



GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT  
STATE OF CALIFORNIA • OFFICE OF GOVERNOR GAVIN NEWSOM

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# **CANNABIS EQUITY GRANTS PROGRAM FOR LOCAL JURISDICTIONS ANNUAL REPORT TO LEGISLATURE**

**JULY 2021**

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## SUMMARY

The California Cannabis Equity Act of 2018 (Equity Act) established by Senate Bill 1294, (Stats. 2018, Ch. 794) requires this report to the Legislature on the progress of local equity programs that have received funding pursuant to these provisions. In accordance with the Equity Act as amended by Assembly Bill 97 (Stats. 2019, Ch. 40), the Bureau of Cannabis Control (Bureau) entered into an interagency agreement with the Governor's Office of Business and Economic Development (GO-Biz) for fiscal years 2019-2020 and 2020-2021 to administer the Cannabis Equity Grants Program for Local Jurisdictions (CEG) on its behalf. To summarize, this report addresses the \$55 million of equity grant funding awarded by the Bureau and GO-Biz for fiscal years 2018-19, 2019-2020, and 2020-2021.

In October 2019, the Bureau awarded \$10 million in equity grant funding to 10 local jurisdictions, and in April 2020, GO-Biz awarded \$30 million in equity grant funding to 16 local jurisdictions on behalf of GO-Biz and the Bureau. Of these 16 local jurisdictions awarded funding, nine local jurisdictions received grant funding for assistance to conduct a cannabis equity assessment and develop an equity program. Seven local jurisdictions received grant funding to provide assistance for cannabis equity program applicants and licensees to gain entry to, and to successfully operate in, the regulated cannabis industry.

This report summarizes the status of cannabis equity programs in each local jurisdiction that was awarded equity grant funding in April 2020 from the \$30 million appropriated to the Bureau and GO-Biz combined. This includes whether they have completed a local equity assessment, whether they have adopted equity programs, the number of equity and general applicants and licensees, how the funds were or are to be disbursed, how equity applicants and licensees are identified, the number of equity applicants and licensees that were served, and information regarding ownership percentages.

Each jurisdiction that received equity grant funding also provided aggregate demographic data on equity applicants, equity licensees, and all other applicants and licensees in the jurisdiction, including, but not limited to, race, ethnicity, gender, sexual orientation, income level, education level, prior convictions, and veteran status. This information is included in Appendix A.

Appendix B contains copies of the equity assessments submitted by the local jurisdictions awarded this equity grant funding and applicants who applied for but did not receive this grant funding.

A copy of the report can be downloaded at <http://www.business.ca.gov/about/publications> and a hard copy of the report can be obtained by emailing [ceg@gobiz.ca.gov](mailto:ceg@gobiz.ca.gov) or calling (916) 322-2683.

## INTRODUCTION

This report is submitted pursuant to the California Cannabis Equity Act of 2018 (Equity Act) established by Senate Bill 1294, (Stats. 2018, Ch. 794). The Equity Act requires this report to the Legislature on the progress of local equity programs that have received funding pursuant to these provisions. In accordance with the Equity Act as amended by Assembly Bill 97 (Stats. 2019, Ch. 40), the Bureau entered into an interagency agreement with the Governor's Office of Business and Economic Development (GO-Biz) for fiscal years 2019-2020 and 2020-2021 to administer the Cannabis Equity Grants Program for Local Jurisdictions (CEG) on its behalf. GO-Biz submits this combined report that addresses all of the equity grant funding awarded by the Bureau and GO-Biz.

To date, the state has awarded \$55 million to local jurisdictions in grant funding to support local equity programs. The Bureau was initially appropriated \$10 million in equity grant funding. In October 2019, the Bureau awarded those equity grant funds to 10 local jurisdictions. Additionally, the Bureau and GO-Biz were each appropriated \$15 million in equity grant funding in fiscal year 2019-2020. As allowed by the Equity Act, the Bureau entered into an interagency agreement with GO-Biz to administer the process for its \$15 million in grant funding. In April 2020, GO-Biz awarded \$30 million in grant funding, in partnership with the Bureau, to 16 local jurisdictions for fiscal year 2019-2020. In March 2021, GO-Biz awarded \$15 million in funding to 18 local jurisdictions for fiscal year 2020-2021. At the time this report was prepared, GO-Biz was in the state contracting process with the jurisdictions. Thus, detailed information contemplated by this report has not yet been provided by the local jurisdictions that were awarded the \$15 million in funding for fiscal year 2020-2021 and will be included in next year's report.

The Equity Act establishes a grant program for the state to provide funding to local jurisdictions to develop and operate programs that focus on the inclusion and support of individuals in California's legal cannabis marketplace who are from communities negatively or disproportionately impacted by cannabis criminalization.

Equity grant funds must be used to assist in the development of a local equity program or to assist equity applicants and licensees to gain entry into, and to successfully operate in, the state's regulated cannabis market (The California Cannabis Equity Act, BPC § 26244(b) (2018)). Types of assistance that local equity programs may provide include, but are not limited to: small business support services; assistance with securing business locations; tiered fees or fee waivers for local permits or licenses; assistance with paying state licensing and regulatory fees; assistance with regulatory compliance; and assistance with recruiting, training, and retaining a qualified and diverse workforce.

Regarding the initial \$10 million in equity grants, the Bureau of Cannabis Control's July 2020 Report to the Legislature on Local Equity Grant Funding can be downloaded at [www.bcc.ca.gov](http://www.bcc.ca.gov) and a hard copy of the report can be obtained by emailing [bcc@dca.ca.gov](mailto:bcc@dca.ca.gov) or calling (916) 465-9025.

This report outlines the allocation of the \$30 million awarded in April 2020 by GO-Biz, and contains information submitted by the jurisdictions on or before January 1, 2021, as required by statute.

The \$30 million in equity grants awarded in April 2020 was awarded in two funding types:

- Type 1 — Assistance for Cannabis Equity Assessment/Program Development
  - o Assistance to conduct a cannabis equity assessment and assistance to develop an equity program
  - o Awarded to nine local jurisdictions

- Type 2 — Assistance of Cannabis Equity Program Applicants and Licensees
  - o Assistance for cannabis equity program applicants and licensees to gain entry to, and to successfully operate in, the regulated cannabis industry
  - o Awarded to seven local jurisdictions

As of January 2021, 12 of the 16<sup>1</sup> jurisdictions awarded grant funds by GO-Biz have adopted local equity programs. These jurisdictions provided GO-Biz the number of local equity applicants and licensees in their jurisdiction. Combined, these jurisdictions have identified 983 local equity applicants, and 203 local equity licensees. This report offers specific information about each local jurisdiction that received these equity grant funds. This includes whether they have completed an equity assessment, whether they have adopted equity programs, the number of equity and general applicants and licensees, how the funds were or are to be disbursed, how equity applicants and licensees are identified, the number of equity applicants and licensees that were served, and information regarding ownership percentages.

Each jurisdiction that received equity grant funding also provided aggregate demographic data on equity applicants, equity licensees, and all other applicants and licensees in the jurisdiction, including, but not limited to, race, ethnicity, gender, sexual orientation, income level, education level, prior convictions, and veteran status (Appendix A).

Additionally, Appendix B contains copies of the equity assessments submitted by the local jurisdictions awarded this equity grant funding and applicants who applied for but did not receive this grant funding, pursuant to BPC § 26244.

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<sup>1</sup> The County of Lake adopted its local equity program January 26, 2021. The 11 other jurisdictions adopted a local equity program regulatory framework prior to the start of the 2019-2020 CEG grant term.

## LOCAL EQUITY PROGRAMS - INITIAL \$10 MILLION AWARDED OCTOBER 2019

The Equity Act initially appropriated \$10 million to the Bureau to award to cities and counties assisting equity applicants and licensees through their local equity programs. Subsequently, the Budget Act of 2019 reappropriated this initial \$10 million to the Bureau. After reviewing applicants for equity grant funding, the Bureau awarded the equity grant funding to 10 jurisdictions in the following amounts:

LOCAL JURISDICTION GRANT FUNDING AWARDED FOR CANNABIS EQUITY PROGRAMS	
City of Coachella	\$500,000.00
County of Humboldt	\$1,338,683.13
City of Long Beach	\$913,991.77
City of Los Angeles	\$1,834,156.38
City of Oakland	\$1,657,201.65
City of Palm Springs	\$100,000.00
City of Sacramento	\$1,197,119.34
City and County of San Francisco	\$1,338,683.13
City of San Jose	\$560,082.30
County of Santa Cruz	\$560,082.30

## LOCAL EQUITY PROGRAMS - \$30 MILLION AWARDED APRIL 2020

The Bureau and GO-Biz each received \$15 million in equity grant funding pursuant to the enacted state budget for fiscal year 2019-2020. As allowed by the Equity Act and subsequent legislation, the Bureau entered into an interagency agreement for GO-Biz to administer the \$15 million in equity grant funding appropriated to the Bureau.

In April 2020, GO-Biz awarded \$30 million in grant funding in partnership with the Bureau to 16 local jurisdictions. Grant funding was awarded in two types. Type 1 - Assistance for Cannabis Equity Assessment/Program Development provides assistance to conduct a cannabis equity assessment and assistance to develop an equity program. Type 2 - Assistance for Cannabis Equity Program Applicants and Licensees provides assistance for cannabis equity program applicants and licensees to gain entry to, and to successfully operate in, the regulated cannabis industry.

Nine local jurisdictions were awarded Type 1 equity grant funding in the following amounts:

LOCAL JURISDICTION GRANT FUNDING AWARDED FOR TYPE 1- CANNABIS EQUITY ASSESSMENT/PROGRAM DEVELOPMENT	
City of Clearlake	\$98,890.43
City of Coachella	\$93,783.26
County of Lake	\$150,000.00
County of Monterey	\$150,000.00
County of Nevada	\$149,999.95
City of Palm Springs	\$149,397.90
City of San Jose	\$149,300.37
City of Santa Cruz	\$147,666.75
City of Stockton	\$60,000.00

Seven local jurisdictions were awarded Type 2 equity grant funding in the following amounts:

LOCAL JURISDICTION GRANT FUNDING AWARDED FOR TYPE 2- ASSISTANCE FOR CANNABIS EQUITY APPLICANTS/LICENSEES	
County of Humboldt	\$2,459,581.02
City of Los Angeles	\$6,042,014.23
City of Long Beach	\$2,700,000.00
County of Mendocino	\$2,245,704.40
City of Oakland	\$6,576,705.76
City of Sacramento	\$3,831,955.93
City and County of San Francisco	\$4,995,000.00

The following is specific information regarding each local jurisdiction that received equity grant funding. This includes whether they have adopted equity programs, the number of equity and general applicants and licensees, how the funds were or are to be disbursed, how equity applicants and licensees are identified, the number of equity applicants and licensees that were served, and information regarding ownership percentages, if this information has been provided by the local jurisdiction. Additionally, in Appendix A, GO-Biz provides demographic tables for the jurisdictions that provided demographic data in response to GO-Biz’s request.

## RECIPIENTS OF CANNABIS EQUITY GRANT (CEG) TYPE 1 – ASSISTANCE FOR CANNABIS EQUITY ASSESSMENT/PROGRAM DEVELOPMENT

### CITY OF CLEARLAKE

#### *Summary and Description of Local Equity Program*

The City of Clearlake was awarded a CEG grant of \$98,890.43 to conduct a cannabis equity assessment and develop a local equity program. The City contracted with The California Center for Rural Policy at Humboldt State University to conduct the equity assessment. As of December 2020, work on the equity assessment is in progress with a projected completion date of mid-to late 2021.

As of December 2020, the jurisdiction had 8 non-equity applicants, 20 non-equity licensees, 0 equity applicants, and 0 equity licensees.

As of December 2020, the jurisdiction has disbursed \$20,000.00 to contract with a consulting group to assist with the creation and design of their local equity program.

### CITY OF COACHELLA

#### *Summary and Description of Local Equity Program*

The City of Coachella was awarded a CEG grant of \$93,783.26 to conduct a cannabis equity assessment and develop its local equity program. The City of Coachella intends to use its cannabis equity assessment to inform the revision and augmentation of its existing local equity program which was initially adopted in March of 2019.

As of December 2020, the local equity program and equity assessment are in development. The City has already utilized Census data and arrest data to highlight which populations in Coachella have experienced disproportionate levels of cannabis arrests. From there, the assessment will define the size and scope of low-income communities in Coachella and geospatially cross-reference cannabis arrests



with low-income census tracts. The overlap will provide some insight into the correlation between cannabis law enforcement and income status, highlighting which demographics have likely been economically disadvantaged by cannabis law enforcement. Finally, the analysis will look into the demographics of the existing legal cannabis industry, from a national perspective and a local one, exhibiting which populations have begun to economically benefit from gradual cannabis decriminalization.

The City's eligibility criteria for the local equity program are subject to modification once the equity assessment is completed. As of December 2020, the City's current eligibility criteria has four classifications by which individuals may qualify for the local equity program:

- Classification 1: 5 years accumulated residency in the City of Coachella; and has a cannabis-related arrest or conviction in California before November 8, 2016; or Immediate family member has a cannabis-related conviction or arrest (father, mother, brother, sister).
- Classification 2: 5 years accumulated residency in the City of Coachella; and low-income individual earning within 80% of the Area Median Income (AMI).
- Classification 3: Business with no less than 51% ownership of an individual fitting classification 1 or 2.
- Classification 4: Cannabis incubator or social enterprise with no less than 51% ownership.

As of December 2020, the jurisdiction had 7 non-equity applicants, 27 non-equity licensees, 3 equity applicants, and 0 equity licensees.

As of December 2020, the jurisdiction has disbursed \$14,500.00 in CEG grant funds. Expenditures included program development costs such as personnel time, website development, and community outreach.

## COUNTY OF LAKE

### *Summary and Description of Local Equity Program*

The County of Lake was awarded a CEG grant of \$150,000.00 to conduct an equity assessment and develop an equity program. The County contracted with the California Center for Rural Policy (CCRP) at Humboldt State University to conduct the equity assessment. The equity assessment was finalized and approved by the Board of Supervisors in December 2020. The preliminary findings of the equity assessment indicate that the jurisdiction's equity program should serve impacted communities and populations which include those that have one of the following: conviction history associated with cannabis-related offenses; an immediate family member with a conviction history associated with cannabis-related offenses; low-income status; residency consideration; ownership consideration; experience with small scale eradication.

With its equity assessment completed, Lake County adopted its local equity program on January 26, 2021, and is proceeding with program development and implementation.

As of December 2020, the jurisdiction had 160 non-equity applicants, 58 non-equity licensees, 0 equity applicants, and 0 equity licensees.

As of December 2020, the jurisdiction has disbursed \$4,601.79 in CEG grant funds. Expenditures included county staff time spent on the equity assessment and equity program development. The

majority of the CEG grant funds are allocated to the equity assessment and will be disbursed in early 2021 upon the County's receipt of an invoice for the cannabis equity assessment and program development work performed by CCRP.

#### COUNTY OF MONTEREY

##### *Summary and Description of Local Equity Program*

The County of Monterey was awarded a CEG grant of \$150,000.00 to conduct a cannabis equity assessment and develop a local equity program. The County of Monterey contracted with California State University, Monterey Bay to conduct the equity assessment. As of December 2020, the equity assessment is in the early stages of development. The final report is projected to be completed and presented to the Monterey County Board of Supervisors on or before July 2021.

As of December 2020, the jurisdiction had 104 non-equity applicants, 14 non-equity licensees, 0 equity applicants, and 0 equity licensees.

As of December 2020, the jurisdiction has disbursed \$28,070.98 in CEG grant funds. \$27,337.87 has been applied to the agreement with California State University Monterey Bay to conduct the equity assessment, with \$733.11 applied to personnel for program development.

#### COUNTY OF NEVADA

##### *Summary and Description of Local Equity Program*

The County of Nevada was awarded a CEG grant of \$149,999.95 to conduct a cannabis equity assessment and develop a local equity program. The County of Nevada contracted with the California Center for Rural Policy (CCRP) at Humboldt State University to conduct the equity assessment. As of December 2020, the development of the equity assessment is underway with projected completion in early 2021.

As of December 2020, the jurisdiction had 63 non-equity applicants, 76 non-equity licensees, 0 equity applicants, and 0 equity licensees.

As of December 2020, the jurisdiction has not yet disbursed any CEG grant funds.

#### CITY OF PALM SPRINGS

##### *Summary and Description of Local Equity Program*

The City of Palm Springs was awarded a CEG grant of \$149,397.90 to conduct a cannabis equity assessment and further develop its local equity program.

The City of Palm Springs adopted a Cannabis Social Equity two-year pilot program on March 20, 2019. The program provides equity applicants with local cannabis permit fee waivers and educational assistance regarding the local permitting process. The social equity assessment will inform the potential revision of the local equity program.

To qualify as an individual equity applicant or licensee under the City's program, individuals must meet one of the following classifications:

1. Classification 1: A current or former resident of the City of Palm Springs or Riverside County who previously resided or currently resides in a low-income household and either:

- a. Has been arrested or convicted for a cannabis-related crime in Riverside County between the years 1980-2011; or
- b. Has an immediate family member that meets the criteria of subsection (a) of Classification 1 or meets the criteria of Classification 2.

2. Classification 2: A current or former resident of Riverside County who has lived in a low-income household for at least five years, between the years of 1980- 2011 in the following ZIP Codes: 92262, 92263, 92264.

As of December 2020, the jurisdiction reported 0 non-equity applicants, 129 non-equity licensees, 8 equity applicants, and 1 equity licensee. The jurisdiction reported its equity licensee is a 100% equity-owned corporation.

As of December 2020, the jurisdiction has disbursed \$10,226.45 in CEG grant funds. \$5,678.80 has been applied to equity assessment costs, primarily for personnel, contracting, and procurement costs. \$4,547.65 has been applied to program development costs, primarily for personnel.

## CITY OF SAN JOSE

### *Summary and Description of Local Equity Program*

The City of San Jose was awarded a CEG grant of \$149,300.37 to conduct a cannabis equity assessment and further develop its local equity program.

The City of San Jose adopted a social equity program in March of 2019. Under the San Jose Municipal Code, a cannabis equity employee or equity business owner (“equity applicant”) is defined as an individual who has an annual family income at or below 80 percent of the Area Median Income (AMI) for Santa Clara County and meets one of the following criteria:

- a) Has lived in San Jose for at least four years in a census tract where at least 51 percent of current residents have a household income at or below 80 percent of the AMI for Santa Clara County; or
- b) Has attended a San Jose public school (or schools) for at least four years located in a census tract where at least 51 percent of current residents have a household income at or below 80 percent of the AMI for Santa Clara County; or
- c) Was arrested or convicted for a crime relating to the sale, possession, use, or cultivation of cannabis (excluding those offenses which would be disqualifying for cannabis licensure under State law); or
- d) Had a parent, guardian, child, or sibling convicted of a crime relating to the sale, possession, use, or cultivation of cannabis in the City of San Jose (excluding those offenses which would be disqualifying for cannabis licensure under State law).

Also, an equity business owner holds a minimum of 51 percent ownership of the entity applying for Registration as a cannabis business in San Jose. The City’s equity assessment will confirm whether these criteria are appropriate or should be recommended to City Council for amendment.

As of December 2020, the City reports that work on the equity assessment is in progress. The City reports 0 equity applicants, 0 equity licensees, 0 non-equity applicants, and 16 non-equity licensees that predate the existence of the equity program.

As of December 2020, the City has disbursed \$246.96 in CEG grant funds for personnel costs. The City reports that progress on equity assessment work and CEG grant spending has been impacted by the COVID-19 pandemic.

#### CITY OF SANTA CRUZ

##### *Summary and Description of Local Equity Program*

The City of Santa Cruz was awarded a CEG grant of \$147,666.75 to conduct a cannabis equity assessment and develop a local equity program. The City expects to conduct the Equity Assessment from January to August 2021.

As of December 2020, the jurisdiction had 0 non-equity applicants, 13 non-equity licensees, 0 equity applicants, and 0 equity licensees.

As of December 2020, the jurisdiction has disbursed \$534.31 in CEG grant funds on staff time for preliminary planning of the equity assessment.

#### CITY OF STOCKTON

##### *Summary and Description of Local Equity Program*

The City of Stockton was awarded a CEG grant of \$60,000.00 to conduct a cannabis equity assessment.

The City's current cannabis regulatory business program was adopted on July 18, 2018. This included an equity program to address business owner inequity and workforce diversity. The City applied for a Type 1 CEG grant with the intention to assess the effectiveness of the current program and to determine gaps and possible improvements.

As of December 2020, the jurisdiction has identified a consultant to conduct the equity assessment after issuing a Request for Proposals (RFP). The City is currently in contract negotiations with the selected consultant and anticipates that the work will begin, and the development of equity applicant criteria will be initiated, by the end of January 2021.

As of December 2020, the jurisdiction had 10 non-equity applicants, 7 non-equity licensees, 4 equity applicants, and 0 equity licensees.

As of December 2020, the jurisdiction has not yet disbursed any CEG grant funds.

## RECIPIENTS OF CANNABIS EQUITY GRANT (CEG) TYPE 2 – ASSISTANCE FOR CANNABIS EQUITY PROGRAM APPLICANTS AND LICENSEES

### COUNTY OF HUMBOLDT

The County of Humboldt was awarded a CEG grant of \$2,459,581.02 to provide assistance for the jurisdiction's equity applicants and licensees.

#### *How Jurisdiction Identified Local Equity Applicants and Local Equity Licensees*

The County of Humboldt adopted its local equity program in March of 2019. The County identified impacted communities and populations by conducting a local equity assessment. To develop the local equity assessment, the jurisdiction consulted extensively with primary sources including the Humboldt County Growers Association, a trade group that represents many prospective equity applicants, and other local experts. The jurisdiction also consulted secondary sources including Campaign Against Marijuana Planting (CAMP) reports, peer-reviewed journal articles, media articles, print media interviews, transcripts of radio interviews, documentaries, the Humboldt Area People's Archive (HAPA), and books about the subject. These sources have been supplemented by publicly available data on arrests, poverty rates within the county, public health impacts, and educational outcomes for the county.

#### *Equity Program Eligibility*

The County of Humboldt is currently in the final stages of refining and revising its local equity program manual. Currently, local equity applicants must meet the following eligibility criteria in order to qualify for the local equity program.

The initial tier of eligibility verifies applicants meet the following 2 criteria:

- A. The applicant must have an income level at or below low, extremely low, or very low-income based on the Department of Housing and Urban Development (HUD) Income Limits (IL) for Humboldt County.
- B. The applicant must be an individual who is a Humboldt County resident and/or is looking to own or work for a cannabis business in Humboldt County.

The primary tier of eligibility requires that applicants meet at least one of the following criteria:

- a. An individual that has obtained or applied for a cannabis cultivation, distribution, manufacturing, retail, or other cannabis-related permit (either interim or permanent), and the permit is for a business located in a community defined by Humboldt County as having a poverty rate of 17% or above.
- b. Any individual who has obtained or applied for a cannabis permit in Humboldt County, or who has worked in or currently works in the cannabis and was arrested and/or convicted of a non-violent cannabis-related offense, or was subject to asset forfeiture arising from a cannabis-related event;
- c. Is a person who experienced sexual assault, exploitation, domestic violence, and/or human trafficking as a result of participating in the cannabis industry.
- d. Have become homeless or suffered a loss of housing as a result of marijuana enforcement.

For those who do not meet the qualifications set forth above in the primary eligibility section, individuals can become eligible for the Humboldt County local equity program if they meet three (3) of the following conditions:

1. Be one of the following:

- i. An individual permitted for, seeking a permit for, or employment (by obtaining a skillset or taking a course, in order to be hireable in the cannabis industry) in, a Humboldt County cannabis business;
- ii. A board member of a non-profit cannabis business which is located, or where 75% or more of operations occur, in Humboldt County;
- iii. Have a membership interest in an incorporated cooperative, such as Cannabis Cooperative Association per B&P Code section 26220 - 26231.2. which is located, or where 75% or more of operations occur, in Humboldt County.

2. Is an individual seeking entry into the legal cannabis industry and has resided in Humboldt County for at least five years during the period 1971 –2016;

3. Is an individual seeking support or services to aid in the entry into the cannabis industry in Humboldt County and lived within a 5-mile radius of the location of a cannabis raid which used State or Federal resources such as, but not limited to, the Campaign Against Marijuana Planting (CAMP) program;

4. Is an individual seeking support or services to aid in the entry into the cannabis industry with a household income below the very low-income level;

5. Is an individual seeking support or services to aid in the entry into the cannabis industry in Humboldt County, with a parent, sibling, or child, who was arrested for or convicted of the sale, possession, use, manufacture, or cultivation of cannabis (including as a juvenile);

6. Is an individual seeking support or services to aid in the entry into the cannabis industry and can reasonably demonstrate that, on the basis of equity, the applicant was adversely impacted as a result of the criminalization of cannabis (i.e. the War on Drugs)

#### *Summary and Description of Local Equity Program*

Humboldt County created Project Trellis to bolster the cannabis industry and protect future cannabis excise tax revenues by providing services to populations and communities in Humboldt who were adversely affected by the criminalization of cannabis; to develop a framework for supportive programs designed to sustain and grow Humboldt’s cannabis industry; and to assist cannabis businesses as they work to overcome the financial and logistical challenges of coming into compliance. Project Trellis has three components: a micro-grant program, a marketing and promotion program, and the local equity program.

The purpose of the local equity program is to serve those communities and individuals impacted by the War on Drugs. The County of Humboldt’s local equity program will provide:

- Small business support services including technical assistance or professional and mentorship services;
- Tiered fees or fee waivers for cannabis-related permits and licenses;
- Assistance in paying state regulatory and licensing fees;

- Assistance securing business locations prior to or during the application process; Assistance securing capital investments or direct access to capital;
- Assistance with regulatory compliance;
- Assistance in recruitment, training, and retention of a qualified and diverse workforce, including transitional workers; and
- Low-interest or no-interest loans or grants to local equity applicants or local equity licensees to assist with startup and ongoing costs.

#### *Applicants and Licensees*

As of December 2020, the jurisdiction had 11 non-equity applicants, 116 non-equity licensees, 0 equity applicants, and 0 equity licensees.

#### *Use of CEG Grant Funds*

As of December 2020, the jurisdiction has disbursed \$26,742.26 in CEG grant funds. Expenditures included administrative costs such as personnel, overhead, and costs of subcontractor California Center for Rural Policy at Humboldt State University.

## CITY OF LOS ANGELES

The City of Los Angeles was awarded a CEG grant of \$6,042,014.23 to provide assistance for the jurisdiction's equity applicants and licensees.

### *How Jurisdiction Identified Local Equity Applicants and Local Equity Licensees*

The City of Los Angeles adopted its local equity program in December of 2017. To inform the establishment of the Social Equity Program (SEP), the City conducted an equity analysis which provided a comprehensive view of the geographic distribution of arrests and low-income households across the City by Police Reporting District (PRD). The City defined Disproportionately Impacted Areas as the 19 ZIP Codes where there was a presence of at least one PRD with cannabis-related arrests greater than 1.5 standard deviations above the Citywide mean, and populations with 60 percent or greater low-income households within the boundary of the ZIP Code. Based on this analysis, the City established SEP eligibility criteria generally related to an individual's prior California Cannabis Arrest(s) and/or Conviction(s), income, and residency in a Disproportionately Impacted Area.

After receiving comprehensive feedback from social equity stakeholders and instruction from the City Council, the Department conducted an expanded equity analysis that was submitted to the City Council in July 2020. Based on the expanded analysis, the City redefined "Disproportionately Impacted Areas" to be based on 151 Police Reporting Districts, and revised the definition of a Social Equity Individual Applicant as described below.

### *Equity Program Eligibility*

The original SEP criteria allowed an applicant to qualify for the Social Equity Program by meeting any of the following criteria which was subdivided into Tiers:

Tier 1: Equity applicants must own at least 51% of the business applying for the license; be low income, and either; Have a qualifying California cannabis arrest or conviction; or Have 5 years of residency in a Disproportionately Impacted Area as identified in the Equity Analysis.

Tier 2: Equity applicants must own at least 33 1/3% of the business applying for the license and either; Be low income and have 5 years of residency in a Disproportionately Impacted Area as identified in the Equity Analysis; or Have 10 years of residency in a Disproportionately Impacted Area as identified in the Equity Analysis.

Tier 3: Prior to the issuance of a License, a Tier 3 Applicant shall enter into a Social Equity Agreement with the City to provide to a Social Equity Individual Applicant for a period of three years: (1) Ancillary Business Costs; (2) Property; and (3) Education and Training. Tier 3 Applicants shall provide security, management, equipment, and other ancillary business costs to a Social Equity Individual Applicant.

The City of Los Angeles opened a verification window from May to July in 2019 for individuals to apply to become verified participants in the Social Equity Program based on the original SEP criteria. Over 1,600 individuals were verified as either Tier 1 or Tier 2 Social Equity Applicants based on this eligibility criteria; hundreds of other applicants were categorized as Tier 3 applicants based on their application status. The Department of Cannabis Regulation in Los Angeles (DCR) is no longer authorized to accept new applications from individuals to be verified under the original SEP criteria.



In July 2020, the City Council adopted revisions to the Social Equity Program including revisions to the eligibility criteria, henceforth referred to as “Expanded SEP Criteria.”

Under the expanded SEP criteria, Tier 3 applicants are no longer defined as Social Equity Applicants but maintain their obligations and requirements. “Social Equity Individual Applicant” means an individual who meets two of the following three criteria: (1) Low-Income; (2) a prior California Cannabis Arrest or Conviction; (3) ten years’ cumulative residency in a Disproportionately Impacted Area. For the specific purposes of participating in Phase 3 Retail Round 2, “Social Equity Individual Applicant” means an individual with a prior California Cannabis Arrest or Conviction and who also meets one of the following two criteria: (1) Low-Income; or (2) ten years’ cumulative residency in a Disproportionately Impacted Area.

As amended under the expanded SEP criteria, “Low-Income” means both of the following definitions are met: (1) the Social Equity Individual Applicant meets the low-income thresholds established in the annual U.S. Department of Housing and Urban Development (HUD) income limits based upon the Area Median Income (AMI) for Los Angeles County, based on household size; and (2) the Social Equity Individual Applicant does not have net assets in excess of four times the low-income threshold based on household size.

#### *Summary and Description of Local Equity Program*

The Social Equity Program provides verified Social Equity Applicants access to the following programming elements and related services:

**Priority Application Processing:** Social Equity Applicants receive certain benefits related to application processing. The Los Angeles Municipal Code Section 104.20(c)(4)(i) and Section 104.06.1 requires DCR to provide Social Equity Applicants the following benefits when certain requirements are met: Priority License Application Processing and Priority License Renewal Processing; Exclusive access to Retail and Delivery License Application Processing until January 1, 2025.

**Business Licensing and Compliance Assistance:** Through programming, curriculum development, and training in the areas of state and local licensing requirements, commercial cannabis regulations, general business development, cannabis-specific business development, workforce development, and Cannabis Technology Business Development Services Education, DCR seeks to assist Social Equity Applicants. Due to the current COVID-19 crisis, all Business, Licensing, and Compliance Assistance programming will be provided online.

**Financial Grant Program (FGP):** The Los Angeles Municipal Code Section 104.20.4 (iv) establishes a Financial Grant Program to be made available to qualified Social Equity Applicants. DCR is currently working to establish requirements to participate in the Program which will be published in the Rules and Regulations. DCR has an executed contract with a qualified consultant to administer the FGP. DCR anticipates that services will be made available through the Financial Grant Program in Quarter 1 of 2021.

**Fee Deferral Program:** The Los Angeles Municipal Code Section 104.20.4(ii) establishes a Fee Deferral Program to be made available to Social Equity Applicants. To date, DCR has made \$250,000 available to verified Social Equity Applicants through the Fee Deferral Program. Additional Fee Deferrals may be made available as resources allow.

Workforce Development and Job Placement Services: Through workforce development and related services DCR seeks to provide training in employee recruitment, retention and workforce outreach, and reporting requirements training.

Pro Bono Legal Services: The Los Angeles County Bar Association's Cannabis Section, in partnership with DCR, has created a Pro Bono Legal Assistance program which will operate through the Bar Association's Smart Law Referral Service for Social Equity Applicants. The goals of this referral resource are to promote fair and equitable participation in the licensed commercial cannabis industry and to foster a level playing field as it relates to access to legal counsel, and help deter predatory practices targeting the social equity community. This referral service is currently available ONLY to Social Equity Applicants who applied in Phase 3 Retail Round 1 and were determined eligible for further processing under Los Angeles Municipal Code Section 104.06.1(b). Depending on demand and availability, these services may be expanded to other applicants in the future.

#### *Applicants and Licensees*

As of December 2020, the jurisdiction had 334 non-equity applicants, 819 non-equity licensees, 499 equity applicants, and 143 equity licensees (temporary approval licenses issued).

#### *Use of CEG Grant Funds*

As of December 2020, the jurisdiction has disbursed \$50,960.00 in CEG grant funds. Disbursements included administrative costs such as personnel and the Financial Grant Program Administrator subcontractor.

## CITY OF LONG BEACH

The City of Long Beach was awarded a CEG grant of \$2,700,000.00 to provide assistance for the jurisdiction's equity applicants and licensees.

### *How Jurisdiction Identified Local Equity Applicants and Local Equity Licensees*

The City of Long Beach adopted its local equity program in July of 2018. In order to identify the impacted communities and populations to be served by its local equity program, The City of Long Beach prepared a social equity study to identify low- and moderate-income communities in Long Beach. The source of data used for this study was FY17 Low to Moderate Income Summary Data (LMISD), based on the 2006-2010 American Community Survey (ACS). This data was then compared to historical cannabis arrest data in Long Beach, to ensure consistency.

Low- and moderate-income areas were defined as eligible Long Beach census tracts where at least 51 percent of current residents have a household income at or below 80 percent of the Los Angeles County AMI. This methodology was selected in part due to its consistency with other economic opportunity programs managed by the City of Long Beach, including the Community Development Block Grant (CDBG) and Neighborhood Improvement Strategy (NIS) areas. One difference in methodology from the CDBG and NIS programs was defining low- and moderate-income areas at the census tract level, as opposed to the block group level. Block groups are statistical divisions of census tracts, and when comparing block group data that was included or excluded at the census tract level, block groups included at the census tract level had collectively higher minority demographics and unemployment rates when compared to block groups excluded. This data allowed the City to define its eligibility criteria at the level that would ensure that program benefits were targeted towards communities most impacted by the prior enforcement of cannabis laws.

### *Equity Program Eligibility*

The City of Long Beach Equity Program established eligibility criteria to target program benefits towards low- and moderate-income communities and populations that have been negatively or disproportionately impacted by cannabis criminalization.

As part of the eligibility criteria, the City established family income and net worth limits to ensure that program benefits were only going to those individuals with the greatest need for assistance. Individuals must also have either had a prior cannabis arrest or conviction, lived in a low- and moderate-income area of Long Beach for a minimum of three years, or be currently receiving unemployment benefits. Eligibility criteria based on a prior cannabis arrest or conviction was intended to target program benefits to individuals who have been directly impacted by the enforcement of cannabis laws that have since been decriminalized at the State and local level. Eligibility criteria based on living in a low- and moderate-income area of Long Beach was intended to target program benefits to individuals who have lived in higher poverty neighborhoods and may have been indirectly impacted by the prior enforcement of cannabis laws.

The City also established a minimum equity ownership percentage to apply for an adult-use cannabis business license as an Equity Owned Business. To qualify as an Equity Owned Business, Equity Applicants must have 51% or more ownership of the business entity applying for a license. The minimum equity ownership percentage was established to ensure that Equity Applicants maintained a controlling interest in their business.

### *Summary and Description of Local Equity Program*

The City of Long Beach local equity program includes three program components: Equity Business Ownership, Equity Hire, and Community Reinvestment.

The Equity Business Ownership program provides Equity Owned Businesses with benefits and assistance throughout the cannabis business license application and permitting process, including access to application workshops, fee waivers, expedited application review, cultivation tax deferrals, and business incubation support. Furthermore, through the availability of grant funds awarded to the City of Long Beach by the State of California, the Bureau, and GO-Biz, the City was able to expand the fee waiver program to cover all City-related costs, provide direct grants to Equity Owned Businesses for completion of one or more grant milestones of the City's licensing process and provide access to business consulting services through the development of a Direct Technical Assistance Program. To qualify as an Equity Owned Business, Equity Applicant(s) must have 51 percent or greater ownership in the business applying for a license.

The Equity Hire Program provides local equity applicants with opportunities to obtain employment at local cannabis businesses through the establishment of a 40% Equity Hire requirement. To satisfy this requirement, all businesses who do not qualify as Equity Owned Businesses must make a good faith effort to hire Equity Applicants for a minimum of 40% of total annual hours performed at the business.

The Community Reinvestment program requires all businesses who do not qualify as Equity Owned Business to submit a plan describing how they intend to support adjacent neighborhoods and communities located within low- and moderate-income areas of Long Beach.

### *Applicants and Licensees*

As of December 2020, the jurisdiction had 80 local equity applicants and 1 equity licensee. The jurisdiction reported 277 non-equity applicants and 194 non-equity licensees. The jurisdiction identified 3 unique equity-owned businesses; one equity licensee owns 100% of their limited liability company; two equity applicants own 100% of their respective businesses, both limited liability companies.

### *Use of CEG Grant Funds*

As of December 2020, the jurisdiction has disbursed \$265,000 in CEG grant funds. All funds disbursed were in the form of grants provided to local equity applicants and licensees. Approximately \$136,000 of grant funds disbursed to equity applicants and licensees were expended on rent and lease payments; approximately \$84,000 were expended on fixtures, equipment, and capital improvements; approximately \$63,000 were expended on legal assistance; and approximately \$127,000 were expended across five other categories that equity applicants and licensees incurred costs, including paying local and state regulatory fees, regulatory compliance costs, purchasing furniture, and other miscellaneous costs such as hiring consultants, purchasing inventory and paying utility and internet costs.

## COUNTY OF MENDOCINO

The County of Mendocino was awarded a CEG grant of \$2,245,704.40 to provide assistance for the jurisdiction's equity applicants and licensees.

