

Thursday September 7, 2023 6:30 pm

1 Frank Ogawa Plaza, City Hall, 3rd Floor City Council Chambers
Oakland, CA 94612

AGENDA

Reminder: This meeting will take place in person. Members of the public can observe remotely via zoom but must attend in person in order to participate.

PUBLIC PARTICIPATION INSTRUCTIONS

TO OBSERVE:

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TO PROVIDE PUBLIC COMMENT: There are two ways to make public comment within the time allotted for public comment on an eligible Agenda item.

- Attend in person; or
- Comment in advance. To send your comment before the meeting starts, please send your comment, along with your full name and agenda item number you are commenting on, to Greg Minor at gminor@oaklandca.gov. All submitted public comments will be provided to the Cannabis Regulatory Commission prior to the meeting.

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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.

Members:

Javier Armas	District 1	Hellen Harvey	District 7
Tracey Corder	District 2	Chaney Turner	At Large
Taib Alaoui	District 3	Vacant	Mayor
Vacant	District 4	TiYanna Long	City Auditor
Vacant	District 5	Greg Minor	City Administrator
Tanya Boyce	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. Approval of the Draft Minutes from the CRC Special Meeting on February 9, 2023
- C. Reports for Discussion and Possible Action
1. Oakland Police Department Report on Citations and Arrests for Cannabis Offenses in 2022
 2. 2023 Annual Report from Revenue Management Bureau on Cannabis Business Taxes
 3. Draft 2022 Cannabis Regulatory Commission Annual Report
 4. Updates Since February Meeting re Proposition 64 Public Health and Safety Grant Cohort 3, Cultivation Ordinance Amendment to Preserve Work-Live Uses, Large Cultivator and Compliance Plan Fees, and Cannabis Workforce Development Programs
 5. Implementation Update on State Grants
- D. Review of the Pending List and Additions to Next Month's Agenda
- *Building and Fire Baseline Permitting Timelines (since January 2022)*
 - *Details on Proposed Legislative Framework for Next Phase of Cannabis Program (since February 2022)*
 - *Finalize Exit Interview Survey for Withdrawn Applications (since July 2022)*
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- E. Open Forum / Public Comment
- F. Announcements
1. Update on Cannabis Permitting Process
 2. Apply to serve on CRC here:
<https://oakland.granicus.com/boards/w/8552f8c4c0e15460/boards/6697>
- G. Adjournment

Thursday February 9, 2023 6:30 pm
Teleconference Meeting

MINUTES

Pursuant to the Governor's Executive Order N-29-20 and AB 361, members of the Cannabis Regulatory Commission as well as City staff will participate via phone/video conference and no physical teleconference locations are required.

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- By Video Conference. To comment by Zoom video conference, click the “Raise Your Hand” button to request to speak when Public Comment is being taken on an eligible agenda item at the beginning of the meeting. You will then be unmuted, during your turn, and allowed to participate in public comment. After the allotted time, you will then be re-muted. Instructions on how to “Raise Your Hand” are available at: <https://support.zoom.us/hc/en-us/articles/205566129>, which is a webpage entitled “Raise Hand In Webinar.”

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• By Phone. To comment by phone, please call on one of the above listed phone numbers. You will be prompted to “Raise Your Hand” by pressing STAR-NINE (“*9”) to request to speak when Public Comment is being taken on an eligible agenda item at the beginning of the meeting.

Once it is your turn, you will be unmuted and allowed to make your comment. After the allotted time, you will be re-muted. Instructions of how to raise your hand by phone are available at: <https://support.zoom.us/hc/en-us/articles/201362663>, which is a webpage entitled “Joining a Meeting by Phone.”

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Vacant	District 6		

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MEETING AGENDA

A. Roll Call and Determination of Quorum

Present: Armas, Corder, Payne, Turner, Long, and Minor
Absent: Alaoui

B. Approval of the Draft Minutes from the CRC Special Meeting on January 5, 2023

Chair Turner moved to approve the minutes as drafted. Member Payne seconded the motion and it passed by consensus.

C. Reports for Discussion and Possible Action

1. Adopt a Resolution Determining That Conducting In-Person Meetings of The Cannabis Regulatory Commission Would Present Imminent Risks to Attendees’ Health, And Electing to Continue Conducting Meetings Using Teleconferencing in Accordance with California Government Code Section 54953(E), A Provision Of AB-361

Member Minor provided an overview of the item, including the upcoming end of the State of California’s COVID-19 State of Emergency at the end of February, which will require meetings to be in person in March due to state open meeting requirements. Member Payne shared that she will not be able to meet in person.

Chair Turner made a motion to adopt the resolution in the packet and to recommend that the CRC be able to continue to meet remotely in March and beyond. Vice-Chair Long seconded the motion and it passed by consensus.

2. Potential Restrictions on Cannabis Cultivation Activities on Parcels Containing Live/Work or Residential Uses

Alistair Monroe of the Oakland Cannery shared the experience of Oakland Cannery residents suffering in the past due to cannabis cultivators' use of diesel generators. Mr. Monroe expressed the importance of closing loopholes in the permitting of cannabis businesses to avoid further displacement of live-work tenants. Kaya Sugerman with the Center for Environmental Health spoke in support of the Oakland Cannery residents and encouraged the City of Oakland to prohibit cannabis cultivation on the same parcel as live-work uses to avoid repeating the issues that transpired under prior ownership of the Oakland Cannery.

Member Armas, Vice-Chair Long, Member Payne, Member Corder and Chair Turner spoke in support of protecting local artists and preserving housing units. Chair Turner then made a motion to :

- support all three recommendations included on the second page of the letter from Alistair Monroe included in the CRC agenda packet; and*
- agenda a discussion on how the City can limit the cannabis activities of outside conglomerates.*

Vice-Chair Long then offered a friendly amendment to the second half of the above motion for the City to consider how to ensure that once a corporation is shut down it cannot come back in the form of a new entity.

Chair Turner accepted the friendly amendment and the motion passed by consensus.

3. Draft 2023 Cannabis Operator Regulations

Member Minor offered a recap of this item. Public speakers encouraged the CRC to modify the proposed paragraph 38 to allow Oakland cannabis operators to qualify for an annual state license before obtaining approvals from all City departments in light of the sunset of provisional state licenses.

Vice-Chair Long noted that there should be both flexibility and clear deadlines for compliance. Member Payne recommended a compliance plan process. Chair Turner made a motion to remove staff's proposed language in paragraph 38 of the draft regulations. Member Payne seconded the motion and it passed by consensus.

4. 2023 Equity Applicant Survey Responses to Date

Member Minor provided an overview of survey responses to date. Public speakers noted the impact of burglaries and how most equity businesses have no or few employees. Vice-Chair Long made a motion end the meeting after Item (C)(5). Chair Turner seconded the motion and it passed by consensus.

5. Potential Uses for Oakland's Grant Award of \$1,996,487.50 in California Equity Grant Funding from the Governor's Office of Business and Economic Development (Go-Biz) for Fiscal Year 2022-2023 ("Go-Biz 4")

Member Minor gave a summary of the latest Go-Biz grant award and staff's recommendation of distributing the funds via no-interest loans and grants to equity applicants. Public speakers asked if Go-Biz funds could be used to attract more funds and recommended utilizing Go-Biz funds to expand current grant and loan tiers.

Chair Turner made a motion to recommend that the City use the latest Go-Biz grant to provide equity businesses with grants and no-interest loans. Vice-Chair Long seconded the motion, however, Member Armas was absent, leaving the CRC without quorum to formally pass the motion.

6. Governor's Office of Business and Economic Development (Go-Biz) Proposed Matching Funds Requirement for Local Jurisdiction's in Fiscal Year 2023-2024 ("Go-Biz 5")

7. Implementation Update on State Grants

- D. Review of the Pending List and Additions to Next Month's Agenda
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Cannabis Regulatory Commission

TO: Cannabis Regulatory Commission

FROM: Greg Minor
Deputy Director, Economic
and Workforce
Development Department

SUBJECT: September 2023 Agenda Items

DATE: September 2, 2023

ITEM C (1) Oakland Police Department Report on Citations and Arrests for Cannabis Offenses in 2022

Attached please find the Oakland Police Department's report on citations and arrests for cannabis offenses in the City of Oakland for the year 2022.

