



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Ashleigh Kanat
Director, Department of
Economic and Workforce
Development

SUBJECT: Annual Governor's Office of Business
and Economic Development Grant for
Cannabis Equity Program

DATE: February 28, 2025

City Administrator Approval


Jestin Johnson (Mar 6, 2025 14:10 PST)

Date: Mar 6, 2025

RECOMMENDATION

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

- 1. Apply for, accept, and appropriate two million seventy-four thousand three hundred sixty-nine dollars and seventy-five cents (\$2,074,369.75) in State of California, Governor's Office of Business and Economic Development (GO-BIZ) Equity Act Grant Funds; and**
- 2. Expend and administer the GO-BIZ Grant by:**
 - (A) Providing grants for business ongoing costs in an amount not to exceed two-hundred and fifty thousand dollars (\$250,000) per grant for cannabis business equity applicants and licensees, to be determined and without return to council in a cumulative amount not to exceed; one million eight hundred and sixty-seven thousand-three hundred sixty-nine dollars and seventy-five cents (\$1,867,369.75) and**
 - (B) Covering staffing and other administrative costs for the City's Cannabis Equity Program in an amount not to exceed two hundred and seven thousand dollars (\$207,000)**

City Council Meeting
March 18, 2025

EXECUTIVE SUMMARY

The City of Oakland (City) established the nation's first Cannabis Equity Program (Equity Program) in the spring of 2017 following [a race and equity analysis](#) that identified strategies to promote equitable ownership and employment opportunities in the cannabis industry to address the disproportionate impacts of the war on drugs in marginalized communities of color. This action led to the creation of the California's Cannabis Equity Grants Program for Local Jurisdictions administered by the Governor's Office of Business and Economic Development (Go-Biz) that has made funding available on an annual basis for local jurisdictions with cannabis equity programs. For the 2025 application there was the requirement to identify matching funds. The Special Activity Permits Division within the Economic & Workforce Development Department was able to leverage application and permit fees, which are waived for equity program participants, as our source of matching funds. In February of this year Go-Biz awarded the City \$2,074,369.75 this funding cycle, to support the City's Equity Program. This Resolution enables the City to accept and appropriate that grant money.

This funding offers an opportunity to continue building upon the foundation the City has established for its Equity Program. Specifically, Go-Biz funds will provide equity applicants with capital via grants to support their businesses' ongoing costs also cover a portion of the costs of administering the Equity Program.

BACKGROUND / LEGISLATIVE HISTORY

Federal Cannabis Policy

Cannabis remains a Schedule One controlled substance under federal law, however, since the 2013 Department of Justice "Cole Memorandum"¹ and the 2015 Fahr-Rohrbacher federal budget amendment,² state compliant medical cannabis facilities have generally been shielded from federal prosecution. The Trump Administration threatened to interrupt this status quo by rescinding the Cole Memorandum. Nonetheless, Congress has consistently extended the Fahr-Rohrbacher amendment and the federal government has not prioritized cannabis prosecutions. Additionally, in October 2022 President Biden directed the Secretary of Health and Human services and the Attorney General to initiate the process to review how cannabis is scheduled under federal law.

¹ The Cole Memorandum can be found here:

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

² 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.

California 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 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 has been a leader in regulating cannabis. In 2004, following the federal closure of the Oakland Cannabis Buyers Club, the City's initial medical cannabis provider under Oakland Municipal Code (OMC) 8.46, the City enacted OMC 5.80, which established the nation's first permitting process for medical cannabis dispensaries. In 2011 the City 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 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, in 2015 and 2016, the City began exploring approaches to legalizing the cannabis industry within Oakland. 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 analysis³ 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

³ <https://cao-94612.s3.amazonaws.com/documents/Equity-Analysis-and-Proposed-Medical-Cannabis-Amendments.pdf>

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;
- 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 of 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. Then starting in 2019 the State of California has set aside annual grant funding to support local jurisdictions' cannabis equity programs. **Table 1** outlines the amount of funding the City has received from the State of California, Oakland's ranking among local jurisdictions each year, and the total amount of funding set aside by the State of California that year.

