

File No. 200613

Committee Item No. 6

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date June 24, 2020

Board of Supervisors Meeting

Date _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Grant Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong

Date June 19, 2020

Completed by: Linda Wong

Date _____

1 [Accept and Expend Grant - Governor’s Office of Business and Economic Development
2 Cannabis Equity Grants Program for Local Jurisdictions - \$4,995,000]

3 **Resolution authorizing the Office of Cannabis to accept and expend a grant from the**
4 **Governor’s Office of Business and Economic Development Local Equity Grant Funding**
5 **program in the amount of \$4,995,000 for the period of July 1, 2020, through June 30,**
6 **2021; authorizing the Office of the City Administrator to execute the agreement with the**
7 **Governor’s Office of Economic and Business Development, and any extensions,**
8 **amendments, or contracts subsequent thereto on behalf of the City and County of San**
9 **Francisco; and indemnifying the Governor’s Office of Business and Economic**
10 **Development for liability arising out of the performance of this contract.**

11
12 WHEREAS, The Board of Supervisors previously passed, and the Mayor signed, an
13 ordinance (Ordinance No. 230-17, approved December 6, 2017, effective January 5, 2018)
14 creating San Francisco’s Cannabis Equity Program; and

15 WHEREAS, The Equity Program was designed to foster equitable access to
16 participation in the cannabis industry, including equitable access to promotional and
17 ownership opportunities; and

18 WHEREAS, The Equity Program provides assistance to communities unfairly burdened
19 by the War on Drugs, and was designed to ensure full and equal access to resources and
20 opportunities made available as a result of Proposition 64; and

21 WHEREAS, The staff of the Office of Cannabis, Human Rights Commission, and
22 Controller’s Office drafted a cannabis equity report in 2017, with assistance from numerous
23 City and community partners, to examine the local, state and national history of cannabis
24 regulation, the War on Drugs, and its impact on communities; and

1 WHEREAS, In August 2019, the Office of Cannabis submitted to the Bureau of
2 Cannabis Control an application for a grant from the Local Equity Grant Funding program to
3 support the San Francisco Cannabis Equity Program and Equity Program participants; and

4 WHEREAS, In October 2019, the Bureau of Cannabis Control awarded the Office of
5 Cannabis a grant of \$1,338,683.13 in funds to support its Cannabis Equity Program; and

6 WHEREAS, The State of California has enacted the California Cannabis Equity Act,
7 codified in relevant part at Business and Professions Code, Sections 26240 through 26250
8 (the “Act”), to further state efforts to support local jurisdictions’ equity programs; and

9 WHEREAS, Funding has been provided to the Governor’s Office of Business and
10 Economic Development to provide grant funds to local governments pursuant to AB 97
11 (Stats. 2019, Ch. 40); and

12 WHEREAS, In connection with the Act, the State has appropriated \$30,000,000 of
13 funds to the Governor’s Office of Business and Economic Development to issue grants to
14 assist local equity applicants and local equity licensees, to be administered through grants to
15 local jurisdictions’ equity programs; and

16 WHEREAS, In April 2020, the Governor’s Office of Business and Economic
17 Development awarded the Office of Cannabis a grant of \$4,995,000 in funds (the “State
18 Grant”) to support its Cannabis Equity Program; and

19 WHEREAS, The State Grant terms require that the State Grant be used only for the
20 following purposes: (1) to provide low-interest or no-interest loans or grants to the
21 jurisdiction’s local equity applicants and/or local equity licensees to assist the applicants
22 and/or licensees with startup and ongoing costs; (2) no more than 10 percent of the total grant
23 award to provide or fund direct technical assistance to the jurisdiction’s local equity applicants
24 and/or local equity licensees; and (3) no more than 10 percent of the total grant award to
25 assist in the administration of the jurisdiction’s local equity program, including employing staff

1 or hiring consultants to administer the jurisdiction's local equity program, including
2 administering loans and grants and covering the jurisdiction's costs associated with its efforts
3 to provide sources of capital to its local equity applicants and local equity licensees.

4 WHEREAS, The Office of Cannabis intends to use the State Grant, as required by the
5 State Grant terms, to (1) provide loans and/or grants to cannabis equity applicants and/or
6 permitted equity cannabis businesses to assist with startup and ongoing costs; (2) with no
7 more than 10 percent of the State Grant total, provide or fund direct technical assistance to
8 cannabis equity applicants and/or permitted equity cannabis businesses; and (3) with no more
9 than 10 percent of the State Grant total, assist in the administration of the jurisdiction's local
10 equity program; now, therefore, be it

11 RESOLVED, That the City Administrator is authorized to execute on behalf of the City
12 and County of San Francisco the grant agreement with the Governor's Office of Business and
13 Economic Development, including any extensions or amendments thereof and any
14 subsequent grant agreement with the Governor's Office of Business and Economic
15 Development in relation thereto; and, be it

16 FURTHER RESOLVED, That any liability arising out of the performance of this
17 contract, including civil court actions for damages, shall be the responsibility of the grant
18 recipient and the authorizing agency; the State of California and the Governor's Office of
19 Business and Economic Development disclaims responsibility for any such liability; and, be it

20 FURTHER RESOLVED, That within 30 days of the agreement being fully-
21 executed by all parties, the City Administrator shall provide the final agreement to the Clerk of
22 the Board for inclusion into the official file.

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Recommended: /s/ Approved: /s/

NAOMI KELLY
City Administrator

LONDON N. BREED
Mayor

Approved: /s/

BEN ROSENFELD
Controller

File Number: _____
(Provided by Clerk of Board of Supervisors)

Grant Ordinance Information Form
(Effective July 2011)

Purpose: Accompanies proposed Board of Supervisors ordinances authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Governor's Office of Business and Economic Development Cannabis Equity Grants Program for Local Jurisdictions
2. Department: City Administrator / Office of Cannabis
3. Contact Person: Marisa Rodriguez Telephone: (415) 307-2065
4. Grant Approval Status (check one):
 Approved by funding agency Not yet approved
5. Amount of Grant Funding Approved or Applied for: \$ 4,995,000
6. a. Matching Funds Required: \$ No
b. Source(s) of matching funds (if applicable):
7. a. Grant Source Agency: Governor's Office of Business and Economic Development
b. Grant Pass-Through Agency (if applicable):
8. Proposed Grant Project Summary: Grant funding will be used to assist Equity Applicants in San Francisco to gain entry to, and to successfully operate in, the state's regulated cannabis marketplace. Proposed support includes helping Equity Applicants receive cannabis business permits; technical assistance to provide access to legal services, access to real estate, and education; and direct support to equity applicants to build out their businesses.
9. Grant Project Schedule, as allowed in approval documents, or as proposed:
Start-Date: July 1, 2020 End-Date: June 30, 2021
10. Number of new positions created and funded: 2
11. Explain the disposition of employees once the grant ends? Terminated.
12. a. Amount budgeted for contractual services: \$450,000
b. Will contractual services be put out to bid? Yes
c. If so, will contract services help to further the goals of the Department's Local Business Enterprise (LBE) requirements? Yes
d. Is this likely to be a one-time or ongoing request for contracting out? Likely recurring
13. a. Does the budget include indirect costs?
 Yes No
b. 1. If yes, how much? \$ 499,500
b. 2. How was the amount calculated? 10% of Grant Budget
c. 1. If no, why are indirect costs not included?
 Not allowed by granting agency To maximize use of grant funds on direct services

[] Other (please explain):

c. 2. If no indirect costs are included, what would have been the indirect costs?

14. Any other significant grant requirements or comments:

****Disability Access Checklist***(Department must forward a copy of all completed Grant Information Forms to the Mayor's Office of Disability)**

13. This Grant is intended for activities at (check all that apply):

- | | | |
|--|---|---|
| <input type="checkbox"/> Existing Site(s) | <input type="checkbox"/> Existing Structure(s) | <input checked="" type="checkbox"/> Existing Program(s) or Service(s) |
| <input type="checkbox"/> Rehabilitated Site(s) | <input type="checkbox"/> Rehabilitated Structure(s) | <input type="checkbox"/> New Program(s) or Service(s) |
| <input type="checkbox"/> New Site(s) | <input type="checkbox"/> New Structure(s) | |

14. The Departmental ADA Coordinator or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local disability rights laws and regulations and will allow the full inclusion of persons with disabilities. These requirements include, but are not limited to:

1. Having staff trained in how to provide reasonable modifications in policies, practices and procedures;
2. Having auxiliary aids and services available in a timely manner in order to ensure communication access;
3. Ensuring that any service areas and related facilities open to the public are architecturally accessible and have been inspected and approved by the DPW Access Compliance Officer or the Mayor's Office on Disability Compliance Officers.

