



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh
Jim Shannon

SUBJECT: SEE BELOW

DATE: May 21, 2020

Approved

Date

5/21/2020

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 execute a grant agreement with the State of California Governor's Office of Business and Economic Development to receive \$149,300 in Local Equity Grant Funding, including any extensions or amendments thereof and any subsequent grant agreement with the Governor's Office of Business and Economic Development in relation thereto, in order to conduct a cannabis equity assessment and further program development of the City's Cannabis Equity Program.
- 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 \$149,300; and
 - (2) Increase the Cannabis Equity Assistance Program appropriation to the City Manager's Office by \$149,300.

OUTCOME

Approval of this item would allow the City to enter into an agreement to receive \$149,300 in State grant funds to conduct an equity assessment and develop programming for cannabis equity applicants. The equity assessment would evaluate whether the City's current cannabis equity criteria matches the needs of the communities most affected by cannabis prohibition-era policies and enforcement.

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.

The City of San José was granted \$560,083 from the State's Bureau of Cannabis Control in January 2020 as a result of SB 1294 funding. The City plans to coordinate a job fair and employment-related workshops for individuals seeking to work in the cannabis industry as well as provide assistance to equity applicants, as outlined in an [informational memorandum issued on March 6](#). As discussed in that memorandum and, [another regarding Council Policy Priority #11: Cannabis Land Use](#), the COVID-19 pandemic has impacted the outreach and implementation schedule for these and other Council Policy Priorities. San José's 16 registered cannabis dispensaries and the San José Cannabis Equity Working Group have been engaged through the process of developing policy and community outreach related to this Council priority.

On April 15, 2020, the Governor's Office of Business and Economic Development notified the Administration that the City had been approved to receive funding in the amount of \$149,300 to conduct an equity assessment that would evaluate whether the City's current cannabis equity criteria matches the needs of the communities most affected by cannabis prohibition-era policies and enforcement. 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 State and designating, by title, the individual who is authorized to sign the agreement on behalf of the local jurisdiction.

ANALYSIS

The State of California Governor's Office on Business and Economic Development authorizes the following types of activities to be funded from the Cannabis Equity Grants Program for Local Jurisdictions:

- An eligible local jurisdiction that receives a grant for Funding Request Type 1 may use no more than \$60,000 to conduct its cannabis equity assessment. Additional funds, up to \$90,000, may be used for development of the cannabis equity program.
- Eligible costs related to conducting a cannabis equity assessment include staff time to conduct the analysis and compile the report, or contracting with a consultant to conduct necessary research, etc.
- Eligible costs related to program development include staff or consultant time, and other necessary and reasonable expenses to adopt a local equity program, and/or design and prepare to implement any new component(s) of an existing local equity program which are not already operational.
- Funds requested to assist with the development of a local equity program may not include any costs associated with acquiring and/or improving land or buildings.

The Administration will use eligible \$60,000 in awarded funds from the State to conduct an equity assessment that would evaluate whether the City's current cannabis equity criteria matches the needs of the communities most affected by cannabis prohibition-era policies and enforcement. The remaining eligible \$89,300 in funds from the State will be used for implementation of the City's existing cannabis equity program.

As a part of the assessment, the Administration plans to conduct community outreach, assess best practices, and work with local community-based organizations and advocates to develop a program that will meet the needs unique to our community. Program development will marry staff's expertise in small business development with community input to shape the potential cannabis equity retail program.

An eligible local jurisdiction that receives a grant shall, on or before January 1 of the year following receipt of the grant and annually thereafter for each year that grant funds are expended, submit an annual report to the State of California Governor's Office for Business and Economic Development, through August 31, 2021, the grant term, that includes all the following information:

1. How the local jurisdiction disbursed the funds.
2. How the local jurisdiction identified local equity applicants or local equity licensees, including how the local jurisdiction determines who qualifies as a local equity applicant or local equity licensee.
3. The number of local equity applicants and local equity licensees that were served by the grant funds.
4. Aggregate demographic data on equity applicants, equity licensees, and all other applicants and licensees in the jurisdiction, including, but not limited to, race, ethnicity, gender, sexual orientation, income level, education level, prior convictions, and veteran status. This information will be consolidated and reported without the individual's identifying information.

5. If the local jurisdiction requires equity applicants to become eligible through specific ownership percentages, a breakdown of equity applicants' and equity licensees' business ownership types and percentages of ownership.
6. Any other information specified in the grant agreement.

CONCLUSION

The State of California Governor's Office of Business and Economic Development grant will provide the City \$149,300 in funding to conduct an equity assessment on the City's current cannabis equity criteria to ensure the needs of the communities most affected by cannabis prohibition-era policies and enforcement are met. The recommendations in this memorandum will recognize and appropriate the grant funding from the State.

EVALUATION AND FOLLOW-UP

The Administration will report to the Community and Economic Development Committee in June 2020 regarding implementation of the Cannabis Equity Assistance Program.

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.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 2, 2020 Council Meeting.

COORDINATION

This memorandum was coordinated with the City Manager's Office of Administration, Policy, and Intergovernmental Relations; the Police Department; and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

May 21, 2020

Subject: Council Policy Priority #13: Cannabis Equity and State of California Equity Act Grant Funding and Related Appropriation Ordinance and Funding Source Resolution Amendments.

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COST SUMMARY/IMPLICATIONS

Approval of the recommended actions will allow the City to receive \$149,300 from the State to conduct a cannabis equity assessment and develop cannabis equity programming for equity applicants. There are no matching requirements for this grant.

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	Recommended Action	2019-2020 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	209S	Cannabis Equity Assistance Program	\$560,083	\$149,300	N/A	2/4/2020 Ord No. 30360
001	R100	Revenue from State of California	\$23,080,546	\$149,300	VI-36	2/11/2020 Ord. No. 79399

CEQA

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

/s/
KIM WALES
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 \$149,300.


JIM SHANNON
Budget Director

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