Table 1: Oakland's Receipt of Local Equity Grant Funding

State Funding Agency	Fiscal Year (FY)	Amount of Funding Received	Oakland's Ranking Among Local Jurisdictions	Total Amount of Funding Available Statewide
BCC ⁵	FY 2019-2020	\$1,657,201.65	2nd	\$10 million
Go-Biz	FY 2019-2020	\$6,576,705.76	1st	\$30 million
Go-Biz	FY 2020-2021	\$2,434,712.51	1st	\$15 million
Go-Biz	FY 2021-2022	\$5,435,140.82	2nd	\$35 million
Go-Biz	FY 2022-2023	\$1,996,487.50	1st	\$15 million
Go-Biz	FY 2023-2024	\$3,000,000.00	Tied 1st	\$15 million
Go-Biz	FY 2024-2025	\$2,074,369.75	Pending	Pending

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."

⁵ Initially the Bureau of Cannabis Control, the predecessor to the Department of Cannabis Control, dispersed Local Equity Grant funding.

ANALYSIS AND POLICY ALTERNATIVES

Approval of the requested action will continue to help advance the Citywide priority of **housing, economic, and cultural security** by promoting business ownership opportunities for historically marginalized entrepreneurs.

Challenges Facing Equity Applicants

As noted in prior reports, the Equity Program does not exist in a vacuum. Equity applicants face many of the same challenges that confront entrepreneurs seeking to establish any business, such as securing sufficient capital, bringing a facility into compliance with building and fire codes, legal issues, scaling a business, as well as securing sales. Further, equity applicants encounter many of the same challenges that cannabis businesses face operating in the infancy of cannabis legalization, such as market uncertainty, regulatory compliance, inadequate access to banking, and security concerns. While the challenges faced by equity applicants may not be unique, these challenges likely have a disproportionate impact on equity applicants due to a web of past and present policies and actions of institutions that have resulted in disparities in business ownership and access to venture capital. For an overview of current challenges facing equity applicants, please see **Attachment A**, 2024 Cannabis Equity Program Survey.

Strategies for Utilizing Go-Biz Funds

The Go-Biz grant offers an opportunity to address the number one challenge confronting equity applicants, access to capital. **Table 2** offers a summary of the proposed uses of Go-Biz funds and the level of funding proposed for each use.

Table 2: Proposed Use of Go-Biz 6 Grant Funds

Proposed Use	Amount of Funds
A. Grants to Operators for Start-Up and Ongoing Costs	\$1,867,369.75
B. A portion of the Special Activity Permit Technician	\$207,000.00
TOTAL	\$ 2,074,369.75

A. Grants to Operators to Assist with Start-Up and Ongoing Costs

Staff recommends that the City commit more than \$1.8 million in grants to operators for ongoing costs and grants for events to supplement the Public Awareness Campaign Program. Grants to equity operators provide access to capital, the fundamental barrier confronting equity applicants as they seek to gain entry and successfully operate in the state's regulated cannabis marketplace. In a previous survey (see **Attachment A**), equity applicants identified lack of capital as the principal barrier to establishing a compliant cannabis business. Grants address this barrier and provide operators with flexibility to cover the variety of expenses they encounter initiating and growing their business, from completing construction, to purchasing insurance, to covering state licensing fees. Notably, over seventy-five percent of surveyed equity businesses stated that the funding they received from the City allowed them to stay in business and another fifteen percent stated that this funding allowed their businesses to grow. In short, the capital support provided from Go-Biz is critical to equity businesses' survival and growth.

Staff recommends distributing just grants this cycle as it streamlines the program and simplifies the administrative resources needed to distribute Go-Biz funds. Finally, consistent with prior grant cycles, staff recommends the City Council authorize the disbursement of grants to equity applicants that meet the grant program criteria rather than having to return to City Council for approval of each individual grant, which would prove extremely cumbersome for staff and equity applicants alike.

