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OFFICE OF CANNABIS

Oversight Committee Agenda Item # 6 Memorandum

To: San Francisco Cannabis Oversight Committee Members
From: San Francisco Office of Cannabis
Date: 10.06.2021
Re: The Scope of Committee's Discussion Re: Agenda Item # 6

Dear Cannabis Oversight Committee Members,

We hope you and your families are staying safe and healthy. We look forward to seeing all of you on October 6, 2021, for the Committee's next meeting. During this meeting, the San Francisco Office of Cannabis will provide an update regarding the availability of \$2,055,841.43 for the next round of grant funding ("Round 2"), which will be distributed at a future point. This memo is to help outline the threshold questions and factors for the Oversight Committee to consider and discuss during the meeting.

Importantly, please note that the grant funds for Round 2 do not relate to the grant redistribution efforts currently underway. The redistribution efforts currently underway are still a part of Round 1 and are separate and distinct from the topic of this memo. **The purpose of this memo is to help begin the Committee's conversation about Round 2 grant distributions, which will not begin until next year.**

Additionally, please note that this memo is split into two sections. The first outlines the set of threshold questions for the Committee to consider about the portion of Round 2 funding that will go directly to verified equity applicants. The second section includes threshold questions about the portion of Round 2 funding set aside for technical assistance providers.

A. Grant Funds for Verified Equity Applicants

Please familiarize yourself with the questions below regarding the distribution of grant funds for verified equity applicants. You will note that the recommendations made by the Committee for Round 1 have been included below to provide additional context. In advance, thank you for considering these threshold questions:

1. Given the significantly reduced amount of grant funding available in Round 2, does the Committee have a preference about the size of the grant awards that are issued?

Considering the preferred size of each grant award is important. The grant funding available for Round 2 is significantly less than the funding that was available for Round 1. For Round 1, the OOC received approximately \$5,000,000 to distribute, 80 percent of which was available as direct grants to equity applicants. Given the larger amount, awards of up to \$48,000 for non-sole proprietors and up to



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\$100,000 for sole proprietors were available to 89 eligible recipients¹. These award sums were based on recommendations issued by the Committee.

By comparison, the same will not possible for Round 2 because the approximately \$2 million in available funding, 80 percent of which is allocated for direct grants to verified equity applicants, is less than half of the amount available for distribution in Round 1. As a result, the Committee must seriously consider the size of the individual awards they would like recipients to receive and then determine the corresponding number of eligible grantees. If the preference is for grantees to receive larger grant awards, then the pool of eligible grantees must be smaller. If the preference is for more grantees to receive awards, then the size of each award must be smaller. For context, if the group of eligible grantees is 20, then each will eligible for up to ~\$82,000. If the group of eligible grantees is 80, then each will be eligible for up to \$20,500.

2. Who should be eligible for grant awards?

The universe of eligible grantees can be broad or narrow. Broadly speaking, it can include all ~97² verified equity applicants who have submitted Article 16 applications for cannabis business permits and/or have been issued an Article 16 cannabis business permit. More narrowly, it can include a particular group of applicants based on a variety of factors like their position in the permitting process (Part 1, Planning, Part 2/Build Out, Permitted) or their ownership type (sole proprietors, 51% equity interest or >, or 40%). For instance, the Committee may elect to focus just on applicants in Part 2/Build Out of the permitting process where construction fees tend to be more abundant and costlier.

As context, for Round 1, the Oversight Committee prioritized sole proprietors and single-member entity LLCs who had reached the Planning stage or later for awards of up to \$100,000. The Committee recommend a second category of awards to all other types of owners, which resulted in members of this group being eligible for awards of up to \$48,000. Based on these prioritizations, the universe of eligible recipients was 89. As noted above, keep in mind that the amount of grant funding available in Round 1 was nearly twice the amount that will be available in Round 2.

3. Once a preferred group, or groups, is decided, should a) grantees be identified based the size of the preferred group(s) at a particular point in time, or b) selected through a randomized lottery within the preferred group³.

The Committee will have to think about the number of awards it wants to recommend for distribution and how to define the eligible pool of recipients. In determining this figure, the Committee may take Option A above, which is similar to the approach it recommended for Round 1. As context, the Committee recommended during Round 1 that the number of eligible recipients be based on a particular point in time. That point in time was October 14, 2020. As a result, 89⁴ recipients were eligible for grant awards.

¹ Note that of the 89 applicants who were deemed eligible, only about 2/3rds pursued and benefitted from their awards.

² This figure is fluid and based on a count performed by the OOC in early September 2021; it is subject to change.

³ Please note that the idea referenced here about using a randomized lottery has not been approved yet and may not actually be feasible. It is an idea for the Committee to consider, but may not ultimately be possible to employ.

⁴ See footnote #1 above.



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Alternatively, the Committee may decide to pursue Option B, which would involve the Committee first identifying the overall number of awards (i.e. 20, 50, 100) to distribute and then conducting a randomized lottery to determine the actual eligible recipients within the preferred group or groups.⁵ For example, if the Committee decides that their preferred group of recipients is sole proprietors at any stage of the application process and that only 20 grant awards should be distributed within this group, then the 20 eligible recipients would be decided by a randomized and public lottery selection.

B. Grant Funds for Technical Assistance Providers

The Committee will also have an opportunity to discuss the distribution of technical assistance grant funds for technical assistance providers based on the services they can provide to members of the equity community. For the purposes of this conversation, it is important to note several administrative factors: 1) should technical assistance be provided, it will likely be made available to eligible organizations supporting social equity through a “Request for Proposal” (RFP) process, 2) the OOC has created mechanisms to hear directly from community stakeholders regarding this process, and 3) the OOC will not be making decisions on who should be awarded technical assistance grants. An Independent Review Body will review and grade applications in response to the RFP process. More details regarding this body will be provided as they become available.

1. Should technical assistance (TA) grant awards be made available to technical assistance service providers at all?

As a preliminary matter, the Committee should consider whether all, a portion of, or none of the available amount of \$200,000 for technical assistance grant opportunities should be made available to prospective service provider applicants. The alternative is that this sum, or a portion of it, can be added to the pot of approximately \$1.65 million currently allocated for direct assistance to equity applicants. Recall that the pool of money available through direct grants to equity applicants in Round 2 is significantly less than it was in Round 1. Some factors to consider as a part of this question include a) the availability of existing TA services apart from any additional opportunities created through Round 2 grant funding opportunities, and b) the amount of TA funding available in Round 2 relative to amount available for direct assistance. In terms of existing TA services, the Bar Association of San Francisco and Kumin Law Group offer pro bono legal services, permit support and compliance and legal review. These services are currently available to verified equity applicants and will be funded through separate sources through at least June 2023. As for the amount currently available in Round 2 for TA, up to \$200,000 is available for distribution, and approximately \$1.65 million is currently available for direct assistance. For context, over two times the corresponding amount (~\$450,000) was available in Round 1 for TA providers, and approximately three times the corresponding amount (~\$5 million) was available in Round 1 for direct assistance.

⁵ As stated above, please note that the idea referenced here about using a randomized lottery has not been approved yet and may not actually be feasible. It is an idea for the Committee to consider, but may not ultimately be possible to employ.



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- 2. If the Committee recommends that technical assistance (TA) grant awards should be made available to prospective service providers, then, in ranking order, which TA areas should be prioritized?**
 1. Professional development,
 2. Permit support
 3. Grant process support.