

Oakland to license, tax indoor marijuana growers

May 28 2010, By LISA LEFF and MARCUS WOHLSEN , Associated Press Writers



In this photo taken Wednesday, May 26, 2010, Richard Lee, president of Oaksterdam University, poses for a photograph at the school's gift shop in Oakland, Calif. Lee, who owns two of Oakland's four dispensaries hopes to secure one of the cultivation permits, but he thinks the city should opt for having more, smaller sites instead of a handful of large ones. "We need to legalize and tax and regulate the production side as well as the retail side," Lee said. "It's a natural step." (AP Photo/Jeff Chiu)

(AP) -- Local governments in California and other Western states have tried to clamp down on medical marijuana, but Oakland has taken a different approach.

If you can't beat 'em, tax 'em.

After becoming the first U.S. city to impose a special tax on medical marijuana dispensaries, Oakland soon could become the first to sanction and tax commercial pot growing operations. Selling and growing marijuana remain illegal under federal law.

Two City Council members are preparing legislation, expected to be introduced next month, that would allow at least three industrial-scale growing operations.

One of the authors, Councilman Larry Reid, said the proposal is more of an effort to bring in money than an endorsement of legalizing marijuana use - although the council has unanimously supported that, too.

The city is facing a \$42 million budget shortfall. The tax voters approved last summer on the four medical marijuana clubs allowed under Oakland law is expected to contribute \$1 million to its coffers in the first year, Reid said. A tax on growers' sales to the clubs could bring in substantially more, he said.

"Looking at the economic analysis, we will generate a considerable amount of additional revenues, and that will certainly help us weather the hard economic times that all urban areas are having to deal with," Reid said.

How much money is at stake isn't clear because the tax rate and the number of facilities the law would allow haven't been decided. A report prepared for AgraMed Inc., one of the companies planning to seek a grower's license, said its proposed 100,000-square-foot-project near the Oakland Coliseum would produce more than \$2 million in city taxes each year.

Given their likely locations in empty warehouses in industrial neighborhoods, the marijuana nurseries under consideration would have

more in common with factories than rural pot farms.

Dhar Mann, the founder of an Oakland hydroponics equipment store called iGrow, and Derek Peterson, a former stock broker who now sells luxury trailers outfitted for growing pot as a co-founder of GrowOp Enterprises, have hired an architect to draft plans for two warehouses where marijuana would be grown and processed year-round.

Their vision includes using lights, trays and other equipment manufactured by iGrow and creating an online system that would allow medical marijuana dispensaries to see what pot strains are in stock, place orders and track deliveries.

"We are emulating the wine industry, but instead of 'from grape to bottle,' it's 'from plant to pipe,'" Mann said.

"Or seed to sack," offered Peterson.

The pair say they intend to operate the pot-growing business they have dubbed GROPECH - Grass Roots of Oakland Philanthropic and Economic Coalition for Humanity - as a not-for-profit. They anticipate gross sales reaching \$70 million a year. After paying their expenses, they'd funnel the money to local charities and non-profits through a competitive grant process.

The discussion in Oakland comes amid a statewide campaign to make California the first state to legalize the recreational use of marijuana and to authorize cities to sell and tax sales to adults. Another Oakland pot entrepreneur, Richard Lee, is sponsoring a ballot measure voters will consider in November.

Lee, who owns two of Oakland's four dispensaries as well as Oaksterdam University, a trade school for the medical marijuana industry, hopes to

secure one of the cultivation permits, but he thinks the city should opt for having more, smaller sites instead of a handful of large ones.

"We need to legalize and tax and regulate the production side as well as the retail side," Lee said. "It's a natural step."

Other supporters say licensed growers would create hundreds of well-paying jobs. The local branch of the United Food and Commercial Workers union already has signed up about 100 medical marijuana workers, and the growers are expected to have union shops as well, said Dan Rush, special operations director of UFCW Local 5.

"I think Oakland's intention is to make Oakland the leader and the trendsetter in how this industry can be effective in all of California," Rush said.

Allowing [medical marijuana](#) to be grown openly also could give patients a better idea of where their pot is coming from. Now, many growers hide their identities to avoid federal prosecution.

Oakland has already developed a reputation as one of the nation's most pot-friendly cities. Legislation on the city's books includes a declaration of a public health emergency after federal crackdowns on marijuana clubs and a ballot measure instructing police to make marijuana their lowest enforcement priority.

Self-described "guru of ganja" Ed Rosenthal, a popular writer of pot-growing how-to books, lived in Oakland for 25 years before moving recently to a more affluent borough nearby. He credits the city's positive attitude toward [marijuana](#) to a critical mass of activists who have flocked there since the 1970s.

"The whole population of Oakland is just very progressive," Rosenthal

said. "It's the radicals who couldn't afford Berkeley or San Francisco who all moved to Oakland."

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Citation: Oakland to license, tax indoor marijuana growers (2010, May 28) retrieved 10 April 2024 from <https://medicalxpress.com/news/2010-05-oakland-tax-indoor-marijuana-growers.html>

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