

Cannabis Regulatory Commission

Regular Meeting

Thursday, April 4, 2019

Council Chambers, City Hall, One Frank H. Ogawa Plaza

AGENDA

Members:

Lanese Martin	District 1	Frank Tucker	District 7
Chang Yi	District 2	Jeff Hatcher	At Large
Zach Knox	District 3	Stephanie Floyd-Johnson	Mayor
Jin Jack Shim	District 4	Vacant	City Auditor
Matt Hummel	District 5	Greg Minor	City Administrator
Derreck Johnson	District 6		

Available on-line at: <https://www.oaklandca.gov/boards-commissions/cannabis-regulatory-commission>

MEETING AGENDA

- A. Roll Call and Determination of Quorum
- B. Open Forum / Public Comment
- C. Review of the Pending List and Additions to Next Month's Agenda
 - *City Attorney Report (since July 2017)*
 - *Annual Report (since September 2017; draft presented in March 2019)*
 - *City of Oakland and Equity Owned/Made Appellations (since March 2019)*
- D. Approval of the Draft Minutes from the Cannabis Regulatory Commission meeting of March 2019.
- E. Reports for Discussion and Possible Action
 - 1. CRC's 2016-2018 Annual Report
 - 2. Update on Equity Program to City Council Finance Committee
- F. Announcements
 - 1. Update on Cannabis Permitting Process.
 - 2. BCC postpones SB 1294 funding
- G. Adjournment

Persons may speak on any item appearing on the agenda; however, a Speaker Card must be filled out and given to a representative of the Cannabis Regulatory Commission. Multiple agenda items cannot be listed on one speaker card. If a speaker signs up to speak on multiple items listed on the agenda, the Chairperson may rule that the speaker be given an appropriate allocation of time to address all issues at one time (cumulative) before the items are called. All speakers will be allotted 3 minutes or less – unless the Chairperson allots additional time.

♿ This meeting is wheelchair accessible. In compliance with the Americans with Disabilities Act, if you need special assistance to participate in the meetings of the Cannabis Regulatory Commission, please contact the Office of the City Clerk (510) 238-3612. Notification two full business days prior to the meeting will enable the City of Oakland to make reasonable arrangements to ensure accessibility. In compliance with Oakland's policy for people with chemical sensitivities, please refrain from wearing strongly scented products to events.

Questions or concerns regarding this agenda, or to review any agenda-related materials, please contact the Cannabis Regulatory Commission at (510) 238-6370.

Cannabis Regulatory Commission

Regular Meeting

Thursday, March 7, 2019

MINUTES

Council Chambers, City Hall, One Frank H. Ogawa Plaza

Members:

Lanese Martin	District 1	Frank Tucker	District 7
Chang Yi	District 2	Jeff Hutcher	At Large
Zach Knox	District 3	Stephanie Floyd-Johnson	Mayor
Jin Jack Shim	District 4	Vacant	City Auditor
Matt Hummel	District 5	Greg Minor	City Administrator
Derreck Johnson	District 6		

Available on-line at: <https://www.oaklandca.gov/boards-commissions/cannabis-regulatory-commission>

MEETING AGENDA

A. Roll Call and Determination of Quorum

Present: Martin, Yi, Knox, Shim, Hummel, Floyd-Johnson, Minor

Absent: Johnson, Tucker, Hutcher

B. Open Forum / Public Comment

Fernando Alvarez introduced himself as a state licensed cannabis event organizer interested in holding events in Oakland. Della Moran advocated for extending the initial phase of the cannabis permitting process so more equity applicants can benefit from incubation. Maarifa Roho encouraged quick implementation of SB 1294 grant funds so that equity applicants receive the benefits soon.

C. Review of the Pending List and Additions to Next Month's Agenda

- *Use of cannabis tax revenues (since July 2017)*
- *Annual report (since September 2017)*

Chair Yi moved to amend the "cannabis tax revenues" pending item to "city attorney report." The motion was seconded by Vice-Chair Knox and approved by consensus. Member Floyd-Johnson moved to indicate that a draft of the annual report has been submitted. Chair Yi seconded the motion and it passed by consensus.

D. Approval of the Draft Minutes from the Cannabis Regulatory Commission meeting of January 2019.

Vice-Chair Knox moved to accept the February 2019 minutes as drafted; Member Floyd-Johnson seconded the motion and it passed by consensus.

Persons may speak on any item appearing on the agenda; however, a Speaker Card must be filled out and given to a representative of the Cannabis Regulatory Commission. Multiple agenda items cannot be listed on one speaker card. If a speaker signs up to speak on multiple items listed on the agenda, the Chairperson may rule that the speaker be given an appropriate allocation of time to address all issues at one time (cumulative) before the items are called. All speakers will be allotted 3 minutes or less – unless the Chairperson allots additional time.

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E. Reports for Discussion and Possible Action

1. CRC's 2016-2018 Annual Report

Member Minor provided an overview of the draft report. Member Hummel questioned whether the demographics detailed in the Composition section were accurate. Chair Yi commented that this could be edited by the Annual Report subcommittee. Vice-Chair Knox expressed concern that some past recommendations by the CRC may not have been included in the report. Members Shim and Floyd-Johnson asked if the report should emphasize the CRC's waiting on clarification from the city attorney and OPD's need to update its training bulletin more, respectively. Chair Yi concluded that an updated report would be back before the CRC next month.

2. SB 1294 Local Equity Grant Program

Member Minor offered an overview of the 2019 Equity Applicant survey, its results, and potential approaches for utilizing SB 1294 funds. Member Hummel expressed support for grants as opposed to loans. Member Martin highlighted the lack of equity manufacturing and the benefits of supporting a facility that could serve multiple operators.

Members of the public suggested SB 1294 funds could support temporary events for equity businesses, dispensaries that only sell equity products, tool lending library, logos for equity businesses, technical assistance, legal assistance, state licensing fees, and job placement programs.

Member Shim moved for the City to use SB 1294 funds towards state licensing fees, bolstering the revolving loan program, continuing technical assistance, subsidizing commercial kitchens in either public facilities or public/private partnerships, and software programs. Member Hummel seconded the motion and it passed by consensus.

3. Cannabis Tax Rates

Members Hummel, Knox, Shim, and Floyd-Johnson expressed support for lowering the City of Oakland's cannabis tax rate to encourage more cannabis businesses to situate and/or remain in Oakland, specifically along the lines of Oakland Citizens for Equity and Prosperity's (OCEP) March 4, 2019 Cannabis Tax Policy Proposal. OCEP's March 4th proposal calls for the City of Oakland to tax all cannabis distributors at the same rate as non-cannabis businesses and all other cannabis operations at 0% if their annual gross receipts are less than \$1 million, 0.75% if annual receipts are between \$1-\$2 million, and 1.5% for annual receipts over \$2 million.

Member Shim then moved to recommend that the City Council adopt OCEP's March 4th recommendations; Vice-Chair Knox seconded the motion and it passed by consensus.

4. Use of Cannabis Tax Revenue

Member Martin encouraged the CRC to look forward and make recommendations to the City Council can use cannabis tax revenue towards those communities harmed in the war on drugs and develop workforce development opportunities in the cannabis industry in addition to promoting business ownership opportunities.

Member Martin then moved to recommend that the City Council apportion a significant portion of cannabis tax revenues towards helping victims of the war drugs by (1) continuing the equity program and (2) community

reinvestment, including workforce development programs. Vice-Chair Knox seconded the motion and it passed by consensus.

F. Announcements

1. Update on Cannabis Permitting Process.

Member Minor provided an update on the permitting process.

G. Adjournment

Vice-Chair Knox announced that Make Green Go is hosting the Second Annual Equity Summit on April 26th with a trade expo highlighting equity products.

Member Hummel encourage people to support Senate Bill 829 for compassionate care programs.

CANNABIS REGULATORY COMMISSION

ITEM E-1

**CITY OF OAKLAND CANNABIS REGULATORY COMMISSION
2016-2018 REPORT**

To: Oakland City Council Community Economic Development Committee
From: Cannabis Regulatory Commission
Re: 2016-2018 Report
Date: TBD

Members: Chang Yi, Chair, District 2; Zachary Knox, Vice-Chair, District 3; Lanese Martin, District 1; Jin Jack Shim, District 4; Matt Hummel, District 5; Derreck Johnson, District 6; Frank Tucker, District 7; Jeff Hutcher, At Large; Stephanie Floyd-Johnson, Mayor; Greg Minor, City Administrator.

I. INTRODUCTION

Since the passage of long overdue state legislation in 2015 and 2016 that legalized the cannabis industry's supply chain and the adult use of cannabis, the Cannabis Regulatory Commission (CRC) has engaged in numerous policy debates, including several of which that were presented to and considered by the City Council over the last three years. Now that this initial flurry of policy debates has passed, the CRC can reflect on its 2016-2018 activities and highlight outstanding issues for the City Council's consideration.

II. COMPOSITION OF CANNABIS REGULATORY COMMISSION

The CRC's membership has changed dramatically over the course of 2016-2018. Only two current members of the CRC were members of the CRC in 2016. Further, the CRC has evolved from a predominantly white commission with zero African-American members to a commission that predominantly consists of people of color, including several African-Americans though there are no Latino-Americans serving on the commission presently.

In fall of 2018 the CRC elected a new Chair and Vice-Chair, Chang Yi and Zachary Knox, respectively. All eleven positions on the commissions are currently filled except for the City Auditor's representative. The CRC only failed to establish a quorum for its monthly meeting one time over the course of 2016-2018.

III. 2016-2018 CANNABIS REGULATORY COMMISSION ACTIVITY

Below the CRC has outlined its activities during each of the last three years and how the CRC's activities interacted with the local and state legislative context at the time. For a summary chart of the CRC's activities and the local and state cannabis context from 2016-2018 please see **Attachment A**.

a. 2016

In November 2016, the California electorate passed Proposition 64, the Adult Use of Marijuana Act (AUMA), which legalized adult use and extended the legalization of the cannabis industry's supply chain that the Medical Cannabis Regulation and Safety Act (MCRSA) had initiated in 2015. In turn, the Oakland City Council updated its cannabis permitting ordinances, Oakland Municipal Code (OMC) 5.80 and 5.81, including an initial version of the equity program, before considering various proposals to amend these ordinances and ultimately directing the City Administration to conduct a race and equity analysis of these proposals.

During this time the CRC made several recommendations that were later adopted by the State, City Council, or City Administration. These include the CRC's support of the passage of Proposition 64, modifying the qualifying police beats under the initial equity program, expanding the size allowed for personal cultivation, and allowing onsite consumption at dispensaries.

