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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: 10/19/2022
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 19, 2022, for the Committee's next meeting. During this meeting, the San Francisco Office of Cannabis (OOC) will provide an update regarding the availability of $4,464,579.96 for the next round of grant funding ("Round 3"), 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 so that they may issue recommendations about the distribution of these funds.

Importantly, please note that the grant funding for Round 3 does not relate to the current Round 2 cannabis grants effort. The purpose of this memo is to help begin the Committee's conversation about Round 3 grant distributions, which will not begin until 2023.

Grant Funds for Verified Equity Applicants

Please familiarize yourself with the questions below regarding the distribution of grant funds for verified equity applicants. Note that the recommendations made by the Committee for Round 2 have been included below to provide additional context. In advance, thank you for considering these threshold questions:

1. **Given the amount of grant funding available for Round 3, does the Committee have a preference about the size of the grant awards that are issued?**

The grant funding available for direct grants to eligible applicants and operators in Round 3 is approximately $4,000,000. For Round 2, about $1,800,000 was available for direct grants. The COC recommendations for eligibility included businesses where: 1) a majority of ownership interest was held by equity applicants; and 2) the Cannabis Business Permit application was referred to the Planning Department for land use entitlement by a specified date. This eligibility criteria resulted in awards up to about $66,000 for 31 eligible businesses.

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2. **Given spend-down thresholds to be eligible for subsequent Governor's Office of Business and Economic Development ("GoBiz") grants, does the Committee have a preference about which applicants and operators are best suited to spend down their awards?**

The Governor's Office of Business and Economic Development (GoBiz) recently included spend-down thresholds in order for the City and County of San Francisco (City) to be eligible to apply for subsequent rounds of grants. A spend-down threshold will apply to Round 3 grant funds. The City and its grantees will have to demonstrate that at least 80% of grants are approved for disbursement by September 2023 or otherwise be ineligible for future grant funding. This is an important consideration because not all grantees are able to utilize the extent of their awards. Factors such as where they're situated in the permit process and eligible expenses will matter. For instance, permitted operators and applicants building out their space are typically able to utilize the extent of their award. In contrast, applicants at the early stages of the permit process may not have incurred enough eligible expenses to realize the extent of their award.

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 group.**

The Committee will have to think about the number and size 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 2. As context, the Committee recommended during Round 2 that the number of eligible recipients be based on a particular point in time.

Alternatively, the Committee may decide to pursue Option B, which would involve the Committee first identifying the overall number and size of awards to distribute and then conducting a randomized lottery to determine the actual eligible recipients within the preferred group or groups. For example, if the Committee decides that their preferred group of recipients is 25 sole proprietors and that only 10 grant awards should be distributed within this group, then the 10 eligible recipients would be decided by a randomized lottery selection.

4. **In light of the importance of the spenddown rate for Round 3, should a utilization threshold be applied when determining which grantees to redistribute grant awards to in the late Spring of 2023?**

To strengthen the City's ability to disburse funds to grantees who are able to incur and document eligible expenses within the grant term, should grantees demonstrate a specified utilization rate to be eligible for grant redistribution?

For example, if a grantee receives an award of $50,000 and has 4 months to expend it on eligible expenses, should that grantee demonstrate that they've spent at least $40,000 of the $50,000 award (80% utilization) to be eligible for redistribution?