



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Greg Minor
Assistant to the City
Administrator

SUBJECT: SUPPLEMENTAL - Cannabis
Regulatory Commission Report With
2021 Budget Recommendations

DATE: April 19, 2021

City Administrator Approval

Date: May 11, 2021

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report From The Cannabis Regulatory Commission For The Years 2019-2020.

REASON FOR SUPPLEMENTAL

In 2004, Oakland voters passed ballot Measure Z, a voter initiative entitled “Oakland Cannabis Regulation and Revenue Ordinance.” In accordance with Ordinance No. 12694 C.M.S., which established the advisory committee’s procedures, staff presented a report on the Cannabis Regulatory Commission’s (CRC) 2019-2020 activities for the City Council’s review at the February 23, 2021 Community Economic Development (CED) Committee meeting. After hearing the CRC’s 2019-2020 report, the CED continued the item to its May 17, 2021 meeting to provide the CRC time to outline its recommendations for how the City of Oakland can support the cannabis program in the upcoming budget. Accordingly, please find attached the CRC’s Supplemental Report with 2021 Budget Recommendations (**Attachment A**).

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive An Informational Report From The Cannabis Regulatory Commission For The Years 2019-2020.

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

Respectfully submitted,

GREG MINOR
Assistant to the City Administrator

Attachment (1):
A: Cannabis Regulatory Commission Supplemental
Report With 2021 Budget Recommendations

CED Committee
May 17, 2021

**CITY OF OAKLAND CANNABIS REGULATORY COMMISSION
SUPPLEMENTAL REPORT WITH 2021 BUDGET RECOMMENDATIONS**

To: Oakland City Council Community Economic Development Committee
From: Cannabis Regulatory Commission
Re: 2021 Budget Recommendations
Date: April 19, 2021

Members: Lanese Martin, Chair, District 1; TiYanna Long, Vice-Chair, City Auditor; Tracey Corder, District 2; Austin Stevenson, District 3; Vacant, District 4; Vacant, District 5; Vacant, District 6; Frank Tucker, District 7; Chaney Turner, At Large; Stephanie Floyd-Johnson, Mayor; Greg Minor, City Administrator.

I. Executive Summary

At its February 23, 2021 meeting, the City Council's Community Economic Development (CED) Committee requested that the Cannabis Regulatory Commission (CRC) report back to the CED on May 17th with recommendations for how the City of Oakland can support the cannabis program in the upcoming City of Oakland budget process. Below the CRC has outlined its budget recommendations, including funding workforce development and revolving loan programs to support those most impacted by the War on Drugs access employment and business ownership opportunities, as well as ensuring sufficient staff in the Special Activity Permits Division and the Fire Prevention Bureau to advance the permitting of cannabis businesses. These actions are needed to realize the City's initial investments in the Cannabis Equity Program (Equity Program) and to ensure Oakland is a hub for cannabis employment and business growth in the future.

II. New City Investments Are Needed To Maximize Future State Grant Opportunities And Build On The City's Initial Investments In The Equity Program

Although the City of Oakland received over \$8 million last year in state grants, the amount of state grant funding available for local cannabis equity programs is decreasing and Oakland's competitiveness for state funding depends on its willingness to continue investing City funds in its Equity Program.

a. City of Oakland's Initial Funding of the Equity Program

In 2017 the City made an impressive financial commitment to promote equitable business ownership opportunities in the regulated cannabis industry by directing the initial \$3.4 million of new cannabis tax revenue towards a revolving loan program and technical and legal assistance for cannabis equity applicants. While the City has continued to support the Equity Program by exempting equity

applicants from City application and permitting fees, the City has not made any additional direct investments in the Equity Program since 2017.

b. State Grant Landscape

In 2020 the City was able to continue and grow its Equity Program through two state grants, one from the Bureau of Cannabis Control (BCC) and the other from the Governor's Office of Business and Economic Development (Go-Biz) totaling over \$8 million. Unfortunately, the BCC is no longer issuing grants and GO-Biz's available funding has been reduced by half. Staff recently learned that Go-Biz will award Oakland a \$2.4 million grant for 2021, which only goes so far with more than 300 verified equity applicants in need of capital support.

Additionally, Go-Biz's annual funding criteria weighs heavily in favor of local jurisdictions who invest their own funds in their equity programs. In short, the more funding Oakland provides its Equity Program, the more Go-Biz will support Oakland's Equity Program. This is critical in light of the decreased state funding available and the increased competition from other jurisdictions that have now established cannabis equity programs and are competing for these same state funds.

III. Workforce Development Opportunities

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

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

IV. Revolving Loan Fund

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

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

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

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

V. Sufficient Staffing To Expedite Permitting And Pursue Administrative Enforcement In Lieu Of Criminal Enforcement

Investing in City staff will also benefit the cannabis program by advancing cannabis businesses through permitting processes and supporting enforcement against unregulated operations through administrative means as opposed to criminal enforcement.

The surge in workload from the permitting of cannabis industry's entire supply chain and the implementation of various Equity Program elements has reduced staff's ability to process permits and pursue administrative enforcement of the unregulated cannabis marketplace. Utilizing the currently vacant Administrative Assistant II position that previously focused on nuisance abatement towards permitting and processing of administrative citations and hearings will improve both cannabis permitting and enforcement efforts. In turn, improving administrative enforcement of the unregulated cannabis market will both encourage cannabis operators to enter the regulated marketplace and relieve OPD resources to focus on violent crime.


Similarly, ensuring sufficient staff in the Fire Prevention Bureau, e.g. fire plan engineers and hazardous materials inspectors, can reduce backlogs in the processing of cannabis manufacturing, extraction, cultivation and dispensary permits, which currently take months to process. Adding these key positions would remove bureaucratic barriers that prevent these business types from operating in the regulated market and providing tax revenue.

VI. Conclusion And Next Steps

The CRC is grateful for the opportunity to share with the CED recommendations for how the City can support the cannabis program in the upcoming budget. The above recommendations will ensure the City's cannabis program continues moving forward and expands opportunities for both employment and business ownership opportunities.

The CRC looks forward to continuing to work together with the CED later this year at the conclusion of an updated assessment of the City's Equity Program, which is currently underway gathering information from Oakland cannabis businesses and relevant non-cannabis industries. The CRC anticipates utilizing the information gathered in this analysis to shape amendments to the City's cannabis permitting ordinances that will be presented to the CED for its consideration, including the addition of hospitality licenses for equity cannabis businesses and other strategies for promoting economic development as the City emerges from the COVID-19 pandemic.

Respectfully submitted,

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Vice-Chair
Cannabis Regulatory Commission



Staff
Cannabis Regulatory Commission