B. *Administration of Equity Program*

Go-Biz funds also offer an opportunity to cover a portion of staff costs administering the various components of the Equity Program plus the costs of administering the grant programs for equity applicants. Specifically, staff recommends directing Go-Biz funds towards the cost of a Special Activity Permit Technician who will be working with the equity applicants on their grant applications and assisting with the administering the grants, tracking use of Go-Biz funds, and compiling quarterly and annual reports to Go-Biz.

FISCAL IMPACT

Staff recommends the acceptance and appropriation of the Go-Biz 6 grant of \$2,074,369.75 to continue the City's support of cannabis equity operators. The purpose and requirements of the Go-Biz grant require that almost all of the funding be distributed externally. Accordingly, only \$207,000.00 of the Go-Biz grant will go towards City expenses, and the Special Activity Permit Technician position has partially been funded via grants, so none of the Go-Biz grant will replace existing City costs or funding of the Equity Program. The Go-Biz grant funds will be deposited in the State of California Grant Fund (2159), Cannabis Organization (85621), Miscellaneous State Grant Revenue Account (46229), in Go Biz 6 Project (TBD).

PUBLIC OUTREACH / INTEREST

Staff's recommendations are based on survey responses of equity applicants and years of interactions with equity operators and businesses. Additionally, staff presented its recommendations on how to utilize the Go Biz funds at the March 2025 Cannabis Regulatory Commission (CRC).

COORDINATION

The Special Activity Permits Division in the Economic and Workforce Development Department consulted with the Budget Bureau and the Office of the City Attorney in preparation of this report.

SUSTAINABLE OPPORTUNITIES

Economic: Establishing a pathway to equitable cannabis industry growth will generate economic opportunities for Oakland residents.

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 The Following Resolution Authorizing The City Administrator To:

1. Apply for, accept, and appropriate two million seventy-four thousand three hundred sixty-nine dollars and seventy-five cents (\$2,074,369.75) in State of California, Governor’s Office of Business and Economic Development (GO-BIZ) Equity Act Grant Funds; and
2. Expend and administer the GO-BIZ Grant by:
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 - (B) Covering staffing and other administrative costs for the City’s Cannabis Equity Program in an amount not to exceed two hundred and seven thousand dollars (\$207,000)

For questions regarding this report, please contact Kat Torio, Interim Deputy Director, Economic and Workforce Development Department, at (510) 238-4948.

Respectfully submitted,

Ashleigh Kanat
Director, Economic and Workforce Development
Department

Prepared by:
Kat Torio
Deputy Director, Economic and Workforce
Development Department

Attachments (1):
A: 2024 Cannabis Equity Program Survey

2024 Oakland Equity Applicant Survey

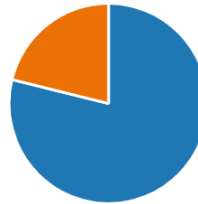
52
Responses

85:10
Average time to complete

Active
Status

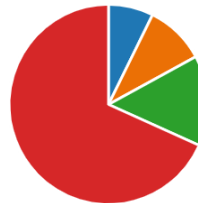
1. Are you currently operating?

- Yes 41
- No 11



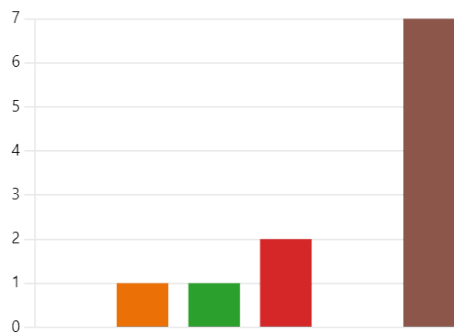
2. How long have you been operating?

- 0-6 months 3
- 7-12 months 4
- 1-2 years 6
- More than 2 years 28



3. Please select the top reason why you are not operating. If you select "Other," please explain.

- Incubation period ended and co... 0
- Build-out was too expensive. 1
- It took too long to generate rev... 1
- Burglaries 2
- Negative incubation experience. 0
- Other 7



4. How many individuals do you currently employ? For this question, an employee is someone who works at least 35 hours a week.