The CRC also made recommendations in 2016 that were not adopted by the State, City Council, or City Administration. These recommendations include:

- formalizing a cannabis job training program,
- clarifying legal paths for disposing cannabis waste,
- improving banking access for cannabis businesses,
- expediting building and fire permitting,
- reducing criminal enforcement of cannabis offenses, and
- reducing disparate enforcement outcomes by race.

b. 2017

2017 was an even busier year for cannabis regulations. The State legislature consolidated medical and adult use laws by passing the Medical and Adult Use of Cannabis Regulation and Safety Act (MAUCRSA) and the State agencies regulating cannabis businesses released their initial set of regulations.

At the local level, the City Administration presented its race and equity analysis, which led to the Oakland City Council adopting a revised equity permit program and funding technical and financial assistance to equity applicants through new incoming cannabis tax revenue. Later in the year the City Council further amended OMC 5.80 and 5.81 to incorporate adult use of cannabis and local authorizations for a temporary state license. The City Administration also began receiving applications for non-dispensary operations and for eight additional dispensary permits.

In 2017 the CRC's recommendations for establishing a permitting process for temporary cannabis events and for allowing cannabis businesses to share space were adopted at both the local and state levels.

In contrast, the CRC's recommendations that the City formally

- adopt the CRC's advisory role on all commercial cannabis matters,
- expand the areas where cannabis businesses are allowed, and
- remove the numeric limit on the dispensary permits were not adopted.

c. 2018

In 2018 cannabis regulations continued to evolve at both the state and local level. State agencies updated their regulations multiple times and the State legislature passed several cannabis related bills, including the California Cannabis Equity Act of 2018. The City Administration processed hundreds of cannabis permit applications and selected eight new dispensary operators. The Oakland City Council amended OMC 5.80 and 5.81 to protect live-work and residential premises and incorporate clean-up amendments. The City Council also placed Measure V on the ballot to authorize the City Council to reduce the tax rate for adult use cannabis businesses. Oakland voters then overwhelmingly approved Measure V.

The CRC's recommendation to protect work-live and residential uses from being displaced by cannabis businesses was adopted by the City Council. Likewise, the City Administration adopted the CRC's recommendations to decrease the amount of criminal enforcement of cannabis offenses and to extend the hours of operation for dispensaries.

On the other hand, the CRC's recommendations that the City eliminate taxes for compassion programs and formally establish Oakland as a sanctuary city for cannabis were not adopted, and disparities across racial groups for cannabis enforcement remain.

IV. OUTSTANDING ISSUES

Below the CRC has highlighted outstanding issues for the City Council's consideration.

a. Extent of Cannabis Regulatory Commission's Authority

The extent of the CRC's authority continues to be an unresolved issue.

In its 2004 Impartial Analysis of Measure Z, the City Attorney's Office determined that Sections five and eight of Measure Z, which required the City of Oakland to regulate adult use of cannabis if state law changed and to advocate for changes in state law, were unconstitutional because they did not

enact a law (for the actual text of Measure Z see **Attachment B**). The City Attorney's Office also interpreted the undefined term of "private adult cannabis offenses" to mean cannabis use, cultivation, sale, possession, and distribution that takes place in one's home, only. The City Council later formally adopted this interpretation by Resolution.

These interpretations limited the CRC's formal authority to just advising the City Council regarding the lowest law enforcement priority for private adult cannabis offenses in private residences. However, since the December 2014 City Council Public Safety Committee directed the City Administration to consult the CRC regarding proposed amendments to the City's commercial cannabis permitting ordinances, the CRC has become the de facto advisory commission for all commercial and private cannabis policy matters. Further, the CRC has requested an updated opinion from the City Attorney's Office regarding the extent of the CRC's authority in light of the passage of Proposition 64.

As of the date of this writing, the CRC is still waiting on an updated analysis from the City Attorney's Office.

b. Use of Cannabis Tax Revenue

Part of the reason the CRC has requested an updated opinion from the City Attorney's Office regarding the CRC's authority is because the commission is interested in exercising its stated authority under Measure Z Section 7 (d), "[to] oversee the disbursement of revenues generated through the sale of cannabis by licensed cannabis businesses to ensure that funds go to vital city services such as schools, libraries and youth programs." As of the date of this writing, the CRC has not received any clarification from the City Attorney's Office on its authority to oversee the expenditure of cannabis tax revenue.

Additionally, in 2017 the City Council has already directed the future use of cannabis tax revenues via Resolution 86633, which provided funding for the equity applicant revolving loan program, two years of consultants to administer the loan program and provide technical assistance, and directed that twenty percent of any remaining cannabis tax revenue go towards job training services, blight abatement, and loans to low income cannabis operators (Resolution 86633 is available as **Attachment C**).

c. Ensuring Success of Equity Program

The CRC is also interested in ensuring the cannabis equity program is successful in fostering equity cannabis businesses that are compliant, operational, and sustainable. The CRC has been and will continue to be a forum for operators and advocates to discuss issues related to the equity program. The CRC will continue to work the City Administration on any

administrative recommendations related to the equity program, and the CRC will forward any legislative recommendations for the City Council's consideration.

d. Disparities in Criminal Enforcement of Cannabis Offenses

Although the overall amount of criminal cannabis enforcement in the City of Oakland has dropped considerably since the passage of Proposition 64, racial disparities remain with African-Americans and other people of color still being cited and arrested at disproportionately higher rates (see OPD Report on Citations and Arrests for 2017 Cannabis Offenses in **Attachment D**). The CRC expects OPD to continue working with the commission on developing and implementing policies until these disparities are resolved.

Respectfully submitted,

CHANG YI
Chair
Cannabis Regulatory Commission

ZACHARY KNOX
Vice-Chair
Cannabis Regulatory Commission

Attachments:

- A: Cannabis Regulatory Commission 2016-2018 Summary Chart**
- B: Text of Measure Z**
- C: Resolution 86633**
- D: OPD Report on Citations and Arrests for 2017 Cannabis Offenses**

CANNABIS REGULATORY COMMISSION

ITEM E-2



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2019 MAR 28 PM 12: 27

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Greg Minor
Assistant to the City
Administrator

SUBJECT: Update on Cannabis Equity Program

DATE: March 19, 2019

City Administrator Approval

Date:

3/28/19

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report On The City Of Oakland's Cannabis Equity Program.

EXECUTIVE SUMMARY

The City Council established the City of Oakland's Cannabis Equity Program (Equity Program) in the spring of 2017 following a race and equity analysis that identified strategies to promote equitable ownership and employment opportunities in the cannabis industry to address the disproportionate impacts of the war on drugs in marginalized communities of color. While realizing the goals of the Equity Program is complex and ongoing, the City of Oakland has made great strides thus far, and the City's actions have triggered a national conversation about how to imbed fairness in the legalization process so that those most impacted by the war on drugs can benefit from cannabis legalization.

BACKGROUND / LEGISLATIVE HISTORY

Federal Cannabis Policy Unsettled but Generally Deferential to States

Cannabis remains a Schedule One controlled substance under federal law, however, since the 2013 Department of Justice "Cole Memorandum"¹ and the 2015 Fahr-Rohrbacher federal budget amendment,² state compliant medical cannabis facilities have generally been shielded from federal prosecution. The Trump Administration has at times threatened to interrupt this

¹ The Cole Memorandum can be found here:

<https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>

² The Fahr-Rohrbacher amendment states: "None of the funds made available in this Act to the Department of Justice may be used, with respect to the States of... California...to prevent such States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana."

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status quo by rescinding the Cole Memorandum. Nonetheless, Congress has consistently extended the Fahr-Rohrbacher amendment and the federal government has not prioritized cannabis prosecutions.

California Initiates Statewide Cannabis Regulation

Although medical cannabis has been legal in California longer than anywhere in the country, until the passage of the Medical Cannabis Regulation and Safety Act (MCRSA) in 2015, California's system of medical cannabis was one of the least structured regulatory frameworks in the United States. MCRSA created a comprehensive regulatory framework for the cultivation, production, transportation and sale of medical cannabis in California, all overseen by a new state bureau. In November 2016, the people of California enacted the Adult-Use of Marijuana Act (AUMA) or Proposition 64, which among other actions, established a licensing and taxation scheme for the non-medical adult-use of cannabis in California. Then in June 2017, the state legislature consolidated the MCRSA and AUMA into the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). State agencies have been implementing MAUCRSA ever since, including through the issuance of multiple sets of regulations governing cannabis operations.

Oakland's Cannabis Regulatory History

The City of Oakland has been a leader in regulating cannabis. Following the federal closure of Oakland Cannabis Buyers Club (OCBC), the City's initial medical cannabis provider under OMC 8.46, in 2004 the City of Oakland enacted OMC 5.80, which established the nation's first permitting process for medical cannabis dispensaries. In 2011 the City of Oakland expanded the number of available dispensary permits from four to eight and attempted to establish a permitting process for the cultivation of medical cannabis under OMC 5.81, however, threats of federal intervention and the lack of comprehensive state law prevented any implementation of OMC 5.81.

Oakland Examines Equity Within Cannabis Industry

In anticipation of state legalization of the cannabis industry's supply chain and the adult use of cannabis, the City of Oakland began exploring approaches to legalizing the cannabis industry within Oakland in 2015 and 2016. Discussions at the City Council centered around one question: Who benefits from cannabis legalization? This inquiry led the City Council in the fall of 2016 to adopt the goal of promoting equitable ownership and employment opportunities in the cannabis industry to address the disproportionate impacts of the war on drugs in marginalized communities of color and to direct the City Administration to conduct a race and equity analysis of proposed medical cannabis regulations.

In March 2017 staff returned with a race and equity analysis that identified barriers to achieving a more equitable cannabis industry and strategies to remove those barriers. For example, the analysis found within the cannabis industry disparities in access to capital and real estate as well as disparities in operators' familiarity with the "red tape" involved in governmental processes and operating a compliant cannabis business. In response, the analysis recommended creation of several measures to prioritize lower-income Oakland residents that

either had a cannabis conviction arising out of Oakland or had lived in areas of Oakland that experienced disproportionately higher levels of cannabis enforcement.³ Strategies identified to prioritize equity applicants included:

- Free industry specific and business ownership technical assistance;
- A no-interest revolving loan program funded by new cannabis tax revenue;
- A phased permitting process whereby the City Administrator must issue half of all permits under OMC 5.80 and 5.81 to equity applicants during the initial phase;
- An incubator program that prioritizes general applicants who provide three years of free space and security to equity applicants; and
- Application and permit fee exemptions for equity applicants.

In the spring of 2017 City Council passed a legislative package enacting these recommendations and the City Administrator's Office began accepting applications for non-dispensary permits in May of 2017.