### *How Jurisdiction Identified Local Equity Applicants and Local Equity Licensees*

The County of Mendocino adopted its local equity program on February 25, 2020. In order to identify the impacted communities and populations to be served by its local equity program, the Mendocino County Board of Supervisors asked The California Center for Rural Policy (CCRP) at Humboldt State University to create a Mendocino County Cannabis Equity Assessment to provide a data-informed look at the history of impacts the illegalization of cannabis had on the community; provide policy recommendations to guide the county as it develops its Local Equity Plan and program activities which will help former disenfranchised community members successfully enter the legal cannabis workforce, and make recommendations for future research that will help assure that there is equity and diversity in the emerging cannabis industry. In order to accomplish this, CCRP reached out to the Humboldt Institute for Interdisciplinary Marijuana Research (HIIRM) at Humboldt State University to help create the Cannabis Equity Assessment. The creation of the local equity program was based on the findings of the assessment specifically to focus on the individuals and communities that were negatively or disproportionately impacted by cannabis criminalization.

### *Equity Program Eligibility*

In October of 2020, the Mendocino County Board of Supervisors adopted a revised manual that has updated the qualification criteria for "equity eligible" applicants or licensees.

In order to qualify for the local equity program, a local equity applicant must:

- Be eligible for a cannabis-related application, permit, and/or license to operate a cannabis business in unincorporated Mendocino County, whose activities are specific to cultivation, nurseries, processing, manufacturing, laboratory analysis, distribution, or retail of cannabis;
- Have a household income defined as "very low income" or "extremely low income" for Mendocino County in the 2020 State Income Limits produced by the California Department of Housing and Community Development; and
- Meet one of the following qualifications to become eligible for consideration for funding in all service categories offered:
  - a) Have lived within a 5-mile radius of the location of raids conducted by the Campaign Against Marijuana Planting (CAMP) program;
  - b) Have a parent, sibling, or child who was arrested for or convicted of the sale, possession, use, manufacture, or cultivation of cannabis (including as a juvenile);
  - c) Any individual who has obtained or applied for a cannabis permit in Mendocino County, or who has worked in or currently works in the cannabis industry, and was arrested and/or convicted of a non-violent cannabis-related offense, or was subject to asset forfeiture arising from a cannabis-related event;
  - d) Are a person who experienced sexual assault, exploitation, domestic violence, and/or human trafficking while participating in the cannabis industry;
  - e) Have become homeless or suffered a loss of housing as a result of cannabis enforcement.

Mendocino County's local equity program requires each person to submit an eligibility application. The person who wishes to be in the equity program as an applicant/licensee must demonstrate they meet the above criteria for eligibility including that they are eligible for a cannabis-related permit/license in unincorporated Mendocino County. The eligibility applicant must demonstrate they meet the low-income requirement by providing an income statement and verification of income, such as IRS tax return, and evidence that they qualify for (a.-e.) which may include arrest records, forfeiture receipts, evidence they lived within a CAMP raid, etc.

#### *Summary and Description of Local Equity Program*

The Mendocino County local equity program provides:

- Grant Paid Fees (Fee Waivers) for County related permits or license fees;
- Direct Technical Assistance for Business Development and Cannabis Cooperative Education;
- Direct Grants for the purposes of skill training and assuring compliance with regulatory requirements of local or state permits/licenses that mitigate the adverse environmental effect of cannabis cultivation. This includes categories such as regulatory compliance, capital improvement, and/or fixtures or equipment.

#### *Applicants and Licensees*

As of December 2020, the jurisdiction had not yet launched its equity program application and reported 0 equity applicants and 0 equity licensees. The County of Mendocino reports that it has 1035 non-equity applicants and 539 non-equity licensees.

#### *Use of CEG Grant Funds*

As of December 2020, the jurisdiction has not yet disbursed any CEG grant funds.

## CITY OF OAKLAND

The City of Oakland was awarded a CEG grant of \$6,576,705.76 to provide assistance for the jurisdiction's equity applicants and licensees.

### *How Jurisdiction Identified Local Equity Applicants and Local Equity Licensees*

The City of Oakland adopted its local equity program in March of 2017. In order to identify the impacted communities and populations to be served by its local equity program, the City of Oakland in November 2016 directed staff to conduct a racial impact analysis of proposed cannabis regulations. The City of Oakland's Department of Race and Equity then partnered with the Special Activity Permits Division in the City Administrator's Office on the analysis. After articulating an overarching goal, staff gathered data on Oakland's demographics, cannabis arrests, poverty, and unemployment, which revealed stark disparities between Black and White residents in Oakland. After interviewing stakeholders from marginalized populations, staff outlined both the obstacles to achieving the racial equity goal and strategies to overcome those obstacles. Staff then codified these strategies in legislation and presented both the analysis and legislation to the City Council in the spring of 2017.

### *Summary and Description of Local Equity Program*

The City of Oakland's local equity program provides/includes: permitting priority (at least half of all local authorizations and permits must go to equity applicants and general applicants that incubate by providing three years of free space and security receive permitting priority), fee exemptions for equity applicants, free technical and legal assistance, no-interest loans and grants for any eligible expense, two subsidized shared-use manufacturing facilities (launched in October 2020), workforce development grant program (launched in November 2020), and the forgivable loan property purchase program (launched in December 2020).

### *Equity Program Eligibility*

The City of Oakland's Equity Program prioritizes Oakland residents with a cannabis conviction and residents who have lived in police beats with the highest levels of cannabis enforcement. These areas of Oakland have the highest percentage of Black and Latinx residents.

In order to qualify for the local equity program, a local equity applicant must be an applicant whose ownership/owner:

1. Is an Oakland resident;
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 for at least ten (10) of the last twenty (20) years, or (ii) was arrested after November 5, 1996, and convicted of a cannabis crime committed in Oakland, California.

### *Applicants and Licensees*

As of December 2020, the jurisdiction had 649 non-equity applicants, 127 non-equity licensees, 15 local equity applicants, and 30 local equity licensees. Business ownership for equity licensees in the City of Oakland includes 30 applicants and licensees who hold 50% of ownership or greater in an equity

business. This number includes 13 partnerships at 50%, 3 Limited Liability Company's (LLC) at 50%, another LLC at 100%, 12 Sole Proprietorships at 100%, and 2 Corporations at 100%.

*Use of CEG Grant Funds*

As of December 2020, the City of Oakland has spent \$290,037.51. The jurisdiction has focused on launching several new programs to support its equity program and has prioritized dispersal of grant funds received from the Bureau, as they were received before the CEG grant. Specifically, the City of Oakland launched a grant program for operators, two shared-use manufacturing facilities, a workforce grant program, and a property purchase program. CEG funding to date has concentrated on supporting the consultants administering the technical assistance, legal assistance, and loan and grant programs as well as City staff administering the equity program's various elements.



## CITY OF SACRAMENTO

The City of Sacramento was awarded a CEG grant of \$3,831,955.93, to provide assistance for the jurisdiction's equity applicants and licensees.

### *How Jurisdiction Identified Local Equity Applicants and Local Equity Licensees*

The City of Sacramento adopted its local equity program, the Cannabis Opportunity Reinvestment Equity (CORE) program, in August 2018. In order to identify the impacted communities and populations to be served by its local equity program, the City of Sacramento sought to determine who was impacted by the War on Drugs within its jurisdiction prior to Proposition 64's adoption in November of 2016. The City conducted an equity study that looked at cannabis-related arrests within the City of Sacramento; specifically, the race and gender of those arrested for cannabis-related crimes, and where those arrests occurred. The data was then compared to the overall population demographics of Sacramento to determine if any races/ethnicities, genders, or areas of the City were disproportionately impacted by cannabis-related arrests. If no disproportionate enforcement of cannabis-related violations had occurred, then it would be expected that the rate of arrests of a specific race or ethnicity, for example, would be roughly in line with that race/ethnicity's percentage of the Sacramento population as a whole. However, that is not what the study revealed.

Only 14 percent of the population in Sacramento identifies as Black, according to population demographics for 2016 and 2017 derived from U.S. Census data. However, the Sacramento Police Department's cannabis arrest records for the years 2004-2016 show that, of a total of 6,124 arrests for cannabis-only charges, 3,061 (nearly 50%) of the arrestees were Black. Of a total of 13,652 arrests during that time which included at least one cannabis-related charge, 6,808 (nearly 50%) of the arrestees were Black. White, Hispanic, and Asian individuals all had cannabis-related arrest rates lower than their citywide populations. Police Department data also revealed that males were found to be significantly more likely to be arrested than females.

The communities with the highest cannabis-related arrest rates disproportionate to their population in the city between 2004 and 2017, based on ZIP Code were: Downtown (95811 and 95814), Land Park (95818), Oak Park (95817), Parkway Meadowview (95823), Del Paso Heights South (95815), Florin Perkins (95826), Fruitridge (95820), and Elder Creek (95824 and 95828).

### *Summary and Description of Local Equity Program*

The City of Sacramento's local equity program is the City's Cannabis Opportunity Reinvestment and Equity (CORE) program, which consists of several program elements. CORE participants have their business operating permit (BOP) fees waived (which range from \$2,500 - \$21,000/year); are not required to pay 1% of their gross profits into the Neighborhood Responsibility Plan fund, and receive priority processing for their BOP and their conditional use permit (CUP) applications. The City also entered into contracts with the Greater Sacramento Urban League and the Sacramento Asian-Pacific Chamber of Commerce to provide CORE participants with cannabis business education and assistance, including the development of a cannabis-related business plan; mentoring; technical assistance; regulatory compliance assistance; and assistance with expungement of criminal records.

### *Equity Program Eligibility*

Based on the data provided by the City's Equity Assessment and input from stakeholders, the Sacramento City Council enacted a resolution designating two classifications of individuals and three classifications of businesses eligible for its Cannabis Opportunity Reinvestment and Equity (CORE) program:

Classification 1- Individuals, or their immediate family members, who previously or currently reside in a low-income household and were arrested or convicted for a cannabis-related crime in Sacramento between the years 1980 and 2011;

Classification 2 - A current or former resident of the City of Sacramento who has lived in a low-income household for at least five years, between the years of 1980 and 2011 in the following ZIP Codes: 95811, 95815, 95817, 95820, 95823, 95824, 95826, 95828, and 95818;

Classification 3 - A business that is at least 51% composed of classification 1 or 2 individuals;

Classification 4 - A cannabis business that is a CORE Incubator (as defined by the CORE Guidelines); and

Classification 5 - A Cannabis Social Enterprise (as defined by the CORE Guidelines) with not less than 51% ownership by individuals meeting Classifications 1 or 2 criteria.

#### *Applicants and Licensees*

As of December 2020, the jurisdiction had 0 non-equity applicants, 30 non-equity licensees, 21 equity applicants, and 14 equity licensees. Of the equity applicants in Sacramento, 3 were limited liability companies with ownership at 25% or greater, and 11 were corporations with ownership at 33% or greater.

#### *Use of CEG Grant Funds*

As of December 2020, the jurisdiction has not yet disbursed any CEG Grant funds. The City anticipates expenditures in the near future upon receipt of invoice from the City's loan servicing contractor.

## CITY AND COUNTY OF SAN FRANCISCO

The City and County of San Francisco's Office of Cannabis (OOC) was awarded a CEG grant of \$4,995,000.00 to provide assistance for the jurisdiction's equity applicants and licensees.

### *How Jurisdiction Identified Local Equity Applicants and Local Equity Licensees*

The OOC established a cannabis local equity program in December of 2017. In order to identify the impacted communities and populations to be served by its local equity program, various data sets were analyzed including rates broken down by race, ethnicity, and geographic location (i.e., census tract data). Part of the research found that although rates of drug use and sale are relatively even across racial lines, Black and Latinx communities interact with the criminal justice system (e.g., arrests, bookings, incarcerations) at a rate far higher than their White counterparts. Accordingly, high rates of cannabis arrests fall in Bayview Hunters Point, the Mission District, and the Tenderloin neighborhoods. In January 2018, the Board of Supervisors passed social equity legislation with community input (e.g., public notice, public comment) and stakeholder feedback (e.g., Cannabis State Legalization Task Force).

### *Summary and Description of Local Equity Program*

The City and County of San Francisco's equity program provides priority processing for local equity applicants endeavoring to secure their commercial cannabis permit. The OOC permits the following activities: retail, delivery, distribution, manufacturing, cultivation, testing, and events. Additionally, equity applicants benefit from an initial fee waiver as well as free pre-application meetings with City partners such as Planning and Public Health. Moreover, local equity applicants benefit from technical assistance and pro bono legal assistance. This resource is a partnership between the OOC and the Bar Association of San Francisco. To date, 26 applicants have been referred to attorneys totaling over 200 hours of free legal assistance and over \$100,000 in pro bono legal services.

Lastly, equity applicants are now able to benefit from technical assistance in the areas of permitting, grant support, workforce development, and business development.

### *Equity Program Eligibility*

In order to qualify for the local equity program, a local equity applicant must meet at least three (3) of six (6) equity conditions in addition to passing an asset test. The six (6) conditions include:

1. Arrest or conviction for a cannabis offense between 1971-2016.
2. Parent, sibling, or child arrest or conviction for a cannabis offense between 1971-2016.
3. Lost housing in San Francisco through eviction, foreclosure, or subsidy cancellation after 1995.
4. Attended school in the San Francisco Unified School District for at least five (5) years between 1971-2016.
5. Lived in an eligible census tract in San Francisco for five (5) years where at least 17% of households were at or below the federal poverty level.
6. Have a household income below 80% of the Area Median Income in either the preceding year or current year of submitting an equity verification application.

Additionally, an equity applicant must pass an asset test, which is based on household size. Additional information about this requirement can be found at: <https://officeofcannabis.sfgov.org/node/2693>.

Once verified, an equity applicant will have the standing to apply for a cannabis business permit.

### *Applicants and Licensees*

As of December 17, 2020, the OOC verified 353 local equity applicants and issued 14 social equity permits. The jurisdiction reported 1 non-equity applicant and 170 non-equity licensees. Of the equity licensees, 8 are listed as limited liability companies at 40% ownership or greater, and 4 are listed as corporations with ownership at 40% or greater.

### *Use of CEG Grant Funds*

As of December 2020, the jurisdiction has disbursed \$111,746.00 in CEG grant funds. These funds have been spent on administrative costs. The OOC has laid the groundwork to begin issuing grants to eligible equity applicants by working closely with state partners, local partners, and external stakeholders to solicit feedback and to build out processes for grant distribution. The OOC will facilitate two forms of grant disbursement including a reimbursement model and an advancement model.

## APPENDIX A: DEMOGRAPHIC TABLES

The following pages provide demographic information gathered by the local jurisdictions from both non-equity and equity licensees and applicants in their cities and counties as required by the Equity Act. Responses by applicants and licensees were voluntary and thus may not represent the total number of applicants and licensees within the jurisdiction. In each demographic table, “N/A” denotes information that was either omitted by the jurisdiction’s annual report or was not applicable to the jurisdiction’s current stage of program implementation.

CITY OF CLEARLAKE RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	0
21 - 39	N/A	N/A	4
40 - 69	N/A	N/A	6
70 and Over	N/A	N/A	0
Decline to State	N/A	N/A	0
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	0
Asian	N/A	N/A	0
Black/African American	N/A	N/A	0
Hispanic or Latino	N/A	N/A	0
Native Hawaiian or Other Pacific Islander	N/A	N/A	0
White/Caucasian	N/A	N/A	8
Not Listed (Please specify):	N/A	N/A	2
Decline to State	N/A	N/A	0
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	7
Female/Woman	N/A	N/A	3
Transgender	N/A	N/A	0
Nonbinary	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	0
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	0
Heterosexual/Straight	N/A	N/A	0
Homosexual/Gay	N/A	N/A	0
Pansexual	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	10
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	0
No	N/A	N/A	10

Decline to State	N/A	N/A	0
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	0
\$20,000 - \$39,999 Annually	N/A	N/A	0
\$40,000 - \$59,999 Annually	N/A	N/A	0
\$60,000 - \$79,999 Annually	N/A	N/A	0
\$80,000 - \$100,000 Annually	N/A	N/A	0
More than \$100,000 Annually	N/A	N/A	10
Decline to State	N/A	N/A	0
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	0
High School Graduate or Equivalency	N/A	N/A	0
Some College, No Degree	N/A	N/A	0
Associate's Degree	N/A	N/A	1
Bachelor's Degree	N/A	N/A	1
Graduate or Professional Degree	N/A	N/A	2
Decline to State	N/A	N/A	6
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	0
No	N/A	N/A	2
Decline to State	N/A	N/A	8
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	0
No	N/A	N/A	0
Decline to State	N/A	N/A	10
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	0
No	N/A	N/A	0
Decline to State	N/A	N/A	10

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	N/A	N/A	3	4
Manufacturing	N/A	N/A	2	4
Distribution	N/A	N/A	3	6
Retail (Storefront and Delivery)	N/A	N/A	0	3
Retail (Delivery Only)	N/A	N/A	0	3
Testing Laboratory	N/A	N/A	0	0
<b>TOTAL:</b>	N/A	N/A	8	20



CITY OF COACHELLA RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	0	N/A	0
21 - 39	1	N/A	0
40 - 69	2	N/A	4
70 and Over	0	N/A	0
Decline to State	0	N/A	30
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	0	N/A	0
Asian	0	N/A	1
Black/African American	0	N/A	0
Hispanic or Latino	3	N/A	0
Native Hawaiian or Other Pacific Islander	0	N/A	0
White/Caucasian	0	N/A	3
Not Listed (Please specify):	0	N/A	0
Decline to State	0	N/A	30
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	1	N/A	3
Female/Woman	2	N/A	1
Transgender	0	N/A	0
Nonbinary	0	N/A	0
Not Listed (Please specify):	0	N/A	0
Decline to State	0	N/A	30
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	0	N/A	0
Heterosexual/Straight	3	N/A	3
Homosexual/Gay	0	N/A	1
Pansexual	0	N/A	0
Not Listed (Please specify):	0	N/A	0
Decline to State	0	N/A	30
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	0	N/A	0
No	1	N/A	4

Decline to State	2	N/A	30
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	0	N/A	1
\$20,000 - \$39,999 Annually	3	N/A	0
\$40,000 - \$59,999 Annually	0	N/A	0
\$60,000 - \$79,999 Annually	0	N/A	0
\$80,000 - \$100,000 Annually	0	N/A	1
More than \$100,000 Annually	0	N/A	2
Decline to State	0	N/A	30
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	1	N/A	0
High School Graduate or Equivalency	1	N/A	0
Some College, No Degree	0	N/A	0
Associate's Degree	0	N/A	0
Bachelor's Degree	1	N/A	0
Graduate or Professional Degree	0	N/A	0
Decline to State	0	N/A	34
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	3	N/A	0
No	0	N/A	4
Decline to State	0	N/A	30
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	1	N/A	0
No	0	N/A	4
Decline to State	0	N/A	30
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	0	N/A	0
No	3	N/A	4
Decline to State	0	N/A	30

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	0	N/A	2	12
Manufacturing	0	N/A	0	5
Distribution	0	N/A	0	8
Retail (Storefront and Delivery)	0	N/A	4	2
Retail (Delivery Only)	3	N/A	0	0
Testing Laboratory	0	N/A	1	0
<b>TOTAL:</b>	<b>3</b>	<b>N/A</b>	<b>7</b>	<b>27</b>

COUNTY OF LAKE RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	0
21 - 39	N/A	N/A	2
40 - 69	N/A	N/A	10
70 and Over	N/A	N/A	2
Decline to State	N/A	N/A	27
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	0
Asian	N/A	N/A	1
Black/African American	N/A	N/A	0
Hispanic or Latino	N/A	N/A	2
Native Hawaiian or Other Pacific Islander	N/A	N/A	0
White/Caucasian	N/A	N/A	13
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	27
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	10
Female/Woman	N/A	N/A	8
Transgender	N/A	N/A	0
Nonbinary	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	27
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	0
Heterosexual/Straight	N/A	N/A	10
Homosexual/Gay	N/A	N/A	1
Pansexual	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	1
Decline to State	N/A	N/A	30
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	0
No	N/A	N/A	12

Decline to State	N/A	N/A	28
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	0
\$20,000 - \$39,999 Annually	N/A	N/A	0
\$40,000 - \$59,999 Annually	N/A	N/A	2
\$60,000 - \$79,999 Annually	N/A	N/A	1
\$80,000 - \$100,000 Annually	N/A	N/A	2
More than \$100,000 Annually	N/A	N/A	4
Decline to State	N/A	N/A	31
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	0
High School Graduate or Equivalency	N/A	N/A	0
Some College, No Degree	N/A	N/A	3
Associate's Degree	N/A	N/A	1
Bachelor's Degree	N/A	N/A	5
Graduate or Professional Degree	N/A	N/A	6
Decline to State	N/A	N/A	27
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	1
No	N/A	N/A	11
Decline to State	N/A	N/A	28
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	1
No	N/A	N/A	11
Decline to State	N/A	N/A	27
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	1
No	N/A	N/A	12
Decline to State	N/A	N/A	28

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	N/A	N/A	158	52
Manufacturing	N/A	N/A	0	1
Distribution	N/A	N/A	1	2
Retail (Storefront and Delivery)	N/A	N/A	1	0
Retail (Delivery Only)	N/A	N/A	0	3
Testing Laboratory	N/A	N/A	0	0
<b>TOTAL:</b>	N/A	N/A	160	58

COUNTY OF MONTEREY RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	0
21 - 39	N/A	N/A	7
40 - 69	N/A	N/A	10
70 and Over	N/A	N/A	0
Decline to State	N/A	N/A	0
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	0
Asian	N/A	N/A	0
Black/African American	N/A	N/A	0
Hispanic or Latino	N/A	N/A	5
Native Hawaiian or Other Pacific Islander	N/A	N/A	0
White/Caucasian	N/A	N/A	11
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	1
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	13
Female/Woman	N/A	N/A	3
Transgender	N/A	N/A	0
Nonbinary	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	1
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	0
Heterosexual/Straight	N/A	N/A	16
Homosexual/Gay	N/A	N/A	0
Pansexual	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	1
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	0
No	N/A	N/A	16

Decline to State	N/A	N/A	1
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	0
\$20,000 - \$39,999 Annually	N/A	N/A	0
\$40,000 - \$59,999 Annually	N/A	N/A	0
\$60,000 - \$79,999 Annually	N/A	N/A	2
\$80,000 - \$100,000 Annually	N/A	N/A	2
More than \$100,000 Annually	N/A	N/A	8
Decline to State	N/A	N/A	5
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	1
High School Graduate or Equivalency	N/A	N/A	1
Some College, No Degree	N/A	N/A	1
Associate's Degree	N/A	N/A	1
Bachelor's Degree	N/A	N/A	8
Graduate or Professional Degree	N/A	N/A	4
Decline to State	N/A	N/A	1
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	4
No	N/A	N/A	11
Decline to State	N/A	N/A	2
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	2
No	N/A	N/A	13
Decline to State	N/A	N/A	2
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	1
No	N/A	N/A	14
Decline to State	N/A	N/A	2



Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	N/A	N/A	79	5
Manufacturing	N/A	N/A	9	2
Distribution	N/A	N/A	44	4
Retail (Storefront and Delivery)	N/A	N/A	0	6
Retail (Delivery Only)	N/A	N/A	0	0
Testing Laboratory	N/A	N/A	0	0
<b>TOTAL:</b>	N/A	N/A	104	14

COUNTY OF NEVADA RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	0
21 - 39	N/A	N/A	38
40 - 69	N/A	N/A	39
70 and Over	N/A	N/A	3
Decline to State	N/A	N/A	59
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	2
Asian	N/A	N/A	4
Black/African American	N/A	N/A	2
Hispanic or Latino	N/A	N/A	5
Native Hawaiian or Other Pacific Islander	N/A	N/A	0
White/Caucasian	N/A	N/A	63
Not Listed (Please specify):	N/A	N/A	1
Decline to State	N/A	N/A	62
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	62
Female/Woman	N/A	N/A	16
Transgender	N/A	N/A	0
Nonbinary	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	61
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	0
Heterosexual/Straight	N/A	N/A	75
Homosexual/Gay	N/A	N/A	1
Pansexual	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	63
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	6
No	N/A	N/A	57

Decline to State	N/A	N/A	76
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	0
\$20,000 - \$39,999 Annually	N/A	N/A	11
\$40,000 - \$59,999 Annually	N/A	N/A	14
\$60,000 - \$79,999 Annually	N/A	N/A	10
\$80,000 - \$100,000 Annually	N/A	N/A	7
More than \$100,000 Annually	N/A	N/A	11
Decline to State	N/A	N/A	86
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	1
High School Graduate or Equivalency	N/A	N/A	15
Some College, No Degree	N/A	N/A	25
Associate's Degree	N/A	N/A	5
Bachelor's Degree	N/A	N/A	28
Graduate or Professional Degree	N/A	N/A	4
Decline to State	N/A	N/A	61
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	15
No	N/A	N/A	63
Decline to State	N/A	N/A	61
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	6
No	N/A	N/A	71
Decline to State	N/A	N/A	62
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	8
No	N/A	N/A	71
Decline to State	N/A	N/A	60

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	N/A	N/A	63	76
Manufacturing	N/A	N/A	0	0
Distribution	N/A	N/A	0	0
Retail (Storefront and Delivery)	N/A	N/A	0	0
Retail (Delivery Only)	N/A	N/A	0	0
Testing Laboratory	N/A	N/A	0	0
<b>TOTAL:</b>	N/A	N/A	63	76

CITY OF PALM SPRINGS RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	0	N/A	0
21 - 39	3	N/A	4
40 - 69	1	N/A	8
70 and Over	0	N/A	1
Decline to State	0	N/A	0
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	1	N/A	0
Asian	0	N/A	3
Black/African American	3	N/A	1
Hispanic or Latino	1	N/A	0
Native Hawaiian or Other Pacific Islander	0	N/A	0
White/Caucasian	1	N/A	9
Not Listed (Please specify):	1	N/A	1
Decline to State	0	N/A	1
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	4	N/A	8
Female/Woman	0	N/A	3
Transgender	0	N/A	0
Nonbinary	0	N/A	0
Not Listed (Please specify):	0	N/A	0
Decline to State	0	N/A	1
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	0	N/A	1
Heterosexual/Straight	4	N/A	8
Homosexual/Gay	0	N/A	1
Pansexual	0	N/A	0
Not Listed (Please specify):	0	N/A	0
Decline to State	0	N/A	2
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	0	N/A	2
No	4	N/A	7

Decline to State	0	N/A	0
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	3	N/A	0
\$20,000 - \$39,999 Annually	0	N/A	1
\$40,000 - \$59,999 Annually	1	N/A	1
\$60,000 - \$79,999 Annually	0	N/A	1
\$80,000 - \$100,000 Annually	0	N/A	0
More than \$100,000 Annually	0	N/A	5
Decline to State	0	N/A	2
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	N/A
High School Graduate or Equivalency	N/A	N/A	N/A
Some College, No Degree	N/A	N/A	N/A
Associate's Degree	N/A	N/A	N/A
Bachelor's Degree	N/A	N/A	N/A
Graduate or Professional Degree	N/A	N/A	N/A
Decline to State	N/A	N/A	N/A
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	2	N/A	2
No	2	N/A	6
Decline to State	0	N/A	1
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	2	N/A	0
No	2	N/A	8
Decline to State	0	N/A	1
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	0	N/A	2
No	4	N/A	6
Decline to State	0	N/A	0

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	2	N/A	N/A	26
Manufacturing	1	N/A	N/A	24
Distribution	1	N/A	N/A	36
Retail (Storefront and Delivery)	3	N/A	N/A	42
Retail (Delivery Only)	1	N/A	N/A	0
Testing Laboratory	0	N/A	N/A	1
<b>TOTAL:</b>	<b>8</b>	<b>N/A</b>	<b>N/A</b>	<b>129</b>

CITY OF SAN JOSE RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	0
21 - 39	N/A	N/A	3
40 - 69	N/A	N/A	5
70 and Over	N/A	N/A	2
Decline to State	N/A	N/A	0
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	0
Asian	N/A	N/A	2
Black/African American	N/A	N/A	2
Hispanic or Latino	N/A	N/A	1
Native Hawaiian or Other Pacific Islander	N/A	N/A	0
White/Caucasian	N/A	N/A	3
Not Listed (Please specify):	N/A	N/A	1
Decline to State	N/A	N/A	1
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	6
Female/Woman	N/A	N/A	3
Transgender	N/A	N/A	0
Nonbinary	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	0
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	0
Heterosexual/Straight	N/A	N/A	6
Homosexual/Gay	N/A	N/A	2
Pansexual	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	2
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	
No	N/A	N/A	7



Decline to State	N/A	N/A	1
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	0
\$20,000 - \$39,999 Annually	N/A	N/A	0
\$40,000 - \$59,999 Annually	N/A	N/A	0
\$60,000 - \$79,999 Annually	N/A	N/A	0
\$80,000 - \$100,000 Annually	N/A	N/A	0
More than \$100,000 Annually	N/A	N/A	4
Decline to State	N/A	N/A	4
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	0
High School Graduate or Equivalency	N/A	N/A	0
Some College, No Degree	N/A	N/A	1
Associate's Degree	N/A	N/A	3
Bachelor's Degree	N/A	N/A	4
Graduate or Professional Degree	N/A	N/A	4
Decline to State	N/A	N/A	0
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	1
No	N/A	N/A	5
Decline to State	N/A	N/A	2
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	1
No	N/A	N/A	5
Decline to State	N/A	N/A	2
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	0
No	N/A	N/A	6
Decline to State	N/A	N/A	2

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	N/A	N/A	N/A	7
Manufacturing	N/A	N/A	N/A	5
Distribution	N/A	N/A	N/A	8
Retail (Storefront and Delivery)	N/A	N/A	N/A	8
Retail (Delivery Only)	N/A	N/A	N/A	2
Testing Laboratory	N/A	N/A	N/A	0
<b>TOTAL:</b>	N/A	N/A	N/A	<b>30</b>

CITY OF SANTA CRUZ RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	0
21 - 39	N/A	N/A	3
40 - 69	N/A	N/A	4
70 and Over	N/A	N/A	0
Decline to State	N/A	N/A	0
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	0
Asian	N/A	N/A	1
Black/African American	N/A	N/A	0
Hispanic or Latino	N/A	N/A	0
Native Hawaiian or Other Pacific Islander	N/A	N/A	1
White/Caucasian	N/A	N/A	5
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	0
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	6
Female/Woman	N/A	N/A	2
Transgender	N/A	N/A	0
Nonbinary	N/A	N/A	1
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	0
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	0
Heterosexual/Straight	N/A	N/A	4
Homosexual/Gay	N/A	N/A	2
Pansexual	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	0
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	1
No	N/A	N/A	5

Decline to State	N/A	N/A	0
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	1
\$20,000 - \$39,999 Annually	N/A	N/A	0
\$40,000 - \$59,999 Annually	N/A	N/A	0
\$60,000 - \$79,999 Annually	N/A	N/A	2
\$80,000 - \$100,000 Annually	N/A	N/A	1
More than \$100,000 Annually	N/A	N/A	0
Decline to State	N/A	N/A	2
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	0
High School Graduate or Equivalency	N/A	N/A	0
Some College, No Degree	N/A	N/A	2
Associate's Degree	N/A	N/A	0
Bachelor's Degree	N/A	N/A	3
Graduate or Professional Degree	N/A	N/A	1
Decline to State	N/A	N/A	0
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	1
No	N/A	N/A	5
Decline to State	N/A	N/A	0
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	1
No	N/A	N/A	5
Decline to State	N/A	N/A	0
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	0
No	N/A	N/A	6
Decline to State	N/A	N/A	0

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	N/A	N/A	N/A	2
Manufacturing	N/A	N/A	N/A	3
Distribution	N/A	N/A	N/A	0
Retail (Storefront and Delivery)	N/A	N/A	N/A	2
Retail (Delivery Only)	N/A	N/A	N/A	5
Testing Laboratory	N/A	N/A	N/A	1
<b>TOTAL:</b>	N/A	N/A	N/A	13

CITY OF STOCKTON RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	N/A
21 - 39	1	N/A	N/A
40 - 69	N/A	N/A	5
70 and Over	N/A	N/A	N/A
Decline to State	N/A	N/A	N/A
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	N/A
Asian	N/A	N/A	2
Black/African American	N/A	N/A	N/A
Hispanic or Latino	N/A	N/A	1
Native Hawaiian or Other Pacific Islander	N/A	N/A	N/A
White/Caucasian	N/A	N/A	3
Not Listed (Please specify):	N/A	N/A	N/A
Decline to State	N/A	N/A	N/A
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	5
Female/Woman	N/A	N/A	N/A
Transgender	N/A	N/A	N/A
Nonbinary	N/A	N/A	N/A
Not Listed (Please specify):	N/A	N/A	N/A
Decline to State	N/A	N/A	N/A
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	N/A
Heterosexual/Straight	N/A	N/A	4
Homosexual/Gay	N/A	N/A	1
Pansexual	N/A	N/A	N/A
Not Listed (Please specify):	N/A	N/A	N/A
Decline to State	N/A	N/A	1
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	N/A
No	N/A	N/A	6

Decline to State	N/A	N/A	N/A
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	N/A
\$20,000 - \$39,999 Annually	N/A	N/A	1
\$40,000 - \$59,999 Annually	N/A	N/A	1
\$60,000 - \$79,999 Annually	N/A	N/A	N/A
\$80,000 - \$100,000 Annually	N/A	N/A	1
More than \$100,000 Annually	N/A	N/A	1
Decline to State	N/A	N/A	1
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	1
High School Graduate or Equivalency	N/A	N/A	1
Some College, No Degree	N/A	N/A	N/A
Associate's Degree	N/A	N/A	N/A
Bachelor's Degree	N/A	N/A	3
Graduate or Professional Degree	N/A	N/A	1
Decline to State	N/A	N/A	N/A
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	N/A
No	N/A	N/A	5
Decline to State	N/A	N/A	1
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	N/A
No	N/A	N/A	5
Decline to State	N/A	N/A	1
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	N/A
No	N/A	N/A	5
Decline to State	N/A	N/A	1

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	1	0	5	0
Manufacturing	0	0	1	0
Distribution	N/A	N/A	1	0
Retail (Storefront and Delivery)	3	0	2	4
Retail (Delivery Only)	N/A	N/A	1	3
Testing Laboratory	N/A	N/A	0	0
<b>TOTAL:</b>	<b>4</b>	<b>0</b>	<b>10</b>	<b>7</b>



COUNTY OF HUMBOLDT RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	0
21 - 39	N/A	N/A	29
40 - 69	N/A	N/A	69
70 and Over	N/A	N/A	5
Decline to State	N/A	N/A	2
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	5
Asian	N/A	N/A	5
Black/African American	N/A	N/A	1
Hispanic or Latino	N/A	N/A	6
Native Hawaiian or Other Pacific Islander	N/A	N/A	1
White/Caucasian	N/A	N/A	82
Not Listed (Please specify):	N/A	N/A	2
Decline to State	N/A	N/A	10
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	52
Female/Woman	N/A	N/A	56
Transgender	N/A	N/A	0
Nonbinary	N/A	N/A	0
Not Listed (Please specify):	N/A	N/A	1
Decline to State	N/A	N/A	4
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	3
Heterosexual/Straight	N/A	N/A	71
Homosexual/Gay	N/A	N/A	2
Pansexual	N/A	N/A	1
Not Listed (Please specify):	N/A	N/A	3
Decline to State	N/A	N/A	21
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	7
No	N/A	N/A	87

Decline to State	N/A	N/A	6
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	4
\$20,000 - \$39,999 Annually	N/A	N/A	13
\$40,000 - \$59,999 Annually	N/A	N/A	11
\$60,000 - \$79,999 Annually	N/A	N/A	20
\$80,000 - \$100,000 Annually	N/A	N/A	11
More than \$100,000 Annually	N/A	N/A	17
Decline to State	N/A	N/A	23
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	3
High School Graduate or Equivalency	N/A	N/A	5
Some College, No Degree	N/A	N/A	34
Associate's Degree	N/A	N/A	3
Bachelor's Degree	N/A	N/A	33
Graduate or Professional Degree	N/A	N/A	20
Decline to State	N/A	N/A	2
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	27
No	N/A	N/A	71
Decline to State	N/A	N/A	2
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	17
No	N/A	N/A	80
Decline to State	N/A	N/A	3
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	3
No	N/A	N/A	95
Decline to State	N/A	N/A	2

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	N/A	N/A	11	88
Manufacturing	N/A	N/A	0	11
Distribution	N/A	N/A	0	10
Retail (Storefront and Delivery)	N/A	N/A	0	3
Retail (Delivery Only)	N/A	N/A	0	4
Testing Laboratory	N/A	N/A	0	0
<b>TOTAL:</b>	N/A	N/A	11	116

CITY OF LOS ANGELES RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	2	N/A	0
21 - 39	264	N/A	49
40 - 69	359	N/A	50
70 and Over	8	N/A	2
Decline to State	6	N/A	10
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	18	N/A	6
Asian	38	N/A	8
Black/African American	281	N/A	14
Hispanic or Latino	141	N/A	13
Native Hawaiian or Other Pacific Islander	10	N/A	0
White/Caucasian	120	N/A	48
Not Listed (Please specify):	27	N/A	1
Decline to State	60	N/A	32
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	450	N/A	82
Female/Woman	174	N/A	14
Transgender	5	N/A	0
Nonbinary	9	N/A	1
Not Listed (Please specify):	0	N/A	0
Decline to State	17	N/A	17
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	18	N/A	1
Heterosexual/Straight	3	N/A	75
Homosexual/Gay	7	N/A	1
Pansexual	8	N/A	1
Not Listed (Please specify):	5	N/A	1
Decline to State	86	N/A	32
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	82	N/A	10

