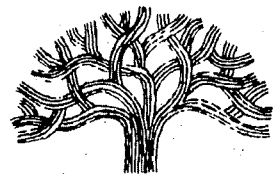


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CITY OF OAKLAND



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Date: October 17, 2019
To: Members of the City Council and Members of the Public
From: Cannabis Community Members
Re: File No. 18-1900
Adopt An Ordinance Amending Oakland Municipal Code Title 5, Chapter 5.04, Section 5.04.480 And Section 5.04.481, To Create A Tiered And Category Based Tax Structure For Cannabis Businesses, Merge Medical And Non-Medical Cannabis Business Classifications, And Reduce Tax Rates For Cannabis Businesses

Dear Members of the City Council and Members of the Public,

This is a community led proposal and we hope the Committee will give it all due consideration.

COMMUNITY AMENDMENT:

Proposal Context:

Understanding that the Kalb/Kaplan proposal is attempting to uphold a promise to the pre-2017 cannabis community that would first harmonize the tax rates for adult use and medical and then further decrease the rates to match them to regional rates to keep the Oakland market competitive.

Understanding that the Taylor proposal is attempting to uphold a promise to Oakland's drug war victims that the cannabis industry will be diverse in both workforce and ownership. This promise was launched by the creation of the original cannabis equity program.

Understanding that the Oakland city council has a duty to maintain a balanced budget and any deduction to the '19-'21 cannabis business tax rate will create a challenge. Also, understanding that the government frequently deals with issues like this post-budget finalization and therefore maintain a practice of "under-reporting" expected revenues in budget cycles.

The below proposal, is supported by Supernova Women, The Peoples Dispensary & The Hood Incubator. It acknowledges the need for the tax rates to decrease effective 2020. It creates an opportunity for equity businesses grossing above \$1.5m and non-equity businesses to get their tax rate down to 2% by 2022, which is only .5% higher than S.F. but will provide the drug war victims of Oakland with opportunity to gain access to high wage positions. It will also make an easier path to profitability for our equity businesses by ensuring that they are not excluded from market participation by hostile purchasing/buyer agreements.

Currently, the majority of “equity verified applicants” in the workforce are assuming positions as drivers, budtenders, security, packagers, etc. Jobs are great, however, when there are also jobs available such as inventory manager, compliance director, lab technician, master grower and these are the jobs that provide median wages for the region these jobs too need to be accessible to “equity verified applicants”.

In addition, equity businesses are having a difficult time getting launched with permits & lease in hand because of purchasing agreements that include large minimums and cash upfront. This practice that is not evenly distributed across general & equity businesses make it hard for equity businesses to compete and function. The equity tax incentive program is the immediate attention to the above challenges short of solving racism.

For that reason, we can not support a further reduction of taxes past the 2022 harmonized rates of 5% because it would essentially put an expiration date on the equity tax incentive program. Which means that efforts to further Oakland’s promise of creating opportunity for its drug war victims would be negatively impacted. Being that ALL businesses will have the opportunity to achieve a 2% tax rate by 2022, ending intentional investment in the greater Oakland drug war community is not equitable and does not help achieve the cities economic goals.

Taylor/Kalb & Kaplan (Compromised) Proposal v2 :

	2020	2021	2022
Tax Rate:	\$1.5m & under @ .12%	\$1.5m & under @ .12%	\$1.5m & under @ .12%
Equity Businesses			
Non-Equity Businesses	\$500k & under @ .12%	\$500k & under @ .12%	\$500k & under @ .12%
Retail, Distribution, Manufacturing, Lab, Cultivation,	@ 8% adult 5% medical	@ 6.5% adult 5% medical	@ 5% harmonized
Equity Tax Incentive:	Opportunity for 3% discount, w/ floor tax rate @ 5% adult & 2% medical	Opportunity for 3% discount, w/ floor tax rate @ 3.5% adult & 2% medical	Opportunity for 3% discount, w/ floor tax rate @ 2%

- Equity businesses grossing \$1.5m or less taxed at regular business tax rate (.12%), not marginal (in 2020)
- Non-Equity businesses grossing under \$500k or less taxed at regular business tax rate (.12%), not marginal (in 2020)
- Adopt Equity Tax Incentive Program (in 2020)
 - w/ Minimum tax of 2% (in 2022)
- Harmonize adult use rates and medical use rates both to 5% (in 2022)

Local Equity Hiring Incentive (1.5% Max Rebate)

Local Hiring Incentive A 0.5% Tax Rebate – 30% of the workforce consists of verified members of equity target population

- Local Hiring Incentive B 0.5% Tax Rebate – 25% of essential jobs of the permit performed by verified members of equity target population (e.g, mfg jobs for a manufacturer)
- Local Hiring Incentive C 0.5% Tax Rebate – 20% of managerial staff are verified members of equity target population

Equity Program Supply Chain Support (1% Max Rebate)

- Local Supply Chain Discount A 0.5% Tax Rebate – 30% of product comes from equity distributor (or from equity growers/mnfrs for distributors; equity growers for mnfrs; for growers)
- Local Supply Chain Discount B 0.5% Tax Rebate – 25% of product on shelves are equity brand

Workforce Quality of Life Incentive (.5% Max Rebate)

- Living Wage Discount 0.25% Rebate – No staff earns less than \$20/hr with benefits or \$25/hour without benefits (COLA adjustment each year)
- Full-time Hire Discount 0.25% Tax Rebate – 80% of staff is full time

Equity Business Incubation (1.0%)

- If a business chooses to incubate an equity business as defined in the Oakland Municipal Code.

Finance Committee
October 22, 2019
Item: 12