Growth of a Larger Movement

Oakland's pioneering race and equity analysis of the cannabis industry and creation of an Equity Program has inspired jurisdictions across the country to pursue similar programs. Most immediately, the City and County of San Francisco and the City of Los Angeles conducted similar analyses and enacted their own equity programs later in 2017. The City of Sacramento and State of Massachusetts followed with their equity programs and in the fall of 2018 Governor Brown signed Senate Bill (SB) 1294, the California Cannabis Equity Act of 2018, which sets aside \$10 million in one-time funding for local jurisdictions that have adopted cannabis equity programs. SB 1294 has in turn inspired additional jurisdictions in California, with the City of Long Beach and City of San Jose adopting equity programs, and several others moving towards enacting their own programs.

The adoption of cannabis equity programs has not only encouraged jurisdictions in the process of legalizing cannabis to consider equity programs at the outset, such as the states of New York and New Jersey, but it has also motivated jurisdictions like Denver, Colorado and Portland, Oregon, to reconsider their approach to cannabis legalization. In sum, the City of Oakland has changed the national conversation around cannabis legalization.

³ OMC 5.80.010 and OMC 5.81.020 define an "Equity Applicant" as "an Applicant whose ownership/owner: 1. Is an Oakland resident; and 2. In the last year, had an annual income at or less than 80 percent of Oakland Average Medium Income (AMI) adjusted for household size; and 3. Either (i) has lived in any combination of Oakland police beats 2X, 2Y, 6X, 7X, 19X, 21X, 21Y, 23X, 26Y, 27X, 27Y, 29X, 30X, 30Y, 31Y, 32X, 33X, 34X, 5X, 8X, and 35X for at least ten of the last twenty years or (ii) was arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland, California."

ANALYSIS AND POLICY ALTERNATIVES

Implementation of Non-Dispensary Permitting Process

Since the City Administrator's Office began receiving cannabis permit applications for cultivation, manufacturing, delivering, distributing and testing in May 2017, several trends have unfolded, including four major trends highlighted below.

1. Large Amount of Applications Received

First, the overall number of cannabis permit applications submitted has been tremendous, with numbers spiking around state deadlines of January 1, 2018 and January 1, 2019 (see **Figure 1** for overall application statistics and **Figure 2** for application data over time). However, because the City of Oakland allows operators to submit an application, or in some cases just check an additional box(s) on an application, before identifying the address for their proposed cannabis business, the total number of applications submitted is likely inflated beyond the actual number of cannabis operations that will receive a permit. For example, of the 813 total equity permit applications submitted, more than 270 lack an identified premise to operate.

2. Number of General Applicant Incubators Steadily Increasing

Second, general applicants' compliance with the equity program's permitting restrictions has improved over time, with both the number of general applicant incubators and the number of general applicants transitioning to incubators steadily increasing, particularly around January 1, 2018 and January 1, 2019. These actions are consistent with the framework laid out by the City Council in the fall of 2017 when it amended OMC 5.80 and 5.81 to apply the equity permitting restrictions to the state temporary licensing process, whereby a minimum of half of all businesses locally authorized for a temporary license must be equity applicants, and general applicants incubating equity applicants receive the next available local authorization. Thus, general applicants interested in obtaining a temporary state license have opted into incubation over time (see **Figure 2** for trends over time and **Figure 3** for state licensing statistics).

3. Far More Delivery Services and Distributors Than Cultivators and Manufacturers

Third, delivery and distribution operations have been the most common cannabis business types, particularly among equity applicants. This is not surprising considering these are the least capital intensive operations and they generally require far less to comply with building and fire codes than cultivation and manufacturing operations. This trend is significant, as this signals that there is a need to provide additional assistance to equity applicants interested in producing products so that they can create brands and develop more substantial wealth-building opportunities.

4. Few Operators Have Obtained Final Permits

Fourth, the number of cannabis applicants that have obtained final permits pales in comparison to the number of overall applicants and applicants locally authorized for a temporary state license (see **Figure 4** for statistics on new permits). This trend is likely a combination of factors,

including the time and capital required to obtain approvals from the building and fire departments, which are requirements for a permit but not a temporary state license, and the lack of incentive operators have had to complete the permitting process as they have been able to legally operate with a temporary state license thus far. The City Administrator's Office has been and will continue to evaluate strategies to assist operators to become fully permitted, including the outsourcing of fire plan review to on-call contractors, and updated cannabis operator regulations that require applicants to demonstrate progress in the permitting process.

Figure 1- Non-Dispensary Cannabis Permit Applications Received as of March 13, 2019

	TOTALS	PENDING	GRAND TOTAL
Total Complete & Incomplete Applications	1481	96	1577
Total Complete Applications	1385		
Complete General Applications	572		
Equity Applications based on residency	706		
Equity Applications based on conviction	107		
Incubators	343		
Interested in Incubating	23		
Complete Application with property	1066		
Complete Application without property (Equity)	271		
Complete Applicants without property (General)	48		

COMPLETED APPLICATIONS BY BUSINESS TYPE	GENERAL	INCUBATOR*	INTERESTED IN INCUBATING*	EQUITY
Delivery	134	64	4	205
Cultivator (Indoor)	124	69	12	129
Cultivator (Outdoor)	5	5	0	35
Distributor	131	91	4	203
Mfg. Volatile	64	45		46
Mfg. Non-Volatile	102	62	3	141
Transporter	9	4	0	39
Lab Testing	3	3	0	15
GRAND TOTALS	572	343	23	813

*These numbers are part of the General Total

Figure 2- Non-Dispensary Cannabis Permit Applications Submitted Over Time

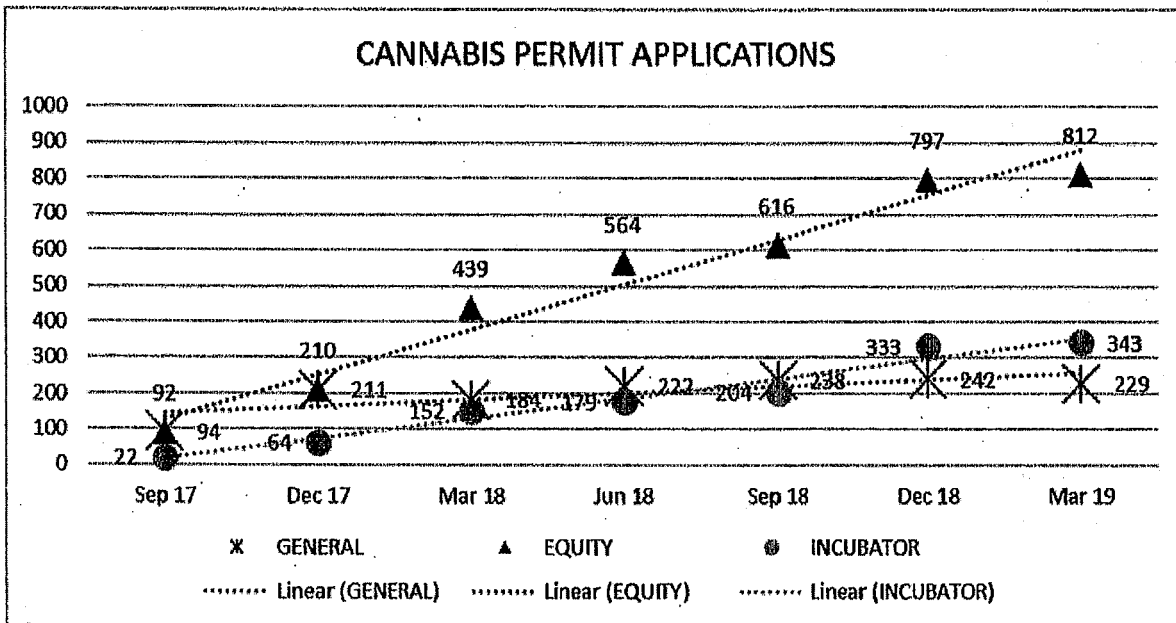


Figure 3- Cannabis Operators Locally Authorized for a Temporary State License

	Delivery	Distribution	Cultivation	Lab Testing	Mfg. V	Mfg. NV	Transport	
EQUITY	122	109	50	3	10	64	11	369
INCUBATORS	56	84	63	2	32	72	1	310
GENERALS	7	0	1	0	0	4	0	12
TOTALS:	185	193	114	5	42	140	12	691

Figure 4- New Cannabis Permits Issued Since May 2017

	GENERAL NOT INCUBATING	INCUBATOR	EQUITY	TOTAL
NEW ANNUAL PERMITS BY BUSINESS TYPE				
Dispensary	0	1	1	2
Delivery	10	1	14	25
Cultivator (Indoor)	0	2	2	4
Cultivator (Outdoor)	0	0	0	0
Distributor	1	4	4	9
Mfg. Volatile	0	1	0	1
Mfg. Non-Volatile	0	0	1	1
Transporter	0	0	2	2
Lab Testing	0	0	0	0
GRAND TOTALS	11	9	24	44

Implementation of Dispensary Permitting Process

Unlike non-dispensary permits, the City of Oakland limits the number of dispensary permits, which in turn requires the City Administrator's Office to develop a separate permitting process for dispensaries. In the fall of 2017 the City Administrator's Office issued a Request for Permit Applications (RFP) for eight additional dispensary permits. This RFP featured a bifurcated permitting process that lowered barriers of entry into the retail market by not requiring applicants have a property as a prerequisite to applying, reserving four of the permits for equity applicants selected via public drawing, and placing the most weight in the competitive scoring process on objective and verifiable measures, such as the number of equity applicants that will be incubated by the dispensary, as opposed to more subjective elements, like an applicant's business plan, which often depends on applicant's resources to hire a consultant.

As a result of this process, the City Administrator's Office granted six of the eight new dispensary permits to equity-owned businesses, including several operated by African-Americans and other people of color, a sharp contrast to the City's original dispensaries. At this point two of these new dispensaries have opened for business and the remainder are largely bringing their sites into compliance with the building and fire codes and satisfying any commitments they made via the RFP process.

Technical Assistance Program

After undergoing competitive Request for Proposal (RFP) processes in both 2017 and 2018, Make Green Go has served as the technical assistance consultant to the Equity Program. In 2017 Make Green Go focused on preparing equity applicants for the dispensary RFP process and matching equity applicants with general incubators. Subsequently, Make Green Go has concentrated efforts on assisting equity applicants move forward in the permitting process.

Make Green Go's services generally consist of one on one consultations, an online library of entrepreneurship and cannabis compliance resources, and workshops. Workshop topics have included budgets and financials, securing funding, packaging and labelling compliance, taxes and insurance, and state licensing requirements. In terms of statistics, Make Green Go has held 199 one on one consultations, 660 equity applicants have attended their workshops and product assessments, 785 equity applicants have enrolled in the Equity Online Bootcamp, and 140 applicants attended Make Green Go's First Equity Summit. In April, Make Green Go will co-host the Second Annual Equity Summit and Expo that will focus on equity manufacturers and cultivators and encourage networking with cannabis retailers and distributors.