If such access would be technically infeasible, this is described in the comments section below:

Comments:

Mayor's Office on Disability is available for consult with the Office of Cannabis on the effective implementation of items 14 (1-2) above. All resulting public facing materials should also be digitally accessible, in consult with the Office of Digital Services.

Departmental ADA Coordinator or Mayor's Office of Disability Reviewer:

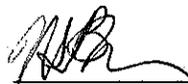
Nicole Bohn

(Name)

Director, Mayor's Office on Disability

(Title)

Date Reviewed: May 14, 2020



(Signature Required)

Department Head or Designee Approval of Grant Information Form:

(Name)

(Title)

Date Reviewed: _____

(Signature Required)

GoBiz Grant Application Decision

Conrad Crump <Conrad.Crump@gobiz.ca.gov>

Wed 4/15/2020 6:51 PM

To: Hillsman, Eugene (ADM) <eugene.hillsman@sfgov.org>

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Eugene,

Thank you for your grant application for the Cannabis Equity Grants Program for Local Jurisdictions. Based on our review of your application and pursuant to the point-based scoring system and funding formula outlined in the Grant Solicitation, we are pleased to inform you that the City and County of San Francisco is eligible for a grant award of \$4,995,000.00 We intend on issuing our press release announcing all of the jurisdictions receiving funding on Monday, April 20, 2020.

As indicated in the Grant Solicitation, all grant agreements must be signed via our electronic signature platform, DocuSign. As a result, we will need the name, title, and email address for the individual that will be signing the grant agreement. Lastly, to receive grant funding, a resolution is required from the City and County of San Francisco's governing body authorizing the jurisdiction to enter into the grant agreement with GO-Biz and designating by title the individual who is authorized to sign the agreement on behalf of the jurisdiction. It is important to place a resolution request on the governing body's agenda immediately to avoid funding delays. A sample resolution is available at www.business.ca.gov/CEG. The approved resolution must contain all of the components found in the sample resolution.

Thank you very much and please let me know if you have any questions.

Best Regards,

Conrad W. Crump

Grant Analyst

Governor Gavin Newsom

Office of Business & Economic Development

conrad.crump@gobiz.ca.gov

o: 916-322-4013 ext. 1255

1325 J St, Suite 1800

Sacramento, CA 95814





CANNABIS EQUITY GRANTS PROGRAM FOR LOCAL JURISDICTIONS

GRANT AGREEMENT

This Cannabis Equity Grants Program for Local Jurisdictions Grant Agreement (“Agreement”) is by and between the City and County of San Francisco (“Grantee”) and the California Governor’s Office of Business and Economic Development (“GO-Biz”), hereinafter jointly referred to as the “Parties” or individually as the “Party.” Unless otherwise specified in this Agreement, all definitions, rules, guidelines, and requirements specified in the Cannabis Equity Grants Program for Local Jurisdictions Grant Solicitation (“Grant Solicitation”) issued on February 5, 2020, shall apply to this Agreement. The identification number for this Agreement is **CEG-2020-24**.

In consideration of the mutual covenants and promises in this Agreement, the Parties agree as follows:

1. **Authority.** This Agreement is authorized and entered into pursuant to the California Cannabis Equity Act as amended by AB 97 (Stats. 2019, Ch. 40) and an interagency agreement between the Bureau of Cannabis Control and GO-Biz, in which GO-Biz is authorized to provide grants to Eligible Local Jurisdictions to do either of the following:
 - a. Assist the Local Jurisdiction in the development of its Local Equity Program.
 - b. Assist Local Equity Applicants and/or Local Equity Licensees in the Local Jurisdiction to gain entry to, and to successfully operate in, the state’s regulated cannabis marketplace.

The Bureau of Cannabis Control shall retain the powers and authority granted to it under California Business and Professions Code Section 26244, and nothing in this Agreement shall be construed to limit or impair its authority under that section.

2. **Grant Term.** The performance period of this Agreement shall be from May 15, 2020, or when this agreement is fully executed by all Parties, whichever is later, through August 31, 2021. Except as provided for in section 7 of this Agreement, grant funds shall be expended only during the Grant Term.
3. **Grant Award.** Based on its grant application and the points allocated to Grantee pursuant to the scoring criteria in the Grant Solicitation, and conditioned upon the requirements set forth in this Agreement, GO-Biz shall provide Grantee a grant award of four million nine hundred ninety-five thousand dollars (\$4,995,000.00) for the term of this Agreement. In no event shall GO-Biz be obligated to pay any amount in excess of the grant award. Grantee waives any and all claims against GO-Biz, the Bureau of Cannabis Control, and the State of California for any costs that exceed the grant award.
4. **Grant Scope/Description.** Grantee agrees to use the grant award, in accordance with Exhibit A (“Budget”), for the purposes of assisting its Local Equity Applicants and/or Local Equity Licensees to gain entry to, and to successfully operate in, the state’s regulated cannabis marketplace.
5. **Grant Award Disbursement.** The grant award will be issued directly to Grantee in one disbursement, after execution of this Agreement by all parties, and Grantee providing to GO-Biz a copy of the resolution its governing body passed to provide Grantee the authorization to execute this Agreement.

- 6. Unused Grant Funds.** Except as provided for in section 7, any amount of the grant award provided for under this Agreement that is not expended within the Grant Term, or at the termination of this Agreement, whichever is sooner, shall be returned to GO-Biz. Grantee shall notify GO-Biz of such unused grant funds and GO-Biz shall provide Grantee with instructions as to how to return the funds.
- 7. Continued Use of Grant Funds.** Any portion of the grant award originally expended by Grantee during the Grant Term that is returned or repaid to Grantee (e.g., loan repayments from Local Equity Licensees to Grantee, in which the loaned amounts were grant funds from this Agreement) may be used subsequent to the end of Grant Term, however, any such funds shall retain their character and may only be used for the same purposes as identified in the Budget and subject to the same conditions as set forth in this Agreement, which will survive the Grant Term.
- 8. Eligible Uses.** Grant funds may only be used for the following purposes in accordance with the Budget:
- a. To provide low-interest or no-interest loans or grants to Grantee’s Local Equity Applicants and/or Local Equity Licensees to assist the applicants and/or licensees with startup and ongoing costs.
 - b. To provide or fund direct technical assistance to Grantee’s Local Equity applicants and/or Local Equity Licensees. No more than 10 percent of the total grant award may be used for direct technical assistance.
 - c. To assist in the administration of the Grantee’s Local Equity Program. No more than 10 percent of the total grant award may be used for administration, which includes the following:
 - Employing staff or hiring consultants to administer Grantee’s Local Equity Program, including administering loans and grants.
 - Grantee’s costs associated with its efforts to provide sources of capital to its Local Equity Applicants and/or Local Equity Licensees.
- 9. Subcontractors.** No amount of the grant award may be used to subcontract any of the commitments contemplated in this Agreement to another entity or person, unless such amount is specifically identified as a subcontracted expense in the Budget.
- 10. Funding Contingency Clause.** Grantee agrees that GO-Biz’s obligation to pay any sum under this Agreement is contingent upon availability of funds disbursed to GO-Biz for such purposes. If there is insufficient funding, GO-Biz shall have the option to either: 1) terminate this Agreement, whereby no party shall have any further obligations or liabilities under this Agreement, or 2) negotiate an Agreement amendment with Grantee to reduce the grant award to be provided under this Agreement.
- 11. Documentation and Reporting Requirements.**
- (a) Grantee must be able to demonstrate to the satisfaction of GO-BIZ that the grant award was expended for eligible uses in accordance with the Budget.
 - (b) Grantee shall submit periodic reports to GO-Biz to document its progress assisting its Local Equity Applicants and/or Local Equity Licensees to gain entry to, and to successfully operate in, the state’s regulated cannabis marketplace in accordance with the Budget. Grantee shall use the periodic performance report template available at www.business.ca.gov/CEG. Each periodic report shall be due in accordance with the chart below.

