



**TO:** Members of the Authority

**FROM:** Tim Sullivan  
Chief Executive Officer

**DATE:** December 21, 2022

**RE:** Use of Startup Business and Nonprofit Assistance Program for Creation of the Cannabis Grant Program

**Summary**

The Members are asked to approve:

Approval is requested for:

- 1) The creation of the Cannabis Grant Program – a pilot program that will make grant funding available to eligible private entities for early-stage expenses related directly to cannabis business start-ups in New Jersey.
- 2) The utilization of \$10 million from the State General Fund from the supplemental SFY2021 appropriation signed into law as P.L. 2021, Chapter 115, to fund the Cannabis Grant Program (including administrative costs).
- 3) Delegation to the Authority’s Chief Executive Officer to approve individual applications for the Cannabis Grant Program in accordance with the terms set forth in the attached product specifications.
- 4) Delegated authority to the Chief Executive Officer to not debar, disqualify, or suspend applicants and affiliates convicted of marijuana- and hashish-related offenses that meet the criteria for a “social equity business” as defined in the Cannabis Regulatory Commission’s rules (specifically N.J.A.C. 17:30-6.6) and as administered by CRC, provided the applicant does not have other disqualifying convictions or judgments).
- 5) Delegation to Authority staff (Chief Executive Officer or designee) to accept up to \$50 million in additional funding for this program from any governmental entity (Federal, State, or County) and to impose additional requirements as may be required by law as a condition of accepting, provided that the requirements are consistent with the parameters of the program.
- 6) The issuance of one or more purchase orders to 22nd Century Technologies Inc. (if available) to hire temporary employees to administer any phase of this grant program, up to a maximum aggregate cost of \$250,000.
- 7) The application fee waiver is requested for product one applicants as the imposition of the fee would impose undue financial hardship based on lack of access to capital. This lack of access to capital for cannabis entrepreneurs in New Jersey halts site acquisition;

restricting both local industry growth and the individual entity's CRC annual license process due to the site acquisition requirements.

## **I) Background**

The war on drugs has created significant economic and social impacts on Americans, especially communities of color. In 1937, Congress outlawed the use of marijuana. Laws passed and enhanced since 1937 criminalized cannabis and led to hundreds of thousands of people being incarcerated, or otherwise involved, in the criminal justice system, creating a cycle of economic and social inequities in American communities. A report by the ACLU found that while marijuana use is roughly equal among black and white Americans, black Americans are almost 4 times more likely to be arrested for marijuana possession. Criminalizing cannabis has affected communities of color by creating disproportionately high arrest rates among individuals who reside in these communities. Individuals with criminal records are more likely to have decreased employment and earning opportunities, be unable to reside in public housing, be ineligible for some public assistance programs, be ineligible for student financial aid programs, negatively impact child custody determinations, and immigration status. These collateral consequences negatively affect individuals, families, and the entire community. Since the mid-1990s, states have moved to legalize cannabis for medical and recreational use. As of 2022, 21 states have legalized recreational cannabis, which has aided in removing the stigma of cannabis.

By 2025, cannabis is expected to bring in approximately \$2.4 billion dollars to New Jersey's economy. In designing a cannabis grant program focused on social equity, New Jersey can lead in these efforts by creating new and lasting entrepreneurship opportunities for individuals and communities that have been negatively impacted by the war on drugs. These opportunities include priority access to cannabis business licenses, technical assistance for individuals to assist them with obtaining a cannabis license, greater access to capital, and assisting business owners with successfully opening and operating during their first year. Cannabis entrepreneurship opportunities play a critical part in building and returning wealth to individuals and communities that have been negatively impacted by the war on drugs and building both Stronger and Fairer NJ communities.

### **Cannabis Regulatory Commission and Enabling Statute/Funding Source**

On July 19, 2019, the New Jersey Cannabis Regulatory Commission (NJ CRC) was formed to establish and grow a responsible, regulated medicinal cannabis industry. Subsequently, on February 22, 2021, Governor Phil Murphy signed the "New Jersey Cannabis Regulatory, Enforcement, Assistance, and Marketplace Modernization Act" ("CREAMM Act"), which legalizes personal use cannabis for certain adults, subject to regulation by the Cannabis Regulatory Commission and removes marijuana as a State Schedule I drug, into law as P.L. 2021, c. 16 (codified at N.J.S.A. 24:6I-31, et seq.). Pursuant to the CREAMM Act, NJ CRC was given responsibility for regulating the recreational market and growing a diverse community-focused cannabis industry in the state of New Jersey.

When the CREAMM Act initially legalized recreational cannabis in New Jersey, it prohibited all State and local economic incentives to cannabis licensees and property owners, developers, or operators of a project to be used, in whole or in part, by or to benefit a cannabis licensee. See section 37 of P.L. 2021, c. 16, codified as N.J.S.A. 24:6I-49. In June 2022, the Governor signed legislation amending the CREAMM Act to allow the Authority to award financial incentives for the purpose of providing financial and technical assistance to a prospective or licensed cannabis business that qualifies as a small business under the statute. See P.L. 2022, c. 48. The legislation requires either that (1) a portion of program funds made available to be reserved for businesses operating within an impact zone, as defined in the

CREAMM Act <sup>1</sup> or (2) the program include funds from the Social Equity Excise Fee and such funding be limited to businesses operating within an impact zone. As none of the current program funding is from the Social Equity Excise Fee, staff proposes to ensure that a minimum of 5% of all available funds will be reserved to grantees whose project location will be in an impact zone.