Revolving Loan Program

Pursuant to Resolution No. 86633 C.M.S., the City of Oakland has re-invested the initial \$3 million in new cannabis tax revenue it received after the passage of the Equity Program towards a zero-interest revolving loan program for equity applicants. After selecting Elevate Impact via a competitive RFP process in the summer of 2018, the City Administrator's Office launched the loan program on November 1, 2018. The loan program currently consists of five different tiers of loans ranging between \$5,000 and \$100,000, with the tiers depending on which milestones an applicant has satisfied in establishing a lawful and permitted cannabis business. Milestones include obtaining a business tax certificate and seller's permit, incorporating one's business, obtaining insurance, and completing the cannabis permit inspection card. The loan tiers thus provide operators with both capital and guidance on establishing a lawful cannabis business.

To date, the City has committed \$660,000 of funding towards 20 borrowers, for an average of \$35,000 per loan. These commitments include a total funded amount of \$455,000 to 15 borrowers, or an average \$30,000 per loan, and a total committed but not yet funded amount of \$205,000 to five borrowers or \$41,000 per loan.

Applicants apply for loans online at Elevate Impact's website where they register for an account and complete the web-based loan application by answering questions and uploading required documentation. A submitted application is then reviewed by the Elevate Impact Loan Committee for completeness and scoring according to the Equity Loan Assessment criteria. Given the limited loan funds and the fiduciary responsibility associated with collecting and relending the loan capital, loans are made on a first come first served basis and loan applications must receive a minimum score of 60 out of 100 points on the Loan Assessment. If a loan application does not score 60 points or higher, feedback is provided, and the applicant can resubmit their loan application to improve their score. In most instances, applications meet the minimum score, but remain open due to the need to update incomplete or out-of-date documents.

To date, 100 applications have been started on the Elevate Impact website of which 44 have been submitted. Of these 44 submissions, 24 are currently under review and have outstanding requests for updated documentation. 15 applications have been funded and five applications have been approved but not yet funded.

More information on the loan program is available at <https://www.elevateimpactoakland.com>.

Ongoing Challenges

The Equity Program does not exist in a vacuum. Equity applicants face many of the same challenges that confront entrepreneurs seeking to establish any business, such as securing sufficient capital, bringing a facility into compliance with building and fire codes, legal issues, scaling a business, and securing sales. Further, equity applicants encounter many of the same challenges that face any cannabis business operating in the infancy of cannabis legalization, such as market uncertainty, regulatory compliance, inadequate access to banking, and security concerns. For a summary of barriers experienced by equity applicants see **Attachment A-Equity Applicant 2019 Survey Results**.

While the challenges faced by equity applicants may not be unique, these challenges likely have a disproportionate impact on equity applicants due to a web of past and present policies and actions of institutions that have resulted in disparities in business ownership and access to venture capital. Accordingly, it is essential the City of Oakland and others continue to take steps to eliminate and mitigate these challenges wherever feasible.

Upcoming Opportunities

Moving forward, the City Administrator's Office intends on continuing to lower barriers of entry into the regulated market for equity applicants, providing opportunities for consumers to support equity applicants, and exploring workforce development opportunities in the cannabis industry for Oakland residents disproportionately impacted by the war on drugs.

SB 1294, while far from a panacea, offers an opportunity to address several challenges confronting equity applicants. For example, SB 1294 funding can address some of equity applicants' capital needs by providing funding for equity applicants' state licensing fees and tax obligations. Additionally, SB 1294 can assist equity applicants seeking to make products by facilitating their access to much needed commercial kitchens and sales opportunities, by subsidizing the buildout of kitchens and covering the cost of temporary cannabis sales events focused on equity businesses, where operators can attract additional customers and build their brands. Further, SB 1294 funds can help fund the continuation and expansion of the technical assistance and loan programs, as funding for both will expire unless the City Council provides funding beyond the initial \$400,000 allocated under Resolution No. 86633.

The City Administrator's Office is also exploring approaches to help educate consumers on which cannabis businesses are owned by equity applicants and which products are made by equity applicants, so consumers interested in supporting equity can spend their dollars in line with their values. These approaches will likely be of little cost to the City and will magnify the City's efforts to support equity businesses.

Finally, the City Administrator's Office is beginning to explore partnerships and funding sources for cannabis job training organizations. The cannabis industry offers a variety of employment options and growth opportunities for those lacking formal education, and employees avoid many of the difficulties that business owners confront in the first years of cannabis legalization.

FISCAL IMPACT

There is no fiscal impact associated with this informational report.

PUBLIC OUTREACH / INTEREST

In advance of this report, staff conducted a survey of equity applicants, attached as **Attachment A**, to guide staff's analysis. Additionally, the Equity Program and related topics have been discussed at virtually every Cannabis Regulatory Commission meeting over the last two years.

COORDINATION

The City Administrator's Office's Special Activity Permits Division consulted with the Department of Race and Equity and the Office of the City Attorney in preparation of this report.

SUSTAINABLE OPPORTUNITIES

Economic: Establishing a pathway to equitable cannabis industry growth will generate economic opportunities for Oakland residents.

Environmental: Encouraging local employment and business ownership can reduce commutes and related greenhouse gas emissions.

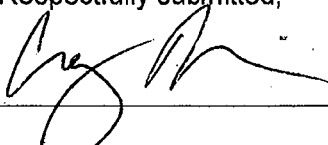
Social Equity: Promoting equitable ownership and employment opportunities in the cannabis industry can decrease disparities in life outcomes for marginalized communities of color and address disproportionate impacts of the war on drugs in those communities.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That the City Council Receive An Informational Report On The City Of Oakland's Cannabis Equity Program.

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

Respectfully submitted,



GREG MINOR
Assistant to the City Administrator

Attachment A: 2019 Equity Applicant Survey Results

Item: _____
Finance Committee
April 9, 2019

FILED
OFFICE OF THE CITY CLERK
OAKLAND

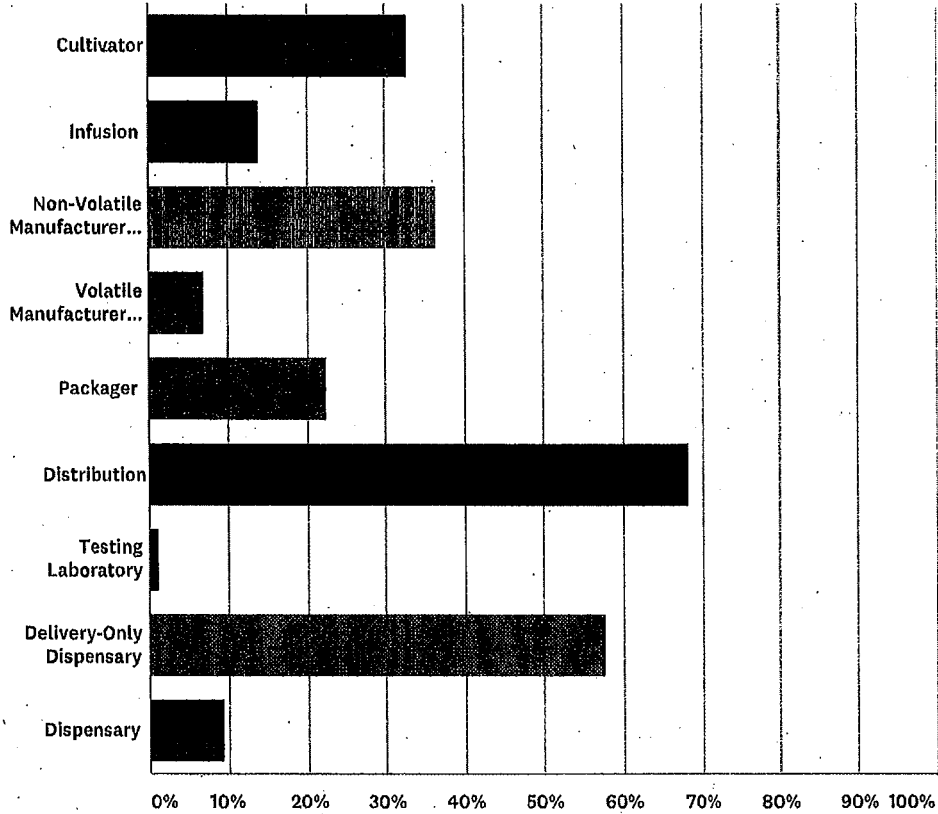
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ATTACHMENT A

2019 Equity Applicant Survey

Q1 What Type of Cannabis Business Are You Operating ? Please select all that apply.

Answered: 85 Skipped: 2

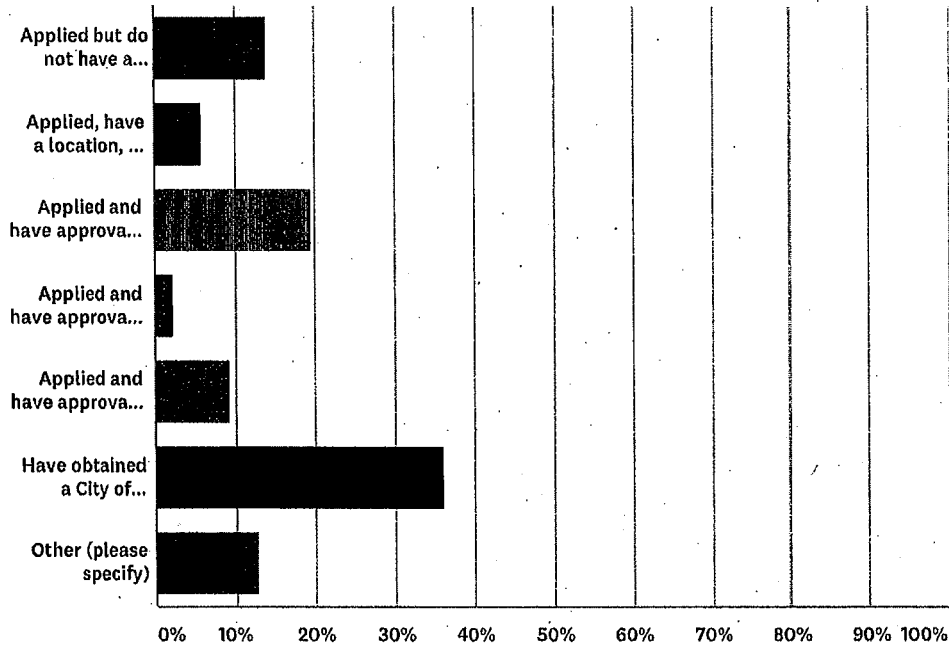


ANSWER CHOICES	RESPONSES	
Cultivator	32.94%	28
Infusion	14.12%	12
Non-Volatile Manufacturer (extraction)	36.47%	31
Volatile Manufacturer (extraction)	7.06%	6
Packager	22.35%	19
Distribution	68.24%	58
Testing Laboratory	1.18%	1
Delivery-Only Dispensary	57.65%	49
Dispensary	9.41%	8
Total Respondents: 85		

2019 Equity Applicant Survey

Q2 Which of the Following Options Best Describes Where You Are in the City of Oakland's Cannabis Permit Process?

