



AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

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

SUBJECT: Cannabis Equity Program
Informational Report

DATE: October 6, 2025

City Administrator Approval


Jestin Johnson (Nov 25, 2025 06:20:57 PST)

Date: 11/25/2025

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report On The City Of Oakland's Cannabis Equity Program.

EXECUTIVE SUMMARY

In February 2025, Go-Biz awarded the City \$2,074,369.75 as part of the Go-Biz 6 funding cycle, to support the City's Equity Program. This funding offers an opportunity to continue building its Equity Program. Specifically, Go-Biz funds will provide equity applicants with capital via grants to support their businesses' ongoing costs. In addition to assisting established businesses, smaller grants will be made available to start up equity cannabis businesses with an active state license. A portion of the grant funds will also be used to encourage the creation of an equity cannabis café. Ten percent of grant funds cover a portion of staff costs to administer the Equity Program.

On March 18, 2025, the City Council took action to approve the City's acceptance of the Go-Biz 6 funding by adopting Resolution number 90672 CMS (Resolution 90672). As part of Resolution 90672, City Council adopted a motion approving the above-mentioned actions and added a provision that prior to the City Administrator's disbursement of grant funds, the City Administrator shall return to City Council with a report with information on the City's efforts to implement the Equity Program.

To that end, this informational report serves to inform the City Council of the history and the status of the Equity Program and is being provided prior to the disbursement of Go-Biz 6 grants.

BACKGROUND / LEGISLATIVE HISTORY

In anticipation of state legalization of the cannabis industry's supply chain and the adult use of cannabis, the City began exploring approaches to legalizing the cannabis industry within Oakland in 2015 and 2016. Oakland city officials commissioned a study on race and cannabis in 2015, laying the groundwork for building racial justice measures into the cannabis legalization

project. 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. Strategies 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 in May of 2017. 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. In response to Oakland's efforts and similar local policy making, the state set up grants specific to support local equity cannabis programs.

The Cannabis Equity Program is outlined in the [Oakland Municipal Code \(OMC\) Chapter 5.80 and 5.81](#). The program's purpose is to address disparities in the cannabis industry and provide opportunities for individuals and communities negatively impacted by the "War on Drugs." The Equity Permit Program was created through a collaborative process between the City Administrator's Office and the Department of Race and Equity (DRE). DRE worked with the Special Activity Permits Division on developing a Racial Equity Analysis to identify potential participants and make recommendations for the initial program implementation. [The Equity Analysis as received by Council in 2017](#) recommended the establishment of Chapter 5.80 and 5.81. Factors which determine equity eligibility are detailed below.

A. Equity Criteria. Applicant ownership/owner must satisfy the following criteria:

1. Is an Oakland resident; and
2. In the last year, had an annual income at or less than eighty (80) percent Oakland Average Median Income (AMI) Adjusted for household size; and
3. Either (i) has lived in any combination of Oakland Police Department 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.

B. Review of Criteria.

1. Proof of Income shall be supported with federal tax returns and at least one (1) of the following documents: two (2) months of pay stubs, current Profit and Loss Statement, Balance Sheet, or proof of current eligibility for General Assistance, Food Stamps, Medical/CALWORKs, or Supplemental Security Income or Social Security Disability (SSI/SSDI)

2. Residency must be for a total of ten (10) years in any combination of the designated Oakland police beats as set forth in [Section 5.81.020](#) J.3. A minimum of two (2) of the documents listed below, evidencing ten (10) years of residency, shall be considered acceptable proof of residency. All residency documents must list the applicant's first and last name, and the Oakland residence address in the police beats set forth in [Section 5.81.020](#) J.3.:

- California driver's record; or
- California identification card record; or
- Property tax billing and payments; or
- Verified copies of state or federal income tax returns where an Oakland address within the police beats is listed as a primary address; or
- School records; or
- Medical Records; or
- Banking records; or
- Oakland Housing Authority records; or
- Utility, cable or internet company billing and payment covering any month in each of the ten (10) years.

3. Proof of Conviction should be demonstrated through federal or state court records indicating the disposition of the criminal matter.

As a result of the equity work performed in the City prior to the adoption of the California Cannabis Equity Act, Oakland has been awarded consistent grant funding for its program. Starting in 2019 the State of California set aside annual grant funding to support local jurisdictions' cannabis equity programs.

Figure 1 outlines the amount of funding the City has received from the Local Equity Grant Funding Go-Biz for its Equity Program, Oakland's ranking among local jurisdictions each year, and the total amount of funding set aside by the State of California that year.

