



# AGENDA REPORT


**TO:** Jestin D. Johnson  
City Administrator

**FROM:** Sofia Navarro  
Interim Director,  
Department of Economic  
and Workforce  
Development

**SUBJECT:** Cannabis Workforce Certification and  
On the Job Training Programs

**DATE:** June 29, 2023

City Administrator Approval

  
Jestin Johnson (Jul 6, 2023 14:50 PDT)

Date: Jul 6, 2023

## **RECOMMENDATION**

**Staff Recommends That The City Council Adopt A Resolution:**

- (1) Authorizing The City Administrator To Enter Into A Professional Services Agreement With C4C, Inc. (DBA Case For Cannabis) For A Two-Year Period In An Amount Not To Exceed Seven Hundred And Forty-Five Thousand Three Hundred And Fifty-Seven Dollars (\$745,357) To Implement Cannabis Workforce Certification And On The Job Training Programs For Equity Employees; And**
- (2) Authorizing The Carryover Of Unspent Fiscal Year 2022-2023 General Purpose Funds In An Amount Not To Exceed One Million Five Hundred Thousand Dollars (\$1,500,000) To Fiscal Years 2023-2025 To Implement The Cannabis Workforce Certification And On The Job Training Programs For Equity Employees**

## **EXECUTIVE SUMMARY**

The regulated cannabis industry currently does not reflect California's diverse population. This is in part due to the lack of formal training institutions, which encourages cannabis businesses to hire people they know, which then reinforces existing socio-economic disparities. However, thanks to funding from the Governor's Office of Business and Economic Development (Go-Biz) and the City Council's Fiscal Year (FY) 2022-2023 Midcycle Budget, the City of Oakland (City) can interrupt this cycle through (1) an equity employee<sup>1</sup> certification program to establish a pipeline of qualified prospective employees for the regulated cannabis marketplace and (2) an on-the-job training referral program for equity employees at Oakland cannabis businesses.

<sup>1</sup> [Oakland Municipal Code 5.04.481\(A\)](#) defines an "Equity Employee" as: a. An employee who lives 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 and has lived in any combination of such police beats for the immediately preceding two (2) years; or b. An employee who lives anywhere in Oakland and was arrested after November 5, 1996 and convicted of a cannabis crime in California. A map of Oakland police beats is [available here](#).

Following a competitive formal Request for Proposal (RFP) process, staff has identified C4C, Inc. (C4C), doing business as Case for Cannabis, to implement the above-described cannabis workforce certification and on the job training programs. Over the next two years, C4C will partner with the Oakland Private Industry Council (OPIC) to recruit and certify equity employees for training through Merritt College and then refer students to paid on the job training opportunities with Oakland cannabis businesses. The City Council's approval of the proposed Resolution will enable this work to move forward by authorizing the City to enter into a contract with C4C for this project.

## **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"<sup>2</sup> and the 2015 Fahr-Rohrbacher federal budget amendment,<sup>3</sup> 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.

### *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.

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<sup>2</sup> The Cole Memorandum can be found here:

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

<sup>3</sup> 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.

### *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 analysis<sup>4</sup> 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.<sup>5</sup> 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 OMC 5.81 to equity applicants during the initial phase;
- An incubator program that prioritized general applicants who provide three years of free space and security to equity applicants; and

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<sup>4</sup> <https://cao-94612.s3.amazonaws.com/documents/Equity-Analysis-and-Proposed-Medical-Cannabis-Amendments.pdf>

<sup>5</sup> 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."

- Application and permit fee exemptions for equity applicants.

In the Spring of 2017, the City Council adopted 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.

Then in December 2019, the City Council modified the City's tax rates for cannabis businesses and included a tax rebate program for cannabis businesses that hire equity employees. The definition of an equity employee (defined in footnote 1 above) differs from that of an equity applicant (defined in footnote 5 above), however, both center around individuals either a cannabis conviction or those living in Oakland neighborhoods with historically disproportionately high levels of cannabis criminalization.

#### *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. In 2019 the State of California began setting 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) of State Disbursement	Amount of Funding Received	Oakland's Ranking Among Local Jurisdictions	Total Amount of Funding Available Statewide
BCC <sup>6</sup>	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

Oakland has consistently ranked first or second in Go-Biz's competitive grant application process in part due to the City's investment in its Equity Program as the Go-Biz application rewards local jurisdictions that invest their own funds in cannabis equity programs with higher scores.

#### *Funding for Cannabis Workforce Development Programs*

Go-Biz's FY 2021-2022 grant to the City of Oakland included up to \$330,357 in funding for workforce development programs in the cannabis industry. On March 22, 2022, the Oakland

<sup>6</sup> Initially the Bureau of Cannabis Control, the predecessor to the Department of Cannabis Control, dispersed Local Equity Grant funding.

