

Thursday, May 6, 2021, 6:30 pm  
Teleconference Meeting

## AGENDA

Pursuant to the Governor's Executive Order N-29-20, 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:**

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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.

- Comment in advance. To send your comment to staff 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](mailto:gminor@oaklandca.gov). All submitted public comment will be provided to the Cannabis Regulatory Commission prior to the meeting.
- 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."
- 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 a eligible agenda item at the beginning of the meeting.

♿ 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.

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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**Members:**

Lanese Martin	District 1	Frank Tucker	District 7
Tracey Corder	District 2	Chaney Turner	At Large
Austin Stevenson	District 3	Stephanie Floyd-Johnson	Mayor
Vacant	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 April 1, 2021 CRC Meeting.
- C. Reports for Discussion and Possible Action
  1. Oakland Police Department 2020 Report on Enforcement and Resources Assigned to Cannabis
  2. Updated Assessment of Equity Program: Comparative Analysis for Oakland’s Cannabis Industry
  3. CRC Process and Procedures and Agenda Management
  4. Creation of Additional Cannabis Consumption Lounge License
  5. Implementation Update on 2020 BCC and Go-Biz Grants
- D. Review of the Pending List and Additions to Next Month’s Agenda
  - *Amendments to Allow the Transfer of permits from Equity Applicants to Non-Equity Applicants (since January 2021)*
  - *Costing of a Department of Cannabis (since January 2021)*
- E. Open Forum / Public Comment
- F. Announcements
  1. May 17<sup>th</sup> City Council Community Economic Development (CED) Committee Meeting
  2. Update on Cannabis Permitting Process
  3. CRC Vacancies
- G. Adjournment

Thursday, April 1, 2021, 6:30 pm  
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## MINUTES

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## MEETING AGENDA

A. Roll Call and Determination of Quorum

*Present: Martin, Corder, Stevenson, Tucker, Turner, Long, and Minor*

*Absent: Floyd-Johnson*

B. Approval of the Draft Minutes from the CRC Meetings on February 4, 2021 and March 4, 2021.

*Vice-Chair Long made a motion to pass the minutes as drafted. Member Stevenson seconded the motion and it passed by consensus.*

C. Reports for Discussion and Possible Action

1. Status Report re Updated Assessment of Equity Program

*Member Minor provided background the status of the updated assessment of the equity program. Member Minor then summarized the survey results received thus far from general and equity applicants and introduced U.C. Berkeley Goldman School of Public Policy student Sharon Jan who shared a summary of some of her findings thus far from analogous non-cannabis industries.*

*Two public speakers spoke regarding the need to allow equity-businesses transfer ownership to either exit or take on additional investment.*

*Member Turner expressed interest in reviewing the survey comments, raw data and demographic results. Chair Martin noted there was a lot to digest and that we should continue to think about.*

2. Cannabis Tax Revenues and Cannabis Application and Permit Fees

*Member Minor provided an overview of the report. Public speakers noted they need more information regarding tax rates and rebate opportunities.*

### 3. Follow Up from CRC 2019-2020 Annual Report Presentation to City Council Community and Economic Development (CED) February 23<sup>rd</sup> Meeting

*Member Minor offered a recap of the February 23<sup>rd</sup> CED Meeting and how the CED has requested the CRC's budget recommendations at an upcoming CED meeting. Member Minor also outlined staff's recommendations for how to support the cannabis program in the upcoming budget, including staffing in the Special Activity Permits Division, and funding workforce development program. Public speakers mentioned a variety of issues, including challenges of hiring in the cannabis industry, stigma around equity businesses, and need for education.*

*Vice-Chair Long stated that having an addition administrative position in the Special Activity Permits Division is a good short terms step and that she appreciated the other staff recommendations. Member Stevenson emphasize workforce development as essential to the sustainability of the equity program. Chair Martin recommended having the existing subcommittee working on the annual report and updated assessment of the equity program finalize the CRC's recommendations for the CED. Member Stevenson then made a motion to join this subcommittee to work on the CRC's budget recommendations to the CED. Chair Martin seconded the motion and it passed by consensus.*

### 4. 2021 Proposed Cannabis Operator Regulations

*Member Minor provided background on the updated operator regulations, which include a compliance plan option for cannabis operators seeking local authorization for a provisional state license while completing the local permitting process. Public speakers spoke in favor of the compliance plan option. Member Stevenson then made a motion to request staff to provide the average approval times for cannabis operations across license types and to provide the commission with access to the City's permitting database when it becomes available.. Member Turner seconded the motion and it passed by consensus.*

### 5. Creation of Additional Cannabis Consumption Lounge License

*Member Minor highlighted the summary included in the agenda memo and its framework and unresolved issues. Members of the public expressed support for an onsite consumption license as it would promote tourism and support delivery services. Public speakers also emphasized that cannabis smoke should not be treated the same as tobacco smoke.*

*Member Turner then made a motion to agendize the issue of smoking of cannabis at next month's meeting and to remove smoking from the list of unresolved issues. Member Stevenson seconded the motion. Chair Martin made a friendly amendment for staff to engage with public health agencies regarding the public health impact of cannabis vs. tobacco smoke. Member Turner accepted the amendment and it passed by consensus. Chair Martin then made a motion for staff to take the framework for onsite consumption licensing and develop it into legislation for the commission to review. Member Stevenson seconded the motion and it passed by consensus.*

### 6. Implementation Update on 2020 BCC and Go-Biz Grants

*Member Minor provided an update on the Bureau of Cannabis Control and Governor's Office of Business and Economic-Development grants. Public speakers shared challenges with current grant programs.*

### 7. 2021 Go-Biz Grant Award to City of Oakland

*Member Minor summarized the upcoming state grant award. Public speaker encouraged the City to walk applicant through program requirements and to support equity manufacturers.*

- D. Review of the Pending List and Additions to Next Month's Agenda
- *Use of Police Resources Related to Cannabis (since December 2020)*
  - *Amendments to Allow the Transfer of permits from Equity Applicants to Non-Equity Applicants (since January 2021)*
  - *Costing of a Department of Cannabis (since January 2021)*
  - *Process and Procedures (since March 2021)*

*Member Minor gave an overview of the pending list. Chair Martin noted that seven items is too many on a single agenda and made a motion to discuss agenda management. Vice-Chair Martin seconded the motion and it passed by consensus.*

- E. Open Forum / Public Comment

*Public speaker advocated for the City to continue funding shared-use manufacturing facilities.*

- F. Announcements
1. Update on Cannabis Permitting Process
  2. CRC Vacancies

*Member Minor shared an update on permitting and encouraged members of the public to apply for the current vacancies.*

- G. Adjournment



## Cannabis Regulatory Commission

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**TO:** Cannabis Regulatory Commission

**FROM:** Greg Minor  
Assistant to the City  
Administrator

**SUBJECT:** May 2021 Agenda Items

**DATE:** May 2, 2021

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### ITEM C (1) Oakland Police Department 2020 Report on Enforcement and Resources Assigned to Cannabis

Please see attached report.

### ITEM C (2) Status Report re Updated Assessment of Equity Program: Comparative Analysis for Oakland Cannabis Industry

In December 2019 the CRC approved the formation of a subcommittee to make recommendations on an updated assessment of the City of Oakland's Equity Program. After several months of meeting, the subcommittee presented an outline of an updated assessment of the Equity Program to the full CRC in July 2020, which the CRC approved with minor amendments.

The goal of this assessment is to evaluate the successes and shortcomings of the equity program thus far by gathering information beyond permitting statistics, and taking advantage of information available and lessons gathered since the 2017 initial race and equity analysis that established the equity program. Ultimately, the updated assessment will include recommendations for how best to shape the equity program going forward.

As part of this updated analysis, staff has had the benefit of working with a graduate student of the U.C. Berkeley Goldman School of Public Policy who has researched both business ownership and workforce opportunities and challenges in non-cannabis industries analogous to businesses along the cannabis industry's supply chain. Attached please find this comparative analysis report.

The goal of sharing this report to update the full CRC on both the methods and substance of the analysis thus far and receive input from the CRC and public regarding what to consider as the updated assessment moves forward.

#### ITEM C (3) CRC Process and Procedures and Agenda Management

At the March 3, 2021 Planning Session Meeting, the CRC selected process and procedures as well as ensuring the success of the Equity Program as the CRC's top priorities. Then at the April 1, 2021 meeting Chair Martin made a motion to discuss agenda management and Vice-Chair Long seconded the motion and it passed by consensus.

#### ITEM C (4) Creation of Additional Cannabis Consumption Lounge License

At the December 2020 CRC meeting the CRC passed a motion to agendize the creation of an additional cannabis consumption lounge where cannabis deliveries take place (The City of Oakland currently offers an onsite-consumption permit but it only applies to existing dispensaries in good standing). In February staff provided draft language for an onsite consumption lounge and the CRC moved to continue this item to April and to prioritize equity applicants for onsite consumption licenses.