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

State Funding Agency	Fiscal Year (FY)	STATUS OF GRANT	Amount of Funding Received	Oakland's Ranking Among Local Jurisdictions	Total Amount of Funding Available Statewide
Go-Biz	FY 2019-2020	CLOSED	\$6,576,705.76	1st	\$30 million
Go-Biz	FY 2020-2021	CLOSED	\$2,434,712.51	1st	\$15 million
Go-Biz	FY 2021-2022	CLOSED	\$5,435,140.82	2nd	\$35 million
Go-Biz	FY 2022-2023	CLOSED	\$1,996,487.50	1st	\$15 million
Go-Biz	FY 2023-2024	ACTIVE	\$3,000,000.00	1st	\$15 million
Go-Biz	FY 2025-2026	Awarded	\$2,074,369.75	3rd	\$18.4 million

To highlight the importance and impact state grant funding provides through the Cannabis Equity Program, one specific example of success is The [Oakland Equity Collective \(OEC\)](#). This Shared-Use Facility receives grant funds to provide a rent-free space and support for equity manufacturers and distributors. The City of Oakland used a portion of grant funds to purchase the property for the establishment of the shared kitchen facility for producing a variety of cannabis products in an approved commercial kitchen.

ANALYSIS AND POLICY ALTERNATIVES

In 2025, 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.

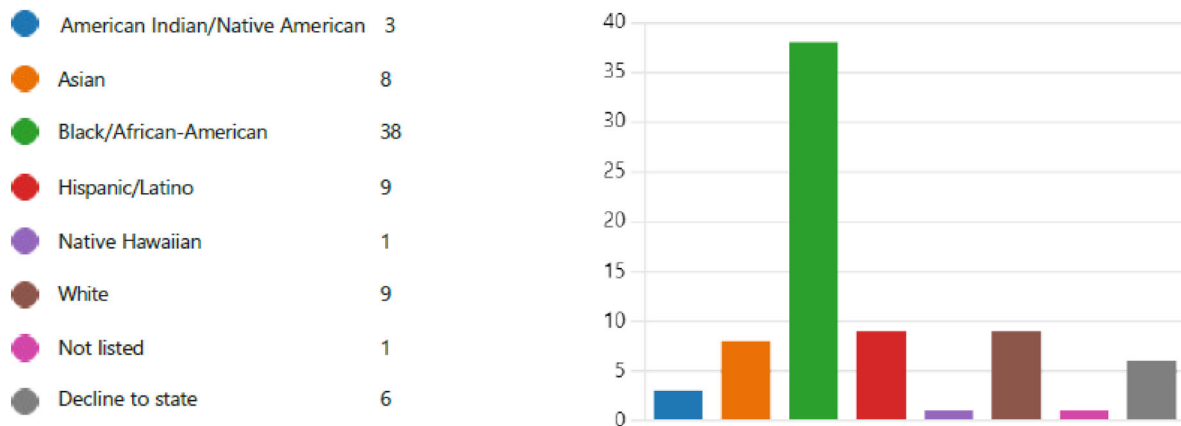
Figure 2 depicts a representation of the population the program serves through a portion of the demographic questions which are posed to equity applicants in the survey.

Figure 2: Screenshot of Survey Results

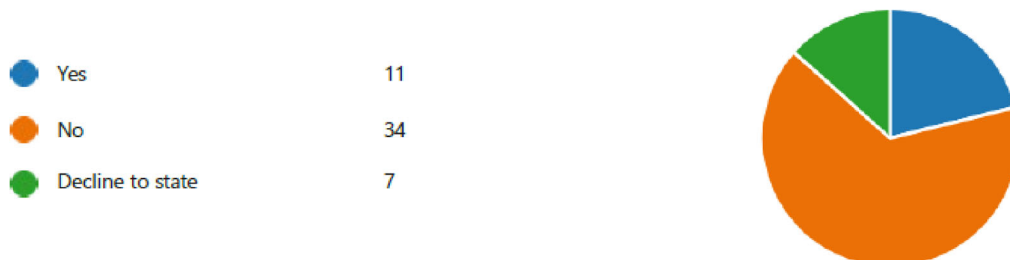
41. Has any owner/partner/board member of your business or any immediate family members (parent, sibling, spouse, child) been convicted of or incarcerated for any cannabis related charges?



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



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



The Go Biz Grant offers an opportunity to address some of the challenges highlighted above and specifically will help streamline the City's cannabis permit process. The Go Biz Grant will be disbursed as follows: provide equity applicants with capital via grants to support their businesses' ongoing costs, startup costs for new operations, encourage the creation or expansion to a cannabis café model (90%) and staff costs to administer the Equity Program (10%), each discussed below and demonstrated in **Figure 3**.