Period	Report Due Date
May – August 2020	September 30, 2020
September – November 2020	December 31, 2020
December – February 2021	March 31, 2021
March – May 2021	June 30, 2021
June – August 2021	September 30, 2021

(c) In addition to the periodic reports referenced above, pursuant to California Business and Professions Code section 26244(c), Grantee shall submit an annual report to GO-Biz on or before January 1, 2021, and annually thereafter for each year grant funds are expended. No report shall be submitted prior to December 15, 2020. Grantee shall provide a report to GO-Biz notwithstanding whether or not the Grant Term has expired, or Grantee has expended the grant funds before the end of the Grant Term. At a minimum, the annual report to GO-Biz shall include all of the following information:

- How Grantee disbursed the grant funds.
- How Grantee identified Local Equity Applicants and/or Local Equity Licensees, including how the Grantee determines who qualifies as a Local Equity Applicant or Local Equity Licensee.
- The number of Local Equity applicants and Local Equity Licensees that were served by the grant funds.
- Aggregate demographic data on Local Equity Applicants, Local Equity Licensees, and all other applicants and licensees in the jurisdiction, including, but not limited to, race, ethnicity, gender, sexual orientation, income level, education level, prior convictions, and veteran status. This information will be consolidated and reported without the individual's identifying information.
- If the Grantee requires Local Equity Applicants to become eligible through specific ownership percentages, a breakdown of Local Equity Applicants' and Local Equity Licensees' business ownership types and percentages of ownership.
- At least one success story that describes a Local Equity Applicant and/or Local Equity Licensee that was assisted as a result of the grant funds.

(d) Grantee must maintain records detailing the expenditure of all grant funds for a period of seven (7) years after the end of the Grant Term, and shall provide this information to GO-Biz or the Bureau of Cannabis Control upon request.

12. Audit. The books, accounts, files, and other records of Grantee which are applicable to this Agreement shall be made available for inspection, review, and audit upon request by GO-Biz and its representatives to verify proper use of the grant award.

13. Termination of Agreement. This Agreement may be terminated by GO-Biz upon action, or inaction by Grantee that constitutes a material breach of this Agreement. A material breach includes, but is not limited to, refusal or inability to complete the commitments contemplated in this Agreement, improper expenditure of grant funds, failure to properly maintain records or allow GO-Biz access to records as required under this Agreement, and failure to timely complete and submit the reports required under this Agreement. GO-Biz will notify Grantee in writing if it intends to terminate the Agreement pursuant to this section and provide Grantee an opportunity to cure the breach within thirty (30) calendar days.

14. Assignment. This Agreement is not assignable by Grantee, either in whole or in part, without the consent of GO-Biz in the form of a written amendment.

15. Amendment. This Agreement may be amended or modified only in writing signed by all parties.

16. Grantee – Representations and Warranties. Grantee represents and warrants that:

- (a) It is an Eligible Local Jurisdiction as set forth in Grant Solicitation.
- (b) It is not a party to any agreement, written or oral, creating obligations that would prevent it from entering into this Agreement or satisfying the terms herein.
- (c) All of the information in its grant application and all materials submitted to GO-Biz are true and accurate.

(d) Its governing body has authorized it to enter into this Agreement and has designated by title the individual authorized to sign the Agreement on behalf of it, through a resolution in the form of the Sample Resolution posted on GO-Biz's website at www.business.ca.gov/CEG.

- 17. Nondiscrimination.** Grantee shall comply with all applicable federal and state laws and statutes related to nondiscrimination, including, but not limited to, race, color, national origin, gender, handicap or disability, sexual preference, drug addiction, and alcoholism.
- 18. Union Activities.** Grantee acknowledges that Government Code Section 16645.2 applies to this Agreement. Pursuant to Government Code Section 16645.2, Grantee certifies that none of the grant award will be used to assist, promote, or deter union organizing. If Grantee makes expenditures to assist, promote, or deter union organizing, it shall maintain records sufficient to show that no portion of the grant award was used for those expenditures. Grantee shall provide those records to the Attorney General upon request.
- 19. Media Release.** Grantee may elect to issue a press release related to this Agreement, but any release shall be approved by GO-Biz in writing prior to such release. Such approval shall not be unreasonably withheld.
- 20. Indemnification/Warranty and Disclaimer/Limitation of Liability.** Grantee shall defend, indemnify, and hold GO-Biz and its agents or assigns, harmless from and against all claims, damages, and liabilities (including reasonable attorneys' fees) arising from this Agreement due to Grantee's breach of this Agreement, or the result of Grantee's negligence or willful misconduct. UNDER NO CIRCUMSTANCES WILL THE STATE OF CALIFORNIA, THE BUREAU OF CANNABIS CONTROL, GO-BIZ, ITS AGENTS OR EMPLOYEES, BE LIABLE TO GRANTEE FOR ANY DIRECT, INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES THAT ARISE FROM THIS AGREEMENT.
- 21. Force Majeure.** If by reason of force majeure Grantee's performance hereunder is delayed or prevented, then the performance by Grantee may be extended for the amount of time of such delay or prevention. The term "force majeure" shall mean any fire, flood, earthquake, or public disaster, strike, labor dispute or unrest, embargo, riot, war, insurrection or civil unrest, any act of God, any act of legally constituted authority, or any other cause beyond Grantee's control which would excuse Grantee's performance as a matter of law.
- 22. Notice of Force Majeure.** Grantee agrees to provide GO-Biz written notice of an event of force majeure under this Agreement within ten (10) days of the commencement of such event and within ten (10) days after the termination of such event, unless the force majeure prohibits Grantee from reasonably giving notice within this period. Grantee will give such notice at the earliest possible time following the event of force majeure.
- 23. Integration.** This Agreement (including the exhibits hereto and any written amendments hereof executed by the Parties) constitutes the entire Agreement between the Parties related to this grant award and supersedes all prior agreements and understandings, oral and written, between the Parties with respect to the grant award described herein.
- 24. Notice.** Within thirty calendar (30) days of the effective date of this Agreement, Grantee shall notify GO-Biz, in writing, of the name, address, phone number, and email of its contact person for future communication relating to this Agreement. In addition, Grantee agrees to immediately inform GO-Biz of any changes to the name, address, phone number, and email of its contact person. Unless otherwise specified in this Agreement, any notice required or permitted to be given under this Agreement to GO-Biz shall be emailed to CEG@gobiz.ca.gov.
- 25. Ambiguities.** Each Party has had the opportunity to seek the advice of counsel or has refused to seek the advice of counsel. Each Party and its counsel, if appropriate, have participated fully in the negotiation, drafting, review, and revision of this Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting Party shall not apply in interpreting this Agreement. The language in this Agreement shall be interpreted as to its fair meaning and not strictly for or against any Party.

- 26. Necessary Acts, Further Assurances.** The Parties shall at their own cost and expense execute and deliver any further documents and shall take such other actions as may be reasonably required or appropriate to carry out the intent and purposes of this Agreement.
- 27. Sections and Other Headings.** The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
- 28. Attorneys' Fees.** In the event of any litigation between the parties concerning the terms and provisions of this Agreement, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.
- 29. Representation on Authority of Parties/Signatories.** Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each Party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized and that this Agreement is a valid and legal agreement binding on such Party and enforceable in accordance with its terms.
- 30. Severability.** If any portion of this Agreement is to any extent invalid, illegal, or incapable of being enforced, such portion shall be excluded to the extent of such invalidity, illegality, or unenforceability; all other terms hereof shall remain in full force and effect.
- 31. Governing Law and Consent to Jurisdiction.** This Agreement will be governed, construed, and enforced according to the laws of the State of California without regard to its conflict of laws rules. Each party hereby irrevocably consents to the exclusive jurisdiction and venue of any state court located within Sacramento County, State of California in connection with any matter arising out of this Agreement or the transactions contemplated under this Agreement.

Remainder of the page is intentionally left blank. Signature page immediately follows.