Since February staff has connected with onsite consumption advocate Brent Bell and identified the following framework and unresolved issues for the CRC's consideration. At the April 1, 2021 CRC Meeting Member Turner made a motion to agendize the issue of smoking of cannabis to the next CRC meeting and to remove smoking from the list of unresolved issues. Member Stevenson seconded the motion. Chair Martin made a friendly amendment for staff to engage with public health agencies regarding the public health impact of cannabis vs. tobacco smoke. Member Turner accepted the amendment and it passed by consensus. Chair Martin then made a motion for staff to take the framework for onsite consumption licensing and develop it into legislation for the commission to review. Member Stevenson seconded the motion and it passed by consensus.

Since April staff has spoken with public health officials for both the Counties of Alameda and San Francisco. San Francisco shared the following website with information on their onsite consumption requirements: <https://www.sfdph.org/dph/EH/MCD/default.asp> At this point, staff is still in the process of reviewing this material and gathering input on onsite consumption policies.

### Framework

- Location for adults to consume cannabis with others
- Allow non-infused food and (non-alcoholic) beverages in addition to cannabis
- Odor mitigation to avoid impacting neighbors
- Fire code compliance to ensure location is safe for assembly
- No purchasing of cannabis onsite, but delivery allowed
- Prioritize equity applicants for onsite consumption licenses
- Same zoning requirements as dispensaries (any commercial or industrial zone)
- 600-foot buffer from schools and youth centers (but no buffer from dispensaries or other onsite consumption lounges)
- Staff trained on CPR/First Aid, have protocols for monitoring over-consumption
- Good neighbor practices: discouraging loitering and littering outside of lounge, identify a community liaison for the lounge
- Denver: cease consumption while first responders are present

### Unresolved Issues

- Smoking allowed? Or only vaping, infused beverages, and edibles
- What level of security requirements? Cameras, alarms, and licensed guards?
  - Does it depend on whether there is purchasing/delivery of cannabis onsite?
- How do you define an onsite consumption area/permit?
  - What activity is the City prohibiting (intentionally/unintentionally) through this definition?
- Allow mobile lounges (buses)?
- Hours of Operation?

### ITEM C (5) Implementation Update on Current BCC and Go-Biz Grants

In the summer of 2020, the Special Activity Permits Division launched a BCC and Go-Biz funded grant program for equity operators for all eligible expenses that is administered along with the no-interest loan program by 4Front Partners, dba Elevate Impact. At the recommendation of the CRC, staff and Elevate Impact have held monthly meetings with equity operators the Tuesday after the CRC meeting to provide any updates regarding the program and maintain an ongoing feedback loop. Every week staff and Elevate Impact monitor the programs and analyze what adjustments are needed to effectively disburse funds. More information on the loan and grant programs is available at [www.elevateimpactoakland.com](http://www.elevateimpactoakland.com) and the agendas for monthly loan and grant meetings with statistics

regarding the loan and grant programs is available here: <https://www.oaklandca.gov/boards-commissions/cannabis-regulatory-commission/meetings>.

In September 2020 staff launched two shared-use manufacturing facilities funded by the BCC grant. The two teams managing the kitchens have selected 15 manufacturers to use the sites and obtained all necessary approvals for the locations. Now operators are utilizing the shared-use facilities. More information is available here: <https://www.oaklandca.gov/services/shared-use-manufacturing-facilities>

Next, in late October 2020 staff launched a workforce development grant program providing equity operators with grants of up to \$50,000 to recruit, train, or retain equity employees. Staff reviewed and approved all 27 applications received in 2020 and is working with the workforce grant applicants to get them under contract in order to disperse funds. Approximately half of workforce grant applicants have received funding while the other half are working to obtain required insurance. More information is available here: <https://www.oaklandca.gov/services/workforce-development-grant-program>

Finally, on November 20, 2020 staff released a Request for Proposals (RFP) for the approximately \$2 million that is available to equity operators to purchase property(ies) that support multiple equity operators. The City received 18 applications for Phase One of the RFP. A panel of City staff from the Departments of Race and Equity, Economic and Workforce Development and the City Administrator's Office reviewed and scored the applications, resulting in five applicants moving forward to the last phase of the RFP. The top five applicants submitted their Phase Two responses on March 12th with a letter of intent to purchase a property and a detailed budget. Staff inspected the proposed locations, held follow up meetings with applicants and is now in final negotiations with the top two applicants to provide funding for the purchase of a shared-use manufacturing facility that will both support the equity applicants involved in the RFP process and equity applicants that can utilize the space each year. More information is available here: <https://www.oaklandca.gov/services/purchasing-property-program>

ITEM F (1) Update on Cannabis Permitting Process

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

**Figure 1: Application Totals**

<b><i>APPLICATIONS</i></b>	<b>TOTALS</b>	<b>PENDING</b>
Total Complete & Incomplete Applications	1592	116
Total Complete Applications	1592	
Complete General Applications	664	
Equity Applications based on residency	793	
Equity Applications based on conviction	135	
Incubators	392	
Interested in Incubating	27	
Complete Application with property	1142	
Complete Application without property (Equity)	369	
Complete Applicants without property (General)	81	

**Figure 2: Permit Applications by Category**

<b>COMPLETED APPLICATIONS BY BUSINESS TYPE</b>	<b>GENERAL</b>	<b>INCUBATOR*</b>	<b>INTERESTED IN INCUBATING*</b>	<b>EQUITY</b>
Delivery	161	65	3	244
Cultivator (Indoor)	188	123	19	158
Cultivator (Outdoor)	7	5	0	39
Distributor	145	93	3	224
Mfg. Volatile	57	43	0	45
Mfg. Non-Volatile	98	58	2	167
Transporter	5	3	0	41
Lab Testing	3	2	0	10
<b>GRAND TOTALS</b>	<b>664</b>	<b>392</b>	<b>27</b>	<b>928</b>

\*These numbers are part of the General Total

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

<b>LOCALLY AUTHORIZED FOR STATE *ANNUAL/PROVISIONAL LICENSES*</b>	<b>GENERAL</b>	<b>INCUBATOR</b>	<b>EQUITY</b>	
Delivery	32	42	117	
Cultivator	3	69	43	
Distributor	8	70	93	
Mfg. Volatile	5	29	6	
Mfg. Non-Volatile	21	70	100	
Transporter	0	1	5	
Lab Testing	0	2	2	
Retailers	3	1	3	
<b>TOTALS:</b>	<b>72</b>	<b>284</b>	<b>369</b>	<b>725</b>

\*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**

	<b>GENERAL NOT INCUBATING</b>	<b>INCUBATOR</b>	<b>EQUITY</b>	<b>TOTAL</b>
<b><i>NEW ANNUAL PERMITS BY BUSINESS TYPE</i></b>				
Dispensary	1	1	4	6
Delivery	72	17	93	182
Cultivator (Indoor)	2	6	6	14
Cultivator (Outdoor)	0	0	0	0
Distributor	17	25	54	96
Mfg. Volatile	0	4	0	4
Mfg. Non-Volatile	4	8	44	56
Transporter	1	0	5	6
Lab Testing	0	0	0	0
<b>GRAND TOTALS</b>	<b>97</b>	<b>61</b>	<b>206</b>	<b>364</b>

**Figure 5: Withdrawn Applications**

<b>WITHDRAWN APPLICATIONS</b>	<b>GENERAL</b>	<b>INCUBATOR</b>	<b>EQUITY</b>	<b>TOTALS</b>
Delivery	10	22	41	73
Cultivator (Indoor)	3	15	32	50
Cultivator (Outdoor)	14	11	10	35
Distributor	3	35	37	75
Mfg. Volatile	2	14	18	34
Mfg. Non-Volatile	6	16	23	45
Transporter	5	1	15	21
Lab Testing		2	3	5
<b>TOTALS</b>	<b>43</b>	<b>116</b>	<b>179</b>	<b>338</b>

**Figure 6: Revoked Local Authorization**

<b>REVOKED LOCAL AUTHORIZATION</b>	<b>GENERAL</b>	<b>INCUBATOR</b>	<b>EQUITY</b>	<b>TOTALS</b>
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
<b>TOTALS</b>	<b>3</b>	<b>27</b>	<b>13</b>	<b>43</b>

