



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Greg Minor
Assistant to the City
Administrator

SUBJECT: Proposition 64 Grant for Cannabis
Awareness and Safety Program

DATE: June 23, 2021

City Administrator Approval

Date: Jun 24, 2021

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or Designee To:

(1) Apply For And Accept Nine-Hundred And Ninety-Seven Thousand Six Hundred And Ninety-Four Dollars (\$997,694) In State Of California Proposition 64 Public Health And Safety Grant Program Cohort Two Funds (“Proposition 64 Grant”); And (2) Appropriate The Proposition 64 Grant Funds By: (A) Entering Into An Agreement At An Amount Not To Exceed Three-Hundred And Sixty Thousand Dollars (\$360,000) With The East Oakland Youth Development Center (EOYDC) To Provide Preventative And Intervention Activities To Youth In Regards To Cannabis Consumption; (B) Entering Into An Agreement In An Amount Not To Exceed One-Hundred And Thirty-Three Thousand Three-Hundred And Six Dollars (\$133,306) With The Public Health Institute To Provide Subject Matter Expertise, Research, Evaluation, And Program Management Skills For Youth Public Awareness Campaigns Regarding Cannabis Consumption; (C) Entering Into An Agreement With CITYSPAN In An Amount Not To Exceed Thirty Thousand Dollars (\$30,000) To Provide Data Collection And Management; (D) Waiving The Request For Proposal/Qualification Requirements For The Agreements Referenced Above; (E) Funding An Agreement To Be Awarded By The Competitive Request For Proposals Process And In An Amount Not To Exceed Seventy Thousand Dollars (\$70,000) For A Public Awareness Campaign For Adult Responsible Use Of Cannabis And Support Of Equity-Owned Cannabis Businesses; (F) Funding The City’s Administration Of The Proposition 64 Grant Funding And Cannabis Business Safety Training Workshops In An Amount Not To Exceed Three-Hundred And Seventy-Two Thousand Three-Hundred And Seventy-Eight Dollars (\$372,388); And (G) Funding Meeting Notification Costs And Meeting Notification Costs And Meeting Supplies To Project Partners In An Amount Not To Exceed Thirty-Two Thousand (\$32,000).

EXECUTIVE SUMMARY

In November 2016 California voters approved Proposition 64, the Control, Regulate, and Tax Adult Use of Marijuana Act (AUMA), which legalized the recreational use of cannabis in California for people 21 and older. Proposition 64 also directed a portion of state cannabis tax

Oakland City Council
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revenue towards a grant program administered by the Board of State and Community Corrections (BSCC) to assist with law enforcement or other local programs addressing public health and safety associated with AUMA. In December 2020 the BSCC released a Request for Proposals (RFP) for grant applications for local jurisdictions, which offered a maximum of \$1 million over three years per local jurisdiction and mandated that local jurisdictions' proposals address youth development/youth prevention and intervention.

In January 2021, staff submitted a grant proposal to the BSCC in partnership with East Oakland Youth Development Center (EOYDC), the Public Health Institute, and Oakland Unified School District. The City of Oakland's grant proposal features a cannabis awareness and safety program consisting of three components: (1) a campaign to educate youth about cannabis use with a goal of decreasing youth usage rate; (2) a campaign to inform 21 and over consumers about safe cannabis use by encouraging consumers to support equity-owned cannabis businesses in the regulated marketplace; and (3) a series of security workshops for cannabis businesses. In April 2021 the BSCC approved the City of Oakland's grant proposal, along with the proposals from twenty-two other local jurisdictions.¹ By adopting the proposed Resolution, the City Council will authorize the receipt of \$997,694 in funding from the BSCC to implement this work.

BACKGROUND / LEGISLATIVE HISTORY

Federal Cannabis Policy Unsettled but Generally Deferential to States

Cannabis remains a Schedule One controlled substance under federal law, however, since the 2013 Department of Justice "Cole Memorandum"² and the 2015 Fahr-Rohrbacher federal budget amendment,³ state compliant cannabis facilities have generally been shielded from federal prosecution. Additionally, Congress currently has various proposals before them to legalize or decriminalize cannabis.

California Initiates Statewide Cannabis Regulation

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

¹ For a complete list of BSCC Proposition 64 Cohort 1 and 2 grant recipients please visit here:

<https://www.bscc.ca.gov/proposition-64-public-health-safety-grant-program>

² The Cole Memorandum can be found here:

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

³ The Fahr-Rohrbacher amendment states: "None of the funds made available in this Act to the Department of Justice may be used, with respect to the States of... California...to prevent such States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana.

legislature consolidated the MCRSA and AUMA into the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA). State agencies have been implementing MAUCRSA ever since, including through the issuance of multiple sets of regulations governing cannabis operations.

