

File No. 220428

Committee Item No. 1

Board Item No. \_\_\_\_\_

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date July 13, 2022

Board of Supervisors Meeting Date \_\_\_\_\_

### Cmte Board

- Motion
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- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
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- Award Letter
- Application
- Public Correspondence

### OTHER (Use back side if additional space is needed)

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Completed by: Brent Jalipa Date July 7, 2022

Completed by: Brent Jalipa Date \_\_\_\_\_

1 [Accept and Expend Grant - Retroactive - The Governor’s Office of Business and Economic  
2 Development - Cannabis Equity Grants Program for Local Jurisdictions - \$4,464,579.96]

3 **Resolution retroactively authorizing the Office of Cannabis to accept and expend a**  
4 **grant award from the Governor’s Office of Business and Economic Development for the**  
5 **Local Equity Grants Program for Local Jurisdictions in the amount of \$4,464,579.96 for**  
6 **a term from March 15, 2022, through October 31, 2023; authorizing the Office of**  
7 **Cannabis to execute the agreement with the Governor’s Office of Business and**  
8 **Economic, and any extensions, amendments, or contracts subsequent thereto, on**  
9 **behalf of the City and County of San Francisco; and indemnifying the Governor’s Office**  
10 **of Business and Economic Development for liability arising out of the performance of**  
11 **this contract.**

12  
13 WHEREAS, The members of the California Legislature have recognized the need for  
14 equity grant funding; and

15 WHEREAS, Funding has been provided to the Governor’s Office of Business and  
16 Economic Development (“GO-Biz”) to provide grant funds to local governments pursuant  
17 to the Business and Professions Code section 26240; and

18 WHEREAS, The San Francisco Office of Cannabis (“Office of Cannabis”) operates a  
19 local equity program for commercial cannabis activity, created by Ordinance No. 230-17,  
20 approved December 6, 2017, effective January 5, 2018; and

21 WHEREAS, In December 2021, the Office of Cannabis submitted to GO-Biz an  
22 application for a grant from the Local Equity Grant Funding program to support the San  
23 Francisco Cannabis Equity Program and Equity Program participants; and

24 WHEREAS, In March 2022, GO-Biz awarded the Office of Cannabis a grant of  
25 \$4,464,579.96 in funds to support its Cannabis Equity Program; and

1           WHEREAS, The Office of Cannabis and determined that it will use grant funds  
2 from GO-Biz to assist local equity applicants and licensees through its local equity program as  
3 described in its application for grant funds; now, therefore, be it

4           RESOLVED, That the Office of Cannabis is hereby authorized to retroactively accept  
5 and expend up to 4,464,579.96 of GO-Biz funds to assist local equity applicants through its  
6 local equity program for commercial cannabis activity; and, be it

7           FURTHER RESOLVED, That the Board of Supervisors hereby approves inclusion of  
8 indirect costs in the amount of \$174,894.76 in the grant budget; and, be it

9           FURTHER RESOLVED, That the Deputy City Administrator is authorized to execute by  
10 electronic signature on behalf of the Office of Cannabis and the City and County of San  
11 Francisco the attached standard agreement including any extensions or amendments thereof  
12 and any subsequent contract with the State in relation thereto; and, be it

13           FURTHER RESOLVED, That any liability arising out of the performance of this  
14 contract, including civil court actions for damages, shall be the responsibility of the grant  
15 recipient and the authorizing agency; GO-Biz and the State of California disclaims  
16 responsibility for any such liability; and, be it

17           FURTHER RESOLVED, That within thirty (30) days of the Grant Agreement being fully  
18 executed by all parties, the Director of the Office of Cannabis shall provide a copy to the Clerk  
19 of the Board of Supervisors for inclusion in the official file.



**File Number:** 220428  
(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: The 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: Ken Bukowski Telephone: 415-554-6172

4. Grant Approval Status (check one):  
 Approved by funding agency                       Not yet approved

5. Amount of Grant Funding Approved or Applied for: \$4,464,579.96

6. a. Matching Funds Required: \$  
b. Source(s) of matching funds (if applicable):

7. a. Grant Source Agency: The Governor's Office of Business and Economic Development  
b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary: To assist local equity applicants and licensees through its local equity program

9. Grant Project Schedule, as allowed in approval documents, or as proposed:  
Start-Date: March 15, 2021                      End-Date: October 31, 2023

10. Number of new positions created and funded: None

11. Explain the disposition of employees once the grant ends? Not applicable

12. a. Amount budgeted for contractual services: \$160,000  
b. Will contractual services be put out to bid? To be determined  
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? One time

13. a. Does the budget include indirect costs?  Yes                       No  
b. 1. If yes, how much? \$174,894.76  
b. 2. How was the amount calculated? Percentage of costs applied to facilities, IT, and admin.  
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\*\***

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

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

16. 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 access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments: To the greatest extent feasible, grant recipients utilizing the funds for architectural improvements must comply with the accessibility requirements of the California Building Code title 24, and follow all existing programmatic obligations as outlined in ADA Title III. The Office of Cannabis should make every effort to make this information available to grant recipients. Please contact the Mayor's Office on Disability with questions or concerns about this requirement.