Answered: 86 Skipped: 1

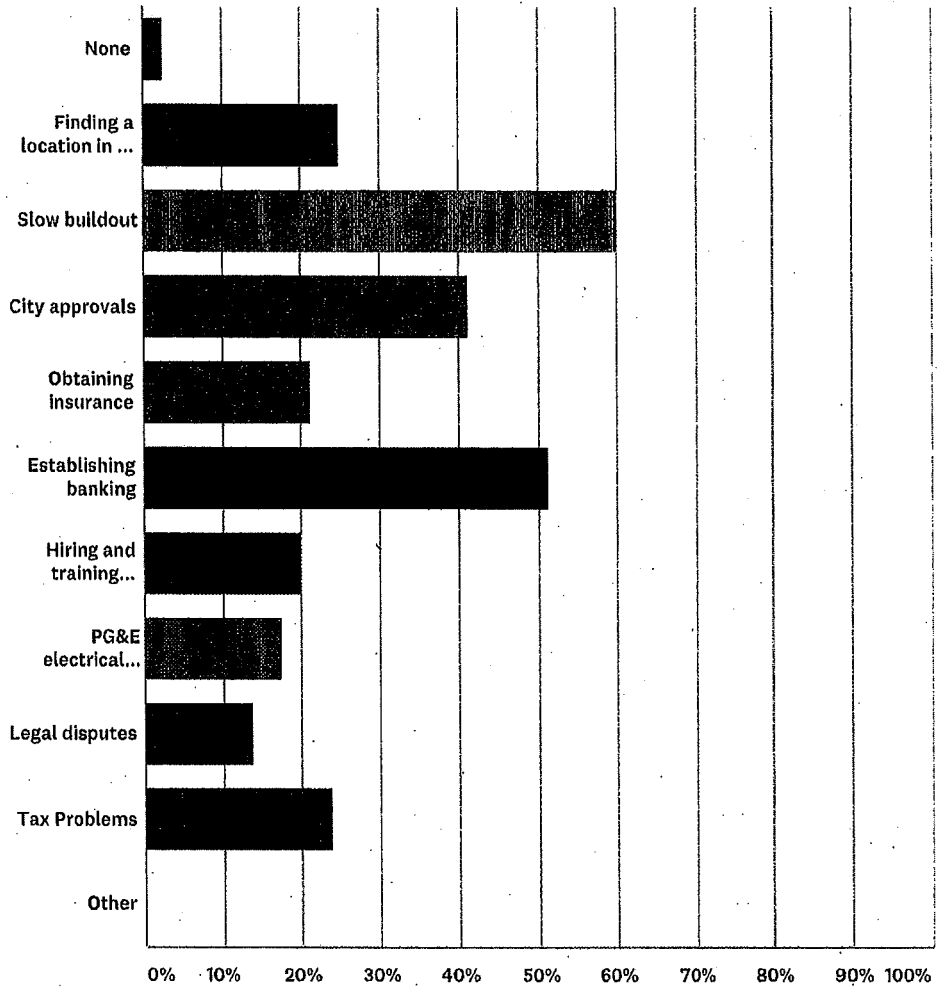


ANSWER CHOICES	RESPONSES	
Applied but do not have a business location yet	13.95%	12
Applied, have a location, but have not obtained approvals from any city/county agencies yet	5.81%	5
Applied and have approvals from the Bureaus of Planning and Revenue Management	19.77%	17
Applied and have approvals from the Bureaus of Planning, Revenue Management, and Building	2.33%	2
Applied and have approvals from the Bureaus of Planning, Revenue Management, Building and Fire Prevention	9.30%	8
Have obtained a City of Oakland cannabis permit	36.05%	31
Other (please specify)	12.79%	11
TOTAL		86

2019 Equity Applicant Survey

Q3 What barriers are you experiencing as you establish a compliant cannabis business? Please select all that apply.

Answered: 80 Skipped: 7



ANSWER CHOICES	RESPONSES	
None	2.50%	2
Finding a location in a permitted zone	25.00%	20
Slow buildout	60.00%	48
City approvals	41.25%	33
Obtaining insurance	21.25%	17
Establishing banking	51.25%	41
Hiring and training employees	20.00%	16
PG&E electrical upgrade	17.50%	14
Legal disputes	13.75%	11

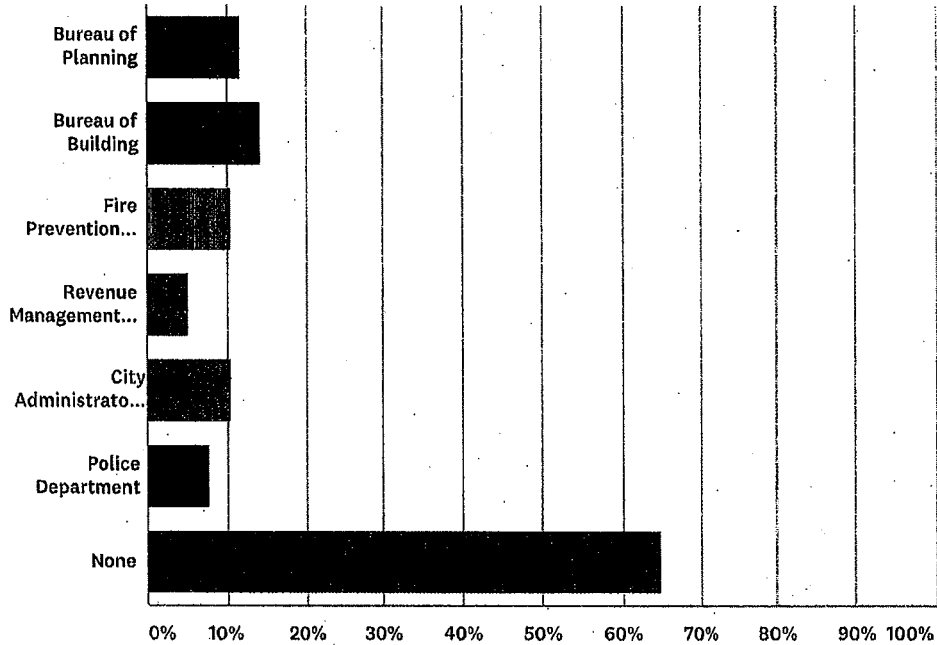
2019 Equity Applicant Survey

Tax Problems	23.75%	19
Other	0.00%	0
Total Respondents: 80		

2019 Equity Applicant Survey

Q4 Are you experiencing any barriers working with the following City departments? Please select all that apply?

Answered: 77 Skipped: 10

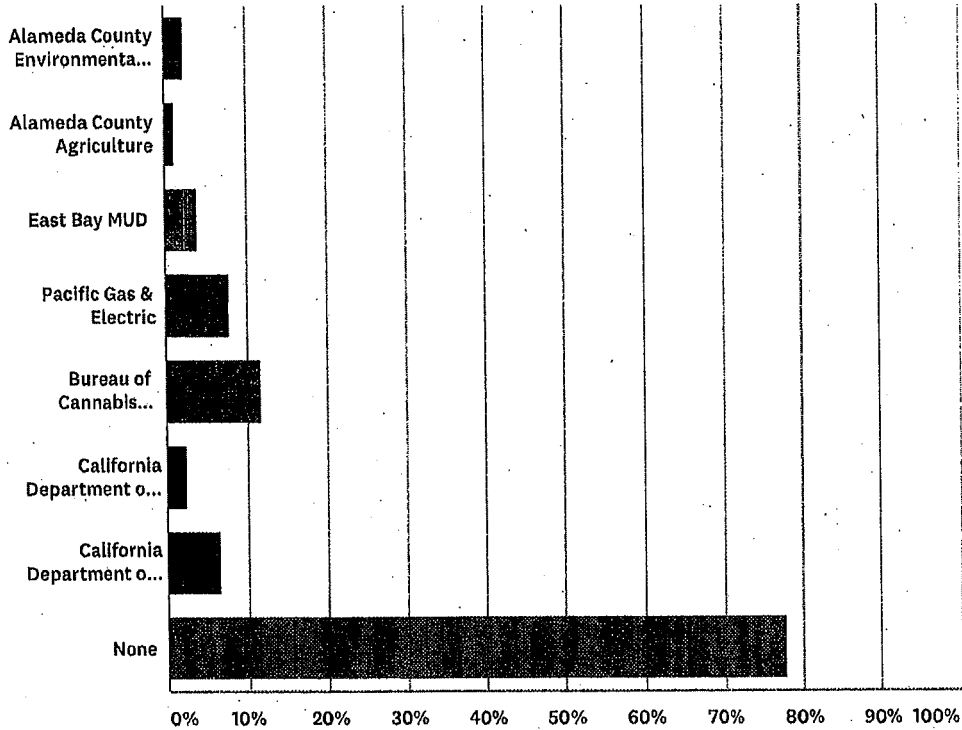


ANSWER CHOICES	RESPONSES	
Bureau of Planning	11.69%	9
Bureau of Building	14.29%	11
Fire Prevention Bureau	10.39%	8
Revenue Management Bureau	5.19%	4
City Administrator's Office	10.39%	8
Police Department	7.79%	6
None	64.94%	50
Total Respondents: 77		

2019 Equity Applicant Survey

Q5 Are you experiencing any barriers working with the following outside agencies? Please select all that apply.

Answered: 77 Skipped: 10

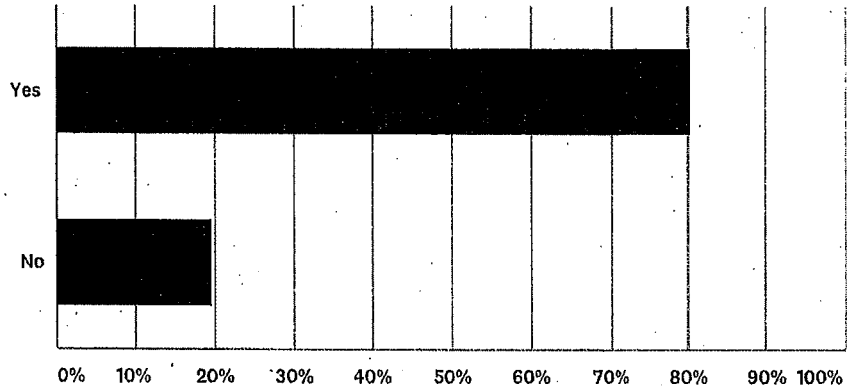


ANSWER CHOICES	RESPONSES
Alameda County Environmental Health	2.60% 2
Alameda County Agriculture	1.30% 1
East Bay MUD	3.90% 3
Pacific Gas & Electric	7.79% 6
Bureau of Cannabis Control	11.69% 9
California Department of Food and Agriculture	2.60% 2
California Department of Public Health	6.49% 5
None	77.92% 60
Total Respondents: 77	

2019 Equity Applicant Survey

Q6 Have You Utilized Any of Make Green Go's Services?

