

Proposition 64 Cohort 3 Grant Program

Local Evaluation Plan

From Surviving to Thriving: Fostering a Safe and Equitable
Regulated Cannabis Marketplace

Submitted by: City of Oakland

Prepared by: Greg Minor

Date: September 29, 2023

Project Period:
May 1, 2023 – April 30, 2028

Project Background

Oakland's licensed cannabis operators have faced a surge in armed burglaries since the start of the COVID-19 pandemic, which has placed both lives and livelihoods at risk. These crimes exacerbate the challenges operators face in the regulated cannabis marketplace, which features high taxation, inadequate access to banking, and competition from the unregulated marketplace. These challenges disproportionately impact equity applicants who already face an uphill battle in attracting consumers. The Proposition 64 Cohort 3 Grant offers will interrupt this negativity by funding security measures for Oakland's licensed cannabis operators and a public education campaign to support Oakland equity operators. Together these efforts will establish a safe and equitable regulated marketplace, allowing licensed operators to not just survive but thrive in the post-Proposition 64 landscape.

Project Need

Proposition 64 established a legal market for the adult use of cannabis that features a mountain of obstacles for licensed operators to overcome. From high taxation, federal restrictions on banking and tax deductions, and competition with the unregulated market, licensed cannabis operators have struggled to succeed in the regulated marketplace.

Oakland operators that have managed to build a compliant business have found their business torn apart by armed burglars seeking to obtain cannabis to sell on the unregulated market or cash stored onsite due to cannabis operators' limited access to the banking system. Between 2019-2021 there were 440 reported burglaries of Oakland cannabis businesses and over 130 in 2022; this stands in stark contrast with the one successful burglary of an Oakland permitted dispensary between 2004 and 2017. The burglaries of cannabis businesses take place at night when there are fewer eyes on the street and the Oakland Police Department (OPD) is often busy responding to crimes involving direct loss of life.

Burglaries undermine licensed cannabis businesses' ability to participate in the regulated market. Burglaries result in a large financial loss for cannabis businesses as operators often are left to cover the cost of repairing their place of business, stolen product, and stolen cash all without the support of insurance companies due to federal prohibition. Given the weight of the regulated market's taxation and compliance requirements, burglarized cannabis businesses often cease operations or consider returning underground to operate in the unregulated market.

The obstacles described above have a disproportionate impact on equity businesses, who already face an uphill struggle to participate in the regulated cannabis marketplace. Since cannabis is still federally illegal, cannabis entrepreneurs cannot obtain loans from banks to start their business. This places corporate cannabis businesses at a further advantage due to their network of wealthier contacts. In turn this creates a vicious cycle where large operators only become larger; corporate operators can afford to operate at a large scale and produce products at a price dispensaries prefer, which then results in consumers preferring these products since they are the most carried by dispensaries.

-Project Description

In light of the above challenges, the City of Oakland has developed a proposal to improve the safety of Oakland's licensed cannabis businesses and enhance public awareness of equity businesses. Specifically,

Proposition 64 (Cohort 3) Grant Program

the Proposition 64 Cohort 3 Grant will enable the City of Oakland to fund (1) security measures at licensed cannabis businesses and (2) an ongoing public education campaign to increase consumer awareness of how they can support Oakland equity businesses. The City of Oakland developed this proposal in consultation with its Cannabis Regulatory Commission, an appointed body of Oakland residents that volunteer to advise the City of Oakland on cannabis policies.

--Security Measures: An Ounce of Prevention is Worth a Pound of Cure

The funding of security measures will consist of grants to licensed operators for either (1) physical and technological improvements to secure their business locations or (2) private overnight security at licensed retailers and shared-use manufacturing facilities. The first category of funds will follow the principles of Crime Prevention Through Environmental Design (CPTED) to deter burglaries by making licensed cannabis business locations hard targets for burglars. For example, the installation of commercial grade doors, locks, safes, security bars, bollards, and vaults will make it more difficult for burglars to enter licensed business locations to steal cannabis products or cash. The more difficult it is for a burglar to enter a location, the longer it will take them to enter, and the more likely law enforcement can respond in time to disrupt the criminal activity. Additional technological features, such as cameras, alarms, and remote monitoring systems will complement physical improvements and improve licensed operators' communication with law enforcement. While not a panacea, the CPTED and technological features will encourage burglars and robbers to reconsider targeting Oakland cannabis businesses when identifying their victims.

