



# AGENDA REPORT

**TO:** Edward Reiskin  
City Administrator

**FROM:** Alexa Jeffress  
Director, Department of  
Economic and Workforce  
Development

**SUBJECT:** Cannabis Regulatory Commission  
2021 Annual Report

**DATE:** September 6, 2022

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City Administrator Approval 

Date: Sep 12, 2022

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## **RECOMMENDATION**

**Staff Recommends That The City Council Receive An Informational Report From The Cannabis Regulatory Commission For The Year 2021**

## **EXECUTIVE SUMMARY**

In 2004 Oakland voters passed ballot Measure Z, a voter initiative entitled “Oakland Cannabis Regulation and Revenue Ordinance.” In accordance with Ordinance No. 12694 C.M.S., which established the advisory committee’s procedures, staff hereby presents a report on the Cannabis Regulatory Commission’s 2021 activities for the City Council’s review (**Attachment 1**).

For questions regarding this report, please contact Greg Minor, Assistant to the City Administrator, at (510) 238-6370.

Respectfully submitted,



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ALEXA JEFFRESS  
Director, Department of Economic and  
Workforce Development

**Attachment (1): Cannabis Regulatory Commission 2021 Report**

**CITY OF OAKLAND CANNABIS REGULATORY COMMISSION  
2021 ANNUAL REPORT**

**To:** Oakland City Council Community Economic Development Committee  
**From:** Cannabis Regulatory Commission  
**Re:** 2021 Annual Report  
**Date:** August 23, 2022

**Members:** Chaney Turner, Chair, At Large; TiYanna Long, Vice-Chair, City Auditor; Javier Armas, District 1; Tracey Corder, District 2; Austin Stevenson, District 3; Lauren Payne, District 4; Vacant, District 5; Vacant, District 6; Vacant, District 7; Eric Medrano Mayor; Greg Minor, City Administrator.

**I. EXECUTIVE SUMMARY**

In 2021 the Cannabis Regulatory Commission (CRC) continued to engage in policy discussions around the transition of the cannabis industry into the regulated marketplace and the evolution of the City of Oakland's Equity Program (Equity Program). While the City Administration and City Council have adopted several of the CRC's 2021 recommendations, such as how to utilize state grants from the Department of Cannabis Control and the Governor's Office of Business and Economic Development (Go-Biz), other recommendations remain unresolved and require action. Recommendations requiring action include directing the use of cannabis tax revenue towards the Equity Program, creating a stand-alone onsite consumption license, and ensuring the safety of Oakland's cannabis businesses from burglaries and robberies.

The CRC also focused much of 2021 on whether and how to (i) forgive loans for delinquent equity loan borrowers and (ii) allow for the transfer of cannabis permits from equity applicants to general applicants. The CRC anticipates finalizing its recommendations on these topics for the City Council's review in the coming months.

Finally, it is critical that the City Council fill existing vacancies on the CRC so that the CRC can maintain quorum at monthly meetings. CRC meetings provide an essential forum for the public to guide the City of Oakland's cannabis program forward, and filling vacancies on the CRC will ensure this forum remains available.

**II. CANNABIS REGULATORY COMMISSION COMPOSITION AND ATTENDANCE**

After starting 2021 with 10 members and only one vacancy, the CRC currently has only eight members and three vacancies, leaving the CRC with just above the minimum number of members to achieve quorum. There are currently

vacancies for representatives of Districts Five, Six, and Seven. The CRC strongly encourages the City Council to fill all of these vacancies.

In terms of CRC leadership, the CRC appointed a new chair in 2021, Chaney Turner, following the departure of former CRC Chair Lanese Martin. The CRC also re-appointed TiYanna Long as vice-chair in 2021.

In terms of public engagement, public attendance at CRC meetings ranges from around fifteen to thirty individuals depending on the agenda topics. Attendees typically represent cannabis businesses across the supply chain, including both equity and general applicants.

### **III. OVERVIEW OF CURRENT OAKLAND CANNABIS LANDSCAPE**

The following factors have shaped the cannabis landscape in Oakland over the last year: (a) a newly regulated and highly taxed industry with an evolving Equity Program; (b) state grants that vary depending on local contributions; and (c) armed burglaries of cannabis businesses.

