



Legislation Details (With Text)

**File #:** ID 23-663      **Version:** 1      **Name:**  
**Type:** Action Item      **Status:** Passed  
**File created:** 4/19/2023      **In control:** City Council  
**On agenda:** 4/27/2023      **Final action:** 4/27/2023

**Title:** Actions pertaining to Commercial Cannabis Activity:  
1. Approve the Loan Agreement for Eddie Rodriguez (the Owner) of Truffle Tree LLC, a cannabis social equity business, in the amount of \$75,000 to assist with the start-up, regulatory costs, and operating costs of opening a retail commercial cannabis business in the City of Fresno.  
2. Adopt a Resolution Authorizing the City Manager to award \$114,006.85 in State of California Cannabis Equity Act Grant Funding to each approved Social Equity Applicants.

**Sponsors:** Office of Mayor & City Manager

**Indexes:**

**Code sections:**

**Attachments:** 1. Resolution with Exhibit A, 2. ID 23-663 1-D Supplement Packet - Agreement

Date	Ver.	Action By	Action	Result
4/27/2023	1	City Council	ADOPTED	Pass

**REPORT TO THE CITY COUNCIL**

**FROM:** GEORGEANNE A. WHITE, City Manager  
Office of Mayor & City Manager

**BY:** JENNIFER RUIZ, Deputy City Manager  
Office of Mayor & City Manager

**SUBJECT**

Actions pertaining to Commercial Cannabis Activity:  
1. Approve the Loan Agreement for Eddie Rodriguez (the Owner) of Truffle Tree LLC, a cannabis social equity business, in the amount of \$75,000 to assist with the start-up, regulatory costs, and operating costs of opening a retail commercial cannabis business in the City of Fresno.  
2. Adopt a Resolution Authorizing the City Manager to award \$114,006.85 in State of California Cannabis Equity Act Grant Funding to each approved Social Equity Applicants.

**RECOMMENDATION**

Staff recommends that the City Council approve a cannabis social equity loan agreement for Truffle Tree LLC and approve a resolution to authorize the City Manager to issue additional grants to five cannabis social equity applicants.

**EXECUTIVE SUMMARY**

The Fresno Municipal Code requires that the City Manager develop a program, as funding is

available, to issue business loans and grants to qualified equity applicants. The City of Fresno executed a grant agreement with the State of California to accept the Cannabis Equity Act Grant. Through this grant, the City has offered a \$33,000.00 grant to cannabis social equity applicants to assist with City of Fresno fees associated with a CUP application and cannabis business permit. The City has also offered a \$75,000 no-interest loan to help with business start-up costs for each cannabis social equity business, once it has preliminary CCB permit approval, funded by the State of California Cannabis Equity Act Grant.

On January 25, 2023, Eddie Rodriguez submitted an application for the cannabis social equity loan program on behalf of Truffle Tree LLC. The company is a cannabis social equity business, located at 245 M Street, in Fresno, with preliminary approval for a commercial cannabis business microbusiness permit and an active conditional use permit application under review by the Planning and Development Department.

The City of Fresno cannabis social equity grant and loan program was initially developed to offer one \$33,000 grant and one \$75,000 loan with the anticipation that there would be more eligible social equity businesses that would apply for the equity assistance program. However, only five businesses applied for the social equity grant/loan program. The State of California Equity Act grant ends April 30<sup>th</sup>, 2023 and all grant funds must be encumbered by this date. The City will issue an additional grant of \$114,006.85 for each of the following cannabis social equity businesses:

- Truffle Tree LLC
- Traditional Fresno ME LLC
- Beyond Rooted 559 LLC
- VCA-OPS, Inc.
- Roeding Leaf Inc (dba Banyan Tree)

## BACKGROUND

Fresno Municipal Code (FMC) section 9-3316(b)(6)(vii) requires that an Equity Assistance Program be established by the City Manager and, once funding becomes available, shall provide the following assistance to qualified social equity applications (as defined by FMC 9-3316(b)(6)):

- Assistance in paying state regulatory and licensing fees;
- Assistance securing business locations prior to or during the application process;
- Assistance securing capital investments (excluding loans and grants from the city);
- Assistance in recruiting, training, and retention of qualified/diverse workforce; and
- Business loans and/or grants to equity applicants.