ITEM C (2) 2023 Annual Report from Revenue Management Bureau on Cannabis Business Taxes

Attached please find the Revenue Management Bureau's 2023 annual report on cannabis business taxes, which includes underlying statistics on Oakland's cannabis businesses that reveal different trends within the industry.

ITEM C (3) Draft 2022 Cannabis Regulatory Commission Annual Report

The CRC's duties include reporting annually to the City Council on the implementation of Measure Z and making recommendations to the City Council regarding implementation of City licenses, taxes, and regulations for adult use of cannabis.

In January the CRC reviewed a draft CRC 2022 annual report compiled by staff based on minutes of 2022 CRC meetings. Chair Turner recommended taking more time to review the draft report and Member Payne suggested forming a subcommittee to review and update the draft report. Chair Turner then made a motion to continue this item and to form a subcommittee, consisting of Chair Turner and Member Payne, to work on the report in the interim. Vice-Chair Long seconded the motion and it passed by consensus. Attached is the draft report again for the CRC's review. Upon approval of the CRC, this annual report will be presented to the City Council, most likely via the Community Economic Development Committee.

ITEM C (4) Updates Since February Meeting Regarding Proposition 64 Public Health and Safety Cohort 3 Grant, Cultivation Ordinance Amendment to Preserve Work-Live Uses, Compliance Plan and Large Cultivator Fees, and Cannabis Workforce Development Programs

As the CRC has not met since February, below is a summary of recent items that the City Council has approved following past input of the CRC.

A. Public Health and Safety Grant Cohort 3

On June 20th the City Council approved receipt of the five-year \$3 million [Proposition 64 Health and Safety Cohort 3 Grant](#). This grant is made available through the Board of State and Community Corrections (BSCC) to assist with law enforcement or other local programs addressing public health and safety associated with California's Adult Use of Marijuana Act (AUMA).

In November 2022, the CRC heard a proposal to direct Proposition 64 Cohort Three Grant resources on OPD staff; the CRC rejected this proposal and instead adopted a motion for the City of Oakland to apply for funding for grants to operators to fortify their spaces and for businesses that have been burglarized. Accordingly, in December 2022 staff submitted a grant proposal to the BSCC requesting funding for (i) security measures for Oakland's licensed cannabis operators and (ii) a public education campaign to support Oakland equity operators. In April 2023 the BSCC approved the City of Oakland's grant proposal and in late June the City Council authorized the receipt of \$3 million in funding from the BSCC to implement this work.

In terms of next steps, staff anticipates releasing an application process for cannabis operators to request funding for security measures and separately a Request for Proposals (RFP) for a consultant to administer the public education campaign to support equity businesses in September and October, respectively. For more information, please [visit here](#).

B. Cultivation Ordinance Amendment to Preserve Work-Live Uses

Following discussions at the CRC in 2022 and in February 2023 regarding conflicts between commercial cannabis cultivation and work-live uses, at the June 13th Community Economic Development (CED) committee meeting staff presented amendments to the City's cannabis cultivation ordinance that will prohibit commercial cannabis cultivation on parcels of land that contained work-live or residential uses as of

June 1, 2023. The CED committee approved the proposal for the full City Council's consideration and the City Council approved the ordinance at its first reading on June 20th and its final reading at the July 18th City Council meeting. For more information, please [visit here](#).

C. Compliance Plan and Large Cultivator Fees

As part of the City's annual update to the Master Fee Schedule, the City Council has adopted two new fees for cannabis operators, a \$264.50 compliance plan fee and a \$484 fee for cultivation facilities greater than 5,000 square feet, which only apply to general applicants as equity applicants are exempt from City permitting fees.

With respect to the compliance plan fee, starting in 2021 the City of Oakland established a compliance plan process to locally authorize cannabis permit applicants for a state cannabis license while operators finish the local cannabis permitting process. The intent has been to balance the City's need to ensure cannabis permit operators diligently finalize all building and fire permitting requirement needed to obtain a City of Oakland cannabis permit. This gives cannabis operators a fair and predictable working relationship with the City and reduced barriers of entry into the regulated market. While staff and the CRC support continuing compliance plan processes, additional staff time is spent monitoring operators' compliance with local permitting requirements, but currently the City receives no funds for this additional work performed. The proposed compliance plan fee covers staff's time monitoring the status of cannabis operators' compliance with building and fire permitting requirements.

Similarly, large cultivation facilities have proven to require additional monitoring to ensure compliance with clean energy, building code, and fire code requirements. The proposed large cultivator fee will cover the additional administrative and inspection resources required to monitor these facilities.

D. Cannabis Workforce Development Programs

Following discussion at the March 2022 CRC meeting regarding how best to utilize the "Go-Biz 3" grant, the City allocated \$330,357 of these Go-Biz funds towards workforce development programs in the cannabis industry. Subsequently, in the FY 2022-2023 Midcycle Budget the City Council set aside \$1,500,000 towards job training programs for victims of the War on Drugs.

To distribute the available funds, staff released a formal Request for Proposal (RFP) for an organization to develop: (i) an equity employee certification training program to establish a pipeline of qualified prospective employees for the regulated cannabis marketplace and (ii) an on-the-job training referral program for equity employees at Oakland cannabis businesses.

A panel of City staff in the Economic and Workforce Development Department's Special Activity Permits and Workforce Development Divisions reviewed and scored four RFP responses received and found C4C, Inc. (C4C), doing business as Case for Cannabis, as the top scoring recipient to implement the above-described cannabis workforce certification and on the job training programs. Over the next two years, C4C will partner with the Oakland Private Industry Council (OPIC) to recruit and certify equity employees for training through Merritt College and then refer students to paid on the job training opportunities with Oakland cannabis businesses.

On July 18th the City Council approved a Resolution to enable this work by authorizing the City to enter into a contract with C4C for this project. For more information please [visit here](#).

ITEM C (5) Implementation Update on State Grants

Oakland’s pioneering race and equity analysis of the cannabis industry and creation of an Equity Program inspired jurisdictions across the country to pursue and support similar programs. Then starting in 2019 the State of California has set aside annual grant funding to support local jurisdictions’ cannabis equity programs. **Table A** outlines the amount of funding the City has received from the State of California for its Equity Program, Oakland’s ranking among local jurisdictions each year, and the total amount of funding set aside by the State of California that year.

Table A: Oakland’s Receipt of Local Equity Grant Funding

State Funding Agency	Fiscal Year (FY)	Amount of Funding Received	Oakland's Ranking Among Local Jurisdictions	Total Amount of Funding Available Statewide
BCC ¹	FY 2019-2020	\$1,657,201.65	2nd	\$10 million
Go-Biz	FY 2019-2020	\$6,576,705.76	1st	\$30 million
Go-Biz	FY 2020-2021	\$2,434,712.51	1st	\$15 million
Go-Biz	FY 2021-2022	\$5,435,140.82	2nd	\$35 million
Go-Biz	FY 2022-2023	\$1,996,487.50	1st	\$15 million

With respect to the \$5,435,140.82 “Go-Biz 3” grant, staff is on track to disperse most of the remaining funds in the next month as event and shared-manufacturing grantees are in the final stages of the contracting process. Additionally, this spring staff released an [RFP](#) for cannabis workforce certification and on the job training programs with funding from Go-Biz 3 and the City of Oakland’s Fiscal Year 2022-2023 Midcycle Budget. Staff anticipates starting this workforce development program in the fall following City Council approval on July 18th.

Unfortunately, though, due to less state investment in cannabis equity programs, the City of Oakland and other local jurisdictions have less funds to disperse to equity applicants in the coming fiscal year (see **Table A**).

¹ Initially the Bureau of Cannabis Control, the predecessor to the Department of Cannabis Control, dispersed Local Equity Grant funding.

On the other hand in April 2022 the City of Oakland received a three-year \$9,905,020 Local Jurisdiction Assistance Grant (LJAG) from the Department of Cannabis Control (DCC) to support the transition of cannabis operators from a provisional to an annual state license. As noted at prior CRC meetings, due to delays in hiring building and fire department staff, staff has sought City Council and DCC approval to re-purposed unspent funding as grants to operators to bring their buildings into compliance with building, fire and health codes. Additionally, staff has formed small teams of inspectors on overtime to inspect and review the compliance status of provisionally licensed cannabis operators. As a result, staff anticipates dispersing LJAG funds at a greater rate over the next year.

