

# *Cannabis Regulatory Commission*

Regular Meeting

Thursday, November 17<sup>th</sup>, 2016, 6:30 p.m.  
Council Chambers, City Hall, One Frank H. Ogawa Plaza

## AGENDA

### ***Members:***

|                |            |                   |                    |
|----------------|------------|-------------------|--------------------|
| Dale Gieringer | District 1 | Jacob Sassaman    | District 7         |
| Chang Yi       | District 2 | A. Kathryn Parker | At Large           |
| Zach Knox      | District 3 | Sunshine Lencho   | Mayor              |
| Vacant         | District 4 | Amanda Reiman     | City Auditor       |
| Matt Hummel    | District 5 | Joe DeVries       | City Administrator |
| Terryn Buxton  | District 6 |                   |                    |

Available on-line at: <http://www.oaklandnet.com/measurez>

### *MEETING AGENDA*

- A. Roll Call and Determination of Quorum
- B. Open Forum / Public Comment
- C. Review of the Pending List and Additions to Next Month's Agenda
- D. Approval of the Draft Minutes from the Cannabis Regulatory Commission meeting of 10-20-16.
- E. Reports for Discussion and Possible Action
  - 1. A discussion on the outcome of the Oakland City Council Special Meeting of November 14<sup>th</sup>.
  - 2. A discussion and possible action on the issue of Home Based Cultivation (memo attached)
  - 3. A discussion and possible action on the City's Master Fee Schedule as it relates to the Cannabis Industry.
- F. Announcements
- G. Adjournment

Persons may speak on any item appearing on the agenda; however a Speaker Card must be filled out and given to a representative of the Cannabis Regulatory Commission. Multiple agenda items cannot be listed on one speaker card. If a speaker signs up to speak on multiple items listed on the agenda, the Chairperson may rule that the speaker be given an appropriate allocation of time to address all issues at one time (cumulative) before the items are called. All speakers will be allotted 3 minutes or less – unless the Chairperson allots additional time.

♿ This meeting is wheelchair accessible. In compliance with the Americans with Disabilities Act, if you need special assistance to participate in the meetings of the Cannabis Regulatory Commission, please contact the Office of the City Clerk (510) 238-3612. Notification two full business days prior to the meeting will enable the City of Oakland to make reasonable arrangements to ensure accessibility. In compliance with Oakland's policy for people with chemical sensitivities, please refrain from wearing strongly scented products to events.

Questions or concerns regarding this agenda, or to review any agenda-related materials, please contact the Cannabis Regulatory Commission at (510) 238-3301.

Thursday, October 20, 2016, 6:30 p.m.  
Council Chambers, City Hall, One Frank H. Ogawa Plaza

# Minutes

### **Members:**

|                |            |                   |                    |
|----------------|------------|-------------------|--------------------|
| Dale Gieringer | District 1 | Jacob Sassaman    | District 7         |
| Chang Yi       | District 2 | A. Kathryn Parker | At Large           |
| Zach Knox      | District 3 | Sunshine Lencho   | Mayor              |
| Vacant         | District 4 | Amanda Reiman     | City Auditor       |
| Matt Hummel    | District 5 | Joe DeVries       | City Administrator |
| Terryn Buxton  | District 6 |                   |                    |

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## MEETING AGENDA

### A. Roll Call and Determination of Quorum

*Members Present: Gieringer, Yi, Knox, Hummel, Buxton, Sassaman, Parker, Lencho, Reiman, DeVries*

*Members Absent: None.*

### B. Open Forum / Public Comment

*Michael Allaire spoke on behalf of supporting Home Based Cultivation in the Oakland Ordinances since AB 2516 passed allowing for Specialty Cottage Industry under the State Law (MCRSA). He requested that the CRC discuss and endorse a program to license home based cultivation in the City's ordinances.*

*Mike Grafton spoke about the work of the Commission in shaping an Urban Cannabis Policy. He feels the work has been frozen by the City Council and is frustrated. He knows of three escrows that have been abandoned in the past two weeks due to the City's delay in implementing a licensing plan. After Oakland being a leader for decades, he believes this is very damaging to the City and hope that this will soon be resolved.*

### C. Review of the Pending List and Additions to Next Month's Agenda

*The Commission added the following to the November Agenda: The proposal on Home Based Cultivation, the City's Master Fee Schedule for Cannabis Businesses, and a discussion on the results of the Special City Council Meeting.*

Persons may speak on any item appearing on the agenda; however a Speaker Card must be filled out and given to a representative of the Cannabis Regulatory Commission. Multiple agenda items cannot be listed on one speaker card. If a speaker signs up to speak on multiple items listed on the agenda, the Chairperson may rule that the speaker be given an appropriate allocation of time to address all issues at one time (cumulative) before the items are called. All speakers will be allotted 3 minutes or less – unless the Chairperson allots additional time.