On October 15, 2020, the City Council approved the Cannabis Social Equity Assistance Program Services.

On November 8, 2016, California voters approved Proposition 64, the Control, Regulate, and Tax Adult Use of Marijuana Act (AUMA). In its statement of purpose and intent, AUMA calls for regulating cannabis in a way that “reduces barriers to entry into the legal, regulated market.”

GO-Biz administers the Cannabis Equity Grants Program for Local Jurisdictions, funded by the Cannabis Tax Fund, to aid local equity program efforts to support equity applicants and equity licensees. Offering technical support, regulatory compliance assistance, and assistance with securing the capital necessary to begin a business will further the stated intent of the AUMA by reducing barriers to entry into the regulated cannabis industry. Offering these types of support will

also aid the state in its goal of eliminating or reducing the illicit cannabis market by bringing more people into the legal marketplace.

On April 8, 2021, the City Council approved resolution 2021-080 authorizing the State of California Cannabis Equity Act Grant Funding. Through this grant, the City was awarded \$1,204,934.25. The grant agreement, number CEG-21-121, was executed by the City Manager on April 1, 2021. The grant term was from April 15, 2021 to October 31, 2022 and has been extended to April 30, 2023.

The Cannabis Equity Grant provides a total of \$330,000 for grants, to assist with local and state licensing and regulatory fees (budgeted at \$33,000 per qualified social equity applicant), and \$754,934.25 for no-interest business loans (budgeted as up to \$75,000 per qualified social equity applicant).

On January 25, 2023, Eddie Rodriguez submitted an application for the cannabis social equity loan program on behalf of Truffle Tree LLC. The company is a cannabis social equity business, located at 245 M Street, in Fresno, with preliminary approval for a commercial cannabis business microbusiness permit and an active conditional use permit application under review by the Planning and Development Department.

On November 10, 2022, Eddie Rodriguez (the Owner) of Truffle Tree LLC, signed the loan agreement document agreeing to the terms of the loan, including the term of repayment described in section 2 of the loan agreement.

The City of Fresno cannabis social equity grant and loan program was initially developed to offer one \$33,000 grant and one \$75,000 loan with the anticipation that there would be more eligible social equity businesses that would apply for the equity assistance program. However, only five businesses applied for the social equity grant/loan program. The State of California Equity Act grant ends April 30<sup>th</sup>, 2023 and all grant funds must be encumbered by this date. The City will issue an additional grant of \$114,006.85 for each of the following cannabis social equity businesses:

- Truffle Tree LLC
- Traditional Fresno ME LLC
- Beyond Rooted 559 LLC
- VCA-OPS, Inc.
- Roeding Leaf Inc (dba Banyan Tree)

Funding is one of the major barriers to entry into the cannabis industry. Traditional business financing is typically not an option for cannabis entrepreneurs and is even more challenging for cannabis social equity applicants. To qualify as a social equity applicant, most applicants need to demonstrate low-income status. Depending on location, it costs a minimum of \$400,000 and upwards of \$1 million to open legal cannabis business. The social equity businesses receiving these grants have maintained compliant business locations since early 2021, meaning they have each committed an average of approximately \$100,000 already to maintain their business locations throughout the permitting process. Building renovation costs, inventory, equipment, and staffing costs are just a few of the additional expenses these applicants are currently incurring or soon to incur. The grants and loans provided to cannabis social equity applicants by the City of Fresno through the California Equity Act grants are intended to help cannabis social equity operators get open and operational but will by no means cover all of the costs necessary to commence business.

## **ENVIRONMENTAL FINDINGS**

Pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15378, this item is not a project for the purposes of CEQA.

## **LOCAL PREFERENCE**

Local preference is not applicable for this item.

## **FISCAL IMPACT**

Funding is appropriated in the Fiscal Year 23-24 budget

### Attachments:

- Resolution with Exhibit A
- Truffle Tree LLC Loan Agreement