Approximately one year earlier, in June 2021, the Governor signed into law P.L. 2021, c.115, which provided a \$25 million supplemental SFY2021 appropriation to the Authority to establish the Startup Business and Nonprofit Assistance Program (“Chapter 115”). Chapter 115 authorized the Authority to provide grants to support the creation and development of new businesses and nonprofit organizations following the COVID-19 pandemic. The legislation requires the Authority to: (1) establish eligibility criteria for the program, provided that grants shall be made available to eligible new businesses and nonprofit organizations located in all areas of the State; (2) provide for rolling application periods and appropriate application submission deadlines; (3) designate limitations on the maximum award of grants, which limitations shall be sufficiently high so as to meaningfully support the creation and development of new businesses and nonprofit organizations; (4) designate permitted uses of grant financing, which uses shall be reasonably flexible to accommodate unanticipated startup expenses; and (5) establish criteria for the approval of program applicants consistent with Chapter 115. Additionally, Chapter 115 requires the Authority to “prioritize new businesses and nonprofit organizations that physically occupy commercial properties, including retail storefronts, that have become vacant or under-utilized during the COVID-19 pandemic.”

Approval is requested to utilize \$10 million from the funding received through the Chapter 115 supplemental appropriation to fund the Cannabis Grant Program.

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<sup>1</sup> Impact Zone is defined as any municipality that:

- (a) has a population of 120,000 or more according to the most recently compiled federal decennial census as of [Feb. 22, 2021];
- (b) based upon data for calendar year 2019:
  - (i) ranks in the top 40 percent of municipalities in the State for marijuana- or hashish-related arrests;
  - (ii) has a crime index total of 825 or higher based upon the indexes listed in the annual Uniform Crime Report by the Division of State Police; and
  - (iii) has a local average annual unemployment rate that ranks in the top 15 percent of all municipalities in the State, based upon average annual unemployment rates estimated for the relevant calendar year by the Office of Research and Information in the Department of Labor and Workforce Development.
- (c) is a municipality located in a county of the third class, based upon the county’s population according to the most recently compiled federal decennial census as of [Feb. 22, 2021], that meets all of the criteria set forth in subparagraph (b) other than having a crime index total of 825 or higher; or
- (d) is a municipality located in a county of the second class, based upon the county’s population according to the most recently compiled federal decennial census as of [Feb. 22, 2021]:
  - (i) with a population of less than 60,000 according to the most recently compiled federal decennial census, that for calendar year 2019 ranks in the top 40 percent of municipalities in the State for marijuana- or hashish-related arrests . . .; has a crime index total of 1,000 or higher based upon the indexes listed in the 2019 annual Uniform Crime Report by the Division of State Police; but for calendar year 2019 does not have a local average annual unemployment rate that ranks in the top 15 percent of all municipalities, based upon average annual unemployment rates estimated for the relevant calendar year by the Office of Research and Information in the Department of Labor and Workforce Development; or
  - (ii) with a population of not less than 60,000 or more than 80,000 according to the most recently compiled federal decennial census; has a crime index total of 650 or higher based upon the indexes listed in the 2019 annual Uniform Crime Report; and for calendar year 2019 has a local average annual unemployment rate of 3.0 percent or higher using the same estimated annual unemployment rates.

This funding will be used to support the creation and development of new businesses in the cannabis industry because cannabis is a new industry in New Jersey that is extremely capital intensive. The Cannabis Grant Program will provide funding to assist licensed cannabis entrepreneurs to enter the New Jersey cannabis market. The core policy goal of this program is to provide growth funding for licensed cannabis entrepreneurs to enter the New Jersey cannabis market with a strategic focus on entrepreneurs who come from New Jersey communities traditionally denied access to capital. New cannabis businesses also experience significant and unanticipated start-up costs when creating, developing, and managing their new businesses, which aligns with the purview of Chapter 115. To prioritize businesses that physically occupy commercial properties, including retail storefronts, that have become vacant or under-utilized during the COVID-19 pandemic, as required by Chapter 115, staff proposes opening both products solely for such businesses making for seven (7) days prior to opening the products to all other applicants.

**Cannabis Licensure**

The Cannabis Regulatory Commission regulates and licenses medicinal and recreational cannabis business operations in New Jersey. Each cannabis business requires a license, which must be active, to perform any commercial cannabis activity, including growing cannabis plants, storing and making cannabis products, transporting or delivering cannabis and cannabis products, selling cannabis and cannabis products, and testing cannabis and cannabis products.

Licenses are divided into classes based on main business activities and listed below in table 1. Licenses are separated into conditional and annual. A conditional license indicates that an applicant has provided the NJ CRC with a business plan and regulatory compliance plan, evidence of the intention to obtain liability insurance, and appropriate disclosure documents, and NJ CRC has reviewed and approved these documents. Conditional license holders are given 120 days plus any extensions offered by NJ CRC to convert their conditional license to an annual license. Upon achieving specific milestones, submitting an application to convert the conditional license to an annual license, and passing background review, cannabis businesses will be awarded their annual license, which will allow the business to begin their cannabis operations.

Table 1: NJ CRC Recreational Cannabis license classes

Recreational Use Licenses	Authorized Activity
Class 1 Cannabis Cultivator	Grow recreational use cannabis
Class 2 Cannabis Manufacturer	Produce recreational use cannabis products
Class 3 Cannabis Wholesaler	Store, sell or otherwise transfer, recreational use cannabis items between cannabis cultivators, wholesalers, or retailers
Class 4 Cannabis Distributor	Transport cannabis items in bulk between cannabis cultivators, manufacturers, or retailers within the state of New Jersey
Class 5 Cannabis Retailer	Purchase recreational use cannabis from licensed cultivators, manufacturers, or wholesalers and sell those items to consumers in a retail store
Class 6 Cannabis Delivery	Transport a consumer’s purchases of recreational use cannabis and related supplies from the retailer to the consumer.