Finally, in 2021 the City received a three-year grant from the Board of State and Community Corrections (BSCC) to address the impacts of cannabis legalization. The funding for that **Figures 1-3** provide status updates on these various state grants.

Figure 1- Local Jurisdiction Assistance Grant

USES	TOTAL OVER 3 YEARS	DISBURSED	BALANCE
Special Activity Permit Technician	\$333,620.00	\$0	\$333,620.00
Planning CEQA Review	\$27,111.00	\$0	\$27,111.00
Program Analyst for Processing Grants	\$452,596.35	\$43,037.10	\$409,559.25
Overtime for Civil Engineers to Review Plans	\$1,176,594.90	\$10,263.81	\$1,166,331.09
Overtime for Code Enforcement	\$179,665.65	\$26,807.73	\$152,857.92
Overtime for Fire Plan Engineers to Review Plans	\$147,520.00	\$0	\$147,520.00
Overtime for Fire Code Enforcement	\$136,012.80	\$8,942.25	\$127,070.55
Overtime for Special Activity Permit Technicians for Security Inspections	\$150,000.00	\$28,021.11	\$121,978.89
Annual CPTED Training for Special Activity Permit Technicians	\$3,600.00	\$887.16	\$2,713.34
Establishing/Maintaining Accela Module for Cannabis Permit Tracking	\$430,000.00	\$0	\$430,000.00
Grants to Meet Security Requirements	\$1,722,875.00	\$1,207,146.71	\$515,728.79
Grants to Provisionally Licensed Equity Applicants	\$2,610,119.94	\$1,075,000.00	\$1,535,119.94
Grants to Provisionally Licensed General Applicants	\$1,305,297.50	\$0	1,305,297.50
Consultant (4Front Partners) to Administer Loan/Grant Programs	\$480,000.00	\$317,049.89	\$162,950.11
Consultant (Knox & Ross) to Provide Legal Assistance to Equity Applicants	\$375,000.00	\$146,000.00	\$229,000.00
Consultant (Oaksterdam) to Provide Technical Assistance to Equity Applicants	\$375,000.00	\$173,735.00	\$201,265.00
TOTALS	\$9,905,013.64	\$3,036,890.76	\$6,867,122.88

Figure 2: 2022-2023 Go-Biz (GO-Biz 3) Grant Funds

	TOTAL FUNDED	DISBURSED	BALANCE
Grants/Loans to Operators for Start Up and Ongoing Costs	\$2,178,953.10	\$2,178,953.10	\$0
Events	\$300,000.00	\$200,000.00	\$100,000.00
No Interest Loan to Purchase Property	\$2,250,000.00	\$2,250,000.00	\$0
Managing Shared-Use Facilities	\$212,915.36	\$212,915.36	\$0
Workforce Development	\$280,357.00		\$280,357.00
Administering of Grant/Loan Programs	\$89,956.36	\$89,956.36	\$0
STAFFING			
Half of City Administrator Analyst	\$122,959.00	\$122,959.00	\$0
TOTALS	\$5,435,140.82	\$5,054,783.82	\$380,357.00

Figure 3- Original and Current Uses of Proposition 64 Grant

Original and Proposed/New Uses of Proposition 64 (BSCC) Grant Funds				
Purpose	Original Organization	Original Amount	New or Same Organization	New or Same Amount
Preventative and Intervention Activities for Youth	East Oakland Youth Development Center (EOYDC)	\$360,000	Public Health Institute	\$280,000
Develop and Support Youth Awareness Campaign	Public Health Institute	\$133,306	Same	\$163,306
Data Management/Local Evaluation Reports	Cityspan	\$30,000	LMB Creative Group, LLC	\$80,000
Security Workshops and Support for Cannabis Businesses	City of Oakland: 8 Hours Weekly Police Officer Overtime	\$112,329	Same	Same
Public Outreach Campaign to Adults	To Be Determined After Request for Proposals	\$70,000	Make Green Go Selected After RFP	\$75,000
Meeting Supplies and Notification	EOYDC, OUSD, PHI	\$32,000	Youth Uprising, OUSD, PHI	\$27,000
Indirect Costs/Overhead	City of Oakland	\$29,059	Same	Same
Oversee Overall Program	City of Oakland: 0.5 F.T.E. City Administrator Analyst	\$231,000	Same	Same
TOTAL				\$997,694

ITEM F (1) Update on Cannabis Permitting Process

Below please find cannabis permitting statistics for the CRC's review, including additional categories as well as application and permit trend graphs.

Figure F-1: Application Totals

<i>APPLICATIONS</i>	TOTALS	PENDING
Total Complete & Incomplete Applications	1579	143
Total Complete Applications	1579	
Complete General Applications	673	
Equity Applications based on residency	790	
Equity Applications based on conviction	116	
Incubators	335	
Interested in Incubating	25	
Complete Application with property	1043	
Complete Application without property (Equity)	431	
Complete Applicants without property (General)	105	

Figure F-2: Permit Applications by Category

COMPLETED APPLICATIONS BY BUSINESS TYPE	GENERAL	INCUBATOR*	INTERESTED IN INCUBATING*	EQUITY
Delivery	162	65	4	233
Cultivator (Indoor)	214	114	14	152
Cultivator (Outdoor)	5	3	0	36
Distributor	145	85	4	219
Mfg. Volatile	51	38	0	47
Mfg. Non-Volatile	91	48	2	173
Transporter	4	4	0	36
Lab Testing	1	1	0	10
GRAND TOTALS	673	358	24	906

*These numbers are part of the General Total

Figure F-3: Operators Issued Provisional and Annual Licenses

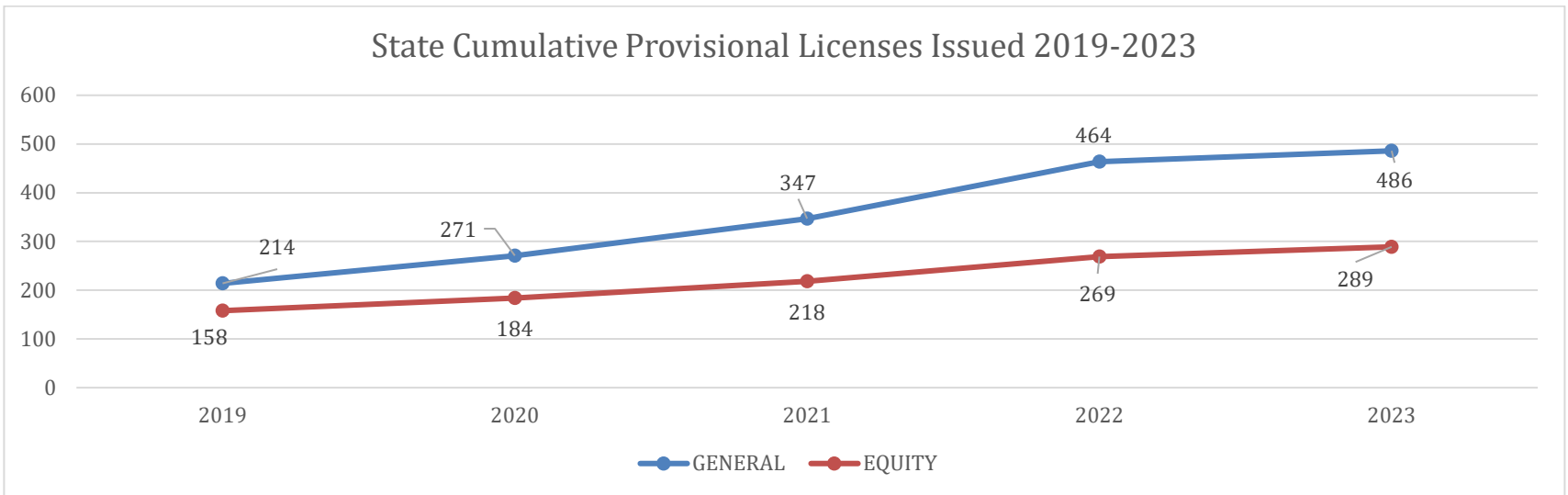
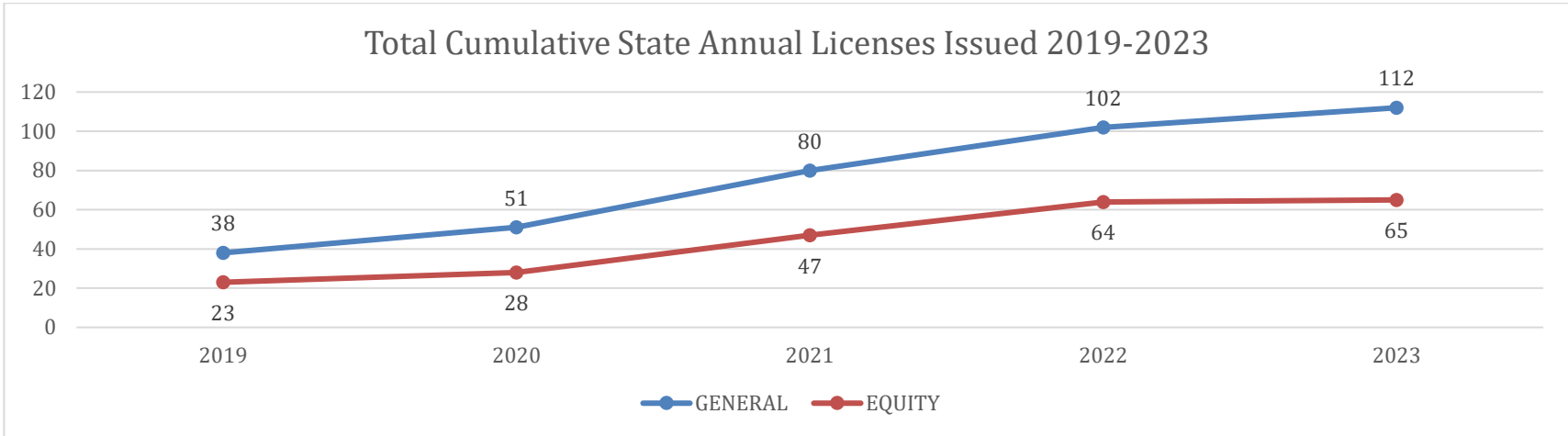