Oakland's Cannabis Regulatory History

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

Oakland Examines Equity Within Cannabis Industry

In anticipation of state legalization of the cannabis industry's supply chain and the adult use of cannabis, the City of Oakland began exploring approaches to legalizing the cannabis industry within Oakland in 2015 and 2016. Discussions at the City Council centered around one question: Who benefits from cannabis legalization?

This inquiry led the City Council in the fall of 2016 to adopt the goal of promoting equitable ownership and employment opportunities in the cannabis industry to address the disproportionate impacts of the war on drugs in marginalized communities of color and to direct the City Administration to conduct a race and equity analysis of proposed medical cannabis regulations.

In March 2017 staff returned with a race and equity analysis that identified barriers to achieving a more equitable cannabis industry and strategies to remove those barriers. For example, the analysis found disparities within the cannabis industry in access to capital and real estate as well as disparities in operators' familiarity with the "red tape" involved in governmental processes and operating a compliant cannabis business. In response, the analysis recommended the creation of several measures to prioritize lower-income Oakland residents that either had a cannabis conviction arising out of Oakland or had lived in areas of Oakland that experienced disproportionately higher levels of cannabis enforcement.⁴

Strategies identified to prioritize equity applicants included:

- Free industry specific and business ownership technical assistance;
- A no-interest revolving loan program funded by new cannabis tax revenue;

⁴ OMC 5.80.010 and OMC 5.81.020 define an "Equity Applicant" as "an Applicant whose ownership/owner: 1. Is an Oakland resident; and 2. In the last year, had an annual income at or less than 80 percent of Oakland Average Medium Income (AMI) adjusted for household size; and 3. Either (i) has lived in any combination of Oakland police beats 2X, 2Y, 6X, 7X, 19X, 21X, 21Y, 23X, 26Y, 27X, 27Y, 29X, 30X, 30Y, 31Y, 32X, 33X, 34X, 5X, 8X, and 35X for at least ten of the last twenty years or (ii) was arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland, California."

- A phased permitting process whereby the City Administrator must issue half of all permits under OMC 5.80 and 5.81 to equity applicants during the initial phase;
- An incubator program that prioritizes general applicants who provide three years of free space and security to equity applicants; and
- Application and permit fee exemptions for equity applicants.

In the spring of 2017, the City Council passed a legislative package (Ordinance No. 13424 C.M.S. and Resolution No. 86633 C.M.S.) enacting these recommendations and the City Administrator's Office began accepting applications for non-dispensary permits in May 2017.

Growth of a Larger Movement and State Grant Awards for Equity Program

Oakland's pioneering race and equity analysis of the cannabis industry and creation of an Equity Program inspired jurisdictions across the country to pursue and support similar programs. For example, the City and County of San Francisco, the City of Los Angeles, the City of Sacramento, the State of Massachusetts, and State of Illinois have conducted similar analyses or enacted their own equity programs.

In 2019, 2020 and 2021 the State of California awarded funds through competitive grant processes to local jurisdictions to further their cannabis equity programs. The City of Oakland has received the largest awards thus far, including \$1,657,201.65 from the Bureau of Cannabis Control in 2019, \$6,576,705.76 from the Governor's Office of Business and Economic Development (GO-Biz) in 2020, and \$2,434,712.51 from GO-Biz in 2021. These awards are an acknowledgement of the City's groundbreaking work establishing and implementing the nation's first cannabis Equity Program.

Proposition 64 Public Health and Safety Grant Program

California voters established the Proposition 64 Public Health and Safety Grant Program through the passage of Proposition 64. Proposition 64 directs a portion of state tax revenue generated from the cultivation and retail sale of cannabis and cannabis products towards grant programs to mitigate the impacts resulting from the legalization of recreational cannabis. Specifically, the Revenue and Taxation Code directs the BSCC to make grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of the [AUMA].⁵

After releasing a Request for Proposals (RFP) in early 2020 and selecting an initial cohort of ten local jurisdictions, the BSCC released an RFP for a second cohort in December 2020. The most recent RFP limited grant proposals to four Project Purpose Areas (PPAs): PPA 1: Youth Development/Youth Prevention and Intervention; PPA 2: Public Health; PPA 3: Public Safety; and PPA 4: Environmental Impacts. Additionally, the Cohort Two RFP mandated that all grant proposals address PPA 1 with at least ten percent of the overall budget.

⁵ Revenue and Taxation Code Section 34019, subdivision (f)(3)(C).

ANALYSIS AND POLICY ALTERNATIVES

Program Need

Although Proposition 64 legalized the adult use of cannabis, questions remain for both youth and adults regarding the use of cannabis, and regulatory barriers and security threats have discouraged operators from participating in the regulated marketplace. For example, youth and adults alike still encounter unregulated cannabis with little or no information on why youth should not consume cannabis and what the risks adults face by consuming unregulated cannabis. This lack of information can lead to youth consumption of cannabis, which can impair brain development and lead to other problems later in life.⁶ Similarly, adult consumption of unregulated cannabis can result in consuming cannabis with unhealthy pesticides and unknown potency, all the while undermining the regulated cannabis marketplace.