Governor's Office of Business and Economic Development

By:

Name: Will Koch

Title: Deputy Director

Date:

Grantee

City and County of San Francisco ~~Jurisdiction Name~~

By:

Name: Naomi M. Kelly

Title: City Administrator

Date:

Exhibit A Budget

Cannabis Equity Grants Program for Local Jurisdictions Assistance for Cannabis Equity Program Applicants & Licensees					
JURISDICTION NAME:		City and County of San Francisco			
Total Amount Requested (may not exceed \$10,000,000):				\$ 4,995,000.00	
Assistance for Local Equity Applicants' and Licensees' Startup and Ongoing Costs					
A. Grants and Loans		Grants	No-interest Loans	Low-interest Loans	Total
A1	Rent				\$ -
A2	Lease				\$ -
A3	Local and state application, licensing, and regulatory fees				\$ -
A4	Legal assistance				\$ -
A5	Regulatory compliance	\$ 4,110,000.00			\$ 4,110,000.00
A6	Testing of cannabis				\$ -
A7	Furniture				\$ -
A8	Fixtures and equipment				\$ -
A9	Capital improvements				\$ -
A10	Training and retention of a qualified and diverse workforce				\$ -
Assistance for Startup and Ongoing Costs Subtotal				\$	4,110,000.00
Direct Technical Assistance Costs					
B. To Provide or Fund Direct Technical Assistance (TA) to Local Equity Applicants and Equity Licensees					
B1. Personnel		Role in Project	Annual Salary and Benefits	Percentage of Time	Total
B1.1					\$ -
				Subtotal	\$ -
B2. Other Direct Technical Assistance Costs					
				Amount	
B2.1	Education Consultant: to provide Equity Applicant's with education on accounting, bookkeeping and other necessary requirements for SF's equity program (Subcontracted)		\$	250,000.00	
B2.2	Legal Assistance Consultant: to provide Equity Applicant's with legal assistance around zoning, taxes, and clarification of laws required for entry into SF's equity program (Subcontracted)		\$	135,000.00	
B2.3	Real Estate Consultant: to provide Equity Applicant's with assistance on access to affordable real-estate as applicant's face challenges in finding real estate in SF (Subcontracted)		\$	110,000.00	
				Subtotal	\$ 495,000.00
Administrative Costs					
C. Personnel		Role in Project	Annual Salary and Benefits	Percentage of Time	Total
C1	Principal Administrative Analyst	Grant Administration	\$ 195,000.00	100%	\$ 195,000.00
C2	Principal Administrative Analyst	Permit Navigator	\$ 195,000.00	100%	\$ 195,000.00
				Subtotal	\$ 390,000.00
D. Other Administrative Costs					
				Amount	
D1					\$ -
				Subtotal	\$ -
				Direct Technical Assistance Total	\$ 495,000.00
				Direct Technical Assistance Costs as Percentage of Total Amount Requested	9.91%
				Administrative Costs Total	\$ 390,000.00
				Administrative Costs as Percentage of Total Amount Requested	7.81%
				GRAND TOTAL	\$ 4,995,000.00



Cannabis Equity Grants Program for Local Jurisdictions Application Full Report

General Data
Local Jurisdiction Name: City and County of San Francisco
Local Jurisdiction Type: City and County
Funding Request Type: Type 2: Assistance for Cannabis Equity Program Applicants and Licensees
Has the jurisdiction conducted an equity assessment to inform the creation or revision of its local equity program for commercial cannabis licensing? Yes
Has the jurisdiction adopted a local equity program for commercial cannabis licensing? Yes
Does the jurisdiction operate a local equity program for commercial cannabis licensing? Yes
Applicant Information
Local Jurisdiction Name: City and County of San Francisco
Federal Employer Identification Number: 94-6000417
What was the local jurisdiction's population size as of January 1, 2019 as published on the Department of Finance's (DOF) website?: 883,869
Does the local jurisdiction have a culture or perspective on equity, including policies, programs, and/or practices that address social equity and justice? Yes
<p>If yes, please describe:</p> <p>Yes, the City has instituted a number of polices and created a number of offices, departments, and commissions to support equity. Under Mayor London Breed's leadership, the City has made equity a priority, supporting criminal justice reform, creating additional opportunities for job applicants of every background, improving workforce harassment policies, and fighting for LGBT rights. As part of its commitment to equity, in 2019, San Francisco established an Office of Racial Equity. This Office was developed to create a Racial Equity framework for the city and requires City departments to create Racial Equity Action Plans and designate employees as racial equity leaders. The Office of Racial Equity is a division of the Human Rights Commission. The Human Resource Commission (HRC) was developed to combat discrimination and has pledged to advocate for human and civil rights; investigate and mediate discrimination complaints; resolve community disputes and issues involving individual or systemic illegal discrimination; and provide technical assistance to internal and external stakeholders.</p>

Website Address for the jurisdiction's local equity program (if applicable): https://officeofcannabis.sfgov.org/equity		
Mailing Address		
Address Line 1: 1 Dr. Carlton B. Goodlett Place		
Address Line 2:		
City: San Francisco	State: CALIFORNIA	Zip Code: 94102
Payment Address (if different than Mailing Address)		
Address Line 1:		
Address Line 2:		
City:	State: CALIFORNIA	Zip Code:

Proposal
1. Total Amount Requested: \$4,995,000
2. Executive Summary: Please describe your proposal in 3-5 sentences Resources from the State of California provided by the Governor's Office of Business and Economic Development will provide Equity Applicants with additional opportunity. Since its inception, Equity program applicants have consistently expressed the need for financial assistance to support their businesses. Equity Applicants who do not receive financial support are the least likely to be able to survive to market and develop prosperous businesses. Given the current lack of financial support, we believe that Equity Applicants will be more successful in both the short- and long-term with additional investments and assistance.

Proposal

3. Describe the communities and populations within the local jurisdiction that have been negatively or disproportionately impacted by cannabis criminalization.

For decades, the War on Drugs has had consequential impacts on communities of color in San Francisco. The impacts of this disproportionality are acutely felt today: poverty, education gaps, and criminal records are the vestiges of explicitly and implicitly racist drug enforcement policies.

Criminal justice involvement has been identified as a primary source of disparate impact. While rates of drug use and sale are commensurate across racial lines, Black and Latinx communities interact with the criminal justice system, including via arrests, bookings, and incarceration, at a rate far higher than their White counterparts. African Americans in San Francisco have endured disproportionately higher felony drug arrests and crackdowns. From 1980 to the mid-1990s, San Francisco's racial patterns in enforcement of drug laws roughly resembled those statewide. Still, African Americans in San Francisco were 4 to 5 times more likely to be arrested for drug felonies prior to the mid-1990s than their proportion of the total population would predict.

Hispanic coded arrests represented less than 1% of arrests from 1990-2016, a level that is highly inconsistent with available conviction data for that time period. In other words, it is likely Latinx arrests are distributed amongst "White" and other racial categories, which may undermine the validity of arrest rates across racial categories. Data from the California Department of Housing and Community Development was also used to identify disparity. More than half of the census tracts with high rates of cannabis arrests fall in Bayview Hunters Point, the Mission, and the Tenderloin. These neighborhoods all feature significant rates of unemployment and some of the highest rates of cannabis arrests.

4. How did the local jurisdiction identify the impacted communities and populations (Source/Process)?

To understand which individuals and communities have been disproportionately impacted by War on Drugs enforcement policies, various data sets were examined and arrest rates were reviewed by race, ethnicity, and geographic location in San Francisco. Data sets included census tract data, the Center on Juvenile and Criminal Justice Drug Arrests Report published in 2017 and the Economic Perspectives on Incarceration and the Criminal Justice System report published by the White House. African Americans in San Francisco have endured disproportionately higher felony drug arrests and crackdowns. Locally, Hispanic coded arrests represented less than 1% of arrests from 1990-2016, however, it is likely Latinx arrests are distributed amongst "White" and other racial categories, which may undermine the validity of arrest rates across racial categories. There were also methodological concerns with data taken from the San Francisco Police Department and Sheriff's Department statistics due to improper classifications.

Data from the CA Department of Housing and Community Development was also used to identify

disparity. This includes not only census tract information, but also the percentage of low-income households, the unemployment rate, and the percentage of racial and ethnic minorities. More than half of the census tracts with high rates of cannabis arrests fall in Bayview Hunters Point, the Mission, and the Tenderloin. These neighborhoods all feature census tracts with significant rates of unemployment and some of the highest rates of cannabis arrests.

Additional publications and reports were also examined for relevant data, including Marijuana Business Daily, the American Community Survey, and the SF Health Commission.

5. Describe how the jurisdiction's local equity program design and/or implementation serves the communities and populations identified in its equity assessment.

