



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein

SUBJECT: SEE BELOW

DATE: November 21, 2022

Approved

Date

12/2/22

SUBJECT: AGREEMENT WITH THE ENTERPRISE FOUNDATION FOR THE SAN JOSÉ CANNABIS EQUITY BUSINESS ACADEMY

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute an agreement with the Enterprise Foundation to be the fiscal agent for the San José Cannabis Equity Business Academy who in turn will contract with the California Asian Pacific Chamber of Commerce to establish and operate the San José Cannabis Equity Business Academy in the amount not to exceed \$560,000 for an initial term from January 1, 2023 to June 30, 2024, and authorizing the City Manager to exercise up to two one-year options to extend the agreement at no increase in the compensation amount.

OUTCOME

City Council approval allows staff to disperse the grant funds to a fiscal agent to secure the new San José Cannabis Equity Business Academy (Academy) to be operated by the California Asian Pacific Chamber of Commerce (CalAsian).

BACKGROUND

City Council approved the San José cannabis equity assessment and establishment of a pilot cannabis equity business program on February 15, 2022. The purpose of the cannabis equity business program is to encourage eligible residents who may have been harmed by years of cannabis prohibition and the 'war on drugs' to establish a registered cannabis retail business with a maximum of five new retail businesses and a minimum of five new delivery-only businesses. All new business owners must be sourced exclusively from participation in the Academy.

Staff subsequently designed the criteria for the Academy and launched a request for proposals (RFP) on June 1, 2022. The focus of the RFP was:

- Cultural sensitivity and overall program design
- Detailed content and model of implementation
- Technical assistance and support to individual participants
- Personal mentoring to participants upon completion
- Addressing the industry-wide problem of access to capital, and
- Designing a San José workforce development solution(s) for meeting future recruitment needs in the industry

A public question and answer session took place on June 30, 2022, and the RFP solicitation closed on July 15, 2022. The City received eight proposals and this memorandum provides the outcome of the procurement process.

The Academy is funded by a grant provided by the California State Department of Cannabis Regulation. The grant was originally due to expire on June 30, 2022, and was extended to December 30, 2022. On November 15, 2022, the California State Department of Cannabis Regulation confirmed the grant would not be extended further and that funds must be dispersed or repaid. Staff concluded that the only option to safeguard the Academy was to use the Enterprise Foundation as a fiscal agent to manage the grant.

ANALYSIS

An evaluation panel was established to review responses to the RFP from the Police Department Division of Cannabis Regulation, the Office of Racial Equity, the City Manager's Office, and the Office of Economic Development and Cultural Affairs. All eight proposals were deemed to have passed the general requirements contained in the RFP, a scoring criterion was applied to each proposal was reviewed in detail. The weighting criteria and scoring of the RFP responses focused on the relevant experience, specification of service, references, and cost of proposals. None of the RFP responses met the definition of a local business or a small business and did not attract any additional score.

The evaluation panel held interviews with the three highest-scoring proposals. The panel subsequently requested further information on the proposed delivery model and breakdown of costs and the second round of interviews took place.

Following the second round of interviews the evaluation panel unanimously concluded that CalAsian was the highest-scoring response. Staff issued a [Notice of Intent to Award](#) and no appeals were received. Staff subsequently entered into negotiations with CalAsian. CalAsian was founded in 2010 as a 501c6 nonprofit organization. . This type of legal entity is often used for chambers of commerce and trade associations. CalAsian provides a wide range of entrepreneurship and business support services and has established itself as one of the leading providers of consulting services in the licensed/registered cannabis industry in California.

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CalAsian also has experience working with cannabis business owners to secure investment and working capital in large urban jurisdictions, such as the city of Los Angeles and Sacramento.

CONCLUSION

In July 2022, the City published a pre-application questionnaire to enable residents to check if they met the criteria to join the Academy. To date, 64 residents had completed the questionnaire and met the published criteria. The next step is to invite the 64 residents to complete a full application to confirm the residents' addresses and current income, and allow the Police Department to undertake full background checks. The [pre-application questionnaire](#) remains open to encourage any resident with an interest to apply to join the Academy. The full application form including the Police Department background check is scheduled to be operational by the end of December 2022.

There is capacity to enroll up to 90 residents in the Academy. There may be residents who 'drop out' from the original list of applicants and new applications will be accepted up to a ceiling of 90 active participants, including after the Academy has launched. This will ensure that the Academy remains accessible to eligible residents who may have missed the original opportunity to apply.

The plan is to launch the Academy in the first quarter of 2023 and operate for 12 months. The option to extend the agreement for a further two years provides flexibility to plan and operate services within the agreed contract limit. The use of a fiscal agent to manage the grant allows for the operation of the Academy for up to three years. The Enterprise Foundation was chosen as the fiscal agent as it is a non-profit organization specializing in small business programs.

EVALUATION AND FOLLOW-UP

Updates on the implementation of the Academy will be provided by the Office of Economic Development and Cultural Affairs through scheduled reports to City Council's Community and Economic Development Committee.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum aligns with Climate Smart San José Strategy 3.1: Create Local Jobs in our City to Reduce Vehicle Miles Traveled.

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PUBLIC OUTREACH

This memorandum will be posted on the City's website for the December 13, 2022 City Council meeting. The Office of Economic Development and Cultural Affairs will continue to engage the local cannabis industry and community-based organizations to promote the Academy.

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

The project supports the City Council's Community and Economic Recovery priority under Small Business Recovery.

COST SUMMARY/IMPLICATIONS

The recommended contract with the Enterprise Foundation is funded entirely by a grant provided by the California State Department of Cannabis Regulation. The grant expires on December 31, 2022, and all funds not dispersed are repaid on request.

Total funding for the Academy is capped at \$560,000.

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BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the contract recommended as part of this memorandum.

Fund	# Appn	# Appn Name	Total Appn	Amt. for Contract	2022-23 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
001	209S	Cannabis Equity Assistance Program	\$667,091	\$560,000	876	6/21/22 30790

CEQA

Not a Project, File No. PP17 006 Grant Application with no commitment or obligation to enter into an agreement at the time of application.

/s/

NANCI KLEIN

Director of Economic Development
and Cultural Affairs

For questions, please contact Victor Farlie, Assistant to the City Manager, at victor.farlie@sanjoseca.gov or (408) 535-8230.