No	420	N/A	73
Decline to State	137	N/A	28
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	175	N/A	9
\$20,000 - \$39,999 Annually	195	N/A	6
\$40,000 - \$59,999 Annually	103	N/A	9
\$60,000 - \$79,999 Annually	26	N/A	8
\$80,000 - \$100,000 Annually	25	N/A	15
More than \$100,000 Annually	30	N/A	29
Decline to State	85	N/A	35
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	N/A
High School Graduate or Equivalency	N/A	N/A	N/A
Some College, No Degree	N/A	N/A	N/A
Associate's Degree	N/A	N/A	N/A
Bachelor's Degree	N/A	N/A	N/A
Graduate or Professional Degree	N/A	N/A	N/A
Decline to State	N/A	N/A	N/A
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	325	N/A	17
No	249	N/A	70
Decline to State	65	N/A	24
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	278	N/A	10
No	304	N/A	77
Decline to State	57	N/A	24
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	37	N/A	6
No	555	N/A	82
Decline to State	47	N/A	23

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	58	48	99	222
Manufacturing	58	39	104	199
Distribution	74	48	120	227
Retail (Storefront and Delivery)	200	8	0	170
Retail (Delivery Only)	154	0	0	0
Testing Laboratory	0	0	11	1
<b>TOTAL:</b>	<b>544</b>	<b>143</b>	<b>334</b>	<b>819</b>

CITY OF LONG BEACH RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	0	0	0
21 - 39	20	1	46
40 - 69	17	0	62
70 and Over	1	0	6
Decline to State	0	0	10
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	0	0	1
Asian	2	0	20
Black/African American	18	0	2
Hispanic or Latino	5	0	13
Native Hawaiian or Other Pacific Islander	1	0	2
White/Caucasian	0	1	61
Not Listed (Please specify):	8	0	5
Decline to State	4	0	20
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	23	0	99
Female/Woman	14	1	15
Transgender	0	0	0
Nonbinary	0	0	0
Not Listed (Please specify):	0	0	0
Decline to State	1	0	10
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	0	0	2
Heterosexual/Straight	32	0	94
Homosexual/Gay	0	1	2
Pansexual	0	0	1
Not Listed (Please specify):	1	0	0
Decline to State	5	0	25
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	2	0	5
No	32	1	102

Decline to State	4	0	17
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	14	0	14
\$20,000 - \$39,999 Annually	12	1	4
\$40,000 - \$59,999 Annually	4	0	7
\$60,000 - \$79,999 Annually	0	0	10
\$80,000 - \$100,000 Annually	0	0	7
More than \$100,000 Annually	0	0	23
Decline to State	8	0	59
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	1	0	N/A
High School Graduate or Equivalency	14	0	N/A
Some College, No Degree	4	1	N/A
Associate's Degree	1	0	N/A
Bachelor's Degree	13	0	N/A
Graduate or Professional Degree	5	0	N/A
Decline to State	0	0	N/A
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	5	0	9
No	31	1	95
Decline to State	2	0	20
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	6	0	8
No	30	1	95
Decline to State	2	0	21
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	1	0	5
No	36	1	107
Decline to State	1	0	12



Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	2	0	129	29
Manufacturing	1	0	159	60
Distribution	2	1	144	66
Retail (Storefront and Delivery)	0	0	2	62
Retail (Delivery Only)	N/A	N/A	N/A	N/A
Testing Laboratory	0	0	12	4
<b>TOTAL:</b>	<b>5</b>	<b>1</b>	<b>446</b>	<b>221</b>

COUNTY OF MENDOCINO RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	N/A	N/A	0
21 - 39	N/A	N/A	38
40 - 69	N/A	N/A	104
70 and Over	N/A	N/A	11
Decline to State	N/A	N/A	0
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	N/A	N/A	8
Asian	N/A	N/A	3
Black/African American	N/A	N/A	5
Hispanic or Latino	N/A	N/A	10
Native Hawaiian or Other Pacific Islander	N/A	N/A	0
White/Caucasian	N/A	N/A	123
Not Listed (Please specify):	N/A	N/A	5
Decline to State	N/A	N/A	12
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	N/A	N/A	97
Female/Woman	N/A	N/A	49
Transgender	N/A	N/A	1
Nonbinary	N/A	N/A	1
Not Listed (Please specify):	N/A	N/A	0
Decline to State	N/A	N/A	5
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	N/A	N/A	3
Heterosexual/Straight	N/A	N/A	125
Homosexual/Gay	N/A	N/A	5
Pansexual	N/A	N/A	2
Not Listed (Please specify):	N/A	N/A	1
Decline to State	N/A	N/A	18
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	N/A	N/A	14
No	N/A	N/A	125

Decline to State	N/A	N/A	13
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	N/A	N/A	11
\$20,000 - \$39,999 Annually	N/A	N/A	28
\$40,000 - \$59,999 Annually	N/A	N/A	35
\$60,000 - \$79,999 Annually	N/A	N/A	13
\$80,000 - \$100,000 Annually	N/A	N/A	21
More than \$100,000 Annually	N/A	N/A	0
Decline to State	N/A	N/A	44
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	3
High School Graduate or Equivalency	N/A	N/A	24
Some College, No Degree	N/A	N/A	48
Associate's Degree	N/A	N/A	17
Bachelor's Degree	N/A	N/A	40
Graduate or Professional Degree	N/A	N/A	17
Decline to State	N/A	N/A	4
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	42
No	N/A	N/A	102
Decline to State	N/A	N/A	9
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	33
No	N/A	N/A	109
Decline to State	N/A	N/A	11
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	9
No	N/A	N/A	139
Decline to State	N/A	N/A	5

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	N/A	N/A	877	271
Manufacturing	N/A	N/A	60	18
Distribution	N/A	N/A	53	219
Retail (Storefront and Delivery)	N/A	N/A	2	17
Retail (Delivery Only)	N/A	N/A	43	13
Testing Laboratory	N/A	N/A	0	1
<b>TOTAL:</b>	N/A	N/A	1035	539

CITY OF OAKLAND RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age <sup>2</sup>	Local Equity Applicants and Licensees <sup>3</sup>	General (Non-Equity) Applicants and Licensees
21 - 30	5	3
31-40	14	12
41-50	14	13
51-60	5	5
Over 60	5	2
Decline to State	0	2
Race and Ethnicity	Local Equity Applicants and Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	3	0
Asian	4	12
Black/African American	32	11
Hispanic or Latino	6	4
Native Hawaiian or Other Pacific Islander	2	0
White/Caucasian	6	13
Not Listed (Please specify):	1	3
Decline to State	5	2
Gender	Local Equity Applicants and Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	31	26
Female/Woman	30	16
Transgender	4	0
Nonbinary	2	1
Not Listed (Please specify):	0	0
Decline to State	0	3
Sexual Orientation	Local Equity Applicants and Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	4	2
Heterosexual/Straight	29	21
Homosexual/Gay	5	3
Pansexual	2	1
Not Listed (Please specify):	2	2
Decline to State	10	6

<sup>2</sup> Age ranges provided in demographic table match jurisdiction’s data set which included the following categories: 21-30, 31-40, 41-50, 51-60, and over 60.

<sup>3</sup> Jurisdiction’s data set combined all demographic information for local equity applicants and local equity licensees.

<b>Disability</b> (Applicant or one or more owners of the business entity has a disability)	<b>Local Equity Applicants and Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	18	4
No	23	26
Decline to State	2	5
<b>Income Level</b>	<b>Local Equity Applicants and Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	15	5
\$20,000 - \$39,999 Annually	19	2
\$40,000 - \$59,999 Annually	11	4
\$60,000 - \$79,999 Annually	3	10
\$80,000 - \$100,000 Annually	2	3
More than \$100,000 Annually	1	9
Decline to State	5	6
<b>Educational Attainment</b>	<b>Local Equity Applicants and Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	8	2
High School Graduate or Equivalency	13	8
Some College, No Degree	20	8
Associate's Degree	8	3
Bachelor's Degree	16	15
Graduate or Professional Degree	11	11
Decline to State	2	5
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants and Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	11	4
No	13	16
Decline to State	3	1
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants and Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	9	4
No	9	5
Decline to State	3	0
<b>Military Service</b>	<b>Local Equity Applicants and Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>

(Applicant or one or more owners of the business entity currently serve or have served in the military)		
Yes	5	5
No	37	26
Decline to State	1	3

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	186	4	179	6
Manufacturing	213	25	154	12
Distribution	263	38	148	35
Retail (Storefront and Delivery)	6	2	11	1
Retail (Delivery Only)	235	77	154	73
Testing Laboratory	10	0	3	0
<b>TOTAL:</b>	<b>913</b>	<b>146</b>	<b>649</b>	<b>127</b>

CITY OF SACRAMENTO RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	0	0	0
21 - 39	5	1	12
40 - 69	6	1	12
70 and Over	0	0	0
Decline to State	0	0	0
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	0	0	3
Asian	1		4
Black/African American	5	1	2
Hispanic or Latino	2	1	1
Native Hawaiian or Other Pacific Islander	0	0	0
White/Caucasian	2	0	10
Not Listed (Please specify):	0	0	1
Decline to State	1	0	3
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	9	1	17
Female/Woman	2	1	6
Transgender	0	0	1
Nonbinary	0	0	0
Not Listed (Please specify):	0	0	0
Decline to State	0	0	0
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	0	0	2
Heterosexual/Straight	7	3	17
Homosexual/Gay	0	0	0
Pansexual	0	0	0
Not Listed (Please specify):	0	0	0
Decline to State	4	0	5
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	1	0	0
No	7	3	17



Decline to State	0	0	1
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	2	0	1
\$20,000 - \$39,999 Annually	3	0	0
\$40,000 - \$59,999 Annually	1	0	7
\$60,000 - \$79,999 Annually	3	2	3
\$80,000 - \$100,000 Annually	0	0	4
More than \$100,000 Annually	1	0	5
Decline to State	1	1	4
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	N/A	N/A	N/A
High School Graduate or Equivalency	N/A	N/A	N/A
Some College, No Degree	N/A	N/A	N/A
Associate's Degree	N/A	N/A	N/A
Bachelor's Degree	N/A	N/A	N/A
Graduate or Professional Degree	N/A	N/A	N/A
Decline to State	N/A	N/A	N/A
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	5	1	3
No	6	2	20
Decline to State	0	0	1
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	4	1	1
No	4	2	17
Decline to State	0	0	0
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	1	0	4
No	10	3	20
Decline to State	0	0	0

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	3	2	0	5
Manufacturing	1	0	6	6
Distribution	2	1	0	6
Retail (Storefront and Delivery)	0	0	0	3
Retail (Delivery Only)	1	1	0	9
Testing Laboratory	0	0	0	1
<b>TOTAL:</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>30</b>

CITY AND COUNTY OF SAN FRANCISCO RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

Age	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Under 21	0	0	0
21 - 39	6	0	0
40 - 69	12	3	1
70 and Over	0	0	0
Decline to State	0	0	0
Race and Ethnicity	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
American Indian or Alaska Native	1	0	0
Asian	1	0	0
Black/African American	11	3	0
Hispanic or Latino	2	0	0
Native Hawaiian or Other Pacific Islander	1	0	0
White/Caucasian	4	1	1
Not Listed (Please specify):	1	1	0
Decline to State	0	0	0
Gender	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Male/Man	14	5	0
Female/Woman	4	0	1
Transgender	0	0	0
Nonbinary	0	0	0
Not Listed (Please specify):	0	0	0
Decline to State	0	0	0
Sexual Orientation	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Bisexual	0	0	0
Heterosexual/Straight	17	5	1
Homosexual/Gay	1	0	0
Pansexual	0	0	0
Not Listed (Please specify):	0	0	0
Decline to State	0	0	0
Disability (Applicant or one or more owners of the business entity has a disability)	Local Equity Applicants	Local Equity Licensees	General (Non-Equity) Applicants and Licensees
Yes	7	0	0

No	11	5	1
Decline to State	0	0	0
<b>Income Level</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Less than \$20,000 Annually	5	1	0
\$20,000 - \$39,999 Annually	9	1	0
\$40,000 - \$59,999 Annually	4	1	0
\$60,000 - \$79,999 Annually	0	0	1
\$80,000 - \$100,000 Annually	0	0	0
More than \$100,000 Annually	0	1	0
Decline to State	0	0	0
<b>Educational Attainment</b>	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
No High School Diploma or Equivalency	0	0	0
High School Graduate or Equivalency	2	0	0
Some College, No Degree	11	3	1
Associate's Degree	0	1	0
Bachelor's Degree	3	1	0
Graduate or Professional Degree	2	0	0
Decline to State	0	0	0
<b>Prior Convictions</b> (Applicant or member of immediate family has been convicted of any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	11	4	1
No	7	1	0
Decline to State	0	0	0
<b>Prior Convictions</b> (Applicant or member of immediate family has been incarcerated for any cannabis-related charges)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	N/A	N/A	N/A
No	N/A	N/A	N/A
Decline to State	N/A	N/A	N/A
<b>Military Service</b> (Applicant or one or more owners of the business entity currently serve or have served in the military)	<b>Local Equity Applicants</b>	<b>Local Equity Licensees</b>	<b>General (Non-Equity) Applicants and Licensees</b>
Yes	1	0	0
No	15	4	0
Decline to State	0	1	1

Commercial Cannabis Activity Type	# of Pending Applications (Equity)	# of Permits Issued (Equity)	# of Pending Applications (Non-Equity)	# of Permits Issued (Non-Equity)
Cultivation	3	1	0	N/A
Manufacturing	1	1	0	N/A
Distribution	3	1	0	N/A
Retail (Storefront and Delivery)	19	4	1	N/A
Retail (Delivery Only)	0	0	0	N/A
Testing Laboratory	0	0	0	N/A
<b>TOTAL:</b>	<b>26</b>	<b>7</b>	<b>1</b>	<b>N/A</b>

## APPENDIX B: EQUITY ASSESSMENTS

Appendix B contains copies of the equity assessments submitted by the local jurisdictions awarded this equity grant funding and applicants who applied for but did not receive this grant funding.



## **Lake County Cannabis Equity Assessment V1 -- December 2020**

Abstract: The legalization of cannabis creates remarkable business opportunities in the future, however not everyone who has made a living in the past is able to thrive in the future. The California Center for Rural Policy (CCRP) and the Humboldt Institute for Interdisciplinary Marijuana Research (HIIMR) at Humboldt State University collected primary and secondary data to create the assessment. The assessment provides a summary of that data and recommendations for a local equity program that will provide assistance to community members that experienced harm from decades of criminalization of cannabis and poverty and support their participation in the legal cannabis industry in Lake County.

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## Section 1. Executive Summary

The California Center for Rural Policy (CCRP) at Humboldt State University was selected through an RFP process to work with Lake County and the Board of Supervisors to create a Lake County Cannabis Equity Assessment (CEA) to:

- Provide a data-informed look at the history of impacts of poverty and the criminalization of cannabis on the community.
- Provide policy recommendations to guide the county in the development of a Local Equity Plan with program components to help community members most impacted by criminalization and poverty to enter and thrive in the legal cannabis workforce.
- Make recommendations for future research that will help assure that there is equity and diversity in the emerging cannabis industry.

In order to accomplish this, CCRP collaborated with the Humboldt Institute for Interdisciplinary Marijuana Research and Lake County stakeholders to create the CEA.

The Board of Supervisors has authorized staff to update the Lake County Cannabis Local Equity Program as needed, and staff will do so by ensuring the program is informed by this study. Lake County is committed to including equity as a key consideration as the State of California transitions the cannabis industry to legal status. Lake County needs an equity program that makes sense for their residents and considers the unique needs and assets of their community.

### 1.1 Key Takeaways from the Equity Analysis

- Lake County has a multigenerational history of cannabis cultivation going back to the 1970s, which increased significantly at the end of the 1980s as cultivators migrated from CAMP's original hotspots in Mendocino and Humboldt Counties.
- The county has a substantial population with cannabis expertise but minimal formal education or experience in the formal economy, with few job prospects outside of regulated or unregulated cannabis markets.
- Lake County led the state in CAMP eradication statistics between 2003 and 2011, the last year for which we have records.
- Lake County has been an epicenter of "second wave" cannabis criminalization (between 2003 and the present), as CAMP shifted geographic focus. The particularly intense nature of joint task force eradication created a strong prohibition market stimulus, incentivizing high risk, high reward practices like growing multiple large gardens on public lands.
- The county's unregulated cultivation landscape therefore has a strong mix of small, medium and large-scale cultivation that has attracted local youth with little formal

education, under conditions of exceptional rural poverty and weak formal economic development.

- Until very recently, local cultural politics have stigmatized cannabis and its market participants, leading to allegations of unprofessional and sometimes illegal enforcement practices supported by significant court cases and news reports.
- Until 2018, Lake County’s experience with regulating cannabis has been minimal compared to its rural county neighbors, which has made the transition from medical cannabis to legal cannabis exceptionally difficult for legacy stakeholders to navigate.
- The County has recently demonstrated a dramatic shift in attitudes towards cannabis cultivation as a driver of economic development by creating legal cannabis policies to permit cannabis cultivation at scales that dwarf those of its rural neighbors. This has attracted a significant wave of permit applications from stakeholders outside of Lake County who have much more access to capital than local stakeholders.
- This substantial wave of outside investment is able to enter and navigate the permitting process far more expertly than local stakeholders, who take much more time getting through the process and with much greater difficulty.
- Challenges facing legacy cultivators in Lake County are similar to those found in other rural counties: they may own land, but the capital needed to make that land’s infrastructure compliant with modern building, road, water and other codes is significant. Infrastructure improvements through permitted cannabis cultivation would be a net collective benefit to the county’s historically unpermitted and underdeveloped infrastructure.
- The County’s emphasis on attracting large-scale cultivation means that there is enormous growth potential for other kinds of cannabis permits and ancillary businesses to add value in the supply chain.
- Between 2010-2019, drug offenses made up 28% of all felony arrests in Lake County. This translates to an average of 313 drug-related arrests per year over a ten-year period.
- Lake County is ranked sixth highest in regards to poverty rates between California counties. Twenty-one percent of Lake County’s population lives under the federal poverty level.
- Lake County has the lowest median household income compared to all other counties in California, at \$40,446.

## 1.2 Key Findings/Recommendations

For the complete explanation of findings and recommendations, please see Section 7.

**Finding #1: Equity program eligibility factors should focus on specific targeted populations. Eligibility criteria should link to equity assessment data wherever possible.**

Specific recommended eligibility criteria are included in Section 7. Generally, eligibility criteria can include:

- Conviction history associated with cannabis-related offenses
- Immediate family member with a conviction history associated with cannabis-related offenses
- Low income status
- Residency consideration
- Ownership consideration
- Experience of small scale eradication

**Finding #2: Ensure that applicants who meet eligibility criteria have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.**

- Prioritization: Consider a prioritized permit process for equity applicants.
- Ratios: Consider mandating a requisite number/percentage of equity applicants during permitting.
- Provisional Approval: Consider allowing for provisional approval of permits to allow equity applicants to overcome financial barriers. Provisional approval may provide potential investors with more certainty and willingness to provide capital investments.
- Amnesty Program: Consider developing pathways such as an amnesty program to encourage existing nonconforming businesses (such as small operators who qualify as equity applicants) to transition to the legal market.

**Finding #3: All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry.** Consider tracking data on general and equity applicants on an ongoing basis to measure the success of the equity program.

**Finding #4: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market.** Specific recommendations are included in Section 7.

**Finding #5: Lake County should consider utilizing cannabis tax revenue to ensure that county staff managing cannabis permitting are at full staffing levels and are trained and educated on the cannabis permitting process.**

**Finding #6: Lake County staff should explore and promote a diversity of permit types in addition to cultivation.** Lake County has a history strongly linked with cannabis cultivation. Currently 97% of permits in Lake County are for cultivation. However, the legal industry offers many other permit types in addition to cultivation. Other successful business opportunities with less barriers could be easier for disadvantaged populations to create. A local equity program that

helps legacy cultivation participants should address cultivation but may add much more local ownership opportunities for equity stakeholders that can diversify the County's legal cannabis license landscape.

**Finding #7: Local cannabis revenues can be directed to community reinvestment programming to rebuild/restore communities adversely affected by the past criminalization of those involved in the cannabis industry.** A portion of county cannabis taxes can be utilized to supplement equity funding received from the State of California.

**Finding #8: All cannabis operators should provide equitable employment opportunities.** These opportunities should include hiring those with past non-violent cannabis convictions, local residents, and other historically disadvantaged populations, and providing a living wage to employees.

**Finding #9: Update the Lake County Equity Assessment next year and every three years afterwards to:**

- 1) Monitor and share progress of the Equity Program,
- 2) Monitor and share trends in the emerging legal cannabis industry,
- 3) Identify areas for course correction and/or unexpected consequences, and
- 4) Demonstrate an ongoing commitment to data-informed decision-making and strategic planning to ensure Lake County's strong transition to a legal cannabis industry.

**Finding #10: Create a program for expungement-eligible residents identified by AB 1793.**

**Finding #11: Lake County should explore how to connect local equity applicants with equity applicants in surrounding counties, such as Sonoma and Mendocino.**

## **Section 2. Background**

In 2018, the State of California enacted SB 1294 (Bradford) referred to as the California Cannabis Equity Act. The purpose was to ensure that persons most harmed by cannabis criminalization and poverty be offered assistance to enter the multibillion dollar cannabis industry as entrepreneurs or as employees with high quality, well-paying jobs.

According to SB 1294, “during the era of cannabis prohibition in California, the burdens of arrests, convictions, and long-term collateral consequences arising from a conviction fell disproportionately on Black and Latinx people, even though people of all races used and sold cannabis at nearly identical rates. The California Department of Justice data shows that from 2006 to 2015, inclusive, Black Californians were two times more likely to be arrested for cannabis misdemeanors and five times more likely to be arrested for cannabis felonies than White Californians. During the same period, Latinx Californians were 35 percent more likely to be arrested for cannabis crimes than White Californians. The collateral consequences associated with cannabis law violations, coupled with generational poverty and a lack of access to resources, make it extraordinarily difficult for persons with convictions to enter the newly regulated industry.”

“Cannabis prohibition had a devastating impact on communities across California and across the United States. Persons convicted of a cannabis offense and their families suffer the long-term consequences of prohibition. These individuals have a more difficult time entering the newly created adult-use cannabis industry due, in part, to a lack of access to capital, business space, technical support, and regulatory compliance assistance.”

“It is the intent of the Legislature in enacting this act that the cannabis industry be representative of the state’s population, and that barriers to entering the industry are reduced through support to localities that have created local equity programs in their jurisdictions.”

“In order to accomplish this goal, SB 1294 created a fund for local jurisdictions which have created cannabis equity programs to apply for funding to assist local equity applicants and local equity licensees gain entry to and to successfully operate in the state’s regulated cannabis marketplace.”

### Section 3. Overview

Located in the north central portion of California, Lake County has a population of roughly 64,386. Lake County's largest city is Clearlake with a population of 15,267.<sup>1</sup> The County is home to many federally-recognized tribes, such as the Big Valley Band Rancheria, Elem Indian Colony, Habematolel Pomo of Upper Lake, Middletown Rancheria of Pomo Indians, Robinson Rancheria, and Scotts Valley Reservation.<sup>2</sup> Lake County includes the following residential zip codes: 95422 (Clearlake), 95423 (Clearlake Oaks), 95426 (Cobb), 95435 (Finley), 95443 (Glenhaven), 95451 (Kelseyville), 95453 (Lakeport), 95457 (Lower Lake), 95458 (Lucerne), 95461 (Middletown), 95464 (Nice), 95467 (Hidden Valley Lake), 95485 (Upper Lake), and 95493 (Witter Springs).

Lake County has a land area of 1,256 square miles, about 100 miles long by 50 miles wide. The county is rural and is home to California's largest freshwater lake, Clear Lake. The county's economy is largely based on tourism and recreation, and is mostly agricultural. Many roads are unpaved, unmarked and unlit, according to the *2019 Lake County Community Health Assessment*. In 2018, Lake County's population had a median age of 45.8 years and a median household income of \$40,446. This can be compared to the 2019 median household income of California, which is \$80,440.

According to the U.S. Census Bureau (2017), 66.8% of the population identifies as White, 20.6% of the population identifies as Hispanic or Latino, 4.3% identifies as American Indian and Alaska Native, and 4.6% identifies as Two or More Races. In addition, 1.4% are Asian, 2.1% are Black or African American, and 0.3% are Native Hawaiian and Other Pacific Islander.

Both the overall population and the population breakdowns by race/ethnicity have been stable in Lake County in the past five years.

The past criminalization of cannabis adversely affected communities in Lake County in a manner unique to its location as a drug war epicenter and an area with persistent economic underdevelopment. Lake County has a disproportionately large demographic of people with requisite knowledge and skill to otherwise succeed in the market and contribute to the county's long-term economic development. Cannabis legalization presents a challenge and an opportunity for thousands of skilled cannabis market actors in Lake County. They have the experience and cultivation knowledge to succeed legally, but they lack the formal business training and means to overcome barriers to entry and contribute formally as successful members of a regulated future.

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<sup>1</sup> U.S. Census Bureau (2019). QuickFacts, Clearlake city & Lake County, California. Retrieved from <https://www.census.gov/quickfacts/fact/table/clearlakecitycalifornia,lakecountycalifornia/POP645218>

<sup>2</sup> "Federal and State Recognized Tribes." *List of Federal and State Recognized Tribes*, [www.ncsl.org/research/state-tribal-institute/list-of-federal-and-state-recognized-tribes.aspx](http://www.ncsl.org/research/state-tribal-institute/list-of-federal-and-state-recognized-tribes.aspx).

The legalization of commercial medical and adult use cannabis in California has dramatically shifted the economic climate. Without significant changes in, and support for what is now significantly a multigenerational local cannabis industry, the county economy and population is at risk of suffering irreparable harm. A cannabis equity program presents an important opportunity to create an environment where those adversely affected by past policies can operate and thrive in a legal manner.

The Board of Supervisors has authorized staff to develop the Lake County Cannabis Local Equity Program, and staff will work with CCRP to ensure that the equity program be informed by this study. The County of Lake and CCRP will create a Cannabis Local Equity Program that will use county funds derived from the Lake County Cannabis Cultivation and Business taxes as well as grant funding from the State of California to assist local equity applicants and licensees through its local equity program for commercial cannabis activity.

The County of Lake intends to adopt the Lake County Local Equity Program Manual to focus on inclusion and support of individuals and communities in Lake's cannabis industry that were negatively or disproportionately impacted by cannabis criminalization and poverty. Lake County seeks to focus its local cannabis equity program on assisting smaller scale cannabis cultivators to overcome these barriers to entry, and to build support for long-term economic vitality for the county.

## **Section 4. Equity Analysis**

### 4.1 Methodology

The goals of the Lake County Cannabis Equity Assessment (CEA) are to:

- Provide a data-informed look at the history of impacts of poverty and the criminalization of cannabis on the community.
- Provide policy recommendations to guide the county in the development of a Local Equity Plan with program components to help community members most impacted by criminalization and poverty to enter and thrive in the legal cannabis workforce.
- Make recommendations for future research that will help assure that there is equity and diversity in the emerging cannabis industry.

To achieve these goals, a combination of primary and secondary data sources were utilized for the report. Primary data was collected through interviews with key stakeholders in Lake County. Interviews were conducted between August and November of 2020. Stakeholders represented the following sectors:

- Elected officials
- Local government departments engaged in cannabis-related work
- Private stakeholders (non-cannabis)
- Cannabis special interest groups
- Lawyers with expertise in cannabis-related cases
- Communities impacted by cannabis criminalization
- Law enforcement

In addition, secondary data was reviewed and analyzed from a variety of sources, including data provided by the County of Lake and publicly available data related to cannabis. County-specific secondary data sources reviewed by CCRP included:

- Lake County California: 2019 Community Health Needs Assessment
- Lake County Economic Development Strategy, 2018
- County of Lake, Ordinance No. 3047
- County of Lake, Ordinance No. 3074
- Lake County Article 27
- Lake County Community Development Department, Commercial Cannabis Cultivation Application Package (March, 2018)

#### 4.2 Historical Context of Cannabis Criminalization in Lake County

Lake County communities were heavily impacted by the criminalization of cannabis in particular but also the war on drugs in general, directly and indirectly. The purpose of this section is to provide a narrative overview, with detailed supporting criminal justice statistics and socioeconomic indicators provided in the following sections. In this section, we identify direct and indirect impacts of cannabis criminalization in a historical and contemporary perspective.

##### *Direct and Indirect Impacts, Historically*

Directly, cannabis has been cultivated in Lake County communities since the 1970s by countercultural families going “back to the land” and Vietnam veterans coming back from the war. Over the next two decades, cultivation as a way to make ends meet (small scale) as well as for commercial profit (large scale) spread throughout the county’s remote watersheds and into its national forests. This spread was fortified by the migration of cultivators from nearby Mendocino and Humboldt Counties, seeking to escape intense seasonal aerial eradication by California’s joint national, state and local task force Campaign Against Marijuana Planting (CAMP). Between 1984 and 1995, Lake’s eradication share ranked number 10 in the state, but far behind the top two counties.



<i>Top 10 CA counties by CAMP eradication</i>	<i>Average plants eradicated 1984-1995</i>	<i>Share of CAMP plants eradicated 1984-1995</i>
Humboldt	40311	36.80%
Mendocino	28298	25.90%
Trinity	5686	5.20%
Santa Cruz	4887	4.50%
Santa Barbara	4050	3.70%
Butte	4029	3.70%
Sonoma	3105	2.80%
Monterrey	2391	2.20%
Shasta	2062	1.90%
San Luis Obispo	2045	1.90%
Lake	1924	1.80%

Source: Camp Reports

As cultivation geographies shifted, CAMP followed. By 2003, Lake County became the most significant jurisdiction of operation for CAMP, in terms of plants eradicated, a position that it held through 2009, the last year for which we have formal, detailed CAMP reports.

<i>Top 10 CA counties by CAMP eradication</i>	<i>Average plants eradicated 2004-2009</i>	<i>Share of CAMP plants eradicated 2004-2009</i>
Lake	333505	15%
Shasta	286151	12.90%
Mendocino	184192	8.30%
Tulare	153648	6.90%
Fresno	144882	6.50%
Humboldt	109646	4.90%
Los Angeles	91113	4.10%
Riverside	89195	4%
Trinity	73294	3.30%
Napa	67719	3%
Kern	66957	3%

Figure 1. CAMP eradication rates by county 2004-2009

Indirectly, Lake's experience with cannabis and its criminalization cannot be understood outside of its history as one of the poorest counties in California; and its proximity, relative to other rural Northern California cultivation areas, to significant centers of urban consumption, especially the Bay Area. As a result, Lake is both a significant producer and transit space for cannabis supply chains. Its proximity to Oakland and San Francisco meant that as medical cannabis law and policy liberalized even before California Proposition 215, 1996's Compassionate Use Act, it became a desirable location for the cultivation of cannabis destined for the Bay Area's HIV/AIDS era cannabis clubs and medical dispensaries. The architect of Prop 215, Dennis Peron, maintained a farm in Middletown, Lake County for several years after the initiative passed. The cultivation demographic in Lake County thus includes a significant population of legacy medical cannabis cultivators.

Unlike other counties with legacy countercultural and medical cannabis cultivators, cannabis remained heavily stigmatized as a subject of criminal law enforcement, and these communities remained much more underground than their counterparts in places like Mendocino and Humboldt Counties. This may be due to local cultural contexts, but is more clearly related to the emergence since 2003 of unregulated, extremely large-scale cultivation in the County, especially in national forests; and the co-presence of other significant drug trafficking enterprises that also participate in unregulated cannabis markets. In a way, the obvious participation of large-scale commercial cannabis "bad actors" have made it difficult to discern the widespread presence and legitimacy of small scale, extremely underground cultivators that blend in with their rural communities. Therefore, one significant indirect impact of cannabis criminalization in Lake County communities is that many of its responsible, ethical cannabis cultivators have been and remain in hiding, fearful of becoming collateral damage in a war on larger scale drug trafficking enterprises. Their success at blending in has recursively fed local law enforcement's image of cannabis cultivation as a commercial criminal activity little different from that of methamphetamine production and the heroin trade.

The other significant indirect impact of cannabis criminalization in Lake County is the result of its socioeconomic underdevelopment. Lake County consistently ranks near the bottom of the state in all major indicators, meaning that participation in illicit drug markets has afforded the county's undereducated youth its most significant opportunity for employment. Lake is unique among California's rural counties in that it has never experienced a resource extraction boom nor any other form of significant economic growth. Its economy is mostly agricultural, but even its agricultural industries such as pears and walnuts are significantly smaller scale and less remunerative than those in other parts of California. According to Brenna Sullivan, Executive Director of the Lake County Farm Bureau, its average farm size is much smaller than those found in the Central Valley, in a national historical context where small farms have become less and less viable over time. During the 2008-2010 financial crisis, unemployment in the County exceeded 16%, and according to several of our interviewees, including Sullivan, this was a

period when cannabis cultivation played a major role in weathering the crisis for locals as well as a wave of migrants to Lake County from urban areas

This is true for many other jurisdictions in California, but it is especially apparent in rural Northern California counties. The increasing visibility of cannabis cultivation in the county heightened tensions between its small farmer, non-cannabis cultivation communities in decline and the suddenly legible presence of alternative livelihoods in the landscape. In the absence of other economic opportunities, made even worse by the financial crisis, the indirect impact of cannabis criminalization was the proliferation of unregulated cannabis markets.

The above direct and indirect impacts of cannabis criminalization intensified in the decade following the crisis, leading up to California cannabis legalization in 2016. This was primarily the effect of a volatile regulatory environment, which disrupted the legitimacy of medical cultivation sizes and locations abruptly in 2013. The final part of this equity analysis addresses how these impacts shifted up to the passage of Prop 64.

### *Contemporary shifts*

In fact, the Northern California High Intensity Drug Trafficking Area program describes the period between 2007 and 2010 as the period when medical cannabis commercialized, based on a rapidly expanding footprint of medical cannabis dispensaries in urban areas<sup>3</sup>. The explosion of commercial storefronts was the visible edge of rapidly expanding cannabis cultivation outdoors in rural areas like Lake and also indoors in urban areas. This is also a period when wholesale cannabis flower prices began a steep decline, evidence of massively increasing cultivation in a context of decreased enforcement given Prop 215's affirmative defense provisions that made it increasingly difficult to convict persons charged with cannabis crimes. This was a phenomenon with analogous effects in each state that passed similar medical cannabis laws, especially Oregon.

In Lake County, as in the rest of the state and its fellow West Coast medical cannabis states, Washington and Oregon, substantial efforts were launched to regulate medical cannabis cultivation. In 2013, Lake County amended article 72, limiting medical cannabis cultivation to six plants only on Ag-zoned parcels under 20 acres. Prior to that, Lake County had allowed up to 36 mature and 72 immature cannabis plants on parcels of 5 acres or more (see 2011 Ordinance 2960), effectively re-criminalizing livelihood-scale gardens for cultivators that did not own large parcels. Until the passage of Prop 64 in 2016, enforcement intensified considerably.

According to our interview with Lake County Sheriff Martin, “we had an arrest spree before Prop 64. Anyone that was incarcerated had large amounts for sale. That isn't happening anymore now, we are focusing on people who are doing other crimes ...” This characterization hinges on

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<sup>3</sup> California High Intensity Drug Trafficking Areas Report 2018: “Marijuana's impact on California”: 6-7.

what constituted a “large amount,” since prior to 2013 anyone with 36 outdoor plants would indeed produce a large amount relative to 6 plant gardens, whether or not they were in compliance with SB 420’s collective garden paperwork. By comparison, trespass grows on public and large public lands often yield plant count numbers in the thousands. It is clear that the same cultivation practices that medical cannabis cultivators used before 2013 to stay under the radar came to be seen as much larger, in comparison with what the County allowed between 2004 and 2012.

Our interviews with potential equity stakeholders and Lake County criminal defense lawyers revealed numerous impacts especially from local law enforcement task forces on relatively small-scale cannabis cultivators. During this time period, the local task force engaged in what were alleged by interviewees as unprofessional and sometimes illegal enforcement tactics. This included property searches with questionable search warrants that caused cases to be thrown out of court. It also included allegations of excessive property damage and unnecessarily rough treatment of suspects and their families, as well as property seized that subjects took legal action against the County in order to get returned. Our interviews with stakeholders suggested the continuity of prohibition attitudes towards cannabis cultivators as bad people, making little distinction between large-scale extractive cultivation and small-scale livelihood cultivation.

Going forward, however, Lake County has embraced the generation of revenue through cultivation taxes at a much larger scale than most of its peers. It started with the passage of Ordinance 3047 in 2016 on parcels in compliance with 2013’s Article 72 relating to medical cannabis cultivation. It was followed several months later with the passage of Measure C, which replaced Article 72 with Article 27, a cultivation tax on legally permitted cultivation licenses in Lake County. Other business taxes were codified as well, but the cultivation tax combined with the County’s decision to allow much larger cultivation scales on eligible parcels significantly escalated the County’s revenue projections. It did so primarily because the scale at which cannabis cultivation could be permitted dwarfs those of most other California jurisdictions, more comparable to Santa Barbara than neighboring Mendocino County. The relative cheapness of its land as well as the possibility of growing at scale has attracted a wave of well-capitalized operators from outside the county as well as smaller scale cultivators fleeing more restrictive permitting requirements.

This massive influx of cultivation permit seekers has already inflated rural real estate prices and intensified non-cannabis small farmers in the county’s fear of competing land uses. It has also created significant processing bottlenecks for local permit-seekers whose pace through the process has slowed down. Well-capitalized cultivation companies can afford to hire expensive permit consultants to facilitate transition through the process, crowding out smaller local cannabis cultivators who struggle to navigate the legal system. The influx of industrial scale cannabis cultivation also threatens the diversity of the county’s otherwise stagnant economy, but

this is not limited to other sectors. Lake County’s permits are predominantly for cultivation at this time, with value added in other parts of the supply chain, such as manufacturing and distribution, in other counties. Microbusiness license permits would help, except that they are subject to rigorous commercial compliance requirements associated with commercial activity such as infrastructure modernization. The silver lining to this situation is that there is plenty of opportunity for potential equity stakeholders to go into licensed cannabis businesses that complement cultivation, should they be afforded the basic business education and training that is a key part of most existing equity programs.

The proposed equity program can support small businesses and traditional cultivators that are being left behind and vulnerable to remaining dangerous criminal elements; have been doing it so long there is no viable career alternative; cannot afford to infrastructure changes in order to become compliant; and need assistance in navigating the complex requirements associated with entering and thriving in the legal cannabis market.