In parallel, cannabis operators have faced challenges because of Proposition 64 as well as significant security threats. Proposition 64's introduction of new regulations and taxes has placed Oakland's regulated cannabis operators, particularly equity operators, at an additional disadvantage in competition with the unregulated cannabis marketplace. The unregulated cannabis marketplace does not have to account for taxes, fees, or the cost of compliance, such as laboratory testing of cannabis for potency and pesticides, bringing a building into compliance with building and fire codes, and security requirements. In addition to the unregulated marketplace, Oakland cannabis operators have experienced robbery caravans targeting cannabis businesses, strong-arm robberies of delivery drivers, and dangerous shootings.

Overview of Cannabis Safety and Awareness Program

The Proposition 64 grant offers an opportunity to address the above-described challenges through a three-prong approach: (1) a campaign to educate youth about cannabis use with a goal of decreasing youth usage rate; (2) a campaign to inform 21 and over consumers about safe cannabis use by encouraging consumers to support equity-owned cannabis businesses in the regulated marketplace; and (3) a series of security workshops for cannabis businesses. **Figure 1** offers a summary of the proposed uses of Proposition 64 funds and the level of funding proposed for each use.

⁶ For information regarding youth consumption of cannabis please see: Levine A, Clemenza K, Rynn M, Lieberman J. Evidence for the risks and consequences of adolescent cannabis exposure. *J Am Acad Child Adolesc Psychiatry*. 2017;56(3):214–225. Meier MH, Caspi A, Ambler A, et al. Persistent cannabis users show neuropsychological decline from childhood to midlife. *Proc Natl Acad Sci USA*. 2012;109(40): E2657–E2664 3. Swift W, Coffey C, Carlin JB, Degenhardt L, Patton GC. Adolescent cannabis users at 24 years: trajectories to regular weekly use and dependence in young adulthood. *Addiction*. 2008;103(8): 1361–1370 4. Nussbaum A, Thurstone C, Binswanger I. Medical marijuana use and suicide attempt in a patient with major depressive disorder. *Am J Psychiatry*. 2011;168(8):778–781 5. Degenhardt L, Hall W, Lynskey M. Exploring the association between cannabis use and depression. *Addiction*. 2003;98(11):1493–1504 6. Lynskey MT, Glowinski AL, Todorov AA, et al. Major depressive disorder, suicidal ideation, and suicide attempt in twins discordant for cannabis dependence and early-onset cannabis use. *Arch Gen Psychiatry*. 2004;61(10): 1026–1032. Pedersen W. Does cannabis use lead to depression and suicidal behaviors? A population-based longitudinal study. *Acta Psychiatr Scand*. 2008;118(5): 395– 403.

Figure 1- Proposed Use of Proposition 64 Grant Funds

PROPOSED USE OF PROPOSITION 64 GRANT FUNDS OVER THREE-YEAR PERIOD		
PURPOSE	ORGANIZATION	AMOUNT
Preventative and Intervention Activities for 50 Youth Per Year	East Oakland Youth Development Center (EOYDC)	\$360,000
Develop and Support Youth Awareness Campaign	Public Health Institute (PHI)	\$133,306
Public Outreach Campaign to Adults	To Be Determined After Request for Proposals	\$70,000
Oversee Overall Program	City of Oakland: 0.5 Program Analyst	\$231,000
Security Workshops and Support for Cannabis Businesses	City of Oakland: 8 Hours Weekly Overtime for a Police Officer	\$112,329
Meeting Supplies and Notification	EOYDC, OUSD, PHI	\$32,000
Data Management	Cityspan	\$30,000
Indirect Costs/Overhead	City of Oakland	\$29,059
TOTAL		\$997,694

A. Youth Prevention Campaign

The Special Activity Permits Division will partner with Castlemont High School's Community Health Equity Academy and the Public Health Institute's California Adolescent Health Collaborative to produce public health messaging regarding cannabis designed by and for youth. The project will focus on building consensus with youth, creating a safe and constructive environment to discuss youth cannabis and other substance use, and identifying risk and protective factors.

In addition, EOYDC will engage fifty (50) youth per year who display risk factors and are in the middle or high end of the adolescent risk continuum. EOYDC staff will work with youth in small groups and individually, conduct prevention discussions and programs, and consult with participants' school staff and other support service professionals, ensuring a continuum of care approach. EOYDC staff will also support participants in increasing the perception of the risk of

harm. This will change adolescents' norms and expectations about cannabis use, build and enhance social skills, change familial and community norms and values regarding cannabis use, and foster resiliency. For more information, see **Attachment A: EOYDC, PHI, and OUSD Letters of Support**.