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

Nicole Bohn

(Name)

Director Mayor's Office on Disability

(Title)

Date Reviewed: March 31, 2022

Nicole Bohn, Director, MOD  
(Signature Required)

Overall Department Head or Designee Approval:

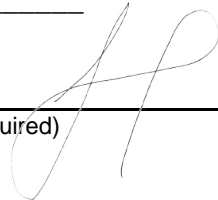
John Pierce

(Name)

Acting Director, Office of Cannabis

(Title)

Date Reviewed: 03/31/22

  
(Signature Required)

City and County of San Francisco

**Total Grant Award Amount:**

**Cannabis Tax Fund Allocation:**

**General Fund Allocation:**

**\$4,464,579.96**

**\$1,748,947.60**

**\$2,715,632.36**

**A. Grants and Loans**

Assistance for Local Equity Applicants' and Licensees' Startup and Ongoing Costs		Grants	No-Interest Loans	Low-Interest Loans	Budget (Cannabis Tax Fund Allocation)	Budget (General Fund Allocation)
A1	Rent	\$ 1,700,000.00			\$ 1,400,000.00	\$ 300,000.00
A2	Lease				\$ -	\$ -
A3	Local and state application, licensing, and regulatory fees	\$ 100,000.00			\$ -	\$ 100,000.00
A4	Legal assistance	\$ 100,000.00			\$ -	\$ 100,000.00
A5	Regulatory compliance	\$ 350,000.00			\$ -	\$ 350,000.00
A6	Testing of cannabis	\$ 14,052.84			\$ 14,052.84	\$ 10,000.00
A7	Furniture	\$ 15,500.00			\$ -	\$ 15,500.00
A8	Fixtures and equipment	\$ 200,000.00			\$ -	\$ 200,000.00
A9	Capital improvements	\$ 900,000.00			\$ -	\$ 900,000.00
A10	Training and retention of a qualified and diverse workforce				\$ -	\$ -
A11	Banking and Escrow Fees	\$ 40,000.00			\$ -	\$ 40,000.00
A12	Accounting Services	\$ 40,132.36			\$ -	\$ 40,132.36
A13	Packaging and Materials	\$ 200,000.00			\$ -	\$ 200,000.00
A14	Marketing and Advertising	\$ 150,000.00			\$ -	\$ 150,000.00
A15	Tax Liability of the Cannabis Business	\$ 150,000.00			\$ -	\$ 150,000.00
<b>Grants and Loans Subtotal</b>					<b>\$ 1,414,052.84</b>	<b>\$ 2,555,632.36</b>

**B. Direct Technical Assistance Costs (Up to 10% of Cannabis Tax Fund Allocation, Up to 10% of General Fund Allocation)**

To Provide or Fund Direct Technical Assistance (TA) to Local Equity Applicants and Equity Licensees						
Personnel	Role in Project		Annual Salary and Benefits	Percentage of Time	Budget (Cannabis Tax Fund Allocation)	Budget (General Fund Allocation)
B1	TBD	Permit and Grant Support	TBD	TBD	\$ 80,000.00	\$ 80,000.00
B2	TBD	Professional Development	TBD	TBD	\$ 80,000.00	\$ 80,000.00
B3					\$ -	\$ -
B4					\$ -	\$ -
B5					\$ -	\$ -
B6					\$ -	\$ -
B7					\$ -	\$ -
B8					\$ -	\$ -
<b>Other Direct Technical Assistance Costs</b>					\$ -	\$ -
B9					\$ -	\$ -
B10					\$ -	\$ -
B11					\$ -	\$ -
B12					\$ -	\$ -
B13					\$ -	\$ -
B14					\$ -	\$ -
<b>Direct Technical Assistance Costs Subtotal</b>					<b>\$ 160,000.00</b>	<b>\$ 160,000.00</b>

**C. Administrative Costs (Up to 10% of Cannabis Tax Fund Allocation, Ineligible use of General Fund Allocation)**

Personnel	Role in Project		Annual Salary and Benefits	Percentage of Time	Budget (Cannabis Tax Fund Allocation)
C1	Grant Administration	Grant Administration	\$ 179,856.00	80.0%	\$ 143,884.80
C2	Existing	Staff Positions - Equity Contribution	\$ 197,031.00	20.0%	\$ 31,009.96
C3					\$ -
C4					\$ -
C5					\$ -
C6					\$ -
<b>Other Administrative Costs</b>					\$ -
C7					\$ -
C8					\$ -
C9					\$ -
C10					\$ -
C11					\$ -
<b>Administrative Costs Subtotal</b>					<b>\$ 174,894.76</b>

