

AGENDA REPORT

Ordinance: Approve an Assignment of a License and Concession Agreement from Alta Supply, Inc. to CannRoy Delaware, Inc. and Amendment to the Same License and Concession Agreement to Increase the Performance Deposit, for Premises Located at 424 Pendleton Way, Oakland. **(CRE)**

MEETING DATE: 9/13/2018

AMOUNT: N/A

PARTIES INVOLVED: Alta Supply, Inc., a California corporation
CannRoy Delaware, Inc., a Delaware corporation

SUBMITTED BY: Pamela Kershaw, Director of Commercial Real Estate

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

This matter is a request for approval of the assignment of a License and Concession Agreement (“Agreement”) from Alta Supply, Inc. (“Licensee”) to CannRoy Delaware, Inc. (“CannRoy”) as well as an amendment of the Agreement to increase the Performance Deposit for the premises located at 424 Pendleton Way. Upon review of the information provided by the Licensee and the proposed amendment to the Agreement, staff believes that the requested assignment and accompanying amendment to the Agreement is appropriate and in the best interests of the Port.

BACKGROUND

Alta Supply, Inc., is a tenant under a License and Concession Agreement for premises located at 424 Pendleton Way. Port staff was recently informed that Alta Supply, Inc. (“Alta Supply”) was being absorbed by CannRoy Delaware, Inc. (“CannRoy”). CannRoy is a wholly-owned U.S. subsidiary of CannaRoyalty Corporation (“CannaRoyalty”), a publicly traded company with offices in the US and Canada, and an active investor and operator in the legal cannabis industry. Under the proposed assignment, Alta Supply would remain the named Licensee on the Agreement while both CannRoy and CannaRoyalty would be guarantors of the Agreement.

Alta Supply entered into the Agreement for the Premises – which consist of approximately 8,849 sq. ft. of warehouse and office space with dedicated parking located at 424 Pendleton Way, as depicted in Exhibit A – to store and distribute cannabis-related and non-cannabis-related products sold by Alta Supply, and related administrative and office use. The Agreement

commenced on August 1, 2017 and is set to expire on August 1, 2020, with one (1) option to renew for two (2) years.

ANALYSIS

On March 27, 2018, CannRoy acquired Alta Supply. Alta Supply now seeks a formal assignment of the Agreement to CannRoy Delaware, Inc., which now wholly owns Alta Supply, so that it can continue operating at the Premises. Alta Supply will remain named on the Agreement, except that both CannRoy and CannRoy's parent company CannaRoyalty Corporation, a Canadian corporation will guarantee all obligations under the Agreement pursuant to Guarantees that have already been executed as inducement for the Port to consent to the assignment. CannRoy has submitted financial information and CannaRoyalty has submitted a quarterly report and their annual information form to demonstrate their financial wherewithal to Guaranty the Agreement. As further inducement for the Port's consent to the assignment, Licensee has provided an increased Performance Deposit of six times the current monthly rent (increased from the current amount of three times the current monthly rent), which will be memorialized in the proposed amendment to the Agreement.

Based on the information submitted by the Licensee and Assignee, along with the proposed amendment to the Agreement to increase the Performance Deposit for the Port's protection, staff recommends approval of the assignment and amendment request.

BUDGET & STAFFING

The proposed assignment will have no impact on the budget.

The proposed action will have no impact on staffing as the existing property is currently managed by existing CRE Division staff.

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The work performed under this contract is not within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply to this work.

STRATEGIC PLAN

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

Goal: Grow Net Revenues

Goal: Improve Customer Service

LIVING WAGE

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply to this matter because tenancies outside of the Aviation and Maritime areas with entities that do not principally provide aviation or maritime services are excluded from the Living Wage Regulations.

SUSTAINABILITY

The tenant has not proposed any development for the leased area. If the tenant decides to develop the site in the future, the tenant must comply with the 2000 Sustainability Policy and complete the Sustainability Opportunities Assessment Form.

ENVIRONMENTAL

CEQA: Execution of the proposed transfer of ownership interest is categorically exempt from the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15301, Existing Facilities. CEQA does not apply to the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. Approval of the proposed transfer of ownership interest of the lease falls within this class of exemptions. No additional environmental review is required to take the action recommended in this Agenda Report.

GENERAL PLAN

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

OPTIONS

1. Approve the assignment of the Agreement from Alta Supply, Inc. to CannRoy Delaware, Inc. and accompanying amendment, subject to the terms described in this Agenda Report. This is the recommended option.
2. Do not approve the requested assignment of License and Concession Agreement from Alta Supply, Inc. to CannRoy Delaware, Inc. and accompanying amendment, which may require termination of the Agreement.

RECOMMENDATION

Staff recommends that the Board approve the assignment of a License and Concession Agreement from Alta Supply, Inc. to CannRoy Delaware, Inc. and an amendment to the same License and Concession Agreement to increase the performance deposit for premises located at 424 Pendleton Way, as further described in this Agenda Report, and authorize the Executive Director to execute all documents as may be appropriate to consummate this transaction, subject to the Port attorney's approval as to form and legality. Furthermore, if the documents are not fully executed within thirty (30) days after Board approval, the approval shall be null and void, unless extended at the sole and absolute discretion of the Executive Director or his designee.

Attachments: Site Map