Figure F-4: New Permits Issued to Cannabis Operators Since Spring of 2017 by Category

	GENERAL	INCUBATOR	EQUITY	TOTAL
<i>NEW ANNUAL PERMITS BY BUSINESS TYPE</i>				
On-site Consumption	3		3	6
Dispensary	8	1	6	15
Delivery	64	18	81	163
Cultivator (Indoor)	4	6	19	29
Cultivator (Outdoor)	0	0	2	2
Distributor	26	27	59	112
Mfg. Volatile	3	5	1	9
Mfg. Non-Volatile	9	11	42	62
Transporter	2	0	4	6
Lab Testing	0	0	0	0
GRAND TOTALS	119	68	217	404

Figure F-5: Withdrawn Applications

WITHDRAWN APPLICATIONS	GENERAL	INCUBATOR	EQUITY	TOTALS
Delivery	22	38	87	147
Cultivator (Indoor)	16	22	61	99
Cultivator (Outdoor)	14	13	13	40
Distributor	13	52	73	138
Mfg. Volatile	3	19	23	45
Mfg. Non-Volatile	14	29	51	94
Transporter	6	1	16	23
Lab Testing		3	3	6
TOTALS	88	177	327	592

Figure F-6: Revoked Local Authorization

REVOKED LOCAL AUTHORIZATION	GENERAL	INCUBATOR	EQUITY	TOTALS
Delivery	1	6	6	13
Cultivator (Indoor)	5	20	6	31
Cultivator (Outdoor)				0
Distributor	1	5	4	10
Mfg. Volatile		3		3
Mfg. Non-Volatile		3	1	4
Transporter		1		1
Lab Testing				0
TOTALS	7	38	17	62

Figure F-7: Graph of Cannabis Permit Applications Received Since 2017

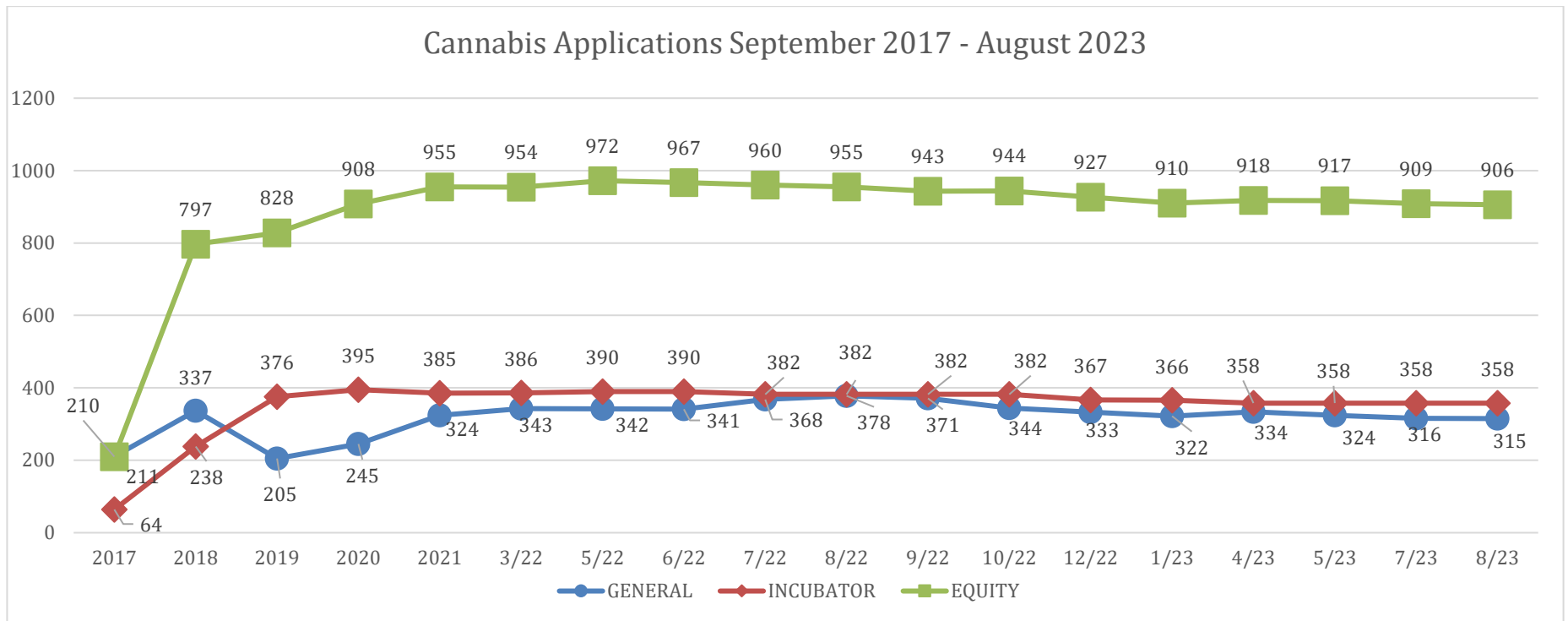
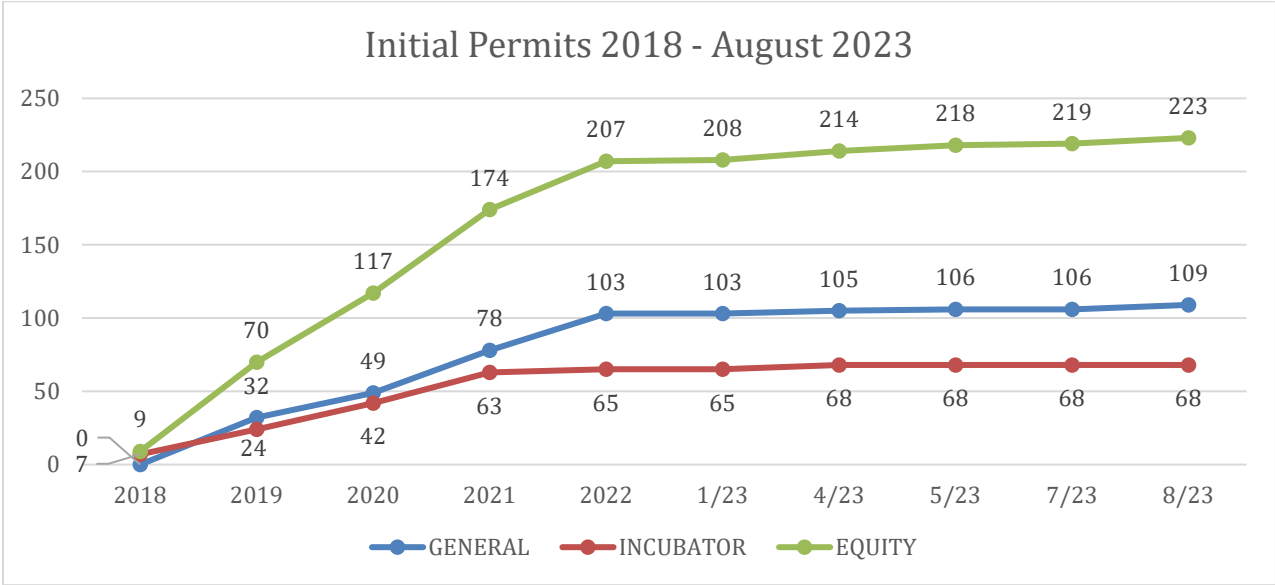