#### **a. Newly Regulated Industry and Evolving Equity Program**

After changes in state law and a race and equity analysis of the cannabis industry, in 2017 the City of Oakland adopted a permitting process for the cannabis industry's entire supply chain and an Equity Program to promote equitable ownership opportunities in the regulated cannabis marketplace. Over the last five years, cannabis businesses seeking to operate legally have gone from operating without any regulation to operating in a dual-licensed regulatory system with multiple layers of taxation.

The challenges of operating within the regulated marketplace are compounded by the fact that an unregulated cannabis marketplace operates in parallel to the regulated market. The unregulated cannabis market can offer cannabis at a lower price than the regulated market as unregulated operators do not have to account for taxes, fees, or the cost of compliance, such as laboratory testing of cannabis for potency and pesticides, bringing a building into compliance with building and fire codes, and security requirements.

Similar to the cannabis industry, the Special Activity Permits Division now in the Economic and Workforce Development Department (EWDD) has transitioned from monitoring eight dispensaries in 2017 to processing thousands of cannabis permit applications and directing the nation's first Equity Program equity program. The Equity Program has evolved from permitting prioritization to technical and legal assistance, revolving loan and grant programs, shared-use manufacturing facilities, workforce development programs, and purchasing property programs.

## **b. State Grant Funding Based on Local Contributions**

Although the City of Oakland has received millions of dollars in state grants in recent years, Oakland's competitiveness for state funding depends on its willingness to continue investing City funds in its Equity Program. In 2017 the City made an impressive financial commitment to promote equitable business ownership opportunities in the regulated cannabis industry by directing the initial \$3.4 million of new cannabis tax revenue towards a revolving loan program and technical and legal assistance for cannabis equity applicants. While the City has continued to support the Equity Program by exempting equity applicants from City application and permitting fees, the City has not made any additional direct investments in the Equity Program since 2017.<sup>1</sup>

Since 2020 the City has been able to continue and grow its Equity Program through state grants from Go-Biz, however, GO-Biz's available funding has fluctuated and its funding criteria weighs heavily in favor of local jurisdictions who invest their own funds in their equity programs. This criteria has helped Oakland "outpunch its weight" and at times receive more funding that even Los Angeles, a jurisdiction with ten times the population of Oakland, but due to Oakland's declining local investment, Oakland received less grant funding from Go-Biz in 2022 and is on track to receive less going forward if nothing changes.

On the other hand, the more funding Oakland provides its Equity Program, the more Go-Biz will support Oakland's Equity Program. This local investment is critical in light of varying state funding available and the increased competition from other jurisdictions that have now established cannabis equity programs and are competing for these same state funds.

## **c. Armed Burglaries**

Cannabis businesses in Oakland and beyond are increasingly becoming targets of burglars and robbers, including by caravans of armed burglars, such as in the summer of 2020 and in November 2021. This is despite the fact that most cannabis business locations are not open to the public and feature security measures, such as cameras, alarms, and safes.

The burglaries usually take place at night and often on the weekends when there are either fewer officers on duty (due to only patrol staff being on duty) or officers are handling other calls for service, such as shootings, robberies, domestic violence and other non-property crimes where someone is injured or could be injured. Burglars and robbers are motivated by the prospect of obtaining cannabis products for sale on the unregulated market as well as any cash onsite due to cannabis operators' limited access to the banking system.

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<sup>1</sup> Please note that this report was adopted by the CRC before the City Council adopted the FY 2022-2023 Mid-Cycle Budget, which include allocations for cannabis workforce development programs and the revolving loan program.

Furthermore, the lack of quick response time from law enforcement likely emboldens burglars and robbers to take advantage of cannabis businesses in Oakland. Delayed response time is due to a combination of factors, including the prioritization of crimes threatening lives over property crimes, huge volume of calls for service, shortage of officers, and time-intensive documentation requirements.

In terms of who is committing the burglaries and robberies, and how they are taking place, those committing the burglaries and robberies are often from outside of Oakland and they are employing increasingly aggressive measures. For example, of the eight arrested on November 21, 2021, only two were from Oakland. This presents a challenge to violence prevention strategies limited to within Oakland's borders. Burglars and robbers have also escalated from unarmed theft to armed caravans, and from utilizing ladders to access cannabis facilities to driving vehicles through structures and using blowtorches.