#### 4.3 Drug Arrest Rates in Lake County, California, and the United States

##### *Lake County*

Public data related to drug-related arrest rates was obtained from the California Department of Justice. Between 2010-2019, drug offenses made up 28% of all felony arrests in Lake County. This translates to an average of 313 drug-related arrests per year over a ten-year period. Felony arrests for drug offenses significantly decreased in 2015 and held at a consistent level through 2019, the last year for which data is available.

Lake County had the highest overall arrest rate of all 58 counties in the state in 2016, according to the Public Policy Institute of California. Of those arrests, a significant percentage were drug-related arrests. According to the *Lake County Record Bee*, with just under 7,906 arrests per 100,000 people, Lake County’s arrest rate was about 13 percent higher than Siskiyou County’s, which had the next highest rate of 6,862 per 100,000. Shasta, Trinity, Butte and Tuolumne counties followed. The PPIC report calculated its findings based on the latest available data from the state. In addition, according to PPIC, women are arrested at higher rates in small, rural counties. Arrest rates for men and women have both fallen since 1980, but because men’s arrest rates have fallen more, the share of women among all arrestees has grown—from 13.4% in 1980 to 23.5% in 2016. The counties with the highest arrest rates for women in 2016 tended to be smaller, rural counties with high overall arrest rates, such as Tuolumne (4,210 female arrests per 100,000 female residents), Lake (4,130), and Siskiyou (3,824). These rates were roughly four times those in counties with the lowest arrest rates for women: San Francisco (982), Mono (1,046), and Santa Clara (1,142).

Figure 2 shows the comparison of California counties ranked in order of highest arrest rate to lowest.

### California Counties ranked by Arrest Rates, 2016

Source: Calculations based on California Department of Justice's Monthly Arrest and Citation Register, 2016

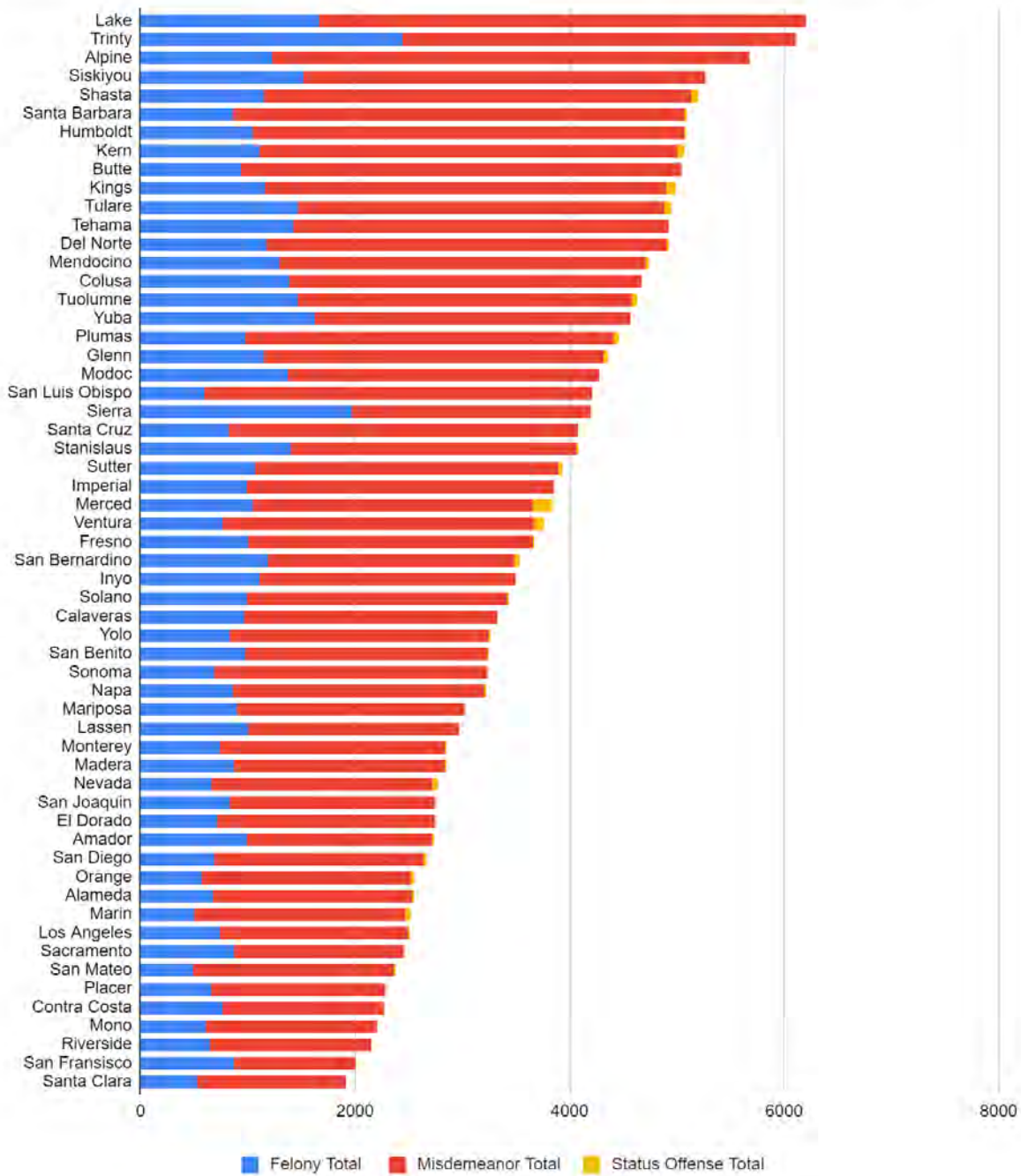


Figure 2. California Counties ranked from highest arrest rate to lowest, 2016

## Felony Arrests for Drug Offenses per 100,000 people in Lake County and California, 2010-2019

Source: OpenJustice Crime Statistics: Arrests, 2010-2019

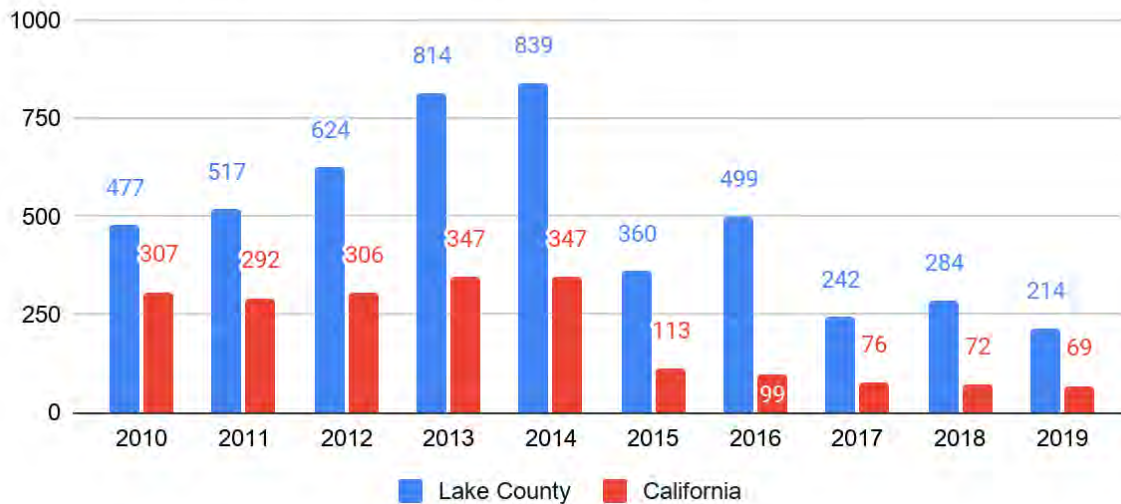


Figure 3. Number of Felony Arrests per 100,000 people for both the County of Lake and the State of California, 2010-2019

As shown in Figure 3, in the last decade Lake County has had a significantly higher proportion of drug related felony arrests than the state average. Both Lake County and California had their highest number of felony arrests during 2014, where it can be noted that Lake County's proportion doubled that of the state.

The figures below show drug arrest data comparing Lake County with California by race, gender and age group. The data is relevant from 1980-2019.

## Drug Arrests by Race, comparing Lake County & California, 1980-2019

Source: OpenJustice Crime Statistics: Arrests, 1980-2019

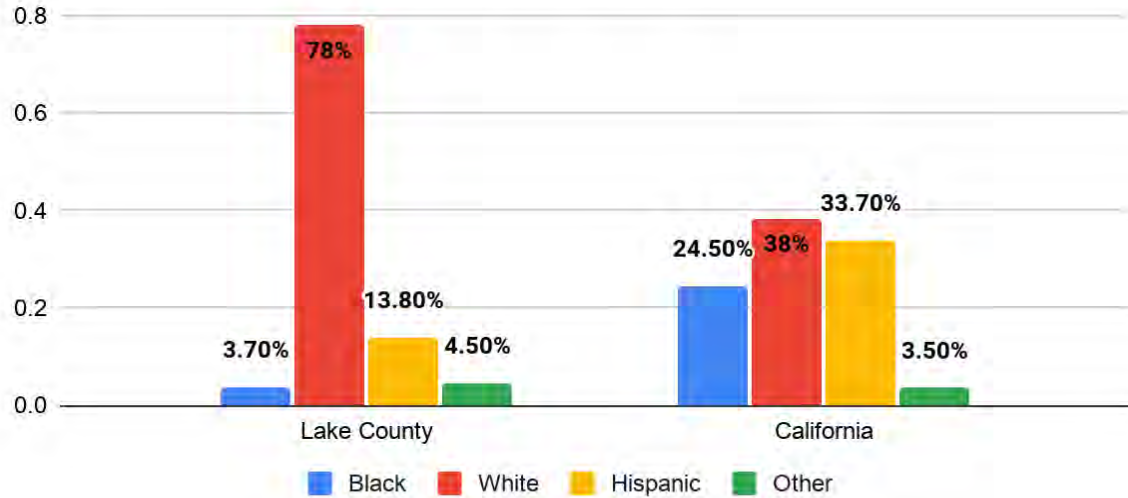


Figure 4. Comparison between County of Lake and State of California for percentage of drug arrests by race, 1980-2019

Information on racial inequities in regards to cannabis arrests was obtained from *When the Smoke Clears*, a report commissioned by Public Health Advocates and formed by the Center for Regional Change (CRC) at UC Davis (2020). In Lake County, which had less disproportionality than other counties in California, still had data showing that 30.7% of Hispanic individuals were arrested for marijuana-related offenses while they only comprised 18.9% of the overall population of the county.



## Drug Arrests by Gender, comparing Lake County & California, 1980-2019

Source: OpenJustice Crime Statistics: Arrests, 1980-2019

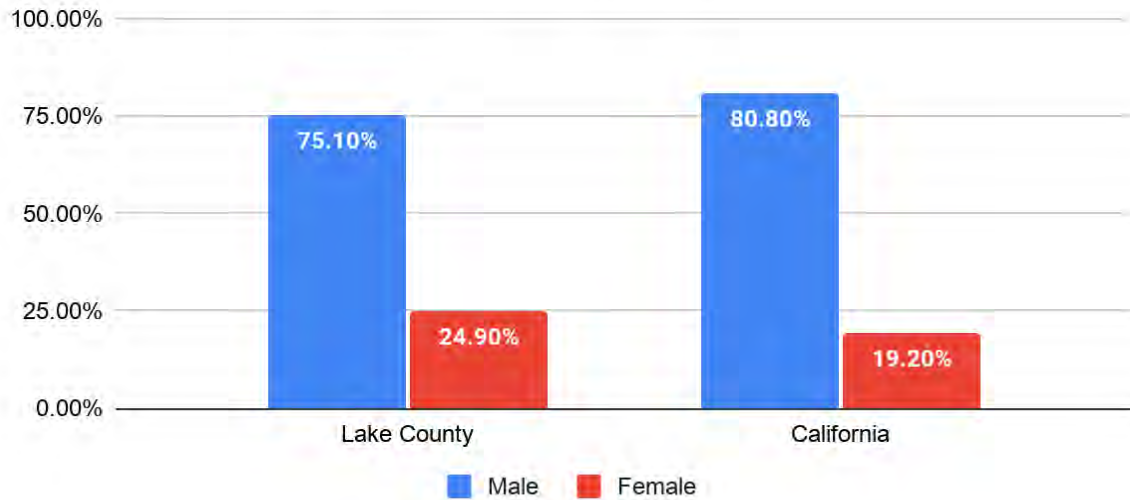


Figure 5. Comparison between County of Lake and State of California for number of drug arrests by gender, 1980-2019

As previously noted, small rural counties with already high arrest rates tend to have larger percentages of female arrests. Figure 5 illustrates this point as Lake County leads the state average of female arrests by 5.7%.

## Drug Arrests by Age, comparing Lake County & California, 1980-2019

Source: OpenJustice Crime Statistics: Arrests, 1980-2019

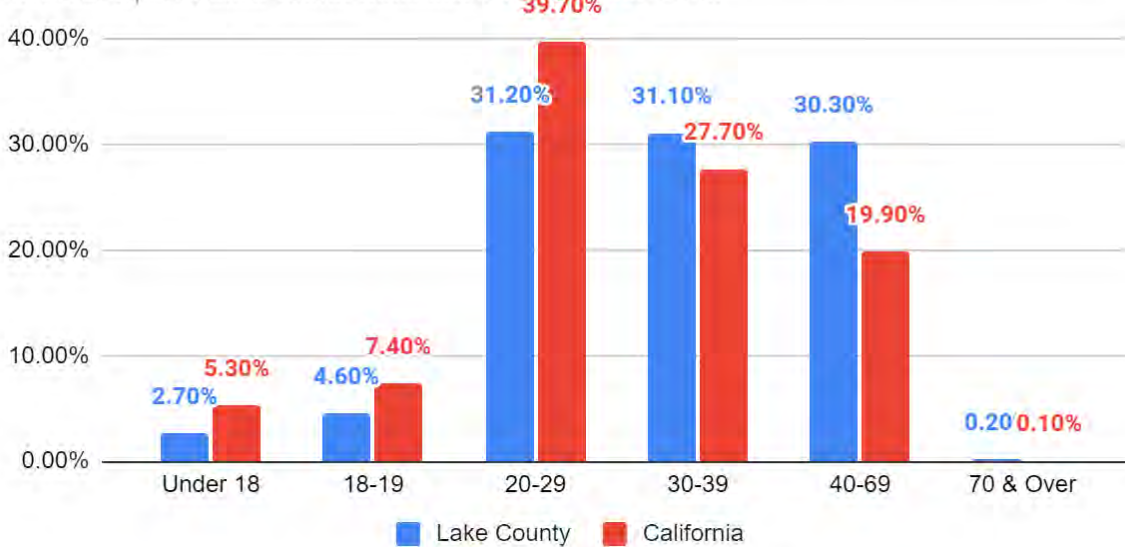


Figure 6. Comparison between County of Lake and State of California for number of drug arrests by age, 1980-2019

The data from Figure 6 reveals that Lake County has had a very stable percentage of drug arrests between the age ranges of 20-29, 30-39, and 40-69. California's data shows that drug arrests peak around the ages of 20-29, with a significant decline with the following age ranges. It can be postulated that the trend seen in Lake County's data is correlated with the County's history of legacy farmers continuing to cultivate cannabis for supplemental income.

Cannabis arrests by county for California were obtained from the Uniform Crime Reporting Program. Cannabis-related arrests during 2008 ranked Lake County as #26 highest of 58 counties for rates of cannabis arrests. During 2008, Lake County was just above the state of California as a whole in the rate of cannabis arrests.

## Lake County Cannabis Arrests, 1985-2018

Source: Federal Bureau of Investigation, Crime Data Explorer

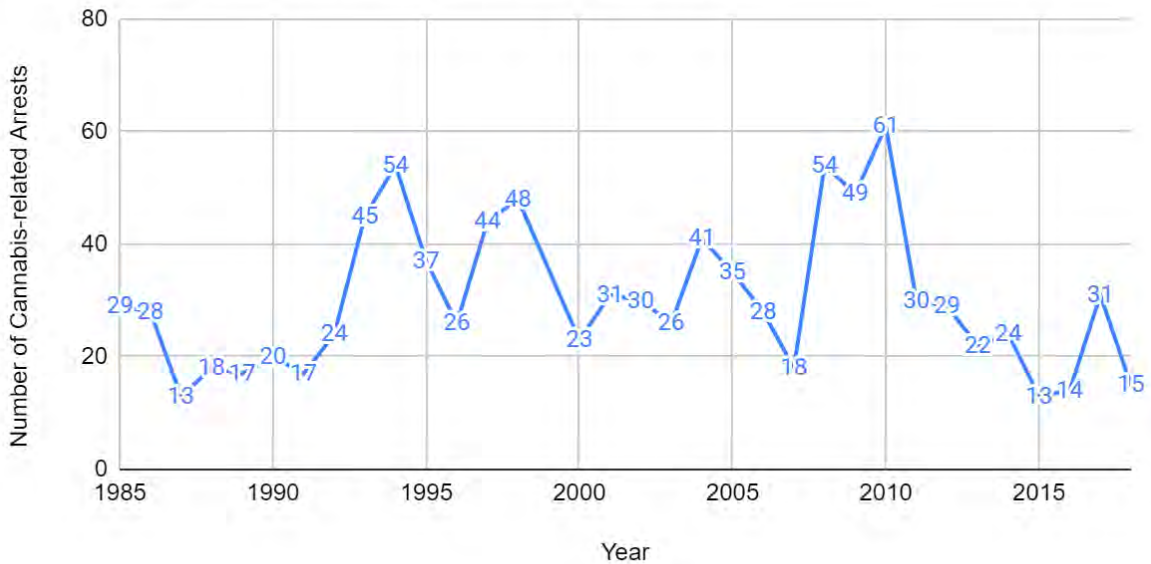


Figure 7. Number of cannabis arrests in Lake County by year from 1985-2018

## California Cannabis Arrest Rates Ranked by County, 2008

Ranking	County
24	Los Angeles
25	Tehama
26	Lake
27	Siskiyou
28	Placer

Figure 8. California Counties ranked by arrest rates, 2008

Source: Marijuana Arrests and California's Drug War: A Report to the California Legislature, 2010 Update, p. 11

Lake's long history of cannabis cultivation and the nature of an underground cannabis economy has led to violent crime and victimization of vulnerable populations. For example, women in the cannabis industry who experienced violence or assault were unlikely to report those crimes. In 2013, federal drug and firearms charges were filed against two Lake County men in a case where there were allegations of human trafficking and sexual assault involving a female minor. Lake

County law enforcement were contacted by the Los Angeles Police Department regarding a missing teen that was believed to be on the property of the two men. Despite evidence of crimes related to sexual assault and human trafficking, only drug and gun-related charges were brought against the two men.

Paula Arrowsmith-Jones with the North Coast Rape Crisis Team references that when people have “their living situation and their financial situation all being kind of linked together, those who are assaulted may not come forward for fear of reprisal or fear of being tagged as someone that brings law enforcement into marijuana production” (*Lost Coast Outpost online article by Emily Hobelmann, August 11, 2013*).

Multiple articles have been written on this topic as women have spoken out about their experiences. According to an article titled *The Weed Industry Responds to Accusations of Rampant Sexual Assault* by Gabby Bess in 2016, “the problem of rape and sexual harassment in an industry that operates in seclusion is ongoing. In many circumstances, victims rarely report their sexual assault to the police either out of fear or the belief that law enforcement won't do anything to help them. The environment cultivated around marijuana grows, however, makes it even harder for rape victims to speak out.” In the same article, the California Growers Association executive director, Hezekiah Allen, wrote that the void of regulation has allowed illegal grows to proliferate in the grey area. “It is no secret that criminal behavior lingers in the shadows cast by prohibition and regulatory vacuum.”

### *California and the United States*

The Center on Juvenile and Criminal Justice (CJJC) has published several reports that demonstrate patterns in drug arrest rates in California that disproportionately affected people of color. Starting in the 1990's, arrests in California for drug possession increased dramatically. Cannabis possession rates increased by 124% while other categories of serious crime showed decreased arrest rates. Rates of arrest per 100,000 population rose much faster for African American, Hispanics, those under the age of 21 and European American over the age of 40.

Though a majority of states allow medical cannabis use, cannabis leads drug-related prosecutions in the United States. According to New Frontier Data, over 650,000 people were arrested for cannabis-related offenses in 2016. Cannabis accounted for 42% of all drug-related arrests in 2016, with cannabis possession offenses specifically accounting for 37% of all arrests. For comparison, heroin and cocaine accounted for 26% of arrests nationally.

According to a report from the ACLU titled *A Tale of Two Countries: Racially Targeted Arrests in the Era of Marijuana Reform* (7.1.2020), “there were more marijuana arrests in 2018 than in 2015, despite the fact that eight states legalized marijuana for recreational use or decriminalized

marijuana possession in that timeframe. Marijuana arrests made up 43% of all drug arrests in 2018, more than any other drug category. The overwhelming majority of marijuana arrests- 89.6%- are for possession only.” The report also includes a finding that states’ “extreme racial disparities in marijuana possession arrests persist throughout the country and have not improved since 2010.”

According to an article by Josh Adams for New Frontier Data (6.21.2020), “Drug offenses are often the pretext for seizing other cash or property.” For example, a report from the Justice Department Inspector General in 2017 found that ‘the DEA seized more than \$4 billion in cash from people suspected of drug activity over the previous decade, but \$3.2 billion of those seizures were never connected to any criminal charges.’ Research has also indicated that civil asset forfeiture disproportionately impacts low-income and minority communities. Relying on the suspicion of a crime allows law enforcement to seize cash and property almost entirely without accountability, often under the pretense of thwarting drug-related activity.’

#### 4.4 History of Cannabis Policy Reforms in California & Lake County

##### *California*

In 1996, California passed Proposition 215, the Compassionate Use Act. Lake County also supported the measure. California was the first state in the United States to legalize cannabis for medical use.

#### State of California Prop 215 Election Results

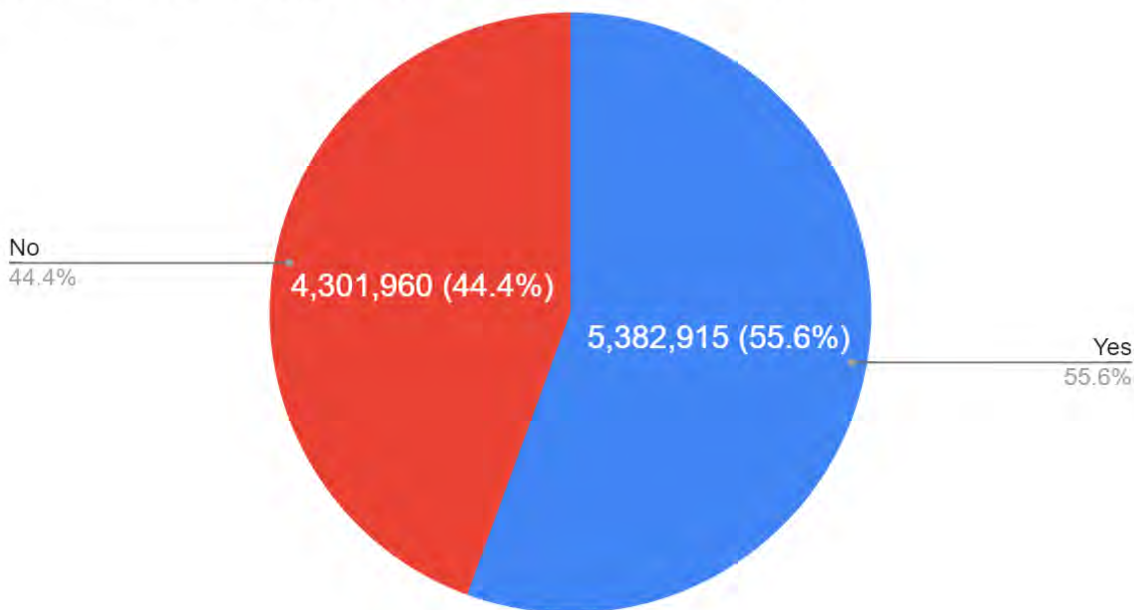


Figure 9. Proposition 215 Election Results for the State of California

## Lake County Prop 215 Election Results

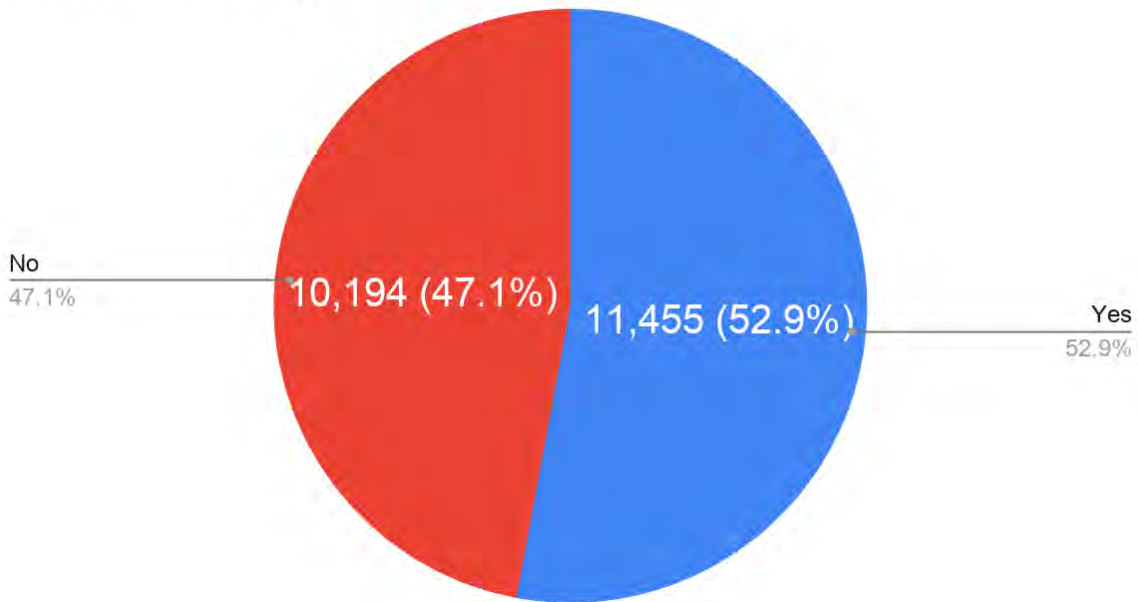


Figure 10. Proposition 215 Election Results for the County of Lake

The Compassionate Care Act made it possible for patients and qualified caregivers to cultivate and possess cannabis for personal use. No regulatory structure was put in place. California voters continued to push for policies to decriminalize drug use, as evidenced by the voter-approved Substance Abuse and Crime Prevention Action in 2000, which allowed the state to offer eligible offenders convicted of drug use and/or possession treatment instead of jail time.

In 2016, California established a legal framework to regulate and monitor cannabis dispensaries after the passage of the Medical Marijuana Regulation and Safety Act. On November 8, 2016, California voters passed Proposition 64, the Adult Use Marijuana Act. Proposition 64 legalized the distribution, sale, and possession of cannabis. Proposition 64 decriminalized the possession, use, cultivation and sale of adult-use cannabis. It also provided for the expungement of low-level drug offenses and training for cannabis careers, grants and loans. It passed with 57% of the vote statewide and 58.6% in Lake County.

## State of California Prop 64 Election Results

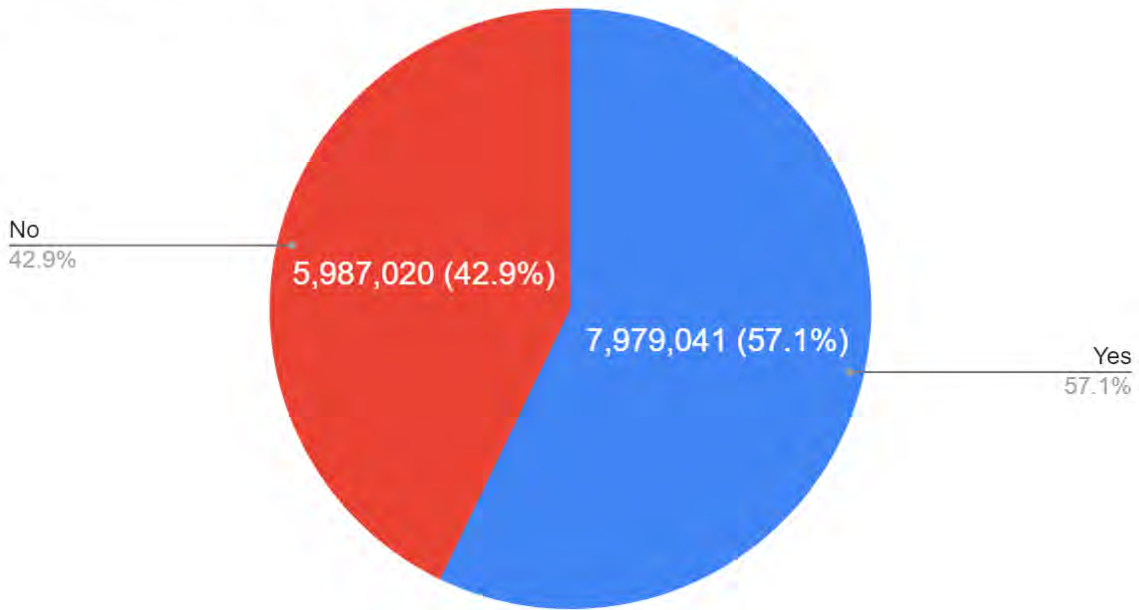


Figure 11. Proposition 64 Election Results for the State of California

## Lake County Prop 64 Election Results

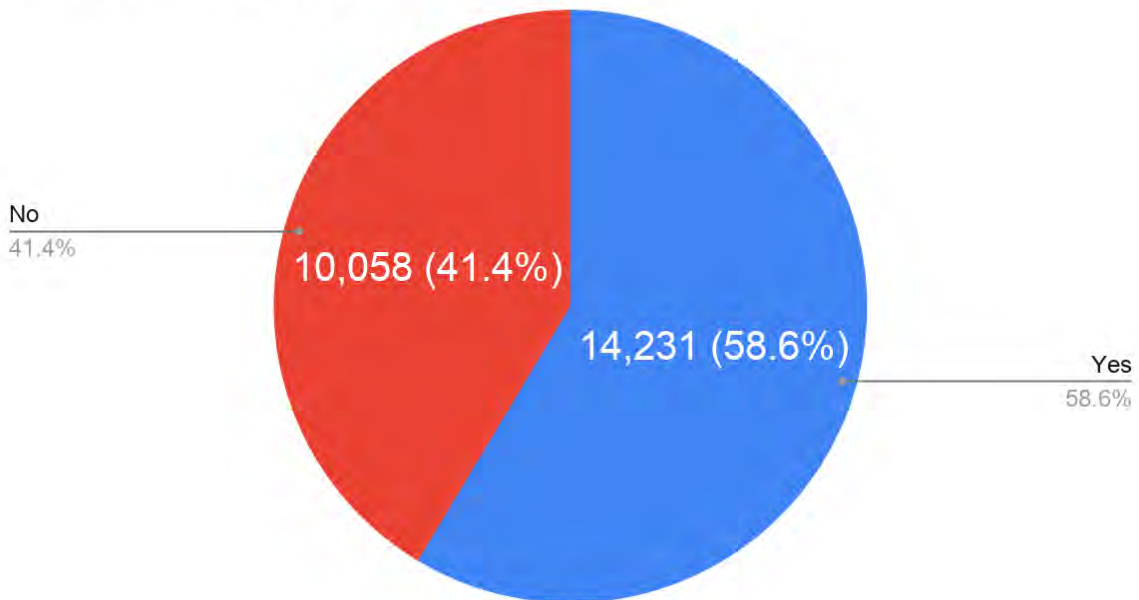


Figure 12. Proposition 64 Election Results for the County of Lake

## *Lake County- History of Cannabis Regulation*

According to *Lake County's Commercial Cannabis Cultivation application package*, "Lake County's regulations regarding the commercial cultivation of cannabis are found in Chapter 21 of the Lake County Code (the Zoning Ordinance). Article 72 was adopted on December 17, 2013 addressing the regulation of cannabis cultivation for qualifying patients, primary caregivers, and collectives.

Through Article 72, it is the intent of the Board of Supervisors to prohibit the large scale cultivation of marijuana used for non-medical purposes, while regulating the noncommercial cultivation of limited amounts of marijuana for medical purposes to accommodate the needs of qualified patients and/or their caregivers, in order to protect Lake County's unique and sensitive environment, and to preserve the public peace, health, safety and general welfare of the citizens of, and visitors to the County. It is also the intent of the Board of Supervisors that nothing in the Article be construed to allow persons to engage in conduct that endangers others or causes a public nuisance or to allow the use or diversion of marijuana for non-medical purposes. Article 72 established regulations for medical cannabis cultivation but did not create a permitting system.

In 2017, the Board of Supervisors amended the Article and created a self-certification program whereby an individual could self-certify that they were in compliance with Article 72. Upon confirmation through a compliance monitoring site visit, either a Certificate of Recognition of Compliance or Good Standing for those in operation prior to September 1, 2016 or Conditional Certificate of Recognition of Compliance for those operating after September 1, 2016 would be issued. Both certificates were good for a one-year period and could be renewed upon confirmation of the certification through a compliance monitoring.

The self-certification program expired March 31, 2018. On March 20, 2018, the Board of Supervisors adopted an amendment to Article 27 of the Zoning Ordinance, creating a regulatory program for adult use, qualifying patient, and primary caregiver cannabis cultivation and commercial cannabis cultivation. The commercial cannabis cultivation regulatory program consists of three different types of permits and a procedure for the early activation of a minor or major use permit for cannabis cultivation."

The below section provides a high-level summary of Lake County's cannabis-related measures and programs from 2011 to the present.

**Date:** 10/4/2011

**Title:** Ordinance No. 2960

**Summary:** An ordinance amending Chapter 21 of the ordinance code of the County of Lake adding Article 72A: Regulations for the cultivation of medical marijuana. Included in the amendment allows for cultivation of no more than 36 mature or 72 immature plants by Collective or Cooperative Medical Marijuana cultivation sites.



**Date:** 7/9/2012

**Title:** Ordinance No. 2977

**Summary:** An urgency measure adopting an interim ordinance prohibiting commercial medical marijuana cultivation and cultivation on vacant properties, and limiting outdoor cultivation amounts in the County of Lake. Outdoor cultivation is prohibited as follows: (1) cultivation of more than 6 plants on any parcel smaller than ½ acre (2) cultivation of more than 12 plants on any parcel between ½ acre but less than 1-acre (3) cultivation of more than 18 plants on any parcel between 1 and 5 acres (4) cultivation of more than 36 plants on any parcel between 5 and 40 acres (5) cultivation of more than 48 plants on parcels 40-acres or larger.

**Date:** 12/17/2013

**Title:** Ordinance No. 2997

**Summary:** An ordinance amending Chapter 21 of the ordinance code of the County of Lake adding Article 72: regulations for the cultivation of medical marijuana. Ordinance 2997 imposed an outdoor cultivation ban on any parcel that is located within a Community Growth Boundary. 2997 also imposed limitations on the plant count that is allowed to be cultivated outdoors by medical marijuana collectives. This distinction allows the cultivation of no more than 48 mature plants or 72 immature plants, provided that the cultivation is conducted on a parcel that is a minimum of 20 acres and located within the “A”, Agriculture and “RL” Rural Lands zoning districts.

**Date:** 8/9/2016

**Title:** Ordinance No. 3047

**Summary:** An ordinance establishing a cannabis cultivation tax in the unincorporated areas of the County of Lake. The revenue from this tax will help fund law enforcement, environmental protection, and water quality resources in the County as well as establishing additional educational programs for County youth relating to drug and alcohol use.

**Date:** 8/7/2018

**Title:** Ordinance No. 3074

**Summary:** An ordinance of the County of Lake, State of California, adding Article VII (Cannabis Business Tax) to Chapter 18 of the Lake County code. The tax is to be imposed on the privilege of conducting certain cannabis businesses in the County, which includes but not is limited to, dispensing, producing, processing, preparing, storing, providing, donating, selling, or distributing medical cannabis or products by commercial cannabis businesses in the unincorporated area of the County. The Cannabis Business Tax is a general tax that is established for the general governmental purpose of the County. The proceeds from the tax imposed by this Article shall be placed in the County’s general fund.

**Date:** 5/21/2019

**Title:** Ordinance No. 3084

**Summary:** An ordinance amending Chapter 21, Article 27 of the Lake County code to allow amendments to Article 27 pertaining to adult personal use, qualified patient and primary caregiver cultivation, commercial cannabis cultivation, type 6 non-volatile cannabis manufacturing and to establish a permit process for microbusiness and amendments to Article 18 and 19 to establish a permit process for retail sales of cannabis.

## *Lake County Cannabis-Related Measures*

### **Measure C**

The Lake County Board of Supervisors placed Measure C on the November 8, 2016 ballot. Measure C is an annual general-purpose tax imposed on legally authorized cannabis cultivation occurring in unincorporated areas of the County of Lake. The rates are \$1.00 per square foot for outdoor cultivation, \$2.00 per square foot for mixed-light cultivation, and \$3.00 per square foot for indoor cultivation. Measure C was passed by voters with 62.7% of the vote in favor.

### **Measure K**

The Lake County Board of Supervisors placed Measure K on the November 6, 2018 ballot. Measure K is a cannabis business tax that taxes businesses at the rate of \$1.00 per square foot for nurseries and cultivators and between 2.5% and 4% for other businesses. Other businesses include, but are not limited to, dispensaries, micro-businesses, and delivery businesses. Measure K was passed by voters with 68.55% of the vote in favor.

Measures C & K are referred to as the Cannabis Cultivation and Business Taxes. They are both general purpose taxes not designated for specific uses. The Board of Supervisors did indicate that impacts to law enforcement, environmental protection, and water quality protection resources have been noted as particular potential needs, along with the establishment of additional education programs for youth relating to drug and alcohol use. The Cannabis Tax allocation is regularly reviewed during the county budget cycle.