Figure 7: Graph of Cannabis Permit Applications Received Since 2017

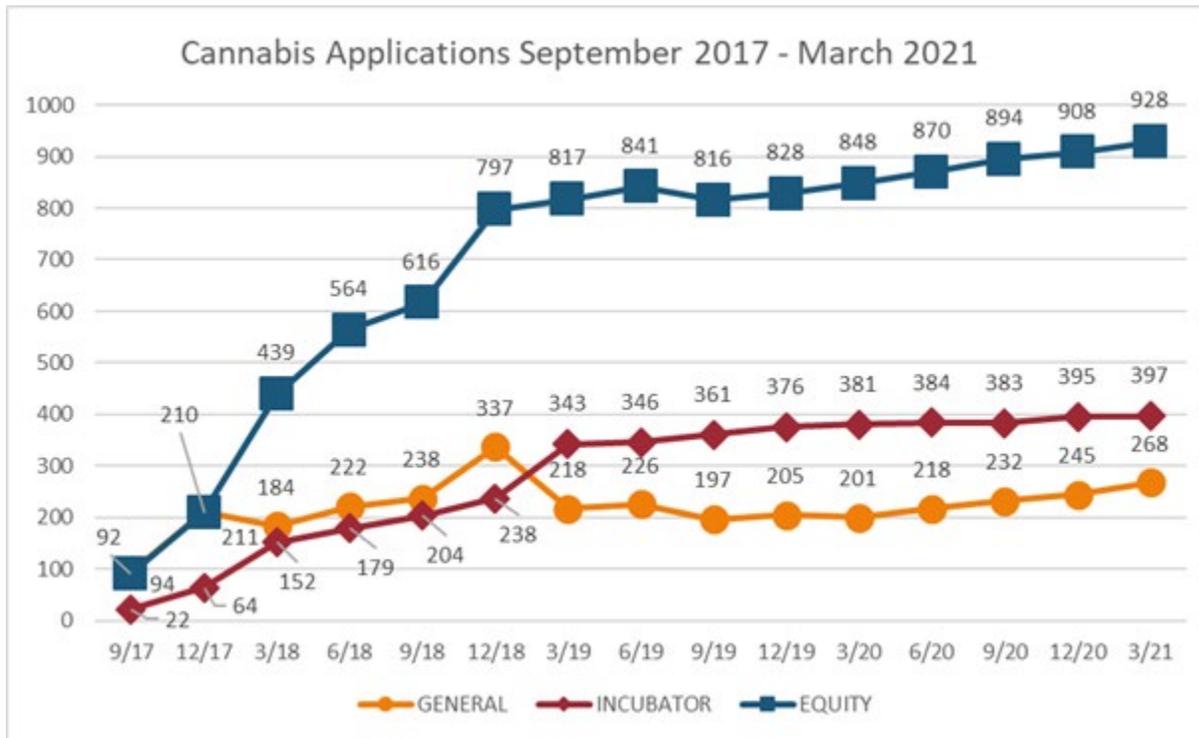
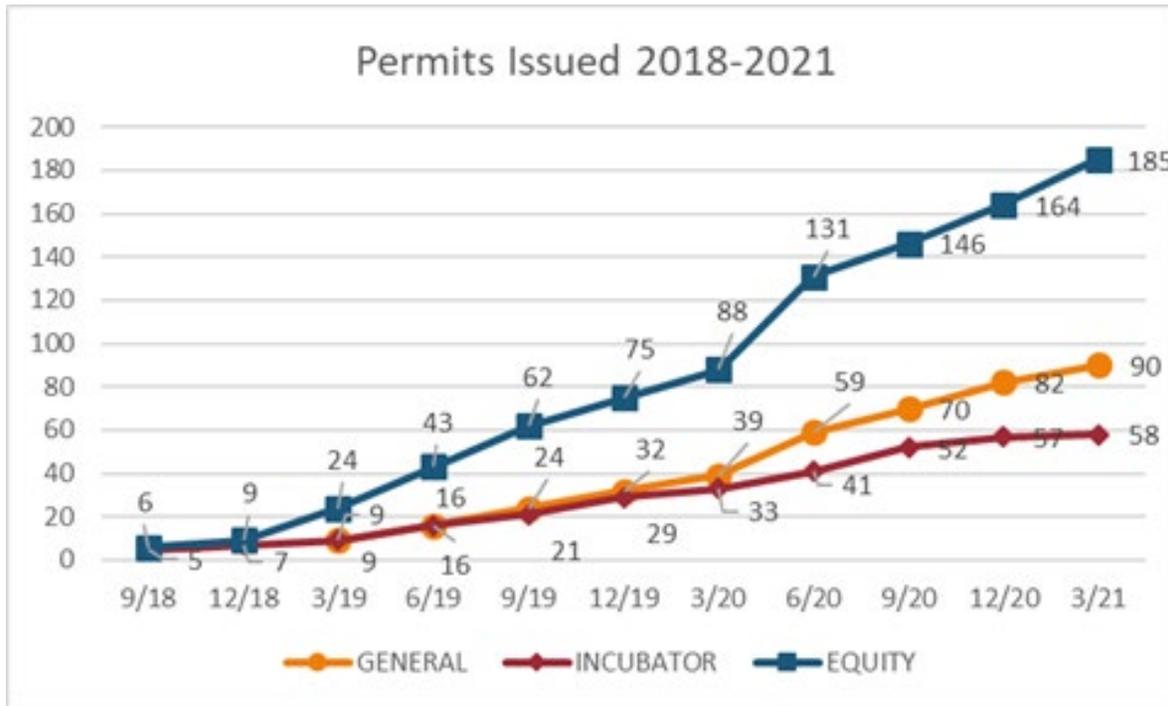
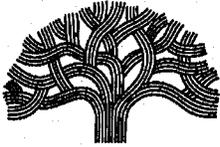


Figure 8: Graph of New Cannabis Permits Issued Since 2017





CITY OF OAKLAND

## MEMORANDUM

**TO:** Cannabis Regulatory Committee  
**FROM:** Oakland Police Department  
**SUBJECT:** Citations and Arrests for Marijuana Offenses 2020  
**DATE:** April 30, 2021

This report reflects the types of arrests and citations conducted by the Oakland Police Department (OPD) for the 2020 cases related to marijuana (cannabis) offenses. This report also includes information on OPD resources assigned to cannabis activities and information regarding the impact of civil unrest in the summer of 2020 on cannabis businesses.

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. 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 Resources Dedicated to Cannabis Activities**

- One Full Time Sworn Police Officer; approximately half of the officer's time is devoted to security inspections, one-quarter is devoted to trainings and serving as the liaison within the department regarding cannabis related issues, and one quarter is spent on enforcement.

### **2020 George Floyd Protests**

- 9 Dispensaries Affected
- 41 Arrests were made by The Oakland Police Department

**Cannabis Regulatory Committee**

Citations and Arrests for Cannabis Offenses - 2020

Date: April 30, 2021

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**2020 Cannabis Citations:**

In the previous year of 2019, OPD issued three citations to adults who were in possession of less than one ounce of cannabis under Section 11357(b) H&S (Health and Safety Code). In 2020 there was a slight increase to four citations (see **Table 1** next page).

**Table 1: 2020 11357(b) H&S Adult Citations by Sex and Race**

Race	Male	Fem	Total
African American	2	0	2
Asian	0	0	0
Hispanic	1	0	1
White	1	0	1
Other	0	0	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>

The following tables below indicate the decrease in citations related to cannabis. The data also indicates and identifies the other offenses that resulted in citations that included cannabis charges as a lesser offense and not the primary arresting factor. **Citations for possession for sale and sales/transportation of cannabis have continuously decreased from the previous five years from 338 citations in 2016 to 32 citations in 2020 – a decrease of over 90.24% between 2016 and 2020 (see Table 3).** There has been a significant decrease in these types of incidents.

**Table 2: Cannabis Citations for Calendar Years 2016 to 2020**

Statute	2016	2017	2018	2019	2020
Cultivation - 11358 H&S	17	2	1	1	1
Possession for Sales - 11359 H&S	286	112	93	52	30
Sales/Transportation - 11360(A) H&S	52	8	6	14	1
<b>Total</b>	<b>355</b>	<b>122</b>	<b>100</b>	<b>67</b>	<b>32</b>

**Table 3** below indicates the other associated offense types related to the citations above for 2020. In these cases, cannabis was not the primary factor; the cannabis citations occurred as a lesser offense. OPD does not prioritize arresting people solely for cannabis-related offenses. **Table 4** outlines the citations by Oakland Police Beat and **Table 5** provides the demographics of those cited for cannabis offenses in 2020.

**Cannabis Regulatory Committee**

Citations and Arrests for Cannabis Offenses - 2020

Date: April 30, 2021

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**Table 3: Other Offenses that Included Cannabis Citations**

<b>Of these 32 cases, 14 (44%) involved additional offenses.</b>		
<b>Statute Code</b>	<b>Statute Code Description</b>	<b>Count</b>
HS11357 (A)	Possess Marijuana/Hashish	1
HS11357 (B)	POSSESS MARIJUANA 28.5 GRAMS OR LESS OR W/PRIOR	3
HS11357 (C)	POSSESS MARIJUANA OVER 28.5 GRAMS	1
HS11362.3(A)(4)	POSSESS AN OPEN CONTAINER/PACKAGE OF MARIJUANA WHILE DRIVING, OPERATING OR RIDING IN A MOTOR VEHICLE, VESSEL, AIRCRAFT OR OTHER VEHICLE USED FOR TRANSPORTATION	5
HS11362.4(B)	A PERSON WHO ENGAGES IN THE CONDUCT DESCRIBED IN PARAGRAPHS (2), (3), OR (4) OF SUBDIVISION (A) OF SECTION 11362.3	1
VC23222(B)	POSS MARIJUANA W/DRIVING	3
<b>Grand Total</b>		<b>14</b>

**Table 4: Cannabis Citations by Oakland Police Beats**

<b>Beat</b>	<b>Number of Arrests</b>
01X	2
02Y	1
03X	2
06X	2
07X	1
10Y	3
13Y	1
19X	4
21X	2
21Y	2
22X	1
26Y	1
30X	1
30Y	2
31Z	1
33X	2
34X	2
Other City	2
<b>Total</b>	<b>32</b>