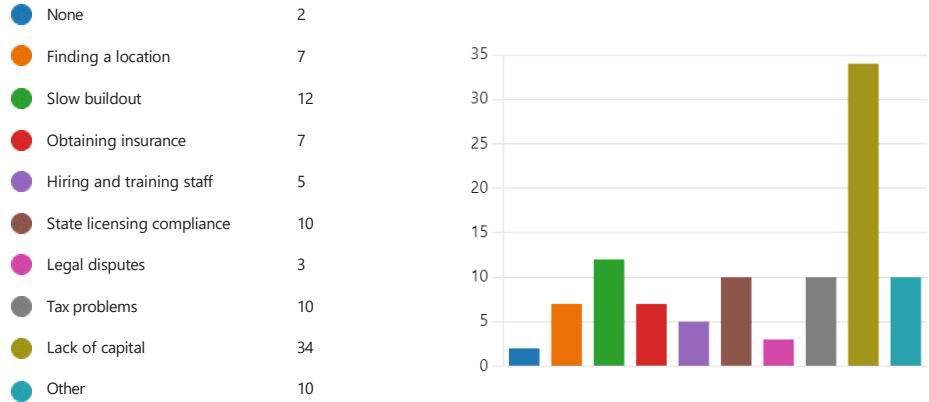
- None. I run my business by mys... 30
- 1-2 4
- 3-5 5
- 6-10 0
- More than 10 2



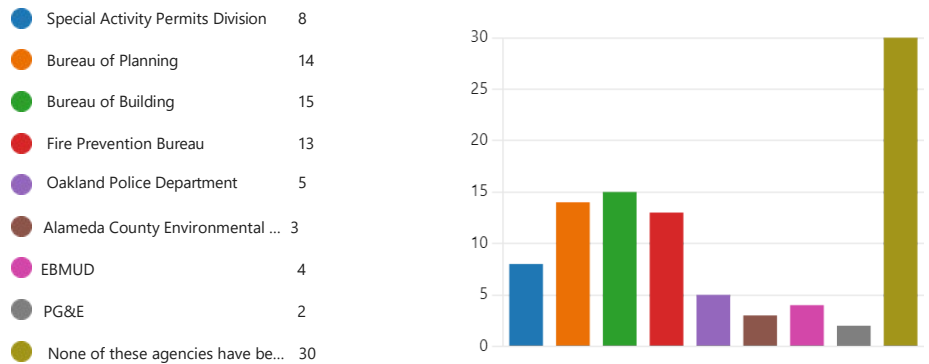
5. Have you added or reduced staff in the last 12 months?



6. What barriers are you encountering as you establish a compliant cannabis business (please select all that apply)? If you select "Other," please explain.



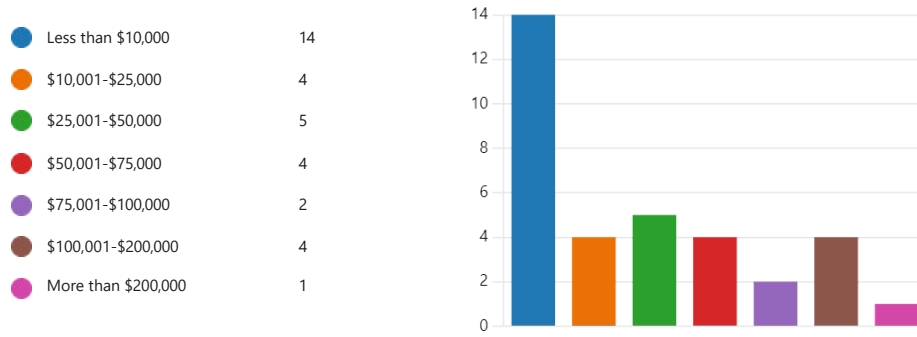
7. Which of the following City departments/outside agencies have been a barrier as you establish your business? Please select all that apply.