	Total (Cannabis Tax Fund Allocation)	Total (General Fund Allocation)	Grand Total
Grants and Loans	\$ 1,414,052.84	\$ 2,555,632.36	\$ 3,969,685.20
Direct Technical Assistance Costs	\$ 160,000.00	\$ 160,000.00	\$ 320,000.00
Direct Technical Assistance Costs as a Percentage of Allocation (may not exceed 10%)	9.15%	5.89%	N/A
Administrative Costs	\$ 174,894.76	N/A	\$ 174,894.76
Administrative Costs as a Percentage of Allocation (may not exceed 10%)	10.00%	N/A	N/A
<b>TOTAL</b>	<b>\$ 1,748,947.60</b>	<b>\$ 2,715,632.36</b>	<b>\$ 4,464,579.96</b>



## Cannabis Equity Grants Program for Local Jurisdictions Application Full Report

<b>General Data</b>
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

<b>Applicant Information</b>
Local Jurisdiction Name: City and County of San Francisco
Federal Employer Identification Number: 94-6000417
Does the local jurisdiction have a culture or perspective on equity, including policies, programs, and/or practices that address social equity and justice? Yes
If yes, please describe: Yes, the City and County of San Francisco (City) instituted a number of policies and created a number of offices, departments, and committees to support and advance social equity. Under Mayor Breed's leadership, the City prioritized social equity, criminal justice reform, workforce opportunities for job seekers of every background, and advancing the rights of the LGBT+ community. In 2019, the City established an Office of Racial Equity (ORE). ORE was developed to create a Racial Equity framework and requires City departments to create Racial Equity Action Plans and designate employees as racial equity leaders. ORE is a division of the Human Rights Commission (HRC). 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. In 2020, the Office of the City Administrator released its own Racial Equity Plan which takes a comprehensive view of racial equity and lays out its strategic direction.



Website address for the jurisdiction's local equity program (if applicable): <a href="https://sf.gov/departments/office-cannabis">https://sf.gov/departments/office-cannabis</a>		
<b>Mailing Address</b>		
Address Line 1: 1 Dr. Carlton B. Goodlett Place		
Address Line 2:		
City: San Francisco	State: CALIFORNIA	Zip Code: 94102
<b>Payment Address (if different than Mailing Address)</b>		
Address Line 1:		
Address Line 2:		
City:	State: CALIFORNIA	Zip Code:

<b>Proposal</b>
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 (GoBiz), will support local Equity Applicants with additional opportunities including flexible grant funding for startup and ongoing costs associated with their commercial cannabis business. This funding will address the need for financial assistance expressed by our equity community in creating their businesses.

# Proposal

3. How many local equity applicants does the jurisdiction intend to serve with the requested funds?  
410

4. How many local equity licensees does the jurisdiction intend to serve with the requested funds?  
50

5. 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: This direct assistance for local Equity Applicants and Equity Operators will include support to build-out their physical space (e.g. capital improvements, fixtures and equipment, furniture) and to ensure that equity grantees remain in compliance (e.g. regulatory compliance) with state and local laws. Moreover, the OOC collaborates closely with its Oversight Committee and equity community to identify additional areas of need such as: financial support with carrying costs (e.g. rent); local and state application, licensing, and regulatory fees; legal support; banking fees; accounting services; packaging and materials; marketing and advertising; and taxes.

All of the areas described above will support equity applicants and operators with their start up and ongoing costs in an effort to mitigate barriers to entry and support a thriving regulated cannabis market.

(B) Technical Assistance: The OOC plans to support additional technical assistance opportunities in the areas of: (i) Permit and Grant Support; and (ii) Professional Development. These areas have been requested by the San Francisco Cannabis Oversight Committee and the social equity community. Permit and grant support programming will provide equity applicants with one-on-one support to navigate the local and state commercial cannabis permitting process in addition to supporting grantees with local grant requirements. Professional development programming will support the professional growth (e.g. workshops, one-on-one training) of equity applicants, of which there are over 400 in San Francisco.

This effort would be accomplished via a Request for Proposal effort to be evaluated by an Independent Review Committee.

(C) Administrative Costs: Funds for administrative costs will cover expenses related to the grant, including to the distribution of awards to equity applicants, and to the development, assessment, and management of technical assistance programs and contracts.

# Scoring Criteria A

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

The War on Drugs had consequential impacts on communities of color in San Francisco and elsewhere. The impacts of its disproportionality are acutely felt today including in areas of: poverty, education gaps, and criminal records as 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 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/Latinx ethnicity is posited as a type of racial identity in the data, erasing the nuance of race/ethnicity within the Latinx community. 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. It is likely that 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 the Bayview/Mission/Tenderloin.

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

Various data sets were examined and arrest rates were reviewed by race, ethnicity, and geographic location in the City and County of 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, a level that is highly inconsistent with available conviction data for that time period. 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 offense classifications.

Data from the California 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 SF Health Commission reports.