Charges: HS11358(c), HS11359, HS11359(b), HS11360(a), HS11360(a)(2)

**Table 5: 2020 Cannabis Citations by Sex & Race**

Statute	African American		Asian		Hispanic		White		Other		Total
	Fem	Male	Fem	Male	Fem	Male	Fem	Male	Fem	Male	
11358 H&S	0	0	0	1	0	0	0	0	0	0	1
11359 H&S	1	21	0	5	1	1	0	0	0	1	30
11360(A) H&S	0	1	0	0	0	0	0	0	0	0	1
<b>Total</b>	<b>1</b>	<b>22</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>32</b>



Sean Fleming  
 A/Captain of Police  
 Support Operations Division  
 Oakland Police Department

Date: April 30, 2021

# **A Comparative Analysis for Oakland's Cannabis Industry**

Prepared for the Cannabis Regulatory Commission  
Prepared by Sharon Jan  
April 25, 2021

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## I. Introduction

The City of Oakland has administered the Cannabis Equity Program since spring of 2017. The program seeks to promote “equitable ownership and employment opportunities in the cannabis industry,” and address racial disparities in life outcomes and impacts of drug criminalization. Now, the City of Oakland seeks to assess the Cannabis Equity Program and evaluate alternatives for improving and expanding the program.

This report supports the Cannabis Equity Program Assessment by providing an analysis of related industries. While legal cannabis is an emerging industry in California, the industry will likely follow similar patterns and trends as other industries. Thus, this report seeks to provide a comparison to other industries, such as hydroponic farming, alcohol, and food service in order to highlight the challenges and opportunities that the cannabis industry is likely to face.

Cannabis companies fall into several different industries based on their stage of the supply chain—cultivation, manufacturing, delivery and distribution (or wholesale), retail, and on-site consumption. Thus, this report primarily seeks to answer two questions:

- What are the workforce opportunities in different parts of the cannabis supply chain?
- What are the business opportunities, especially for equity operators, within different parts of the cannabis supply chain?

To shed light on these questions, this report first provides a business and employment overview, focusing on the East Bay. This first section seeks to establish a common understanding of the existing landscape around Oakland. The report then provides “spotlights” of selected industries that are comparable to different parts of the cannabis supply chain. Each spotlight discusses challenges, advantages, risks and opportunities for workers and businesses. The report concludes with considerations and recommendations for the City of Oakland’s Cannabis Equity Program.

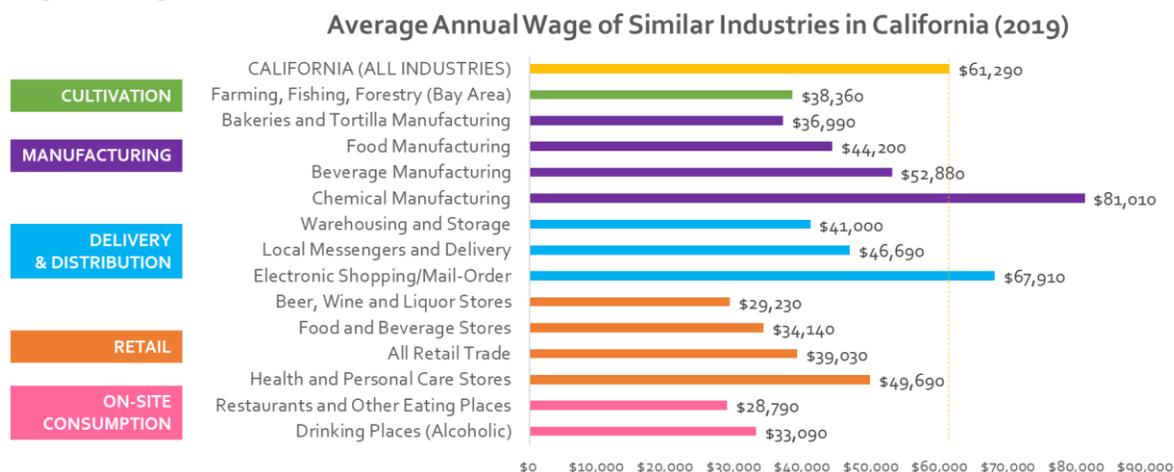


## II. Business and Employment Overview

This section provides some broad industry-specific trends using data for California and the East Bay. These include wages, employment trends, and size of businesses.<sup>1</sup>

### A. Industry Wages

Figure 1. Wage Distribution in Similar Industries



In California, the average annual wage in 2019 was \$61,290. Most of the industries under which cannabis companies would fall have lower-than-average wages. Workers in Restaurants and Other Eating Places and Beer, Wine, and Liquor Stores have the lowest average wages—\$28,790 and \$29,230 respectively. Wages in Manufacturing and Delivery/Distribution are generally higher, but the only sub-industries whose average annual wages exceeded the California average wage were Chemical Manufacturing and Electronic Shopping and Mail Order.

### B. Industry Employment

In Alameda and Contra Costa, Manufacturing and Retail are major industries, employing 99,900 and 98,700 respectively in 2020 (note that these numbers were measured using September data and capture COVID-19-related business regulations during the time).

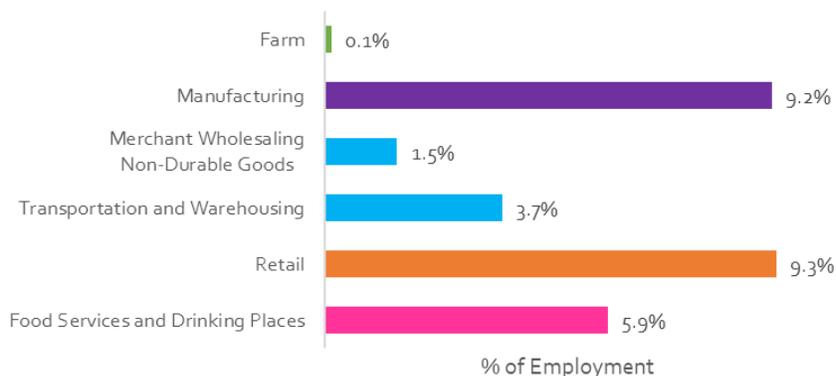
Computer & Electronic Products Manufacturing jobs accounted for 47.4% of Bay Area manufacturing jobs in 2014, largely due to proximity to technology companies in Silicon Valley.

<sup>1</sup> Note that different levels of industry granularity are available based on the size of the geography of interest. Thus, I report wages using more specific industry levels, but for California as a whole. I also provide business and employment data for the Oakland-Fremont-Hayward metropolitan statistical area (MSA), which generally encompasses Alameda and Contra Costa County. However, this data is typically only available for broader industry levels. Thus, the data misses some specificity related to industry type.

However, Food Manufacturing and Beverage Manufacturing were the second and third largest sectors in Manufacturing. Employment in both sectors grew between 2010-2014.<sup>2</sup>

#### Alameda and Contra Costa County Employment (2020)

Total Employment: 1,069,900



Source: EDD Industry Employment in California Metropolitan Areas  
\*Alameda County and Contra Costa County, measured using September data.

While the Farming industry is small, with only 1,600 workers, it plays a significant role in land use and production. Almost 40% of the land in Alameda County (largely outside of Oakland), was used to grow harvest crops in 2019. Land conversion and cost represent some of the biggest challenges for Bay Area agriculture—the Greenbelt Alliance estimated that 217,000 acres of farms and ranches were lost between 1984 and 2014, largely developed for urban residential and commercial use.<sup>3</sup>

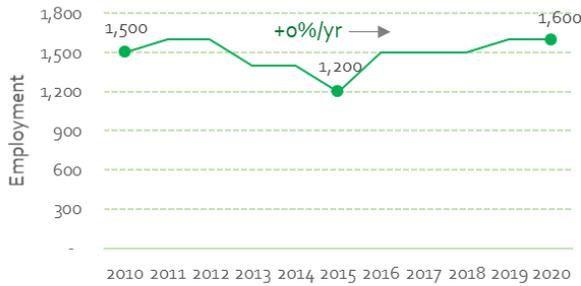
Among these industries, employment in Manufacturing, Transportation & Warehouse, and Food/Drink Service grew the fastest, at annualized respective rates of 3%, 4%, and 5% from 2010-2019. Transportation & Warehouse is the only industry that grew in employment between September 2019 and September 2020, adding 1,400 jobs. On the other hand, food/drink service employment has dropped by nearly 1/3 since the COVID-19 pandemic.

<sup>2</sup> *Reinventing Manufacturing*, Bay Area Council Economic Institute. April 2016. <http://www.bayareaeconomy.org/report/reinventing-manufacturing/>. Accessed 22 Apr. 2021.

<sup>3</sup> "Support Local Agriculture | HomeGrown from Greenbelt Alliance." *Greenbelt Alliance*, <https://www.greenbelt.org/homegrown/>. Accessed 21 Apr. 2021.