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*The Commission added the following items to the pending list for future scheduling: A discussion of the results of the election (Prop 64), and a discussion on creating an independent fund to support the work of the commission (to be scheduled for January 2017).*

D. Approval of the Draft Minutes from the Cannabis Regulatory Commission meeting of 9-15-16.

*The minutes were approved unanimously with two minor typographical corrections.*

E. Reports for Discussion and Possible Action

1. A discussion and possible action on the creation of a Community Bank in Oakland. (see attached article and draft resolution)

*A presentation was made on the Public Banking Concept by Susan Harman (and Craig Brant and J.P. Masser) who spent many years working with the public Banking Institute. Based on the article that was included in the agenda packet, she noted that an Oakland Public Bank could both solve the cannabis industry's lack of access to banking while also providing capital for Oakland to invest more in small businesses and infrastructure. She explained that a Public Bank serves as a "mini-federal reserve." All money that flows to the city through taxes, grants, etc. would be placed into this public bank instead of flowing through a commercial bank such as Chase or Wells Fargo.*

*Member Gieringer asked about how this proposal would help the Cannabis Industry since Fiona Ma ( and the CA Board of Equalization) has been researching this problem extensively and determined that there is no way around Federal Banking Law.*

*Craig Brant (who also presented) responded that there are guidelines that commercial banks could follow now but that none of them has and they are dissuaded by the regulations. Member Reiman commented that she had heard this as well—that there is a path for this but the big banks are not interested.*

*Member Lencho asked what amount of money needs to be raised to capitalize a bank, how soon would it be available to people to start banking, and why would business owners be convinced to go this route if the big banks could do it. Susan Harmon said it would take about \$20 million to get the bank started. Regarding the timeline, J. P. Masser noted that the current proposal before the Finance Committee on November 15<sup>th</sup> is for the City to launch a feasibility study in the next 90 days with a stated goal, if feasible, of launching a bank by September.*

*Member Knox noted that there are likely several benefits to Oakland establishing a Public Bank (beyond cannabis). Member Yi pointed out that although there is a memorandum from the Department of the Treasury and Justice but the Federal Reserve and FDIC do not have such memos and they have "Know Your Customer" doctrines that would be hard to work around.*

*Chairperson Hummel asked the presenters about the return on their investment that the Public Bank of North Dakota makes (the only public bank example to compare to). J. P Masser explained that it currently has an 18% return and generates approximately \$125 million annually for the state but that took time to build up and is covering an entire state.*

*Joe DeVries asked about what risks exist in creating a public bank. Member Yi noted that the Federal Reserve has strong and broad seizure powers and if the City were to have its assets in a Public Bank and ran afoul of Federal Reserve Rules, the City could see considerable assets seized. Member Lencho commented that this concern as well as the challenges faced by Oakland trying to regulate its Cannabis Industry gives her pause to*

*support such an effort. She may be more inclined to support smaller efforts to assist the community with access to banking.*

*Chairperson Hummel directed the Commission's attention to a draft resolution in support of Oakland researching the creation of a Public Bank. A motion was made to adopt the resolution and it passed with 8 ayes, 1 nay, and 1 abstention.*

#### E. Announcements

*Alex Zavelle announced that Cal Osha would be conducting a public hearing in Oakland at the State Building on October 25<sup>th</sup> from 10am to 3pm on safety concerns in the cannabis industry.*

#### F. Adjournment

*The meeting adjourned at 7:45 pm.*

**Key Points to Consider to Establish and Maintain a Middle Class Income Sector in the  
Medical Cannabis Industry—Home-based Commercial Cultivation/Operation  
The Lowest Bar of Entry to Equity, Access & Ownership**

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Submitted to City of Oakland Cannabis Regulatory Commission

Date: 10/20/2016

By: Michael Allaire

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**1. Home-based Cultivation is the Backbone of Legal Medical Cannabis Supply:** Small, home-based cultivation and production have been the back bone of the cannabis industry for years, specifically they have been the back bone of the legal supply for the medical cannabis industry in California. My informal polling of dispensaries I deal with indicates that they source between 30% to 80% of their supply from small, home-based cultivation and manufacturing, (edibles, topicals, nutraceuticals, extracts, etc.).

**2. Single Lowest Bar of Entry—Equity, Access & Ownership:** Home-based cultivation/production has been both a cultural and economic tradition of the cannabis industry for decades, certainly since the advent of Prop. 215, and it is important to recognize that home-based cultivation provides the single lowest bar of entry into the industry, and it represents the most fundamental aspects of equity, access, and ownership. Most importantly, home-based cultivation/production represents the opportunity for there to be a viable middle class income sector in the cannabis industry. This is IMPORTANT...by institutionalizing home-based commercial cultivation/production in state and local laws and ordinances we are creating a sector of the cannabis industry specifically to insure that there is an ongoing middle class income sector in the industry...truly EQUITY, ACCESS, and OWNERSHIP.