Similarly, funding onsite private security at retailers and shared-use manufacturing facilities will provide an additional deterrent for burglars targeting cannabis businesses. Licensed security guards offer real-time eyes on the street to disrupt attempted burglaries and contact law enforcement in a timely fashion. Overnight onsite private security has proven effective at discouraging burglaries at Oakland cannabis businesses; a review of 2022 reported burglaries at cannabis businesses in Oakland revealed that all burglaries took place at locations lacking overnight onsite security. However, the high cost of overnight private security, approximately \$6,000-\$7,000 a month, has deterred many operators from investing in this up front expense.

The BSCC Proposition 64 Cohort 3 Grant offers an opportunity for the City of Oakland to offset the full cost of private security, thus minimizing the burden on licensed operators. Given that Oakland has over 250 unique licensed cannabis businesses, the City of Oakland plans on focusing overnight security funds on retailers and shared-use manufacturing facilities. Brick and mortar retailers are open to the public making them more vulnerable to burglars than cannabis businesses further up the supply chain. Shared-use manufacturing facilities serve multiple businesses, often equity manufacturers, at the same location. Thus by funding overnight private security at retailers and shared-use manufacturing facilities, the City of Oakland can improve safety at vulnerable and key cannabis businesses that support multiple employees and businesses.

In terms of the implementation process, the Special Activity Permits Division in the Economic and Workforce Development Department (EWDD) will distribute funding for security measures through an annual application window at the beginning of each fiscal year. After reviewing submissions for eligibility, EWDD staff will apportion the available annual funding between eligible recipients. EWDD

Proposition 64 (Cohort 3) Grant Program

staff regularly implement Request for Proposal (RFP) processes and execute grant contracts with businesses, so the City will leverage this experience on this project.

The City of Oakland estimates approximately 60 licensed cannabis businesses will benefit from the proposed BSCC Cohort 3 funded security measures. For example, the City of Oakland anticipates supporting private overnight security at two shared-used manufacturing facilities (that each serve 8-10 manufacturers), campuses that support multiple operators, and all twelve licensed dispensaries currently operating as well as any additional eight open over the next five years. Similarly, the City of Oakland expects to fund physical and technological security measures for twenty additional businesses.

The proposed BSCC Cohort 3 security measures will build on existing efforts by the City of Oakland and the Department of Cannabis Control (DCC) to improve the security of licensed operators. Specifically, the DCC's Local Jurisdiction Assistance Grant includes funding to cover the cost of physical security requirements for provisionally licensed Oakland cannabis operators as they transition to an annual state license. The City of Oakland has begun distributing these funds and will exhaust these funds over the next two years. Accordingly, the first two years of the City of Oakland's BSCC Cohort 3 grant budget focuses funds on private onsite security to avoid overlapping with the Local Jurisdiction Assistance Grant.

Finally, to evaluate the effectiveness of the project, the City of Oakland will monitor police reports of burglaries of cannabis businesses and monthly reports from grantee recipients. By comparing this crime data with 2019-2022 crime data the City will be able to determine whether and how the BSCC Cohort 3 funded security measures deter burglaries at cannabis businesses and where and how to continue security investments.

-Public Awareness Campaign: Enabling Consumers to Spend Their Dollars in Line With Their Values

In 2017 the City of Oakland established the nation's first cannabis equity program after the Oakland City Council asked: who will benefit from the legalization of cannabis? This question sparked the nation's first race and equity analysis of the cannabis industry that identified wide disparities in cannabis arrests by race despite the fact that Americans use cannabis roughly the same across racial groups. Additionally, the equity analysis identified both barriers for entrepreneurs seeking to enter the regulated marketplace, such as access to capital and real estate, as well as strategies to overcome these barriers, including prioritized permitting for equity businesses, fee waivers, free technical and legal assistance, and reinvesting local cannabis tax revenues in a revolving loan fund for equity businesses. Subsequently, the state of California began providing financial support to local governments' cannabis equity programs through the Governor's Office of Business and Economic Development (Go-Biz). Funding from Go-Biz has allowed the City of Oakland to add grant programs, support shared-use manufacturing facilities for equity businesses, and workforce development opportunities.

Despite existing local and state efforts to support equity businesses, a large gap remains between the amount of equity and non-equity products available at dispensaries. Fortunately, pilot programs, such as black or equity owned menus at dispensaries and online cannabis delivery platforms like EAZE have demonstrated that consumers prefer supporting products made by historically marginalized communities, even if their products cost more than analogous products. Similarly, this past month the

Proposition 64 (Cohort 3) Grant Program

City of Oakland launched its first ever Equity Week to feature Oakland equity made products at local dispensaries.