Table 2: NJ CRC License Evolution

Conditional License	Begin building out operations for the cultivation, manufacture, dispensing, wholesale, distribution, or delivery of recreational use cannabis while working towards meeting the requirements for a cannabis cultivator, manufacturer, dispensary, wholesaler, distributor, or delivery license.
Annual License	Allows for the active cultivation, manufacture, dispensing, wholesale, distribution, or delivery of recreational use cannabis. Must be renewed every year.

**Current License Application Process**

NJ CRC is currently accepting applications for recreational cannabis businesses in the following categories: Class 1 Cultivator Licenses; Class 2 Manufacturer Licenses; Class 5 Retailer Licenses; and Testing Laboratories.

By statute, NJ CRC is limited to issuing 37 cultivator licenses in the State until February 2023. This license limit does not apply to microbusiness cultivators, who are limited to 2500 sq ft of space. NJ CRC has not issued a timetable for when they will open the wholesaler, distributor, and delivery license applications.

**Municipality Approval and Real Estate Challenges**

The CREAMM Act authorizes municipalities to enact ordinances or regulations governing the number of cannabis establishments within their borders. Each municipality is responsible for “opting in” to allow cannabis establishments in their municipality. Municipalities alone have authority to establish local approvals and ordinances regarding permitted land use, zoning, number of cannabis businesses, permitted cannabis business types, and size of cannabis businesses, along with limited local taxing authority on cannabis sales. This local municipal system overlays the NJ CRC’s licensing regulations and plays a pivotal part in the licensing process.

As of December 2022, approximately 100 municipalities have opted in to allow cannabis businesses to operate within their jurisdiction. Each municipality may “opt-in” to allow cannabis businesses to operate in their jurisdiction at any time.

Based on stakeholder engagement, locating real estate has also proven to be a major challenge for many cannabis applicants, especially social equity businesses and businesses owned by persons from socially and economically disadvantaged communities. The municipal zoning and licensing permissions create limited areas throughout the State where cannabis business can operate, which makes obtaining a location challenging. Adding to this are the challenges included in the current New Jersey commercial and industrial real estate markets with higher-than-average price per square foot on real estate and high build-out costs.

In addition to the factors shown above, the pre-opening capital costs of a cannabis business are exceptionally high. Estimates from industry sources show the cost of a microbusiness (no more than 10 employees and 2500 sq ft of space) retail cannabis business range up to \$1,000,000. This range goes significantly higher for cultivation and manufacturing where startup costs for a microbusiness range between \$2,000,000 and \$3,000,000.

**II) Program Structure**

The program will be divided into 2 funding products.

## **Product 1-Technical Assistance Program and Grant funding**

The first tranche of funding for \$3,600,000, which is expected to fund 24 applicants, who are designated by the NJ-CRC as a Social Equity Business, which as defined in the CREAMM Act, means either (a) having a prior conviction for a marijuana- or hashish-related offense, or (b) residing in an economically disadvantaged area and having a household income of no more than 80% of the statewide median household income.

This product is geared towards social equity applicants who have obtained a conditional license but have not secured the real estate or municipal approval (defined as a letter from the CEO/Municipal Resolution and land use/planning/zoning approval) and need financial or technical assistance in converting their conditional license to an annual license. Product 1 is open only to social equity applicants who are conditional license holders and have not secured both real estate and municipal approval. These applicants will be eligible for a grant award of \$150,000 Upon grant award approval, grantees will be required to enroll in an EDA technical assistance program.

The technical assistance program will help prepare the applicant using an intensive technical assistance program. The Authority will procure a third-party technical assistance provider via RFP, which will focus on assisting the applicants in obtaining the annual NJ CRC license and provide training on the opening, financing, and operations of a licensed cannabis business in New Jersey.

The technical assistance program will address the following: building a cannabis business team, navigating the cannabis licensure process, cannabis-business specific education and business plan development, financial management training, assistance in seeking financing and investors, developing cannabis-specific Standard Operating Procedures, cash flow analysis, and supply chain management. The technical assistance program will have in-person classroom training and will be conducted in New Jersey.

The award of \$150,000 per grantee will be disbursed incrementally based on the grantee's ability to achieve certain milestones. The first disbursement of up to \$37,500 will be released to applicants upon completion of the fourth week in the technical assistance program and either a) submission of a business spending plan that includes eligible expenses, as shown in Section IV, of up to \$37,500 or b) provides receipts that show applicant has spent \$37,500 in eligible expenses related to their cannabis business.

The second disbursement of \$37,500 will be released after the successful completion of the technical assistance program. Applicants must also provide evidence of spending the entirety of their first disbursement (\$37,500) in accordance with the eligible uses of funding. Grantees must provide evidence that they have spent the entirety previous disbursement on eligible expenses to be eligible for their next disbursement.

The third disbursement of \$37,500 will be released after the applicant obtains site control over the property it will use to start their cannabis business and municipal approvals to operate and open a physical location within a New Jersey municipality. Applicants must provide evidence of spending the second disbursement (\$37,500) in accordance with the eligible uses of funding. Grantees must provide evidence that they have spent the entirety previous disbursement on eligible expenses to be eligible for their next disbursement.

The final disbursement of \$37,500 will be released after the applicant obtains its annual license and provides evidence of spending the third disbursement (\$37,500) in accordance with the eligible uses of funding. Grantees must provide evidence that they have spent the entirety previous disbursement on eligible expenses to be eligible for their next disbursement.