Figure F-8: Graph of Cannabis Permits Issued since 2018





MEMORANDUM

TO: Cannabis Regulatory Committee
FROM: Oakland Police Department
SUBJECT: Citations and Arrests for Marijuana Offenses 2022
DATE: May 1st, 2023

This report reflects the types of arrests and citations conducted by the Oakland Police Department for the 2022 cases related to marijuana (cannabis) offenses. The history and background related to this document stem from the following:

The Oakland Cannabis Regulation and Revenue Ordinance (aka Measure Z), passed with the support of 65 percent of Oakland voters on November 2, 2004. The ordinance became effective on December 7, 2004. Measure Z provides that the City of Oakland make the enforcement of laws related to the private adult cannabis use, distribution, sale, cultivation and possession, the City's lowest law enforcement priority.

Measure Z does not change state law, which regulates medical and recreational Cannabis use, or federal law, which prohibits cannabis use. The Oakland Police Department (OPD) maintains the discretion to continue law enforcement activities related to private adult cannabis offenses. Measure Z does not apply to minors, and thus does not mandate OPD to treat cannabis offenses committed by minors (possession, distribution, or consumption) as a low priority.

In 2005, the Office of the City Attorney (OCA) defined private adult cannabis offenses that are covered by the lowest law enforcement policy as those that occur on private property and in a setting, that is not in public. "Private" does not include commercial settings such as cafes, markets, retail outlets, cabarets or on City owned or leased property. The City Council amended the ordinance to include this definition of "private."

Oakland Police Resource Dedicated to Cannabis Activates:

One Full Time Sworn Police Officer; approximately 50% of the officer's time is devoted to security inspections, 25% is devoted to trainings and serving as the liaison within the department for outside agencies regarding cannabis related issues, and 25% is spent on enforcement.

2022 Marijuana Arrests:

In 2022, there were eight arrests where possession of less than one ounce of marijuana under Section 11357(B) H&S (Health and Safety Code) was listed as one of the offenses. In 2021, there were two of these types of marijuana possession arrests.

Cannabis Regulatory Committee

Citations and Arrests for Marijuana Offenses - 2021

Date: June 16, 2022

Page 2

Table 1: 2022 11357(B) H&S Adult Citations by Sex and Race

Race	Male	Female	Total
African American	5	0	5
Asian Indian	1	0	1
Hispanic	1	0	1
Filipino	1	0	1
Total	8	0	8

The following tables below indicate the decrease in arrests/citations related to marijuana. The data also indicates and identifies the other offenses that resulted in arrests/citation that included marijuana charges as a lesser offense and not the primary arresting factor. Arrests for possession for sale and sales/transportation of marijuana have continuously decreased from the previous six years **from 355 arrests in 2016 to 48 arrests in 2022** – a decrease of 87% between 2016 and 2022 (see Table 2). There has been a significant decrease in these types of arrests.

Table 2: Cannabis Arrests/Citations for Calendar Years 2016 to 2021* UPDATED 2022 INFORMATION NOT AVAILBLE AT THIS TIME

Statute	2016	2017	2018	2019	2020	2021	2022
Cultivation - 11358 H&S	17	2	1	1	1	0	0
Possession for Sales - 11359/(B) H&S	286	112	93	52	25	13	41
Sales/Transportation - 11360(A) H&S	52	8	6	14	1	8	7
Total	355	122	100	67	27	21	48

The table below indicates other offense types associated with the 11359(B), 11360(A), 11358 arrests in 2020 and 2021. In these cases, marijuana was not the primary arresting factor. OPD does not prioritize arresting people solely for cannabis-related offenses. The most common violations associated with a cannabis arrest was a firearm related offense.

Table 3: Other offenses that included marijuana arrests * UPDATED 2022 INFORMATION NOT AVAILBLE AT THIS TIME

Violation Type	2020	2021
Firearm Offenses	79	50
Drug Offenses	19	11
Traffic Offenses	0	5
Probation/Parole/Warrant Offenses	11	3
Other Offenses	3	3
Violent Offense	1	0
Property Offenses	8	0
Total	121	72

Cannabis Regulatory Committee

Citations and Arrests for Marijuana Offenses - 2021

Date: June 16, 2022

Table 4: 2022 Marijuana Arrests/Citations by Sex & Race

Statute	African American		Asian		Hispanic		White		Other		Total
	M	F	M	F	M	F	M	F	M	F	
11358 H&S	0	0	0	0	0	0	0	0	0	0	0
11359/(B) H&S	33	2	4	0	5	0	1	0	0	0	0
11360(A) H&S	0	0	0	0	0	0	0	0	0	0	0
Total	33	2	4	0	5	0	1	0	0	0	0

Table 5: Marijuana Arrests/Citations by Oakland Police Beats

Beat	2021
02X	1
02Y	2
03X	2
05X	2
05Y	1
07X	2
08X	1
14X	3
17X	1
17Y	1
18Y	1
19X	8
20X	2
25X	1
26X	1
26Y	4
27Y	3
30X	5
30Y	5
31Z	1
32X	4
34X	2
77X	3
Total	56

Charges: HS11359, HS11359(B), HS11360(A)

Cannabis Regulatory Committee

Citations and Arrests for Marijuana Offenses - 2021

Date: June 16, 2022

Page 4

William Febel
Lieutenant of Police
Support Operations Division
Oakland Police Department

Date: May 30, 2023



CITY OF OAKLAND

MEMORANDUM

TO:	Cannabis Regulatory Commission	FROM:	Rogers Agaba, Assistant Revenue & Tax Administrator
SUBJECT:	Cannabis Business Taxes	DATE:	July 28, 2023

INFORMATION

This annual report provides the Cannabis Regulatory Commission (“CRC”) the unaudited Business Taxes reported directly to the City of Oakland (“City”) and Sales & Use Taxes reported directly to the California Department of Tax & Fee Administration (“CDTFA”) by individuals and businesses engaging in commercial cannabis activities in Oakland.

BACKGROUND / LEGISLATIVE HISTORY

Oakland’s Cannabis Regulatory History

The City of Oakland has been a leader in regulating cannabis. After California voters legalized medical cannabis in 1996 via Proposition 215, the City established Oakland Cannabis Buyers Club (“OCBC”) as its medical cannabis provider in 1998 under Oakland Municipal Code (“OMC”) Chapter 8.46. Following the federal closure of OCBC, the City of Oakland enacted OMC Chapter 5.80 in 2004, 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 Chapter 5.81; however, threats of federal intervention and the lack of comprehensive state law prevented any implementation of OMC Chapter 5.81.

After the passage of the Medical Cannabis Regulation and Safety Act (“MCRSA”) in 2015 and the Adult-Use of Marijuana (“AUMA”) or Proposition 64 in 2016, the City of Oakland adopted the nation’s first equity program through amendments to OMC Chapters 5.80 and 5.81 that also legalized the adult-use of cannabis and established a permitting process for the cannabis industry’s entire supply chain in the spring of 2017.

Oakland’s Cannabis Taxation History

In July 2009, Oakland voters approved Measure F making Oakland the first City in the nation to impose a tax on (medical) cannabis businesses. Measure F established a tax rate of \$18 per \$1,000, or 1.8 percent, of gross receipts.