Accordingly, the City of Oakland proposes building on these innovative efforts by utilizing Proposition 64 Cohort 3 funds to support events that feature equity businesses and coordinate a certification program to educate consumers on which cannabis products are equity made and equity owned. The City of Oakland will select a consultant through an RFP process to lead both efforts at the start of Fiscal Year 2023-2024. The certification program will involve coordinating with existing dispensaries on a consistent label or presentation for equity products (similar to labels on organic food or fair-trade coffee). Events featuring equity businesses will attract consumers and public attention that will resonate beyond the events themselves. The certification program and events will reference each other to reinforce messaging and build momentum.

To measure the impact of the public awareness campaign, the City of Oakland and a third-party evaluator will track baseline data around equity businesses and monitor changes over time. More specifically, the City of Oakland will evaluate the number of equity products in dispensaries and equity businesses' gross receipts, as well as sales at specific events. The gross receipts evaluation will take place on an annual basis, the events' sales analysis will take place following each event, and the monitoring of equity products in dispensaries will take place on a quarterly basis. Altogether, the City of Oakland anticipates the public awareness campaign benefitting dozens of equity businesses, from equity cultivators, manufacturers and distributors making and selling products, to retailers selling equity products at dispensaries and events.

-Project Evaluation

The City of Oakland will select a third-party evaluator through a Request for Proposal (RFP) process at the start of the Fiscal Year 2023-2024 who will lead the evaluation of the City of Oakland's Proposition 64 Cohort Three project. This will ensure a neutral third party is in place to evaluate the project and someone exclusively focused on program evaluation. The City of Oakland's Proposition 64 Cohort Three Grant Budget specifically allocates funding for the third-party evaluator so that they will have the resources to carry out their assignment.

As noted under the project description, to evaluate the effectiveness of the security measures program, the City of Oakland and its evaluator will monitor police reports of burglaries and attempted burglaries of cannabis businesses and monthly reports from grantee recipients. By comparing this crime data with 2019-2022 crime data, the City will be able to determine whether and how the BSCC Cohort 3 funded security measures deter burglaries at cannabis businesses and where and how to continue security investments.

Similarly, to measure the impact of the public awareness campaign, the City of Oakland and a third-party evaluator will track baseline data around equity businesses and monitor changes over time. Specifically, the City of Oakland will evaluate the number of equity products in dispensaries and equity businesses' gross receipts, as well as sales at specific events. The gross receipts evaluation will take place on an annual basis, the events sales analysis will take place following each event, and the monitoring of equity products in dispensaries will take place on a quarterly basis. Altogether, the City of Oakland anticipates the public awareness campaign benefitting dozens of equity businesses, from equity cultivators,

Proposition 64 (Cohort 3) Grant Program

manufacturers and distributors making and selling products, to retailers selling equity products at dispensaries and events.

The projects explicit goals and objectives are outlined below:

