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OAKLAND

2018 MAR -8 PM 4:23

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Greg Minor
Assistant to the City
Administrator

SUBJECT: Adding Cannabis Permitting Staff

DATE: March 1, 2018

City Administrator Approval

Date:

3/20/18

RECOMMENDATION

Staff Recommends That the City Council Adopt A Resolution To Authorize the City Administrator Or Her Designee To Appropriate Three Hundred and Seven Thousand And Thirty-Two Dollars (\$307,032) Of Available One-Time Project Funds Generated Through Cannabis Permit Application Fees To Fund One Full-Time City Administrator Analyst And One Full-Time Public Service Representative To Work On Cannabis Regulation And Implement the Cannabis Equity Permit Program Through June 30, 2019.

EXECUTIVE SUMMARY

Staff has been inundated with cannabis business permit applications and related policy issues since the City Council updated the City of Oakland's cannabis regulations to include all cannabis business types, medical and adult use businesses, as well as a pioneering equity permit program. To properly regulate the cannabis industry and implement the equity permit program, the City Administrator recommends utilizing unbudgeted funding received thus far from cannabis application fees to fund two positions through June 30, 2019. This approach will allow staff to address the existing and anticipated continued expansion of licensed cannabis businesses, while affording staff an opportunity to evaluate on-going funding of these positions prior to Fiscal Year 2019-2020.

BACKGROUND / LEGISLATIVE HISTORY

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

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scheme for the non-medical adult-use of cannabis in California. In June 2017 the state legislature consolidated the MCRSA and AUMA into the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), codified as Assembly Bill 110 and Senate Bill 94.

Oakland Establishes Equitable Framework for Cannabis Industry

In 2017, the City Council updated its cannabis regulations to parallel the licensing structure outlined in MAUCRSA while also enacting an Equity Permit Program that addresses disparities in the cannabis industry by prioritizing the victims of the war on drugs, and minimizing barriers of entry into the industry. Specifically, in the initial phase of permitting a minimum of half of all permits will be issued to equity applicants and equity applicants receive waivers from City fees and free technical assistance.¹ Further, under the Equity Incubator Program, general applicants receive permitting priority if they provide equity applicants with three years of free rent for a minimum of 1,000 square feet of space to operate their business.

Influx of Cannabis Applications and New Policy Issues Require Additional Staff

After releasing medical cannabis permit applications for cultivation, manufacturing, delivering, distributing and testing on May 23, 2017, the City of Oakland has received over seven-hundred of these applications thus far, with slightly more than half of the applications from equity applicants (see Application Statistics, **Attachment A**). Additionally, the City received 116 applications for the eight new dispensary permits that were available in 2017-2018. Consequently, the number of cannabis permit applications received thus far and the number of permits likely to be issued dwarfs the number of permitted cannabis facilities prior to 2017, which included just eight permitted dispensaries.

In addition to processing submitted applications, staff has been inundated with daily phone, email and drop-in inquiries regarding the cannabis permit process and the equity permit program. The number of inquiries has been and likely will remain high given the uniqueness of the City's equity permit program and the fact that cannabis permitting varies by jurisdiction, so cannabis operators are often unfamiliar with City of Oakland specific requirements.

Implementing the cannabis policies established by the City Council and new state law has also required the constant attention of city staff given that the regulated cannabis industry is only in its early stages. For example, to maximize the effectiveness of the equity incubator program enacted by the City Council, staff created a partner matching website, www.cannaequity.org, so that cannabis operators from different backgrounds could connect on a neutral platform. Likewise, staff has met and conferred with state regulators and legislators to ensure state law does not impose unnecessary barriers for equity applicants, such as regarding state limitations on the use of shared space. Further, staff responds to public records requests and media inquiries each day regarding the latest developments in the cannabis industry and the equity permit program.

¹ An Equity Applicant is an Oakland resident who has an annual income at or less than 80 percent of the Oakland Average Medium Income AND either has a cannabis conviction out of Oakland OR has lived for ten of the last twenty years in police beats that experienced a disproportionately higher amount of law enforcement with respect to cannabis.