San Francisco adopted the Equity Program to foster equitable participation in the cannabis industry and create business opportunities for those negatively impacted by the War on Drugs. Though, there is no race-specific qualification, individuals disproportionately impacted by criminal justice involvement for drug-related crimes are likely to be African-American or Latinx. The Equity Program allows verified Equity Applicants to apply for cannabis permits, Equity Incubators to apply for cannabis permits by supporting Equity Applicants, and Medical Cannabis Dispensaries to support the City's equity goals as a condition of adult-use authorization.

Currently, the Cannabis Equity Program offers processing priority, permit fee waivers, and technical assistance to those interested in owning cannabis businesses. Equity Applicants must meet equity eligibility criteria, which includes income, low-income neighborhood residency, criminal justice involvement, and housing insecurity. Individuals are able to select which criteria may be used to get verified. In addition to permits, San Francisco also allocates resources to organizations for legal representation to qualified cannabis Equity Applicants. This legal representation helps Cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. Businesses not eligible to be verified can support Equity Applicants with technical help or rent-free space for 3 years. Equity Incubators and Medical Cannabis Dispensaries must also commit to staffing requirement, which include hiring individuals that have been negatively impacted by the War on Drugs.

6. When was the jurisdiction's local equity program adopted? 12/16/2017

7. Which of the following program elements does the jurisdiction's local equity program include?

- Small business support services including technical assistance or professional and mentorship services.
- Tiered fees or fee waivers for cannabis-related permits and licenses.
- Assistance securing business locations prior to or during the application process.
- Assistance securing capital investments or direct access to capital.
- Assistance with regulatory compliance.

- Assistance in recruitment, training, and retention of a qualified and diverse workforce, including transitional workers.

8. How many verified local equity applicants does the local jurisdiction currently have? (Exclude any equity applicants for license types that will not likely be obtainable in the next 12 months due to the jurisdiction's licensing cap.) 330

9. How many verified local equity license holders does the local jurisdiction currently have? (This only refers to individuals who have been issued a local license, permit, or other authorization by the local jurisdiction.) 9

10. Describe the outputs and outcomes of the jurisdiction's local equity program elements to date. In December of 2019, the Controller's Office, published a review of the cannabis industry following adult-use legalization. This 105 page report was designed to inform conversations about the future of the cannabis industry, including equity. As of February 26, 2020, there are 330 individuals who have been verified as Equity Applicants per the criteria set forth in the city's Equity Program. The Office of Cannabis (OOC) has received 205 applications for Cannabis Permits from Equity Applicants, 15 Equity Applicants are building out their space, and 3 have received permanent permits from the Office of Cannabis. Currently, San Francisco offers expedited permitting that only extends to the OOC. Rulemaking was also developed to create flexibility for qualifying Equity Applicants to change their business locations while maintaining their place in line. The OOC also started a working group with all of the agencies that touch the cannabis permitting process in San Francisco to support Equity Applicants.

Medical Cannabis Dispensaries (MCD's) currently make up most of San Francisco's storefront retail operators and some of the city's delivery-only retailers. In order to receive temporary authorization to sell adult-use cannabis, MCD's must create an equity plan that shows how their business will: 1) help and support Equity Operators; 2) hire people hit hardest by the criminalization of cannabis; and 3) Generally support the city's equity goals. As of February 26, 2020, there are 37 MCD's with equity plans. Every 120 days, they must show how they have worked to further their equity plans by providing a progress report. By the discretion of the Office of Cannabis, if the MCD has not made a good-faith effort on their plan, they may have their adult-use authorization rescinded. Commonly-provided benefits include hiring equity-qualified employees, purchasing products from equity-owned businesses, holding technical assistance events, and donating to local equity supporting nonprofits. MCD Equity Plans are one of the largest sources of direct community investment related to the cannabis industry in San Francisco, as MCD's continuously invest in these plans.

In partnership with the OOC, the Office of Economic and Workforce Development allocates resources to nonprofit and for-profit organizations for legal representation to qualifying cannabis equity clients.

This legal representation helps cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. The OOC has also partnered with The Bar Association of San Francisco to provide pro bono legal assistance to Equity Applicants. This assistance is intended to lower barriers to entry by helping Equity Applicants navigate the regulatory process and create agreements for their business.

An important success since cannabis legalization has been the District Attorney's Office proactive clearing of criminal history records for cannabis-related offenses. When Proposition 64 went into effect, it allowed individuals who were convicted of certain types of marijuana-related crimes to have their criminal records cleared. However, the process required individuals to petition the court, which requires time, expertise, and potentially money for professional services. Instead of relying on eligible individuals to navigate this process on their own, the District Attorney's Office worked with Code for America, a non-profit, to proactively identify eligible cases and seal the records.

11. Explain how the jurisdiction's local equity program and regulatory framework facilitates an equitable and economically just industry.

The Equity Program creates space for individuals who have been disproportionately impacted by the War on Drugs to enter the new market. It also contributed to a city-wide discussion on equity. General applicants are not allowed to enter the cannabis industry until individuals who are qualified as Equity Applicants are permitted. In order to be verified as an equity applicant, individuals must meet three of six criteria, and provide proof of those conditions. Currently, only applications for Equity Applicants are being processed.

Following Equity Applicants, there are additional groups of individuals that receive priority permitting status. The second tier of priority permit processing after Equity Applicants is Equity Incubators, which are businesses that offer a certain level of assistance to Equity Applicants. This can be in the form of rent-free space or technical assistance, which helps provide additional opportunities to business owners.

The publication, Marijuana Business Daily, conducted an anonymous online poll of 567 self-identified cannabis industry business owners and executives. According to the survey, 19% of respondents were racial/ethnic minorities, though racial/ethnic minorities comprise 38.7% of the national population. Under representation affects non-Hispanic African Americans and Asians as well as Hispanic/Latinx communities. Non-Hispanic African Americans and Latinx communities face the highest level of disproportionality, each owning only a third of the market that their share of the national population would imply. Currently, the permit application in San Francisco captures demographic information for cannabis owners. This information allows for evaluation of market entrants. This includes, but is not limited to: race and ethnicity, gender, education level, and income.

Given the current barriers for entry, the OOC has created a number of resources to support an equitable and economically just industry. For example, the Office of Economic and Workforce Development allocates resources to nonprofit and for-profit organizations for legal representation to qualifying cannabis equity clients, defined as those who meet three out of the six equity conditions provided under the Cannabis Equity Program. This legal representation from organizations helps Cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. Since the Office's inception, Equity Applicants expressed a desire to move their location during the permitting process. This past August, the OOC finalized regulations affording Equity Applicants more flexibility regarding their proposed location during the permitting phase. Currently, Equity Applicants – who meet certain conditions – may have an opportunity to apply for approval of a new location while maintaining their place in line.

In addition, Medical Cannabis Dispensaries (MCD's) in San Francisco have committed to support the city's Equity goals and their authorization to sell adult-use cannabis is conditional on making measurable progress to their equity plan. All of these plans are available on the Office of Cannabis website. Examples of benefits to the City's broader equity goals include: reserving shelf space for equity applicant products and supporting non-profits dedicated to equity. MCD's looking to change their ownership structure are also required to incubate Equity Applicants.

12. Describe how the local jurisdiction has demonstrated a commitment or has taken steps to remove local barriers to entering the legal cannabis market for local equity applicants and local equity licensees.

San Francisco has put a number of measures in place to remove local barriers to entering the legal cannabis market. Primarily, the Cannabis Equity Program offers processing priority, permit fee waivers, and technical assistance to those interested in owning cannabis business. There is also no fee to be verified as an equity applicant.

In addition to permit processing priority, the City and County of San Francisco allocates resources to organizations for legal representation to qualified cannabis Equity Applicants. This legal representation helps Cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. In addition, as part of the effort to provide additional support to verified Equity Applicants, the SF Office of Cannabis and the Bar Association of San Francisco have formed a partnership to provide pro bono legal assistance. This assistance lowers barriers to individuals looking to enter the cannabis industry, including navigating the regulatory process and structuring business agreements.

There is also a list of Equity Incubators posted on the Office of Cannabis website, constantly updated, which includes businesses that have committed to supporting the business development of Equity Applicants.