**Industry Employment Trends in Alameda/Contra Costa Counties (2010-2020)**

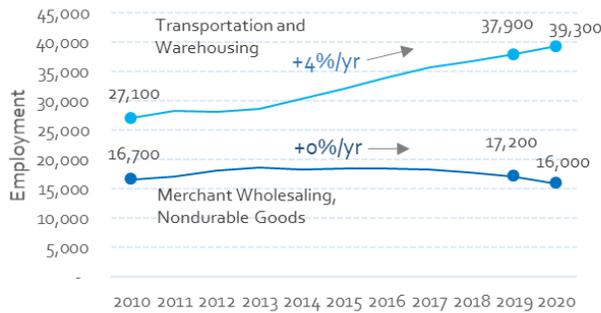
**Farming**



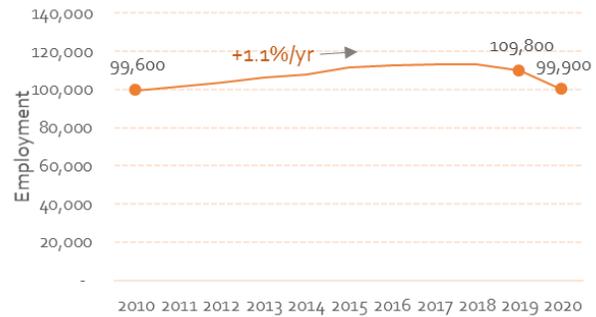
**Manufacturing**



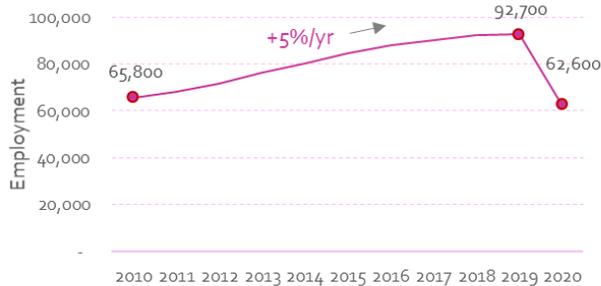
**Delivery/Distribution**



**Retail**



**Food/Drink Service**



Source: EDD Industry Employment in California Metropolitan Areas  
 Note: Measured using September data. 2020 omitted when calculating annualized rate to capture pre-COVID-19 employment trends.

**C. Business Size**

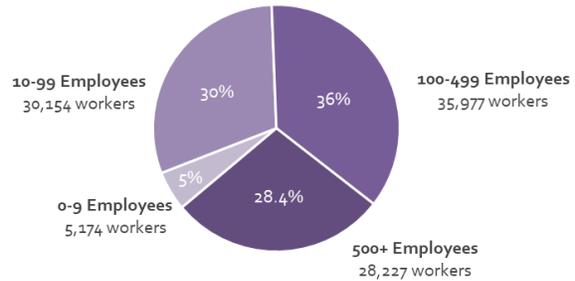
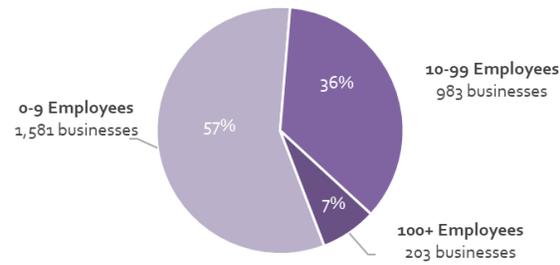
The vast majority of businesses in Alameda County and Contra Costa County are small businesses with fewer than 100 employees. Over 90% of businesses in the Manufacturing industry, the Wholesale industry, the Warehouse and Transportation industry, and Retail Industries are small businesses (Food/Drink Service and Farming were not captured in the EDD data).

The proportion of workers who are employed in small businesses varies much more widely for these industries. Nearly two-thirds of Retail workers work in small businesses, while only one-third of Manufacturing workers work at small businesses.

**Number of Businesses, Employment by Size of Business in Alameda/Contra Costa Counties (2010-2020)**

93% of Manufacturing firms in East Bay\* are small businesses.

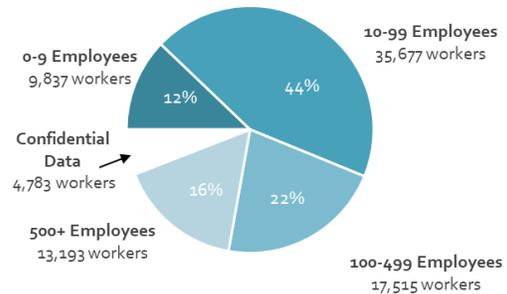
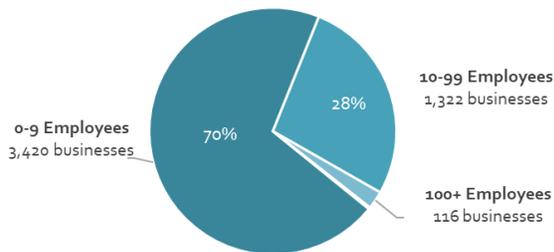
...but only 35% of Manufacturing workers are employed at small businesses.



\* Alameda County and Contra Costa County

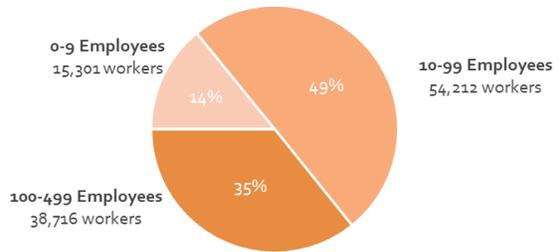
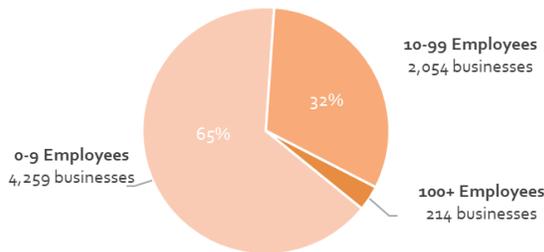
98% of Wholesale, Warehouse, and Transportation firms in East Bay\* are small businesses.

...but only 56% of workers in Wholesale, Warehouse, and Transportation work at small businesses.



97% of Retail firms in East Bay are small businesses.

...but only 64% of Retail workers are employed at small businesses.



Source: EDD Size of Business Data, 2019  
Farm and Food/Drink Service not included.

**D. Section Conclusion**

While the industrial landscapes of Oakland and the greater Bay Area are complicated, the data points to several broad trends:

**Farming** is a small but important industry in the Bay Area. Similarly, cultivation is unlikely to provide major employment or business creation opportunities in Oakland.

**Retail**, which comprises 6.7% of businesses and 9.3% of employment in Alameda and Contra Costa Counties, is a major source of business activity and employment. However, the industry has experienced severe challenges due to the COVID-19 crisis. Employment in the industry

tends to be low-wage and has grown slowly. These characteristics are likely influenced by low profit margins and labor-saving technology and business practices.

Employment in the **Food/Drink Service** industry has grown more quickly than the other selected industries, although employment sharply fell during the COVID-19 emergency. However, as in Retail, food service workers often experience insecure work environments and receive low wages. However, onsite consumption will likely provide strong business and workforce opportunities because of Oakland's competitive advantage as a cultural and entertainment hub.

Wages in the **Manufacturing** industry are relatively higher, especially for low-to-moderate wage workers. While the vast majority of manufacturers in the East Bay are small businesses, medium and large businesses employ 2/3 of industry workers. Manufacturing employment also continues to grow in the East Bay, accounting for 9.2% of total employment. The City of Oakland can work to attract and develop cannabis manufacturers, especially those with more complex production processes where wages are higher.

Within **Delivery and Distribution**, businesses may generally fall under Wholesale Trade and Warehousing and Transportation. Merchant Wholesaling of Non-Durable goods accounts for a small fraction of businesses in the East Bay; employment in the industry has also remained flat since 2010. On the other hand, Transportation and Warehousing has grown by 4% per year. Wages in these industries are moderate but are generally lower than the California average annual wage. Thus, while cannabis delivery and distribution may provide significant employment opportunities in Oakland, the City should pay close attention to working conditions and job quality in this industry.

### III. Industry Spotlights

To further understand how businesses in different parts of the cannabis subsector may develop, this report highlights a few industries that may help policymakers understand the challenges, opportunities, and likely trends of the cannabis industry.

The spotlighted industries are as follows:

<b>Cannabis Sector</b>	<b>Industry</b>
<i>Cultivation</i>	Hydroponics
<i>Manufacturing</i>	Distilleries Bread Production and Bakeries Vitamin & Supplemental Manufacturing
<i>Delivery/Distribution</i>	Couriers and Local Delivery Online Beer, Wine and Alcohol Sales
<i>Retail</i>	Beer, Wine, and Liquor Stores
<i>On-Site Consumption</i>	Coffee and Snack Shops Full-Service, Single-Location Restaurants

Following each industry spotlight, the report provides a set of considerations and recommendations for City policymakers.