Figure 3: Go Biz Grant – Purposed Use of Funds

Proposed Use	Amount of Funds
A. Grants to Operators for Start-Up and Ongoing Costs	\$1,867,369.75
B. A portion of Program Analyst III	\$207,000.00
TOTAL	\$ 2,074,369.75

Startup Grants

To encourage new equity applications and increase the number of equity owned cannabis businesses in Oakland we have proposed a budget amendment to allot \$90,000 of the grant award six startup grants in the amount of \$15k which will be made available to eligible verified equity applicants that have not received any previous grant or loan funding. Eligible applicants must have identified a location within the City's designated cannabis zones and have a valid lease in place. Startup grant funds will be dispersed once a state license has been officially issued as is required for grant fund eligibility.

Entertainment and non-cannabis food sales at cannabis retailers

Passage of [Assembly Bill No. 1775](#) on September 30, 2024 expanded approved activities for permitted dispensaries that have an onsite consumption lounge. This state legislation

“allow[s] for the preparation or sale of non-cannabis food or beverage products, as specified, by a licensed retailer or microbusiness in the area where the consumption of cannabis is allowed, and to allow, and to sell tickets for, live musical or other performances on the premises of a licensed retailer or microbusiness in the area where the consumption of cannabis is allowed.”¹

The addition of entertainment and non-cannabis food sales will allow an expansion of activities which encourage community and lessen the stigma around cannabis consumption and public events. SAPD will allocating grant funding to support the establishment of equity cannabis cafes and is currently working to prepare an RFP which will be released in the summer of 2026, to seek and evaluate potential candidates.

Online digital permits with access to related records in supporting departments that are required for cannabis business permit compliance such as Oakland Fire Department (OFD) and the

¹ Bill Text - AB-1775 Cannabis: retail preparation, sale, and consumption of non-cannabis food and beverage products. (n.d.).

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240AB1775

Planning and Building Department (PBD) approvals will support Oakland cannabis operators by helping them complete the City's permitting process. This Go Biz state grant partially covers key staff positions, who provide targeted support to equity applicants. Go Biz funding to grantees can offset the cost of security requirements, cover technical and legal assistance to equity applicants, eligible expenses include but are not limited to payments for rent, cannabis annual business tax payments, capital improvements, marketing, special event production and production of promotional material.

Figure 4 shows the total amount of permits across all categories of ownership since May 2017. The incubator program has expired, equity and general applications are received on an ongoing basis. For a cannabis business to be considered equity a verified equity applicant must own 50% of the business. Technical assistance and legal assistance are eligible expenses under Go-Biz state grants and can be useful to applicants when negotiating ownership agreements.

Figure 4: New Permits Issued to Cannabis Operators May 2017 – August 2025 by Category²

	GENERAL	INCUBATOR	EQUITY	TOTAL
NEW ANNUAL PERMITS BY BUSINESS TYPE				
On-site Consumption	4		3	7
Dispensary	9	1	9	19
Delivery	70	18	88	176
Cultivator (Indoor)	9	6	19	34
Cultivator (Outdoor)	0	0	2	2
Distributor	30	27	59	116
Mfg. Volatile	5	5	1	11
Mfg. Non-Volatile	11	11	42	64
Transporter	2	0	5	7
Lab Testing	0	0	0	0
GRAND TOTALS	140	68	228	436

On December 5, 2023 the Oakland City Council adopted [Ordinance 13775 - C.M.S\(PDF, 2MB\)](#) which amended Oakland Municipal Code ([OMC-5.80 and 5.81\(PDF, 251KB\)](#)) to allow an Equity Applicant to transfer their local authorization status or permit to a General Applicant. This amendment is in addition to the City of Oakland's (City's) default business permit regulations found in [OMC 5.020.70](#) which already allow Equity

² Figure 4 includes dispensaries that were permitted before 2017 and have renewed their permits since 2017.

Applicants to transfer their permits to other Equity Applicants after notifying the City by submitting an updated cannabis permit application. Furthermore, [Ordinance No. 13775](#) C.M.S. authorized the City Administrator to develop regulations to implement the transfer approval process.

Equity Applicants may transfer their cannabis application/permit to a General Applicant under the following conditions (whichever occurs first):

- Three years after submitting a cannabis permit application or
- One year after receiving a cannabis permit.