Applications will be accepted on a rolling basis and proceed based on their completeness. Five percent of all available funds will be set-aside for businesses that plan to open in an Impact Zone.

### **Product 2-General Grant Funding**

The second grant product will target businesses are farther along in the licensing process and have carrying costs and capital issues associated with opening their cannabis business. These applicants have secured site control over the property and municipal approvals (as defined in Section III) to operate and open a physical location within a New Jersey municipality as a requirement to apply for this product.

The second tranche of funding with an award pool of \$6,000,000 will be distributed to all applicants that meet or exceed the grant eligibility requirements until funds are exhausted. Second tranche grantees will be required to prove they have a conditional or annual license, have obtained site control over their real estate, and municipal approval (as defined in Section III). 40% of slots will be reserved for social equity applicants.

Product 2 grantees will be eligible for a grant award of \$250,000. The grant will be disbursed incrementally based on the grantee's ability to meet certain milestones. In total, two disbursements will be available to the grantee:

An initial disbursement of \$100,000 will be distributed upon grant approval; and,

- 1) Verification that the grant awardee has a NJ CRC issued conditional or annual license;
- 2) Demonstrates site control over the property they will use to start their cannabis business;
- 3) Obtained municipal approvals (as defined in Section III) to operate and open a physical location within a New Jersey municipality; and
- 4) Either receipts proving the entity has spent \$100,000 on eligible expenses or invoices that the entity will spend \$100,000 in eligible expenses.

The final disbursement of \$150,000 will be made upon the grantee obtaining a NJ CRC-issued annual license. Grantees must provide evidence that they have spent the entirety previous disbursement on eligible expenses to be eligible for the next disbursement.

Applications will be accepted on a rolling basis and proceed based on their completeness. Five percent of all available funds will be set-aside for businesses that plan to open in an Impact Zone.

### **III) Program Eligibility**

#### **Product One Eligibility**

- 1) Entity holds a New Jersey Cannabis Regulatory Commission conditional license in any class for recreational use. Entities with annual licenses and entities seeking to be licensed as an Alternative Treatment Center are not eligible.
- 2) In accordance with Chapter 115, entity 50 or fewer Full Time Employees at the time of application as evidenced through payroll documentation WR30 or other valid documentation.
- 3) Entity is in good standing with the Cannabis Regulatory Commission, the Division of Taxation as evidenced by a valid tax clearance certificate, the Department of Environmental Protection, and the Department of Labor and Workforce Development, at the time of application.

- 4) In accordance with Chapter 115, entity has documents of incorporation (or other formation documents) showing the entity commenced operations after the issuance of the Executive Order No. 103 of 2020 (March 9, 2020).
- 5) Owner or owners of 51% or more of the entity have established at least one non-home based retail, personal services, or manufacturing businesses in any US state or territory or has two (2) or more years of experience as an owner, manager, executive or supervisor of a retail, agricultural, personal services or manufacturing business.<sup>2</sup>
- 6) Owner or owners of 51% or more of the entity have enrolled and completed one of the following:
  - A professional cannabis education course (course or courses in cannabis business, cannabis law, cannabis operations, cannabis plant science/plant cultivation or economics of cannabis offered by an accredited higher education institution or state or local government or private provider with at least two years operations and a minimum of 200 program graduates verifiable by the institution), enrolled and completed a small business entrepreneurship training course; or
  - Completed six college credits in business, management, finance, economics, accounting, agricultural sciences, logistics/supply chain management or marketing; or
  - Has three (3) or more years of as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business.<sup>3</sup>
- 7) Entity is designated by the NJ-CRC as a Social Equity Business conditional license holder in accordance with NJ-CRC rules.
- 8) Entity has not secured both site control and municipal approval to operate and open in a municipality.

### **Product Two Eligibility**

- 1) Entity holds a New Jersey Cannabis Commission conditional license or annual license, in any class for recreational use. Entities operating as an Alternative Treatment Center certified to operate in adult personal-use market are not eligible.
- 2) In accordance with Chapter 115, entity has 50 or fewer Full Time Employees at the time of application as evidenced through payroll documentation WR30 or other valid documentation.
- 3) Entity is in good standing with the Cannabis Regulatory Commission, Division of Taxation as evidenced by a valid tax clearance certificate, the Department of Environmental Protection, and the Department of Labor and Workforce Development, at the time of application.
- 4) In accordance with Chapter 115, entity has documents of incorporation (or other formation documents) showing the entity commenced operations after the issuance of Executive Order No. 103 of 2020 (March 9, 2020).
- 5) Owner or owners of 51% or more of the entity have established at least one non-home based retail, personal services, or manufacturing businesses in any US state or territory or has two (2) or more years

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<sup>2</sup> Evaluations questions regarding ownership or ownership group combination can be satisfied by one or more members of any ownership group.

<sup>3</sup> Evaluations questions regarding ownership or ownership group combination can be satisfied by one or more members of any ownership group.



of experience as an owner, manager, executive or supervisor of a retail, agricultural, personal services or manufacturing business.<sup>4</sup>

6) Owner or owners of 51% or more of the entity have enrolled and completed one of the following:

- A professional cannabis education course (course or courses in cannabis business, cannabis law, cannabis operations, cannabis plant science/plant cultivation or economics of cannabis offered by an accredited higher education institution or state or local government or private provider with at least two years operations and a minimum of 200 program graduates verifiable by the institution), enrolled, and completed a small business entrepreneurship training course; or
- Completed six college credits in business, management, finance, economics, accounting, agricultural sciences, logistics/supply chain management or marketing; or
- Has three (3) or more years of as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business.<sup>5</sup>

7) Entity has secured municipal approval. Municipal approval is defined as:

- a. Resolution adopted by the municipality's governing body or, where a municipality has no governing body, a written letter of support from the municipality's executive and
- b. All land use/planning/zoning approvals required from the municipality.