8. Has your business or staff experienced any burglaries or robberies?



9. How much have burglaries/robberies cost your business financially?



10. After the burglary/robbery, did your business do any of the following? Please select all that apply and please describe if you select "other."



11. After the burglary/robbery, did your business file an insurance claim, and if so, did your business receive a payout from your insurance company?



12. Can you please explain why you did not file an insurance claim?

17
Responses

Latest Responses

13. Please rate your business' future outlook.



14. Now that the City Council has approved equity applicants transferring their permits to general applicants, do you plan on selling your business and transferring your permit(s) to another business?

Yes	3
I have not decided	14
I am considering the option	13
No	20
Other	2



15. Have you received a grant or loan from the City of Oakland?

Yes	45
No	7



16. What impact did receiving funding from the City have on your business?

The funding allowed our busine...	7
The funding allowed our busine...	32
The funding had no noticeable i...	1
Other	5



17. Have you received a loan from the City of Oakland?

Yes	30
No	15

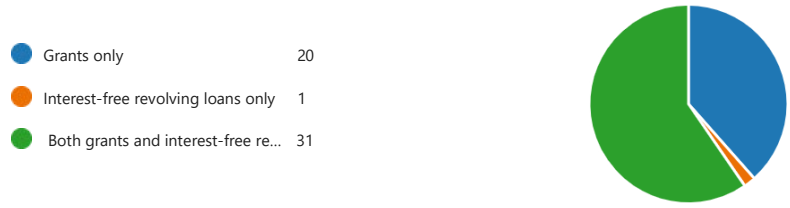


18. Now that the City Council has authorized equity applicants converting unpaid loans into grants, do you plan on converting any of your outstanding loan balance into a grant? Please note any loan amount that is converted to a grant will reduce your future grant eligibility by that amount.

Yes	21
No	9



19. How do you recommend that the City provide capital to operators: grants, interest-free revolving loans, or both? Please note that while loans must be repaid, loans are not taxable and loan repayments provide future funds for equity applicants. On the other hand, grants need not be repaid, but they are taxable and provide no future funds to equity applicants.



20. The City is looking for strategies to streamline grant/loan processing going forward and ensure funds are used most effectively. By clicking on the up or down arrows, please prioritize the below options for funding (1=top priority for funding; 6=lowest priority).



21. What strategies do you recommend for streamlining loan/grant funding going forward?

52 Responses

Latest Responses

"Less processes "

"Keep using the online system for us to use to submit applications and track ...

"Have monthly mandatory accountability meetings, making sure that everyt...

22. Have you utilized Knox and Ross, the City's legal assistance provider for equity applicants?



23. How would you rank Knox and Ross' services?



24. Do you have any comments or suggestions regarding Knox and Ross?

18
Responses

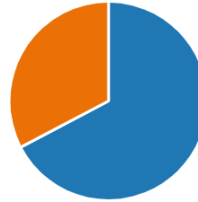
Latest Responses

"I am currently working with Knox and Ross to recover payments from the b...

"Record more content "

25. Have you utilized Oaksterdam University, the City's free technical assistance provider for equity applicants?

● Yes	35
● No	17



26. How would you rank Oaksterdam University's services?

● Very helpful	16
● Somewhat helpful	8
● Neither helpful nor unhelpful	3
● Somewhat unhelpful	6
● Very unhelpful	2



27. Do you have any comments or suggestions regarding Oaksterdam University?

35
Responses

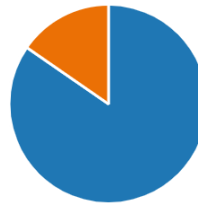
Latest Responses

"This is a great partnership!"

"not sure exactly how they can help me or who is working with that team to ...

28. Have you utilized Elevate Impact, the administrator of the City's loan and grant programs for equity applicants?

● Yes	44
● No	8



29. How would you rank Elevate Impact's services?

● Very helpful	16
● Somewhat helpful	11
● Neither helpful nor unhelpful	3
● Somewhat unhelpful	5
● Very unhelpful	9



30. Do you have any comments or suggestions regarding Elevate Impact?

31
Responses

Latest Responses

"To be more responsive."