Finally, the BSCC grant proposal includes funding for Cityspan, a provider of grant management systems, who already supports three City of Oakland funding initiatives: Oakland Unite, Oakland Fund for Children and Youth, and Oakland Paratransit for the Elderly and Disabled.

B. Adult Public Awareness Campaign

Adults 21 and over can legally consume cannabis in California. However, the nuances of cannabis legalization are still unclear to most adults and most consumers are unaware of local cannabis equity programs. The adult (21+) responsible use campaign will answer the most pertinent questions regarding the legalization of recreational cannabis and improve consumers' awareness of Oakland equity-owned cannabis businesses and how to support them.

C. Security Support for Cannabis Businesses

The Proposition 64 will also support OPD's Cannabis Uni in hosting a series of workshops with cannabis businesses to make their businesses, employees, and customers safer. Specifically, grant funding will fund monthly informational workshops for cannabis operators to exchange information about crime trends and hear operators' public safety needs. Additionally, the Proposition 64 grant will facilitate meet and greets with cannabis businesses and guidance to community partner liaisons regarding cannabis laws.

FISCAL IMPACT

Acceptance and appropriation of the Proposition 64 grant of \$997,694 will not supplant existing resources, but rather enable partner organizations and City staff to initiate new projects over the next three years. \$372,388 of the Proposition 64 grant will go towards City expenses, including half of a City Administrator Analyst position and eight hours of overtime per week for a Police Officer. The existing source of funding for the City Administrator Analyst position will soon expire. Accordingly, the Proposition 64 grant will allow this position to continue, particularly if combined with additional grant funding in the future.

The Proposition 64 grant funds will be deposited in the State of California Fund (2159), Special Activities Organization (TBD), Project (TBD), Program (TBD), State Grant Miscellaneous Revenue Account (46229) and appropriated for spending.

PUBLIC OUTREACH / INTEREST

Staff has conducted public outreach regarding how best to utilize the BSCC grant through discussions at the Cannabis Regulatory Commission (CRC) in December 2020 and January

2021. The CRC encouraged supporting local organizations to work with youth as opposed to the Oakland Police Department.

COORDINATION

The City Administrator's Office's Special Activity Permits Division consulted with the Budget Bureau, the Department of Economic and Workforce Development, the Oakland Police Department, the Department of Violence Prevention, and the Office of the City Attorney in preparation of this report.

SUSTAINABLE OPPORTUNITIES

Economic: Increasing public awareness of Oakland equity cannabis businesses can improve business activities for Oakland residents disproportionately impacted by the War on Drugs.

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

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

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator Or Designee To:

(1) Apply For And Accept Nine-Hundred And Ninety-Seven Thousand Six Hundred And Ninety-Four Dollars (\$997,694) In State Of California Proposition 64 Public Health And Safety Grant Program Cohort Two Funds ("Proposition 64 Grant"); And (2) Appropriate The Proposition 64 Grant Funds By: (A) Entering Into An Agreement At An Amount Not To Exceed Three-Hundred And Sixty Thousand Dollars (\$360,000) With The East Oakland Youth Development Center (EOYDC) To Provide Preventative And Intervention Activities To Youth In Regards To Cannabis Consumption; (B) Entering Into An Agreement In An Amount Not To Exceed One-Hundred And Thirty-Three Thousand Three-Hundred And Six Dollars (\$133,306) With The Public Health Institute To Provide Subject Matter Expertise, Research, Evaluation, And Program Management Skills For Youth Public Awareness Campaigns Regarding Cannabis Consumption; (C) Entering Into An Agreement With CITYSPAN In An Amount Not To Exceed Thirty Thousand Dollars (\$30,000) To Provide Data Collection And Management; (D) Waiving The Request For Proposal/Qualification Requirements For The Agreements Referenced Above; (E) Funding An Agreement To Be Awarded By The Competitive Request For Proposals Process And In An Amount Not To Exceed Seventy Thousand Dollars (\$70,000) For A Public Awareness Campaign For Adult Responsible Use Of Cannabis And Support Of Equity-Owned Cannabis Businesses; (F) Funding The City's Administration Of The Proposition 64 Grant Funding And Cannabis Business Safety Training Workshops In An Amount Not To Exceed Three-Hundred

And Seventy-Two Thousand Three-Hundred And Seventy-Eight Dollars (\$372,388); And (G) Funding Meeting Notification Costs And Meeting Notification Costs And Meeting Supplies To Project Partners In An Amount Not To Exceed Thirty-Two Thousand (\$32,000).

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

Attachments (2):

Attachment A: EOYDC, PHI, and OUSD Letters of Support