8) Entity has secured site control, proven by documentation showing control, by applying entity, of real property in a New Jersey municipality to be used for the operation of a licensed New Jersey recreational cannabis facility as listed in the application.

#### **IV) Eligible Program Activities for Product 1 and Product 2**

This is a grant to support start-up costs related to cannabis corporate business operations. Funding can be utilized for ongoing working capital expense, and ongoing business support expense as evidenced by receipts, invoices, or other documents showing actual payment made starting after March 9, 2020.

The grant is designed to support early life cycle costs for the licensee from the period of the company's corporate foundation. Eligible uses may include but are not limited to:

- Rental expenses – evidenced by a fully executed lease. Thirty-six months of lease payments may be covered after date that conditional license has been awarded.
- Payroll and Independent Contractor Payments – as evidenced by a payroll report, WR30, or equivalent payroll documentation and payment documentation for 1099 contractors.
- Regulatory Compliance expenses
- Legal expenses associated with the business
- Employee training
- Professional Services - accounting, human resources, business planning, transportation, security, marketing, website creation, lab services and any other outside services that may be needed to operate cannabis business or obtain any license or authorization to operate from the NJ Cannabis Regulatory Commission

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<sup>4</sup> Evaluations questions regarding ownership or ownership group combination can be satisfied by one or more members of any ownership group.

<sup>5</sup> Evaluations questions regarding ownership or ownership group combination can be satisfied by one or more members of any ownership group.

- Utilities and Overhead fees
- Mortgage payments
- Business supplies
- Business Equipment under \$2,000

Funds may not be used for:

- Controlled inventory
- Construction
- Equipment and installation costing greater than \$2,000.00
- Purchase of land
- Demolition of an existing structure
- Rolling stock

All uses and documentation are subject to NJEDA review and approval. All receipts and/or invoices submitted must be dated after March 9, 2020.

#### **V) Application**

Applications will be accepted on a rolling basis or until funds are exhausted. Applications will include questions and required documentation related to the entity ownership including names, ownership share, place and length of residency, owners' resumes, management team's resumes, planned place of operation for the cannabis entity, site identification by address, lot and block numbers, and other information staff may deem necessary to evaluate the application. There will be a pre-application review. Application fee will not be required until after pre-application review.

Applicants will also be required to include, but are not limited to, the following documents:

- New Jersey Certificate of Incorporation or other formation document
- New Jersey Tax Clearance Certificate
- recreational New Jersey Cannabis license, as specified in the eligibility criteria for each product
- New Jersey WR-30 or equivalent document filed with 180 days of application

#### **VI) Completeness Review**

All applications will be reviewed for completeness in the order that they are received by the Authority. At the sole discretion of the Authority, staff may ask for clarification of the information included on the application including, but not limited to, responses, documentation, and attachments at any time prior to award. Applications will be accepted on a rolling basis and proceed based on their completeness. Under both products, there is a limit of one grant award per EIN.

#### **VII) Proposed Project Funding and Statute Requirements**

The Authority is using funds appropriated to it from the State's General Fund, but there remains a possibility that future funding for cannabis businesses may become available, particularly if the legal status of cannabis under federal law changes. There may also be funding made available to the Authority from NJ CRC. Staff is requesting delegated authority to the CEO to accept up to \$50 million in additional funding for this program from any governmental entity (Federal, State, or County) and to impose additional requirements as may be required by law as a condition of accepting, provided that the requirements are consistent with the parameters of the program.

#### **VIII) Approvals**

The Members are requested to approve delegation to the Chief Executive Officer to approve individual applications to the Cannabis Grant Program in accordance with the terms set forth in the attached product specifications due to the size of grants being commensurate with existing delegated authority. The review is also streamlined and generally non-discretionary.

As with other financial assistance programs, staff will perform legal reviews in accordance with Executive Order 34 (Byrne) and the Authority's Disqualification/Debarment Regulations (N.J.A.C. 19:30-2.1, *et seq.*) to ensure that applicants demonstrate and maintain the highest standards of responsibility and moral integrity. For the purposes of the Cannabis Grant Program only, the Members are also requested to delegate authority to:

- decide not to disqualify, debar, or suspend applicants and affiliates convicted of marijuana- and hashish-related offenses that meet the criteria for a "social equity business" as defined in the Cannabis Regulatory Commission's rules (specifically N.J.A.C. 17:30-6.6 and as administered by CRC, provided the applicant does not have other disqualifying convictions or judgments); and
- limit the timeframe for investigation into criminal matters, to those where the date of conviction, satisfactory completion of probation or parole, or release from incarceration, whichever is later, occurred five (5) years prior to the date of application, in accordance with N.J.A.C. 17:30-7.12. This modification to the delegated authority approved by the Board on June 8, 2022, will be consistent with NJ CRC's timeframe for disqualifying convictions (as stated in N.J.A.C. 17:30-7.12(d)).

#### **IX) Disbursements:**

The Authority will disburse grants only to the Applicant. The Applicant shall be responsible for assuring the compliance of all terms and conditions of grant and assumes the sole and absolute responsibility for any payments due to anyone else, including municipal, county, or business partners.

Awards will be approved in order of receipt of completed applications until the funding pool is fully utilized or the closing date. Based on statute, Authority will ensure that a minimum of 5% of all available funds will be disbursed to grantees whose project location will be in an Impact Zone as defined in the CREAMM Act.