Additional resources include support provided by Medical Cannabis Dispensaries in San Francisco, organizations that have committed to support the city's Equity goals. All of these plans are available on the Office of Cannabis website. Examples of some of the benefits to the City's broader equity goals include: reserving shelf space for equity applicant products, supporting non-profits dedicated to equity, offering cultivation classes, and supporting employees through mentoring, training, and technical assistance. In addition, Medical Cannabis Dispensaries looking to change their ownership structure are required to incubate Equity Applicants.

The Office has also emphasized community, communication, and availability. The Office of Cannabis holds office hours, every day, from 1-5 PM, dedicating time to answer questions and provide additional support to Equity Applicants. The Office has also created an equity navigation working group dedicated to bringing city partners together and exploring ways of reducing challenges for applicants in navigating the City's permitting process. Partners include the Department of Building Inspection, the Planning Department, the Department of Public Health, the Office of Cannabis, the Fire Department, the San Francisco Police Department, and Digital Services.

The City has also invested significant resources in creating digital resources that are easily navigated by Equity Applicants and San Franciscans. This includes a revamping of the Office's website and digital presence.

Finally, the Office of Cannabis recently finalized regulations affording Equity Applicants a layer of flexibility regarding their proposed location during the application process. Previously, a change in location required a new application. Currently, Equity Applicants – who meet certain conditions – may have an opportunity to apply for approval of a new location while maintaining their place in line. A number of applicants faced considerable challenges with regard to securing space for their cannabis business. This rulemaking significantly reduced the time applicants faced in the permitting queue.

13. Describe the criteria used to determine who qualifies for participation in the jurisdiction's local equity program.

In order to be verified as an equity applicant, individuals must fall below a threshold of household assets and are required to meet three of six criteria, as specified by the Board of Supervisors, and provide proof of those conditions. Allowing individuals to meet various eligibility requirements created additional flexibility in the City's equity program. Some of the criteria are bound by time, often including the declaration of the "War on Drugs" by President Richard Nixon in 1971 and the passage of Proposition 64 in 2016. There is currently no San Francisco residency requirement. This was done to recognize the rising housing costs in the City and displacement of individuals throughout the Bay Area.

The established criteria include:

- 1) Having a household income below 80% of the Area Median Income in San Francisco in the previous year. This criterion provides opportunity to low-income individuals with limited resources.
- 2) Having been arrested, convicted, or adjudged to be a ward of the state for a cannabis-related crime between 1971-2016. This criterion highlights the real cost of being punished for sale and/or possession of cannabis. We know that racial minorities have endured disproportionately higher drug arrests. Verification is not limited to arrests and convictions in the City and County of San Francisco as stakeholders recognized that disproportionate arrests and convictions happen all over the country, as the War on Drugs transcends state and local boundaries.
- 3) Having a close relative, either a parent, sibling, or child, arrested convicted, or adjudged to be a ward of the state for a cannabis related crime between 1971-2016. This criterion acknowledges the negative consequences of criminal justice involvement often radiate beyond the individual directly impacted. These collateral issues impact not only families, but entire communities.
- 4) Attended a San Francisco Unified School District School for five years between 1971 and 2016. This criterion acknowledges the prevalence of the school-to-prison pipeline, a phenomenon by which individuals transition from one institution to another. As the American Civil Liberties Union notes, “many of these children have learning disabilities or histories of poverty, abuse, or neglect” and discipline can have the impact of pushing vulnerable children out of the school system and into the criminal justice system.
- 5) Lived in San Francisco census tracts for 5 years, where at least 17% of households were at or below the federal poverty level. Prospective Equity Applicants can enter their address on a map to determine if they are eligible. These locations are places in which a majority of drug arrests occurred in the city.
- 6) Experienced housing insecurity evidenced by eviction, foreclosure, or revocation of housing subsidy since 1995. Implemented for local circumstances, this criterion acknowledges the twin challenges of rising house prices and lack of affordable housing.

14. Describe the process for local equity program applicants to obtain a commercial cannabis license from the jurisdiction, including any differences between equity applicants and non-equity applicants. Initially, individuals must be verified as an equity applicant to submit an application. Equity Incubators that have committed to supporting Equity Applicants can also submit an application. Primarily, the Cannabis Equity Program offers processing priority, permit fee waivers, and technical assistance to those interested in owning cannabis business. There is no fee to be verified as an equity applicant.

In addition to permit processing priority, San Francisco allocates resources to organizations for legal representation to qualified cannabis Equity Applicants. This legal representation helps Cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. In addition, as part of the effort to provide additional support to verified Equity Applicants, the Office of Cannabis (OOC) and the Bar Association of San Francisco have formed a partnership to provide pro bono legal assistance. This assistance lowers barriers to individuals looking to enter the cannabis industry, including navigating the regulatory process and

structuring business agreements.

San Francisco's adult-use legalization ordinance prioritizes equity program participants and other priority groups to receive permits before general applicants. General applicants are not allowed to apply for a permit to operate until "the total number of Cannabis Business Permits awarded to Equity Applicants in the permit category sought by the Applicant has reached 50% of the total number of [permits] in that permit category." That means that for each permit category, such as retail, distribution, or cultivation, equity businesses must make up 50% of all permits before a general applicant permit can be accepted.

Permit application processing follows a series of steps that is overseen by the OOC but involves a number of additional departments. Initially, the equity applicant submits their application materials to the OOC, including an application form and a number of additional documents that must be provided by the applicant, such as business formation documents and proof to occupy their current business location. Applicants are able to amend their business structure or add additional owners to their application without penalty. In addition, Equity Applicants – who meet certain conditions – may have an opportunity to apply for approval of a new location while maintaining their place in the permitting process.

Applications are informally reviewed by the Planning Department to ensure that the type of business applied for is viable in the proposed location. Next, the OOC reviews each applicant's business documents. This includes business formation documents, proof to occupy the space, and any corporate governance materials between owners and investors. Applicants must also pass a background check performed. Unless the proposed business activity is principally permitted, applications require a Conditional Use Authorization from the Planning Commission. These applicants must be referred to the Planning Commission and be approved at a weekly commission hearing. Once approved, applicants may build out their space for their business activity, which requires permitting and inspections from the Department of Building Inspection. Depending on their business activity, this step may also require permits and inspections from the Department of Public Health, Fire Department, and the Police Department. Finally, the Office of Cannabis provides approval.

15. Does the jurisdiction's local equity program provide expungement services for local equity applicants? Yes

If yes, please describe.

Having a criminal record can bar individuals from certain types of employment and public benefits, so clearing these convictions can greatly benefit people who were victims of the War on Drugs. An important San Francisco success story since cannabis legalization has been the District Attorney's Office proactive clearing of criminal history records for cannabis-related offenses. San Francisco was the first District Attorney's office to retroactively expunge qualifying convictions under Proposition 64 and partner with Code for America to automate this process. This created a framework for other

California jurisdictions to follow.

When Proposition 64 went into effect, it allowed individuals who were convicted of certain types of cannabis-related crimes to have their criminal records cleared. However, the process required individuals to petition the court, which requires time, expertise, and potentially money for professional services. Instead of relying on eligible individuals to navigate this process on their own, the San Francisco District

Attorney's Office worked with Code for America to proactively identify eligible cases and automate the expungement process. Reviewing cases back to 1975, the District Attorney's Office cleared 9,361 criminal charges from a total of 9,131 cases.

16. Does the jurisdiction's local equity program provide preferential licensing for local equity applicants? Yes

If yes, please describe.

The legalization ordinances passed in San Francisco creates space for individuals who have been impacted disproportionately by the War on Drugs to enter the new market. No other applicants are allowed to enter the market until individuals who are qualified as Equity Applicants are permitted. In order to be verified as an equity applicant, individuals must fall below a threshold of household assets and are required to meet three of six criteria, as specified by the Board of Supervisors, and provide proof of those conditions. Currently, only applications for Equity Applicants are being processed, and no other applications are being reviewed.

General applicants are not allowed to apply for a permit to operate until "the total number of Cannabis Business Permits awarded to Equity Applicants in the permit category sought by the Applicant has reached 50% of the total number of [permits] in that permit category." Existing industry in San Francisco, including medical cannabis dispensaries and temporary permit holders are included in this calculation. That means that for each permit category, such as retail, distribution, or cultivation, equity businesses must make up 50% of all permits before a general applicant permit can be accepted.

17. Does the jurisdiction's local equity program have any shareholder or ownership requirements? Yes

If yes, please describe.

