

Monday, June 13, 2022 6:30 pm
Teleconference Meeting

AGENDA

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.

PUBLIC PARTICIPATION INSTRUCTIONS

TO OBSERVE:

- To observe the meeting by video conference, please click the link below to join the webinar:
<https://us02web.zoom.us/j/82663763492>
- To listen to the meeting by phone, please call the numbers below at the noticed meeting time: Dial (for higher quality, dial a number based on your current location):

US: +1 669 900 9128 or +1 346 248 7799 or +1 253 215 8782 or +1 312 626 6799 or +1 646 558 8656
or +1 301 715 8592

For each number, please be patient and when requested, dial the following Webinar ID: 826 6376 3492

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

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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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♿ 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.

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Members:

Javier Armas	District 1	Vacant	District 7
Tracey Corder	District 2	Chaney Turner	At Large
Taib Alaoui	District 3	Eric Medrano	Mayor
Lauren Payne	District 4	TiYanna Long	City Auditor
Vacant	District 5	Greg Minor	City Administrator
Vacant	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 Special CRC Meeting on May 12, 2022
- 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
 2. Annual Report From Finance Department Regarding Cannabis Tax Revenues
 3. Emerald New Deal Proposed Changes to Cannabis Regulatory Commission
 4. Draft 2021 CRC Annual Report to City Council
 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)*
- 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, May 12, 2022 6:30 pm
Teleconference Meeting

MINUTES

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

MEETING AGENDA

A. Roll Call and Determination of Quorum

Present: Armas, Corder, Alaoui, Payne, Turner, Medrano, and Minor

Absent: Long

B. Approval of the Draft Minutes from the Special CRC Meeting on March 10, 2022

Chair Turner moved to approve the minutes as drafted. Member Armas 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

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

2. Training Regarding Brown Act and Related Issues

Deputy City Attorney Amadis Sotelo provided an overview of the Brown Act and open meeting requirements before answering questions from CRC members.

3. Emerald New Deal Proposed Ballot Measure

Gamila Abdelhalim and Charles Reed presented on behalf of the Emerald New Deal (END). Various speakers spoke in favor of the END to provide community reinvestment. Speakers opposed to the END expressed

concerns regarding relying on current cannabis tax rates, which they believe should be lowered, and concerns regarding who would receive the END funding.

Member Armas noted that the City needs more capital to support equity operators and the City's cannabis tax revenues will not provide enough funding so the City needs to explore canna-tourism to attract more revenue. Additionally, Member Armas stated that END will make it difficult to lower cannabis tax rates because people will view that as reducing the amount of funding available for END's progressive causes. Member Corder agreed with END's removing cannabis tax revenues as a source of OPD's funding. Member Payne supported the idea of funds going to people but had questions regarding the END. Chair Turner similarly stated that the END needed some work.

Member Payne then made a motion for the CRC to support the END provided that the END proponents share detailed information regarding how the END will support Oakland's equity program and they collaborate with the cannabis industry to lower cannabis tax rates. Member Corder seconded the motion.

Chair Turner offered the following friendly amendments to Member Payne's motion: END should provide information on the organizations that they intend to work with and the END should increase the amount of the END's investment in Oakland's equity program. Member Payne accepted these friendly amendments and the motion passed with Members Armas and Minor abstaining.

4. Draft 2021 CRC Annual Report to City Council

Member Minor offered background on the draft report and the timing around the City Council's Midcycle Budget. Member Payne made a motion to have a subcommittee consisting of Chair Turner, Member Payne and Member Alaoui review and edit the annual report. Chair Turner seconded the motion and it passed by consensus.

Chair Turner then made a motion to extend the meeting for fifteen additional minutes. Member Payne seconded the motion and it passed by consensus.

5. Implementation Update on State Grants

Member Minor shared how the City is in a transitional moment having disbursed all of last year's state grants and waiting to receive and disburse the most recent state grants. Chair Turner then made a motion to accept the update. Member Medrano seconded the motion and it passed by consensus.