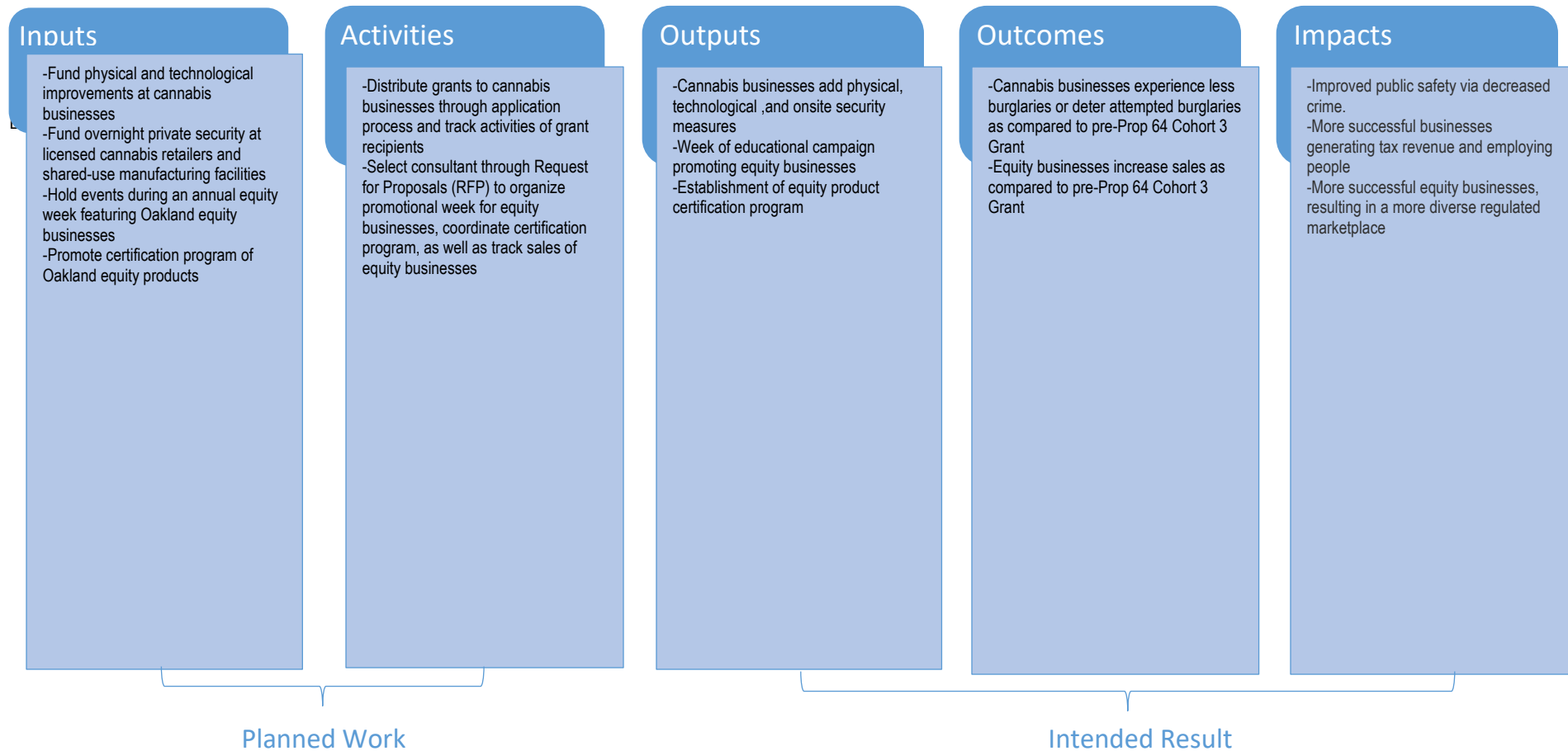
- Goal 1: Improve Safety of Oakland’s licensed cannabis businesses.
 - Objective A: Fund physical and technological improvements at cannabis business locations.
 - Objective B: Fund overnight private security at licensed cannabis retailers and shared-use manufacturing facilities.
- Goal 2: Enhance public awareness of Oakland equity businesses.
 - Objective C: Hold events during an annual equity week featuring Oakland equity businesses.
 - Objective D: Promote certification program of Oakland equity products.

Project Logic Model

Provide a logic model for your project.

The template for the logic model is provided below as an option. Use of this template is not required but may help save some time when developing the project's logic model.

Sample Logic Model:



Process Evaluation Method and Design

The City of Oakland will evaluate the Proposition 64 Cohort 3 grant with the assistance of a third-party evaluator selected through a competitive Request for Proposals (RFP) process. Together with the evaluator, the City will measure the impact of its efforts to improve the safety of Oakland cannabis businesses and improve public support of equity businesses as outlined below.

Input/Resource/Activity/Output	Data Element(s)	Data Source(s)	Frequency of Data Collection
Businesses funded for security measures	# of attempted and successful burglaries at funded businesses before and after grant program	Police records, survey responses from businesses receiving funding	annually
Events promoting equity businesses	Amount of sales for each equity business included in promotional campaign	Business Tax Data, survey responses from participating equity businesses	Annually
Equity product certification program	Gross receipts of equity businesses in Oakland	Business Tax Data, survey responses from participating equity businesses	Annually

Outcome Evaluation Method and Design

Outcome	Definition	Data Source(s)	Frequency of Data Collection
Improved safety for Oakland cannabis businesses	Cannabis businesses in receipt of security funding will experience less burglaries than pre-Proposition 64 Cohort 3 Security Grant and/or thwart attempted burglaries	Police records as well as surveys with security grant recipients	Annually around fiscal year calendar.
Increased sales for Oakland equity businesses	Equity retailers increase their annual gross receipts and equity cultivators/manufacturers/distributors either increase their annual gross receipts or add accounts with new retailers	Finance department business tax data and survey responses with equity businesses.	Annually around fiscal year calendar.