Answered: 86 Skipped: 1

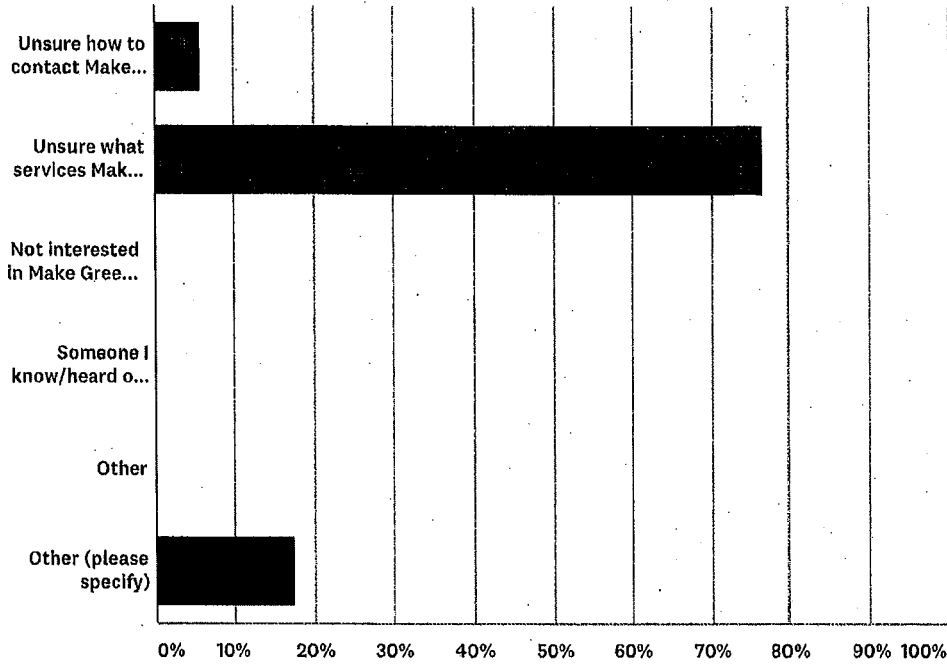


ANSWER CHOICES	RESPONSES	
Yes	80.23%	69
No	19.77%	17
TOTAL		86

2019 Equity Applicant Survey

Q7 Which of the Following Best Describes Why You Have Not Utilized Make Green Go?

Answered: 17 Skipped: 70

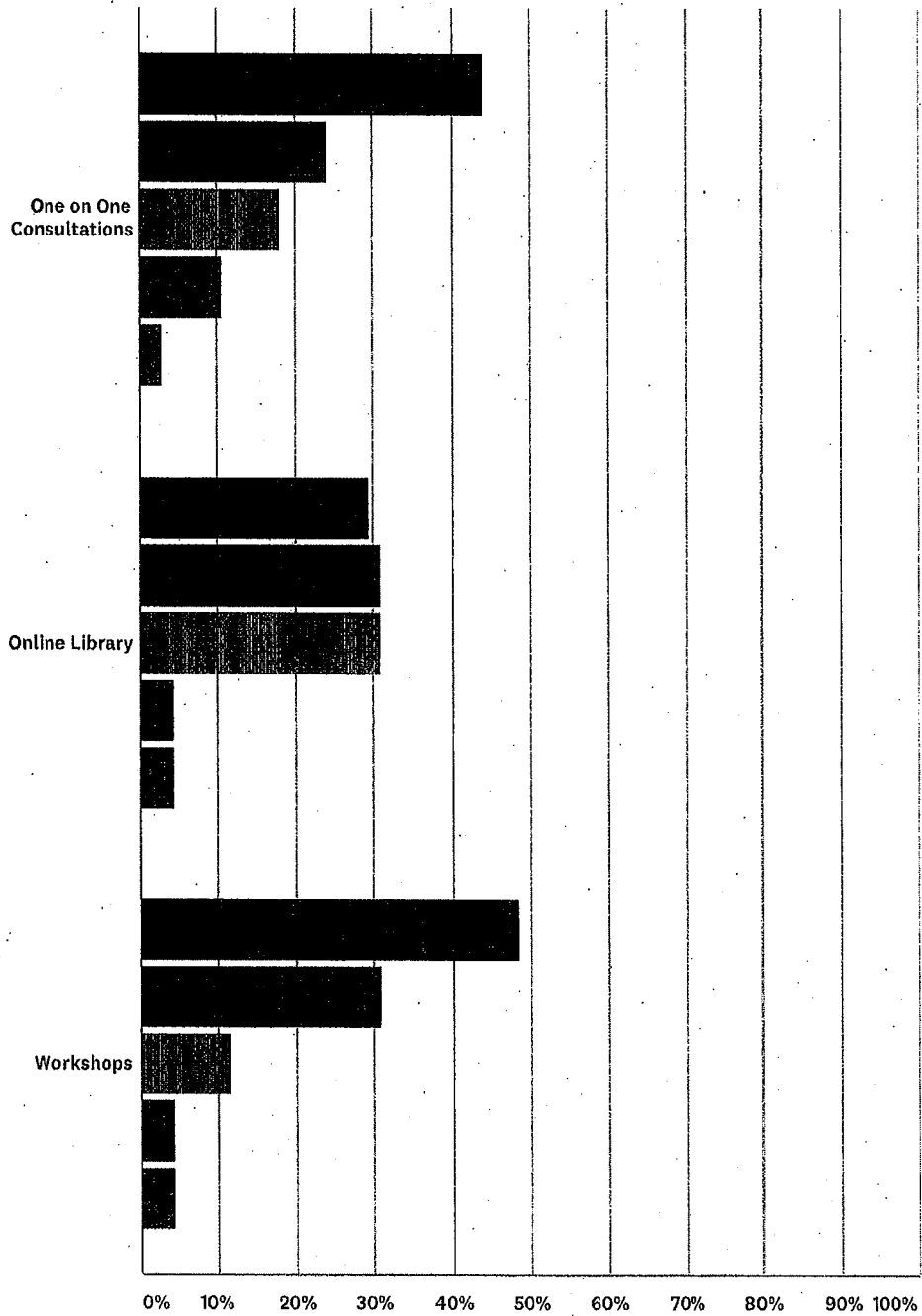


ANSWER CHOICES	RESPONSES	
Unsure how to contact Make Green Go	5.88%	1
Unsure what services Make Green Go provides	76.47%	13
Not interested in Make Green Go's services	0.00%	0
Someone I know/heard of had a bad experience with Make Green Go	0.00%	0
Other	0.00%	0
Other (please specify)	17.65%	3
TOTAL		17

2019 Equity Applicant Survey

Q8 Please Rank Make Green Go's Services Overall

Answered: 69 Skipped: 18



Very Helpful Helpful Neutral Unhelpful Very Unhelpful

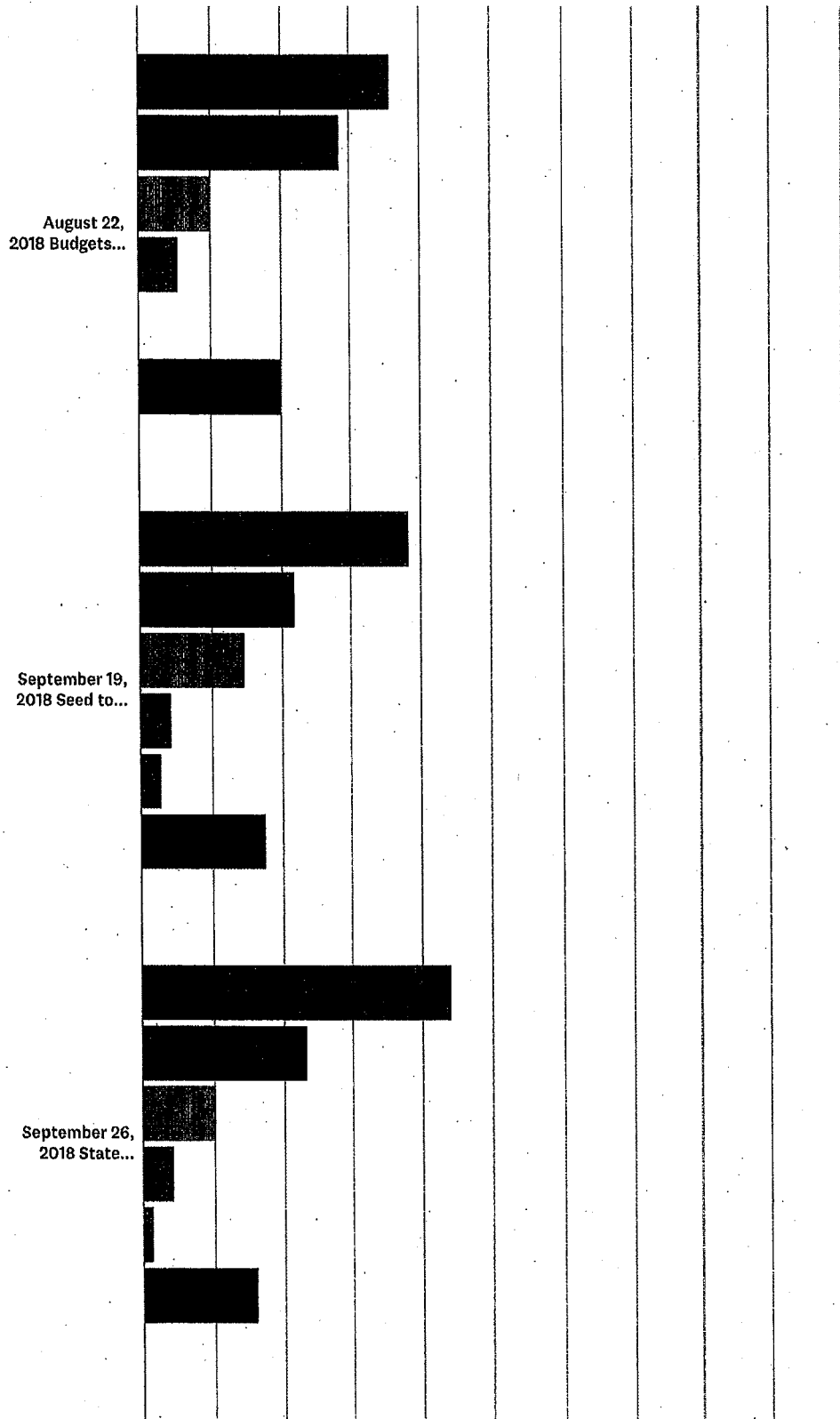
	VERY HELPFUL	HELPFUL	NEUTRAL	UNHELPFUL	VERY UNHELPFUL	TOTAL
One on One Consultations	43.94%	24.24%	18.18%	10.61%	3.03%	66
	29	16	12	7	2	