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

- Follow Up Questions re Revenue Management Bureau Report (since June 2021); update on tax rebate program (since February 2022)
- Building and Fire Baseline Permitting Timelines (since January 2022)
- Details on Proposed Legislative Framework for Next Phase of Cannabis Program (since February 2022)

E. Open Forum / Public Comment

There were no speakers during Open Forum.

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

OAKLAND CANNABIS REGULATORY COMMISSION

RESOLUTION NO. 2022-4

ADOPT A RESOLUTION DETERMINING THAT CONDUCTING IN-PERSON MEETINGS OF THE CANNABIS REGULATORY COMMISSION AND ITS COMMITTEES 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.

WHEREAS, on March 4, 2020, Governor Gavin Newsom declared a state of emergency related to COVID-19, pursuant to Government Code Section 8625, and such declaration has not been lifted or rescinded. See <https://www.gov.ca.gov/wp-content/uploads/2020/03/3.4.20-Coronavirus-SOE-Proclamation.pdf>; and

WHEREAS, on March 9, 2020, the City Administrator in their capacity as the Director of the Emergency Operations Center (EOC), issued a proclamation of local emergency due to the spread of COVID-19 in Oakland, and on March 12, 2020, the City Council passed Resolution No. 88075 C.M.S. ratifying the proclamation of local emergency pursuant to Oakland Municipal Code (O.M.C.) section 8.50.050(C); and

WHEREAS, City Council Resolution No. 88075 remains in full force and effect to date; and

WHEREAS, the Centers for Disease Control (CDC) recommends physical distancing of at least six (6) feet whenever possible, avoiding crowds, and avoiding spaces that do not offer fresh air from the outdoors, particularly for people who are not fully vaccinated or who are at higher risk of getting very sick from COVID-19. See <https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html>; and

WHEREAS, the CDC recommends that people who live with unvaccinated people avoid activities that make physical distancing hard. See <https://www.cdc.gov/coronavirus/2019-ncov/your-health/about-covid-19/caring-for-children/families.html>; and

WHEREAS, the CDC recommends that older adults limit in-person interactions as much as possible, particularly when indoors. See <https://www.cdc.gov/aging/covid19/covid19-older-adults.html>; and

WHEREAS, the CDC, the California Department of Public Health, and the Alameda County Public Health Department all recommend that people experiencing COVID-19 symptoms stay home. See <https://www.cdc.gov/coronavirus/2019-ncov/if-you-are-sick/steps-when-sick.html>; and

WHEREAS, persons without symptoms may be able to spread the COVID-19 virus. See <https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html>; and

WHEREAS, fully vaccinated persons who become infected with the COVID-19 Delta variant can spread the virus to others. See <https://www.cdc.gov/coronavirus/2019-ncov/vaccines/fully-vaccinated.html>; and

WHEREAS, the City's public-meeting facilities are indoor facilities that do not ensure circulation of fresh / outdoor air, particularly during periods of cold and/or rainy weather, and were not designed to ensure that attendees can remain six (6) feet apart; and

WHEREAS, holding in-person meetings would encourage community members to come to City facilities to participate in local government, and some of them would be at high risk of getting very sick from COVID-19 and/or would live with someone who is at high risk; and

WHEREAS, in-person meetings would tempt community members who are experiencing COVID-19 symptoms to leave their homes in order to come to City facilities and participate in local government; and

WHEREAS, attendees would use ride-share services and/or public transit to travel to in-person meetings, thereby putting them in close and prolonged contact with additional people outside of their households; and

WHEREAS, on October 7, 2021 the Cannabis Regulatory Commission adopted a resolution determining that conducting in-person meetings 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; now therefore be it:

RESOLVED: that the Cannabis Regulatory Commission finds and determines that the foregoing recitals are true and correct and hereby adopts and incorporates them into this resolution; and be it