Workforce Development Board approved the usage of this Go-Biz grant funding and any additional funding allocated by the City Council in the FY 2022-2023 Midcycle Budget towards cannabis workforce development programming. Subsequently, in the FY 2022-2023 Midcycle Budget the City Council set aside \$1,500,000 towards job training programs for victims of the War on Drugs.<sup>7</sup> Of the \$330,357 in Go-Biz funds available for workforce development, \$50,000 have been allocated towards equity applicants holding special events. As a result, the total combined funding available for cannabis workforce development programs from Go-Biz and the FY 2022-2023 Midcycle Budget is \$1,780,357.

To distribute the available funds, the Economic and Workforce Development Department (EWDD) released a formal RFP for an organization to develop: (i) an equity employee certification training program to establish a pipeline of qualified prospective employees for the regulated cannabis marketplace and (ii) an on-the-job training referral program for equity employees at Oakland cannabis businesses. A panel of City staff in EWDD's Special Activity Permits and Workforce Development Divisions reviewed and scored four RFP responses received and found C4C as the top scoring recipient.

## **ANALYSIS AND POLICY ALTERNATIVES**

Approval of the requested action advances the Citywide priority of **housing, economic, and cultural security** by promoting business employment opportunities for historically marginalized communities.

### *Program Need*

Although public health studies have found that people consume cannabis roughly the same across racial groups, African-Americans have been disproportionately criminalized for cannabis activities and disproportionately left out of the regulated cannabis marketplace.<sup>8</sup> For example, in 2022 MJBizDaily found that non-white ownership of cannabis businesses stands at only 15.4 percent.<sup>9</sup> Likewise, while the percentage of racial minorities employed in cannabis varies depending on the sector of the industry, racial minorities comprise only 28 percent of all cannabis manufacturing positions.

Factors contributing to this lack of diversity include security concerns and the lack of formal training institutions in the cannabis industry. Without formal institutions to train employees for the cannabis industry, it is more challenging for cannabis employers to verify prospective employees' qualifications. This combined with the fear of burglaries encourage employers to hire people they know, which reinforces existing socio-economic divisions.

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<sup>7</sup> The FY 2022-2023 Midcycle budget provided \$250,000 for cannabis workforce development programs in the Economic and Workforce Development Department budget as well as \$1,250,000 under City Council Amendment Item # C3 for targeted grants to enhance job readiness for Oakland residents who in years past have been personally subjected to the war on drugs.

<sup>8</sup> See 2018 ACLU Research Report "A Tale of Two Countries: Racially Targeted Arrests in the Era of Marijuana Reform" [available here](#).

<sup>9</sup> 2022 MJBizDaily Special Report "Diversity, Equity & Inclusion in the Cannabis Industry" [available here](#).

### *Project Description*

C4C will provide Oakland residents disproportionately impacted by the War on Drugs with the formal training and job placement needed to break the above-described cycle. Through partnerships with OPIC and Merritt College, C4C will recruit, certify, train, and place equity employees in jobs with Oakland cannabis businesses. **Figure 1** offers an overview of the project, which will be divided between three cohorts of 30 students each as further described below.

**Figure 1: Project Timeline**



#### *A. Industry Assessment*

The first stage of the program will be to assess the current employment needs of Oakland cannabis businesses to ensure that the training programs meet the demands of the current industry. EWDD's Special Activity Permits Division will collaborate with C4C to survey and hold roundtable discussions with Oakland cannabis operators regarding their respective needs and opportunities. These insights will then inform the curriculum provided by Merritt College.

#### *B. Recruitment, Equity Certification, and Academic Training*

The next step will consist of recruiting prospective employees, verifying their equity employee status, and providing academic training. Through targeted recruitment of equity employee qualifying areas and cannabis businesses as well as a partnership with OPIC, C4C plans to recruit 180 students to meet its enrollment target of 90 students over three cohorts consisting of 30 students each. This over recruitment allows for a fifty percent attrition rate.



OPIC and C4C will then verify that all prospective students qualify as equity employees under OMC 5.04.481(A). This will ensure that cannabis businesses that hire graduates of the program will be eligible for the City's equity tax rebate program, thus providing cannabis employers with an incentive to retain equity employees after the on the job training period ends.

Next, prospective students will undertake a free ten-week online training program through Merritt College. Training module topics will include an overview of California's cannabis industry, licensing, cultivation, seed to sale tracking via METRC, extractions, lab testing, manufacturing, warehouse logistics, retail sales, security, and life skills. Students will have both a student support and industry engagement specialist to monitor students' progress and determine job placements.