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

The City 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. Although 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 (MCDs) to support the City's equity goals as a condition of adult-use authorization.

The Equity Program offers processing priority, permit fee waivers, grant opportunities, and technical assistance to those interested in owning cannabis businesses. Verified 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. There is also an asset threshold that Equity Applicants must be below, and equity businesses must meet pre-established ownership guidelines. In addition to permits, the City also allocates resources to organizations for legal representation to qualified cannabis Equity Applicants. Businesses not eligible to be verified can support Equity Applicants with technical help or rent-free commercial space for not less than 3 years. Equity Incubators and MCDs must also commit to staffing requirements including local hire and hiring individuals hurt by the War on Drugs.

4. Describe the outputs and outcomes of the jurisdiction's local equity program elements to date.

In December 2019, the Office of the Controller, published a review of the cannabis industry following adult-use legalization. The 105 page report was designed to inform conversations about the future of the cannabis industry, including equity. As of December 09, 2021, there are 408 individuals who have been verified as Equity Applicants per the criteria set forth in the city's Equity Program. The Office of Cannabis is processing 112 applications for Cannabis Business Permits from Equity Applicants, 33 Equity Applicant applications are building out their space, and 20 permanent equity permits have been issued. As noted previously, the City offers priority processing to its social equity community. Rulemaking was also developed to create flexibility for qualifying Equity Applicants to change their business locations while maintaining their place in line. The OOC continues to spearhead a working group with all of the agencies that touch the cannabis permitting process to further support Equity Applicants.

MCDs 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 December 09, 2021, 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. All operating MCD's have their equity plans publicly posted on the Office of Cannabis website.

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. The City also leveraged private industry to provide a significant portion of community benefits as part of the Equity Program. MCD Equity Plans are one of the largest sources of direct community investment related to the cannabis industry in San Francisco.

In collaboration with its state partners, the OOC has also stood up a Pilot Grants Program. To date, nearly \$4MM has been distributed to about 50 social equity businesses to support start up and ongoing costs such as capital improvements, rent, regulatory compliance, among other eligible expenses. This includes a 100% utilization rate of Bradford funds, while continuing to spend down the remainder of existing GoBiz funds. Additionally, the OOC supported a \$450K Request for Proposal effort to secure the services of technical assistance providers in the areas of: Permit and Grant Support, Workforce Development, and Business Development. The grant utilization rate of these services topped out at 94%, with the remaining funds redistributed to social equity businesses.

In partnership with the OOC, the Office of Economic and Workforce Development allocates resources to organizations for legal representation to qualifying cannabis equity clients. The OOC also partnered with the Bar Association of San Francisco, Cannabis Law Committee to provide additional pro bono legal support.

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

San Francisco's legalization ordinances create space for individuals who have been disproportionately impacted by the War on Drugs to enter the regulated cannabis market. General applicants are not allowed to enter the cannabis industry until individuals who are qualified as Equity Applicants reach permitting parity. 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.

Following the Equity Applicant tier, there are additional groups of individuals who receive priority permitting status. An example is the Equity Incubator tier, 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.

The publication, Marijuana Business Daily, conducted an anonymous online poll of 567 self-identified cannabis industry business owners and executives, shedding some light on the composition of the national market. Ethnicity was not treated distinct from race, instead requiring Latinx respondents to choose between responding to the survey with their race or their ethnicity, not both. 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 created a number of resources to support an equitable and economically-just industry. For example, the OOC partnered with the Office of Economic and Workforce Development and the Bar Association of San Francisco, Cannabis Law Committee to provide pro bono legal and compliance support to the social equity community.

6. 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 instituted a number of measures to remove local barriers to entering the legal cannabis market. Primarily, the Equity Program offers processing priority, permit fee waivers, grant opportunities, and technical assistance to those interested in owning cannabis business. There is no fee to be verified as an equity applicant.

Moreover, the City allocates resources to organizations for legal representation to qualified cannabis Equity Applicants. This legal representation helps cannabis entrepreneurs during the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. Again, the OOC and the Bar Association of San Francisco formed a first-of-its-kind 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.

Additionally, a list of Equity Incubators is available on the OOC's website, which is constantly updated, to include businesses committing to support the business development of Equity Applicants.

As stated earlier, resources also include support provided by MCDs. The MCD equity plans are also available on the OOC's website. Examples of MCD plans to support 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, MCDs seeking to change their ownership structure are required to incubate Equity Applicants for 18 months.

The OOC has also emphasized community, communication, and accessibility. Post-pandemic, the OOC will hold office hours, dedicating time to answer questions and provide additional support to Equity Applicants. The OOC continues to support an equity navigation working group dedicated to bringing City partners together and exploring ways to mitigate challenges for equity applicants navigating the City's permitting process. Applicable partners include the Department of Building Inspection, the Planning Department, the Department of Public Health, the OOC, 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, San Franciscans, and the public at-large. This includes a revamping of the OOC's website and digital presence.