#### A. *Cultivation: Hydroponics*

##### **Hydroponic farming presents a comparable industry to covered, urban cultivation.<sup>4</sup>**

Hydroponic crop farming is a growing industry with an estimated \$831 billion in revenue, 2,500 businesses, and 5,200 employees in 2019. Most hydroponic farmers use greenhouses, although companies continue to adopt vertical farming, in which crops are grown on stacked trays that require significantly more electric energy.

Hydroponic crop farming bears similarities to urban cannabis cultivation—it relies primarily on covered greenhouses and has less demand for land than traditional crop farming. Hydroponic farming has been increasingly adopted in urban areas, even in cannabis cultivation. They tend to use less water (70-95% less water than traditional agriculture)<sup>5</sup>, which especially helps urban operators who face higher challenges with water access and cost.<sup>6</sup> Hydroponic farming can also use little to no soil, eliminating the risk of soil contamination in urban areas.<sup>7</sup>

#### **Barriers to Entry: Access to capital and high competition**

<sup>4</sup> Curran, Jack. *Hydroponic Crop Farming*. OD4012, IBISWorld, December 2019, <https://www.ibisworld.com/United-States/market-research-reports/hydroponic-crop-farming-industry/>.

<sup>5</sup> "Economy League - The Promise and Peril of Vertical Farming." Economy League of Greater Philadelphia, <http://economyleague.org/providing-insight/regional-direction/2018/08/10/the-promise-and-peril-of-vertical-farming>. Accessed 16 Mar. 2021.

<sup>6</sup> "An Agroecological Survey of Urban Farms." *Berkeley Food Institute*, <https://food.berkeley.edu/programs/research/seed-grants/agroecological-survey-urban-farms/>. Accessed 21 Apr. 2021.

<sup>7</sup> Al-Kodmany, Kheir. "The Vertical Farm: A Review of Developments and Implications for the Vertical City." *Buildings*, vol. 8, no. 2, Feb. 2018, p. 24. *DOI.org (Crossref)*, doi:10.3390/buildings8020024.

New hydroponic forms face several challenges, including significant upfront capital cost. Hydroponic farms' primary capital requirements include land, equipment, seeds, and licenses. However, they may have difficulty gaining access to capital because of the volatility of the agriculture industry.

Hydroponic operators also experience significant competition and consolidation challenges. They must compete externally and internally with field farms and other hydroponic farms. 92.9% of revenue in the hydroponic industry comes from four companies, reflecting a high level of consolidation.<sup>8</sup> Thus, access to downstream markets is critical to hydroponic farms' success, as is the ability to keep production costs low. Similarly, cannabis cultivators in Oakland are likely to face an increasingly consolidated market and competition from field cultivators from outside of Oakland.<sup>9</sup>

### **Business Opportunities: Owner-operated opportunities**

Despite the challenges, hydroponic farms benefit from reduced labor costs, less need for space and water, and less weather-related volatility. Owners can often operate small farms without additional labor costs and might be able to support a small operation with local markets. This gives operators an advantage over more labor-intensive forms of farming, like organic field farming. Compared to field farming, hydroponic farms are also less sensitive to external weather conditions and can produce crops more reliably. Vertical farming and hydroponics use less space per crop output than field farming and less water, although there are critiques that they require too much electrical energy to be truly considered sustainable.<sup>10</sup>

### **Employment Opportunities/Challenges: Declining industry wages**

Overall, hydroponic farms are often small and use technology and capital to replace capital costs. Because hiring need has outpaced revenue growth, average annual wages have fallen to \$39,686 per employee from \$58,106 in 2014.

### **Considerations and Recommendations for Cultivation Policy**

Using hydroponic industry as a comparison, the City of Oakland can consider several issues when developing policy for cannabis cultivators.

- Cannabis cultivators will likely face similar challenges: access to financing, access to land, high water and utility costs, and significant competition and consolidation.
- Cultivators can still develop energy-efficient, limited-space operations if they are able to access local markets and receive support in accessing land and cheaper utilities. The City could help by making vacant land available and working with local utilities to secure more affordable agriculture rates for cultivators.

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<sup>8</sup> Curran (2019).

<sup>9</sup> Borchardt, Debra. "A Cannabis Consolidation Binge Is Creating Top Tier Companies." *RealMoney*, 22 Dec. 2020, <https://realmoney.thestreet.com/investing/a-cannabis-consolidation-binge-is-creating-top-tier-companies-15523774>.

<sup>10</sup> Miller, Alicia. "Vertical Farming and Hydroponics on the Spectrum of Sustainability." *Sustainable Food Trust*, 5 Apr. 2018, <https://sustainablefoodtrust.org/articles/vertical-farming-and-hydroponics-on-the-spectrum-of-sustainability/>.

- Cannabis cultivation is likely to employ relatively few workers (owner-operated firms may be more common), and agricultural workers generally receive lower wages.

*B. Manufacturing: Distilleries, bread production, and vitamin/supplemental manufacturing*

To better understand the challenges and opportunities for cannabis manufacturers, we turn our attention to three different manufacturing sectors. Edible cannabis manufacturing can be related to distilleries and bread production, while medical manufacturing may be compared to vitamin and supplemental manufacturing.<sup>11</sup>

Like cannabis, alcohol is a regulated product whose consumption is tied to changes in disposable income.<sup>12</sup> Bread production may use similar inputs (like flour and sugar), manufacturing processes, and skills as edibles production. Like edible producers, they can sell to businesses or directly to consumers.<sup>13</sup>

Vitamin and supplemental manufacturing may be compared to cannabinoid manufacturing—both are regulated, growing industries that produce health-oriented products.<sup>14</sup>

**Barriers to Entry: Competition from large players, low margins, and regulation.**

In each of the sectors, new entrants face a competitive market with large players. Distilleries may find it challenging to expand their operation because of large, multinational players who spend heavily on marketing and secure exclusive distributor contracts. Similarly, the vitamin and commercial bakery sectors are increasingly consolidating; at the same time, more firms are entering the market, intensifying competition for new and existing firms. Historically, small operations, especially distilleries and artisan bakeries, have been able to focus on building local, craft-based brands. However, larger companies have increasingly released similar products that compete with smaller companies' products.

New manufacturers must raise significant capital and are likely to experience low margins. Distilleries require specialized equipment and a long production timeline, and small operators tend to have profit margins under 10%. Bakeries also have low revenue per employee because of the cost of labor and intense price competition. In the Vitamin and Supplemental Industry, new manufacturing companies must invest in a costly research and development process in order to develop a new, effective product. Consolidation, competition, and increased regulation will further reduce profit margins.

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<sup>11</sup> Following analysis draws from IBISWorld reports, cited below.

<sup>12</sup> Lombardo, Christopher. *Distilleries in the US*. 31214, IBISWorld, Oct. 2020, <https://www.ibisworld.com/united-states/market-research-reports/distilleries-industry/>.

<sup>13</sup> Diment, Dmitry. *Bread Production in the US*. 31181, IBISWorld, 17 Nov. 2020, <https://www.ibisworld.com/united-states/market-research-reports/bread-production-industry/>.

<sup>14</sup> Spitzer, Dan. *Vitamin & Supplement Manufacturing in the US*. 32541d, IBISWorld, Aug. 2020. <https://www.ibisworld.com/united-states/market-research-reports/vitamin-supplement-manufacturing-industry/>.

Distilleries and vitamin manufacturers also must contend with ongoing regulation that makes it difficult to sell their products. For example, distilleries may find it difficult to sell directly to consumers without going through distributors because of complex interstate regulations. Similarly, vitamin manufacturers are likely to face increased scrutiny from the Food and Drug Administration (FDA) because of recent high-profile scandals.<sup>15</sup> New firms may find it challenging to navigate the regulatory market.

### **Business Opportunities: Industry growth, niche opportunities for small operators**

Despite large industry players, small, low-margin distilleries can target local markets with lower initial cost. The industry is also growing, as new offerings like craft spirits fuel growth, especially for emerging markets like 21- to 25-year-olds. Similarly, there is strong demand for higher-end, premium bread products that smaller operators can produce. Smaller operators also have the opportunity to sell non-branded, low-priced products to regional retailers. In vitamin manufacturing, the number of businesses nationally is expected to grow at an annualized 3.6%, whereas the number of workers is expected to grow even faster at an annualized 4.1% over the next 5 years. This is due to more mid-sized operators expanding their workforce.

### **Employment Opportunities/Challenges: Trade-off between low barriers to entry and high-wage jobs.**

Compared to vitamin and distilleries, bread producers have lower barriers to entry because key inputs are cheap and there is limited initial capital needed. On the other hand, as described above, food manufacturing jobs typically have lower wages because the production process may be more labor-intensive and require fewer specialized skills. Within food manufacturing, bakery and production workers made only \$36,990 in 2019, just over 50% of California's average annual wage.<sup>16</sup> Conversely, medical manufacturing is complex and requires special skills. Medical manufacturing workers have a salary range between \$46,710-\$123,970 in California (25th-75th percentile). To be clear, higher industry salaries tend to be reserved for professionals like toxicologists and chemists. On the other hand, production occupations had an annual mean wage of \$45,320 in 2019.<sup>17</sup> This is comparable to production workers in the beverage industry, who made an average \$44,170 per year.