Businesses that are disbursed the full grant amount must meet the following conditions for 12 months after the final eligible disbursement:

1. Retain a NJ Cannabis license
2. Maintain good standing with the NJ CRC (as determined by the NJ CRC)
3. Remain in New Jersey for twelve months after execution of the grant agreement

Failure to comply with these requirements or using funds for ineligible purposes may subject grantee to repay the grant to the Authority.

#### **X) Fees:**

Consistent with the Authority's rules, specifically N.J.A.C. 19:30-6.1(a), there will be a \$1,000 application fee for the Cannabis Grant Program. N.J.A.C. 19:30-6.7 permits the Chief Executive Officer to waive fees, with the approval of the Members, "upon demonstration by the applicant that the imposition of the fee would impose an undue financial hardship."

The application fee waiver is requested for product one applicants as the imposition of the fee would impose undue financial hardship based on lack of access to capital. This lack of access to capital for cannabis entrepreneurs in New Jersey halts site acquisition; restricting both local industry growth and the individual entity's CRC annual license process due to the site acquisition requirements.

### **Contracted Staff**

Staff is seeking approval to fund \$400,000 in administrative costs associated with administering any phase of the grant program as needed.

The legislation permits the Authority to utilize up to \$1 million of the \$25 million supplemental appropriation for administrative costs. Given the amount of available funding under the proposed Cannabis Grant program, the volume of establishments the Authority anticipates will apply, the manual nature of review associated with each application, and the urgency in which the funding is needed by these establishments, the Authority does not have sufficient staff to administer the program. Accordingly, staff seek approval to issue one or more purchase orders to 22<sup>nd</sup> Century Technologies Inc. ("22<sup>nd</sup> Century") to hire temporary employees to scale up operations and administer this grant program, up to a maximum aggregate cost of \$250,000. If the contract with 22<sup>nd</sup> Century expires, and it is not renewed, Small Business Services and other Community Development employees will begin the initial processing until temporary employees are available to be hired to administer the program.

### **XI) Recommendation**

Approval is requested for:

- 1) The creation of the Cannabis Grant Program – a pilot program that will make grant funding available to eligible private entities for early-stage expenses related directly to cannabis business start-ups in New Jersey.
- 2) The utilization of \$10 million from the State General Fund from the supplemental SFY2021 appropriation signed into law as P.L. 2021, Chapter 115, to fund the Cannabis Grant Program (including administrative costs).
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- 5) Delegation to Authority staff (Chief Executive Officer or designee) to accept up to \$50 million in additional funding for this program from any governmental entity (Federal, State, or County) and to impose additional requirements as may be required by law as a condition of accepting, provided that the requirements are consistent with the parameters of the program.
- 6) The issuance of one or more purchase orders to 22<sup>nd</sup> Century Technologies Inc. (if available) to hire temporary employees to administer any phase of this grant program, up to a maximum aggregate cost of \$250,000.8)

- 7) The application fee waiver is requested for product one applicants as the imposition of the fee would impose undue financial hardship based on lack of access to capital. This lack of access to capital for cannabis entrepreneurs in New Jersey halts site acquisition; restricting both local industry growth and the individual entity's CRC annual license process due to the site acquisition requirements.



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Tim Sullivan, CEO

Prepared by Tai Cooper and Genevieve Jones

Attachment A: Board Specifications

<b><u>Cannabis Grant Program</u></b> <b>Program Specifications</b> <b>December 21, 2022</b>	
<b>Funding Source</b>	<p>Up to \$25 million from the state budget appropriation identified for Startup businesses (Chapter 115) to be utilized as follows:</p> <ul style="list-style-type: none"> <li>• \$10 million to initially fund the product and the CEO may accept up to \$50 million in additional funding from any governmental entity (Federal, State, or County)</li> </ul> <p>5% of total program funding set aside for Impact Zones – Impact zones are designated by NJ statute according to municipality based on past marijuana arrests, and higher concentrations of law enforcement activity, unemployment, and population.</p>
<b>Program Purpose</b>	<p>To provide direct assistance to applicants who have received a NJ CRC issued license (conditional and annual) to operate a business and that will then need support starting their business and the costs associated to starting that business over the next 36 months from receiving their NJ CRC license.</p> <p>The program will be divided into two products</p> <p>The first grant product will utilize \$3,600,000 in program funding and will provide 24 grants of \$150,000 to entities that meet the criteria for NJ CRC social equity qualifier,</p> <p>This product is geared towards social equity applicants who have obtained a conditional license but have not secured the real estate or municipal approval (defined as a resolution from governing body or letter of support from the Municipal Executive and land use/planning/zoning approval) and need assistance in converting their conditional license to an annual license. Upon grant award approval, applicants will be required to enroll in an EDA technical assistance program. The award of \$150,000 will be disbursed incrementally once grantee has reached set milestones.</p> <p>The second grant program, utilizing \$6,000,000 in program funding, will provide up to 24 grants of \$250,000 to entities that have a , conditional license, have obtained site control over their real estate, and municipal approval (as defined in Section II). The second grant product will support businesses that do not need technical assistance but that still have carrying costs and capital issues associated with converting their conditional license to an actual license.</p> <p>For both products, applications will be accepted on a rolling basis, reviewed for completeness based in the order in which they are received by the Authority, but will proceed to scoring based on their completeness.</p>