FURTHER RESOLVED: that, based on these determinations and consistent with federal, state and local health guidance, the Cannabis Regulatory Commission renews its determination that conducting in-person meetings would pose imminent risks to the health of attendees; and be it

FURTHER RESOLVED: that the Cannabis Regulatory Commission firmly believes that the community's health and safety and the community's right to participate in local government, are both critically important, and is committed to balancing the two by continuing to use

teleconferencing to conduct public meetings, in accordance with California Government Code Section 54953(e), a provision of AB-361; and be it

FURTHER RESOLVED: that the Cannabis Regulatory Commission will renew these (or similar) findings at least every thirty (30) days in accordance with California Government Code section 54953(e) until the state of emergency related to COVID-19 has been lifted, or the Cannabis Regulatory Commission that in-person meetings no longer pose imminent risks to the health of attendees, whichever occurs first.



Cannabis Regulatory Commission

TO: Cannabis Regulatory Commission **FROM:** Greg Minor
Assistant to the City
Administrator

SUBJECT: June 2022 Agenda Items **DATE:** June 9, 2022

ITEM C (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

Recently passed Assembly Bill (AB) 361 requires boards and commission to renew findings that conducting in-person meetings would present imminent health risks and to elect to continue conducting meetings via teleconference. The CRC adopted an initial resolution to this effect at a Special Meeting on October 7, 2021 and attached to this agenda is a Resolution 2022 renewing these findings.

ITEM C (2) Annual Report From Finance Department Regarding Cannabis Tax Revenues

Please see attached annual report from the Finance Department outlining cannabis tax revenues collected by the City of Oakland for the calendar year 2021.

ITEM C (3) Emerald New Deal Proposed Changes to Cannabis Regulatory Commission

After presenting an [informational report to the City Council Community Economic Development \(CED\) Committee on May 24th](#), Councilmember Taylor presented an [updated version](#) of the proposed ballot measure to the City Council Rules and Legislation Committee on June 9th that proposes to change the composition of the Cannabis Regulatory Commission and expand its scope to include oversight of the use of cannabis tax revenues collected by the City of Oakland. Councilmember Taylor's office will provide an overview of this update for the CRC and public to review.

ITEM C (4) Draft 202 CRC Annual Report to City Council

The CRC's implementing Ordinance No. 12694 states that an annual report will be presented in writing to the City Council.

Attached for the CRC's review is a draft CRC annual report for 2021 compiled by staff based on minutes of 2021 CRC meetings. Upon approval of the CRC, this annual report will be presented to the City Council. At the Special May 2022 CRC meeting the CRC passed a motion for a subcommittee to review and edit the draft report but the subcommittee has not yet met.

ITEM C (5) Implementation Update on State Grants

The City of Oakland received three state grants in 2020-2021 to support its cannabis equity program: in the spring of 2020 the City received a grant of approximately \$1,650,000 from the Bureau of Cannabis Control (BCC); in the summer of 2020 the City received a \$6,576,705 grant from the Governor's Office of Business and Economic Development (Go-Biz) (Go-Biz 1 Grant); then in the summer of 2021 the City received a \$2,434,712.51 from Go-Biz (Go-Biz 2 Grant). The City has disbursed all of the BCC grants funds and all but approximately \$200,000 of the Go-Biz 1 and Go-Biz 2 grants, which consist of second installments of workforce development and shared-use manufacturing grants.

In April the City of Oakland received a three-year \$9,905,020 Local Jurisdiction Assistance Grant from the Department of Cannabis Control (DCC) to support the transition of cannabis operators from a provisional to an annual state license. Later this month the City should receive the latest one-year grant from Go-Biz to support the City's Equity Program in an amount of \$5,435,140.82 (Go-Biz 3). Finally, last week the City Council approved adjustments to a three-year grant from the Board of State and Community Corrections (BSCC) to address the impacts of cannabis legalization. Staff anticipates beginning to disburse these funds as outlined in **Figures 1-3** this summer and will provide status updates moving forward.