## **Section 5. Current Conditions in Lake County**

According to the *2019 Community Health Needs Assessment for Lake County*, conducted by Hope Rising Lake County (the Lake County, California Collaborative of hospitals, provider groups, community-based organizations and County of Lake government), a review of primary and secondary data revealed the following top health needs:

- Access to health services
- Alcoholism
- Drug use
- Housing stability and homelessness
- Mental health
- Poverty
- Unemployment

According to *Lake County's Community Health Needs Assessment*, educational attainment can influence key factors such as employment, income, health behaviors, and ease of health system

access. Currently, over half of the population in Lake County has either a high school degree or some college education with no degree. Comparing Lake County's high school graduation rates with the state average puts Lake County above California, with a 27.2% rate for Lake to a 20.6% rate for the state. A similar trend can be seen regarding the rates of individuals with some college education but no degree. 30.1% of individuals in Lake County have experienced some college education, whereas only 21.4% of individuals in the State of California have experienced college. Lake also has a higher rate of individuals getting their associates degree at 11.4% to California's average of 7.7%.

When it comes to rates of Bachelor's degree attainment, this is where Lake County falls short. California's rate is double that of Lake's. One key interviewee outlined Lake's condition regarding access to higher education, stating that there are no educational institutions that offer a 4-year degree. It can be speculated that Lake County's rate of educational attainment is significantly impacted by its access, or lack thereof, to education.

In terms of other current conditions in Lake County, the *Lake County Economic Development* report (2018) identified a number of infrastructure needs, including the following:

- Broadband or wireless expansion
- Commercial space and parcels
- Water and sewage projects
- Expansion of roadways to allow larger vehicles
- Airport to support tourism and business needs

Lake County residents also speak of the characteristics that make their county a desirable place to live, including a close-knit community, small-town feel, no traffic, low cost housing and commercial property relative to the region, and the natural beauty of the hills and the lake, and proximity to the mountains and ocean. Lake County traditionally and currently relies heavily on the agriculture and tourism industry.

### 5.1 Youth Cannabis Use in Lake County

Youth use of cannabis use starts earlier in Lake County relative to the California average. There is also an unusual workforce issue since technically Prop 64 allows adults aged 21 years or older to possess and use marijuana for recreational purposes, but most people in Lake County enter the workforce by the time they are 18. Youth cannabis use is still illegal and therefore they still may be adversely impacted.

## Lake County School Age Cannabis Use, by Gender and Grade Level, 2015-2017

Source: Kidsdata.org, Alcohol/Drug Use in the Past Month, by Gender and Grade Level

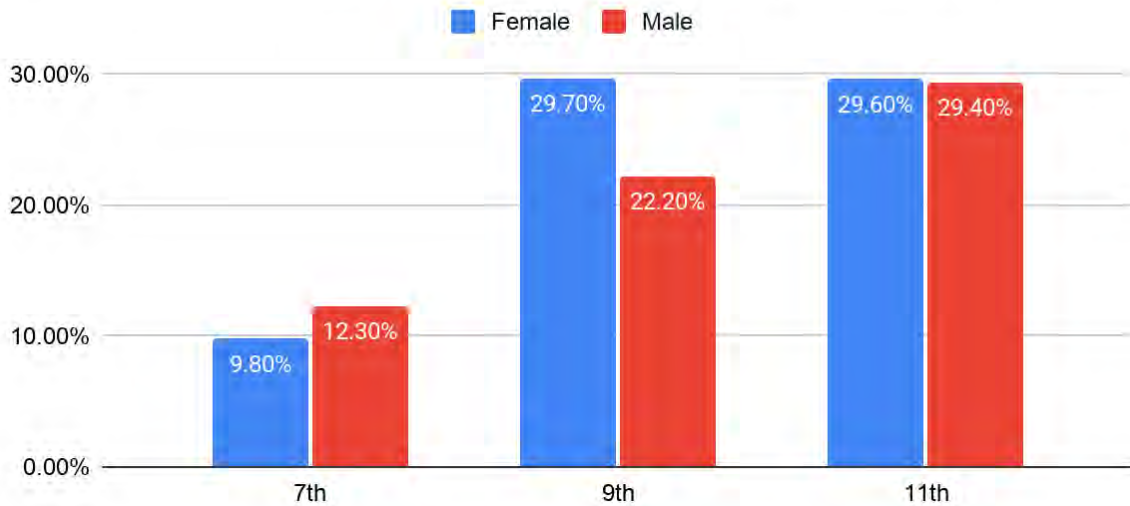


Figure 13. School age cannabis use in Lake County by gender and grade level, 2015-2017

## Percentage of Marijuana Use by 11th Graders, 2015-2017

Source: Kidsdata.org, Marijuana use in lifetime by gender and grade level, 2015-2017

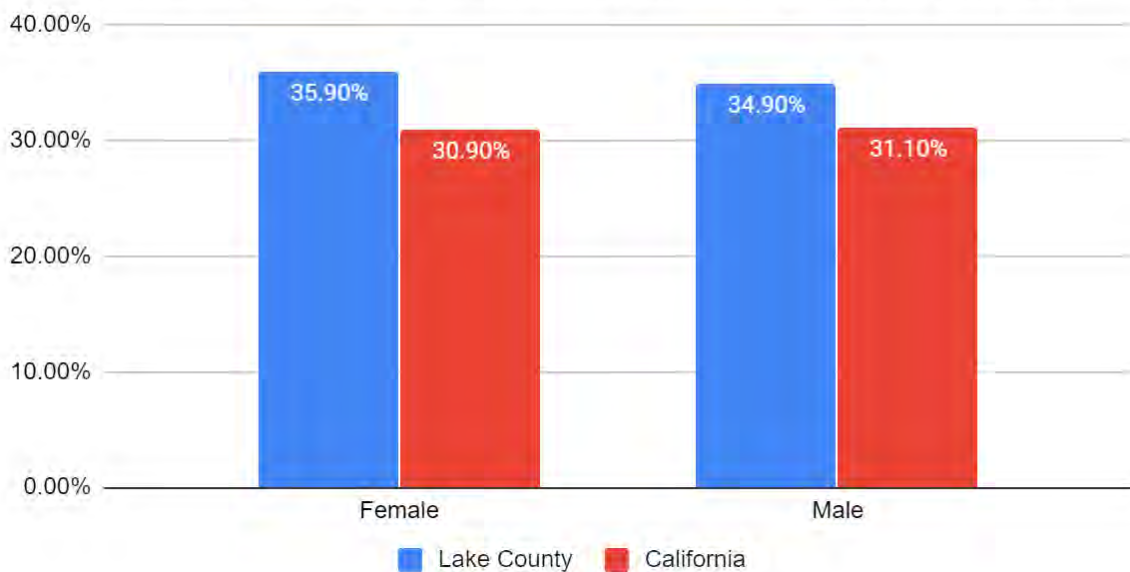


Figure 14. Comparison between percentage of 11th graders in Lake County and California who have used marijuana, 2015-2017

Lake County’s percentage of 11th graders that have used cannabis is relatively higher than that of the state average, as can be seen in Figure 13. An interesting interaction between the data shows that men have a higher likelihood of using cannabis by grade 11 than women in the state of California. Contrarily in Lake County, women have a higher likelihood of using cannabis by grade 11 than men.

### 5.2 Poverty in Lake County

In Lake County, 21% of the total population lives below the federal poverty level (FPL\*). Compared with the state average of 11.8%, Lake County has a significantly higher level of the population under the FPL. The race/ethnicity with the highest percentage of poverty is the Native Hawaiian and Other Pacific Islander population (46.70%). The white population has the lowest percentage of poverty (17.2%). Conversely, the total number of people in poverty is highest in the white population (7,727) and lowest in the Native Hawaiian and Other Pacific Islander population (14), thus it is important to look at both the percentage and the actual numbers.

### Lake County: Percent Population below Federal Poverty Level within each Race/Ethnicity, 2018

Source: 2018 ACS 5-Year Estimates Subject Tables

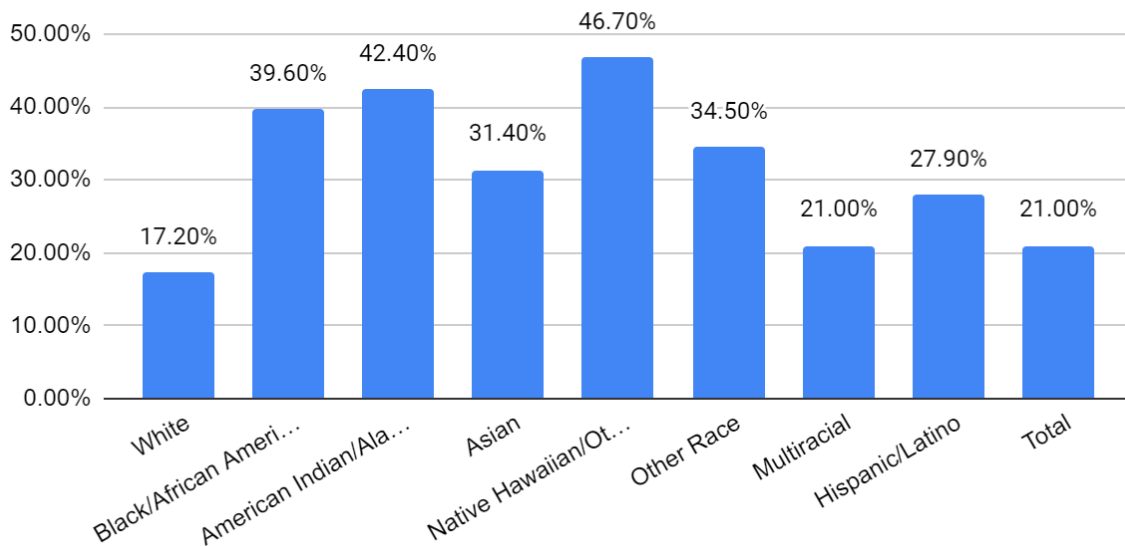


Figure 15. Percentage of the population below the FPL between each race/ethnicity in Lake County, 2018

According to the *Lake County Economic Development Strategy* report, in 2018, average weekly pay was \$748 in Lake County, compared to \$1,020 in Sonoma County and \$1,029 in Napa County. Lake County has an estimated median household income of approximately \$40,446,

which is significantly less than \$80,440, the median household income in the state of California. It is also approximately \$17,000 less than the national median household income of \$57,652. According to the *2019 Community Health Needs Assessment*, approximately 38% of households have median incomes below \$49,999.

In Lake County 48.6% of the population over 16 years of age is employed, compared to 63.5% in California and 63% in the United States. According to the U.S Bureau of Labor Statistics, in October 2018 4.7% of workers were unemployed, compared to 4.0% in the state of California and 3.5% in the United States as a whole.

In 2013-2017, 31% of children under the age of 18 in Lake County were living below the federal poverty level. This is higher than the proportion of children living below the poverty level in California (20.8%) and the United States (20.3) (Source: American Community Survey). In addition, according to the California Department of Education, 72.4% of children enrolled in K-12 schools in Lake County qualify for free and reduced price meals. This is significantly higher than the eligibility statewide, which is 51.8%.

District	Enrollment	Number Eligible for Free & Reduced Price Meals	Percent Eligible for Free & Reduced Price Meals
Kelseyville Unified	1741	1183	67.9%
Konocti Unified	3716	3137	84.4%
Office of Education	39	27	69.2%
Lakeport Unified	1444	983	68.0%
Lucerne Elementary Unified	293	247	84.3%
Middletown Unified	1773	889	50.1%
Upper Lake Unified	844	674	79.8%
Totals	9850	7140	72.4%

Figure 16. Lake County school district students by number and percent who qualify for free and reduced price meals

\*Source: 2019-20 Student Poverty FRPM Eligibility, California Department of Education

Another source of data that speaks to the poverty in Lake County is the percentage of persons with public health insurance only. According to the American Community Survey (2017), 41.5%

of people in Lake County had public insurance only, as compared to 29.3% for the state of California and 23.6% for the United States as a whole.

In October of 2019, the county released a document titled *County of Lake: 10 Disasters Overlaying Long-Term Economic Hardship*. The document stated that the county has suffered from” ten natural disasters since 2015, including repeated highly destructive wildfires and atmospheric river storms.” The impact of these disasters includes:

- 60% of the county’s land mass has burned
- 1,950 housing units, including 1,825 homes were lost to fire, 5.5% of the county’s housing stock
- \$50 million in critically needed road network repairs
- \$80 million in water and sewer infrastructure to facilitate full recovery
- Multiple power safety shut-offs have affected residents county-wide

## Residents Living in Poverty by Zip Code Lake County, CA

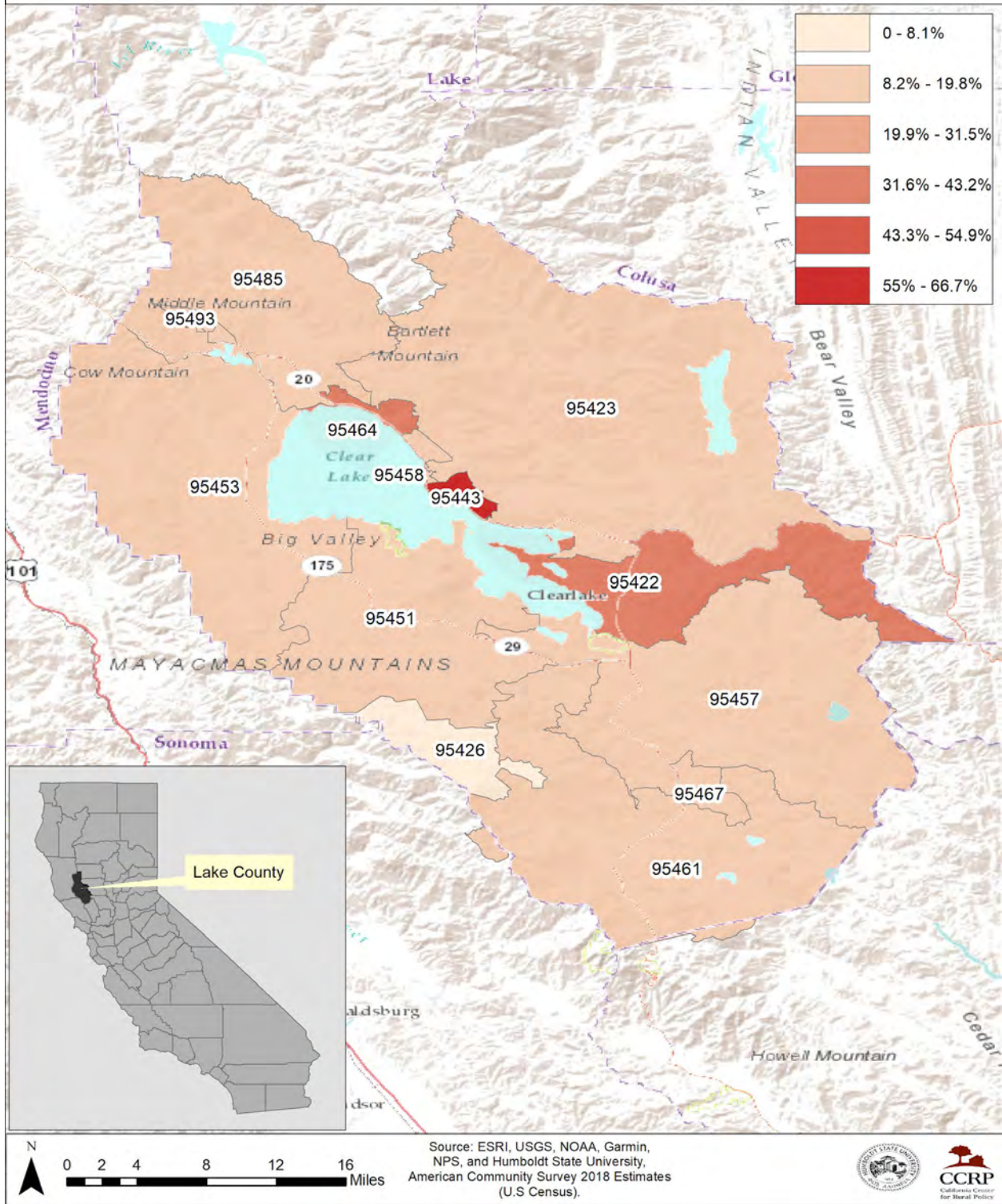


Figure 17. Percent of Lake County residents living in poverty by zip code



### 5.3 Overview of Lake County Cannabis License Process & Applicants

Proposition 64 provided local governments the option and ability to regulate, control, permit, license, and tax activities surrounding the use, cultivation and sale of marijuana. According to an article titled *Getting Worse, Not Better: Illegal Pot Market Booming in California Despite Legalization* by Thomas Fuller in the New York Times (4.27.2019), “California gives cities wide latitude to regulate cannabis, resulting in a confusing patchwork of regulation.”

Many California counties continue to update and amend local policy related to the regulation and taxation of cannabis. Lake County has approved cultivation, manufacturing, and retail cannabis for the county. A detailed description of the ordinances and measures in Lake County is included in this report.

Lake County’s commercial cannabis licensing process is located with the Community Development Department. The Department provides guidance and coordination for all land planning and development activities throughout the unincorporated portions of Lake County. The Department has three divisions: Building and Safety, Code Enforcement, and Planning. The Community Development Department estimated that 90% of permits coming in right now are related to cannabis. Additionally, county staff estimated that 70% of permits are from local residents while approximately 30% are from out of the area. Please note these are current estimates as of fall 2020.

Interviews with Lake County staff indicate that there are an estimated 300 permits in the backlog and that many applicants are stuck in the initial study part of the process. The permit backlog was mentioned by multiple interviewees. Many permits are incomplete when submitted which is creating a lot of back and forth between the county and applicants. This is not a unique situation for Lake; other counties are struggling with permit backlogs and incomplete permit applications. The permitting process for cultivation is extensive and is likely a barrier to entry for many applicants. This is discussed in more detail in the recommendations section of the report. It is also important to note that applicants may also be stuck in meeting state licensing requirements that are necessary prior to seeking approval from the county.



# Residents Living in Poverty by Zip Code Cultivation Permit Applicants Lake County, CA

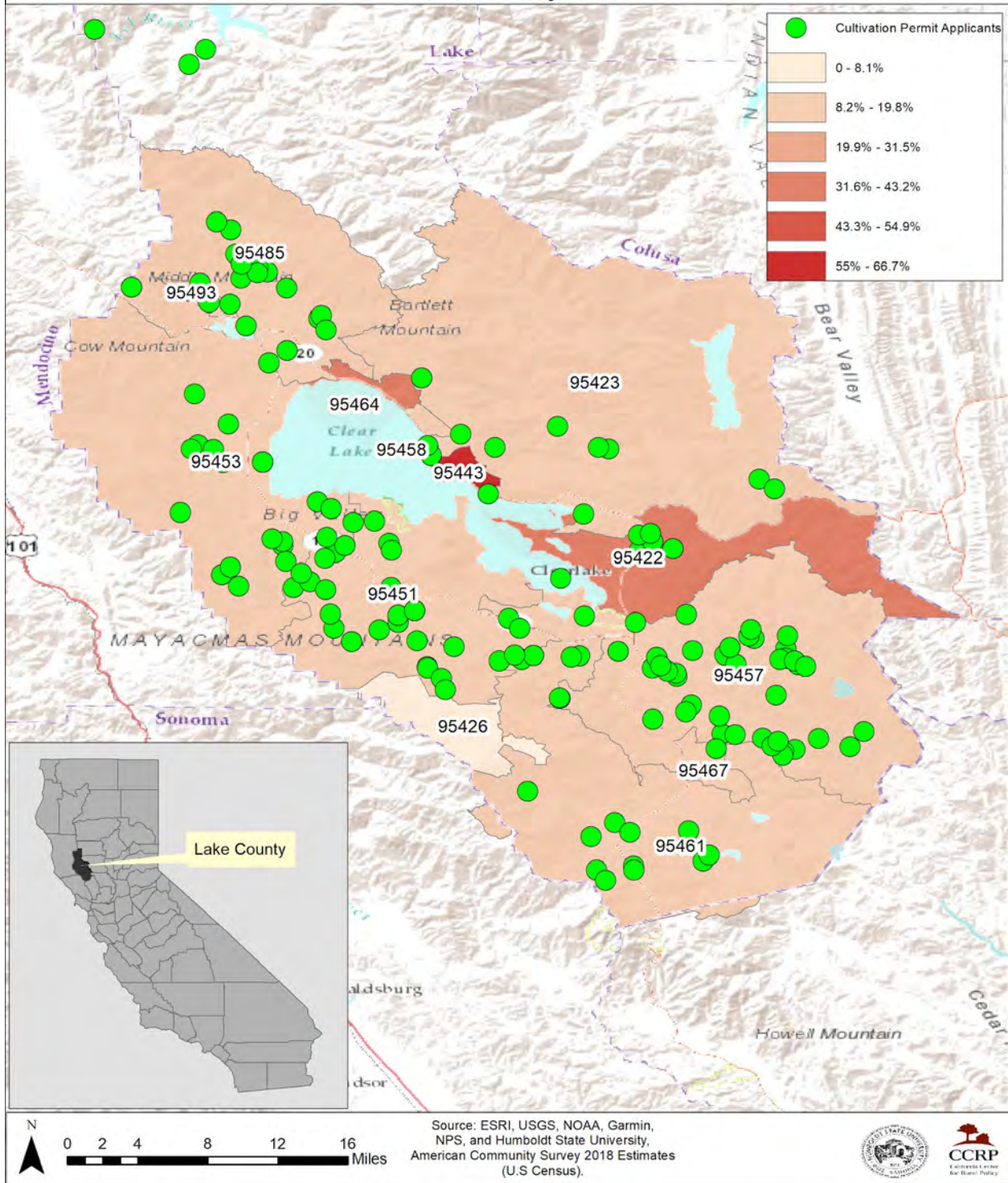


Figure 19. Lake County residents living in poverty by zip code with cannabis cultivation applicants

## Section 6. Barriers to Entry

This section includes an overview of barriers that can make it difficult to enter the cannabis market. Lake County's equity program should have components designed to mitigate these barriers.

According to an article in *The Madera Tribune* on July 10, 2019, UC Berkeley conducted research to understand why cannabis farmers are not joining the legal market. According to the article, "the majority of cannabis farmers are not joining the legal market." Cannabis growers were asked to participate in a survey about their experiences with the regulated market. The survey closed on August 1, 2019.

Preliminary survey results showed the following:

1. Small farmers have a hard time getting permits.
2. Nearly half of people who have applied still have their permits pending with CDFFA.
3. Everyone (those with permits, those without, those who did not apply) was confused by the process.
4. Many of those who did not apply for permits were on land zoned such that they could not apply.
5. Many of those who did not apply for permits had other income sources; cannabis was used to supplement income.

According to UC Berkeley's research article titled *Growers say cannabis legalization excludes small growers, supports illicit markets, undermines local economies* (2019), "The CalCannabis Division of the California Department of Food and Agriculture (CDFFA) issues cannabis cultivation licenses. To cultivate for legal markets for recreational (or medical) use, cannabis growers are required to get a CDFFA cultivation license and comply with State Water Resources Control Board (SWRCB), California Department of Fish and Wildlife (CDFW) and Department of Pesticide Regulation (DPR) requirements; all county and local regulations, including land use ordinances; and any additional mitigation stipulations necessary to obtain California Environmental Quality Act (CEQA) approval" (CDFFA 2019). Depending on farm location and cultivation practices, growers may also require road development permits, water diversion permits, wastewater discharge permits and CDFW lake and streambed alteration agreements."

These findings are particularly relevant in counties where a majority of the cannabis permits are cultivation permits, as is the case in Lake County.

### *Financial*

All new businesses face financial requirements to enter a new market. For individuals adversely affected by historical criminalization of cannabis and/or poverty, financial barriers can be difficult to overcome. The application fees, fees for professional studies of environmental, water supply, road engineering issues, and the cost of compliance with mitigation measures are significant barriers for smaller scale operations and/or socio-economically disadvantaged populations.

### *Banking*

According to an article by Josh Adams for New Frontier Data (6.21.2020), “Since cannabis remains federally prohibited, access to dependable and consistent banking services is limited, resulting in cannabis businesses being cash-intensive.” The American Bar Association (*Cannabis Banking: Proceed with Caution*, James J. Black, Marc-Alain Galeazzi, 2.6.2020) adds that “this state of legal limbo greatly increases the risks to which these businesses are exposed in that they must deal with vast amounts of cash, thereby increasing the risk of robbery and making it difficult to render payment to others.”

### *Administrative/Technical*

Applications require an understanding of and compliance with complex requirements from multiple local and state agencies. In rural counties where cultivation comprises a bulk of cannabis permits, there are considerable administrative/technical barriers to entry. These are time-consuming, resource-intensive, and require significant technical knowledge and/or skill.

For example, cultivators must navigate CEQA (California Environmental Quality Act), a process that requires evaluation to understand environmental impacts and the development of measures to reduce these impacts. According to CEQA, if an individual wants to obtain a permit to engage in any activity that may impact the environment (such as participating in commercial cannabis cultivation), the permitting agency must follow the CEQA process. These processes are especially daunting for the smaller, family-based, cultivators. Cannabis cultivation applicants also need to secure a water board permit from the State of California before pursuing a county license.

The UC Berkeley article referenced above included a quote from a grower in a rural California county that stated, “Often, one agency will approve a project, and the other agency involved doesn’t. Then, you are in violation with the approving agency if you don’t do the work, and in violation with the other agency if you do the work.”

### *Infrastructure*

In rural counties such as Lake, cultivation is happening in remote areas with little to no existing infrastructure that meets permitting requirements. An example of this is the roads leading to

more remote areas are not up to the necessary standards. They are in many cases unpaved and lack proper drainage. Individuals navigating legalization may require extensive mitigation and/or infrastructure to meet regulatory codes, and for those who have experienced criminalization and/or poverty, these are significant barriers to entry in the legal market.

The UC Berkeley article included a quote from a small grower in rural California stating that ‘my situation is totally standard: well-fenced area, no environmental impact. I grow tomatoes, etc. in hoop houses, and now, because I applied for a license, I suddenly must get a permit for hoop houses that have been here for 15 years.’”

#### *Business Acumen*

The skills needed for participation in a highly regulated marketplace, including business planning, human resources management, accounting and inventory controls can be significant barriers to entering a new market. Business education will be particularly important in Lake County because high rates of historical and current poverty indicate that equity applicants will likely need and will benefit from education, training and skill building on how to successfully enter and thrive in the legal cannabis market. Well-resourced and highly educated applicants will have significant advantages to succeed in the emerging legal industry and a level playing field is necessary to ensure that those impacted by criminalization and poverty have both the resources and expertise to compete with more resourced and highly educated applicants.

#### *Distrust of Government*

As was mentioned above, CAMP raids and the experience of cannabis growers during the era of criminalization of cannabis have left many individuals in the industry with a deeply engrained sense of distrust and fear of government. One interviewee stated that many of their cannabis applicants had never walked into a government office before they applied for their cannabis license. There is not just distrust of government but also a genuine lack of familiarity with government processes and protocols.

## **Section 7. Cannabis Equity Program Recommendations**

### 7.1 Review of Other Jurisdiction's Effort to Promote Equity in Cannabis Implementation

Other jurisdictions' in communities and states with a legal cannabis industry have developed and/or implemented programs to improve equity. Lake County has worked with the Rural County Representatives of California (RCRC) and CSAC to understand the impact of legalizing cannabis on rural counties in California. Lake County has also worked collaboratively with other rural counties to navigate the transition to legal cannabis and advocate for local control on cannabis regulation and taxation.

### 7.2 Findings & Recommendations

**Finding #1: Equity program eligibility factors should focus on specific targeted populations. Eligibility criteria should link to equity assessment data wherever possible.**

Lake County should consider including the following eligibility criteria:

- Conviction history associated with cannabis-related offenses
- Immediate family member with a conviction history associated with cannabis-related offenses
- Low income status
- Residency consideration
- Ownership consideration
- Experience of small-scale eradication

Criteria	Recommendation
Conviction history	Have been arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis (including as a juvenile), or been subject to asset forfeiture between 1971 and 2015  Have a parent, sibling or child who was arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis between 1971 and 2015
Low income status	Household income at or below 80% of Lake area’s median income
Residency consideration	Give additional consideration to those who have resided in Lake County for at least five years between 1971-2016
Ownership consideration	Give additional consideration to those who own at least 40-51% of the business
Experience of small scale eradication	Have experienced eradication for under 50 plants

Figure 20. Description of individual eligibility criterion

**Finding #2: Ensure that applicants who meet eligibility criteria have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.**

- **Prioritization:** Consider a prioritized permit process for equity applicants.
- **Ratios:** Consider mandating a requisite number/percentage of equity applicants during permitting.
- **Provisional Approval:** Consider allowing for provisional approval of permits to allow equity applicants to overcome financial barriers. Provisional approval may provide potential investors with more certainty and willingness to provide capital investments.
- **Amnesty Program:** Consider developing pathways such as an amnesty program to encourage existing nonconforming businesses (such as small operators who qualify as equity applicants) to transition to the legal market.

**Finding #3: All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry.** Consider tracking data on general and equity applicants on an ongoing basis to measure the success of the equity program. Collect demographic data from equity program participants in accordance with guidance from the State of California. Demographic data requested by the state includes Race/Ethnicity, Gender, Sexual Orientation, Income Level, Prior Convictions, Military Service, Age, and Disability Status.



Although completion of an annual demographic questionnaire would be voluntary, program participants should be encouraged so that the County can assure that funding is leading to the creation of job opportunities and wealth for those affected by past criminalization.

**Recommended Metrics:**

- Number of equity applicants to apply
  - Types of drug-related offenses
  - Income status
  - Race
  - Ethnicity
  - Gender
  - Sexual Identity
  - Residency Status
  - Ownership Structure
- Workforce characteristics
  - Total number of employees
  - Number of local employees
  - Employment status (full-time, part-time, etc.)
- Equity program-specific data
  - Number of applicants eligible for equity program
  - Number and types of services provided to equity applicants
  - Number of equity program applicants to receive licenses

**Finding #4: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market.**

Barrier	Recommendation
Financial	<ol style="list-style-type: none"> <li>1. Waive fees for application assistance trainings</li> <li>2. Deferral of or assistance with payment of application fees for zoning and special use permits</li> <li>3. Waive or defer fees for trainings and certifications required by law</li> <li>4. Loans or grants to incentivize businesses that mitigate adverse environmental effects of cannabis cultivation</li> </ol>
Administrative/Technical	<ol style="list-style-type: none"> <li>1. Technical assistance for formation of cannabis cooperative associations</li> <li>2. Technical assistance to ensure public and private road access to cannabis operations</li> <li>3. Provide training and/or technical assistance to assist those with past cannabis convictions to get their records</li> </ol>

	<p>expunged</p> <p>4. Work with banking institutions and provide technical assistance to support equity applicants in accessing banking services</p>
Business Acumen	<p>1. Employment skill training for equity participants employed or seeking employment in licensed cannabis operations</p> <p>2. Training/support for business owners to understand workforce rules and regulations. See recommendations below*</p>
Distrust of Government	<p>1. Conduct outreach and education efforts in areas that were focused on by law enforcement for cannabis eradication and cannabis arrests; encourage those individuals to apply for licenses and enter the legal industry</p> <p>2. Create outreach materials that are clear, concise, and accessible to those with low literacy. Consider creating materials in multiple languages such as Spanish and Hmong.</p>

Figure 21. Recommendations on services focused on specific barriers to entry into the legal market

The June 2018 *Workforce Report: Humboldt County's New Cannabis Landscape* authored by Deborah Claesgens & Michael Kraft on behalf of the Humboldt County Workforce Development Board made a series of recommendations\* to support cannabis businesses. While this report was produced in Humboldt County, the issues are similar enough in Lake that some of these can be considered.

Agriculture/Cultivation:

- Access to business planning, low cost loans or investment sources that can assist smaller, often multi-generational family farmers with the costs of legalization, so that income can be spent on hiring, training, growing wages and benefits of a variety of jobs-from farm management to bookkeeping. Equity funding could support this for those impacted by criminalization and/or poverty.
- Support for reasonable regulations and zoning that promote and incentivize employers to build good business and workforce development practices.
- Access to standard human resource methods: hiring and orientation, training in proper and regulated land use for farm and field workers, hiring and supervision processes, setting job benchmarks and performance standards, evaluating performance for promotion or wage scale increases.
- Access to business and HR tools: developing HR manuals and procedures, how to frame up a request for a consultant scope, interview and select the right consultant or consultant firm, how to manage a consultant scope.

- Developing, securing and increasing farm management skills in agricultural, biology, land management.
- Access to agricultural extension services to help with the science of plant biology from a medicinal and commercial standpoint, and help feed local graduates in biology and environmental sciences into the industry-much like the timber industry has done.

### Manufacturing/Production

#### *Artisan Size Businesses*

- Access to business planning (business startup strategy: how to build and manage a detailed startup business plan that can scale up and include facilities, marketing, tax and regulation, payroll, human resources hiring and supervision, and teamwork).
- Access to incubation and manufacturing hubs that can hire, cross train and job share positions between small entrepreneurs.

### Retail

- Access to comprehensive business and marketing strategies that connect cannabis retail to tourism, related workforce development (hiring, training, presentation, customer service, job readiness and supervisory skills).
- Access, training or mentorship in general business supervisory, customer service, workplace norms, and software skills.
- Evaluate the specific need and content for a program that certifies front line positions (bud tending, security, track and trace, manufacturing and packaging personnel).

**Finding #5: Lake County should consider utilizing cannabis tax revenue to ensure that county staff managing cannabis permitting are at full staffing levels and are trained and educated on the cannabis permitting process.** County staff should be able to handle the expertly crafted applications from well-funded applicants and be able to offer technical assistance and support for less-resourced applicants who are struggling to navigate a complex and expensive permitting process.

**Finding #6: Lake County staff should explore and promote a diversity of permit types in addition to cultivation.** Lake County has a history strongly linked with cannabis cultivation. Currently 97% of permits in Lake County are for cultivation. However, the legal industry offers many other permit types in addition to cultivation. Other successful business opportunities with less barriers could be easier for disadvantaged populations to create. A local equity program that helps legacy cultivation participants should address cultivation but may add much more local ownership opportunities for equity stakeholders that can diversify the County's legal cannabis license landscape.

For example, for smaller, artisan-size businesses, Type 12 Microbusiness licenses are available to those who participate in at least three of the following commercial cannabis activities. Activities include (1) cultivating cannabis on an area less than 10,000 square feet, (2) acting as a licensed distributor, (3) acting as a level 1 manufacturer, (4) and acting as a retailer. Smaller cultivators can utilize a microbusiness license to vertically integrate and have control over ancillary operations.

**Finding #7: Local cannabis revenues can be directed to community reinvestment programming to rebuild/restore communities adversely affected by the past criminalization of those involved in the cannabis industry.** A portion of county cannabis taxes can be used to supplement equity funding received from the State of California.

Some potential focus areas include:

1. Local cannabis equity program
2. School-based youth alcohol and drug prevention efforts
3. Non-profit and/or citizen-led organizations whose work focuses on health and well-being of residents
  - a. Organizations working to address abuse, assault, and trafficking within the cannabis industry
  - b. Restorative justice programs for youth and/or adults
  - c. Neighborhood improvement associations
4. Infrastructure projects that will improve the quality of life for county residents

**Finding #8: All cannabis operators should provide equitable employment opportunities.** These opportunities should include hiring those with past non-violent cannabis convictions, local residents, and other historically disadvantaged populations, and providing a living wage to employees.

- Leverage existing workforce programs in the county
- Expand workforce curriculum to support new workforce
  - Support workforce fairs to provide outreach and education
  - Engage individuals who are experienced in the cannabis industry and have transitioned from the unregulated market to the regulated market to ensure curriculum is relevant and applicable
- Consider incentivizing employers to prioritize hiring for local residents, those with past non-violent cannabis convictions, and other historically disadvantaged populations (such as women, those who lived in communities targeted by CAMP raids, those living in poverty, and tribal members).

**Finding #9: Update the Lake County Equity Assessment next year and every three years afterwards to:**

- 1) Monitor and share progress of the Equity Program,
- 2) Monitor and share trends in the emerging legal cannabis industry,
- 3) Identify areas for course correction and/or unexpected consequences, and
- 4) Demonstrate an ongoing commitment to data-informed decision-making and strategic planning to ensure Lake County's strong transition to a legal cannabis industry.

**Finding #10: Create a program for expungement-eligible residents identified by AB 1793.**

Lake County should host community expungement events for individuals impacted by the war on drugs in coordination with the Probation Office, the Courts and other relevant partners. Equity funding should be available to equity applicants who need assistance with the costs associated to expunge arrest records.

**Finding #11: Lake County should explore how to connect local equity applicants with equity applicants in surrounding counties, such as Sonoma and Mendocino.**

With so much cultivation happening in the county there should be opportunities to connect with equity applicants in neighboring counties. One interviewee suggested that the county look at linking up equity supply chains between rural and urban California.



## **Humboldt County Cannabis Equity Assessment V2 --Updated March 2020**

Abstract: The legalization of Cannabis creates remarkable business opportunities in the future, however not everyone who has made a living in the past is able to thrive in the future. The California Center for Rural Policy (CCRP) at Humboldt State University and the Humboldt Institute for Interdisciplinary Marijuana Research (HIIMR) collected secondary data to create the assessment. The assessment provides recommendations that will assure assistance is provided to community members that experienced the most harm from decades of criminalization of cannabis and assist them in participation in the legalized industry in Humboldt County.

## Section 1. Executive Summary

The California Center for Rural Policy (CCRP) at Humboldt State University was asked by the Humboldt County Board of Supervisors (HCBOS) to create a Humboldt County Cannabis Equity Assessment (CEA) to:

- Provide a data-informed look at the history of impacts the prohibition and criminalization of cannabis had on the community
- Provide policy recommendations to guide the county as it develops its Local Equity Plan and program activities which will help former disenfranchised community members successfully enter the legal cannabis workforce.
- Make recommendations that will help assure that there is equity and diversity in the emerging cannabis industry

In order to accomplish this, CCRP reached out to the Humboldt Institute for Interdisciplinary Marijuana Research at Humboldt State University to help create the CEA.

The Board of Supervisors has authorized staff to update the Humboldt County Cannabis Local Equity Program as needed, and staff has done so by ensuring the program is informed by this study.