#### **IV. 2021 CRC RECOMMENDATIONS NOT YET IMPLEMENTED**

##### **i. Re-Investing Cannabis Tax Revenue Is Needed To Maximize Future State Grant Opportunities And Ensure Sustainability of Cannabis Program**

The CRC recommends that rather than apportioning all cannabis tax revenue towards the General Fund, the City Council should dedicate a significant portion of cannabis tax revenue received towards (1) continuing the Equity Program and (2) City staffing needs as state grants expire in the coming years. Implementing these recommendations will improve the City of Oakland's chances of receiving future state grants, begin to address the impacts of the War on Drugs in Oakland, and help ensure a safe and thriving cannabis industry in Oakland.

##### **1. Re-Investing in Equity Program**

As noted above, by re-investing local funding in the City's Equity Program, Oakland will remain competitive for future state grants, which provide a key funding source for equity entrepreneurs and employees seeking to participate in the regulated cannabis marketplace. Specifically, the City Council can allocate a portion of cannabis tax revenue towards the revolving-loan fund for cannabis equity applicants as well as cannabis workforce development programs.

##### **a. Supporting Revolving Loan Fund**

Federal prohibition of cannabis precludes cannabis operators from obtaining traditional bank loans, exacerbating the divide between historically marginalized cannabis operators and those with access to private networks of capital, such as wealthy family and friends. Oakland recognized this in its 2017 Race and Equity

Analysis of the cannabis industry, which recommended devoting the first \$3 million in new cannabis tax revenue towards a no-interest revolving loan program. Though loans must be repaid by equity applicants, they offer a tax-free source of funding and loan repayments help fund additional equity applicants.

While the loan program is designed to replenish through loan repayments, there is a need for a new infusion of funds due to a few factors. First, loans are repaid over a four-year period in order to provide borrowers an opportunity to utilize the funds. Second, the City introduced a loan modification program in 2020 that extends the loan repayment period to six years in order to support delinquent loan borrowers get back on track. Third, a percentage of loan borrowers are delinquent and unlikely to repay their loans.

Infusing the loan program with new funds will mitigate any gaps in state grant funding and help Oakland continue to reduce disparities in access to capital and business ownership opportunities.

### **b. Workforce Development Opportunities**

There is strong role for government to play with respect to cannabis workforce development. Due to security concerns and the lack of formal training institutions in the cannabis context, cannabis businesses tend to hire people they know, which reinforces socio-economic disparities. Furthermore, traditional job training programs lack subject matter expertise regarding cannabis specific issues.

By funding a cannabis job training and apprenticeship program for Oakland residents of police beats that experienced disproportionate levels of cannabis enforcement, Oakland can provide applicable training and connect different socio-economic groups. Moreover, by establishing a base of qualified cannabis employees, cannabis businesses will maintain and start cannabis businesses in Oakland, which in turn will increase tax revenues for the City. Finally, as noted above, by investing its own funds in the City's Equity Program, Oakland increases its odds of receiving Go-Biz grant funds in the future.

As part of an updated assessment of the City of Oakland's Equity Program, in 2021 the City partnered with Sharon Jan, a graduate of the University of California Berkeley Goldman School of Public Policy, who examined employment and entrepreneurship opportunities and challenges of non-cannabis equivalent industries in Oakland.<sup>2</sup> The analysis concluded that the City of Oakland can facilitate high wage employment opportunities by building partnerships and training Oakland workers to fill specialized manufacturing akin to chemical and medical manufacturing.

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<sup>2</sup> The comparative analysis can be found on pages 24-40 of the May 2021 Cannabis Regulatory Commission Agenda Packet: [https://cao-94612.s3.amazonaws.com/documents/CRC-May-6.-2021-Agenda-Packet\\_2021-05-03-154013.pdf](https://cao-94612.s3.amazonaws.com/documents/CRC-May-6.-2021-Agenda-Packet_2021-05-03-154013.pdf)

## 2. Ensuring Sufficient Staffing Once State Grant Funds Expire

In addition to receiving funds from Go-Biz, the City of Oakland recently received a three-year Local Jurisdiction Assistance Grant from the Department of Cannabis Control to expedite the processing of cannabis permits over the next three years. While this grant will fund much needed staffing and overtime in the Economic and Workforce Development Department, Fire Department, and Planning and Building Department, the CRC wants to ensure that the City does not become reliant on state grant funding and that the City has a plan for ensuring sufficient staffing when this grant expires. The CRC recommends revisiting the use cannabis tax revenues towards staff functions focused on cannabis regulation and the Equity program before the Local Jurisdiction Assistance Grant sunsets.

