



**Chief
Executive
Office.**

COUNTY OF LOS ANGELES

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Fesia A. Davenport

May 15, 2024

To: Supervisor Lindsey P. Horvath, Chair
Supervisor Hilda L. Solis
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Supervisor Janice Hahn
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From: Fesia A. Davenport 
Chief Executive Officer
FAD (May 14, 2024 18:32 PDT)

**REPORT BACK ON STREAMLINING ACCESS TO SAFE AND REGULATED
VENDING AND MICRO-ENTREPRENEURSHIP OPPORTUNITIES
(ITEM NO. 19, AGENDA OF OCTOBER 3, 2023)**

On October 3, 2023, the Board of Supervisors (Board) adopted a motion directing the Chief Executive Office (CEO), in collaboration with the Directors of the Departments of Public Health (DPH) and Economic Opportunity (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 Microenterprise Home Kitchen Operations (MEHKO) related programming. The funding assessment should include an analysis of Los Angeles County's (County) 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) DPH's start-up and ongoing program implementation activities; b) DEO's public education 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; and 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.



Background

Since 2019, the California Retail Food Code 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 governing body of the county. In September 2022, Senate Bill 972 was signed into law which created a new regulatory framework under the California Retail Food Code that would permit sidewalk vendors to sell food under the Compact Mobile Food Operation (CMFO) category. With the passage of Senate Bill 972, MEHKOs can be utilized as commissary kitchens for CMFO vendors to safely store their carts and prepare foods. This change in the law further promotes a pathway for food vendors to move from the informal to the formal economy as many have been operating outside the confines of the law.

Many microentrepreneurs such as sidewalk vendors and MEHKOs come from some of the most economically and socially marginalized parts of society and were disproportionately impacted by the COVID-19 pandemic. This was evidenced by the large increase of people entering the culinary microentrepreneurial space due to loss of employment, underemployment, or rising costs resulting from inflation. Data from surveys such as the one conducted by the COOK Alliance found that home cooks in this sector of the informal food economy are 84 percent women, 48 percent Black, Latin American, or multiracial; 30 percent first-generation immigrants; and 36 percent of households had incomes under \$45,000. Using an equity-focused approach, it is important to attempt to lower barriers such as the cost of entry of MEHKOs into the formal economy to promote safer, more organized, and flexible pathways into the thriving County culinary landscape.

MEHKO Board-Approved Ordinance and Implementation

The Board adopted the MEHKO ordinance on May 14, 2024, and the roll out of the MEHKO Program is scheduled for November 1, 2024. This timeline will enable DPH to develop and implement the new MEHKO Program which will require new inspection guidelines and forms, program staffing, and training. It will also provide DEO the necessary time to develop a public education and outreach campaign. DEO's proposed efforts are intended to create synergies across CMFO, MEHKO's and Sidewalk Vending Ordinances.

The MEHKO permit process falls within the purview of DPH for permitting and inspection, and applies countywide to all cities except Pasadena, Long Beach, and Vernon. There is no associated permitting, oversight, or regulation by DEO, such as is the case with CMFO.

DPH'S Start-Up And Ongoing MEHKO Program Implementation Costs

DPH worked with the Auditor-Controller to develop a cost-recovery-based fee schedule. Earlier this year, the California Conference of Directors of Environmental Health issued approximately \$200,000 in grant funding through the MEHKO Assembly Bill 178 award to DPH. DPH is leveraging these funds to assist in MEHKO Program development and pre-implementation, offsetting current staff costs. DPH's staffing plan for the MEHKO Program was included in their Fiscal Year 2024-25 Final Changes budget submission and it is expected that the proposed costs will be fully offset with fees collected for these services.

DEO'S Public Education and Outreach Campaign

DEO is developing a comprehensive outreach and technical assistance program for sidewalk vending, including MEHKOs. This effort includes a marketing campaign, outreach through partnerships, digital, and in-person approaches, creation of educational materials, in-person/virtual training sessions, 1-1 technical assistance, and translation services.

MEHKO Permit Costs

The MEHKO permit fee is comprised of two parts: 1) the cost of the initial application review fee, which will be a one-time cost of \$597; and 2) the ongoing annual permit fee of \$347, which starts in Year 1 and annually thereafter. The initial application review fee of \$597 covers the time it takes DPH's environmental health inspectors to review an applicant's application, written operating procedures, an evaluation of their home kitchens, and education on how to operate a food business out of a home kitchen. The application process is time-intensive and includes a quasi-educational component, with DPH staff working with operators to understand the critical differences between operating out of a home kitchen and operating out of a commercial kitchen or commissary. The annual MEHKO permit fee of \$347 covers the time it takes environmental health inspectors to conduct an annual inspection of the home-based operation to ensure that these home kitchens comply with all applicable requirements.