There are a number of ownership requirements in the cannabis equity program. Individuals must either apply as a sole proprietor, an individual with an ownership interest of at least 40% in the corporate applicant AND serve as Chief Executive Officer; have an ownership interest of at least 51% or above, or serve as the executive director or member of the board of a directors of a not-for-profit applicant where a majority of the members of the board of directors qualify as Equity Applicants.

A number of other items also mandate equity participation in the ownership of the corporate applicant. This means that the equity “ownership interest” in the corporate applicant shall include a right, proportionate to the interest held, to share in the business’s profits, including dividends, distributions, or other payments; a right, proportionate to the interest held, to the proceeds of a sale of the business’s assets, liquidation of the business, merger of the business into another business, or another transaction that would signify the end of the original business; and a right, proportionate to the interest held, to vote on fundamental decisions relating to the business.

Moreover, a permittee must obtain a permit amendment if a change in ownership results in a decrease in an Equity Applicant’s Ownership interest in the cannabis business, a change in the Equity Applicant’s role as Chief Executive Officer or member of the Board of Directors, or a material change in the degree of the Equity Applicant’s participation in the direction, control, or management of the cannabis business. Requests for a permit amendment must include the terms of the change in ownership.

18. Does the jurisdiction’s local equity program provide business and/or financial education services?
Yes

If yes, please describe.

There are three primary ways for Equity Applicants to get technical assistance as part of San Francisco’s Cannabis Equity Program.

The Office of Economic and Workforce Development allocates resources to nonprofit and for-profit organizations for legal representation to qualifying cannabis equity clients. This legal representation helps cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks.

In addition, as part of the effort to provide additional support to verified Equity Applicants, the SF Office of Cannabis and the Bar Association of San Francisco have formed a partnership to provide pro bono legal assistance. This assistance lowers barriers to individuals looking to enter the cannabis industry, including navigating the regulatory process and structuring business agreements.

Additional resources include support provided by Medical Cannabis Dispensaries in San Francisco, organizations that have committed to support the city’s Equity goals through development of equity plans. All of these plans are available on the Office of Cannabis website, and all businesses that sell adult-use cannabis are required to participate. Examples of some of the benefits include: providing workshops on developing business plans, providing free computers to Equity Applicants, educating equity operators on managing relationships with Equity Incubators, offering cultivation classes, and supporting employees through mentoring, training, and technical assistance.

19. Does the jurisdiction's local equity program include an incubator program? Yes

If yes, please describe.

Yes. The equity incubator program in San Francisco was designed to provide a tangible benefit to businesses or individuals who were willing to provide assistance to Equity Applicants. In exchange for providing rent-free space or technical assistance for three years, incubators can have their cannabis business permits processed immediately after the completion of equity applicant processing. This means that they will be processed in the second-highest priority category. The Office of Cannabis provides potential incubators with a listing of Equity Applicants that are interested in incubation. Equity Applicants can identify potential incubators by viewing a list on the Office of Cannabis website. As of February 2020, 27 businesses have submitted incubator applications.

The development of this program allows general applicants to receive a permit by providing tangible and specific benefits to Equity Applicants. In addition, Medical Cannabis Dispensaries interested in changing their ownership must submit to the Director of Public Health and the Director of the Office of Cannabis a written and actionable "Equity Incubator Plan" describing how the permittee will encourage and support the establishment and growth of Equity Applicants by, among other things, providing business plan guidance, operations consulting, personnel, or technical assistance. They may also provide Equity Applicants with rent-free commercial space. As of this date, 3 Medical Cannabis Dispensaries have committed to supporting the business development of Equity Applicants through incubation.

20. Does the jurisdiction have zoning regulations for commercial cannabis that are different for its local equity licensees? No

If yes, please describe.

N/A

21. Does the jurisdiction have licensing caps or limitations for commercial cannabis that are different for its local equity licensees? Yes

If yes, please describe.

Yes. San Francisco's adult-use legalization ordinance prioritizes equity program participants and other groups supporting Equity Applicants in receiving permits before general applicants. General applicants are not allowed to apply for a permit to operate until "the total number of Cannabis Business Permits awarded to Equity Applicants in the permit category sought by the Applicant has reached 50% of the total number of [permits] in that permit category." That means that for each permit category, such as retail, distribution, or cultivation, equity businesses must make up 50% of all permits before a general applicant permit can be accepted. Because San Francisco awarded

temporary permits to existing industry members, general applicants must wait until parity is reached in order to apply for ownership of a cannabis business.

22. How does the jurisdiction ensure eligible communities and populations are made aware of the benefits offered by its local equity program?

The Office has consistently emphasized community, communication, and availability. The Office of Cannabis holds office hours, every day, from 1-5 PM, dedicating time to answer questions and provide additional support to Equity Applicants. An internal assessment determined 1,570 office hours have been held since the Office opened and more than 2200 hours of phone conversations. Office staff has also attended more than 50 community meetings since its creation. The Director has also participated in numerous radio interviews and panels, discussing the equity program. The Office has also worked with the Success Center, San Francisco Equity Group and the San Francisco Original Equity Group to distribute information and collect feedback from potential Equity Applicants.

23. How does the jurisdiction collect and address feedback from communities and populations eligible for its local equity program?

The Office of Cannabis creates multiple opportunities to collect and address feedback. On January 18, 2019, November 5, 2019, and February 13, 2020, the San Francisco Office of Cannabis convened Equity Applicants and internal and external stakeholders to discuss the needs of the City's Equity Applicants in order to inform the City's equity program development.

The Office has consistently emphasized community, communication, and availability. The Office of Cannabis holds office hours, every day, from 1-5 PM, dedicating time to answer questions and provide additional support to Equity Applicants. We also monitor an e-mail inbox for potential concerns. An internal assessment determined 1,570 office hours have been held since the Office opened and more than 2200 hours of phone conversations. Office staff has also attended more than 50 community meetings since its creation. The website also has an online complaint tool to anonymously provide additional information to the office.

24. How many local equity applicants does the jurisdiction intend to serve with the requested funds?
375

25. How many local equity licensees does the jurisdiction intend to serve with the requested funds?30

26. If the requested funds are awarded, what are the expected outputs and outcomes of the jurisdiction's local equity program?

Since its inception, equity program applicants have expressed the need for financial assistance to support their businesses. To cover costs while waiting for application approval, many Equity Applicants are incurring debt and/or selling ownership shares in their business to investors who can provide capital. Equity Applicants who do not receive external financial backing are the least likely to

be able to float their business location costs through the lengthy application process. In addition, applicants that have financial backing from investors or other cannabis companies will be more likely to survive to market. Given the need for Equity Applicant's to hold space while they wait for application processing and the inability to get traditional loans through banks, financial assistance will be particularly beneficial in order to avoid higher-interest loans or selling ownership shares. Given the expressed needs of Equity Applicants, we anticipate that businesses will be more successful in both the short- and long-term with additional capital investments. We anticipate a significant amount of this support will include assistance in building out physical space for applicants that have been verified by the city to ensure that operators remain in compliance with state and local law.

Technical assistance will be critical in helping new entrepreneurs establish their business and navigate complex permitting frameworks. Access to legal services, technical assistance, account management, and education will supplement funding provided by the Office of Economic and Workforce Development and pro-bono assistance provided by the SF Bar Association. This support will match interested verified Equity Applicants with qualified experts in the areas of licensing and permitting, ownership agreements, compliance audits, zoning, tax compliance, accounting, and bookkeeping. It will also provide one-on-one consultation and develop educational materials to clarify the laws and regulations applicable to participation in San Francisco's Equity Program. Without special assistance or knowledge, these applicants may have difficulty navigating the regulatory process, endangering their prospects for survival. Applicants receiving additional technical assistance will be more equipped to navigate the complicated permitting process and operate successful cannabis businesses.

27. What is the jurisdiction's current annual investment in its local equity program? (Exclude any grant funds provided by the State of California, including the Bureau of Cannabis Control)

\$1,488,148.00

28. For each budget line item and activity identified in the budget spreadsheet, describe how the jurisdiction will use the requested funding to assist its local equity program's applicants and licensees.

