

CITY OF OAKLAND

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OFFICE OF THE CITY CLERK  
OAKLAND

2019 MAY 29 PM 3:44

# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

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

**SUBJECT:** Cannabis Business Tax Rates  
Amendments Supplemental 3

**DATE:** May 28, 2019

City Administrator Approval

Date:

5/29/19

## RECOMMENDATION

**Staff Recommends That The City Council Receive A Supplemental Informational Report Regarding the Proposed Ordinance Amending Oakland Municipal Code Title 5, Chapter 5.04, Section 5.04.480, Medical Cannabis Businesses, and Section 5.04.481, Non-Medical Cannabis Businesses, To Reduce The Tax Rates For Cannabis Businesses.**

## REASON FOR SUPPLEMENTAL

At the May 21, 2019 City Council Meeting, the City Council requested information on several cannabis related items that staff has outlined below.

1. *What is the Status of the Equity Assistance Program?*
  - a. *How Much in Loans Have Been Disbursed and How Much Funding Remains?*
  - b. *How Much Funding is Available From Cannabis Tax Revenue For Job Training, Blight Abatement and Loans for Cannabis Operators?*

In April 2017, the City Council enacted Resolution No. 86633 C.M.S., which re-invested new tax revenue collected from cannabis businesses other than the City's initial eight dispensaries towards a \$3 million zero interest revolving loan program for equity applicants and \$400,000 for consultants to administer financial and technical assistance programs for equity applicants over a two-year period.

To date, \$1,220,000 of equity loan funding has been committed to 35 borrowers, for an average of \$31,000 per loan. These commitments include a total funded amount of \$1,070,000 to 29 borrowers, or an average \$32,000 per loan, and a total committed but not yet funded amount of \$150,000 to six borrowers or \$25,000 per loan.

Likewise, approximately \$300,000 have been spent on consultants for two years of technical assistance programs and one year of administering the loan program.

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For information on the content of the technical assistance or revolving loan programs, please see the staff report for the April 9, 2019 Special Finance Committee meeting available here: <https://oakland.legistar.com/LegislationDetail.aspx?ID=3874564&GUID=64D76639-BF2D-4DC0-9B95-03E72F724344&Options=&Search=>.

Resolution No. 86633 C.M.S. also directed the City Administrator to allocate and budget for the expenditure of 20 percent of cannabis taxes after the initial \$3.4 million allocation towards job training, blight abatement and illegal dumping clean up, and further loans to lower income cannabis operators. In the FY 2018-19 Midcycle Budget Amendment, the City Council allocated these funds accordingly:

- Added an additional \$275,000 for loans to lower-income, under-served persons or entities opening and operating cannabis related business. These funds continue to be available to supplement the original \$3 million revolving loan program established by Council for equity applicants; and,
- Added \$275,000 to maintain and stabilize job training, job-preparation, and placement services and related programs. In addition to this \$275,000, the City Council added an additional \$350,000 for job training and other placement services, for a total of \$625,000. These funds were allocated through the Workforce Development Board and are fully allocated or spent.
- Added nearly \$1 million to fund a new rapid response illegal dumping crew (including equipment costs) and added 2.0 additional Litter Enforcement Officers (bringing the total in FY 2018-19 to 5.0 FTE).

## 2. *What is the Repayment Process for Equity Applicants?*

Loan recipients repay their zero-interest loan over a four-year period. The initial repayment is due on the first of the next month after at least 30 days have passed. As discussed at the April 9<sup>th</sup> Special Finance Committee meeting, this approach is consistent with other microlending programs, encourages loan applicants to get in the habit of repaying the City's loan, and ensures that funding is available for new loan applicants. More information on the revolving loan program is available on the website for the City's financial assistance consultant, <https://www.elevateimpactoakland.com/>.

3. *How Many Jobs Are Produced by Each Cannabis Job Sector?*

Staff does not currently have any employment data for the cannabis industry in Oakland, largely because the cannabis industry in Oakland has only recently emerged from the underground economy. That said, the Department of Economic and Workforce Development is currently overseeing an analysis of the City's industrial sector, including the impact of the cannabis industry, and hopes to collect employment data as part of this analysis.

In the meantime, staff has observed via inspections of cannabis facilities that the number of employees per square foot varies depending on business type, with cultivation facilities typically employing the fewest people and manufacturing, distribution, and retail employing the most.

4. *Does the City Administration Have a Market Forecast for the Cannabis Industry that Differs from the Forecast Provided by the Oakland Citizens for Equity and Prosperity (OCEP)?*

Staff does not have enough information to project the number of jobs in the cannabis industry in Oakland and is skeptical of any specific projections for such a nascent industry undergoing rapid change under the first years of adult use legalization.

5. *How Many Cannabis Permits Have Been Issued, Particularly to Equity Applicants?*

The Figures below outline the number of permit applications received, permit applicants locally authorized for a temporary state license, and final permits issued by business type and equity status since the City of Oakland began receiving permit applications for the entire supply chain of the cannabis industry in the Spring of 2017. Prior to 2017, the City of Oakland had only permitted eight dispensaries.

As noted in the April 9 2019 Special Finance Committee report, the number of cannabis applicants that have obtained final permits is much lower than the number of overall applicants and applicants locally authorized for a temporary state license. This trend is likely a combination of factors, including the time and capital required to obtain approvals from the building and fire departments, which are requirements for a permit but not a temporary state license, and the lack of incentive operators have had to complete the permitting process as they have been able to legally operate with a temporary state license thus far.

