**Oversight Committee Agenda Item #8 Memorandum**

To: San Francisco Cannabis Oversight Committee Members

From: San Francisco Office of Cannabis

Date: September 4, 2024

Re: The Scope of Committee’s Discussion

Dear Cannabis Oversight Committee Members,

We look forward to seeing all of you on September 4, 2024, for the Cannabis Oversight Committee’s (Committee) next meeting. During this meeting, the San Francisco Office of Cannabis (OOC) will provide an update regarding the availability of $1,837,368.56 for the next round of grant funding (“Round 5”), which will be distributed at a future point. This distribution could include technical assistance services in addition to direct grants to operators.

The purpose of this memo is to provide a historical overview of the OOC’s grant program and support the Committee’s conversation about Round 5 grant distributions, which will not begin until 2025.

**Grant Overview**

The Governor’s Office of Business and Economic Development (GoBiz) continues to award the OOC with grant funds to support its social equity community with startup and ongoing costs to enter the regulated cannabis space.

The OOC developed a flexible grant program that includes a reimbursement and advancement model. Moreover, the OOC worked with its state partners to expand eligible expense categories from 8 to 14 categories (e.g. accounting services, marketing), **including a new provision to allow for the acquisition of commercial property.**

To date, the OOC has disbursed more than $12.5 million dollars to approx. 90 businesses including over 40 permitted businesses across 4 grant cycles. The Committee will provide recommendations for grant eligibility for the next grant cycle during its September 4, 2024 meeting.

* **2021**: The OOC disbursed approx. $5.30 million to nearly 60 businesses.[[1]](#footnote-1)
* **2022**: The OOC disbursed approx. $1.80 million to nearly 30 businesses.
* **2023**: The OOC disbursed approx. $4.00 million to nearly 50 businesses.
* **2024**: The OOC disbursed approx. $1.26 million to 22 businesses.

**Round 5 Grant Disbursement: Discussion Questions**

In prior grant disbursements, the OOC has overseen the distribution of grant funds informed by criteria recommended by the Committee.

Please note that there is an 80% spend-down thresholds to be eligible for subsequent GoBiz grants. In prior grant cycles, based on recommendations from the COC, initial grantees had to utilize at least 70% of their award mid-way through the calendar year. This approach allows for a redistribution of unspent grant dollars in the second part of the year. San Francisco must meet the State’s utilization rate of 80% to be eligible for future grants from these programs, and the OOC has found this redistribution strategy to be successful.

Additional factors to consider for distribution recommendations include an applicant’s progress towards permit issuance (e.g. applicants who have reached the ‘build-out’ stage may be more likely to incur eligible expenses); in contrast, applicants at the earlier stages of the permit process may not have incurred enough eligible expenses to recognize the full award. Another factor to consider is the size of the prospective cohort, as it will determine the size of the grant award per eligible grantee, and disqualification factors (e.g. expired lease, expired building permits).

Discussion Question #1

In the upcoming Round 5, the OOC could segment a portion of the grant award to be available to a wider range of equity applicants for eligible purposes.

Is the Committee interested in the OOC exploring the possibility of setting aside a portion of the grant award for permit fee waivers to be available to all Equity Businesses that have received permits from the OOC? The OOC anticipates a set-aside of about $250,000 for this effort. Funds not used for this purpose would be reallocated to the OOC’s mid-year redistribution effort.

Discussion Question #2

Is the Committee interested in the Office of Cannabis exploring a Request for Proposal to contract with a technical assistance provider to provide free support to verified equity applicants in the areas of permit support, grant support, and business development? For example, the Committee may anticipate a set-aside of about $150,000 for this type of effort.

Discussion Question #3

What direct grant eligibility criteria would the Committee like to recommend for the 2025 grant cycle?

The Committee’s recommendations for the 2024 cycle was that applicants must have met the following criteria as of 12/31/23: (1) The applicant must be an Equity Applicant, and must have a Cannabis Business Permit application submitted to OOC without disqualifying factors; (2) The Equity Applicant must own at least 51% of the corporate Applicant connected with their Cannabis Business Permit application; and (3) The Equity Applicant’s Cannabis Business Permit application must have been formally referred to the Planning Department and have a status of *Build-out* or *Approved*.

1. This first round of grant funding included two sources of funds: GoBiz and Bradford grants. [↑](#footnote-ref-1)