In November 2010, Oakland voters approved the 2010 Measure V increasing the tax rate on medical cannabis businesses from 1.8% to five percent (5%) of annual gross receipts and creating a new tax rate of 10 percent (10%) of gross receipts on non-medical cannabis businesses, referred to as adult-use or recreational. The additional 10 percent adult-use tax rate

was put forth in anticipation of Proposition 19, which would have legalized adult use of cannabis in November 2010. Since Proposition 19 failed at the ballot box, Oakland did not implement the adult-use tax rate until January 1, 2018 following the passage of Proposition 64 and City Council’s legalization of adult use in 2017.

In November 2018, Oakland voters approved the 2018 Measure V allowing cannabis businesses to pay business taxes quarterly, cannabis manufacturing and/or cultivation businesses to deduct the value of raw materials from gross receipts in calculating business taxes and authorizing the City Council, without returning to voters, to amend medical or non- medical cannabis business taxes in any manner that does not increase the tax rate.

In December 2019, the Oakland City Council adopted Ordinance No. 13573 C.M.S. amending OMC Title 5, Chapter 5.04, Sections 5.04.480 and 5.04.481 to create a tiered and category-based tax structure for cannabis businesses beginning in 2020 and changing each year for 2021 and 2022 calendar years. Thereafter, the tax rate structure is scheduled to remain the same at the 2022 tax structure unless the City Council makes further changes as authorized in the 2018 Measure V.

In November 2022, the Oakland voters approved the 2022 Measure T repealing and replacing Chapter 5.04 of the Oakland Municipal Code with a new tiered, progressive business tax structure. “Measure T” created a new set of tiered progressive tax rates along with other key changes which became effective on January 1, 2023. The Cannabis Business Tax rates were not affected as the result of the passage of Measure T.

Table 1: 2023 & After Tax Rates

2023 & After Cannabis Business Tax Rates					
	Retail (store-front & delivery)	Indoor Cultivation	Outdoor Cultivation	Manufacturing Packaging & Storage	Distribution
Equity					
\$0 - \$1.5M	0.12%	0.12%	0.12%	0.12%	0.12%
\$1.5M - \$5M	5.00%	5.00%	4.50%	4.50%	3.00%
Over \$5M	5.00% (Non-Marginal)	5.00% Non-Marginal)	5.00%	5.00%	4.00%
General (Non-Equity)					
\$0 - \$750K	0.12%	0.12%	0.12%	0.12%	0.12%
\$750K+ - \$1.5M	4.00%	4.00%	3.50%	3.50%	2.50%
\$1.5M+ = \$5M	5.00%	5.00%	4.50%	4.50%	3.00%
Over \$5M	5.00% (Non-Marginal)	5.00% (Non-Marginal)	5.00%	5.00%	4.00%

Oakland's Cannabis Equity Tax Rebate Program

In addition to the new tiered and category-based tax structure for cannabis businesses in December 2019, the City Council also adopted an Equity Tax Rebate Program for cannabis businesses. The program consists of four different tax rebates totaling nine separate and distinct conditions upon which a cannabis business would be entitled to the rebate of a portion of the taxes paid. The Equity Tax Rebate Program was not affected as the result of the passage of Measure T.

Table 2: 2023 Cannabis Tax Rebate Program

2023 CANNABIS BUSINESS TAX REBATE PROGRAMS			
Rebate Program	Rebate Conditions	Qualifying Period	Rebate Amount
Local Hiring Rebate (5.04.481.B.2.a.)	i. 30% of workforce consists of "Equity Employees"	182 Days	0.50%
	II. 25% of workforce consists of Equity Employees in "Essential Roles"	182 Days	0.50%
	III. 20% of workforce consists of Equity Employees in "Managerial Roles"	182 Days	0.50%
Equity Supply Chain (5.04.481.B.2.b.)	I. 30% of value of cannabis products delivered to the business were delivered by an Equity Businesses	365 Days	0.50%
	II. 25% of value of cannabis products delivered to the businesses were originally cultivated or manufactured by an Equity Business	365 Days	0.50%
Workforce Quality of Life (5.04.481.B.2.c.)	I. \$20/hr. with health benefits <u>or</u> \$25/hr. without health benefits for all employees employed	365 Days	0.50%
	II. 80% of total employees are full-time employees	365 Days	0.25%
Incubation (5.04.481.B.2.d.)	I. Provide free rent to Equity Business beyond the initial three-year period	Year 4th	0.5% - 1.50%*
	II. Provide free rent to Equity Business in the tax year but does not seek "permitting priority"	365 Days	0.5% - 1.50%*
	* Incubation Rebate Amount is based on 2021 total gross receipts: Less than \$2M = 1.5%; Up to \$7.5M = 1%; Greater than \$7.5M but less than \$12.5M = 0.5%; Greater than \$12.5M = no rebate.		
IMPORTANT NOTE: In no case will a business be entitled to any rebates that would reduce the overall tax rate of less than 2.5% for 2023 Tax Year or 2022 Tax Year for those cannabis businesses established in 2022; In other words, a cannabis business would be subject to pay the floor/minimum tax rate of 2.5% regardless of the number or the amount of the tax rebates.			

California Sales & Use Tax

Sales and Use Tax applies to the retail sale or use of “tangible personal property.” The total sales tax percentage in the City of Oakland is 10.25% meaning on a \$1 taxable purchase, the sales tax paid is 10.25 cents. The City receives 1% of the total sales, meaning the City receives 1 cent on a \$1 purchase. The remaining 9.25% is allocated to the state and local taxing districts.

California Cannabis Excise Taxes

The passage of Proposition 64 created two new State cannabis taxes. The tax rates for 2023 are:

1. A 15 percent excise tax imposed upon the purchasers of cannabis and cannabis products.
2. According to the CDTFA¹, “Beginning July 1, 2022, the cultivation tax no longer applies to cannabis or cannabis products entering the commercial market.”

CANNABIS BUSINESS TAX REVENUE & STATISTICS

Table 3 summarizes the reported cannabis business tax revenue for the calendar years 2015-2022 and the latest reported revenue for the current calendar year 2023.

Table 3: Cannabis Business Tax Revenue

Tax Year	Number of Business	Revenue
2023	266	\$5.64 million ²
2022	259	\$7.92 million
2021	187	\$13.47 million
2020	252	\$8.89 million
2019	195	\$12.85 million
2018	139	\$8.07 million
2017	85	\$7.48 million
2016	77	\$4.64 million
2015	70	\$3.61 million

General Statistics:

The following general statistics are intended to provide the CRC a snapshot of key information as of the date of this report. Certain statistics for prior years, such as the number of retailers vs. non-retailers, equity vs. non-equity businesses, are not available because the tax rates were fixed prior to 2019 tax year regardless of the type of operation or activity. The tax rates applicable to individual activity or segment of the cannabis industry (store front, delivery, cultivation, manufacturing, distribution, etc.) did not become effective until 2020. For businesses engaging in multiple activities, such as those grouped under Micro-business, the applicable tax is the tax rate that produces the highest amount of the taxes owed based on the

¹ Source: <https://www.cdtfa.ca.gov/formspubs/L856.pdf>

² Through July 24, 2023: Total \$5.64M (Paid = \$2.63 million: Outstanding Balance = \$3.01 million)

total gross receipts generated by the business without respect to the portion of gross receipts generated from any particular taxable activity (Oakland Municipal Code § 5.04.480.C).