*C. On the Job Training and Data Tracking*

After the academic training, students will move into a ten-week paid hourly internship (up to 400 hours) at licensed Oakland cannabis businesses. All students will receive payment and administrative support through an Employer of Record (EOR) retained by C4C so the process will be frictionless for both the students and cannabis businesses. Work-based learning offers students an opportunity to immerse themselves in a particular field and interact with professionals, while also providing employers time to vet employees. The ultimate goal is for students to be offered permanent employment within the businesses at the same or higher rate of pay.

To assess the impact of the program and potential adjustments, C4C will provide the City with reports capturing all project data. This data will include the number and demographics of equity employees participating in the program, the employment outcomes of the on the job training, and the distribution of funding to cannabis businesses hosting students. A summary of the overall project budget is available below in **Table 2**.

**Table 2: Cannabis Workforce Certification and On the Job Training Budget**

<b>Two-Year Cannabis Workforce Certification and On the Job Training Programs</b>	
Project Management	\$427,200
Recruitment, Applicant Screening, Internship Preparedness	\$100,000
Course Development, Approval, Instruction, Stakeholder Interaction	\$166,500
Guest Speakers	\$1,500
On the Job Training Student Related Costs	\$4,500
Outreach	\$34,375
Miscellaneous	\$3,090
Sustainability	\$4,000
Unidentified Program Costs	\$4,192
<b>SUBTOTAL OF C4C EXPENSES</b>	<b>\$745,357</b>
On the Job Training Expenses	\$1,035,000
<b>TOTAL BUDGET</b>	<b>\$1,780,357</b>

### **FISCAL IMPACT**

Approval of this Resolution will enable the use of previously accepted and appropriated funds for workforce development programs for victims of the War on Drugs. Specifically, on May 3, 2022, the City Council adopted [Resolution No. 89163 C.M.S.](#) authorizing the City Administrator to appropriate up to three hundred and thirty thousand three-hundred and fifty-seven dollars (\$330,357) in Go-Biz funding to assist in the recruitment, training, and retention or equity employees. Thereafter, on June 30, 2023 the City Council adopted the Fiscal Year (FY) 2022-2023 Midcycle Budget via [Resolution No. 89283 C.M.S.](#), which invested two-hundred and fifty thousand dollars (\$250,000) towards cannabis workforce development programs under the Economic and Workforce Development Department's budget plus an additional one million two hundred and fifty thousand dollars (\$1,250,000) under City Council Amendment Item Number C3 for targeted grants to enhance job readiness for Oakland residents who in years past have been personally subjected to the war on drugs.

The attached Resolution authorizes the FY 2022-2023 one million five-hundred thousand dollars (\$1,500,000) allocation to carry forward into FY 2023-2025. If the City Council elects not to adopt the attached Resolution, these funds will be absorbed into the City's General Fund for FY 2023-2024. However, failing to utilize City funds on the cannabis equity program will likely reduce the amount of state grant funds the City will receive from Go-Biz in the future, as Go-Biz's competitive application process rewards local investments in cannabis equity efforts.

### **PUBLIC OUTREACH / INTEREST**

Staff conducted public outreach regarding how best to utilize the Go Biz funds at the March 2022 Cannabis Regulatory Commission (CRC) meeting during which the CRC approved utilizing funds for cannabis workforce development programs. Subsequently, on March 24, 2022 the Oakland Workforce Development Board approved staff's recommended certification and on the job training programs. Finally, following passage of the FY 2022-2023 Midcycle Budget, which increased funding for workforce development programs for victims on the War on Drugs, in the fall of 2022 staff solicited feedback from cannabis entrepreneurs through a public meeting on zoom regarding how best to distribute this funding.

### **COORDINATION**

The Special Activity Permits Division in the Economic and Workforce Development Department (EWDD) consulted with EWDD's Workforce Development Division, the Budget Bureau, and the Office of the City Attorney in preparation of this report and resolution.

### **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.

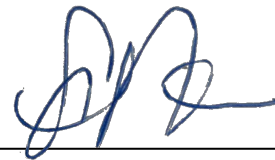
### **ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Adopt A Resolution:

- (1) Authorizing The City Administrator To Enter Into A Professional Services Agreement With C4C, Inc. (DBA Case For Cannabis) For A Two-Year Period In An Amount Not To Exceed Seven Hundred And Forty-Five Thousand Three Hundred And Fifty-Seven Dollars (\$745,357) To Implement Cannabis Workforce Certification And On The Job Training Programs For Equity Employees; And
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For questions regarding this report, please contact Greg Minor, Deputy Director, Economic and Workforce Development Department, at (510) 238-6370.

Respectfully submitted,



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