Humboldt County is committed to including equity as a key consideration as the state of California transitions the cannabis industry to legal status. Humboldt County needs an equity program that makes sense for our residents and considers the unique needs and assets of our community.

### Key Takeaways from the Equity Analysis

- Humboldt County has been a leader among rural counties in efforts to navigate the transition to a legalized cannabis industry.
- Small, rural counties in California, including Humboldt, had higher rates of cannabis arrests than other counties as well as the state as a whole.<sup>1</sup>
- Between 2009-2014, drug offenses made up 32.6% of all felony arrests in Humboldt County. This translates to an average of 742 arrests per year over a five-year period.
- Data suggests that Humboldt County's regions of highest poverty are not applying for cannabis licenses.

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<sup>1</sup> *The NORML Almanac of Marijuana Arrest Statistics, California Marijuana Arrests, 1995-2002.* Url: [https://norml.org/pdf\\_files/state\\_arrests\\_2004/NORML\\_CA\\_Marijuana\\_Arrests.pdf](https://norml.org/pdf_files/state_arrests_2004/NORML_CA_Marijuana_Arrests.pdf), accessed March 2, 2020.

## Key Findings/Recommendations

For the complete set of findings and recommendations, please see Section 6.

**Finding #1: Equity program eligibility factors should be focused on specific targeted populations. Eligibility criteria should be supported by data wherever possible.**

**Finding #2: Ensure that applicants meeting equity program eligibility factors have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.**

**Finding #3: All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry. Consider tracking data on general and equity applicants on an ongoing basis to measure the success of the equity program.**

**Finding #4: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market.**

**Finding #5: Cannabis revenues can be directed to community reinvestment programming to rebuild/restore communities adversely affected by the past criminalization of those involved in the cannabis industry.**

**Finding #6: All cannabis operators should provide equitable employment opportunities. These opportunities should include hiring those with past non-violent cannabis convictions, local residents, and other historically-disadvantaged populations, and providing a living wage to employees.**

**Finding #7: Geographic disparities may emerge in cannabis-related activities, and scarcity of available land can cause real estate values to rise. Consider land use guidelines that ensure equitable distribution and thoughtful placement of businesses.**

**Finding #8: Update the Humboldt County Equity Assessment and use it to inform improvements to the Local Equity Program every 3 years afterwards to:**

- 1) monitor and share progress of the Equity Program,
- 2) monitor and share trends in the emerging legal cannabis industry,
- 3) identify areas for course correction and/or unexpected consequences, and



4) demonstrate an ongoing commitment to data-informed decision making and strategic planning to ensure Humboldt County's strong transition to a legal cannabis industry.

**Finding #9: Humboldt County Economic Development staff should explore and promote business opportunities beyond cultivation.**

**Finding #10: Create a program for Expungement-eligible residents identified by AB 1793.**

**Finding #11: Humboldt County Economic Development staff should promote equity branded supply chains between rural and urban equity businesses.**

**Finding #12: Create a Cottage Amnesty Program.** Now that there is funding for equity applicants, there is a need to reopen the applications to cottage legacy growers in Humboldt County who saw no feasible path to transition before assistance could be provided.

## Section 2. Introduction

Located in the northwestern corner of California, Humboldt County has a population of roughly 135,727. Almost half of the county's residents live in the seven incorporated communities of Arcata, Blue Lake, Eureka (county seat), Ferndale, Fortuna, Rio Dell and Trinidad. The County is home to eight federally-recognized tribes: Bear River Band of Rohnerville Rancheria, Blue Lake Rancheria, Big Lagoon Rancheria, Cher-Ae Heights Indian Community of Trinidad Rancheria, Hoopa Valley Tribe (and the largest geographically in California), Karuk Tribe, Wiyot Tribe and the Yurok Tribe (the largest by population in California).

The past criminalization of cannabis adversely impacted communities in Humboldt County in a manner unique to its location as the epicenter for the war on California cannabis cultivators that consolidated Federal, State and local law enforcement resources starting in the late 1970s<sup>2</sup>. This history cannot be fully understood without examining the intersection of local, State, national, and global politics that made the place and its people subject to militarized eradication efforts. It is equally important to understand how the impacts of these eradication efforts and the response to them became integrated into the social fabric of the impacted communities.

The emergence of cannabis cultivation as an alternative to rural poverty spread with old and new demographics, making the county especially resilient to paramilitary policing practices that disrupted community support systems and weakened informal social control capacities, particularly in the first decade of the annual, 8-week joint Federal-State task force, the Campaign Against Marijuana Planting (CAMP).

The Federal war on cannabis provides important context for understanding how Humboldt's unregulated cannabis markets emerged and changed over time, greatly distorting this rural county's efforts to create sustainable, broad-based economic development. The way cannabis was policed created a drug war economy that, at different times, spurred the arrival of new cannabis industry participants. These included an ever-widening segment of the local population looking for a way out of rural poverty, as well as new actors that did not always share the ecological ethics and scale of the communities from which local cannabis livelihoods emerged.

As a result the county's economy became significantly entangled with a single commodity market once again, following the boom and bust of the postwar timber economy. The "bust" associated with state-wide cannabis legalization in the context of ongoing Federal prohibition can, however, be mitigated by facilitating livelihood transitions into the regulated market for thousands of community members with limited livelihood options left behind by economic

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<sup>2</sup> Corva, Dominic. 2014. "Requiem for a CAMP." *International Journal of Drug Policy* 25(1): 71-80.

barriers to entry. The county economy's long-term entanglement with cannabis cultivation created, however, a political and cultural infrastructure that is well-disposed to help traditional market participants transition to a sustainable future with help from an equity program focused on addressing rural poverty.

Humboldt County has a disproportionately large demographic of people with requisite knowledge and skill to otherwise succeed in the market and contribute to the county's long-term economic development. Cannabis legalization presents a challenge and an opportunity for thousands of skilled cannabis market actors in Humboldt County. They have the experience and knowledge to succeed legally, but they lack the means to overcome barriers to entry and contribute formally as successful members of a regulated future.

The legalization of commercial medical and adult use cannabis in California has dramatically shifted the economic climate. Without significant changes in, and support for what is now significantly a multigenerational local cannabis industry, the county economy and population is at risk of suffering irreparable harm. A cannabis equity program presents an important opportunity to create an environment where those adversely affected by past policies can operate and thrive in a legal manner.

### **Section 3. Equity Analysis**

#### Methodology

The California Center for Rural Policy (CCRP) at Humboldt State University was asked by the Humboldt County Board of Supervisors (HCBOS) to create a Humboldt County Cannabis Equity Assessment (CEA) to:

- Provide a data-informed look at the history of impacts the illegalization of cannabis had on the community
- Provide policy recommendations to guide the county as it develops its Local Equity Plan and program activities which will help former disenfranchised community members successfully enter the legal cannabis workforce.
- Make recommendations for future research that will help assure that there is equity and diversity in the emerging cannabis industry

In order to accomplish this, CCRP reached out to the Humboldt Institute for Interdisciplinary Marijuana Research (HIIMR) at Humboldt State University to help create the CEA.

The Board of Supervisors has authorized staff to update the Humboldt County Cannabis Local Equity Program as needed, and staff has done so by ensuring the program is informed by this study.

The County of Humboldt has created a Cannabis Local Equity Program that will use county funds derived from the Humboldt County Cannabis Excise Tax and funds received from code enforcement fines and civil administrative penalties from violations of its Commercial Cannabis Land Use Ordinance as well as grant funding from the Bureau of Cannabis Control to assist local equity applicants and licensees through its local equity program for commercial cannabis activity.

The County of Humboldt has also adopted the Humboldt County Local Equity Program Manual to focus on inclusion and support of individuals and communities in Humboldt's cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization.

Humboldt County seeks to focus its local cannabis equity program on assisting smaller scale cannabis cultivators to overcome these barriers to entry, and to build support for longer term viability through activities such as formation of cooperatives for processing, distribution, and marketing, and for road maintenance associations.

## Historical Context of Cannabis Criminalization in Humboldt County

The past criminalization of cannabis has adversely impacted communities in Humboldt County in a manner unique to its location as “ground zero” for the war on California cannabis cultivators that began in the late 1970s<sup>3</sup>. The best indicators we have to demonstrate this are Humboldt County’s “plants eradicated” nationwide rank for the two periods for which CAMP data are available: 1984-1995 and 2004-2009 (see figures below). The data indicate that Humboldt County bore the brunt of CAMP eradication by a significant margin for at least the first ten years of that program’s existence.

<i>Top 10 CA counties by CAMP eradication</i>	<i>Average plants eradicated 1984-1995</i>	<i>Share of CAMP plants eradicated 1984-1995</i>
Humboldt	40311	36.80%
Mendocino	28298	25.90%
Trinity	5686	5.20%
Santa Cruz	4887	4.50%
Santa Barbara	4050	3.70%
Butte	4029	3.70%
Sonoma	3105	2.80%
Monterrey	2391	2.20%
Shasta	2062	1.90%
San Luis Obispo	2045	1.90%
Lake	1924	1.80%

Between 1984 and 1995, Humboldt led all California counties in plants eradicated by CAMP by a significant margin. CAMP supply repression raised the farmgate price and risk profile of cannabis agriculture, which attracted less risk-averse individuals and criminal organizations to the area seeking to profit from high margins. Many local cultivators shifted to smaller, scattered cultivation plots in the shade and even hanging from trees. Helicopter-enabled enforcement also pushed cultivation indoors, which in Humboldt County meant diesel-generated operations since most cultivation took place off-grid in remote watersheds. As environmentally impactful indoor techniques improved, those lessons were increasingly applied on the grid in more urban, usually northern, parts of the County.

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<sup>3</sup> Corva, Dominic. 2004. “Requiem for a CAMP.” *International Journal of Drug Policy* 25(1): 71-80.

The California Department of Justice lost its CAMP report records between 1997-2003<sup>4</sup>, so it is difficult to tell exactly when things changed. But after 2003, the geography and logic of eradication had shifted, towards increasingly high plant count operations on public and private lands as well as away from Humboldt, especially towards remote public land operations more likely to be controlled by organized crime. CAMP clearly shifted its *raison d'être* from policing communities to maximizing plant eradication counts and protecting public land from intensive, industrial-style cultivation by organized criminal enterprises, which attracted more Federal funding and less political blowback. However, Humboldt remained a top six county for CAMP eradication between 2004 and 2009:

<i>Top 10 CA counties by CAMP eradication</i>	<i>Average plants eradicated 2004-2009</i>	<i>Share of CAMP plants eradicated 2004-2009</i>
Lake	333505	15%
Shasta	286151	12.90%
Mendocino	184192	8.30%
Tulare	153648	6.90%
Fresno	144882	6.50%
Humboldt	109646	4.90%
Los Angeles	91113	4.10%
Riverside	89195	4%
Trinity	73294	3.30%
Napa	67719	3%
Kern	66957	3%

This is a significant period for two obvious reasons. First, the passage of California's Proposition 215 in 1996 shifted the legal grounds for eradicating cultivation sites in the state. And second, CAMP's reports emphasize foreign, organized crime cultivation, particularly in national forests, as its main target. Domestic non-trespass cannabis cultivators, particularly small ones with low plant counts, were significantly de-emphasized as targets of eradication programs in the wake of Proposition 215.

Although CAMP policing practices professionalized over time, the cumulative effects of annual paramilitary raids initiated in the watersheds of Southern Humboldt did lasting damage to the

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<sup>4</sup> Humboldt State University librarians have tried to locate CAMP reports from 1997-2003, but according to the California Department of Justice, a disgruntled employee destroyed them (see Corva, 2014, p.71).

social infrastructure of Humboldt County, whose Board of Supervisors described succinctly in their March 19, 2019 resolution to adopt an equity program:

Humboldt County’s experience with the historical criminalization of cannabis in part engendered a widespread and deep-seated multi-generational mistrust of government and regulation that significantly inhibits efforts to transform the legacy cannabis culture and economy in Humboldt County to the new legal, regulated commercial cannabis market. Until legalization, one strategy commonly and widely adopted among Humboldt County cannabis cultivators was to keep operations smaller in scale, as limited law enforcement resources prioritized larger cultivation operations that were seen as causing the greatest environmental harm.

During this period, Humboldt communities became less impacted directly by the trauma of paramilitary raid season, and more impacted by how the politics of policing cannabis in California changed and diverged from the enforcement of Federal prohibition.

In 2009, the wholesale farmgate price for a pound of cannabis was about \$3000. By 2011, it was under \$2000, and by 2014 it had dropped to \$1200. At the end of 2018, wholesale pound prices bottomed out at about \$500. Unregulated cannabis cultivation ceased to be much of a viable livelihood strategy.

Legalization did not cause the economic collapse of unregulated cannabis cultivation as an economic engine of Humboldt County. Rather, runaway production on the West Coast, where it had become integrated into the social fabric of many communities as a quasi-decriminalized informal economic sector, in the context of ongoing Federal prohibition that resists such a possibility, catalyzed the commodity bust that now intensifies conditions of rural poverty in the County.

As production increased and prices fell, the main impact shifted from direct experience with paramilitary policing to a direct experience of just how unsustainable the drug war economy is. Before we examine the economic impact of the drug war economy on Humboldt County after 1996, though, let’s review how CAMP’s formation and first phase was about enforcement on counterculture communities that were heavily impacted through the criminalization of a plant they often grew and consumed.

#### *CAMP: Policing Communities*

Initially, CAMP was especially focused on communities with significant concentrations of “hippies” and other urban refugees that had recently migrated to cut-over timber land and large

ranches that had been sold off in numerous small parcels at affordable prices. The dream of going “back to the land” drew many people to an area in southern Humboldt, northern Mendocino, and the adjacent southwestern corner of Trinity County<sup>5</sup> (Anderson 1987) in watersheds connected to the Mattole and Eel Rivers. Those communities adopted local poet Deerhawk’s combination of the river names to identify a cross-county cultural region known as the Mateel. The environmental and communitarian values of the Mateel watershed communities have been extensively documented by Humboldt anthropologist and journalist Jentri Anders in the book adaptation of her doctoral dissertation<sup>6</sup>.”

Humboldt County has a long history of involvement in the cannabis industry, associated with a pattern of migration to the rural county that began in the mid-1960s and intensified in the aftermath of 1968, as urban anti-war protesters especially from the Bay Area; Vietnam veterans; and those economically displaced by an industrial economy in general decline migrated to rural areas in search of cheap land where they began to experiment in ways to be left alone on the one hand, and at the same time find new ways to be together, although for different reasons<sup>7</sup>.

The pattern of settlement was especially visible in Southern Humboldt County, where communes and hippie communitarians proliferated in the late 1960s and 1970s. This was where “Beat” generation Humboldt native Bob McKee first subdivided family ranch holdings in Whale Gulch out to people going “back to the land”<sup>8</sup> in 1965. The first “new settlers” were academic friends from the Bay Area, including University of California, Berkeley geographer Blair Boyd, 1960s activist and longtime editor of prestigious cultural geography journal *Landscape*. His daughter, Tasha McKee, recalls the early migrants as a socioeconomically diverse group:

The new settlers were from Antioch College and knew each other and then there's an Urban school in San Francisco... teachers from there, but my dad also sold to other people who came who were not part of the academic community. He sold to mothers on welfare, 100 dollars down and some of them there was nothing down 100 dollars a month. And he loved doing that where he had a real diversity of types of people and incomes. So some people who were fairly wealthy and some people who were dirt poor ... he's really someone who believes in the 40 acres and a mule. The American dream that way and really believes that the land is better off with people who live on it and love it and that they'll care for it in a different way than a corporation that doesn't live here.

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<sup>5</sup> Anderson, Mary. 1987. *Whatever Happened to the Hippies?* R & E Miles. San Pedro, California.

<sup>6</sup> Anders, Jentri. 1990. *Beyond Counterculture: the Community of Mateel*. Washington State University Press: Spokane, Washington.

<sup>7</sup> Boal, I., J. Stone, M. Watts and C. Winslow. 2012. *West of Eden: Communes and Utopia in Northern California*. PM Press: Oakland.

<sup>8</sup> Raphael, Ray. 1985. “Cash Crop: An American Dream.” The Ridge Times Press: Mendocino, California.



So people just started growing pot ... they were growing vegetables and everything else ... first they just started growing it for their own use, and then people started realizing there was a market for it and that they could buy themselves a better car, a new washing machine, but it wasn't at all on this 'okay, let's go make a million dollars' type of thing, it was very low-key and it was supplementing an income. And, in the beginning, there was no flying over, it was illegal, we didn't have the medical marijuana thing, but there was no flying over either so people were growing it in their vegetable garden along with that, and then they started doing the flyover stuff, and it got really intense, so if you want to talk about the war on drugs... The war on drugs here really escalated things to where the risk started to be so great, the price was way up. And so then it started attracting people who just wanted to grow like the gold rush or timber harvest where people are just coming to make a buck<sup>9</sup>.

In an interview published in 1985, CAMP commander Bill Ruzzamenti made clear that community disruption was a goal of the raids, spelling out that they are going after “community support systems” to get to cannabis:

The situation that's developed in southern Humboldt and northern Mendocino particularly is that you have vast enclaves of marijuana growers . . . We're going after the community support system that makes it appear as a viable and legitimate enterprise, since everyone around you is doing it”<sup>10</sup>.

Ruzzamenti's comment illustrates the intense “us vs. them” dynamic that developed as these communities were viewed as outlaws making their own rules and living outside of established norms. It wasn't just that they grew cannabis, lived communally, let their hair grow, or dressed differently, but that they acted as if growing cannabis was a legitimate industry that it is now becoming more than 30 years later.

CAMP's community disruption agenda belonged to a “law and order” playbook initiated by the Nixon administration in the early 1970s, which used the broad criminalization of drugs to selectively repress political dissidents and people of color. Anti-war hippies had become “soft” political targets of the Nixon administration, grouped with people of color though the drug war as scapegoats to gain “law and order” political capital.

In 1994, former Nixon aide John Ehrlichman spelled this out to journalist Dan Baum:

We knew we couldn't make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then

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<sup>9</sup> Corva interview with Tasha McKee. September, 2011. Whitethorn, California.

<sup>10</sup> Raphael 1985: p. 108.

criminalizing both heavily, we could disrupt those communities. We could arrest their leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news.<sup>11</sup>

Nixon's War on Drugs used the criminalization of ethnic and countercultural minorities to gain political power, not simply by disrupting their communities but by stirring up a moral panic against his critics through the use of mass media. This practice was so successful that it was adopted by a generation of politicians regardless of party that institutionalized the drug war and drove the rise of mass incarceration. The emergence of CAMP in Humboldt County provides a textbook rural variation on what is more commonly understood as an urban phenomenon. But first we must examine the national and global political forces that stimulated the commercialization of what was, initially, just another crop in the hippie garden<sup>12</sup>.

### *The first Green Rush*

Starting in 1975 and continuing through 1979, the U.S. government paid Mexico to spray the herbicide Paraquat on its cannabis fields, and advertised the practice widely in the media to scare U.S. cannabis consumers away from Mexican sources. The value of the domestic crop, which could easily be distinguished from its highly seeded Mexican counterparts, skyrocketed. In 1977, the San Francisco Chronicle published a front-page story on the immediate economic impact of this phenomenon on Garberville, the urban "peopleshed" for the Humboldt County's rural watersheds, in an article called "How a Town Got High."

This media coverage catalyzed the first "Green Rush," as new actors, including criminal elements but also existing, non-hippie communities living in rural poverty, realized the potential of the new cash crop. It also drew the attention of California law enforcement, which sent the first helicopters to the region in 1979 when a new Attorney General was elected on a law and order platform. In between, the national political environment also shifted radically.

The Carter Administration, led by drug policy reformer Peter Bourne, came into office explicitly in favor of decriminalizing cannabis. The administration continued Ford's Paraquat program, leading National Organization for the Reform of Marijuana Laws (NORML) Director Keith Stroup to "refuse to deny" that Bourne used cocaine at a NORML event, in a 1978 Washington Post article<sup>13</sup>. Bourne resigned and the Carter administration stepped back from reforming

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<sup>11</sup> Baum, Dan. "Legalize it All." *Harper's Magazine*. April 2016.

<sup>12</sup> Anders 1990.

<sup>13</sup> Clark, Claire and Emily Dufton. "Peter Bourne's Drug Policy and the Perils of a Public Health Ethic, 1976-1978." *American Journal of Public Health* 105(2): 283-292.

cannabis laws in the country. The political landscape was cleared for the amplification and institutionalization of the bipartisan War on Drugs during the Reagan administration.

By 1979, Mexican imports had dropped significantly and the farmgate wholesale price of domestic cannabis reached \$2000/lb, more than \$11,000 per pound in 2011 prices. At the end of the Paraquat program, Colombia and Thailand exported the bulk of the cheap, low-end cannabis consumed in the lower 48 states, but domestic sources also achieved liftoff. Cannabis production exploded in Hawaii and the Appalachian region of the US, where a resource extraction commodity bust and therefore rural poverty also provided structural conditions for participation in the domestic industry<sup>14</sup>.

But it was rural Northern California, especially in southern Humboldt County's share of the "Emerald Triangle", where increased cannabis production was drawing attention, both for its growing reputation for quality as well as efforts at eradication. Eradication efforts were initiated by State and local law enforcement, augmented by by Federal funding once CAMP was created.

#### *From the emergence of CAMP to Operation Greensweep*

CAMP was a joint task force created in 1983 to coordinate federal, state, and local agencies for at least eight weeks every year between August and October to locate and eradicate primarily outdoor cannabis agriculture. It was timed to maximize garden visibility close to harvest time, usually the first rains of October. CAMP's funding sources came from an array of law enforcement and environmental bureaucracies that changed over time, but were dominated by the U.S. Drug Enforcement Agency (DEA) and California's Bureau of Narcotics Enforcement (BNE). Federal agencies that also contributed included the U.S. Forest Service, Coast Guard, Customs, Marshalls, Internal Revenue Service (IRS) and Alcohol Tobacco and Firearms (ATF). Significant California agencies included the Bureau of Land Management (BLM), Fish and Game, Forestry, Corrections and the California Highway Patrol (CHP).

CAMP brought into coordination previously existing county and state efforts to police cannabis agriculture, and was initially focused on three Northern California counties: Humboldt, Mendocino, and Trinity counties, which were dubbed the "Emerald Triangle," a geographical imagination likely introduced by law enforcement as part of a media campaign meant to evoke comparisons with Southeast Asia's opium-producing "Golden Triangle."

In 1979 Republican George Deukmejian, recently elected AG on a law and order platform, donned a flak jacket for the first "media raid" of Mattole/Eel watershed cannabis communities.

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<sup>14</sup> Clayton, Richard. 1995. *Marijuana in the "Third World": Appalachia, USA*. Lynne Rienner, Boulder, Colorado and London.

After Deukmejian was elected governor of California in 1982, he collaborated with incoming Democrat AG John Van de Kamp and former California governor-turned president Ronald Reagan to institutionalize the state's summer eradication program as a joint Federal, State and Local task force. As governor from 1967-1975, Reagan had a history of cracking down on hippies and student protesters -- many of whom then fled to Humboldt in the back-to-the-land movement and created the earliest domestically produced cannabis markets.

Communities were disrupted from regular paramilitary raids that disproportionately targeted Humboldt and Mendocino counties. Enforcement methods often deviated from standards of professional police conduct normally accorded to citizens with constitutional protections. Three key community self-defense institutions emerged in the conflict: the Citizen's Observation Group (COG), which followed CAMP around documenting what happened; the Civil Liberties Monitoring Project (CLMP) which sued the government based on that documentation; and community alert systems that started as networks of walkie-talkies in the hills and evolved into regular programming on KMUD, the Emerald Triangle's community radio station.

In 1985, CLMP partnered with the California chapter of the National Organization for the Reform of California laws in a successful injunction against unconstitutional CAMP practices, *NORML v Mullen*. Fifty sworn declarations from County residents alleged

... warrantless searches and seizures, arbitrary detentions and destruction of property, and sustained low-altitude helicopter activity resulting in repeated invasions of privacy, emotional distress, property damage, disrupted schooling and work, and general danger to the public. Plaintiffs contend, in short, that CAMP is "out of control" and has turned its areas of operations into "war zones."<sup>15</sup>

In finding for the plaintiffs, the court found that official CAMP policy provided by the attorney general's office and supported by Ruzzamenti's testimony explicitly "endorses warrantless entries, searches, and seizures on private property," lending "considerable credence to the allegations of warrantless searches and seizures and the oppressive character of the resulting encounters with innocent residents."

In 1990, Operation Green Sweep, a joint Federal-State exercise outside CAMP's scope and guidelines issued by *NORML v Mullen*. Green Sweep marked the first time active-duty military units were used to police drug crimes, let alone cannabis, inside the United States<sup>16</sup>.

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<sup>15</sup> *NORML v Mullen*. 1985. Url: <https://law.justia.com/cases/federal/district-courts/FSupp/608/945/1465035/>, accessed August 27, 2019.

<sup>16</sup> Mendel, Col. William. 1992. "Illusive Victory: From Blast Furnace to Green Sweep." *Military Review*. December: 74-87.

In 1992, Colonel William Mendel reflected on the global context for Green Sweep, highlighting that the impetus for the operation came from geopolitical considerations. Green Sweep, and subsequent operations in Hawaii, Oregon, and elsewhere, were designed to appease countries reluctant to cooperate with analogous coca eradication campaigns in the Andes. The first such campaign was “Operation Blast Furnace” in Bolivia, in 1986, and Mendel’s article explicitly identifies lessons learned from Blast Furnace to Green Sweep. Chief among those lessons was a focus by the US on “targeting the producer, rather than the product” (p. 76).

Mendel’s review is remarkable for its explicit acknowledgement of resistance from Humboldt County law enforcement:

As Green Sweep got underway, the sheriff “expressed displeasure with the way the troops ‘stormed in’ and area residents protested the ‘invasion’ of nearly 200 armed soldiers in camouflage fatigues and face paint as frightening for their children and horses (p 82).

The resultant lawsuit by CLMP, which focused on environmental harms associated with the operation as well as civil rights claims from communities that found themselves accosted by commandos without due process, dragged out for years before culminating in guidelines issued to the state’s BLM for considering environmental impacts associated with eradication operations nominally led by that agency on California public lands<sup>17</sup>.

Of particular interest to our focus on community disruption, a newsletter from CLMP archives notes comments from one defense lawyer to his own team:

“There was almost no irrelevant testimony. It was an impressive mix of commenters [*sic*]. You would have been impressed with the professionalism and seriousness with which the public presented their comments. Informally, I was taken in a way I haven't been before in eight years, with the profundity with which the operations have impacted this area and community. Until these two days of public meetings, I didn't realize the extent of the effects on the people who live there”<sup>18</sup>.

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<sup>17</sup> Webster, Bernadette. Spring/Summer 2000. “Greensweep Lawsuit Update.” CLMP publication from Spring/Summer 2000. Humboldt Area Peoples Archives (HAPA). Url: <http://www.haparchive.org/civilliberties.org/ss00greensweep.html>, accessed August 27, 2019.

<sup>18</sup> Webster, Bernadette. “The Sweepings of Greensweep.” CLMP publication from Spring 1999. HAPA Archives. Url: <http://www.haparchive.org/civilliberties.org/spr99greensweep.html>, accessed August 27, 2019.

As the decade progressed, local authorities increasingly objected to CAMP's annual program. In 1997, one Humboldt County Board of Supervisor joined other county Supervisors to ask that the state de-fund the program<sup>19</sup>.

The harm caused to community members affected by being treated like enemies of the state instead of citizens with rights is difficult to quantify, but their detrimental effect on the social fabric of the county has been well documented, perhaps most spectacularly in the 2019 Netflix documentary "Murder Mountain." A more nuanced exploration of the psychosocial effects of living in a drug war zone was written by Emily Brady<sup>20</sup>, an investigative journalist who spent five years in the watersheds of Southern Humboldt. Brady's complex narrative uncovers the cultural richness of cultivation communities descended from the back-to-the-land movement, while also describing legacies of trauma and violence associated with existing in a drug war economy.

### *Post-1996: the boom and bust*

Adjusted for inflation, farmgate prices remained fairly stable until the mid-2000s as cannabis eradication suppressed supply and drove up risk capital. After the passage of Proposition 215 in 1996, however, eradication efforts backed off considerably. By 2011, however, overproduction throughout the State had already caused the bubble to burst, with prices below \$2000/lb.

Cannabis cultivation surged in Humboldt as it did all over the state, somewhat protected by the gray legal area opened up by Prop 215; and 2003's Senate Bill 420 which left it up to local authorities to regulate medical cannabis cultivation. In response, Humboldt District Attorney Paul Gallegos issued a guideline stating that his office would not prosecute plant counts below 100, a number that would trigger Federal mandatory minimums.

Over the next decade, medical cannabis statutes on the West Coast lowered the risk of exposure to cannabis cultivation considerably. Many people from all walks of life began to grow, a process likely accelerated by the financial crisis of 2008-2010. This time, enforcement efforts faced declining budgets and political will, and a classic agricultural overproduction dynamic developed.

The bubble of prosperity this created distorted the trajectory of economic development in Humboldt County considerably. On the one hand, it brought an unexpected windfall newer and

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<sup>19</sup> Denson, ED. "No Campaign Against Marijuana Planting?" CLMP publication from Spring 1997. HAPA Archives electronic document accessed August 27, 2019. Url: <http://www.haparchive.org/civilliberties.org/spr97nocamp.html>.

<sup>20</sup> Brady, Emily. *Humboldt: Life on America's Marijuana Frontier*. Grand Central Publishing, New York and Boston. 2013.

older communities alike that was spent on building schools, volunteer fire stations, community centers, rural healthcare initiatives, a credit union, and an explosion of cottage industries that included highly innovative solar technology companies. That money, and the freedom of time that came with it, was directly responsible for the emergence of the still-robust, but now professionalized, forest restoration sector in Humboldt County<sup>21</sup>.

Cannabis provided money and time to create the forest restoration sector in Humboldt County, which professionalized over time as it learned to draw on grants and formally employ people. Divergence in the 1990s, especially after 1996 as a nouveau Green Rush came in led to metastasization of grows for different reasons had different kinds of environmental impacts. Humboldt's "traditional" growing areas not particularly known for impacts like the ones we see on public lands, but definite issues with dewatering, diesel gas consumption, erosion, and the like

22.

Shifting policing practices have made significant headway reducing the presence of industrial-scale, environmentally unsustainable cultivation sites in the County. By most accounts, CAMP does focus on eradicating cannabis cultivation that has documented public safety issues, particularly associated with environmental damage, although there have been many recent accounts of small cultivators caught up in the crossfire. The majority of cannabis cultivators remaining in the county, who are primarily small-scale farmers at this point eking out a living on greatly reduced farmgate prices, are no more of a social problem than when CAMP explicitly sought to disrupt their communities.

This time around, though, they are the victims of a regulatory cannabis framework with extraordinarily high economic and regulatory barriers to entry. Those barriers are directly financial, in terms of taxes and licensing, but also reflect the high cost of becoming compliant with county codes. Those codes are not just environmental, but for upgrading rural infrastructure that has not seen public investment since the logging boom. Through Project Trellis, the County has made a significant commitment to help transitioning cultivators with the daunting cost of modernizing rural infrastructure.

The equity program seeks to support small businesses, and the restoration of ecologically sustainable principles that characterized the emergence of cannabis agriculture in Humboldt

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<sup>21</sup> Kelly, Erin and Marisa Formosa. "Two Rural Industries Intersecting Over Time: Cannabis Production and Forest Restoration in the Mattole Valley, California, USA." Forthcoming in *The Routledge Handbook of Interdisciplinary Cannabis Research*, edited by Dominic Corva and Josh Meisel. Routledge. 2020.

<sup>22</sup> Silvaggio, Tony. "The Environmental Impact of Cannabis Liberalization: Lessons from California." Forthcoming in *The Routledge Handbook of Interdisciplinary Cannabis Research*, edited by Dominic Corva and Josh Meisel. Routledge. 2020.

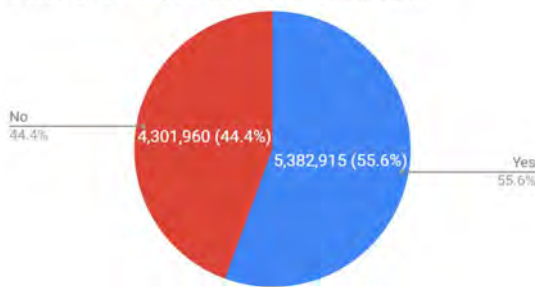
County, which was also the birthplace of cannabis agriculture in California. Traditional cultivators that are left behind are vulnerable to remaining dangerous criminal elements; have been doing it so long there is no viable career alternative; cannot receive help mitigating pre-cannabis timber-related environmental problems where they settled; and cannot afford to implement sustainable cultivation practices to address environmental problems that have emerged around them.

### History of Cannabis Policy Reforms in California & Humboldt County

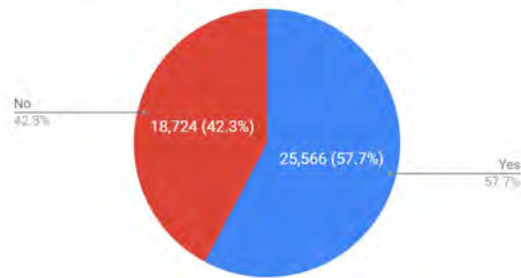
#### *California*

In 1996, California passed Proposition 215, the Compassionate Use Act. Humboldt County also supported the measure. California was the first state in the United States to legalize cannabis for medical use.

State of California 215 Election Results



Humboldt County 215 Election Results

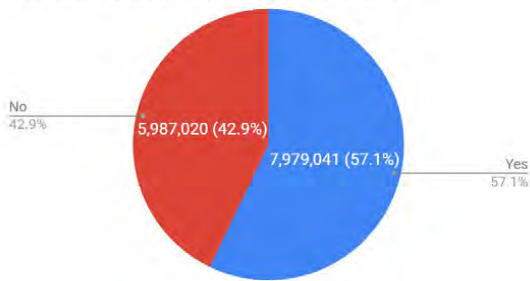


The Compassionate Care Act made it possible for patients and qualified caregivers to cultivate and possess cannabis for personal use. No regulatory structure was put in place. California voters continued to push for policies to decriminalize drug use, as evidenced by the voter-approved Substance Abuse and Crime Prevention Action in 2000, which allowed the state to offer eligible offenders convicted of drug use and/or possession treatment instead of jail time.

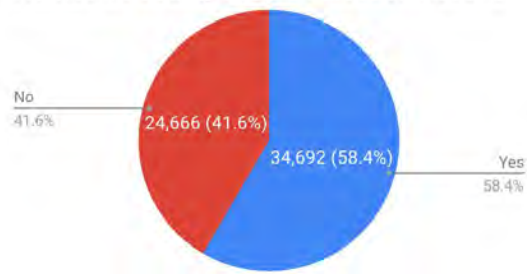


In 2016, California established a legal framework to regulate and monitor cannabis dispensaries after the passage of the Medical Marijuana Regulation and Safety Act. On November 8, 2016, California voters passed Proposition 64, the Adult Use Marijuana Act. Proposition 64 legalized the distribution, sale, and possession of cannabis. It passed with 57% of the vote statewide and 58% in Humboldt County.

State of California 64 Election Results



Humboldt County Prop 64 Election Results



### *Humboldt County*

According to the Humboldt County Community Health Assessment (CHA), “Jobs cultivation of cannabis in Humboldt County has begun the transition from an illicit industry to a major economic driver with the legalization of medical cannabis in 1996 (Proposition 215) and recreational cannabis in 2016 (Proposition 64).”

The CHA continues: “This previously unregulated industry has attracted a large number of seasonal workers, but accurate data on the number of individuals directly employed in the industry, and associated wages, are not yet available. Income, both individual and business, derived from cannabis, has been largely untaxed to date. Early estimates of county tax revenue due to the legal sale of recreational cannabis is projected to be \$4.876 million in FY 2017-2018.

### *Measure S*

On August 9, 2016 the Humboldt County Board of Supervisors unanimously placed Measure S on the November 8, 2016 ballot. Measure S is a commercial cannabis cultivation tax designed to help the county gain funding for cannabis-related impacts such as environmental review, public safety and drug and prevention services. Measure S was passed by voters and is estimated to produce approximately \$22 million in revenue in its first year. Measure S is a key funding source for the Cannabis Local Equity Program.

### *Project Trellis*

Ten percent of all Measure S funding is given to Project Trellis, which was created by the Humboldt County Board of Supervisors in part, to bolster the cannabis industry by:

- Providing services to populations and communities in Humboldt who were adversely affected by the criminalization of cannabis;
- Developing a framework for supportive programs designed to sustain and grow Humboldt’s cannabis industry; and
- Assisting cannabis businesses as they work to overcome the financial and logistical challenges of coming into compliance.

A portion of Project Trellis funding is earmarked for the equity program.

Project Trellis is broken into three parts:

- Micro-grant program: Aimed at providing capital assistance and business resources to Humboldt County cannabis businesses.
- Marketing and promotion: to promote Humboldt-grown cannabis as a national and industry brand.
- Local Equity Program: to serve those communities and individuals impacted by the war on drugs, and the implementation of which also serves as part of the qualifying criteria to receive Senate Bill 1294 funding.

Humboldt County has had a high level of interest in understanding and navigating the path to legalization because there is a shared belief that legalization will undermine and negatively affect the local economy. According to the Humboldt County 7-Year Financial Forecast, sales from the Business and Industry group was down by 43 percent from 2017 to 2018, and down 33 percent compared to averages from 2015 through 2017. Outlets in garden/agricultural supplies and contractors have shown the most decline. The Autos and Transportation group was down from 2017 by 27.8 percent. Restaurants-hotels and food-drugs experienced a drop from multiple large taxpayers. Sales tax revenue for the county was down 9 percent from actual revenue received in FY 2017-18, and down 20.2 percent from budgeted revenues for the current fiscal year.

Continued decrease in sales tax will lead to a loss of desperately needed local public safety services, such as 24-hour Sheriff’s patrol, 9-1-1 emergency response, local volunteer fire service, rural ambulance service, repairing deteriorating roads, and protecting victims of child abuse.