### **Considerations and Recommendations for Manufacturing Policy**

Using distilleries and bakery/bread production as comparisons for edible manufacturing and vitamin manufacturing as an analog to medical manufacturing, the City of Oakland can consider the following:

- *Small manufacturing companies will face several barriers to entry—less or no economies of scale, need for skilled labor, and significant initial capital investment.*

<sup>15</sup> <https://www.fda.gov/news-events/press-announcements/fda-takes-action-against-17-companies-illegally-selling-products-claiming-treat-alzheimers-disease>

<sup>16</sup> [https://www.bls.gov/oes/current/oes\\_ca.htm](https://www.bls.gov/oes/current/oes_ca.htm)

<sup>17</sup> *Pharmaceutical and Medicine Manufacturing - May 2019 OES Industry-Specific Occupational Employment and Wage Estimates*. [https://www.bls.gov/oes/current/naics4\\_325400.htm](https://www.bls.gov/oes/current/naics4_325400.htm). Accessed 26 Mar. 2021.

- *Invest in mix of manufacturers, but focus on higher-wage sectors*—While edible manufacturing companies may have lower initial costs, workers may receive lower wages because the production process is labor-intensive and doesn't require specialized skills. On the other hand, manufacturing companies that have more complex production requirements are likely to pay workers more. The City should be aware of the different opportunities therein—some manufacturing types will be easier to open and sustain for small businesses, but manufacturing types that requires higher initial capital may also provide higher wages. The City could design targeted grants and loans to support manufacturers who pay higher wages.
- *In order to support manufacturing operators, the City of Oakland will need to help close the skills gap.* The manufacturing workforce is aging, and the industry has struggled to attract younger workers. If this trend continues, the industry will lose operational expertise and struggle to continue to grow.<sup>18</sup> The City can consider employment partnerships that will help train young adults to fill manufacturing roles, especially more specialized, higher-paid positions. Workforce development will play a major role in supporting local manufacturers.<sup>19</sup>
- *Build supply chain connections.* Because smaller operators may have difficulty establishing contracts with suppliers and downstream markets, the City should think of ways to strengthen supply chain connections, broker connections being suppliers and distributors, and help manufacturers network more effectively. For example, the City could award permits to retailers who stock products from equity manufacturers.

### C. *Delivery & Distribution: Courier & Local Delivery Services*

To provide a comparison to cannabis delivery and distribution, this report provides an overview of two related industries—Courier and Local Delivery Services and Beer, Wine, and Liquor Sales.

Courier and Local Delivery services include cannabis delivery, as well as package, grocery, and restaurant delivery. During the COVID-19 pandemic, demand for industry services has surged, and the number of establishments is likely to grow over the next 5 years.<sup>20</sup>

#### **Barriers to Entry: Internal competition between owner-operators and large companies will likely reduce revenue.**

The industry is characterized by fierce competition—on the local scale, competition is typically based on price. Operators can differentiate their services by specializing in certain segments or product types. Local delivery services are run primarily by non-employers or owner-operators, but large firms like Amazon have continued to expand their local delivery workforce. Thus, small operators are likely to see a decrease in revenue due to competition from large, consolidated players.

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<sup>18</sup> *Reinventing Manufacturing*. Bay Area Economic Institute, Apr. 2016, <http://www.bayareaeconomy.org/files/pdf/ReinventingMfgFullReport.pdf>.

<sup>19</sup> Foggin, Mark. *The State of Urban Manufacturing*. Urban Manufacturing Alliance, 2019, <https://www.urbanmfg.org/wp-content/uploads/2017/11/SUM-National-Report-Final.pdf>.

<sup>20</sup> Ristoff, Jared. *Courier & Local Delivery Services in the US*. 4922, IBISWorld, Nov. 2020.

### **Business Opportunities: Rapid growth, e-commerce trend**

The Courier & Local Delivery Services industry has been growing quickly, especially with the rise of e-commerce use. Industry revenue is expected to expand at an annualized rate of 5.3%.<sup>21</sup>

### **Employment Opportunities/Challenges: Independent contractor employment models**

Delivery companies often use both employees and independent contractors—according to the Messenger Courier Association of America, up to 65.0% of this segment uses independent contractors and their own employees to make deliveries.<sup>22</sup> Using independent contractors can help operators reduce overhead costs related to traditional employment; operators can also contract workers to work on an hourly or on-demand basis. However, independent contractors may not receive health or unemployment benefits and may have more unpredictable work situations. Regardless of employment status, a report by the UC Berkeley Labor Center found that jobs in food delivery are often insecure and low-wage.<sup>23</sup>

#### *D. Delivery and Distribution: Online, Beer, Wine, and Liquor Sales*

The Online Beer, Wine, and Liquor Sales industry is a rapidly growing, innovative industry where businesses employ new, asset-light business models. This industry can serve as a comparison to cannabis delivery, which will also increasingly rely on online business models. As previously mentioned, alcohol also serves as an analog to cannabis because of its regulated nature. Industry operators “sell prepackaged beer, wine and liquor through online stores. This industry also includes companies that sell online as a complement to physical storefronts.”<sup>24</sup>

### **Barriers to Entry: Regulation and brick-and-mortar competition**

Some states have regulations for online alcohol distribution, making interstate delivery challenging. Operators also compete with brick-and-mortar businesses, such as bars, wholesale clubs, and grocery stores. In order to differentiate themselves, online alcohol sites must pay close attention to customer preferences—sites need to have unique selections that aren’t widely available at brick-and-mortar retailers, and websites need to be accessible to a wide range of demographics, including older consumers.

### **Business Opportunities: Rapid growth and low inventory need**

IBISWorld reported that industry revenue increased by an annualized 12.1% increase in industry revenue for the last 5 years with a stable profit margin. The industry’s rapid growth is supported by technological trends and innovative business models. As access to internet increases, online retailers have enjoyed a robust and growing customer base.

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<sup>21</sup> Ristoff, 2020.

<sup>22</sup> Ristoff, 2020.

<sup>23</sup> Benner, Chris, and Sarah Mason, with Françoise Carré and Chris Tilly. 2020. *Delivering Insecurity: E-commerce and the Future of Work in Food Retail*. Berkeley: UC Berkeley Labor Center and Working Partnerships USA, <https://laborcenter.berkeley.edu/delivering-insecurity/>.

<sup>24</sup> Holcomb, Griffin. *Online Beer, Wine & Liquor Sales*. OD5087, IBISWorld, Oct. 2020.

Customers are often tech-savvy, more affluent, and willing to pay a premium for convenience and unique products.

Retailers' business structure helps them save on certain overhead costs. Because they can ship anywhere, warehouses do not need to be located in high-traffic areas, although businesses can reduce their delivery costs by establishing warehouses near key markets. Businesses can also connect customers with brick-and-mortar stores, operate with low inventory, and outsource last-mile delivery. These allow businesses to streamline their operations and reduce costs

### **Considerations and Recommendations for Delivery/Distribution Policy**

Oakland's Cannabis Equity Program has supported many local delivery businesses. The City can consider the following as it works to support and develop the cannabis delivery and distribution sector:

- *Support e-commerce opportunities:* Online cannabis distributors may present a unique opportunity in Oakland because they require less warehouse space. By establishing in Oakland, these businesses can reduce delivery costs to key markets in the Bay Area.
- *Skilled labor:* Operators will need access to skilled labor, especially in software development, in order to make user-friendly, enjoyable websites. The City can help existing and prospective operators establish robust online presence by providing training opportunities and grants to hire web developers.
- *Connections to suppliers:* Online cannabis distributors benefit from being able to source a wide variety of products to provide customer choice. The City can broker connections with manufacturers in order to develop mutually beneficial relationships. The City should also connect e-commerce and local delivery operators with retail stores who could use operators' services. This may help reduce reliance on large delivery platforms.

#### *E. Retail: Beer, Wine, and Liquor Stores*

##### **Barriers to Entry: Competition, low margins, regulation, delivery**

Like cannabis retail, Beer, Wine, and Liquor Stores are specialized stores selling regulated products. Stores benefit when they use a high volume/low margin strategy. This requires stocking a large amount of inventory, which may deter new firms. Industry operators also experience high levels of competition, both from other stores, grocery stores, and online retailers; this prevents stores from being able to raise prices significantly. Finally, bureaucracy represents a moderate barrier to entry - new stores must apply for licenses and register with the Alcohol and Tobacco Tax and Trade Bureau (TTB). Retail has lower barriers to entry but is, as a result, highly competitive.

##### **Opportunities: High revenue per employee, demographic trends**

Generally, businesses in this sector benefit from high revenue per employee, with a 2.2% annualized growth in revenue from 2015-2020.<sup>25</sup> Revenue has been supported by rising disposable income, which have boosted sales of high-margin, imported, and local craft

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<sup>25</sup> Fernandez, Cecilia. *Beer, Wine & Liquor Stores*. 44531, IBISWorld, Jul. 2020

beverages. These items are less likely to be stocked at other stores and provide operators with an industry advantage.

