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NYC Cannabis Fund Ready to Assist Struggling Businesses Across Boroughs

A public-private fund aimed at supporting cash-strapped cannabis businesses in New York City has been finalized and is set to disburse funds as early as this summer. The fund, which had faced delays in its implementation, is a collaborative effort between the NYC Economic Development Corporation and the Department of Small Business Services.

Selection of Fund Manager

Tuatara Capital, a private equity fund specializing in cannabis investments, has been selected to manage the fund. The goal of the fund is to support social equity businesses across the five boroughs of New York City and align with the state's equity goals.

Background and Purpose

The establishment of the Cannabis NYC Loan Fund is a response to the slow progress of cannabis revenue goals in the state. Previous public-private funding initiatives, such as the DASNY fund, faced challenges and were ultimately suspended due to issues like predatory lending practices and high interest rates.

Loan Disbursement and Terms

The fund will operate in two phases. In the first phase, the city will provide $2.4 million in subordinated capital to be disbursed to approximately 40 Conditional Adult-Use Retail Dispensary (CAURD) licenses. Loans will average around $50,000 but can go as high as $100,000, with a capped interest rate of 9.5 percent.

In the second phase, the state will contribute an additional $7 million in loans at a zero percent interest rate, aiming to attract third-party partners to invest in the fund. This brings the total potential fund size to as much as $39 million.

Management and Oversight

Tuatara Capital will receive a management fee for administering the fund and will be responsible for attracting future investors. The fund's completion is seen as a positive sign for struggling businesses in the five boroughs and an opportunity for larger investors eyeing the New York cannabis market.

The Cannabis NYC Loan Fund represents a significant step in providing affordable financing to cannabis entrepreneurs in New York City. While there are limitations to the fund, such as its focus on businesses within the five boroughs, it is a promising development for the city's cannabis industry and a potential model for other jurisdictions looking to support cannabis businesses.

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