2019 Equity Applicant Survey

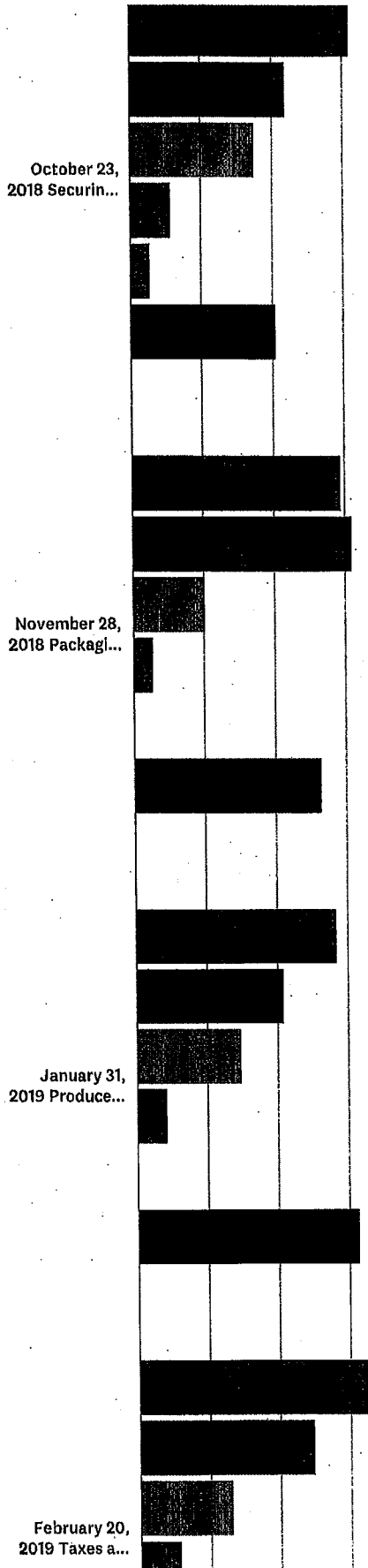
Online Library	29.41% 20	30.88% 21	30.88% 21	4.41% 3	4.41% 3	68
Workshops	48.53% 33	30.88% 21	11.76% 8	4.41% 3	4.41% 3	68

Q9 Please Rank Make Green Go's Workshops

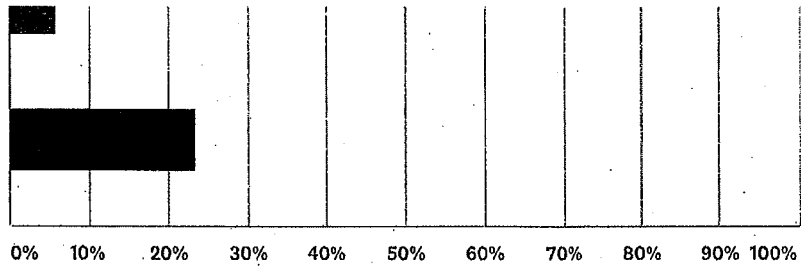
Answered: 70 Skipped: 17



2019 Equity Applicant Survey



2019 Equity Applicant Survey



Very Helpful
 Helpful
 Neutral
 Unhelpful
 Very Unhelpful
 Did Not Attend

	VERY HELPFUL	HELPFUL	NEUTRAL	UNHELPFUL	VERY UNHELPFUL	DID NOT ATTEND	TOTAL
August 22, 2016 Budgets and Financials	35.71% 25	28.57% 20	10.00% 7	5.71% 4	0.00% 0	20.00% 14	70
September 19, 2018 Seed to Sale Compliance	38.24% 26	22.06% 15	14.71% 10	4.41% 3	2.94% 2	17.65% 12	68
September 26, 2018 State Licensing Requirements	44.12% 30	23.53% 16	10.29% 7	4.41% 3	1.47% 1	16.18% 11	68
October 23, 2018 Securing Funding	30.88% 21	22.06% 15	17.65% 12	5.88% 4	2.94% 2	20.59% 14	68
November 28, 2018 Packaging and Labeling	29.41% 20	30.88% 21	10.29% 7	2.94% 2	0.00% 0	26.47% 18	68
January 31, 2019 Produce Call and Assessment	28.36% 19	20.90% 14	14.93% 10	4.48% 3	0.00% 0	31.34% 21	67
February 20, 2019 Taxes and Insurance	32.35% 22	25.00% 17	13.24% 9	5.88% 4	0.00% 0	23.53% 16	68

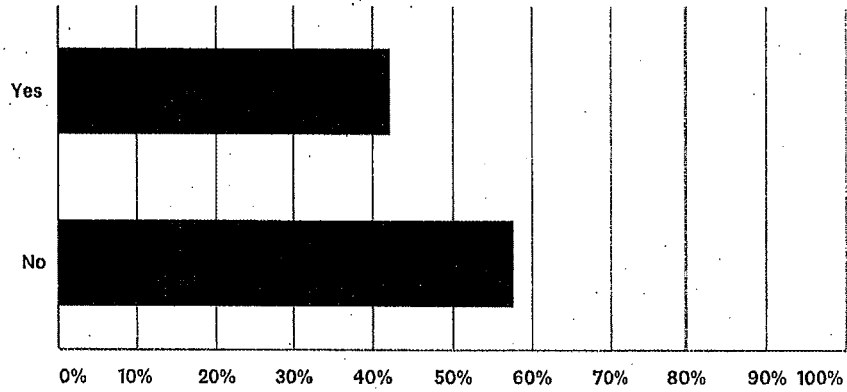
Q10 What Suggestions Do You Have for the Technical Assistance Program?

Answered: 37 Skipped: 50

2019 Equity Applicant Survey

Q11 Have you applied for a loan?

Answered: 85 Skipped: 2

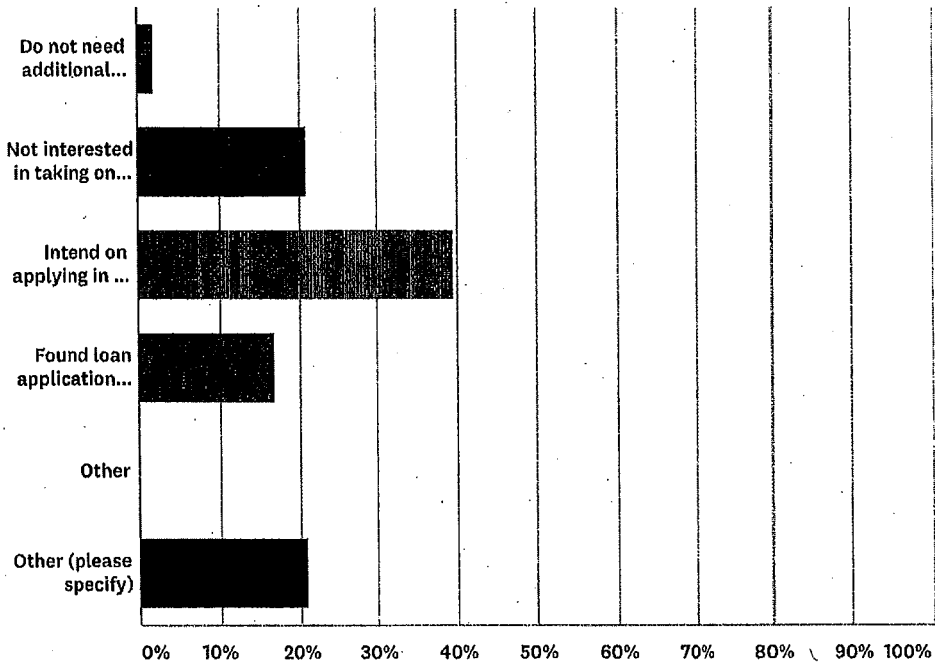


ANSWER CHOICES	RESPONSES	
Yes	42.35%	36
No	57.65%	49
TOTAL		85

2019 Equity Applicant Survey

Q12 Which of the Following Best Describes Why You Have Not Applied for a Loan?

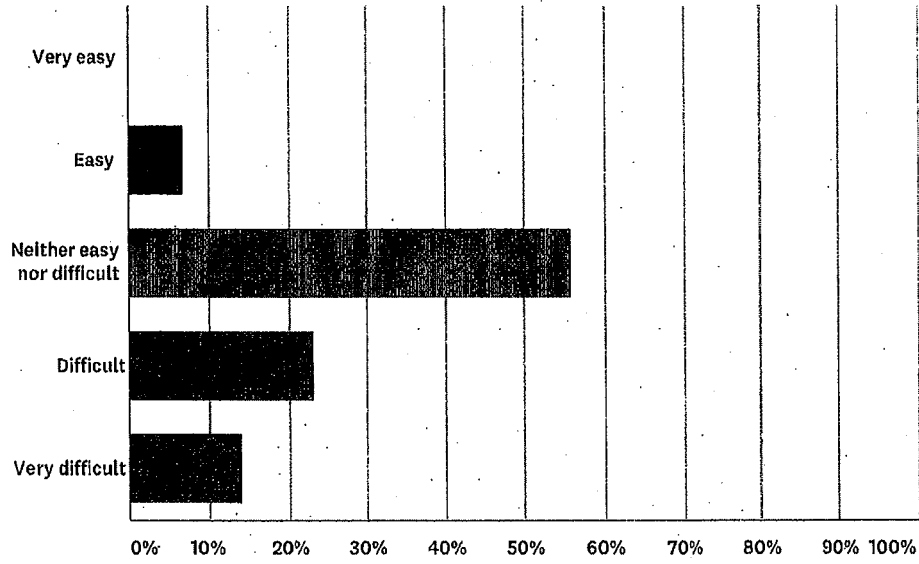
Answered: 48 Skipped: 39



ANSWER CHOICES	RESPONSES	
Do not need additional funding	2.08%	1
Not interested in taking on debt	20.83%	10
Intend on applying in the future	39.58%	19
Found loan application process too difficult	16.67%	8
Other	0.00%	0
Other (please specify)	20.83%	10
TOTAL		48

Q13 How Did You Find the Loan Application Process?