"They were helpful, entire team was reachable and always willing to help! "

"Great Program "

31. How can the City of Oakland better support your business?

41
Responses

Latest Responses

"Assist EA's with connecting with reputable business partners."

"keep up the good work! I appreciate you Oakland "

"Marketing opportunities "

32. What else would you like to say about operating a cannabis business in Oakland?

41
Responses

Latest Responses

"I think it's a great program, I just need to get more looped in."

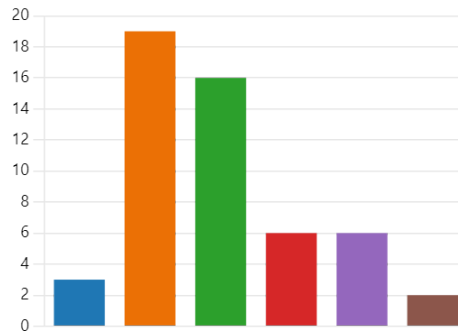
"It's easy to navigate thanks to the support that we have from the City of Oa..."

"It's been long and hard but I love my business."

33. Please select your age or the average age of your business' partners/owners/board members.

- 21-30
- 31-40
- 41-50
- 51-60
- Over 60
- Decline to state

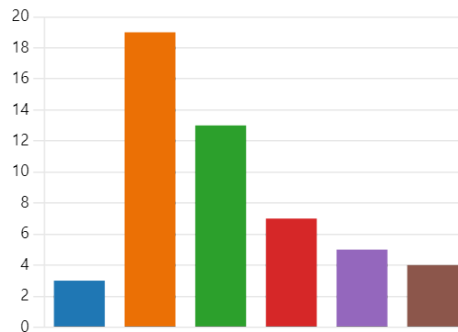
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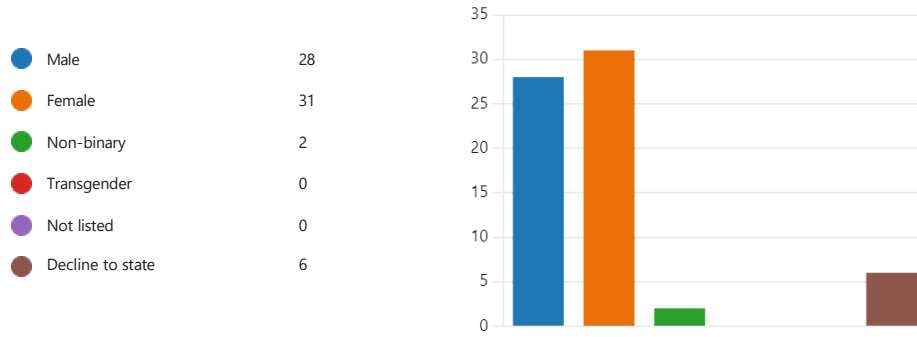
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- 21-30
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- 41-50
- 51-60
- Over 60
- Decline to state

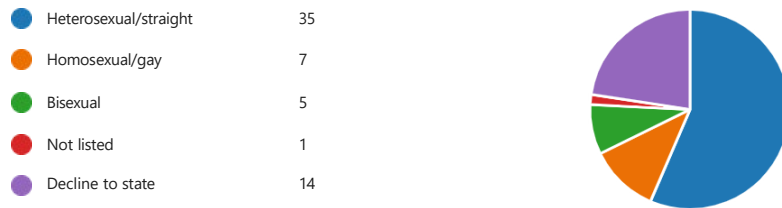
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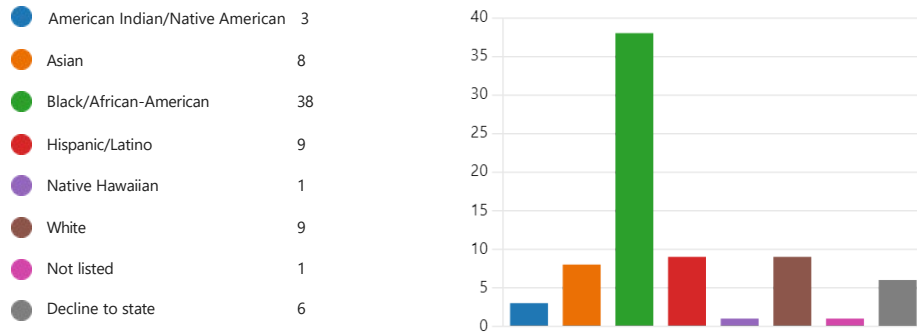
35. Please select all gender options below that represent your business' owners/partners/board members.