While competitive, Oakland also has a healthy retail industry that is likely to recover after the pandemic. This is especially true for food and beverage stores, which represent 26% of total retail employment in the East Bay.<sup>26</sup>

### **Employment Opportunities/Challenges:**

Of the analogous industries in other sectors, retail has among the lowest average wages. This is in part because retailers operate with low margins and part-time staff. Retail employment is also likely to experience several structural shifts due to technological shifts.

For example, a UC Berkeley Labor Center report anticipates that food retail employment will gradually shift from in-store fulfillment (that is, personal shopping via apps like InstaCart) to off-site fulfillment. With the rise of remote shopping and self-checkout, cashier positions are also likely to decline, while personal shopping and delivery positions are likely to grow. Many personal shopping and delivery workers are employed by large platform companies as independent contractors.

The UC Berkeley Labor Center notes that technological shifts have caused changes in the types of retail jobs; however, they have not resulted in job declines. Regardless of whether workers are hired as employees or independent contractors, job quality remains an ongoing concern—workers may face inconsistent or insufficient hours, low pay, and lack of important health care or retirement benefits.

### **Recommendations and Considerations for Retail Policy:**

In order to succeed, retail operators will need support from the city:

- *Guidance on permit application process:* The City of Oakland already helps equity operators understand relevant regulation, including the permit application process. Regulation is a modest but significant barrier to entry, and the City of Oakland should continue to invest in resources to help equity operators navigate regulation.
- *Access to consulting:* Because retail is a highly competitive industry, the City of Oakland should consider providing consulting to help operators build strategies for managing competition, employing high volume/low margin strategy, and purchasing/controlling stock.
- *Online presence/E-Commerce:* As consumers increasingly move online, operators who are able to establish a strong online commerce site will be better positioned for the future. Furthermore, the industry is likely to be impacted by the shift to delivery services like Eaze and Leafly. While retail operators will likely need to market on these sites to remain competitive, they also risk further reducing their margins through ongoing reliance on these platforms. Thus, the City of Oakland should consider ways to

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<sup>26</sup> <https://data.edd.ca.gov/Industry-Information-/Industry-Employment-in-California-Metropolitan-Are/kvqr-r7dx>

help equity operators build robust online presences, including websites, social media, and online ordering. The City may also consider ways to connect equity retailers with equity deliverers to reduce reliance on large platforms. Finally, the City should continue to investigate and develop policy that ensures the job quality of retail workers and delivery workers.

*F. Onsite Consumption: Coffee/Snack Shops and Full-Service Single Location Restaurants*

**Coffee/snack shops and full-service, single-location restaurants are two mature industries that present models for on-site cannabis consumption firms.**

While dispensaries are more prevalent in Oakland, onsite consumption may present a unique opportunity for equity operators. Food and drink services typically have lower barriers to entry. The industry experiences lower rates of concentration, with a large proportion of owner-operated and franchised locations.

Coffee/snack shops and full-service, single-location restaurants represent two different potential models for on-site cannabis consumption. Coffee/snack shops are generally more casual and provide less or no table service, while full-service restaurants rely more on waiting staff and other customer-oriented workers.

**Barriers to entry: Low barriers to entry, but high competition and low margins**

Generally, food service businesses have lower startup costs than other businesses, although operators still need to finance for initial costs such as equipment, food supplies, furnishings, and commercial space. However, leasing options can help reduce the required initial investment. While the industry has low barriers to entry, it has high barriers to success—restaurants and other food service businesses experience high levels of employee and owner turnover because of their labor-intensive nature, and the probability of failure is quite high.

Restaurants and coffee/snack shops also operate in a very competitive space—they compete not only with other businesses in their industry, but grocery shops, fast food chains, and more. Even prior to the pandemic, lower-end full-service restaurants declined due to increased competition from fast-casual chains.<sup>27</sup>

**Business Opportunities: Positive consumer/economic trends; coffee/snack shops are agile**

Both restaurants and coffee/snack shops benefit from increased per capita expenditure, high disposable income, and urban population growth—if the economy resumes growth as COVID-19 is increasingly managed, these industries will likely also benefit. Restaurants especially benefit from increases in wealthy demographics – an estimated 51.4% of industry revenue comes from those making over \$100K.<sup>28</sup> On the other hand, coffee/snack shops appeal to a broad customer base, improving their durability regardless of economic circumstances.

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<sup>27</sup> Le, Thi. *Single Location Full-Service Restaurants in the US*. Industry Report, 72211B, IBISWorld, Feb. 2021, <https://my-ibisworld-com.libproxy.berkeley.edu/us/en/industry/72211b/about>.

<sup>28</sup> Le, Thi. *Single Location Full-Service Restaurants in the US*.

Overall, IBISWorld projected significant growth in these industries' number of establishments (2.6% for restaurants and 3.1% for coffee/snack shops) over the next 5 years.

Food service places are highly subject to shifts in consumer preferences and must stay nimble to changes (for example, the shift toward local, craft, premium products). Coffee and snack shops may have an advantage over full-service restaurants in this area—because they provide food and beverages at lower costs than other food service businesses, they can quickly adjust to consumer demand shifts. An IBISWorld report provided the example of shifting toward artisanal, craft products as consumers began to seek out gourmet and healthy products.<sup>29</sup>

IBISWorld estimated that 25.3% of the coffee/snack shop industry's revenue comes from beverages consumed in the store, while 15.3% comes from beverages taken to-go (as compared to food or drive-through options)—beverages help businesses increase their profit margins because they cost less to provide.

### **Employment Opportunities/Challenges**

As described above, food service workers generally make much lower wages than the average Californian worker. However, food service is one of the fastest-growing industries in the East Bay (employment grew at an annualized 5% from 2010-2019). Overall, these industries hold significant employment opportunities in Oakland, but job quality will remain a concern.

#### *G. Considerations and Recommendations for Onsite Consumption Policy*

- Oakland has a unique opportunity to support onsite consumption operators, especially cafes and restaurants. Oakland's food service and cannabis industries are both growing, and few surrounding jurisdictions in the Bay Area allow onsite consumption to date.<sup>30</sup> Thus, the City would have a competitive advantage if it were to begin dispensing more on-site consumption permits. The City can look toward cities like West Hollywood and Denver to refine their on-site consumption policy.
- The City may also be able to support equity operators by helping them identify spaces that would both provide optimal access to consumers and allow them to comply with regulations like odor mitigation.
- Café models may be preferable to sit-down restaurant models due to their relatively lower costs and ability to adapt quickly to consumer preferences.
- Businesses need to have access to multi-skilled and trained staff who can meet customer demand during peak seasons and times. The City could work with local food worker organizations to create policies that support workers at onsite consumption businesses.

## **IV. Conclusion**

<sup>29</sup> Le, Thi. *Coffee & Snack Shops in the US*. 7221B, IBISWorld, Sept. 2020, <https://my-ibisworld-com.libproxy.berkeley.edu/us/en/industry/72221b/about>.

<sup>30</sup> <https://harrisbricken.com/cannalawblog/on-site-cannabis-consumption-in-california-progress-report/>

This report provides a broad overview of industries that are related to cannabis cultivation, manufacturing, delivery/distribution, retail, and on-site consumption. It also highlights several similar industries to uncover the likely challenges and opportunities for cannabis companies.

Below is an abbreviated list of recommendations:

**Cultivation:** *Smallest industry, but can become integral part of Oakland's supply chain.*

- Help operators identify vacant land
- Work with local utilities to secure more affordable rates

**Manufacturing:** *Significant opportunities for workers, but wages vary based on subsector.*

- Invest in mix of manufacturing, but focus on higher-wage sectors that are akin to chemical and medical manufacturing—may wish to provide targeted loans and grants to support manufacturers who pay higher wages and hire within Oakland.
- Train workers and close the skills gap—work with manufacturers to identify necessary skills; build partnerships to train Oakland workers and young adults to fill specialized, higher-paid positions.
- Build supply chain connections with both suppliers and retailers, especially within Oakland. Could award permits to retailers who stock products from equity manufacturers.

**Distribution:** *Business and employment growth with some risks due to delivery platforms.*

- Support distributors' expansion into e-commerce. Connect operators to web development services; can provide grants to support web development.
- Connect distributors to suppliers such as local manufacturers and customers such as retail stores—this can help equity delivery operators compete with large delivery platforms.

**Retail:** *Oakland's geography provides advantages, but job quality and competition are concerns.*

- Provide access to consulting to help operators develop strategies for managing competition, employing high volume/low margin strategy, and purchasing/controlling stock.
- Help retailers establish strong online presence and e-commerce; may hire consultants or provide grants, as described under Delivery/Distribution.
- Continue to investigate and develop policy that ensures the job quality of retail workers and delivery workers.

**On-Site Consumption:** *Few surrounding cities allow onsite consumption, giving Oakland a competitive advantage, but job quality is a concern.*

- Observe other cities who allow on-site consumption to refine policy.
- Help equity operators identify optimal locations and comply with regulations like odor mitigation.
- Consider promoting café models, which tend to have nimbler operations and lower costs.
- Work with local food worker organizations to understand the needs of food service workers.