Answered: 43 Skipped: 44



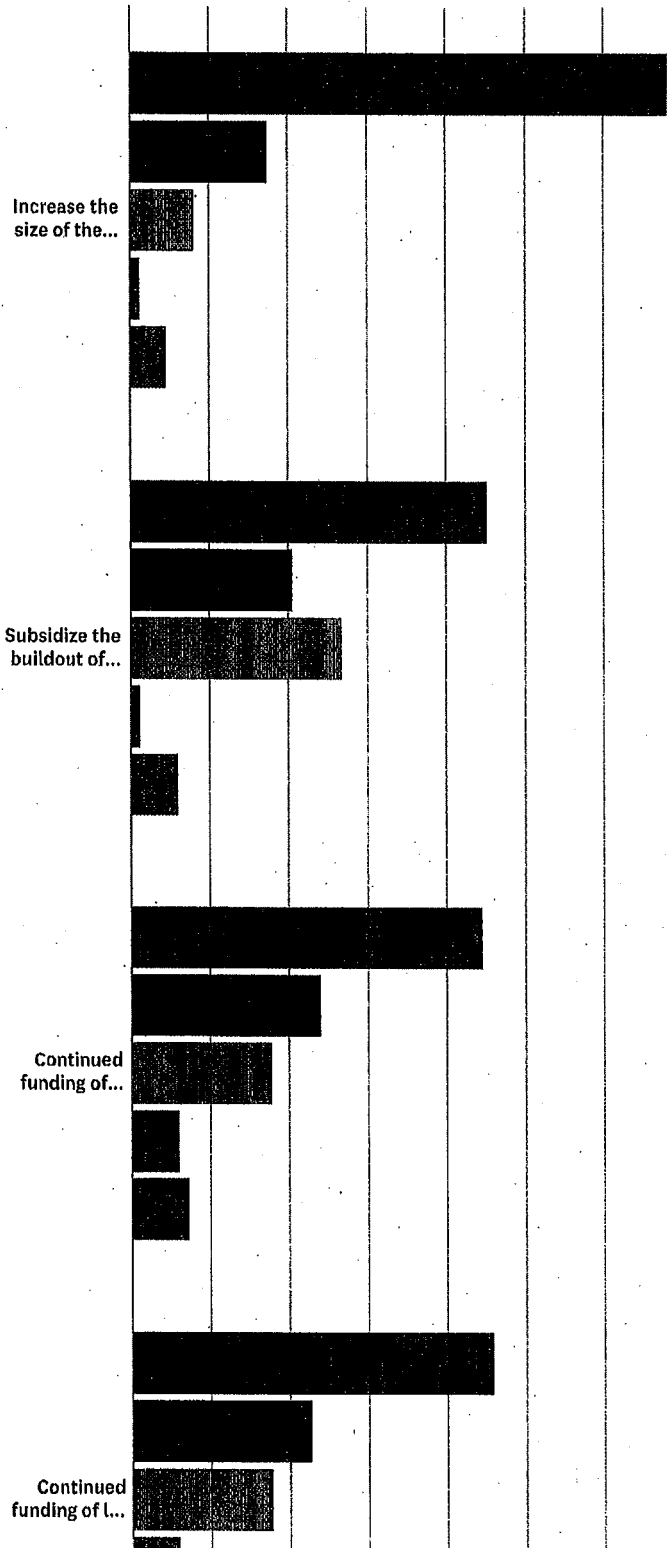
ANSWER CHOICES	RESPONSES	
Very easy	0.00%	0
Easy	6.98%	3
Neither easy nor difficult	55.81%	24
Difficult	23.26%	10
Very difficult	13.95%	6
TOTAL		43

Q14 What Suggestions Do You Have for the Loan Program?

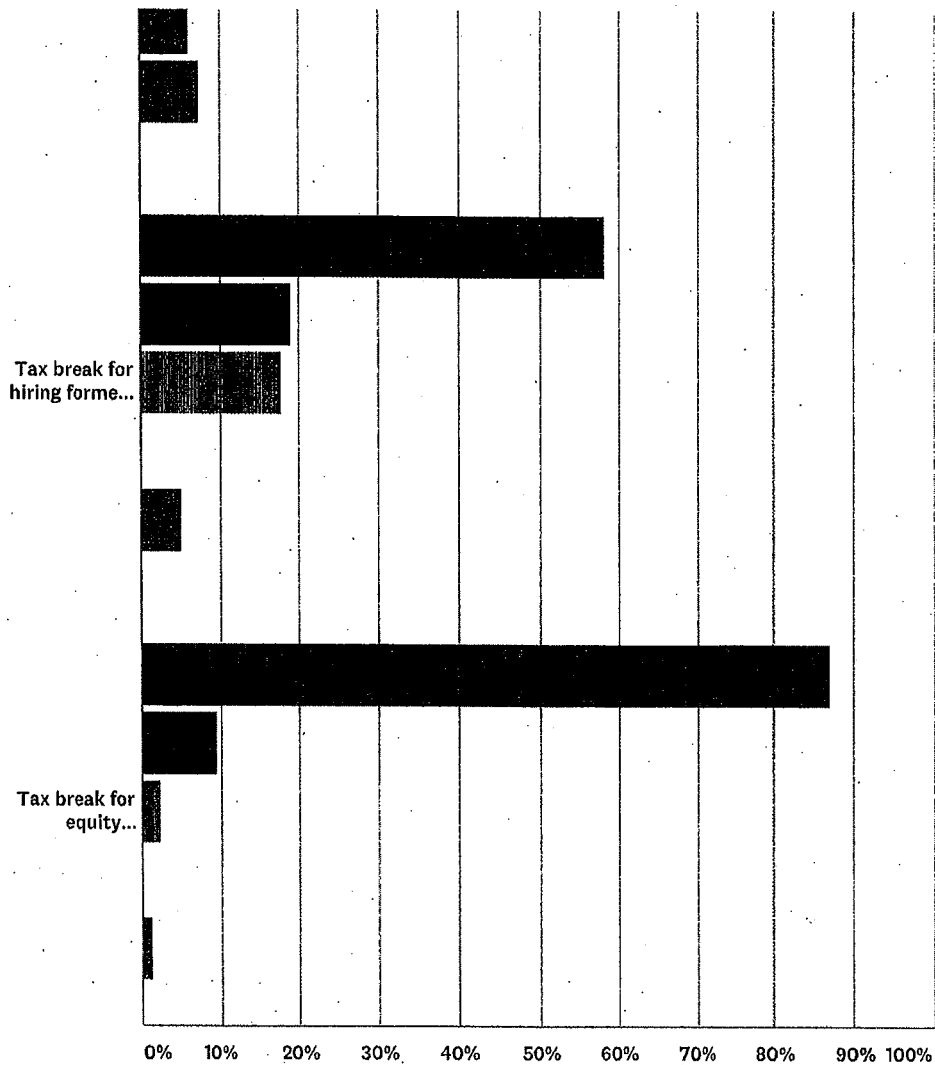
Answered: 63 Skipped: 24

Q15 How Do You Feel About the Following Approaches for Using State Funds?

Answered: 85 Skipped: 2



2019 Equity Applicant Survey



Strongly Like
 Like
 Neutral
 Dislike
 Strongly Dislike

	STRONGLY LIKE	LIKE	NEUTRAL	DISLIKE	STRONGLY DISLIKE	TOTAL
Increase the size of the loan program	68.24% 58	17.65% 15	8.24% 7	1.18% 1	4.71% 4	85
Subsidize the buildout of commercial kitchens	45.12% 37	20.73% 17	26.83% 22	1.22% 1	6.10% 5	82
Continued funding of technical assistance program consultant	44.58% 37	24.10% 20	18.07% 15	6.02% 5	7.23% 6	83
Continued funding of loan program consultant	45.78% 38	22.89% 19	18.07% 15	6.02% 5	7.23% 6	83
Tax break for hiring formerly incarcerated Oakland residents	58.23% 46	18.99% 15	17.72% 14	0.00% 0	5.06% 4	79
Tax break for equity businesses	87.06% 74	9.41% 8	2.35% 2	0.00% 0	1.18% 1	85

**Q16 What Other Suggestions Do You Have for How the City of Oakland
Should Utilize State Funds?**

Answered: 58 Skipped: 29

CANNABIS REGULATORY COMMISSION

ITEM F-1

	TOTALS	PENDING	GRAND TOTAL
Total Complete & Incomplete Applications	1484	106	1590
Total Complete Applications	1378		
Complete General Applications	561		
Equity Applications based on residency	710		
Equity Applications based on conviction	107		
Incubators	337		
Interested in Incubating	22		
Complete Application with property	1056		
Complete Application without property (Equity)	275		
Complete Applicants without property (General)	47		
	1378		

COMPLETED APPLICATIONS BY BUSINESS TYPE	GENERAL	INCUBATOR*	INTERESTED IN INCUBATING*	EQUITY
Delivery	134	64	4	207
Cultivator (Indoor)	121	69	12	128
Cultivator (Outdoor)	5	5	0	35
Distributor	127	91	4	204
Mfg. Volatile	65	45		46
Mfg. Non-Volatile	98	62	3	143
Transporter	8	4	0	39
Lab Testing	3	3	0	15
GRAND TOTALS	561	343	23	817

*These numbers are part of the General Total

2018-2019 CANNABIS PERMIT LOG

NEW ANNUAL PERMITS BY BUSINESS TYPE	GENERAL NOT INCUBATING	INCUBATOR	EQUITY	TOTAL
Dispensary	0	1	1	2
Delivery	10	1	14	25
Cultivator (Indoor)	0	2	2	4
Cultivator (Outdoor)	0	0	0	0
Distributor	2	4	4	10
Mfg. Volatile	0	1	0	1
Mfg. Non-Volatile	0	0	1	1
Transporter	1	0	2	3
Lab Testing	0	0	0	0
GRAND TOTALS	13	9	24	46

OVERALL TOTAL	46
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CANNABIS REGULATORY COMMISSION

ITEM F-2

[Local Jurisdiction Equity Grant Applications](#)[Learn More](#) ✕

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**BUREAU OF
CANNABIS
CONTROL**
CALIFORNIA

NOTICE OF CANCELLATION

March 29, 2019

LOCAL EQUITY GRANT PROGRAM

NOTICE OF FUNDING AVAILABILITY

On March 1, 2019, the Bureau of Cannabis Control (Bureau), released a Local Equity Grant Program Notice of Funding Availability (NOFA) and opened the application period for grants pursuant to the California Cannabis Equity Act of 2018.

Effective immediately, the Bureau cancels the NOFA and will no longer be proceeding with the application period.

The Bureau intends to review and revise the grant program guidelines, then release a new NOFA for the grant program.

Questions should be directed to Ashlynn Blackshire at Ashlynn.Blackshire@dca.ca.gov or (916) 465-9025.

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