



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh
Jim Shannon

SUBJECT: SEE BELOW

DATE: January 24, 2020

Approved

Date

1-24-20

SUBJECT: COUNCIL POLICY PRIORITY #13: CANNABIS EQUITY AND STATE OF CALIFORNIA EQUITY ACT GRANT FUNDING AND RELATED APPROPRIATION ORDINANCE AND FUNDING SOURCE RESOLUTION AMENDMENTS

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager or designee to enter into a grant agreement with the State of California Bureau of Cannabis Control to receive \$560,082.30 in Local Equity Grant Funding.
- (b) Adopt the following 2019-2020 Funding Source Resolution and Appropriation Ordinance amendments in the General Fund:
 - (1) Increase the estimate for Revenue from the State of California by \$560,083; and
 - (2) Establish a City-Wide expense appropriation to the City Manager's Office for Cannabis Equity Assistance Program in the amount of \$560,083.

OUTCOME

Approval of this item would allow the City to receive \$560,083 in State grant funds to implement the City's Cannabis Equity Assistance Program to assist local equity applicants and employees through the City's program for commercial cannabis activity.

BACKGROUND

Cannabis equity programs seek to provide opportunities for those disproportionately likely to have been arrested/incarcerated or otherwise impacted by previous cannabis policies to have access to employment and entrepreneurship in the new cannabis industry. On March 5, 2019, the City Council voted to place creation of a Cannabis Equity Applicant Program on the Council Policy Priority list and ranked it Number 13.

On March 26, 2019, the City Council approved an ordinance amending the San José Municipal Code to add definitions and set forth criteria for a Cannabis Equity Assistance Program.

The California Cannabis Equity Act of 2018 established by Senate Bill 1294 (Bradford 2018), became effective January 1, 2019, and authorized the California Bureau of Cannabis Control to develop an equity grant program to disperse grant funding to local jurisdictions to assist local equity applicants or local equity licensees to gain entry to, and successfully operate in, the State's regulated market. The State of California has allocated \$10 million for local jurisdictions that have commercial cannabis equity programs providing direct assistance to local equity applicants or local equity licensees.

As directed by the City Council in Council Policy Priority #13, the Administration applied for SB 1294 funding. On October 9, 2019, the Bureau of Cannabis Control notified the City Manager that the City had been approved to receive funding in the amount of \$560,082.30. Receipt of the grant funds requires adoption of a resolution authorizing the City of San José to enter into the standard grant agreement with the Bureau and designating, by title, the individual who is authorized to sign the agreement on behalf of the local jurisdiction.

ANALYSIS

The Administration is thankful for the approval of these grant funds and looks forward to working in partnership with the community to implement a meaningful cannabis equity program.

The State of California authorizes the following types of activities to be funded from the cannabis equity grant funds:

- (1) Small business support services offering technical assistance to those persons from economically disadvantaged communities that experience high rates of poverty or communities most harmed by cannabis prohibition, determined by historically high rates of arrests or convictions for cannabis law violations.
- (2) Tiered fees or fee waivers for cannabis-related permits and licenses.
- (3) Assistance in paying state regulatory and licensing fees.
- (4) Assistance securing business locations prior to or during the application process.
- (5) Assistance securing capital investments.
- (6) Assistance with regulatory compliance.
- (7) Assistance in recruitment, training, and retention of a qualified and diverse workforce, including transitional workers.

It is important to note the state grant limits administrative costs to 10 percent of the total award, or \$56,000.

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To assist potential equity employees, the Administration plans to coordinate a job fair and employment-related workshops for individuals seeking to work in the cannabis industry. Workshops will connect individuals with City and nonprofit resources, help with resumes and applications, explain the Police Department badging process, and provide information on how to expunge past convictions from an individual's record. San José's 16 registered cannabis dispensaries and the San José Cannabis Equity Working Group have expressed great interest in this effort.

For potential equity entrepreneurs, it is important to note that the City is currently only open to new applications from manufacturers, testing labs, and distributors. Cannabis land use and potentially opening registration for additional retail dispensaries or delivery-only dispensaries is being evaluated under Council Priority #11 (Cannabis Land Use).

To serve potential equity entrepreneurs, the Administration has identified a number of groups interested in partnering with the City to provide technical assistance such as business planning, legal assistance, regulatory compliance, accounting, and other areas. The Administration plans to procure and contract with organizations who can provide such assistance to potential entrepreneurs. Permission of the State Bureau of Cannabis Control is required before regranting funds.

Should the Council approve changes to cannabis zoning or the regulatory program as is being explored through Council Priority #11, the Administration will develop a work plan and budget for implementing the Cannabis Equity Program as part of the overall program changes.

CONCLUSION

The Administration has created the Cannabis Equity Assistance Ordinance and received approval for State funding from the Bureau of Cannabis Control. Today's action is necessary to receive this State funding.

EVALUATION AND FOLLOW-UP

The Administration will report to the Community and Economic Development Committee in February of 2020 regarding implementation of the Cannabis Equity Assistance Program. In December 2019, the California Governor's Office of Business and Economic Development released a draft of its Cannabis Equity Grants Program for Local Jurisdictions for public comment. This grant opportunity has a total of \$30 million available statewide for fiscal year 2019-2020. According to the draft, two types of funding will be available:

- Funding Request Type 1: Assistance for Cannabis Equity Assessment. This would provide jurisdictions that have not yet conducted a cannabis equity assessment with up to \$75,000 to conduct an assessment to inform the development of a cannabis equity program.

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- Funding Request Type 2: Assistance for Cannabis Equity Program Applicants and Licensees. This funding would only be available to jurisdictions that have already conducted a cannabis equity assessment. The maximum grant request is \$10 million.

The State is projecting to open the application period on February 3, 2020 and close it on February 28, 2020.

The Administration anticipates submitting a grant application and is determining whether the City's cannabis equity assessment work can be expedited to meet the grant timeframe.

CLIMATE SMART SAN JOSE

The Cannabis Equity Assistance Program facilitates job creation and local employment within the City limits. Therefore, it aligns with one or more Climate Smart San José energy, water, or mobility goals.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the San José Police Department.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

Approval of the recommended actions will allow the City to receive \$560,083 from the State to develop and implement a Cannabis Equity Assistance Program. There are no matching requirements for this grant.

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BUDGET REFERENCE

The table below identifies the fund and appropriations recommended to be amended as part of this memorandum.

Fund #	Appn #	Appn. Name	Current Total Appn	Rec. Budget Action	2019-2020 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	R100	Revenue from State of California	\$15,417,355	\$560,083	III-1	11/05/2019 Res. 79293
001	NEW	Cannabis Equity Assistance Program	\$0	\$560,083	N/A	N/A

CEQA

Not a Project, PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

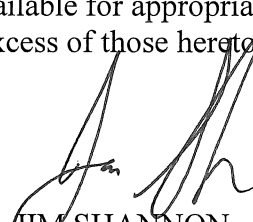
/s/

KIM WALESH
Deputy City Manager
Director of Economic Development



JIM SHANNON
Budget Director

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2019-2020 moneys in excess of those heretofore appropriated wherefrom, said excess being at least \$560,083.



JIM SHANNON
Budget Director

For questions, please contact Michelle McGurk, Assistant to the City Manager, at (408) 535-8254.