### ii. Creation Of Stand-Alone Onsite Consumption License

After multiple discussions over the course of 2021, in December 2021 the CRC approved recommending that the City Council add an onsite consumption license for locations where the public can safely consume cannabis that they either bring onsite or have delivered onsite. Staff anticipates presenting the proposed amendments to City Council later this year when staff has more time to focus on cannabis program amendments.

In the interim, the CRC offers the following language for the City Council's consideration (new language in underline):

DRAFT LANGUAGE 5.80.025 - Onsite consumption permit

A. A dispensary must obtain a secondary onsite consumption permit in order for cannabis to be consumed on the premises of the dispensary.

1. Any consumption of cannabis in or on a commercial or industrial property in the City of Oakland is prohibited without an onsite consumption permit. Onsite consumption permits issued to non-dispensaries shall only be granted if the location meets the same location restrictions as those that apply to dispensaries, however, no buffers are required between locations with onsite consumption permits.

i. At least half of all onsite consumption permits issued under this Subsection shall be issued to equity applicants.

ii. The City of Oakland's Smoking Ordinance, Oakland Municipal Code 8.30, shall not apply to this

2. A general applicant seeking an onsite consumption permit under Subsection (A)(1) shall have permitting priority over all other general

applicants seeking a permit under this Subsection if the general applicant serves as an incubator by satisfying the following:

i. Providing free real estate or rent for a minimum of three years to an equity applicant who has exclusive access to at least one thousand (1,000) square feet to conduct their business operations.

ii. Providing any City required security measures, including camera systems, safes, and alarm systems.

iii. The equity incubatee must obtain their cannabis permit and/or local authorization for a state license before the general incubator receives their onsite consumption permit and/or local authorization for a state license.

3. Subsection (A)(1)-(2) shall sunset two years after its adoption unless extended further by the Oakland City Council.

B. An onsite consumption permit may be issued at the discretion of the City Administrator to existing dispensaries in good standing or to applicants under OMC 5.80.025(A)(1) following a public hearing conducted according to the requirements of Chapter 5.02 and based on an evaluative point system that takes into consideration the operating history and business practices of the applicant, and any other factors that are deemed necessary to promote the peace, order and welfare of the public. An application for an onsite consumption permit may be denied for failure to meet requirements of the City Building Code, City Fire Code, City Planning Code, this chapter, and/or any violation of State or local law relevant to the operation of dispensaries.

C. The City Administrator shall establish conditions of approval for each onsite consumption permit, including but not limited to a parking plan, ventilation plan, anti-drugged driving plan, and set hours of operation. Set hours of operation may only be adjusted by submitting a written request to and obtaining approval from the City Administrator's Office.

D. The permit shall be subject to suspension or revocation in accordance with Section 5.80.070, and the owner/operator shall be liable for excessive police costs related to enforcement.

E. The application fee and annual fee for the onsite consumption permit shall be specified in the City's Master Fee Schedule.

F. All onsite consumption permits shall be special business permits and shall be issued for a term of one year. No property interest, vested right, or entitlement to receive a future license to operate a cannabis business shall ever inure to the benefit of such permit holder as such permits are revocable at any time with or without cause by the City Administrator subject to Section 5.80.070.

### **iii. Improving Safety of Cannabis Businesses**

As noted above, several cannabis businesses have suffered from burglaries and robberies in 2021. Improving the safety of cannabis businesses in Oakland is



paramount to preserving Oakland’s cannabis industry, which provides wealth-building and employment opportunities in addition to City tax revenues.

Accordingly, the CRC recommends that the City explore any local and state resources available to prevent ongoing burglaries of cannabis facilities. This includes funding for law enforcement to deter and respond to burglaries, resources for the cannabis industry to coordinate private security efforts, and improved technological systems to enhance communication between the City and cannabis operators as well as communication among operators.

**V. Conclusion and Next Steps**

The CRC is grateful for the opportunity to share with the City Council its 2021 recommendations. The above recommendations will ensure the City’s cannabis program continues moving forward and expands opportunities for both employment and business ownership opportunities.

Respectfully submitted,

Chaney Turner



Chair  
Cannabis Regulatory Commission

TiYanna Long

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Vice-Chair  
Cannabis Regulatory Commission