage of Senate Bill 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 to address the growing unregulated activity.

Per State law, MEHKOs are only allowed to sell up to \$100,000 per year or 90 meals per week. As of May 2024, fourteen jurisdictions (13 counties and the City of Berkeley) in California have authorized MEHKOs and over 340 MEHKOs have been permitted – including in the counties of San Diego, Riverside, and Alameda. San Diego County has closely monitored their program for years and reported strong outcomes, citing MEHKOs' adherence to food safety regulations and no major risk factor violations observed.

Counties have also waived or subsidized costs to incentivize permitting and to lower barriers to entry for microentrepreneurs since permits cost roughly \$600-1000 (using a cost recovery model). For example, Santa Clara and San Mateo Counties provided fee relief and completely waived MEHKO permit fees for 2023. In San Mateo County, the Board also allocated \$62,500 in American Rescue Plan Act (ARPA) funds to help small-scale food entrepreneurs who were affected by the COVID-19 pandemic cover startup costs associated with becoming a MEHKO. Counties have also developed outreach campaigns to proactively educate residents about the MEHKO model.

On May 14, 2024, the Board introduced the ordinance authorizing MEHKOs in the County. The report back from the Chief Executive Officer (CEO) on May 15, 2024, recommended that the Department of Public Health uses \$600,000 in ARPA-enabled funding to subsidize up to 1,000 MEHKO applicants, available through June 30, 2026. The target population for subsidies would be low-income microentrepreneurs throughout the County (excluding Long Beach, Pasadena, and Vernon) with annual revenues of \$50,000 or less, based on self-attestation. CEO recommends that the Board adopt the

Model III subsidy approach, which would reduce the Initial Application Review fee to \$0, leaving the subsidized applicants with the remaining Annual Inspection Fee of \$347. The report also recommended that the Department of Economic Opportunity use an additional \$600,000 in ARPA-enabled funding to engage in a robust outreach and education campaign and inform prospective permittees of the requirements around MEHKO and available subsidies.

The MEHKO program can offer economically excluded entrepreneurs a *feasible pathway* to come above ground and seek support and resources in becoming a safer, legitimate, and more successful business owner. A survey by COOK Alliance found that home cooks in this sector of the informal food economy are: 84% women, 48% Black, Latinx, or multiracial, 30% first-generation immigrants, and 36% of households had incomes under \$45,000. The County can learn from best practices by following the lead of other regions – conducting outreach and providing subsidies for low-income MEHKO chefs to equitably access this proven model for economic mobility.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Adopt the Model III subsidy program for the Department of Public Health’s (DPH) Microenterprise Home Kitchen Operations (MEHKO) Initial Application Review Fee as described in the Chief Executive Officer’s (CEO) report dated May 15, 2024, with the following parameters:
 - a. Up to 1,000 eligible MEHKO permittees will receive a one-time subsidy of \$597 which represents a 100 percent subsidy towards their Initial Application Review Fee, through June 30, 2026, at a cost of up to \$600,000 in total subsidies; and
 - b. Eligibility will be limited to MEHKOs with annual net revenues of less than \$50,000 who are applying for a new MEHKO permit.
2. Direct DPH and the Department of Economic Opportunity (DEO) to collaborate on the design of the education and outreach campaign, with the primary purpose of incentivizing prospective MEHKO permittees to join the regulated marketplace. The program must consider the many barriers

MEHKO operators face when interacting with the government and be linguistically and culturally competent.

3. Direct the CEO to amend the Board-approved American Rescue Plan (ARP) Coronavirus Local Fiscal Recovery Funds (CLFRF) Spending Plan to include \$1,200,000 in funding for the MEHKO program, which will be funded via ARP CLFRF's revenue loss provisions and include \$600,000 for DPH's subsidy program and \$600,000 for DEO's outreach and education campaign. This increase will correspond with a \$1,200,000 reduction of funding for the DPH-administered Community Testing program in the Board approved ARP CLFRF Spending Plan.
4. Direct the Director of DPH, in collaboration with DEO, to provide a written update within 45 days and quarterly thereafter until the full amount of the funding subsidy is expended or until the subsidy program ends on June 30, 2026.

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