



CITY ATTORNEY'S OFFICE

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION AMENDING RESOLUTION NO. 86633 C.M.S. AND RESOLUTION NO. 88030 C.M.S. TO AUTHORIZE THE CITY ADMINISTRATOR TO MODIFY THE LOCAL CANNABIS EQUITY LOAN ASSISTANCE PROGRAM TO ALLOW FOR THE CONVERSION OF LOANS INTO GRANTS

WHEREAS, the City of Oakland (City) conducted the nation’s first race and equity analysis of the cannabis industry and adopted the nation’s first Equity Program in the spring of 2017 with the goal of promoting equitable ownership and employment opportunities in the cannabis industry to address the disproportionate impacts of the war on drugs in marginalized communities of color; and

WHEREAS, the 2017 race and equity analysis of the cannabis industry identified access to capital for historically marginalized communities as a barrier to promoting equitable ownership opportunities within the cannabis industry; and

WHEREAS, the 2017 equity analysis identified that access to capital for starting a cannabis business is limited due to federal regulations and further limited in low income communities due to the lack of personal wealth; and

WHEREAS, the 2017 equity analysis further noted that without the City’s intervention, more resourced cannabis operators would be able to surge ahead of less resourced cannabis entrepreneurs and prevent them from being able to legally operate a cannabis business in Oakland; and

WHEREAS, the 2017 equity analysis recommended the creation of a no-interest business start up loan program, funded from a one-time investment of Three Million Dollars (\$3,000,000) from new cannabis business license taxes, to provide equity cannabis businesses access to capital; and

WHEREAS, in March 2017 the City Council initially allocated the first \$3.4 million of incoming business taxes collected from cannabis operations, which included \$3 million of one-time funds towards financial assistance for cannabis equity applicants in the form of Zero

Percent (0%) interest loans to local cannabis equity applicants for business start-up, operations costs, equipment, technology and system upgrades pursuant to Resolution No. 86633 C.M.S.; and

WHEREAS, the City's action inspired other jurisdictions to adopt cannabis equity programs and led to the creation of California's Cannabis Equity Grants Program for Local Jurisdictions administered annually by the Governor's Office of Business and Economic Development (Go-Biz), which has provided Oakland equity applicants with additional capital in the form of loans and grants since 2020; and

WHEREAS, in February 2020, the City appropriated more than \$1.65 million in 2019-2020 State of California, Equity Act grant funding to assist local cannabis equity applicants and licensees and authorized the re-appropriation of repaid cannabis equity loans to be relent to additional local cannabis equity applicants pursuant to Resolution No. 88030 C.M.S.; and

WHEREAS, in June 2020 the City Council appropriated more than \$6.5 million of Go-Biz funds to provide grants and loans in an amount not to exceed \$500,00 per loan to cannabis equity applicants and licensees for businesses' start-up and ongoing costs pursuant to Resolution No. 88162 C.M.S.; and

WHEREAS, in May 2021 the City Council appropriated more than \$2.4 million of Go-Biz funds to provide grants and loans in an amount not to exceed \$150,00 per loan to cannabis equity applicants and licensees for businesses' start-up and ongoing costs pursuant to Resolution No. 88612 C.M.S.; and

WHEREAS, in May 2022 the City Council appropriated more than \$5.4 million of Go-Biz funds to provide grants and loans in an amount not to exceed \$250,00 per loan to cannabis equity applicants and licensees for businesses' start-up and ongoing costs pursuant to Resolution No. 89163 C.M.S.; and

WHEREAS, in April 2023 the City Council appropriated more than \$1.9 million of Go-Biz funds to provide grants and loans in an amount not to exceed \$250,00 per loan to cannabis equity applicants and licensees for businesses' start-up and ongoing costs pursuant to Resolution No. 89681 C.M.S.; and

WHEREAS, many cannabis entrepreneurs have struggled to succeed in the regulated cannabis marketplace, particularly due to burglaries of their businesses since the summer of 2020; and

WHEREAS, in May 2020 the City Administration launched a loan modification program to assist equity loan borrowers who have become delinquent on their loans by extending the terms of loans by twelve (12) months; and

WHEREAS, City Administration and the City's consultant administering the loan and grant programs for cannabis equity applicants, have provided the Cannabis Regulatory Commission with informational reports on the City's no-interest revolving loan program in November 2021 and March 2022 that included quantitative and qualitative survey responses from loan and grant recipients that assessed what challenges and successes equity applicants have encountered; and

WHEREAS, in December 2021 the City Council adopted Resolution No. 88982 that directed the City Administration to research whether City-issued loans to businesses impacted by armed burglaries and robberies could be deferred or waived; and

WHEREAS, the City Administration surveyed cannabis equity applicants in early 2023 to assess what challenges they were facing and whether they recommended that the City Council establish a loan conversion program for equity applicants that have fallen behind on loan repayments; and

WHEREAS, over Seventy-Six Percent (76%) of 2023 equity applicant survey respondents recommended that the City Council adopt a loan conversion program; and

WHEREAS, the City Administration recommends that the City's goal moving forward should be to leave equity applicants in no worse position than when they entered the City's equity program; and

WHEREAS, as of August 2023, approximately Twenty-Seven Percent (27%) of loan borrowers were in compliance, while Seventy-Three Percent (73%) of loan borrowers were more than two months behind on loan repayments; and

WHEREAS, to date equity applicants have repaid over One Million Dollars (\$1,000,000) in loans, which the City has recirculated to other equity applicants; and

WHEREAS, at the October 5, 2023, Cannabis Regulatory Commission (CRC) meeting, the CRC unanimously approved staff's recommendation that the City Council amend the cannabis equity loan program to provide equity applicants with the option of converting unpaid loans into grants; and

WHEREAS, providing equity applicants with the option of converting loans into grants will re-balance the City's cannabis equity program, as only loans were available to equity applicants at the start of the program; and now, therefore, be it

RESOLVED: That the City Council amends Resolution No. 86633 C.M.S. and Resolution No. 88030 C.M.S. to authorize the City Administrator to modify the cannabis equity loan assistance program to allow for the amendment of existing cannabis equity loan agreements into grants.

FURTHER RESOLVED: That an equity applicant's unpaid loan that is converted to a grant will go towards that equity applicant's grant program usage.

FURTHER RESOLVED: That it is agreed that any tax liability arising out of the conversion of loans to grants shall be the responsibility of the grant recipient.

FURTHER RESOLVED: That such amendments to the cannabis loan agreements for equity applicants shall be approved for form and legality by the Office of the City Attorney, and a copy shall be kept on file with the City Clerk.

FURTHER RESOLVED: That the City Administrator is authorized to take any other action necessary consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FIFE, GALLO, JENKINS, KALB, KAPLAN, RAMACHANDRAN, REID, AND
PRESIDENT FORTUNATO BAS

NOES –

ABSENT –

ABSTENTION –

ATTEST: _____
ASHA REED
City Clerk and Clerk of the Council of
the City of Oakland, California