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	<p>Five percent of the awards will be reserved for businesses that plan to open in an Impact Zone</p> <p>Holders of “<u>Final Agency Decision Acceptance of Alternative Treatment Center (“ATC”) Certification Authorization To Operate in Adult Personal-Use Market</u>” are not eligible for this grant.</p>
<p><b>Eligible Applicants- Product 1</b></p>	<ol style="list-style-type: none"> <li>1) Entity holds a New Jersey Cannabis Commission conditional license, in any class for recreational use.</li> <li>2) Entity has less than 50 Full Time Employees at the time of application as evidenced through payroll documentation WR30 or other valid documentation.</li> <li>3) Entity is in good standing with the Cannabis Regulatory Commission, Division of Taxation as evidenced by a valid tax clearance certificate, , the Department of Environmental Protection, and the Department of Labor and Workforce Development.at the time of application.</li> <li>4) Entity has provided evidence of that it commences operations after the issuance of Executive Order No. 103 of 2020 (March 9, 2020).</li> <li>5) Owner or owners of 51% or more of the entity have established at least one non-home based retail, personal services, or manufacturing businesses in any US state or territory or has two (2) more years of experience as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business.</li> <li>6) Owner or owners of 51% or more of the supplicant entity have enrolled and completed professional cannabis education course or enrolled and completed a small business entrepreneurship training course or has completed six college credits in business, management, finance, economics, accounting, agricultural sciences, logistics/supply chain management or marketing or has three (3) or more years of as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business.</li> <li>7) Applicants for Product 1 must prove entity is designated by the NJ-CRC as a Social Equity Business in accordance with NJ-CRC rules. (Pending approval of data sharing agreement between EDA &amp; NJ CRC.)</li> <li>8) Entity has not secured both site control or municipal approval to operate and open in a municipality.</li> </ol>

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<p><b>Eligible Applicants- Product 2</b></p>	<ol style="list-style-type: none"> <li>1) Entity holds a New Jersey Cannabis Regulatory Commission conditional license or New Jersey Cannabis Regulatory Commission annual license, in any class for recreational use.</li> <li>2) Entity has less than 50 Full Time Employees at the time of application as evidenced through payroll documentation WR30 or other valid documentation.</li> <li>3) Entity is in good standing with the Cannabis Regulatory Commission, the Division of Taxation as evidenced by a valid tax clearance certificate, the Department of Environmental Protection, and the Department of Labor and Workforce Development.at time of application.</li> <li>4) Entity has provided evidence of that it commenced operations after the issuance of Executive Order No. 103 of 2020 (March 9, 2020);</li> <li>5) Owner or owners of 51% or more of the entity has established at least one non-home based retail, personal services, or manufacturing businesses in any US state or territory or has two (2) more years of experience as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business.</li> <li>6) Owner or owners of 51% or more of the entity has enrolled and completed professional cannabis education course or enrolled and completed small business entrepreneurship training course or has completed six college credits in business, management, finance, economics, accounting, agricultural sciences, logistics/supply chain management or marketing or has three (3) or more years of as an owner, manager, executive or supervisor of a retail, agricultural, personal services, or manufacturing business.</li> <li>7) Entity has secured municipal approval. <ul style="list-style-type: none"> <li>Municipal approval is defined as: <ol style="list-style-type: none"> <li>a. Resolution from the municipality’s governing body or, where a municipality has no governing body, a written Letter of Support from the Municipality’s Executive; and</li> <li>b. Land use/planning/zoning approval from the Municipality.</li> </ol> </li> </ul> </li> <li>8) Entity has secured site control, proven by documentation showing control, by applying entity, of real property in a New Jersey municipality to be used for the operation of a licensed New Jersey recreational cannabis facility as listed in the application.</li> </ol>

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	<p>40% of the slots available for this grant will be set-aside for social equity applicants.</p> <p> Holders of “<u>Final Agency Decision Acceptance of Alternative Treatment Center (“ATC”) Certification Authorization To Operate in Adult Personal-Use Market</u>” are not eligible for this grant.</p>
<p><b>Eligible Uses</b></p>	<p><b>Eligible uses may include but are not limited to startup costs associated to a cannabis industry business</b></p> <ul style="list-style-type: none"> <li>• Rental expenses</li> <li>• Payroll and Independent Contractor Payments– as evidenced by a current payroll report or WR30 or jobs that may need to be filled (job posting, and descriptions would need to be provided) or equivalent payroll documentation (including 1099 contractors).</li> <li>• Regulatory Compliance expenses.</li> <li>• Legal expenses associated with the business – may include retainers paid or unpaid invoices but only for services dated after the award of the applicant’s license issued by NJ CRC.</li> <li>• Employee training – cost to train or hire a trainer for any function of their business operation that may or will happen 36 months after award of NJ CRC license.</li> <li>• Professional Services - accounting, human resources, business planning, transportation, security, marketing, website creation, lab services and any other outside services that may be needed to operate cannabis business or obtain any license or authorization to operate from the NJ Cannabis Regulatory Commission.</li> <li>• Utilities and Overhead Fees – bills dated after award of license and only for 36 months after are eligible.</li> <li>• Mortgage payments</li> <li>• Business supplies</li> <li>• Business Equipment under \$2,000</li> </ul> <p>All uses and documentation are subject to NJEDA review and approval. All receipts and/or invoices submitted must be dated after March 9, 2020.</p> <p>Funds may not be used for:</p> <ul style="list-style-type: none"> <li>• Controlled inventory</li> <li>• Construction</li> <li>• Equipment and installation costing greater than \$2,000.00</li> <li>• Purchase of land</li> <li>• Demolition of an existing structure</li> <li>• Rolling stock</li> </ul>