**Figure 1- Non-Dispensary Cannabis Permit Applications Received as of May 22, 2019**

	<b>TOTALS</b>	<b>PENDING</b>	<b>GRAND TOTAL</b>
Total Complete & Incomplete Applications	1489	98	1587
Total Complete Applications	1391		
Complete General Applications	559		
Equity Applications based on residency	723		
Equity Applications based on conviction	109		
Incubators	342		
Interested in Incubating	19		
Complete Application with property	1037		
Complete Application without property (Equity)	305		
Complete Applicants without property (General)	50		

<b>COMPLETED APPLICATIONS BY BUSINESS TYPE</b>	<b>GENERAL</b>	<b>INCUBATOR*</b>	<b>INTERESTED IN INCUBATING*</b>	<b>EQUITY</b>
Delivery	135	67	4	211
Cultivator (Indoor)	119	69	11	127
Cultivator (Outdoor)	5	4	0	37
Distributor	128	94	2	204
Mfg. Volatile	64	48	0	46
Mfg. Non-Volatile	96	53	2	148
Transporter	8	4	0	44
Lab Testing	4	3	0	15
<b>GRAND TOTALS</b>	<b>559</b>	<b>342</b>	<b>19</b>	<b>832</b>

\*These numbers are part of the General Total

Figure 2- Non-Dispensary Cannabis Permit Applications Submitted Over Time

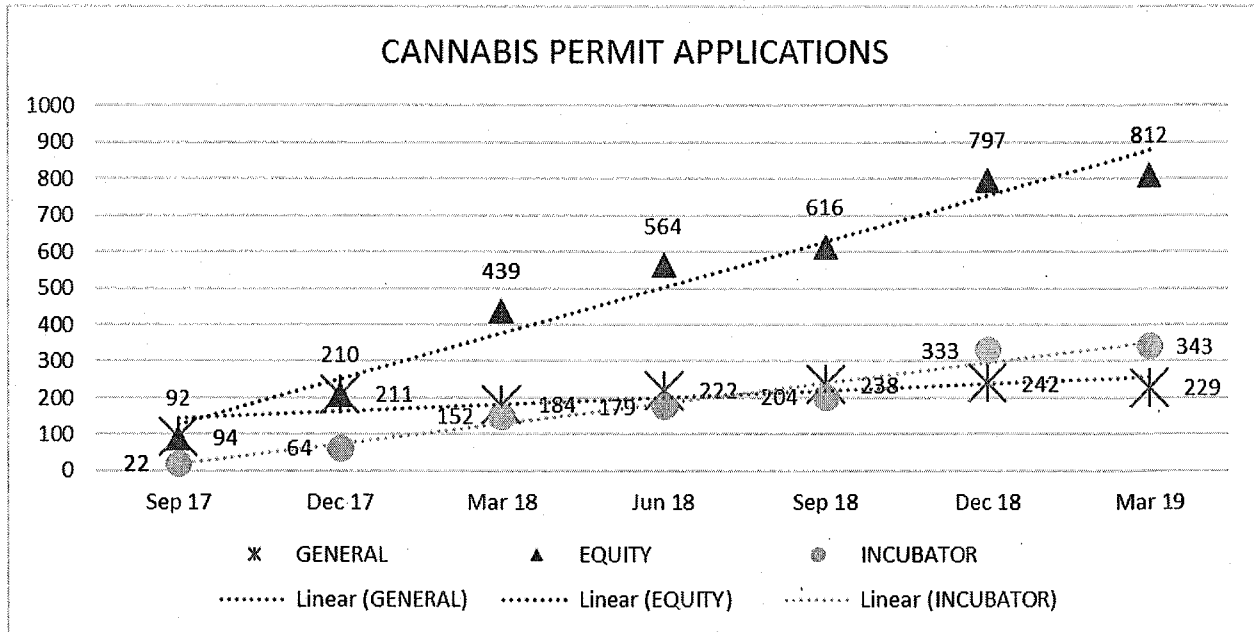


Figure 3- Cannabis Operators Locally Authorized for a Temporary State License

	Delivery	Distribution	Cultivation	Lab Testing	Mfg. V	Mfg. NV	Transport	
EQUITY	122	109	50	3	10	64	11	369
INCUBATORS	56	84	63	2	32	72	1	310
GENERALS	7	0	1	0	0	4	0	12
<b>TOTALS:</b>	<b>185</b>	<b>193</b>	<b>114</b>	<b>5</b>	<b>42</b>	<b>140</b>	<b>12</b>	<b>691</b>

**Figure 4- New Cannabis Permits Issued Since May 2017**

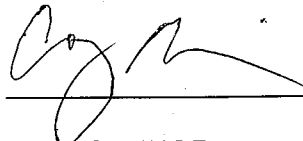
	GENERAL NOT INCUBATING	INCUBATOR	EQUITY	TOTAL
<b>NEW ANNUAL PERMITS BY BUSINESS TYPE</b>				
Dispensary	0	1	1	2
Delivery	14	2	19	35
Cultivator (Indoor)	0	2	2	4
Cultivator (Outdoor)	0	0	0	0
Distributor	2	5	4	11
Mfg. Volatile	0	1	0	1
Mfg. Non-Volatile	1	0	3	4
Transporter	1	0	2	3
Lab Testing	0	0	0	0
<b>GRAND TOTALS</b>	<b>18</b>	<b>11</b>	<b>31</b>	<b>60</b>

**ACTION REQUESTED OF THE CITY COUNCIL**

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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

Item: \_\_\_\_\_  
 City Council  
 June 4, 2019