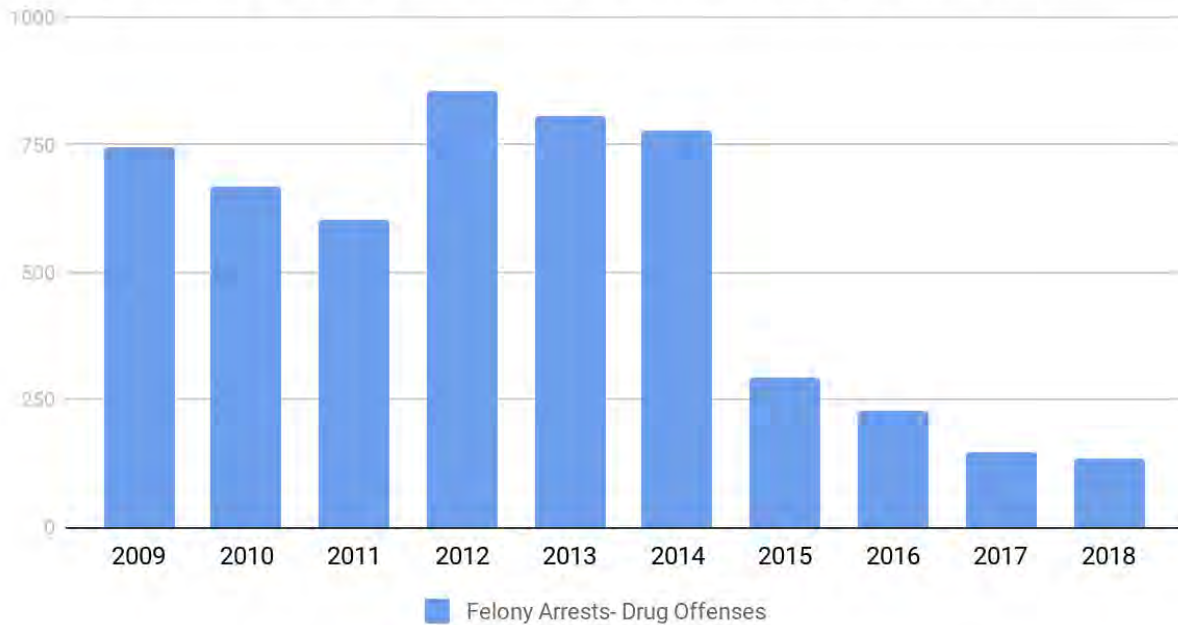
Drug Arrest Rates in Humboldt County, California and the United States

*Humboldt County*

Public data related to drug-related arrest rates was obtained from the California Department of Justice. Between 2009-2014, drug offenses made up 32.6% of all felony arrests in Humboldt

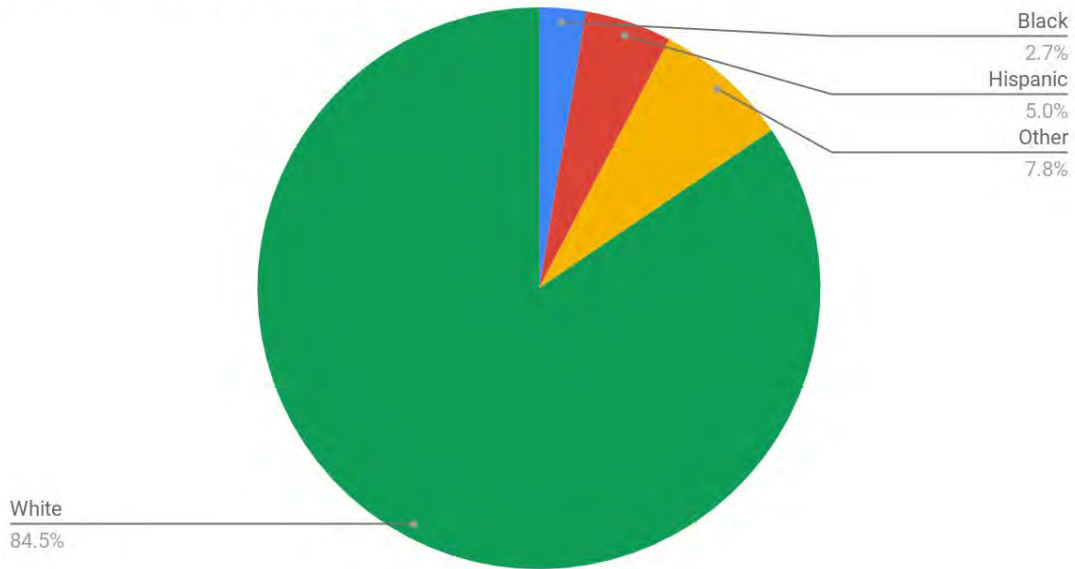
County. This translates to an average of 742 arrests per year over a five-year period. Felony arrests for drug offenses went down started in 2015 and those trends continued through 2018, the last year for which data is available.

### Felony Arrests for Drug Offenses Humboldt County, 2009-2018

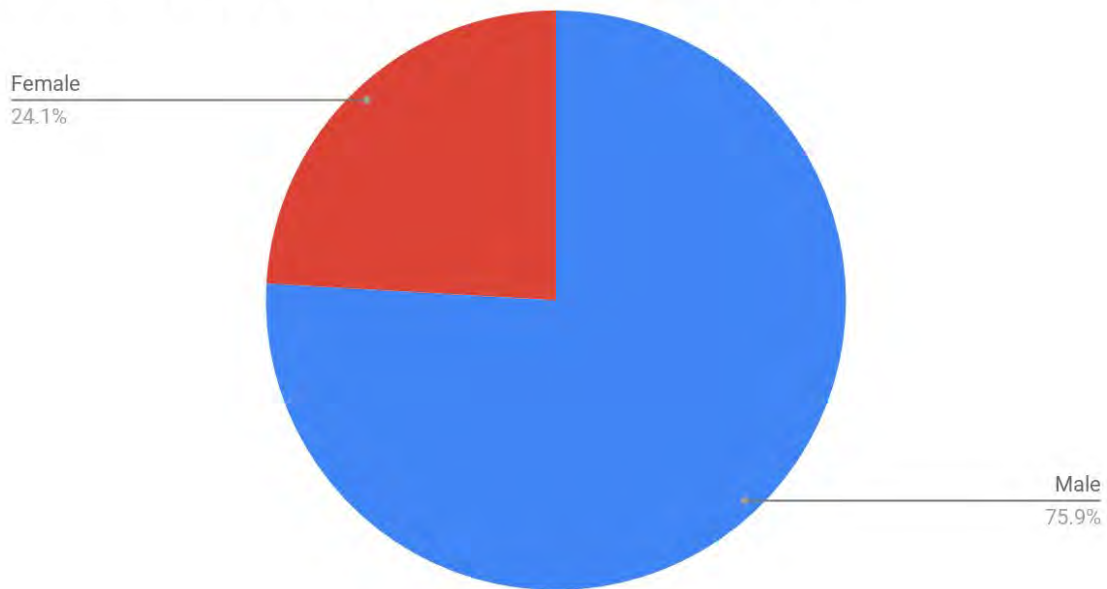


The below figures show the drug arrest data for Humboldt County by race, gender and age group from 1980-2018.

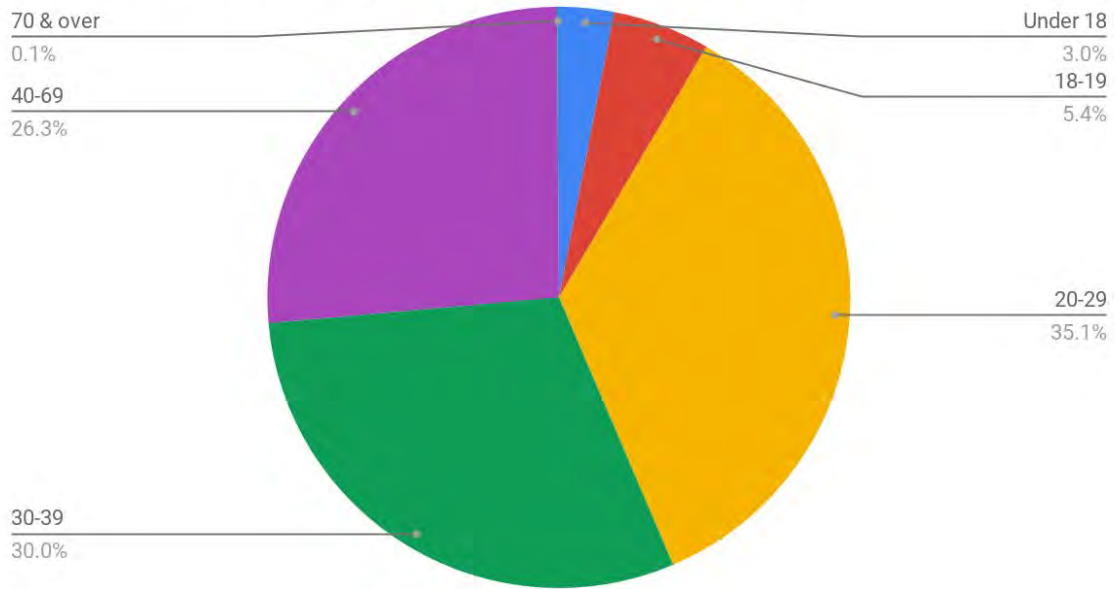
Humboldt County Drug Arrests by Race, 1980-2018



Humboldt County Drug Arrests by Gender, 1980-2018



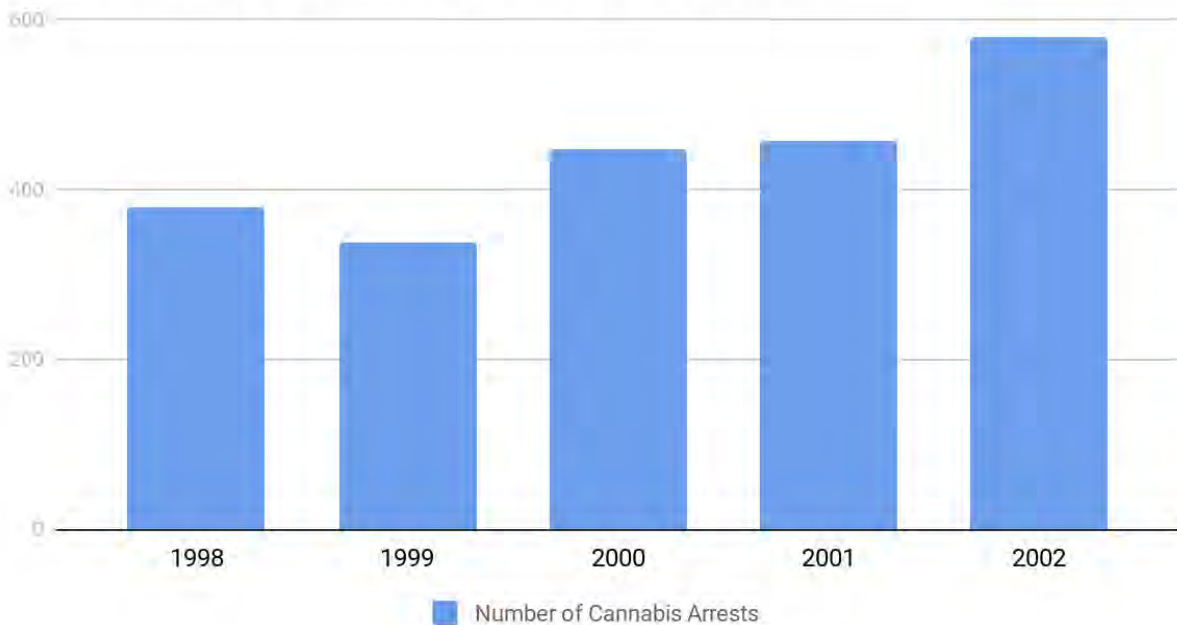
### Humboldt County Drug Arrests by Age, 1980-2018



Cannabis arrests by county for California was obtained from the Uniform Crime Reporting Program. Cannabis-related arrests between 1998 and 2002 ranked Humboldt County as #3 highest of 58 counties for rates of cannabis arrests. The tables below show that small, rural counties in California were disproportionately affected by cannabis arrests. Between 1998-2002, Humboldt County had significantly higher rates of cannabis arrests than the state of California as a whole.

California counties varied widely in cannabis possession enforcement, but Humboldt County had the highest rate of any California county for simple marijuana possession arrests in 2008 (Source: California Criminal Justice Statistics Center 2010). According to The Center on Juvenile and Criminal Justice (CJJC), “Two adjacent, major cannabis producing counties had diametrically opposite trends: Humboldt County had large increases and high rates of simple cannabis arrest, while Mendocino had among the lowest rates and most modest increases in cannabis arrests (Source: Marijuana Arrests and California’s Drug War: A Report to the California Legislature, 2010 Update, p. 7).”

Humboldt County Cannabis Arrests, 1998-2002

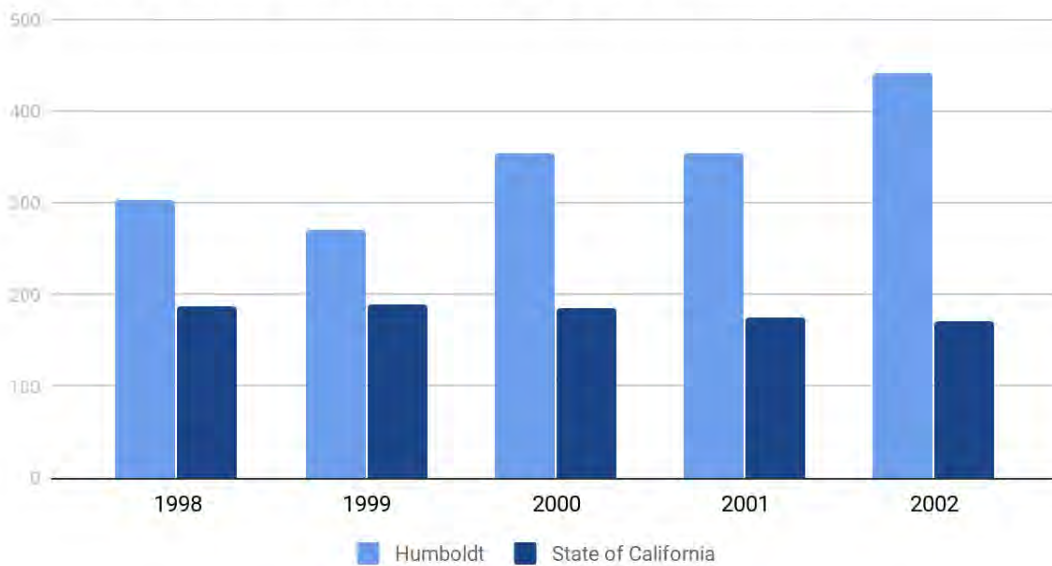


## California Cannabis Arrest Rates Ranked by County, 1998-2002

Ranking	County
1	Alpine
2	Sierra
3	Humboldt
4	Plumas
5	Trinity

Source: The NORML Almanac of Marijuana Arrest Statistics, California Marijuana Arrests, 1995-2002

Cannabis Arrests Rates, Humboldt vs. California, 1998-2002



Humboldt’s long history of cannabis cultivation and the nature of an underground cannabis economy has led to violent crime and victimization of vulnerable populations. For example, women in the cannabis industry who experienced violence or assault were unlikely to report those crimes. The North Coast Rape Crisis Team has developed curriculum and trainings to support individuals who were subject to exploitation and trafficking within the cannabis industry. The Humboldt County Sheriff’s Office included resources for this work in their JAG grant as they recognized the adverse impacts for women associated with illegal cannabis operations.

Multiple articles have been written on this topic as women have spoken out about their experiences. According to an article titled *The Weed Industry Responds to Accusations of Rampant Sexual Assault* by Gabby Bess in 2016, “the problem of rape and sexual harassment in an industry that operates in seclusion is ongoing. In many circumstances, victims rarely report their sexual assault to the police either out of fear or the belief that law enforcement won't do anything to help them. The environment cultivated around marijuana grows, however, makes it even harder for rape victims to speak out.” In the same article, the California Growers Association executive director, Hezekiah Allen, wrote that the void of regulation has allowed illegal grows to proliferate in the grey area. "It is no secret that criminal behavior lingers in the shadows cast by prohibition and regulatory vacuum.”

### *California and the United States*

The Center on Juvenile and Criminal Justice (CJJC) has published several reports that demonstrate patterns in drug arrest rates in California that disproportionately affected people of color. Starting in the 1990's, arrests in California for drug possession increased dramatically. Cannabis possession rates increased by 124% while other categories of serious crime showed decreased arrest rates. Rates of arrest per 100,000 population rose much faster for African American, Hispanics, those under the age of 21 and European American over the age of 40.

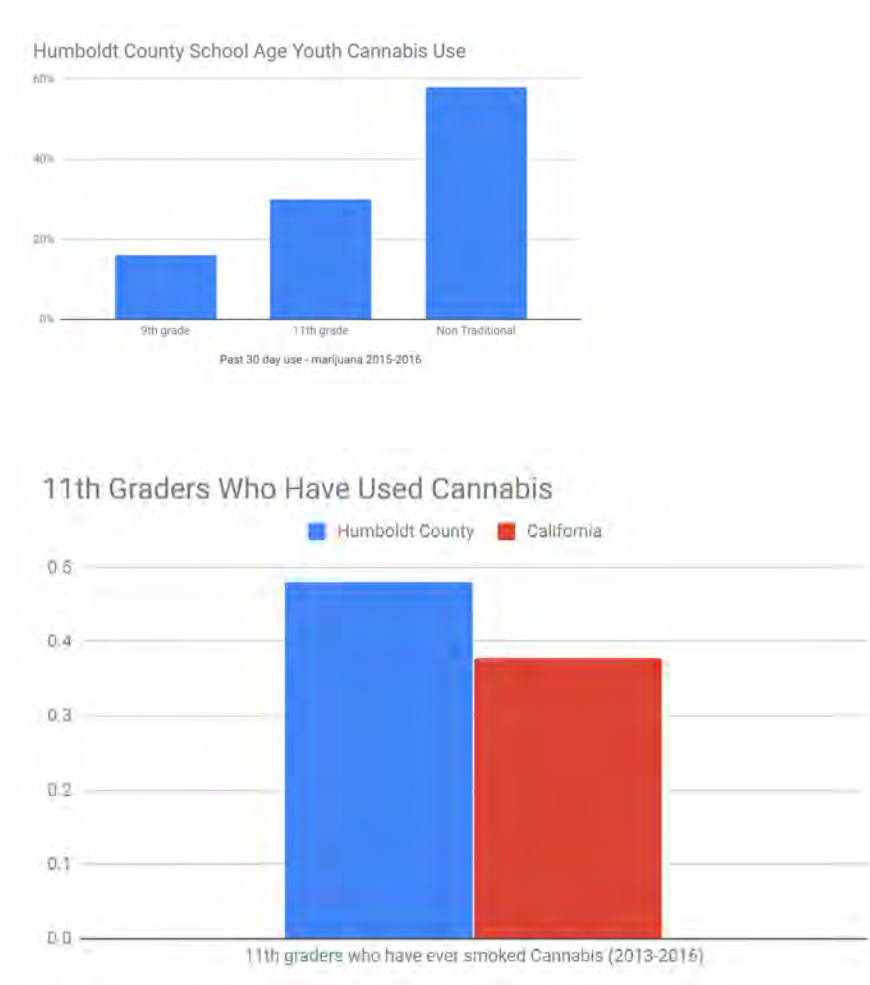
Though a majority of states allow medical cannabis use, cannabis leads drug-related prosecutions in the United States. According to New Frontier Data, over 650,000 people were arrested for cannabis-related offenses in 2016. Cannabis accounted for 42% of all drug-related arrests in 2016, with cannabis possession offenses specifically accounting for 37% of all arrests. For comparison, heroin and cocaine accounted for 26% of arrests nationally.



## Section 4. Current Conditions in Humboldt County

### *Youth Cannabis Use in Humboldt County*

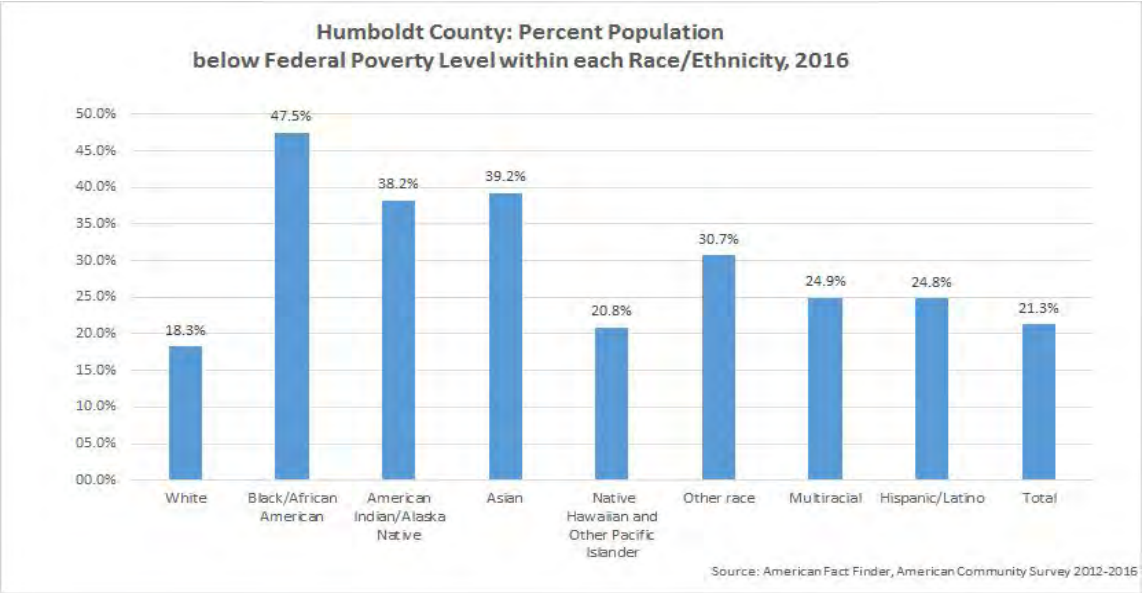
Youth use of cannabis use starts earlier in Humboldt County than in other parts of the state. Although currently we do not have data we suspect there is a link between suspension and absenteeism from school and cannabis use. This is an area that should be studied. There is also an unusual workforce issue since technically Prop 64 allows adults aged 21 years or older to possess and use marijuana for recreational purposes, but most people in Humboldt County enter the workforce by the time they are 18. Youth cannabis use is still illegal and therefore they still may be adversely impacted.



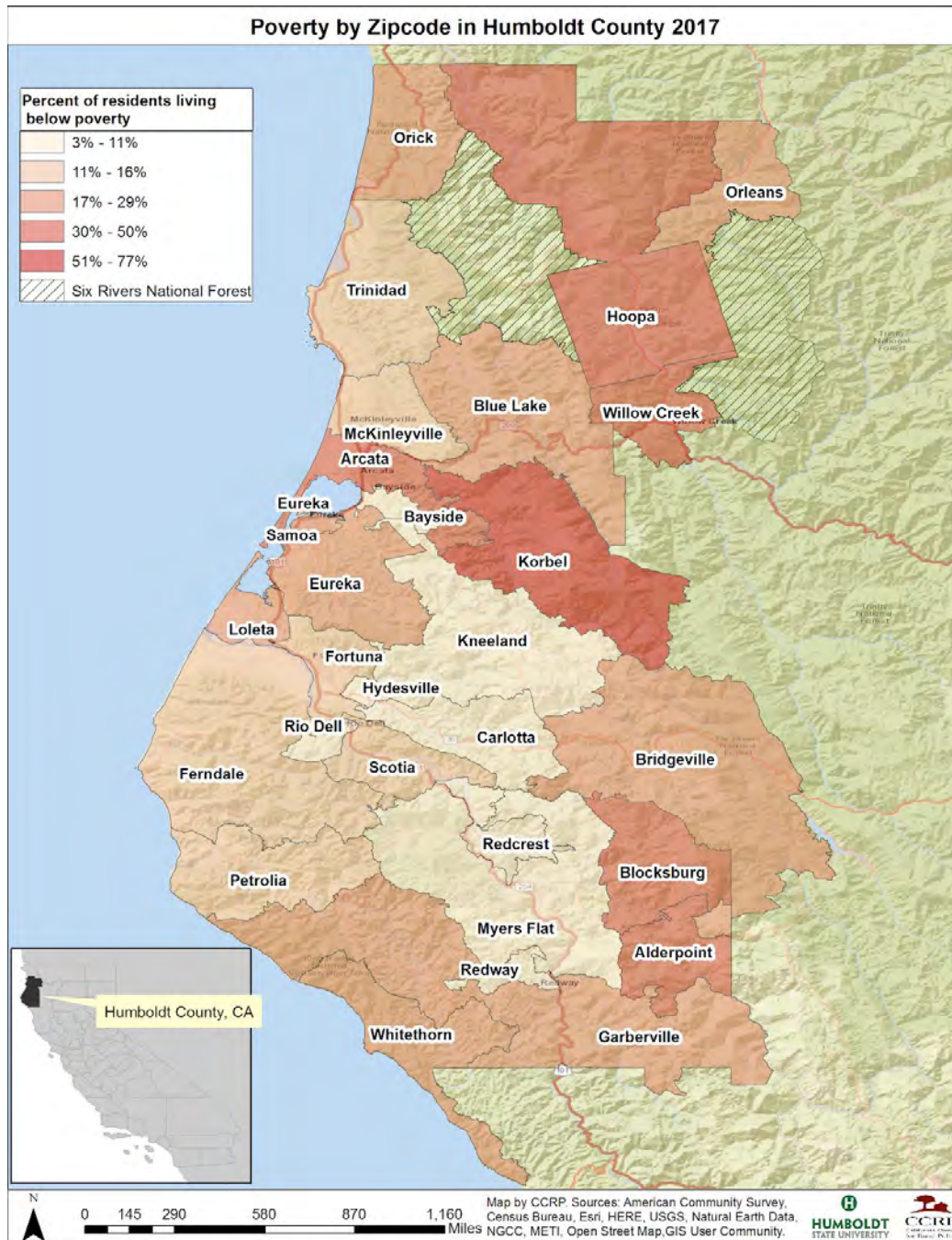
### *Poverty in Humboldt County*

In Humboldt County, 21.0% of the total population lives below the federal poverty level (FPL\*). The race/ethnicity with the highest percentage of poverty is the Black/African American population (47.5%). The white population has the lowest percentage of poverty (18.3%). Conversely, the total number of people in poverty is highest in the white population (19,664) and

lowest in the Native Hawaiian and Other Pacific Islander population (69), thus it is important to look at both the percentage and the actual numbers.

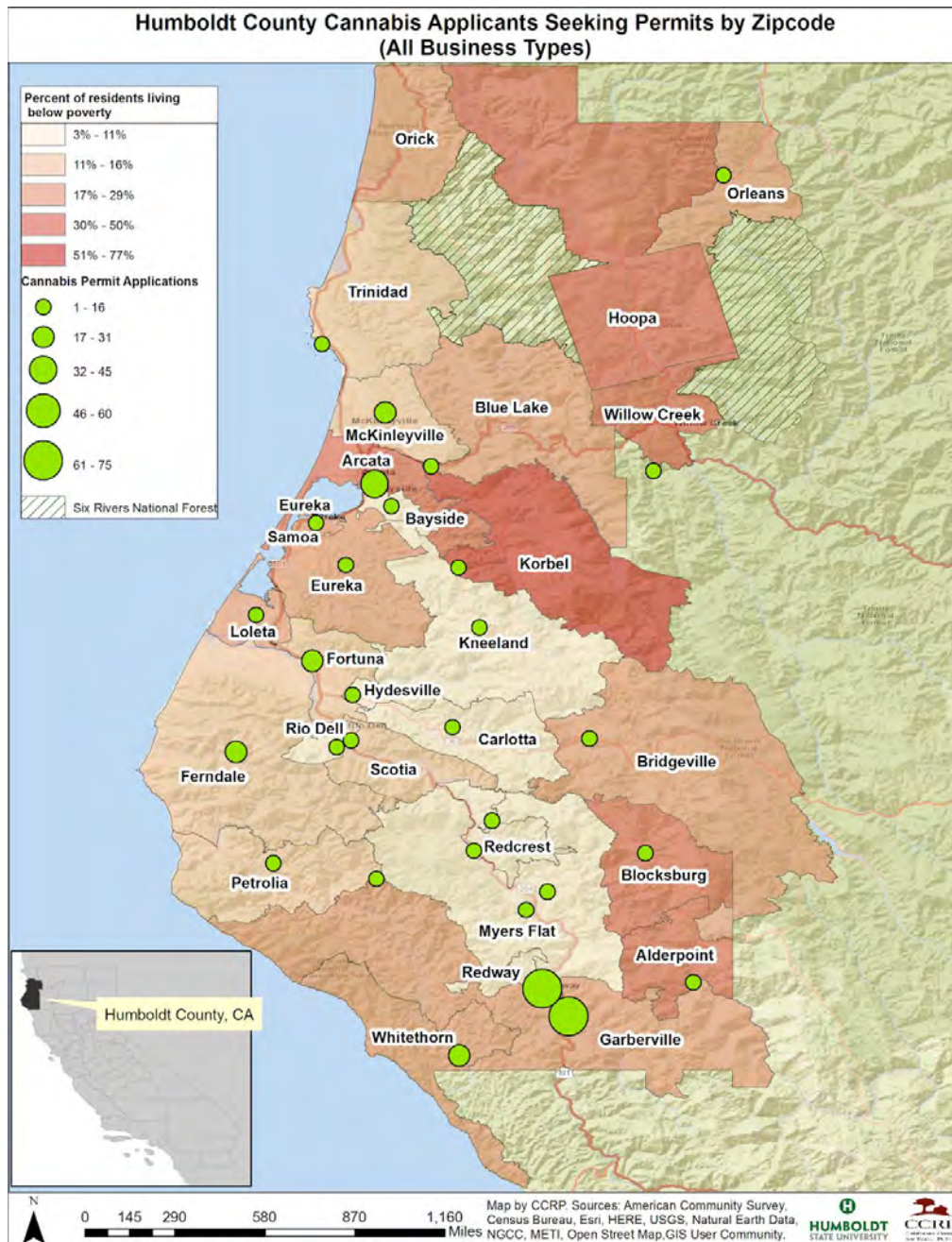


The map below illustrates the geographic distribution of poverty by zip code in Humboldt County.

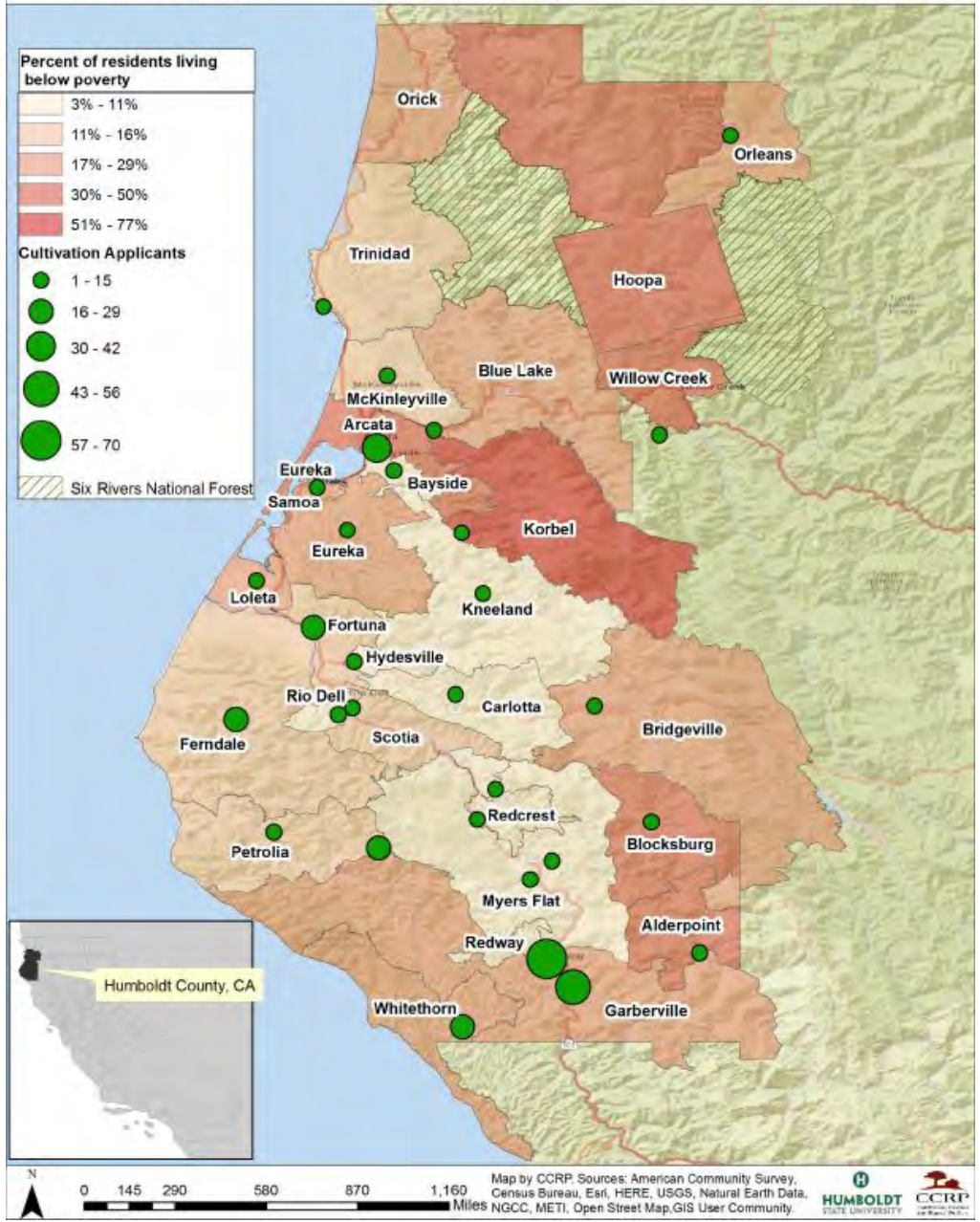


### Overview of Humboldt County Cannabis License Applicants

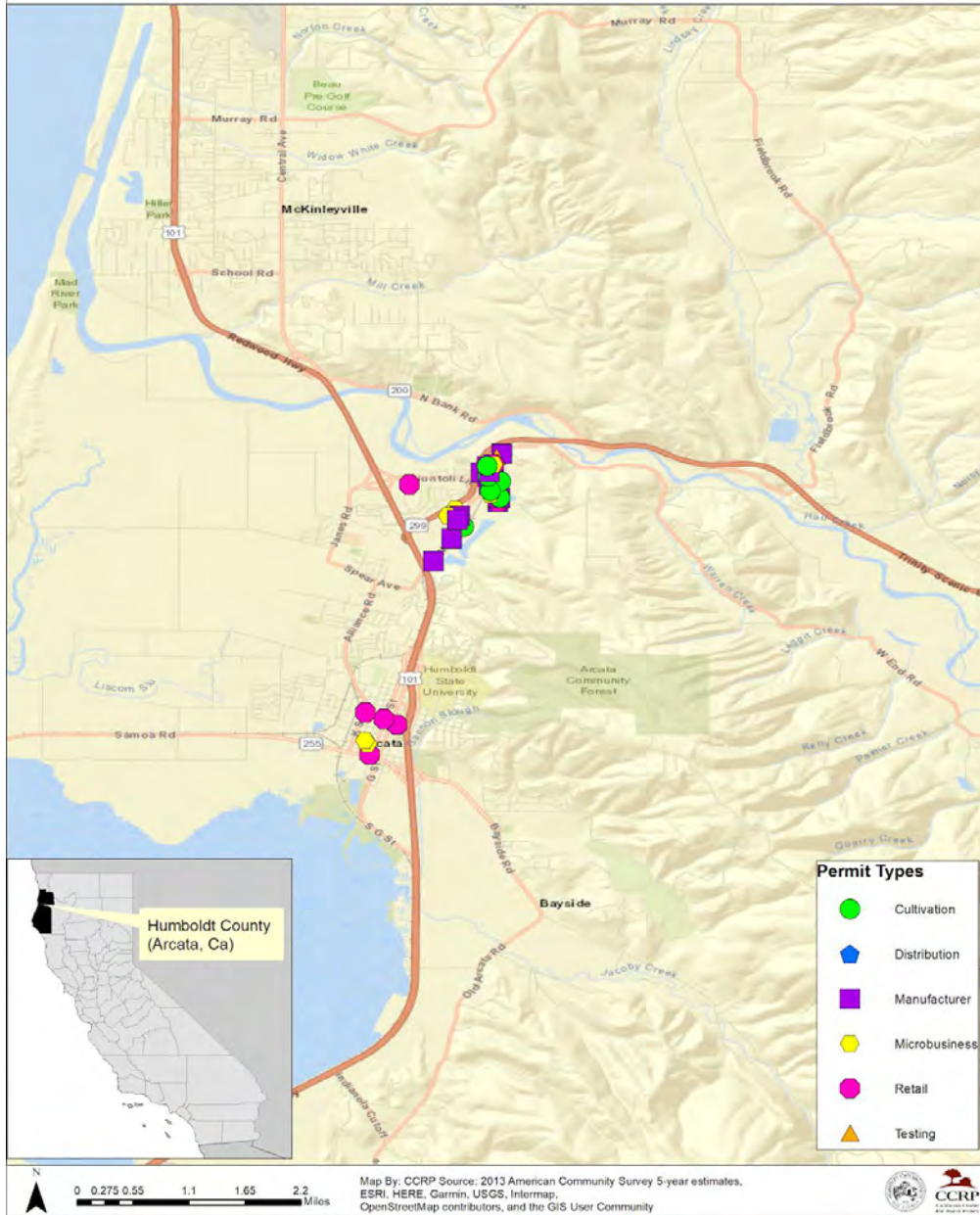
The two maps below illustrate the geographic distribution of applicants seeking all types of cannabis licenses and those seeking just cultivation licenses in the county. Humboldt County accounts for 19% of all cannabis applications for licenses in California. Out of the 27 participating counties, Santa Barbara and Humboldt account for more than half of the active grower licenses.