Regarding financial support, to date, nearly \$4MM has been distributed to about 50 social equity businesses to support their start-up and ongoing costs such as capital improvements, rent, regulatory compliance, among other eligible expenses. Eligibility criteria was informed by public input and the Cannabis Oversight Committee – in addition to bringing in other partners such as the Human Rights Commission to amplify the social equity lens. The OOC also supported a \$450K Request for Proposal effort to secure the services of technical assistance providers in the areas of: Permit and Grant Support, Workforce Development, and Business Development.

7. 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. Currently, there is 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 equity criteria includes:

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 because 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.

8. Describe how the jurisdiction promotes equity in the process of awarding licenses and resources to its local 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 Equity Program offers processing priority, permit fee waivers, grant opportunities, and technical assistance (e.g. pro bono legal support) to those interested in owning cannabis business. There is no fee to be verified as an equity applicant.

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. 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 by the Police Department. 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 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 Police Department. The OOC continues to spearhead a working group with all of the agencies that touch the cannabis permitting process in San Francisco to further support Equity Applicants.

9. Describe the process and average timeframe for local equity program applicants to obtain a commercial cannabis license from the jurisdiction, including any differences between equity applicants and non-equity applicants.

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 by the Police Department. 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 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 Police Department. The OOC continues to spearhead a working group with all of the agencies that touch the cannabis permitting process in San Francisco to further support Equity Applicants.

The permanent permitting time frame ranges from 18 months to 38 months, with an average processing time of 26 months, across the initial 20 equity permanent permits. The process is highly variable depending on activity, scope of build out, land use review - among other variables such as the effects of the pandemic.

Equity applicants benefit from priority processing, fee waivers, technical assistance, and grant opportunities – unlike non-equity applicants.

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

If yes, please describe.

Yes. 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.

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 required 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, a non-profit, to proactively identify eligible cases and petition the court to dismiss and seal the records on their behalf.

Reviewing cases back to 1975, the District Attorney's Office cleared 9,361 criminal charges from a total of 9,131 cases.

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

If yes, please describe.

Yes. San Francisco's legalization ordinances create space for individuals who have been impacted disproportionately by the War on Drugs to enter the new market. 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. Equity

applicants benefit from a heightened processing priority relative to other tiers of 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.” 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.

12. 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.

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

If yes, please describe.

Yes. There are a number of ways for Equity Applicants to receive technical assistance as a part of

## San Francisco's Cannabis Equity Program.

The Office of Economic and Workforce Development allocates resources 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. Notably, the 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.

Additional resources include support provided by MCDs in San Francisco, organizations that have committed to support the city's Equity goals through development of equity plans. These plans are available on the OOC's website, and all businesses that sell adult-use cannabis are required to participate. Examples of these plans 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.

Lastly, in collaboration with the state of California, grant opportunities have led to free technical assistance in the areas of: permit and grant support, workforce development, and business development.

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

If yes, please describe.

Yes. San Francisco's equity incubator program was designed to provide tangible benefits 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 after the completion of equity applicant processing. This means that they will also receive priority processing. The OOC provides potential incubators with a list of Equity Applicants who are interested in incubation. Equity Applicants can identify potential incubators by viewing a list on the OOC's website.

Additionally, MCDs 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.

15. Does the jurisdiction have zoning regulations for commercial cannabis that are different for its

local equity licensees? No

If yes, please describe.

N/A

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

If yes, please describe and include how the caps or limitations were determined.

San Francisco's adult-use legalization ordinance prioritizes equity program participants and other groups supporting Equity Applicants 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." This 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.

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

The OOC consistently emphasizes community, communication, and accessibility. Prior to the pandemic, the Office of Cannabis held office hours, every day, from 1-5 PM, dedicating time to answer questions and provide additional support to Equity Applicants. The OOC is working with its partners to re-launch office hours in a safe and healthy manner, in light of the ongoing pandemic.

In addition to office hours, staff regularly attends community meetings in addition to participating in interviews and panel discussions. The OOC regularly disseminates "Industry Updates" through its distribution and partner channels such as the Success Center, San Francisco Equity Group, and the San Francisco Original Equity Group.

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

The OOC facilitates many opportunities to collect and address feedback. In addition to office hours, listening sessions and community events, the OOC also supports its Cannabis Oversight Committee.

The Oversight Committee holds public meetings providing a platform for substantive discussion and public comment. Meeting agendas and minutes are posted on the OOC's website.

The OOC looks forward to reopening office hours in a safe manner and in light of the pandemic.

During the pandemic, staff worked remotely and continued to address inquiries, schedule meetings, and provide virtual community outreach.

19. 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 incur debt and/or sell ownership shares in their business to investors in return for 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. 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 is critical 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 financial support. We anticipate a significant amount of this support will help to build-out physical space for equity applicants and to ensure compliance with state and local law.