Administrative Changes to Support Equity Applicants

Without access to traditional funding, many equity applicants must rely on private investors. This may lead to predatory partnerships where investors use an equity applicant to waive permit fees, only to later push the applicant out of the business. To ensure equity applicants maintain their percentage stake in each business receiving verified equity benefits, businesses could be required to comply with the following on an annual basis:

- Provide a copy of the business agreement reflecting the current percentage structure of the partnership.
- Maintain correspondence with the City of Oakland through the equity applicant as the primary contact, partners being listed as secondary.
- Report any changes in the partnership to SAPD within 30 days or be subject to paying annual permitting fees in full.

If an equity partner transfers a portion of their ownership to below 50%, the business will no longer be eligible for equity permit fee waivers. To reduce the opportunities of exploitation by improper use of an approved equity applicants, waiving of permit fees can be structured as follows:

- If the application is 100% equity owned, 100% of City permit fees will be waived.
- If the application is 50% equity owned, 50% of City permit fees will be waived.
- Verified equity applicants are eligible for waived fees for up to two cannabis businesses at any given time.

Follow Up Considerations

Staffing shortages continue to be a challenge in supporting the cannabis equity program. Permitting, grant disbursements and reporting requirements are currently shared between two staff members, one of whom has multiple administrative responsibilities outside of cannabis. It is essential that City staff exercise impartiality in the allocation of staff resources to support all permittees and applicants, regardless of equity status. Additionally, prioritization of staff time to support equity applicant case management is unrealistic and inefficient. Additional staff resources such as a full-time program analyst focused on administering the Cannabis Equity Program would ensure that the proper forum for equity applicant concerns is available, opportunities for improvements to the program are implemented and that state grant reporting requirements are efficiently met.

Overall Health of the Cannabis Industry in Oakland

The overall health of the cannabis industry in Oakland is unclear. Although the proposed 4% increase in state cannabis sales tax has been postponed until 2028, the current cannabis excise

tax rate of 15% is still a burden on legal businesses. Data from the Governor's supplemental report on the *Condition and Health of the Cannabis Industry*, shows during the pandemic, cannabis tax revenues saw a temporary surge, peaking at over \$800 million in fiscal year 2021-22.³ This tax revenue surge has since subsided. The Governor's Budget projects that cannabis tax revenues will be \$762 million in fiscal year 2025-26, approximately 6 percent lower than the peak revenues seen in fiscal year 2021-22. On the national level there is significant anticipation that the U.S. Drug Enforcement Administration (DEA) will reclassify cannabis from Schedule I to Schedule III. This could provide financial relief for cannabis businesses by changing tax regulations and could potentially foster further investment.⁴

There are some concerns with the existing equity program eligibility criteria that staff has become aware of recently. In August 2025, the Second Circuit Court of Appeals ruled in *Variscite NY Four, LLC v. New York State Cannabis Control Board* that New York's cannabis licensing system was un-constitutional. The court found that New York's practice of giving "Extra Priority" to applicants with in-state cannabis convictions amounted to economic protectionism, violating the Dormant Commerce Clause of the U.S. Constitution.⁵ The court rejected New York's argument that its social equity goals justified the preferential licensing system. The ruling clarified that while states can pursue social equity, they must do so without using discriminatory, residency-based measures.

FISCAL IMPACT

There is no fiscal impact associated with this informational report.

PUBLIC OUTREACH / INTEREST

A portion of 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 August 7, 2025, Cannabis Regulatory Commission (CRC).

³ Department of Cannabis Control - State of California. (n.d.). Report on the condition and health of the cannabis industry. Department of Cannabis Control. <https://cannabis.ca.gov/2025/03/report-on-the-condition-and-health-of-the-cannabis-industry/>

⁴ Hoban, R. (2025, September 28). Trump, Cannabis Re- or De-Scheduling and what comes after. *Forbes*. <https://www.forbes.com/sites/roberthoban/2025/09/28/trump-cannabis-re--or-de-scheduling-and-what-comes-after/>

⁵ Variscite ruling: Residency requirements and the future of intrastate cannabis markets | Vicente LLP. (2025, September 12). Vicente LLP. <https://vicentellp.com/insights/variscite-ruling-residency-requirements-and-the-future-of-intrastate-cannabis-markets/#:~:text=By%20Charles%20Alovisetti,system%20as%20discriminatory%20and%20unconstitutional.>

COORDINATION

The Special Activity Permits Division consulted with DRE, the Cannabis regulatory Commission 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 Receive An Informational Report On The City Of Oakland's Cannabis Equity Program.

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 (Nov 24, 2025 13:15:05 PST)

ASHLEIGH KANAT
Director, Economic & Workforce Development
Department

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

Attachments (1):

Attachment A: 2024 Cannabis Equity Program Survey