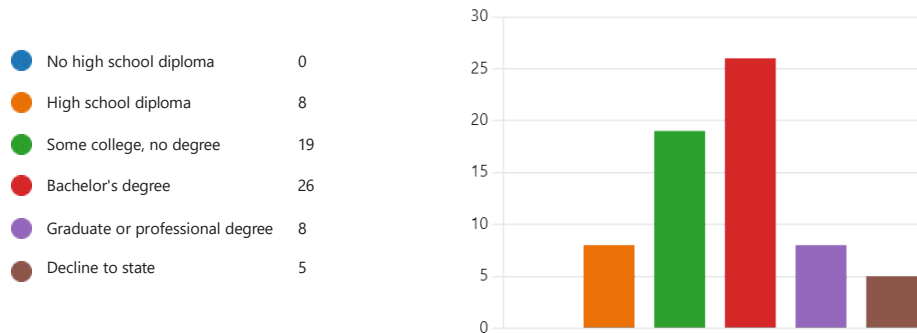
36. Please select all sexual orientation options below that represent your business' owners/partners/board members.



37. Please select all race and ethnicity options below that represent all of your business' owners/partners/board members.



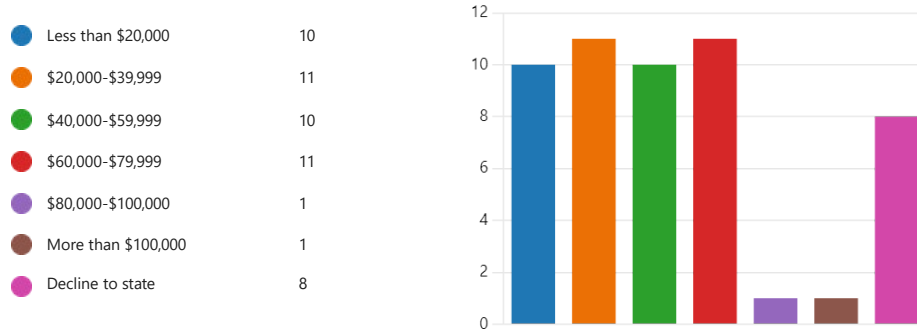
38. Please select the level(s) of education that represent(s) all of your business' owners/partners/board members.



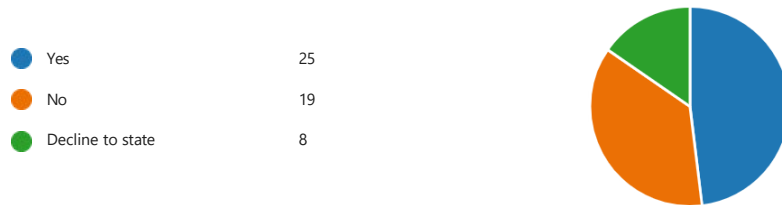
39. Does one or more of your business' owners/partners/board members have a disability?



40. Please select the annual personal income level(s) that represent(s) all of your business' owners/partners/board members.



41. Has any owner/partner/board member of your business or any immediate family members (parent, sibling, spouse, child) been convicted of or incarcerated for any cannabis related charges?



42. Has any of your business owners/partners/board members served or are currently active in the military?