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<b>Application Process and Approval/ Delegated Authority</b>	<p>Applications will be reviewed on a rolling basis. All applications will be reviewed for completeness in the order in which they are received by the Authority. There will be a pre-application review. Application fee will not be required until after pre-application review.</p> <p>There is a limit of one grant award per EIN.</p>	
<b>Grant Amount</b>	<ul style="list-style-type: none"> <li>• Product 1 grant awards will be \$150,000 to be disbursed incrementally based on the grantee’s ability to achieve program milestones.</li> <li>• Product 2 grant awards will be \$250,000, to be disbursed incrementally based on the grantee’s ability to achieve program milestones.</li> </ul>	
<b>Products</b>	Product 1- Technical Assistance Program and Grant Funding	Product 2 – General Grant Funding
	<p>The first grant product will utilize \$3,600,000 in program funding to provide 24 grants of \$150,000, to be disbursed incrementally based on achieved program milestones. This product will be open to conditional license social equity applicants who have obtained a conditional license but have not secured both site control over real estate or municipal approval (defined as a resolution from governing body or letter of support from municipal executive and land use/planning/zoning approval) and need assistance in converting their conditional license to an annual license.</p> <p>The technical assistance program will help prepare the applicant using an intensive technical assistance program. The Authority will procure a third- party technical assistance provider via RFP, which will focus on assisting the applicants in obtaining annual NJ CRC license and provide training on the opening, financing,</p>	<p>The second grant product will utilize \$6,000,000 in program funding and will provide 24 grants of \$250,000, to be disbursed incrementally based on achieved program milestones, to entities that have carrying costs and capital issues associated with opening their cannabis business. This product will be open to general applicants who have a conditional license, secured site control over their property, and municipal approvals (as defined in Section II) to operate and open a physical location within a New Jersey municipality. 40% of slots will be set-aside for social equity applicants.</p>

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	<p>and operations of a licensed cannabis business in the state of New Jersey.</p> <p>The technical assistance program will address the following: building a cannabis business team, navigating the cannabis licensure process, cannabis-business specific education and business plan development, financial management training, assistance in seeking financing and investors, developing cannabis-specific Standard Operating Procedures, cash flow analysis, and supply chain management. The technical assistance program will have in-person classroom training and will be conducted in the state of New Jersey.</p>	
<b>Funding Disbursement</b>	Product 1- Technical Assistance Program and Grant Funding	Product 2 – General Grant Funding
	<p>Awards of \$150,000 per grantee will be disbursed upon achieving the following milestones:</p> <ol style="list-style-type: none"> <li>1) The first disbursement of \$37,500 will be released to approved grantee upon completion of the fourth week in the technical assistance program and either             <ol style="list-style-type: none"> <li>a) submission of a business spending plan that includes eligible expenses of \$37,500</li> <li>or b) provide receipts that show applicant has spent \$37,500 in eligible expenses related to their cannabis business.</li> </ol> </li> <li>2) The second disbursement of \$37,500 will be released after the successful completion of the technical assistance</li> </ol>	<p>Awards of \$250,000 per grantee will be disbursed upon achieving the following milestones:</p> <ol style="list-style-type: none"> <li>1) The first disbursement of \$100,000 will be released to approved grantees that (i) have obtained a NJ CRC issued conditional or annual license, (ii) demonstrates site control over the property, (iii) municipal approvals to operate and open a physical location within a New Jersey municipality, and (iv) provide receipts proving the entity has spent \$100,000 of eligible expenses or invoices that the entity will spend \$100,000 in eligible expenses.</li> <li>2) The second disbursement of \$150,000 will be released to each grantee that has obtained a</li> </ol>

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	<p>program. Applicants must also provide evidence of spending their entire first allocation (\$37,500) in accordance with the eligible spending categories.</p> <p>3) The third disbursement of \$37,500 will be released after the approved grantee obtains site control over their property and municipal approval (as defined in Section II) to operate and open a physical location within a New Jersey municipality. Grantees must also provide evidence of spending their entire second allocation (\$37,500) in accordance with the eligible spending categories</p> <p>4) The fourth disbursement of \$37,500 will be released after the approved grantee obtains its annual license and provides evidence of spending the entire third allocation (\$50,000) in accordance with eligible expenses. Grantees must also provide evidence of spending the entirety of their last disbursement on eligible expenses.</p>	<p>NJ CRC issued annual license. Grantees must also provide evidence of spending their entire first allocation (\$100,000) in accordance with the eligible spending categories.</p>
<p><b>Approvals</b></p>	<p>Chief Executive Officer to approve individual applications to the Cannabis Grant Program.</p> <p>Staff will perform legal reviews in accordance with Executive Order 34 (Byrne) and the Authority’s Disqualification/Debarment Regulations (N.J.A.C. 19:30-2.1, <i>et seq.</i>) to ensure that applicants demonstrate and maintain the highest standards of responsibility and moral integrity. Additionally, for this program only applicants and owners convicted of marijuana- and hashish-related offenses that</p>	



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	<p>meet the criteria for a “social equity business” as defined in the Cannabis Regulatory Commission’s rules (specifically N.J.A.C. 17:30-6.6) will not be disqualified and their investigation into criminal matters, to those that were either pending or concluded within five (5) years of the application. This modification to the delegated authority approved by the Board on June 8, 2022, will be consistent with NJ CRC’s timeframe for disqualifying convictions.</p>
<b>Fees</b>	<p>Application Fee: \$1,000</p> <p>The application fee waiver is requested for product one applicants as the imposition of the fee would impose undue financial hardship based on lack of access to capital. This lack of access to capital for cannabis entrepreneurs in New Jersey halts site acquisition; restricting both local industry growth and the individual entity’s CRC annual license process due to the site acquisition requirements.</p>