Table 4: Retail vs. Non-Retail Operation

Tax Year	Retail	Non-Retail	Total
2023	121	145	266
2022	127	132	259
2021	93	94	187
2020	112	140	252
2019	73	122	195

Table 5: Equity vs. Non-Equity Operation

Tax Year	Equity	Non-Equity	Total
2023	106	160	266
2022	107	152	259
2021	54	133	187
2020	78	174	252
2019	Not Tracking		

Table 6: Payment Plan vs. Non-Payment Plan

Tax Year	Payment Plan	Non-Payment Plan	Total
2023	33	233	266
2022	40	219	259
2021	30	157	187
2020	42	210	252
2019	57	138	195

Table 7: Business by Gross Receipts and Percentage of Reported Revenue

Gross Receipts	2019		2020		2021		2022		2023	
	No. of Business	Percentage of Revenue	No. of Business	Percentage of Revenue	No. of Business	Percentage of Revenue	No. of Business	Percentage of Revenue	No. of Business	Percentage of Revenue
Up to \$500K	151	7.75%	195	8.94%	115	6.72%	165	0.33%	176	0.49%
\$500K+ - \$1.5M	19	15.40%	27	8.88%	35	13.26%	51	4.66%	55	4.57%
\$1.5M+ - \$5M	18	29.92%	26	39.46%	26	29.01%	32	33.42%	28	35.36%
Over \$5M	7	46.93%	4	42.72%	11	51.01%	11	61.59%	7	59.59%
Total	195	100%	252	100%	187	100%	253	100%	266	100%

SALES & USE TAX REVENUE

Table 8: Adjusted Sales Tax reported to the CDTFA

Calendar Year	Number of Business	Revenue
2023 ³	99	\$423,000 ⁴
2022	124	\$1.35 million
2021	103	\$1.54 million
2020	103	\$1.56 million
2019	121	\$1.30 million
2018	79	\$1.16 million

Table 9: Reported number of Employees

Calendar Year	Full Time	Part Time	Total Employees
2023	1818	424	2242
2022	2094	287	2381

³ There is an interval of time lag of approximately 2 – 2 ½ months from the close of the quarter to the date the City receives the Sales & Use Tax data. For example, the City expects to receive the sales tax data for the second quarter 2023 (April-June 2023) in August 2023. The time lag represents the interval needed for filers to prepare their returns and remit their payments to the CDTFA, and for the CDTFA to process returns and prepare the data for the City.

⁴ From January 1, 2023 through March 31, 2023

Table 10: Annual Gross Receipts Tax Years (2018 – 2023)

Year	2018	2019	2020	2021	2022	2023
Equity	N/A	N/A	\$21,141,465.27	\$35,974,745.13	\$37,803,609.10	\$37,609,413.12
General	N/A	N/A	\$152,193,969.69	\$235,610,581.28	\$207,113,784.78	\$163,441,215.46
Total Gross Receipts	\$171,546,992.15	\$165,351,330.15	\$173,335,434.96	\$271,585,326.41	\$244,917,393.88	\$201,050,628.58

Table 11: Equity Cannabis Gross Receipts by Activity (2020 – 2023)

Equity Business	2020			2021			2022			2023		
	No. of business	Total Gross Receipts	Average Gross Receipts	No. of business	Total Gross Receipts	Average Gross Receipts	No. of business	Total Gross Receipts	Average Gross Receipts	No. of business	Total Gross Receipts	Average Gross Receipts
Retail	44	\$19,476,090.16	\$902,851.51	38	\$24,221,032.76	\$2,732,820.88	47	\$22,612,021.65	\$732,643.69	41	\$24,710,178.92	\$602,687.29
Indoor Cultivation	8	\$169,262.99	\$5,289.47	14	\$2,879,508.58	\$477,908.64	14	\$2,455,154.00	\$537,299.29	14	\$4,763,305.81	\$340,236.13
Outdoor Cultivation	0	\$0.00	\$0.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
Manufacturing	5	\$0.00	\$0.00	11	\$1,699,036.67	\$397,444.65	19	\$3,686,342.49	\$776,582.21	17	\$2,474,189.19	\$145,540.54
Distribution	24	\$1,041,583.12	\$10,849.83	12	\$3,048,013.82	\$227,366.57	17	\$2,721,496.74	\$250,898.42	14	\$2,388,487.07	\$170,606.22
Micro-business	3	\$454,529.00	\$37,877.39	19	\$4,127,153.30	\$662,749.03	18	\$6,328,594.22	\$877,402.91	20	\$3,273,252.13	\$163,662.61
Total	84	\$21,141,465.27		94	\$35,974,745.13		115	\$37,803,609.10		106	\$37,609,413.12	

Table 12: General Cannabis Gross Receipts by Activity (2020 – 2023)

General Business	2020			2021			2022			2023		
	No. of business	Total Gross Receipts	Average Gross Receipts	No. of business	Total Gross Receipts	Average Gross Receipts	No. of business	Total Gross Receipts	Average Gross Receipts	No. of business	Total Gross Receipts	Average Gross Receipts
Retail	70	\$83,001,443.64	\$4,130,348.89	59	\$139,280,304.77	\$3,859,870.21	58	\$114,588,282.50	\$3,460,412.86	58	\$65,854,042.78	\$1,135,414.53
Indoor Cultivation	31	\$15,260,122.08	\$974,366.71	34	\$44,462,812.01	\$2,776,361.97	41	\$38,158,778.58	\$2,254,026.79	53	\$50,193,953.97	\$947,055.74
Outdoor Cultivation	0	\$0.00	\$0.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
Manufacturing	25	\$12,270,412.93	\$1,129,569.29	18	\$9,884,469.23	\$1,219,128.89	24	\$14,468,329.56	\$1,122,505.62	19	\$12,777,799.25	\$672,515.75
Distribution	36	\$26,323,038.59	\$951,131.63	29	\$20,351,761.86	\$2,117,523.67	15	\$16,401,492.31	\$2,674,659.38	19	\$25,360,291.38	\$1,334,752.18
Micro-business	13	\$15,338,952.45	\$2,686,589.01	13	\$21,631,233.41	\$4,458,398.73	23	\$23,496,901.83	\$3,248,223.87	11	\$9,255,128.08	\$841,375.28
Total	175	\$152,193,969.69		153	\$235,610,581.28		161	\$207,113,784.78		160	\$163,441,215.46	

Table 13: Year-Over-Year (“YOY”) Changes Annual Gross Receipts (2020 – 2023)

Business Type	2020	2021	YOY Change (in \$)	YOY Change (in %)	2022	YOY Change (in \$)	YOY Change (in %)	2023	YOY Change (in \$)	YOY Change (in %)
	Total Gross Receipts	Total Gross Receipts			Total Gross Receipts			Total Gross Receipts		
Equity	\$21,141,465.27	\$35,974,745.13	\$14,833,279.86	70.16%	\$37,803,609.10	\$1,828,863.97	5.08%	\$37,609,413.12	-\$194,195.98	-0.51%
General	\$152,193,969.69	\$235,610,581.28	\$83,416,611.59	54.81%	\$207,113,784.78	-\$28,496,796.50	-12.09%	\$163,441,215.46	-\$43,672,569.32	-21.09%
Total	\$173,335,434.96	\$271,585,326.41	\$98,249,891.45		\$244,917,393.88	-\$26,667,932.53		\$201,050,628.58	-\$43,866,765.30	

Table 14: Year-Over-Year (“YOY”) Changes by Activity - Retail Gross Receipts (2020 – 2023)

Retail	2020	2021	YOY Change (in \$)	YOY Change (in %)	2022	YOY Change (in \$)	YOY Change (in %)	2023	YOY Change (in \$)	YOY Change (in %)
	Total Gross Receipts	Total Gross Receipts			Total Gross Receipts			Total Gross Receipts		
Equity	\$19,476,090.16	\$24,221,032.76	\$4,744,942.60	24.36%	\$22,612,021.65	-\$1,609,011.11	-6.64%	\$24,710,178.92	\$2,098,157.27	9.28%
General	\$83,001,443.64	\$139,280,304.77	\$56,278,861.13	67.80%	\$114,588,282.50	-\$24,692,022.27	-17.73%	\$65,854,042.78	-\$48,734,239.72	-42.53%
Total	\$102,477,533.80	\$163,501,337.53	\$61,023,803.73		\$137,200,304.15	-\$26,301,033.38		\$90,564,221.70	-\$46,636,082.45	

Table 15: Year-Over-Year (“YOY”) Changes by Activity - Indoor Cultivation Gross Receipts (2020 – 2023)

Indoor Cultivation	2020	2021	YOY Change (in \$)	YOY Change (in %)	2022	YOY Change (in \$)	YOY Change (in %)	2023	YOY Change (in \$)	YOY Change (in %)
	Total Gross Receipts	Total Gross Receipts			Total Gross Receipts			Total Gross Receipts		
Equity	\$169,262.99	\$2,879,508.58	\$2,710,245.59	1601.20%	\$2,455,154.00	-\$424,354.58	-14.74%	\$4,763,305.81	\$2,308,151.81	94.01%
General	\$15,260,122.08	\$44,462,812.01	\$29,202,689.93	191.37%	\$38,158,778.58	-\$6,304,033.43	-14.18%	\$50,193,953.97	\$12,035,175.39	31.54%
Total	\$15,429,385.07	\$47,342,320.59	\$31,912,935.52		\$40,613,932.58	-\$6,728,388.01		\$54,957,259.78	\$14,343,327.20	