Technical assistance will be critical to help new entrepreneurs establish their business and navigate 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. Support also includes one-on-one consultation and the development of educational materials to clarify the laws and regulations applicable to participation in San Francisco's Equity Program. Without special assistance or knowledge, equity applicants may find it difficult to navigate the regulatory process, endangering their prospects for survival. Equity applicants who receive additional technical assistance will be better equipped to navigate the complicated permitting process and to ultimately operate a successful cannabis business.

## Scoring Criteria B

1. What was the local jurisdiction's population size as of January 1, 2021 as published on the Department of Finance's (DOF) website?

875,010

2. When was the jurisdiction's local equity program adopted? 1/5/2018

3. Which of the following program elements does the jurisdiction's local equity program include? (Check all that apply as of the application due date)

- Small business support services including technical assistance or professional and mentorship services.
- Tiered fees or fee waivers for cannabis-related permits and licenses.
- Assistance in paying state regulatory and licensing fees.
- 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.
- Low-interest or no-interest loans or grants to local equity applicants or local equity licensees to assist with startup and ongoing costs.

4. How many verified local equity applicants does the local jurisdiction currently have? (Note: Only include individuals that the jurisdiction has confirmed their eligibility for the local equity program AND that have submitted, or will submit, an application for a local license, permit, or other authorization by the local jurisdiction to engage in commercial cannabis activity. However, exclude any verified local equity applicants for license types that will not likely be obtainable in the next 12 months due to the jurisdiction's licensing cap.)103

5. How many verified local equity license holders does the local jurisdiction currently have? (Note: Only include individuals that the jurisdiction has confirmed their eligibility for the local equity program AND that have been issued a local license, permit, or other authorization by the local jurisdiction to engage in commercial cannabis activity.)21

6. 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)

\$1,127,698.00

# Contact Information

Relationship: Employee of Applicant

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Last Name: Schwartz

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Title: Associate Director

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Mailing Address: 49 South Van Ness 6th Floor, San Francisco, CA 94103



**From:** [Cannabis Equity Grants Program](#)  
**To:** [Schwartz, Jeremy \(ADM\)](#)  
**Cc:** [Cannabis Equity Grants Program](#)  
**Subject:** Cannabis Equity Grant for Local Jurisdictions Award  
**Date:** Friday, January 28, 2022 4:25:58 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[image003.png](#)  
[image004.png](#)  
[image005.png](#)  
[FY 21-22 San Francisco Award Budget Template.xlsx](#)  
[Sample-Resolution \(1\).docx](#)

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

Dear City and County of San Francisco,

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 \$4,464,579.96. We intend to issue our press release announcing all of the jurisdictions receiving funding early to mid-February. In order to proceed with providing you a grant agreement for signature, we will need the following:

1. Please review your enclosed budget spreadsheet reflecting the total amount of the grant award. As soon as possible, and no later than **February 16th**, please make the following updates so that we can finalize your budget for inclusion in your grant agreement:

- Please review the “Instructions” tab in the enclosed budget spreadsheet for information about the allocations included in your grant award.
- Please provide an updated budget using the enclosed budget spreadsheet. This updated budget will reflect the total amount of the grant award and the uses of funds allocated from the jurisdiction’s Cannabis Tax Fund Allocation and General Fund Allocation.
- Please ensure that all subcontracted costs in the budget include “Subcontracted” in the line item description.
- Please ensure that any costs for consultants or subcontractors are under “Other Costs” rather than “Personnel Classifications.”
- Please review the definition of “Direct Technical Assistance” included in the budget instructions. Please ensure all line items in this section reflect this definition.
- Please move any costs related to administration of the program under “Administrative Costs.”

2. All grant agreements must be signed via our electronic signature platform, DocuSign. Please reply to this email as soon as possible, and no later than **February 16<sup>th</sup>**, with the name,

title, and email address for the individual that will be signing the grant agreement.

3. Lastly, to receive grant funding a resolution is required from your jurisdiction'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 attached.

- **Note:** The approved resolution MUST contain all of the components found in the attached sample resolution exactly as indicated and must match its format. Authorizing resolutions must be received by GO-Biz no later than **March 15, 2022.**
- All grant agreements must be signed by the jurisdictions using DocuSign no later than **March 15, 2022.**
- A sample resolution is provided on our website [business.ca.gov/CEG](http://business.ca.gov/CEG) and a copy is attached with this email.

Thank you again and I look forward to working with you on next steps. Please let me know if you have any questions.

Best regards,

**Michael Guss**

Grants Analyst, Community and Local Equity Grant Unit  
Governor's Office of Business and Economic Development (GO-Biz)  
1325 J Street, Suite 1800 | Sacramento, CA 95814  
(916) 272-0996 [Office]





## GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

STATE OF CALIFORNIA • OFFICE OF GOVERNOR GAVIN NEWSOM

### 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 October 1, 2021, shall apply to this Agreement. The identification number for this Agreement is **CEG-2022-323**.