Figure 1- Local Jurisdiction Assistance Grant Funds

LOCAL JURISDICTION ASSISTANCE GRANT BUDGET		
PROPOSED USE	COST IN YEAR ONE	COST OVER THREE YEARS
Grants to Provisionally Licensed Equity Applicants	\$574,218.50	\$1,722,655.50
Special Activity Permit Technician	\$166,810	\$500,430
Planning CEQA Review	\$9,237	\$27,710
Program Analyst for Processing Grants	\$198,640	\$595,920
Process Coordinator II in Building Bureau	\$175,696	\$527,088
Overtime for Civil Engineers to Review Plans	\$591,075	\$1,773,224
Overtime for Code Enforcement	\$78,115.80	\$234,347
Hazardous Materials Inspector II	\$193,546	\$580,638
Overtime for Fire Plan Engineers to Review Plans	\$73,760	\$221,280
Overtime for Fire Code Enforcement	\$61,824.00	\$185,472
Overtime for Municipal Code Enforcement Officers for Security Inspections	\$50,000	\$150,000
Annual CPTED Training for Municipal Code Enforcement Officers	\$1,200	\$3,600
Establishing/Maintaining Accela Module for Cannabis Permit Tracking	\$310,000	\$430,000
Grants to Meet Security Requirements	\$574,218.50	\$1,722,655.50
Consultant TBD to Administer Loan/Grant Programs	\$160,000	\$480,000
Consultant TBD to Provide Legal Assistance to Equity Applicants	\$125,000	\$375,000
Consultant TBD to Provide Technical Assistance to Equity Applicants	\$125,000	\$375,000
TOTAL	\$3,468,341	\$9,905,020

Figure 2- 2022-2023 Go-Biz (G0-Biz 3) Grant Funds

Proposed Use	Amount of Funds
A. Grants/Loans to Operators For Start-Up and Ongoing Costs	\$2,428,953.10
B. No-Interest Loan to Purchase Property	\$2,250,000.00
C. Managing Shared-Use Facilities	\$212,915.36
D. Workforce Development	\$330,357.00
E. Half of a City Administrator Analyst	\$122,959.00
F. Administering of Grant/Loan Programs	\$89,956.36
TOTAL	\$5,435,140.82

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	Youth Uprising	\$310,000
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	\$50,000
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	Same
Meeting Supplies and Notification	EOYDC, OUSD, PHI	\$32,000	Youth Uprising, OUSD, PHI	Same
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 1: Application Totals

<i>APPLICATIONS</i>	TOTALS	PENDING
Total Complete & Incomplete Applications	1709	131
Total Complete Applications	1709	
Complete General Applications	737	
Equity Applications based on residency	840	
Equity Applications based on conviction	132	
Incubators	389	
Interested in Incubating	27	
Complete Application with property	1200	
Complete Application without property (Equity)	408	
Complete Applicants without property (General)	101	

Figure 2: Permit Applications by Category

COMPLETED APPLICATIONS BY BUSINESS TYPE	GENERAL	INCUBATOR*	INTERESTED IN INCUBATING*	EQUITY
Delivery	186	68	4	255
Cultivator (Indoor)	218	125	17	164
Cultivator (Outdoor)	5	5	0	38
Distributor	161	91	4	235
Mfg. Volatile	55	40	0	47
Mfg. Non-Volatile	105	55	2	185
Transporter	5	4	0	38
Lab Testing	2	1	0	10
GRAND TOTALS	737	389	27	972

*These numbers are part of the General Total

Figure 3: Operators Locally Authorized for Provisional or Annual State License by Category

<i>LOCALLY AUTHORIZED FOR STATE *ANNUAL/PROVISIONAL LICENSES*</i>	GENERAL	INCUBATOR	EQUITY	
Delivery	58	52	139	
Cultivator	24	90	54	
Distributor	25	78	117	
Mfg. Volatile	5	29	7	
Mfg. Non-Volatile	27	74	113	
Transporter	1	2	6	
Lab Testing	0	2	2	
Retailers	3	1	3	
TOTALS:	143	328	441	912

*These figures represent those who have actually applied with the state for their provisional/annual license
There are additional applicants who are locally authorized, but who have not yet applied with the state.