Existing staff has attempted to handle this surge in administrative and policy work with overtime and the assistance of part time staff from a staffing agency, but this approach is not sufficient nor sustainable.

ANALYSIS AND POLICY ALTERNATIVES

Given the surge in cannabis permit submissions and ongoing developments with the cannabis industry as it begins statewide regulation, the City of Oakland needs additional regulatory staff. Additional staff will allow for prompt and effective processing of cannabis permit applications and related inquiries, as well as strategic planning and proactive resolution of cannabis regulatory issues. Further, additional cannabis permitting staff will provide general permitting staff the time to address non-cannabis issues, including nuisance abatement, cabaret, massage, and other special activity permits.

Existing Cannabis Fees Can Support Two Additional Positions Through FY 2018-2019

The City of Oakland has received over \$1,000,000 dollars in cannabis application fees since the City began receiving applications in the Spring of 2017. The fees collected thus far largely consist of the \$2,474 application fee that general applications submit with their initial application. Since no cannabis permits for non-dispensary uses were available in the City of Oakland before 2017, virtually all cannabis businesses are applying for their initial cannabis business permit. The vast majority of applicants have yet to receive a final permit at this point, as the cannabis permitting process includes bringing buildings into compliance with the building and fire codes, which can take several months.

FISCAL IMPACT

Due to the recent expansion of the cannabis permitting program, the City has experienced a rise in application fee revenues this fiscal year which have exceeded Fiscal Year 2017/2018 budgeted amounts. While these application fees are one-time revenue sources, the additional revenues collected can support one full-time City Administrator Analyst and one full-time Public Service Representative positions through June 30, 2019. Staff is requesting to appropriate one-time funding in the amount \$307,032 and add one full-time City Administrator Analyst and one full-time Public Service Representative positions through June 30, 2019. As staff issues cannabis permits over the next year, staff will evaluate the on-going funding for these positions, and by June 30, 2019 the City will know whether sufficient annual permit fee revenue can support these two additional positions on an on-going basis.

PUBLIC OUTREACH / INTEREST

No public outreach was required for this report outside the standard agenda noticing process.

COORDINATION

The City Administrator's Office consulted with the Department of Human Resources and the Budget Bureau in the preparation of this report. The City Attorney's Office reviewed this report for form and legality.

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.

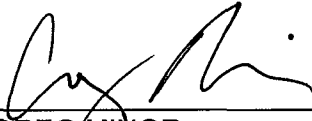
Social Equity: Promoting equitable ownership and employment opportunities in the cannabis industry can decrease disparities in life outcomes for marginalized communities of color and address disproportionate impacts of the war on drugs in those communities.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That the City Council Adopt A Resolution To Authorize the City Administrator Or Her Designee To Appropriate Three Hundred and Seven Thousand And Thirty-Two Dollars (\$307,032) Of Available One-Time Project Funds Generated Through Cannabis Permit Application Fees To Fund One Full-Time City Administrator Analyst And One Full-Time Public Service Representative To Work On Cannabis Regulation And Implement the Cannabis Equity Permit Program Through June 30, 2019.

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:

A: Application Statistics

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ATTACHMENT A

	TOTALS	PENDING	GRAND TOTAL
Total Complete & Incomplete Applications	709	44	753
Total Complete Applications	709		
Complete General Applications	317		
Equity Applications based on residency	335		
Equity Applications based on conviction	57		
Incubators	135		
Interested in Incubating	32		
Complete Application with property	493		
Complete Application without property (Equity)	166		
Complete Applicants without property (General)	50		

709

COMPLETED APPLICATIONS BY BUSINESS TYPE	GENERAL	INCUBATOR*	INTERESTED IN INCUBATING*	EQUITY
Delivery	78	17	9	91
Cultivator (Indoor)	85	37	13	74
Cultivator (Outdoor)	2	2		18
Distributor	62	37	4	93
Mfg. Volatile	32	16	1	28
Mfg. Non-Volatile	50	22	5	61
Transporter	5	3		18
Lab Testing	3	1		9
GRAND TOTALS	317	135	32	392