(A) Grants and Loans - \$4,110,000

This direct assistance for local Equity Applicants will include assistance in building out physical space for applicants that have been verified by the city to ensure that operators remain in compliance with state and local law. Assistance will allow Equity Applicants to receive additional support, particularly in an industry in which institutional capital has been limited. This support will allow applicants to comply with existing regulations instituted by various departments, including, but not limited to the Office of Cannabis, Department of Building Inspection, Planning Department, Fire Department, and Department of Public Health (for cultivation, manufacturing, and retailers interested in consumption).

(B) Direct Technical Assistance Costs - \$495,000

Access to educational support, legal assistance, and real estate support. Educational support

(\$250,000) will match interested verified Equity Applicants with qualified experts in the areas of licensing and permitting, ownership agreements, compliance audits, zoning, tax compliance, accounting, and bookkeeping. It will also provide one-on-one consultation and develop educational materials to clarify the laws and regulations applicable to participation in San Francisco's Equity Program. Presumably, this funding will be split between two or more technical assistance providers. Legal support (\$135,000) will supplement funding provided by the Office of Economic and Workforce Development and pro-bono assistance provided by the SF Bar Association. This assistance will continue to lower barriers to individuals looking to enter the cannabis industry, including navigating the regulatory process and structuring business agreements. Real Estate support (\$110,000) will help Equity Applicants by supporting their access to affordable commercial real estate. Given the rise in rents, Equity Applicants often face significant challenges in finding real estate in the City and County of San Francisco. This assistance will give them technical assistance in finding viable business locations.

(C)Administrative Costs - \$390,000

This support would allocate staff resources in helping applicants navigate the permitting process. This assistance, provided to Equity Applicants after formal planning referral, will ensure that Equity Applicants are effectively moving through the permitting process (\$195,000). In addition to the Office of Cannabis and the Planning Department, Equity Applicants also require engagement with the Department of Building Inspection, the San Francisco Fire Department and the Department of Public Health. The additional counsel and support will ensure that applicants remain in compliance with City regulations. Other administrative costs will cover expenses to manage the resources distributed to Equity Applicants and develop, assess, and monitor contracts for technical assistance (\$195,000).

Contact Information

Relationship: Employee of Applicant

First Name: Marisa

Last Name: Rodriguez

Email: marisa.rodriguez@sfgov.org

Organization: SF Office of Cannabis

Title: Director

Phone: (415) 554-4420

Mailing Address: 1 Carlton B. Goodlett Place Room 018, San Francisco, CA 94102

Relationship: Employee of Applicant

First Name: Eugene

Last Name: Hillsman

Email: eugene.hillsman@sfgov.org

Organization: SF Office of Cannabis

Title: Deputy Director

Phone: (415) 554-4420

Mailing Address: 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102

**Cannabis Equity Grants Program for Local Jurisdictions
 Assistance for Cannabis Equity Program Applicants & Licensees
 Application Budget Detail - Funding Request Type 2**

JURISDICTION NAME: City and County of San Francisco

Total Amount Requested (may not exceed \$10,000,000):

Assistance for Local Equity Applicants' and Licensees' Startup and Ongoing Costs

A. Grants and Loans		Grants	No-interest Loans	Low-interest Loans	Total
A1	Rent				\$ -
A2	Lease				\$ -
A3	Local and state application, licensing, and regulatory fees				\$ -
A4	Legal assistance				\$ -
A5	Regulatory compliance	\$ 4,045,500.00			\$ 4,045,500.00
A6	Testing of cannabis				\$ -
A7	Furniture				\$ -
A8	Fixtures and equipment				\$ -
A9	Capital improvements				\$ -
A10	Training and retention of a qualified and diverse workforce				\$ -
A11	Other (please specify)				\$ -
A12	Other (please specify)				\$ -
A13	Other (please specify)				\$ -
A14	Other (please specify)				\$ -
A15	Other (please specify)				\$ -
Assistance for Startup and Ongoing Costs Subtotal					\$ 4,045,500.00

Direct Technical Assistance Costs

(May not exceed 10% of total amount requested)

B. To Provide or Fund Direct Technical Assistance (TA) to Local Equity Applicants and Equity Licensees					Total
B1. Personnel	Role in Project	Annual Salary and Benefits	Percentage of Time		
B1.1	Consultant (Education)	\$ 250,000.00	100%		\$ 250,000.00
B1.2	Consultant (Legal Assistance)	\$ 100,000.00	100%		\$ 100,000.00
B1.3	Consultant (Real Estate)	\$ 100,000.00	100%		\$ 100,000.00
B1.4					\$ -
B1.5					\$ -
B1.6					\$ -
B1.7					\$ -
B1.8					\$ -
B1.9					\$ -
B1.10					\$ -
Subtotal					\$ 450,000.00
B2. Other Direct Technical Assistance Costs					Amount
B2.1	<i>Example: Consultant (Cannabis Industry Expert-Subcontractor)</i>				
B2.2					
B2.3					
B2.4					
B2.5					
B2.6					
B2.7					
B2.8					
B2.9					
B2.10					
Subtotal					\$ -

Administrative Costs

(May not exceed 10% of total amount requested)

C. Personnel	Role in Project	Annual Salary and Benefits	Percentage of Time	Total
C1	1823 Grant Administration	\$ 174,110.00	100%	\$ 174,110.00
C2	1820 Permit Analyst	\$ 118,406.00	100%	\$ 118,406.00
C3	Existing Staff Positions - Equity Contribution	\$ 206,984.00	100%	\$ 206,984.00
C4				\$ -
C5				\$ -
C6				\$ -
C7				\$ -
C8				\$ -
C9				\$ -
C10				\$ -
Subtotal				\$ 499,500.00
D. Other Administrative Costs				Amount
D1				
D2				
D3				
D4				
D5				
D6				
D7				
D8				
D9				
D10				
Subtotal				\$ -

Direct Technical Assistance Total				\$ 450,000.00
Direct Technical Assistance Costs as Percentage of Total Amount Requested				
Administrative Costs Total				\$ 499,500.00
Administrative Costs as Percentage of Total Amount Requested				
GRAND TOTAL				\$ 4,995,000.00

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM:

DATE:

SUBJECT: Accept and Expend Resolution for Subject Grant

GRANT TITLE: Governor's Office of Business and Economic
Development Local Equity Grant Funding

Attached please find the original* and 1 copy of each of the following:

___ Proposed grant resolution; original* signed by Department, Mayor, Controller

X Grant information form, including disability checklist

X Grant budget

X Grant application

X Grant award letter from funding agency

___ Ethics Form 126 (if applicable)

___ Contracts, Leases/Agreements (if applicable)

___ Other (Explain):

Special Timeline Requirements:

State deadline to have resolution signed is June 30th

Departmental representative to receive a copy of the adopted resolution:

Name: Marisa Rodriguez

Phone: (415) 307-2065

Interoffice Mail Address: City Hall, Room 362

Certified copy required Yes

No

(Note: certified copies have the seal of the City/County affixed and are occasionally required by funding agencies. In most cases ordinary copies without the seal are sufficient).

Updated August 7, 2014

From: [Peacock, Rebecca \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Kittler, Sophia \(MYR\)](#); [Hillsman, Eugene \(ADM\)](#); [Patil, Lillian \(MYR\)](#); [Groffenberger, Ashley \(MYR\)](#); [Mundy, Erin \(BOS\)](#)
Subject: Mayor -- [Resolution] -- [Accept and Expend Grant – Governor’s Office of Business and Economic Development Cannabis Equity Grants Program for Local Jurisdictions - \$4,995,000]
Date: Tuesday, June 9, 2020 3:57:27 PM
Attachments: [A&E_OOC_Go-Biz_Equity.zip](#)

Attached for introduction to the Board of Supervisors is a **resolution authorizing the San Francisco Office of Cannabis to accept and expend a grant from the Governor’s Office of Business and Economic Development Local Equity Grant Funding program in the amount of \$4,995,000; authorizing the Office of the City Administrator to execute the attached agreement with the Governor’s Office of Economic and Business Development, and any extensions, amendments, or contracts subsequent thereto on behalf of the City and County of San Francisco; and indemnifying the Governor’s Office of Business and Economic Development for liability arising out of the performance of this contract.**

Please note that Supervisor Mandelman is a co-sponsor of this legislation.

Please let me know if you have any questions.

Rebecca Peacock ([she/they](#))
(415) 554-6982 | Rebecca.Peacock@sfgov.org
Office of Mayor London N. Breed
City & County of San Francisco

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