Figure 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>				
Dispensary	8	1	7	16
Delivery	59	20	84	163
Cultivator (Indoor)	2	7	5	14
Cultivator (Outdoor)	0	1	0	1
Distributor	18	24	51	93
Mfg. Volatile	0	6	0	6
Mfg. Non-Volatile	7	10	38	55
Transporter	2	0	4	6
Lab Testing	0	0	0	
GRAND TOTALS	96	69	189	354

Figure 5: Withdrawn Applications

WITHDRAWN APPLICATIONS	GENERAL	INCUBATOR	EQUITY	TOTALS
Delivery	13	27	55	95
Cultivator (Indoor)	7	16	36	59
Cultivator (Outdoor)	14	13	11	38
Distributor	7	40	49	96
Mfg. Volatile	2	14	21	37
Mfg. Non-Volatile	6	22	33	61
Transporter	6	1	15	22
Lab Testing		2	3	5
TOTALS	55	135	223	413

Figure 6: Revoked Local Authorization

REVOKED LOCAL AUTHORIZATION	GENERAL	INCUBATOR	EQUITY	TOTALS
Delivery	1	6	6	13
Cultivator (Indoor)	1	9	2	12
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	3	27	13	43

Figure 7: Graph of Cannabis Permit Applications Received Since 2017

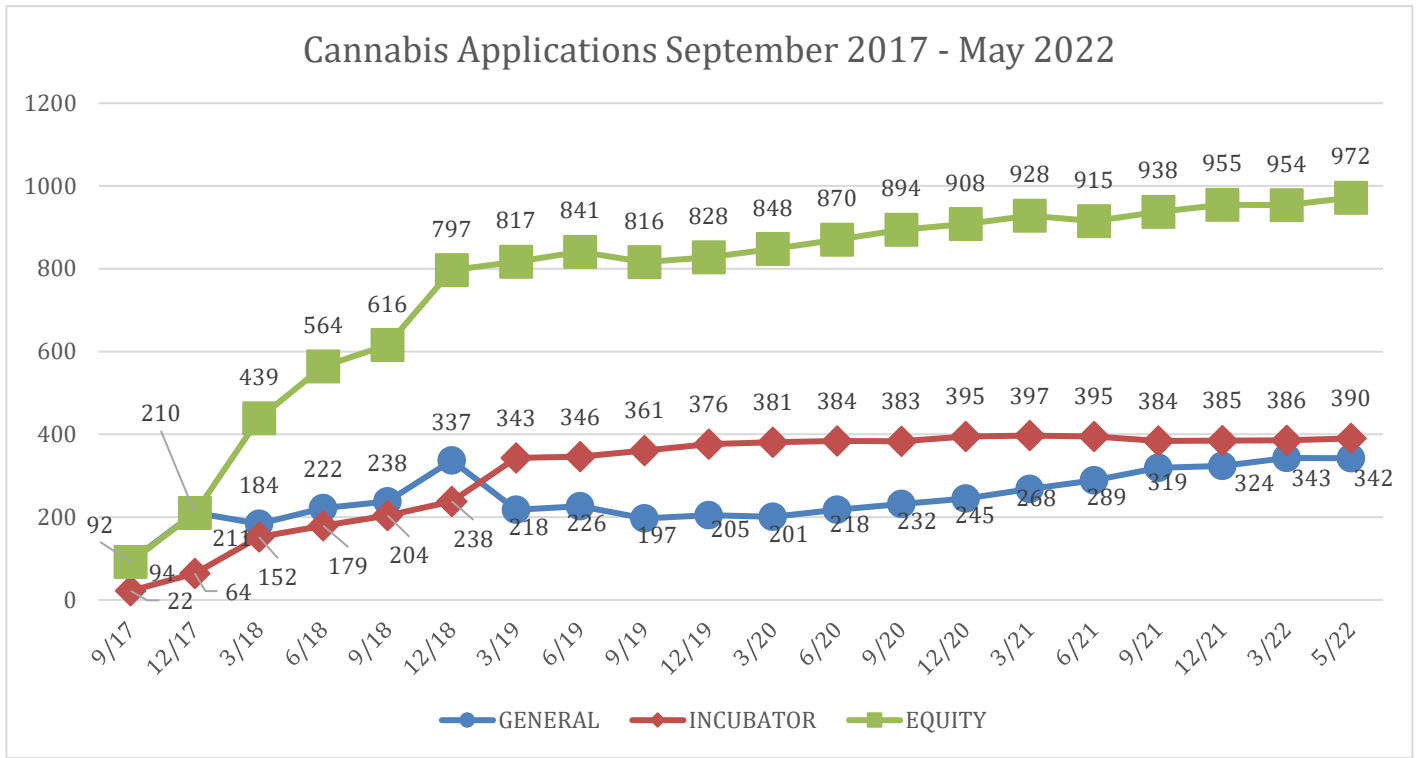
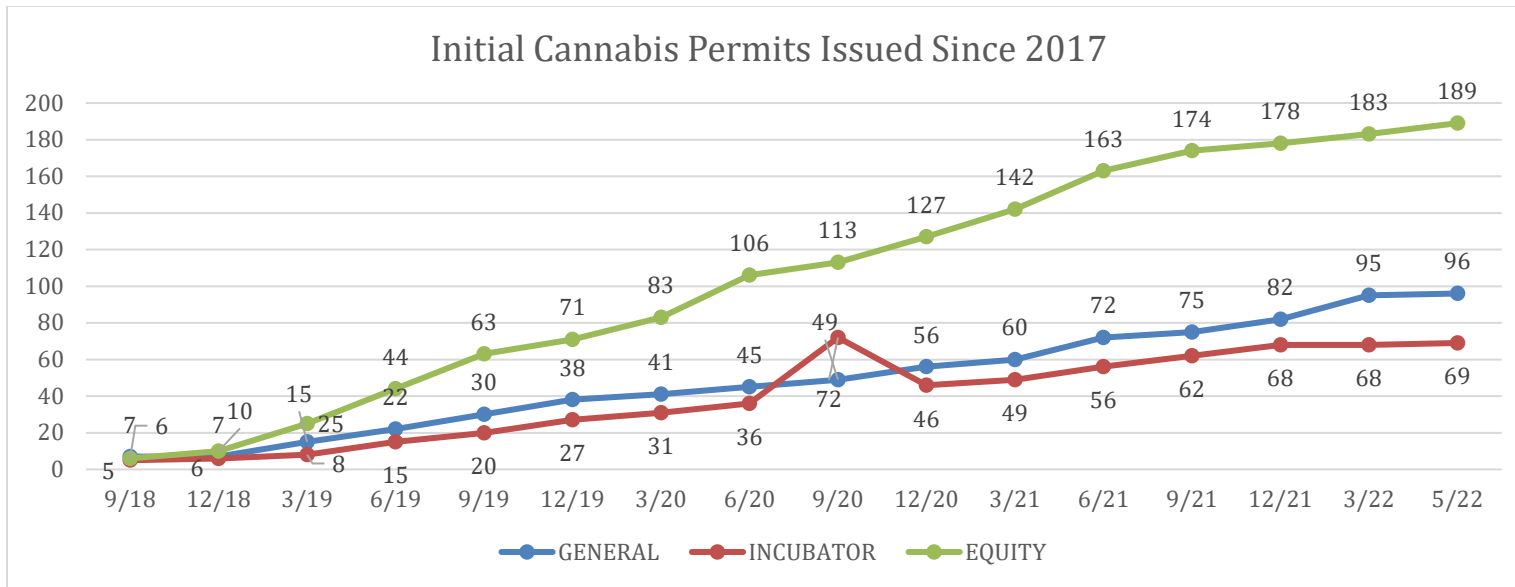