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, commencing with Business and Professions Code section 26240, 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.
2. **Grant Term.** The performance period of this Agreement shall be from March 15, 2022, or when this Agreement is fully executed by all Parties, whichever is later, through October 31, 2023. 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 four hundred sixty-four thousand five hundred seventy-nine dollars and ninety-six cents (\$4,464,579.96) 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 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 or motion 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 under this Agreement that is not expended within the Grant Term, or at the time of early 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 the 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 sourced from the Cannabis Tax Fund 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 ten (10) percent of the grant funds sourced from the Cannabis Tax Fund may be used for direct technical assistance.
  - c. To assist in the administration of the Grantee's Local Equity Program. No more than ten (10) percent of the grant funds sourced from the Cannabis Tax Fund 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.

Grant funds sourced from the General Fund (one-time allocation as specified in the Grant Solicitation) 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 the Grantee's Local Equity Applicants and/or Local Equity Licensees. No more than ten (10) percent of the grant funds sourced from the General Fund may be used for direct technical assistance.
- 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 <http://www.business.ca.gov/CEG>. Each periodic report shall be due in accordance with the chart below. For the first periodic report, the beginning date is either March 15, 2022, or when this Agreement is fully executed by all Parties, whichever is later. If this Agreement is terminated before the end

of the Grant Term, Grantee must submit its periodic reports, within thirty (30) calendar days of the termination date, to document its progress through the termination date of the Agreement.

Period	Report Due Date
March – October 2022	November 30, 2022
November 2022 – January 2023	February 28, 2023
February – April 2023	May 31, 2023
May – July 2023	August 31, 2023
August – October 2023	November 30, 2023

(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, 2023, and annually thereafter for each year grant funds are expended. No report shall be submitted prior to December 15, 2022. Grantee shall provide a report to GO-Biz 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/or Local Equity Licensees that were served by the grant funds.
- Aggregate demographic data on Local Equity Applicants, Local Equity Licensees, as applicable, 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. Nothing in this subparagraph requires applicants or licensees to report this information should they wish to decline reporting one or more of the listed characteristics.
- If the Grantee requires Local Equity Applicants and/or Local Equity Licensees 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, including the contact information for the individual that the story relates to, 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 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 designated 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 or breaches 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 the 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 or motion in the same or substantially similar form as the Sample Resolution posted on GO-Biz’s website at [www.business.ca.gov/CEG](http://www.business.ca.gov/CEG).
  - (e) It understands and agrees it is not eligible to apply for a subsequent Cannabis Equity Grants Program for Local Jurisdictions grant until it has expended its Grant Award under this Agreement as follows:
    - Grantee must demonstrate it has expended at least fifty (50) percent of the grant funds awarded pursuant to this Agreement if greater than twelve (12) and fewer than eighteen (18) months have elapsed since execution of this Agreement (calculated from the date this Agreement was fully executed to the application due date for any subsequent round of the Cannabis Equity Grants Program for Local Jurisdictions).
    - Grantee must demonstrate it has expended at least eighty (80) percent of any grant funds awarded pursuant to this Agreement if eighteen (18) or more months have elapsed since execution of this Agreement (calculated from the date this Agreement was fully executed to the application due date for any subsequent round of the Cannabis Equity Grants Program for Local Jurisdictions).
    - Grantee’s expenditures, as required above, must be evidenced by expenditures reported in the most recent periodic report submitted to GO-Biz by the application due date for the subsequent round of the Cannabis Equity Grants Program for Local Jurisdictions for which Grantee is applying.
- 17. Nondiscrimination.** Grantee shall comply with all applicable federal and state laws and statutes related to nondiscrimination, including, but not limited to, race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, veteran and military status, 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, 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) calendar days of the commencement of such event and within ten (10) calendar 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 (30) calendar 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 primary and secondary contact persons 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 primary and secondary contact persons. 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](mailto: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:  DocuSigned by:  
*William Koch*  
0905430306D342E...

Name: Will Koch

Title: Deputy Director

Date: March 15, 2022 | 13:50 PDT

**Grantee  
City and County of San Francisco**

By:  DocuSigned by:  
*Ken Bukowski*  
69F84CCA070148D...