**3. State Law Now Includes/Permits Specialty Cottage Cultivation:** With the advent of AB2516, we now have state level recognition and law that amends the MCRSA by introducing a new cultivation licensing category that makes home-based commercial cultivation legal/permissible—Specialty Cottage. Now we can add this same language to the Oakland ordinance, reflecting the licensing categories allowed in MCRSA. The CRC has recommended this, and at least one city council member has said that they would introduce this once AB2516 was signed by the Governor--the Governor signed AB2516 on 9/29/16.

Text of Language of AB2516 as passed:

*(4) Type 1C, or “specialty cottage,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, of 2,500 square feet or less of total canopy size for mixed-light cultivation, up to 25 mature plants for outdoor cultivation, or 500 square feet or less of total canopy size for indoor cultivation, on one premises.*

**4. Two Key Actions to Inclusion:** Specialty Cottage/home-based cultivation initially needs to two key things for it to be a viable sector:

1. It needs to be adopted into local ordinances, and specifically, as an essential component of any sensible and comprehensive Equity program, and;
2. It needs to have economic incentives and provisions, scaled appropriately to the size and types of operations of this sector, so that they and the sector can be truly viable and

competitive in this new era of big cannabis. An example of these kinds of incentives would be the recommendations that the CRC has made for Equity applicants in Oakland:

- *Expedited considerations for the home-based/Specialty Cottage applicants.*
- *Defer first year permit fees, allow for quarterly payments of permit fees rather than upfront lump sum payment.*
- *Waive or significantly reduce applicant fee.*
- *Partial relief, or permanent reduced rate from the 5% cannabis business tax rate.*

**5. Steps to Competitive Success:** For Specialty Cottage operators to be competitive in the larger cannabis marketplace they need to be aggregated both in terms of the standards of how they set up, operate, and produce their products, but also in terms of how they bring their products into the complicated regulatory system that the MCRSA imposes, and how they bring their product into the competitive market place. I believe that this could be accomplished within the MCRSA category of Distribution—a specific distribution entity that specializes in, represents, and advocates for the Specialty Cottage operators. I believe that we can develop a unique model of this in Oakland that then could be a model for the rest of the state, and even for the country, as other states come online for medical or legal cannabis.

I have been experimenting with, and have an operating prototype for this type of entity/operation.

I have other ideas and points that could expand on how to go about successfully developing the Specialty Cottage sector in Oakland, and how this model could integrate not only into both the Equity efforts afoot in Oakland, but also with other plans and projects that would be beneficial and of true service to the greater community. I would very much want to be an advocate for, contributor to, and a lead in actualizing this potential in Oakland, and beyond....

Thank you for your considerations of these essential points to a thoughtful, and comprehensive Equity program for Oakland's cannabis ordinances, and the future of a viable middle class income sector in the cannabis industry.

Kind Regards!

Michael Allaire - Founder/President  
West Coast Members Services, Inc.  
A Multi-Service Medical Cannabis Collective  
Providing Mutual Benefit for All - Quality - Integrity - Collaboration  
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**City of Oakland  
Master Fee Schedule**

*Effective April 6, 2016*

**CITY ADMINISTRATOR**

| FEE DESCRIPTION  | CURRENT FEE<br>(FY 2015-16) |  | PROPOSED FEE<br>(FY 2015-16) |  | %<br>CHANGE |
|--|-----------------------------|--|------------------------------|--|-------------|
|  | FEE                         | UNIT   | FEE                          | UNIT                                       |             |
| <b>F. MEDICAL CANNABIS FACILITY DISPENSARY PERMITS</b>                     |                             |  |                              |  |             |
| 1 Application Fee - <u>Medical Cannabis Dispensary</u>                     | 8,800.00                    | Application                                  | 3,644.00                     | Application                                | -58.59%     |
| 2 <u>Application Fee - Non-Dispensary Medical Cannabis Facility</u>        |                             |  | 2,474.00                     | Application                                | N/A         |
| 3 <u>Application Fee - On-Site Consumption</u>                             |                             |  | 2,813.00                     | Application                                | N/A         |
| 43 <u>Dispensary</u> Renewal   | 500.00                      | Permit/Year                                  | 500.00                       | Permit/Year                                | 0.00%       |
| 3 <u>Dispensary with four (4) or more qualified patients or caregivers</u> | 60,000.00                   | Non-refundable-<br>annual-<br>regulatory fee |                              |  | N/A         |
| 5 <u>Medical Cannabis Facility (&gt; \$150,000 gross annual sales)</u>     |                             |  | 11,173.00                    | Non-refundable<br>annual<br>regulatory fee | N/A         |
| 6 <u>Medical Cannabis Facility (\$50,000-\$150,000 gross annual sales)</u> |                             |  | 5,586.00                     | Non-refundable<br>annual<br>regulatory fee | N/A         |
| 7 <u>Medical Cannabis Facility (&lt;\$50,000 gross annual sales)</u>       |                             |  | 2,790.00                     | Non-refundable<br>annual<br>regulatory fee | N/A         |
| 8 <u>On-Site Consumption</u>   |                             |  | 1,628.00                     | Non-refundable<br>annual<br>regulatory fee | N/A         |