Figure 8: Graph of Cannabis Permits Issued since 2018





MEMORANDUM

TO:	Cannabis Regulatory Commission	FROM:	Rogers Agaba, Acting Revenue & Tax Administrator
SUBJECT:	Cannabis Business Taxes	DATE:	May 27, 2022

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”) 8.46. Following the federal closure of OCBC, the City of Oakland enacted OMC 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 5.81; however, threats of federal intervention and the lack of comprehensive state law prevented any implementation of OMC 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 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.

Table 1: 2022 & After Tax Rates

2022 & 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.

Table 2: 2022 Cannabis Tax Rebate Program

2022 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	0.25%
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 2022 Tax Year or 2021 Tax Year for those cannabis businesses established in 2021; 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 2022 are¹:

¹ Tax rates are adjusted for inflation annually.

1. A 15 percent excise tax imposed upon the purchasers of cannabis and cannabis products.
2. A cultivation tax imposed upon cannabis cultivators on all harvested cannabis that enters the commercial market. The cultivation tax is:
 - \$10.08 per dry-weight ounce of cannabis flowers that enter the commercial market,
 - \$3.00 per dry-weight ounce of cannabis leaves that enter the commercial market, and
 - \$1.41 per ounce of fresh cannabis plant².

CANNABIS BUSINESS TAX REVENUE & STATISTICS

Table 3 summarizes the reported cannabis business tax revenue for the calendar years 2015-2021 and the latest reported revenue for the current calendar year 2022.

Table 3: Cannabis Business Tax Revenue

Tax Year	Number of Business	Revenue
2022 ³	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 breakdown of revenue by individual activity or segment of the cannabis industry (store front, delivery, cultivation, manufacturing, distribution, etc.) cannot be separated because many cannabis businesses engage in multiple segments of the industry. Furthermore, the applicable tax is the tax rate that produces the highest amount of the taxes owed based on the 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
2022 ³	127	132	259
2021	93	94	187
2020	112	140	252
2019	73	122	195

² To qualify for the “fresh plant” category, the unprocessed cannabis must be weighed within two hours of harvesting.

³ Through May 16, 2022: Total \$7.92M (Paid = \$2.2 million: Outstanding Balance = \$5.72 million)

Table 5: Equity vs. Non-Equity Operation

Tax Year	Equity	Non-Equity	Total
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
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	2022		2021		2020		2019	
	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	165	0.33%	115	6.72%	195	8.94%	151	7.75%
\$500K+ - \$1.5M	51	4.66%	35	13.26%	27	8.88%	19	15.40%
\$1.5M+ - \$5M	32	33.42%	26	29.01%	26	39.46%	18	29.92%
Over \$5M	11	61.59%	11	51.01%	4	42.72%	7	46.93%
Total	253	100%	187	100%	252	100%	195	100%

SALES & USE TAX REVENUE

Table 8: Adjusted Sales Tax reported to the CDTFA

Calendar Year	Number of Business	Revenue
2022 ⁴	n/a	n/a
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 2022		
Full Time	Part Time	Total Employees
2094	287	2381

⁴ 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 first quarter 2022 (Jan-Mar 2022) in June 2022. 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.

Staff will be available to speak to the information provided herein at the June 2, 2022 CRC meeting. For questions regarding this report, please contact Nicole Andrino, Tax Auditor II, (510) 238-6767.

Respectfully submitted,

Rogers K. Agaba

Rogers Agaba
Acting Revenue and Tax Administrator
Finance Department