DPH has developed three subsidy models for consideration:

LA County Department of Public Health Microenterprise Home Kitchen Operation (MEHKO)					
Fee Type	Recommended Fees		Proposed Percentage-Based Subsidy Approach		Proposed Flat-Fee Subsidy Approach
	One-time	Ongoing	Model I 50% Subsidy for All Fees: Remaining Fee	Model II 75% Subsidy for All Fees: Remaining Fee	Model III One-Time \$597 Subsidy for Initial Fee Only - Remaining Fee
Initial Application Review Fee (Year 1)	\$597		\$299	\$149	\$0
Annual Inspection Fee (Starting in Year 1)		\$347	\$174	\$87	\$347
Total Fee	\$944		\$472	\$236	\$347
Estimated Funding Needed for 1,000 Subsidy Applicants			\$472,000	\$708,000	\$597,000

- **Model I** is a proposed 50 percent subsidy of the total costs related to permit fees including the initial application review fee and the Year 1 annual inspection fee. Based on this model, there is a need for \$0.472 million in one-time funding to offset the cost of the subsidy;
- **Model II** is a proposed 75 percent subsidy of the total costs related to permit fees including the initial application review fee and the Year 1 annual inspection fee. Based on this model, there is a need for \$0.708 million in one-time funding to offset the cost of the subsidy; and
- **Model III** is a proposed one-time \$597 subsidy to offset the cost of the initial application review fee. Based on this model, there is a need for \$0.597 million in one-time funding to offset the cost of the subsidy.

We recommend Model III as the preferred subsidy option. This model will eliminate a one-time cost barrier for entrepreneurs seeking to participate in the legal MEHKO marketplace. The one-time application review fee comprises nearly two-thirds of the Year 1 cost. The percentage-based fee reduction models are comparatively more difficult to message and implement because the annual fees may be prorated or collected at different times than the application fee. DPH concurs with the recommendation of Model III and indicates that this approach is the preferred option as it will streamline the billing and fee collection of permit costs.

Additionally, we recommend that the target population for subsidies be low-income microentrepreneurs throughout the County (excluding Pasadena, Long Beach and Vernon) with annual revenues of \$50,000 or less, based on self-attestation. These eligibility criteria will support those entrepreneurs most likely to face financial barriers to entering the legal and regulated marketplace and are consistent with eligibility criteria your Board adopted for the CMFO permit fee subsidy.

For CMFO fees, on February 6, 2024, your Board adopted a subsidy for unincorporated area vendors only. That decision was based in part on the fact that CMFO operators in the unincorporated areas would be regulated by DEO, with vendors required to register with DEO prior to obtaining applicable public health permits. In the context of MEHKO, DEO is not involved in the regulation of operators and DPH will be the primary regulatory entity involved with permitting

and compliance. For this reason, your Board could consider offering the subsidy countywide in all cities that contract with DPH for the regulation of food (all County cities except Vernon, Pasadena, and Long Beach). Alternatively, your Board can limit the subsidy to unincorporated areas initially, with an option to expand the subsidy countywide depending on utilization and funding availability.

Funding Sources for Outreach Campaign and Fee Subsidies

DPH has identified \$1.2 million in one-time American Rescue Plan (ARPA)-enabled funding to support the recommended subsidy and DEO outreach campaign. DPH would allocate \$600,000 to subsidize up to 1,000 prospective MEHKO permittees through June 30, 2026. (Participants may qualify for subsidies under both CMFO and MEHKO Programs, as these are separate application processes with distinct subsidy criteria.) The remaining \$600,000 would be allocated to DEO to support the MEHKO-related portion of its public education and outreach efforts.

Providing Grants/Loans to Offset Other MEHKO-Related Start-Up Costs

DEO launched the Economic Mobility Initiative (EMI) to strengthen the regional economy by supporting the start-up and growth of local entrepreneurs, small businesses, and nonprofits. EMI, funded by ARPA, includes three primary service components: countywide specialized technical assistance and training, access to capital and commercial space, and district-level entrepreneurship academies. DEO plans to leverage EMI's capital access component to provide up to \$1.0 million in grants to support sidewalk vendors with formalization costs associated with coming into compliance with the County's sidewalk vending ordinances, including MEHKOs. The focus of these funds will be in unincorporated areas.

Additionally, a significant development in this regard is the partnership between the California Association for Micro Enterprise Opportunity and COOK Alliance on a substantial statewide project aimed at expanding MEHKOs across California. The project's objectives include educating and training MEHKO owners, promoting and raising awareness about MEHKOs, and negotiating favorable rates for food, supplies, equipment, and services essential for MEHKO operations. One of the elements of the program includes equity grants for up to 500 MEHKOs after their satisfactory completion of a structured education and technical assistance course. Although this grant opportunity is being offered by County partners in this space and it is unclear how many County grant recipients there may be, DPH and DEO are committed to providing permittees with detailed information about this external opportunity to promote awareness and encourage participation.

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Conclusion

DPH and DEO will continue to work together to develop and implement the new MEHKO Program, including new inspection guidelines and forms, program staffing, training, as well as a robust public education and outreach campaign. Additional direction from your Board is required to authorize a subsidy of the MEHKO fees as set forth above.

Should you have any questions concerning this matter, please contact me or Erika Bonilla at (213) 974-9689 or ebonilla@ceo.lacounty.gov.

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c: Executive Office, Board of Supervisors
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