*These numbers are part of the General Total


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OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION TO AUTHORIZE THE CITY ADMINISTRATOR OR HER DESIGNEE TO APPROPRIATE THREE HUNDRED SEVEN THOUSAND AND THIRTY-TWO DOLLARS (\$307,032) OF AVAILABLE ONE-TIME PROJECT FUNDS GENERATED THROUGH CANNABIS PERMIT APPLICATION FEES TO FUND ONE FULL-TIME CITY ADMINISTRATOR ANALYST AND ONE FULL-TIME PUBLIC SERVICE REPRESENTATIVE TO WORK ON CANNABIS REGULATION AND IMPLEMENT THE CANNABIS EQUITY PERMIT PROGRAM THROUGH JUNE 30, 2019

WHEREAS, the City Council authorized the FY 2017-2019 Adopted budget pursuant to Resolution No. 86821 on June 29, 2017;

WHEREAS, the FY 2017-2019 Adopted budget contained no additional staff for the regulating of cannabis businesses in the City of Oakland;

WHEREAS, in the Spring of 2017 the City of Oakland amended Oakland Municipal Code (OMC) Sections 5.80 and 5.81 to regulate the full-scope of the cannabis industry; and

WHEREAS, these amendments included the adoption of a landmark Equity Permit Program; and

WHEREAS, the Office of the City Administrator began receiving applications for cannabis cultivators, manufacturers, distributors, testing laboratories and delivery services in late May 2017; and

WHEREAS, the Office of the City Administrator received applications for eight available dispensary permits in the fall of 2017; and

WHEREAS, in November 2017 the City of Oakland further amended OMC 5.80 and 5.81 to incorporate adult use cannabis regulations into the City’s existing medical cannabis regulations; and

WHEREAS, since May 2017 the Office of the City Administrator has received over 800 applications for various adult and medical cannabis business permits; and

WHEREAS, the growth in applications has generated additional revenue in the General Purpose

Fund (1010), Office of the City Administrator (02111), DP020 Administrative Project (1000002) to support one-time project funding; and

WHEREAS, the City Administrator recommends using one-time funding in the amount of three hundred and seven thousand, thirty-two dollars (\$307,032) to fund a 1.0 full-time City Administrator Analyst and 1.0 full time Public Service Representative for a duration to extend no later than June 30, 2019 to address existing and anticipated continued expansion of licensed cannabis businesses; and

WHEREAS, additional staffing is needed to process the large number of cannabis business permit applications, implement the cannabis Equity Permit Program, respond to public inquiries, fulfill public records requests, and regulate adult and medical cannabis businesses; and

WHEREAS, the City Administrator Analyst position is exempt from the Civil Service and both the City Administrator Analyst and Public Service Representative positions will be end-dated June 30, 2019, unless the increased workload continues and justifies continuation of one or both positions and fees associated with regulating cannabis businesses can fully support the positions on an ongoing basis; now, therefore be it

RESOLVED, that the City Council hereby authorizes the City Administrator or designee to add 1.0 full-time City Administrator Analyst and 1.0 full-time Public Service Representative to the Office of the City Administrator to assist with the regulation of cannabis businesses and implementation of the cannabis Equity Permit Program through June 30, 2019; and

FURTHER RESOLVED, that the City Council hereby authorizes the City Administrator to appropriate one-time funds in the amount of Three Hundred and Seven Thousand, Thirty-Two Dollars (\$307,032) to fund these 1.0 full-time City Administrator Analyst and 1.0 full-time Public Service Representative positions for a duration to extend no later than June 30, 2019; and

FURTHER RESOLVED, that funds will be appropriated in the General Purpose Fund (1010), Office of the City Administrator (02111), Project to be determined; and be it

FURTHER RESOLVED, that the City Administrator is authorized to take any other action necessary consistent with this Resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES – BROOKS, GALLO, GIBSON MCELHANEY, GUILLEN, KALB, KAPLAN, WASHINGTON, and PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

DATE OF ATTESTATION: _____