Name: Ken Bukowski

Title: Deputy City Administrator

Date: March 4, 2022 | 11:55 PST

## Exhibit A Budget

Cannabis Equity Grants Program for Local Jurisdictions FY 2021-2022 Grant Budget						
City and County of San Francisco						
<b>Total Grant Award Amount:</b>		<b>Cannabis Tax Fund Allocation:</b>		<b>General Fund Allocation:</b>		
<b>\$4,464,579.96</b>		<b>\$1,748,947.60</b>		<b>\$2,715,632.36</b>		
<b>A. Grants and Loans</b>						
Assistance for Local Equity Applicants' and Licensees' Startup and Ongoing Costs	Grants	No-interest Loans	Low-interest Loans	Budget (Cannabis Tax Fund Allocation)	Budget (General Fund Allocation)	
Rent	\$ 1,700,000.00			\$ 1,400,000.00	\$ 300,000.00	
Lease				\$ -	\$ -	
Local and state application, licensing, and regulatory fees	\$ 100,000.00			\$ -	\$ 100,000.00	
Legal assistance	\$ 100,000.00			\$ -	\$ 100,000.00	
Regulatory compliance	\$ 350,000.00			\$ -	\$ 350,000.00	
Testing of cannabis	\$ 24,052.84			\$ 14,052.84	\$ 10,000.00	
Furniture	\$ 15,500.00				\$ 15,500.00	
Fixtures and equipment	\$ 200,000.00			\$ -	\$ 200,000.00	
Capital improvements	\$ 900,000.00			\$ -	\$ 900,000.00	
Training and retention of a qualified and diverse workforce				\$ -	\$ -	
Banking and Escrow Fees	\$ 40,000.00			\$ -	\$ 40,000.00	
Accounting Services	\$ 40,132.36			\$ -	\$ 40,132.36	
Packaging and Materials	\$ 200,000.00			\$ -	\$ 200,000.00	
Marketing and Advertising	\$ 150,000.00			\$ -	\$ 150,000.00	
Tax Liability of the Cannabis Business	\$ 150,000.00			\$ -	\$ 150,000.00	
<b>Grants and Loans Subtotal</b>				<b>\$ 1,414,052.84</b>	<b>\$ 2,555,632.36</b>	
<b>B. Direct Technical Assistance Costs (Up to 10% of Cannabis Tax Fund Allocation. Up to 10% of General Fund Allocation)</b>						
<b>To Provide or Fund Direct Technical Assistance (TA) to Local Equity Applicants and Equity Licensees</b>						
Personnel	Role in Project	Annual Salary and Benefits	Percentage of Time	Budget (Cannabis Tax Fund Allocation)	Budget (General Fund Allocation)	
TBD	Permit and Grant Support	TBD	TBD	\$ 80,000.00	\$ 80,000.00	
TBD	Professional Development	TBD	TBD	\$ 80,000.00	\$ 80,000.00	
<b>Other Direct Technical Assistance Costs</b>				\$ -	\$ -	
<b>Direct Technical Assistance Costs Subtotal</b>				<b>\$ 160,000.00</b>	<b>\$ 160,000.00</b>	
<b>C. Administrative Costs (Up to 10% of Cannabis Tax Fund Allocation. Ineligible use of General Fund Allocation)</b>						
Personnel	Role in Project	Annual Salary and Benefits	Percentage of Time	Budget (Cannabis Tax Fund Allocation)		
Grant Administration	Grant Administration	\$ 179,856.00	80.0%	\$ 143,884.80		
Existing	Staff Positions - Equity Contribution	\$ 197,031.00	20.0%	\$ 31,009.96		
<b>Other Administrative Costs</b>				\$ -		
<b>Administrative Costs Subtotal</b>				<b>\$ 174,894.76</b>		
				Total (Cannabis Tax Fund Allocation)	Total (General Fund Allocation)	Grand Total
<b>Grants and Loans</b>				<b>\$ 1,414,052.84</b>	<b>\$ 2,555,632.36</b>	<b>\$ 3,969,685.20</b>
<b>Direct Technical Assistance Costs</b>				<b>\$ 160,000.00</b>	<b>\$ 160,000.00</b>	<b>\$ 320,000.00</b>
<b>Direct Technical Assistance Costs as a Percentage of Allocation (may not exceed 10%)</b>				<b>9.15%</b>	<b>5.89%</b>	<b>N/A</b>
<b>Administrative Costs</b>				<b>\$ 174,894.76</b>	<b>N/A</b>	<b>\$ 174,894.76</b>
<b>Administrative Costs as a Percentage of Allocation (may not exceed 10%)</b>				<b>10.00%</b>	<b>N/A</b>	<b>N/A</b>
<b>TOTAL</b>				<b>\$ 1,748,947.60</b>	<b>\$ 2,715,632.36</b>	<b>\$ 4,464,579.96</b>

**TO:** Angela Calvillo, Clerk of the Board of Supervisors

**FROM:** Carmen Chu, City Administrator

**DATE:** March 31, 2022

**SUBJECT:** Accept and Expend Ordinance for Subject Grant

**GRANT TITLE:** Governor's Office of Business and Economic Development -  
Cannabis Equity Grants Program for Local Jurisdictions

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

Proposed grant ordinance; original\* signed by Department, Mayor, Controller

Grant information form, including disability checklist

Grant budget

Grant application

Letter of Intent or grant award letter from funding agency

Ethics Form 126 (if applicable)

Contracts, Leases/Agreements (if applicable)

Other (Explain):

**Special Timeline Requirements:**

**Departmental representative to receive a copy of the adopted ordinance:**

Name: Ken Bukowski, Office of the City Administrator Phone: 415-554-6172

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).