Table 16: Year-Over-Year (“YOY”) Changes by Activity - Manufacturing Gross Receipts (2020 – 2023)

Manufacturing	2020	2021	YOY Change (in \$)	YOY Change (in %)	2022	YOY Change (in \$)	YOY Change (in %)	2023	YOY Change (in \$)	YOY Change (in %)
	Total Gross Receipts	Total Gross Receipts			Total Gross Receipts			Total Gross Receipts		
Equity	\$0.00	\$1,699,036.67	\$1,699,036.67	NA	\$3,686,342.49	\$1,987,305.82	116.97%	\$2,474,189.19	-\$1,212,153.30	-32.88%
General	\$12,270,412.93	\$9,884,469.23	-\$2,385,943.70	-19.44%	\$14,468,329.56	\$4,583,860.33	46.37%	\$12,777,799.25	-\$1,690,530.31	-11.68%
Total	\$12,270,412.93	\$11,583,505.90	-\$686,907.03		\$18,154,672.05	\$6,571,166.15		\$15,251,988.44	-\$2,902,683.61	

Table 17: Year-Over-Year (“YOY”) Changes by Activity - Distribution Gross Receipts (2020 – 2023)

Distribution	2020	2021	YOY Change (in \$)	YOY Change (in %)	2022	YOY Change (in \$)	YOY Change (in %)	2023	YOY Change (in \$)	YOY Change (in %)
	Total Gross Receipts	Total Gross Receipts			Total Gross Receipts			Total Gross Receipts		
Equity	\$1,041,583.12	\$3,048,013.82	\$2,006,430.70	192.63%	\$2,721,496.74	-\$326,517.08	-10.71%	\$2,388,487.07	-\$333,009.67	-12.24%
General	\$26,323,038.59	\$20,351,761.86	-\$5,971,276.73	-22.68%	\$16,401,492.31	-\$3,950,269.55	-19.41%	\$25,360,291.38	\$8,958,799.07	54.62%
Total	\$27,364,621.71	\$23,399,775.68	-\$3,964,846.03		\$19,122,989.05	-\$4,276,786.63		\$27,748,778.45	\$8,625,789.40	

Table 18: Year-Over-Year (“YOY”) Changes by Activity - Micro-business Gross Receipts (2020 – 2023)

Micro-business	2020	2021	YOY Change (in \$)	YOY Change (in %)	2022	YOY Change (in \$)	YOY Change (in %)	2023	YOY Change (in \$)	YOY Change (in %)
	Total Gross Receipts	Total Gross Receipts			Total Gross Receipts			Total Gross Receipts		
Equity	\$454,529.00	\$4,127,153.30	\$3,672,624.30	808.01%	\$6,328,594.22	\$2,201,440.92	53.34%	\$3,273,252.13	-\$3,055,342.09	-48.28%
General	\$15,338,952.45	\$21,631,233.41	\$6,292,280.96	41.02%	\$23,496,901.83	\$1,865,668.42	8.62%	\$9,255,128.08	-\$14,241,773.75	-60.61%
Total	\$15,793,481.45	\$25,758,386.71	\$9,964,905.26		\$29,825,496.05	\$4,067,109.34		\$12,528,380.21	-\$17,297,115.84	

Staff will be available to speak to the information provided herein at the August 3, 2023 CRC meeting. For questions regarding this report, please contact Nicole Andrino, Tax Auditor II, (510) 238-6767.

Respectfully submitted,



Rogers Agaba [Jul 27, 2023 14:19 PDT]

Rogers Agaba
Assistant Revenue and Tax Administrator
Finance Department

**CITY OF OAKLAND CANNABIS REGULATORY COMMISSION
2022 ANNUAL REPORT**

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

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

I. EXECUTIVE SUMMARY

In 2022 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). 2022 discussions ranged from how to improve the security of cannabis businesses, to identifying trends in the regulated marketplace via financial data, to how to utilize state grants, to discouraging the use of diesel generators by cannabis cultivators, and the proposed Emerald New Deal ballot measure.

Additionally, in the coming months, the CRC anticipates finalizing its recommendations 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.

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

The CRC currently has only seven members and four vacancies, leaving the CRC with just above the minimum number of six members to achieve quorum. There are currently vacancies for representatives of Districts Five, Six, and Seven as well as the Mayor’s Office. The CRC strongly encourages the City Council and Mayor to fill all of these vacancies.

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 only made an additional direct investments in the Fiscal Year 2022-2023 midcycle budget.

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. Go-Biz's 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 Oakland needs ongoing local investment to remain competitive in the future.

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.

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. 2022 CRC POLICY DISCUSSIONS

i. Improving the Security of Oakland's Cannabis Businesses

As noted above, several cannabis businesses have suffered from burglaries and robberies since 2020. 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, in 2022 CRC recommended that the City explore any local and state resources available to prevent ongoing burglaries of cannabis facilities. Specifically, the CRC recommended that staff request funding from the Board of State and Community Corrections Proposition 64 Cohort 3 Grant Program to fortify cannabis operators' business locations.

ii. Trends in Oakland's Regulated Cannabis Marketplace

In 2022 the CRC received two reports from the Finance Department, which provide information on both the amount of taxes received from cannabis businesses as well as information on cannabis businesses themselves (See **Attachments One and Two**). The initial finance report revealed a decrease in tax revenue received in 2022 compared to 2021 as a result of the decreased tax rates approved by City Council in 2019. The supplemental finance report showed that the total gross receipts of Oakland's cannabis industry has grown from approximately \$156 million in 2017 to over \$244 million in 2022; however 2022 gross receipts represented a decrease from Oakland cannabis businesses total gross receipts in 2021 which totaled over \$271 million. Additionally, the supplemental report displayed that in 2022 the average gross receipts of an Oakland equity applicant is only \$328,727, whereas the average gross receipts of a general applicant is \$1,286,421.

These financial reports suggest that Oakland's regulated cannabis industry has grown over the last five years, however, it hit its peak during the 2021 tax year/calendar year of 2020 and Oakland's equity businesses are generally much smaller than general applicant businesses.

iii. How Best to Utilize State Grants

In addition to monitoring the implementation of state grants already received, in 2022 the CRC offered recommendations on how to allocate the most recent grant from the Go-Biz and what to request funding for as part of the City's Proposition 64 Cohort 3 Grant application. Specifically, the CRC approved utilizing Go-Biz funding to support the purchase of a property that support multiple equity applicants, grants for equity applicants' start-up and ongoing costs, workforce development and shared-use manufacturing programs.

Likewise, the CRC recommended that the City request Proposition 64 Cohort 3 funds to improve the security of cannabis operators' business locations.

iv. Discouraging the Use of Diesel Generators

In 2022 the CRC also received public comment on the use of diesel generators by cannabis cultivators, particularly at two large warehouses referred to as the Oakland Cannery and Tinnery. These discussions paralleled enforcement efforts by the Bay Area Air Quality Management District, the Environmental Democracy Project, and the Oakland Fire Department that led to the abatement of diesel generators at these and other properties.

v. Emerald New Deal Proposed Ballot Measure

During the first half of 2022 the CRC hosted three different presentations by proponents of the Emerald New Deal (END) proposed ballot measure. After the first presentation the CRC recommended that END work with stakeholders, particularly the cannabis industry and equity applicants. After the second presentation the CRC issued a qualified endorsement provided that the END provide information on how the END will support the Equity Program and work to lower cannabis tax rates. Ultimately, the City Council elected to not place on the END on the ballot for Oakland voters in November 2022.

vi. Additional Recommendations

In addition to discussing the above topics, in 2022 the CRC recommended that the City establish a Department of Cannabis and that a representative of the Planning and Building Department speak with the CRC regarding what new zones cannabis businesses can potentially locate in.

V. Conclusion and Next Steps

The CRC is grateful for the opportunity to share with the City Council its 2022 annual report. The above recommendations and information will assist the City's cannabis program in continuing to evolve in an equitable and responsible manner.

Respectfully submitted,

Chair

Cannabis Regulatory Commission

Vice-Chair
Cannabis Regulatory Commission

Attachment One:
2022 Initial Finance Department Report to the Cannabis Regulatory Commission

Attachment Two:
2022 Supplemental Finance Department Report to the Cannabis Regulatory
Commission

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