

AGENDA REPORT

Ordinance: Approve an Assignment of a License and Concession Agreement with Alta Supply, Inc. to Cresco Labs Inc. for the Premises Located at 424 Pendleton Way, Oakland, and Approve and Authorize the Executive Director to Amend the License and Concession Agreement to Include a \$2,000 Administrative Fee. **(CRE)**

MEETING DATE: 6/13/2019

AMOUNT: \$2,000.00
Revenue

PARTIES INVOLVED: Alta Supply, Inc., a California corporation (Licensee and 2nd Tier Subsidiary)
CannRoy Delaware Inc., a Delaware corporation (1st Tier Subsidiary)
CannaRoyalty Corporation, dba Origin House, a Canadian corporation (Parent Company)
Cresco Labs, Inc., a Canadian corporation

Charles Bachtell, CEO, Cresco Labs Inc.

SUBMITTED BY: Pamela Kershaw, Director of Commercial Real Estate

APPROVED BY: J. Christopher Lytle, Executive Director

ACTION TYPE: Ordinance

EXECUTIVE SUMMARY

The subject Agenda Report is a request for approval of the assignment of a License and Concession Agreement with Alta Supply, Inc. ("Agreement") from CannRoy Delaware Inc. ("Licensee") to Cresco Labs, Inc. ("Cresco") for the premises located at 424 Pendleton Way, Oakland, as well as an amendment to the Agreement to include a \$2,000 administrative fee for processing this and future requests for transfer of the Agreement that may require the Board of Port Commissioners' consent and approval.

BACKGROUND

In August 2017, the Port executed an Agreement with Licensee for approximately 8,849 square feet of warehouse space located 424 Pendleton Way, Oakland for a three (3) year term (through August 1, 2020), with one (1) option to renew for two (2) years. The Licensee uses the property to warehouse cannabis products and related office use.

On March 27, 2018, the Licensee was acquired by CannRoy Delaware Inc. ("CannRoy") and its parent company CannaRoyalty Corporation ("CannaRoyalty"). In September 2018, the Board approved a formal assignment of Licensee's Agreement to the buyer. As an inducement for the Port's consent, CannRoy Delaware Inc. and CannaRoyalty agreed to guarantee all obligations under the Agreement pursuant to an executed guaranty agreement with the Port as well as increase the security deposit to six times' the monthly rent. Alta Supply, now a subsidiary of CannRoy, remained as the named licensee under the Agreement.

ANALYSIS

The Licensee recently notified Port staff that CannRoy's parent company, CannaRoyalty, will be acquired by Cresco and has requested the Port's approval for the assignment of their Agreement.

Headquartered in Chicago, IL, Cresco was formed in 2013 by Charles Bachtell and Joe Caltabiano and is one of the largest vertically integrated, seed-to-sale, multistate cannabis operators in the US, specializing in recreational, medicinal, and edible cannabis products. Cresco currently operates in 11 states, with 21 retail dispensaries, 51 retail licenses and 15 cultivation and product locations. Notwithstanding the proposed acquisition of Licensee, Alta Supply Inc. will remain the named licensee for the premises and CannRoy and CannaRoyalty will remain guarantors of the Agreement.

Under the terms of the Agreement, certain transactions such as a company sale, assignment of lease, or sublease, require the Board's approval. Since these transactions necessitate multiple staff members' time to process, we are recommending that Licensee pay a \$2,000 administrative fee for the current assignment consideration and an amendment to the Agreement to include a \$2,000 administrative fee for any such future transactions that require Board approval.

Based on the information provided by the Licensee and the fact that CannaRoyalty and CannRoy will remain guarantors to the Agreement, along with the proposed amendment to include an administrative fee for processing transactions requiring Board approval, staff recommends approval of the assignment and amendment request.

BUDGET & STAFFING

The proposed assignment of this Agreement will result in an additional \$2,000.00 which was not included in the current FY18-19 budget.

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

MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)

The matters contained in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

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 B: Maintain and Aggressively Grow Core Businesses
 - Goal B: Objective 1: Retain existing customers and tenants
- Goal D: Improve the Port's Financial Position
 - Goal D: Objective 1: Improve cash position and debt service and coverage ratio (DSCR)

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 because the requested action is not an agreement, contract, lease, or request to provide financial assistance within the meaning of the Living Wage Regulations.

SUSTAINABILITY

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

ENVIRONMENTAL

CEQA Determination: This action was reviewed in accordance with the requirements of the California Environmental Quality Act (CEQA). The CEQA Guidelines, Section 15061(b)(3) ("the general rule") states that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Assigning and amending an Existing License and Concession Agreement will not have a significant effect on the environment and therefore is not a project under CEQA. No further environmental review is required.

GENERAL PLAN

This action does not change the use of any existing facility, make alternations 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 License and Concession Agreement with Alta Supply, Inc. to Cresco Labs Inc. and accompanying amendment to include an administrative fee of \$2,000 for the current and any future requests for any such transfers requiring Board action. This is the recommended option.
2. Do not approve the assignment of the License and Concession Agreement to Cresco Labs Inc. and accompanying amendment to include an administrative fee of \$2,000 for the current and any future requests for transfer requiring Board action.
3. Direct staff to negotiate alternative terms for the proposed assignment of the Agreement from Alta Supply Inc. to Cresco Labs Inc. and/or the accompanying amendment to include an administrative fee, as further described in this Agenda Report, which depending on the nature of the alternative items, may not be acceptable to the Licensee.

RECOMMENDATION

Staff recommends that the Board approve the assignment of the License and Concession Agreement with Alta Supply, Inc. to Cresco Labs Inc., and authorize the Executive Director to execute an amendment to the Agreement to include a \$2,000 administrative fee for this and any future requests for transfer requiring Board action, as further described in this Agenda Report.

Attachment: Site Map of Premises

Site Map of Premises

424 Pendleton Way
Oakland, California