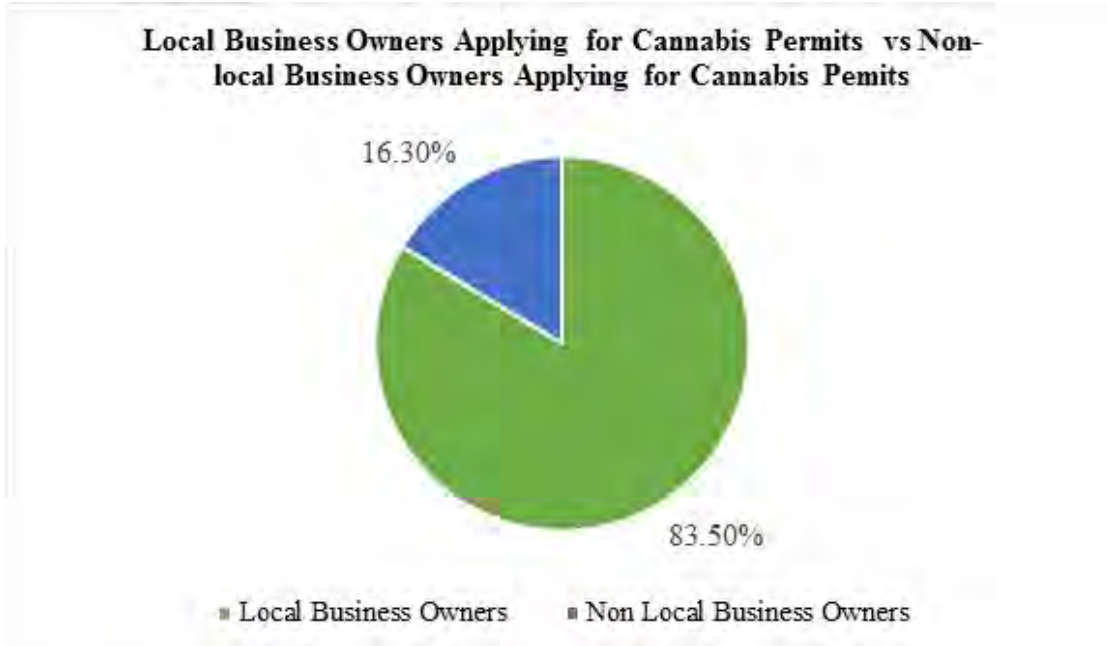


### Humboldt County Cannabis Applicants Seeking Permits for Cultivation by Zipcode



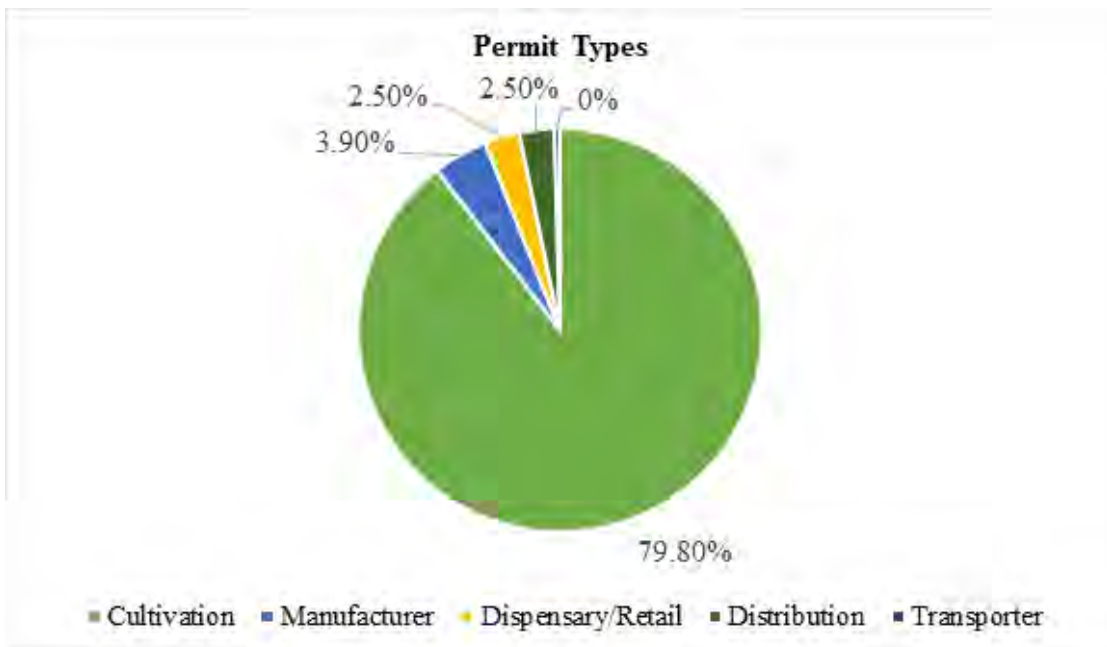
# Cannabis Permit Applicants in Arcata California





83.5% (N=400) of business owners applying for cannabis permits reside in Humboldt County.

Local Business Owners Applying for Cannabis Permits	Non-Local Business Owners Applying for Cannabis Permits in CA	Non-Local Business Owners Applying for Cannabis Permits out of state
N=400	N=50	N=28



The majority (79.80%) of applicants are seeking cannabis cultivation permits. (Please note that several applicants applied for more than one type of permit).

<b>Permit Type</b>	<b>Applicants</b>
Cultivation	N =387 (79.8%)
Manufacturer	N =19 (3.9%)
Dispensary/Retail	N =12 (2.5%)
Distribution	N =12 (2.5%)
Transporter	N = 2 (0.4%)
Testing	N = 0



## **Section 5. Barriers to Entry**

This section includes an overview of barriers that can make it difficult to enter the cannabis market. Humboldt County's equity program should have components designed to mitigate these barriers.

According to an article in *The Madera Tribune* on July 10, 2019, UC Berkeley is conducting research to understand why cannabis farmers are not joining the legal market. According to the article, "Van Busic estimates that less than one-third of cannabis growers in Humboldt County have completed the permit process.." Cannabis growers are being asked to participate in a survey about their experiences with the regulated market. The survey closed on August 1, 2019.

Preliminary survey results showed the following:

1. Small farmers have a hard time getting permits
2. Nearly half of people who have applied still have their permits pending with CDFG
3. Everyone (those with permits, those without, those who did not apply) was confused by the process
4. Many of those who did not apply for permits were on land zoned such that they could not apply
5. Many of those who did not apply for permits had other income sources; cannabis was used to supplement income

### *Financial*

All new businesses face financial requirements to enter a new market. For individuals adversely affected by historical criminalization of cannabis, financial barriers can be difficult to overcome. The application fees, fees for professional studies of environmental, water supply, road engineering issues, and the cost of compliance with mitigation measures are significant barriers for smaller scale operations and/or socio-economically disadvantaged populations.

### *Administrative/Technical*

Applications require an understanding of and compliance with complex requirements from multiple local and state agencies. This process is especially daunting for the smaller, family-based, cultivators.

### *Business Acumen*

The skills needed for participation in a highly regulated marketplace, including business planning, human resources management, accounting and inventory controls can be significant barriers to entering a new market.

### *Distrust of Government*

As was mentioned above, CAMP raids and the experience of cannabis growers during the era of criminalization of cannabis have left many individuals in the industry with a deeply engrained sense of distrust and fear of government.

## **Section 6. Cannabis Equity Program Recommendations**

### Review of Other Jurisdiction's Effort to Promote Equity in Cannabis Implementation

Other jurisdictions' in communities and states with a legal cannabis industry have developed and/or implemented programs to improve equity. Humboldt County has worked closely with the Rural County Representatives of California (RCRC) to understand the impact of legalizing cannabis on rural counties in California. Humboldt County has been ahead of the curve in licensing efforts due to historical involvement in the cannabis industry as well as a proactive Board of Supervisors.

### Findings & Recommendations

**Finding #1: Equity program eligibility factors should be focused on specific targeted populations. Eligibility criteria should be supported by data wherever possible.**

Humboldt County should consider including the following eligibility criteria:

- Conviction history associated with cannabis-related offenses
- Immediate family member with a conviction history associated with cannabis-related offenses
- Low income status
- Residency consideration
- Ownership consideration
- Geographic location
- Size of operation

<b>Criteria</b>	<b>Recommendation</b>
Conviction history	<p>Have been arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis (including as a juvenile), or been subject to asset forfeiture between 1971 and 2015</p> <p>Have a parent, sibling or child who was arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis between 1971 and 2015</p>
Low income status	Household income at or below 80% of Humboldt area’s median income
Residency consideration	Give additional consideration to those who have resided in Humboldt County for at least five years between 1971-2016
Ownership consideration	Give additional consideration to those who own at least 40-51% of the business
Geographic location	Have lived within a five mile radius of the location of raids conducted by CAMP during 1971-2016
Size of operation	Have engaged in cultivation of cannabis on property in Humboldt County owned, leased, or with the express permission of the owner, with a cultivation area less than 10,000 square feet

**Finding #2: Ensure that applicants meeting equity program eligibility factors have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.**

- **Prioritization:** Consider a prioritized permit process for equity applicants.
- **Ratios:** Consider mandating a requisite number/percentage of equity applicants during permitting.
- **Provisional Approval:** Consider allowing for provisional approval of permits to allow equity applicants to overcome financial barriers. Provisional approval may provide potential investors with more certainty and willingness to provide capital investments.
- **Amnesty Program:** Consider developing pathways such as an amnesty program to encourage existing nonconforming businesses (such as small operators who qualify as equity applicants) to transition to the legal market.

**Finding #3: All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry. Consider tracking data on general and equity applicants on an ongoing basis to measure the success of the equity program.**

Recommended Metrics:

- Number of equity applicants to apply
  - Types of drug-related offenses
  - Income status
  - Race
  - Ethnicity
  - Gender
  - Sexual Identity
  - Residency Status
  - Ownership Structure
- Workforce characteristics
  - Total number of employees
  - Number of local employees
  - Employment status (full-time, part-time, etc.)
- Equity program-specific data
  - Number of applicants eligible for equity program
  - Number and types of services provided to equity applicants
  - Number of equity program applicants to receive licenses

**Finding #4: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market.**

Barrier	Recommendation
Financial	<ol style="list-style-type: none"> <li>1. Waive fees for application assistance trainings</li> <li>2. Deferral of payment of application fees for zoning and special use permits</li> <li>3. Waive or defer fees for trainings and certifications required by law</li> <li>4. Loans or grants to incentivize businesses that mitigate adverse environmental effects of cannabis cultivation</li> </ol>
Administrative/Technical	<ol style="list-style-type: none"> <li>1. Technical assistance for formation of cannabis cooperative associations</li> <li>2. Technical assistance to ensure public and private road access to cannabis operations</li> </ol>

	<ol style="list-style-type: none"> <li>3. Provide training and/or technical assistance to assist those with past cannabis convictions get their records expunged</li> <li>4. Work with banking institutions and provide technical assistance to support equity applicants in accessing banking services</li> </ol>
Business Acumen	<ol style="list-style-type: none"> <li>1. Employment skill training for equity participants employed or seeking employment in licensed cannabis operations</li> <li>2. Training/support for business owners to understanding workforce rules and regulations. See recommendations below*</li> </ol>
Distrust of Government	<ol style="list-style-type: none"> <li>1. Conduct outreach and education efforts in areas that were focused on by law enforcement for cannabis eradication and cannabis arrests; encourage those individuals to apply for licenses and enter the legal industry</li> <li>2. Create outreach materials that are clear, concise, and accessible to those with low literacy. Consider creating materials in multiple languages such as Spanish and Hmong.</li> </ol>

The June 2018 *Workforce Report: Humboldt County’s New Cannabis Landscape* authored by Deborah Claesgens & Michael Kraft on behalf of the Humboldt County Workforce Development Board made the following recommendations\* to support cannabis businesses:

Agriculture/Cultivation:

- Access to business planning, low cost loans or investment sources that can assist smaller, often multi-generational family farmers with the costs of legalization, so that income can be spent on hiring, training, growing wages and benefits of a variety of jobs-from farm management to bookkeeping.
- Support for reasonable regulations and zoning that promote and incentivize employers to build good business and workforce development practices.
- Access to standard human resource methods: hiring and orientation, training in proper and regulated land use for farm and field workers, hiring and supervision processes, setting job benchmarks and performance standards, evaluating performance for promotion or wage scale increases.
- Access to business and HR tools: developing HR manuals and procedures, how to frame up a request for a consultant scope, interview and select the right consultant or consultant firm, how to manage a consultant scope.
- Developing, securing and increasing farm management skills in agricultural, biology, land management.

- Access to agricultural extension services to help with the science of plant biology from a medicinal and commercial standpoint, and help feed local graduates in biology and environmental sciences into the industry-much like the timber industry has done.

### Manufacturing/Production

#### *Large Scale/Well-Financed Startups*

- Access to supervisory skills, consistent HR policy development (hiring and termination, teamwork) across jobs and between employees.

#### *Artisan Size Businesses*

- Access to business planning (business startup strategy: how to build and manage a detailed startup business plan that can scale up and include facilities, marketing, tax and regulation, payroll, human resources hiring and supervision, and teamwork).
- Access to incubation and manufacturing hubs that can hire, cross train and job share positions between small entrepreneurs.

### Retail

- Access to comprehensive business and marketing strategies that connects cannabis retail to tourism, related workforce development (hiring, training, presentation, customer service, job readiness and supervisory skills).
- Access, training or mentorship in general business supervisory, customer service, workplace norms (the Big Five),and software skills.
- Evaluate the specific need and content for a program that certifies front line positions (bud tending, security, track and trace, manufacturing and packaging personnel).

### Testing

- Increase the hiring of biology and chemistry degree graduates trained in laboratory protocols by building those skills into certification and degree programs.
- Training in customer service, workplace norms (the Big Five), software, and lab methods.

**Finding #5: Cannabis revenues can be directed to community reinvestment programming to rebuild/restore communities adversely affected by the past criminalization of those involved in the cannabis industry.**

Some potential focus areas include:

1. Youth alcohol and drug prevention efforts
2. Restorative justice programs
3. Neighborhood safety programs

4. Non-profit organizations whose work focuses on health and well-being of residents
  - a. Organizations working to address abuse, assault, and trafficking within the cannabis industry
5. Community development projects

**Finding #6: All cannabis operators should provide equitable employment opportunities. These opportunities should include hiring those with past non-violent cannabis convictions, local residents, and other historically-disadvantaged populations, and providing a living wage to employees.**

- Leverage existing workforce programs such as OEWD Reentry Services Program
- Expand workforce curriculum to support new workforce
  - Support workforce fairs to provide outreach and education
  - Engage individuals who are experienced in the cannabis industry and have transitioned from the unregulated market to the regulated market to ensure curriculum is relevant and applicable
- Consider incentivizing employers to prioritize hiring for local residents, those with past non-violent cannabis convictions, and other historically-disadvantaged populations (such as women, those who lived in communities targeted by CAMP raids, those living in poverty, and tribal members).

**Finding #7: Geographic disparities may emerge in cannabis-related activities, and scarcity of available land can cause real estate values to rise. Consider land use guidelines that ensure equitable distribution and thoughtful placement of businesses.**

- Make attempts to equitably distribute cannabis storefront retail to mitigate overconcentration in socioeconomically disadvantaged neighborhoods
- Limit cannabis-related businesses in close proximity to schools, child care centers, public parks and trails, and community centers or businesses that serve youth.
- Consider the concentration of alcohol and tobacco retailers when issuing land use approvals and avoid overconcentration of businesses that are engaged in activities that have potential harm to one's health.
- Consider having Project Trellis Citizen Advisory Committee monitor issues related to overconcentration and trends in real estate values or delegate this responsibility to communities.

**Finding #8: Update the Humboldt County Equity Assessment next year and every 3 years afterwards to:**



- 1) monitor and share progress of the Equity Program,
- 2) monitor and share trends in the emerging legal cannabis industry,
- 3) identify areas for course correction and/or unexpected consequences, and
- 4) demonstrate an ongoing commitment to data-informed decision making and strategic planning to ensure Humboldt County's strong transition to a legal cannabis industry.

**Finding #9: Humboldt County Economic Development staff should explore and promote business opportunities beyond cultivation.** Humboldt County has been so associated with cultivation that we may not be thinking broadly enough about other successful business opportunities with less barriers that could be easier for disadvantaged populations to create. Currently almost 80% of permits in Humboldt County are for cultivation.

**Finding #10: Create a program for Expungement-eligible residents identified by AB 1793.** Humboldt County should host community expungement events for individuals impacted by the war on drugs in coordination with the Probation Office, the Courts and other relevant partners. Equity funding should be available to equity applicants who need assistance with the costs associated to expunge arrest records.

**Finding #11: Humboldt County Economic Development staff should assure an equity branded supply chain.** With equity programs occurring throughout the state there is an opportunity for creating branded supply chains between rural and urban equity businesses. To kickoff this activity we would recommend hosting a "Cannabis Equity Market Conference" in 2021.


**Finding #12: Create an Cottage Amnesty Program.** Now that there is funding for equity applicants, there is a need to reopen the applications to cottage legacy growers in Humboldt County who saw no feasible path to transition before assistance could be provided.

# CLA MEMORANDUM

DATE: October 18, 2017

TO: Honorable Members of the  
Los Angeles City Council

Assignment No:17-10-0996

FROM: Sharon M. Tso   
Chief Legislative Analyst

## Cannabis Social Equity Analysis Report

Honorable Members:

At the meeting of June 21, 2017, the City Council instructed the Chief Legislative Analyst to secure a study relative to a social equity analysis of cannabis regulations aimed at promoting equitable ownership and employment opportunities in the cannabis industry (Council File No. 17-0653). The requested study included the following components:

An analysis of **poverty and LAPD statistics; options to create a Social Equity Program** for individuals and communities that were disproportionately harmed by cannabis prohibition.

An analysis ensuring that communities identified in the social equity analysis have **access to ownership training programs, technical assistance, capital, ...** to reduce and remove barriers to ownership of Commercial Cannabis Activity businesses.

An analysis for **multicultural community outreach strategies ...** to ensure that targeted communities are engaged in cannabis policy development and implementation.

**Maps with Council District overlays** that include LAPD and Planning data.

Preparation of a **validation study to support participation of marginalized community** members in the cannabis industry.

Pursuant to the above request, transmitted herewith is the Cannabis Social Equity Analysis Report prepared by the consulting firm of Amec Foster Wheeler. The report was prepared with extensive consultation and participation of the Chief Legislative Analyst; City Administrative Officer; Cannabis Department; Planning Department; City Attorney; Police Department; Fire Department; Water & Power Department; and Department of Building & Safety.

In addition, a large Community Outreach and Workshop meeting was held on September 30, 2017 at the Watts Labor Community Action Committee Center wherein 600 City residents attended.

The Consultant will be available to present their report and findings. If we may be of further assistance, please let us know.

SMT:ak



# Cannabis Social Equity Analysis Report



*Prepared by:*



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*For:*



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**Acronyms and Abbreviations**

%	percent
ACS	American Community Survey
AUMA	Adult Use of Marijuana Act
BNDD	Bureau of Narcotics and Dangerous Drugs
BPBC	Business Promotion Bill Credit
Cal OSHA	California Occupational Safety and Health Act
CCE	Continuing Criminal Enterprise
CDCR	California Department of Corrections and Rehabilitation
CETRA	Los Angeles Cannabis Enforcement, Taxation, and Regulation Act
City	City of Los Angeles
County	Los Angeles County
CRASH	Community Resources Against Street Hoodlums
CSA	Controlled Substances Act
DEA	Drug Enforcement Administration
EWDD	Department of Economic and Workforce Development
FIT	Feed-In-Tariff Program
GAO	U.S. Government Accountability Office
GREAT	Gang Reporting Evaluation and Tracking System
HCD	California Department of Housing and Community Development
IRS	Internal Revenue Service
LADWP	Los Angeles Department of Water and Power
LAPD	Los Angeles Police Department
LASD	Los Angeles County Sheriff Department
MAUCRSA	Medical and Adult-Use Cannabis Regulation and Safety Act
MBC-LA	Minority Business Development Agency Business Center – Los Angeles
MBDA	Minority Business Development Agency
MMRSA	Medical Marijuana Regulation and Safety Act
NAFTA	North American Free Trade Agreement
Oakland	City of Oakland
ODALE	Office of Drug Abuse Law Enforcement
ONDCP	Office of National Drug Control Policy
OSS	Operation Safe Streets
Program	City of Los Angeles Cannabis Social Equity Program
RICO	Racketeer-Influenced and Corrupt Organizations
SAODAP	Special Action Office of Drug Abuse Prevention
SB	Senate Bill
SBA	U.S. Small Business Administration
sf	Square feet
SIP	Solar Incentive Program
SOR	California Senate Office of Research
State	California
STEP	Street Terrorism Enforcement and Prevention Act
SWAT	Special Weapons and Tactics
UIL	Utility Infrastructure Program



# CANNABIS SOCIAL EQUITY ANALYSIS

## 1.0 EXECUTIVE SUMMARY

A social equity analysis was conducted aimed at promoting equitable ownership and employment opportunities in the commercial cannabis industry to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of past cannabis enforcement in those communities. U.S. Census Bureau household income data and Los Angeles Police Department (LAPD) arrest statistics from 2000-2016 were analyzed by police reporting district (aka “police beats”) and mapped to determine which communities were subject to high cannabis-related arrest rates and high poverty rates. Arrest and low income maps were overlaid, and police reporting districts with both a disproportionate number of cannabis-related arrests and higher than average percentage of low income households were identified, along with their corresponding City Council Districts.

**Cannabis Social Equity Program**  
**Purpose & Intent**

“Promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address the disproportionate impacts of the war on drugs in those communities.”

Potential barriers that may prevent social equity applicants from equitable access to the legal cannabis industry are identified in this analysis along with opportunities to overcome these barriers. These potential barriers and opportunities were discovered and verified through review of an existing cannabis social equity program in the City of Oakland and were also a focus of citizen concerns during the community outreach process for this social equity analysis. Based on this analysis, recommendations are provided for the City of Los Angeles (City) to determine eligibility for participation in the City’s Cannabis Social Equity Program (Program). Each of these recommendations would enable the City to prioritize and target the benefits of the Program for individuals and communities that were disproportionately harmed by cannabis law enforcement. Recommendations are provided to the City that would support communities identified in the social equity analysis and their ability to have access to ownership training programs, technical assistance, capital and other programs necessary to reduce and remove barriers to ownership of a commercial cannabis activity business in the City. Outreach conducted during Program development and implementation is recommended to be achieved through retention of new dedicated staff within the Department of Cannabis Regulation to ensure efficient administration of the Program, including engagement of adversely affected individuals and communities.

Overall, more than 10,000 cannabis license applications are expected to be filed under the City’s new cannabis licensing program. This surge in permit applications presents a challenge to the City to efficiently administer as the Department of Cannabis Regulation has only recently been created and is still in the process of retaining authorized staff to review and approve license applications, conduct inspections, and implement the Social Equity Program. Although staff from other departments could be loaned to supplement newly hired Department of Cannabis Regulations staff, this would impact workload in other departments. Therefore this analysis recommends that the demand for application processing in the Department of Cannabis Regulation be met through a combination of new hires and consultant support.

## 2.0 INTRODUCTION

The City is in the process of amending the City Municipal Code in order to implement Proposition M, also known as the Los Angeles Cannabis Enforcement, Taxation, and Regulation Act (CETRA). The proposed Commercial Cannabis Regulation Ordinance would further establish authority and responsibilities of the Department of Cannabis Regulation, procedures for review and approval by the Cannabis Regulation Commission, operating regulations for commercial cannabis activities to protect public health and safety, and location criteria for specific types of commercial cannabis activities. In addition to the Commercial Cannabis Regulation Ordinance, requirements for commercial cannabis activity have been proposed by various City Council members and members of the public have been afforded opportunities to provide public comment on the development and implementation of the City's new cannabis regulatory framework. The current revised

### **Cannabis Licensing Program Windows**

Window 1: Proposition M Priority Processing

Window 2: Concurrent Social Equity Program Processing & General Processing

draft requirements for commercial cannabis activity as of September 22, 2017, include three permit processing windows for applicants: Proposition M Priority Processing, Social Equity Program Processing, and General Processing (Attachment 1). The Proposition M Processing window (Window 1) is proposed to be open

for the first 60 days that applications are made available to those existing, compliant businesses that qualify. Social Equity Program processing and general processing shall occur concurrently (Window 2) and this process shall not commence until the Social Equity Program is approved by City Council. In order to ensure the equitable licensing of commercial cannabis activity, Social Equity Program and General Processing shall occur on a one-for-one basis, in which the number of General applicants processed must not exceed the number Social Equity applicants processed. Voting on the Commercial Cannabis Regulations Ordinance is scheduled to occur on November 1, 2017. It has been proposed for Window 1 licensing to begin on December 4, 2017. At the state level, the regulatory and licensing program appears to be still evolving, with uncertain effects on local programs. The most recent information from the State indicates that temporary licenses will be issued to businesses during 2018. After 2018, the state will issue annual licenses.

In conjunction with the Commercial Cannabis Regulation Ordinance, the City Council directed inclusion of a Cannabis Social Equity Program (Program) aimed at promoting equitable ownership and employment opportunities in the cannabis industry. This Program is intended to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of cannabis prohibition in disproportionately, adversely-impacted and lower income communities. To accomplish this, a social equity analysis was performed, including review of income data and police enforcement of cannabis laws as it has related to marginalized communities within the City.

The following social equity analysis identifies disadvantaged communities and provides recommendations to specifically and intentionally serve individuals and communities that were disproportionately harmed by cannabis prohibition and law enforcement. Individuals who have low income and were arrested for a cannabis-related crime and their immediate family members, as well as those that have low income and live in communities that were subject to disproportionate cannabis-related arrests are recommended to be prioritized and provided support by the City based on this analysis and the standard goals and principals of social equity and environmental justice programs. This program will support the City's intention to ensure that these communities are not further disadvantaged by future cannabis policies and furthermore are able to participate in the legal economy created by a regulated cannabis market. In addition to the social equity analysis, a summary of the history of cannabis prohibition enforcement, generally across the United States and specifically in the City of Los Angeles, is provided to place the analysis and recent State and local

decriminalization, legalization and regulation efforts in the greater context of the history of drug enforcement and the evolution of cannabis policies. This discussion addresses legislative actions taken to regulate cannabis, and community and law enforcement responses to cannabis activities over time.

### **Initial Public Outreach and Community Workshop**

To foster public understanding of the proposed Program and its integration with the draft Commercial Cannabis Regulation Ordinance, the City reached out to concerned community members through multiple media outlets, neighborhood council notifications, and known stakeholder groups, and scheduled an initial community workshop to inform the public about the proposed programs and receive initial community feedback. Written and verbal comments were solicited at this public workshop held on September 30<sup>th</sup> at the Watts Labor Community Action Committee Center. Public comments were recorded and grouped by themes to maintain confidentiality given the past history of cannabis enforcement activities and to permit incorporation of these initial comments into the Draft Cannabis Social Equity Analysis. Common themes from the workshop include community experience with cannabis enforcement, questions regarding the cannabis industry and future permitting structure, and suggested improvements to include in the Program, which are addressed more fully in Section 5.0.

#### **Community Outreach and Workshop**

On September 30<sup>th</sup>, 2017, the City held a community workshop at the Watts Labor Community Action Committee Center; approximately 600 hundred City residents attended.

## **3.0 SOCIAL EQUITY ANALYSIS**

### **3.1 Methodology for Analysis**

The following social equity analysis reviewed cannabis-related arrests within the City, provided by the Los Angeles Police Department (LAPD) in relation to mapped low income communities, as well as race and ethnicity as derived from U.S. Census data. Under State law, government programs cannot consider race as eligibility criteria (Proposition 209, 1996). Therefore, race and ethnicity data are provided in order to assist reviewers' understanding of the total potential disproportionate impact of past cannabis enforcement activities on impacted communities, but are not used in determining which communities and individuals are recommended for consideration by the City for assistance under the Program. Eligibility criteria are based solely on disproportionate impacts on lower income communities and cannabis-related arrest data.

#### **Police Reporting Districts**

Police reporting districts were selected as potentially eligible districts for Social Equity Program benefits if they had a disproportionate number of cannabis-related arrests and percentage of low income households as compared to the City average.

This analysis considers LAPD cannabis-related arrest data for 2000 to 2016, 2015 American Community Survey (ACS) income data, and 2010 Decennial Census race and ethnicity data by police reporting district or census tract. Police reporting districts are administrative units that are smaller than the larger bureau (5 total including Transit Services) and area (21 total) units. The smaller units permit better resolution of the supplied arrest data. Census tracts are the basic unit from which U.S. Census data is collected every 10 years for the nationwide Decennial Census and the continuous ACS, which periodically samples communities to track

community changes between censuses. The boundaries of census tracts are typically set so that each tract contains between 1,200 and 8,000 people with an optimum size of 4,000 people.

Specific police reporting districts are evaluated to determine whether they have had disproportionate numbers of cannabis-related arrests in comparison to the entire City since the year 2000. Police reporting districts are then evaluated to determine which areas have greater percentages of low income households in comparison to the entire City in the year 2015. Cannabis-related arrest data and low income data are mapped, and areas of overlap are identified. These areas of overlap are identified as the disproportionately impacted communities that are recommended for inclusion in the Program.

### Police Reporting Districts and Community of Comparison

Federal guidelines recommend the selection of the smallest geographic areas for evaluating social and environmental justice impacts to disadvantaged communities (Council on Environmental Quality 1997; U.S. Environmental Protection Agency 1998). Within the City limits, census tracts are generally smaller than police reporting districts. However, police reporting districts could not be divided along census boundaries. Therefore, census tracts were combined where needed to align with police reporting district boundaries. Further, the police reporting districts and the associated underlying census tracts do not precisely match and in some cases the police reporting districts overlap multiple census tracts. When census tracts overlapped multiple police districts, census tract data were counted for each district. Though double counting occurred, this was the best available, and most consistent, method to process the data given time constraints. It ensured that the same methodology was applied to all areas equally and that discretion was minimized.



**Figure 1. Methodology for Identifying Police Reporting Districts Potentially Eligible for Inclusion in the City’s Cannabis Social Equity Program.**

This analysis reviews police reporting districts within the existing boundary of the City. The police reporting districts reflect both low income households and cannabis-related arrests. These police reporting districts are evaluated against a Community of Comparison (i.e., City of Los Angeles), the larger geographical area that represents the general population of the entire community (Council on Environmental Quality 1997; U.S. Environmental Protection Agency 1998). First, baseline percentages of low income households and cannabis-related arrests were determined for the entire City (Community of Comparison). The same data were then

gathered for each police reporting district. When the percentage of low income households and number of cannabis-related arrests in a police reporting district was substantially greater than that of the City, it is recommended that the City select it for inclusion in the Program.

Population size may influence the number of cannabis-related arrests that occurred within a given police reporting district. Population size is accounted for through the geographic size of Census tracts/police reporting districts whose boundary designations are influenced by population size. Census tracts/police reporting districts with large populations are geographically smaller in size while Census tracts/police reporting districts with small populations are larger in size. Thus, the population size within each Census tract/police reporting district does not differ significantly. Therefore, population size is accounted for and does not significantly influence the number of cannabis-related arrests within a given police reporting district. Additionally, there were approximately 1,000 arrest records out of the approximately 89,000 records that were missing geographic data and were not used in this study. A random sample of 50 missing records was taken and the geographic location for these missing records determined. When mapped spatially, significant clustering was not observed. Therefore, there was no observed correlation between missing data and police reporting district. Thus, the remaining data is not biased and can be used to determine the geographic distribution and frequency of cannabis-related arrests.

Despite limitations, this analysis provides a comprehensive view of the geographic distribution of arrests and low-income households across the City, which is supported by evidence from scholarly articles. Recommendations are based on best available data and methodology of analysis given the time constraints. In the event that additional data or sectors that should be included in the analysis are identified, the Program is able to be opened and reevaluated.

## 3.2 Cannabis Enforcement History

It is important to understand how national policies and programs informed the City's past approach to cannabis enforcement. The following describes national goals and outcomes, and how cannabis enforcement generally manifested in the City. A brief overview of cannabis decriminalization in California and the City is also provided.

### National

The Marijuana Tax Act of 1937 was the first piece of supply reduction legislation that specifically targeted cannabis (Harrison, Backenheimer, and Inciardi 1995). It placed cannabis under the jurisdiction of the Bureau of Narcotics (Institute of Medicine (US) Committee for the Substance Abuse Coverage Study 1992). In 1961, the Single Convention of Narcotic Drugs made the control of cannabis one of its primary objectives (Harrison, Backenheimer, and Inciardi 1995). During the late 1960s to late 1970s under the Nixon and Ford administrations, public policy towards drugs, including cannabis, was highly restrictive. In 1968, the Justice Department's Bureau of Narcotics and Dangerous Drugs (BNDD) was founded (PBS 2014). Cannabis arrests in California increased from 7,560 in 1964 to 50,327 in 1968 (Institute of Medicine (US) Committee for the Substance Abuse Coverage Study 1992). At a press conference in 1971, Nixon called drug abuse "public enemy number one in the United States" (PBS 2014).

Federal policy has historically made little distinction between narcotics, cocaine, and cannabis in terms of enforcement and regulation (Harrison, Backenheimer, and Inciardi 1995). In 1970, Congress passed the Comprehensive Drug Abuse Prevention and Control Act. This law consolidated previous drug laws (PBS 2014). It also allowed law enforcement to conduct "no-knock" searches. The law included the Controlled Substances Act (CSA), which established five schedules, or categories, for regulating drugs based on their medicinal value and potential for addiction. Most narcotics, including cannabis, cocaine, and heroin were placed within Schedule I. Schedule I drugs are those that are considered to have no accepted medical uses and have a high potential for abuse. The CSA made it a crime under federal law to manufacture, distribute, dispense, or possess cannabis. However, the Act did reduce penalties for cannabis possession to one year in jail and a \$5,000 fine for one ounce of cannabis (Harrison, Backenheimer, and Inciardi 1995). Between 1969 and 1973, cannabis seizures increased by more than 10-fold (Institute of Medicine (US) Committee for the Substance Abuse Coverage Study 1992). The Act also addressed drug treatment and rehabilitation, where the majority of funding during Nixon's term went

### National Timeline

- **1970** Comprehensive Drug Abuse Prevention and Control Act
- **1970** Controlled Substance Act: cannabis placed in the same category as cocaine & heroin
- **1971** Nixon calls drug abuse "public enemy number one in the United States"
- **1978** Comprehensive Drug Prevention and Control Act amended: law enforcement can seize money & property furnished by any person in exchange for a controlled substance
- **1982** Posse Comitatus Act amended: State and local law enforcement can use military for training, intelligence & investigation of law violations involving drugs
- **1984** Regan Administration's "Just Say No" campaign
- **1984** Comprehensive Crime Control Act: broadens criminal & civil asset forfeiture laws; criminal sanctions increased for drug offenses
- **1986** Anti-Drug Abuse Act: mandatory minimum penalties for drug offenses established
- **1990** Crime Control Act: appropriations doubled for drug law enforcement; strengthens forfeiture & seizure statutes

towards treatment rather than law enforcement. In 1970, the Narcotics Treatment Administration was founded, which expanded the methadone treatment program in Washington D.C. The Special Action Office of Drug Abuse Prevention (SAODAP) was responsible for drug treatment and rehabilitation, as well as prevention, education, training and research programs (Institute of Medicine (US) Committee for the Substance Abuse Coverage Study 1992).

In 1972, the Office of Drug Abuse Law Enforcement (ODALE) was created, which established joint federal and local task forces to fight the drug trade at the street level (PBS 2014). The Drug Enforcement Administration (DEA) was established in 1973 to handle all aspects related to drug issues. In 1975, the Ford administration Domestic Council Drug Abuse Task Force stated that cannabis was a “low priority drug” in terms of risk to individuals and society.

Following the Ford administration, President Carter was in favor of decriminalizing possession of cannabis of less than one ounce. However, the official Federal stance was that decriminalization was the states’ decision (Harrison, Backenheimer, and Inciardi 1995). Between 1973 and 1978, eleven states decriminalized possession of small amounts of cannabis for personal use. Between 1978 and 1992, 35 states endorsed medical cannabis.

In 1978, the Comprehensive Drug Prevention and Control Act was amended to allow law enforcement to seize all money and “other things of value furnished or intended to be furnished by any person in exchange for a controlled substance [and] all proceeds traceable to such an exchange,” also known as civil asset forfeiture (PBS 2014). The Racketeer-Influenced and Corrupt Organizations law (RICO) and the Continuing Criminal Enterprise (CCE) statute removed the rights of drug traffickers to any personal assets or property obtained by or used in a criminal enterprise or undertaking (Harrison, Backenheimer, and Inciardi 1995). In 1982, the Posse Comitatus Act of 1876 was amended to allow State and local law enforcement to use the military for training, intelligence and investigation of law violations involving drugs (Harrison, Backenheimer, and Inciardi 1995). Thus, military equipment was allowed to be used by civilian agencies in enforcing drug laws. In 1984, the “Just Say No” campaign became the center of the Regan administration’s anti-drug campaign (PBS 2014). The Comprehensive Crime Control Act of 1984 broadened criminal and civil asset forfeiture laws and increased Federal criminal sanctions for drug offenses (Harrison, Backenheimer, and Inciardi 1995).

Under President Reagan, the Anti-Drug Abuse Act of 1986 created mandatory minimum penalties for drug offenses, and restored mandatory prison sentences for large-scale distribution of cannabis and imposed new sanctions on money laundering (Harrison, Backenheimer, and Inciardi 1995). The Act appropriated \$1.7

**LAPD Civil Forfeiture**

Between 2006 and 2013, LAPD seized a total of \$27,000,000 via civil asset forfeiture.

Per capita this was less than other cities within Los Angeles County (Drug Policy Alliance, 2015)

billion for drug enforcement, with \$97 million for new prisons, \$200 million for drug education, and \$241 million for treatment (PBS 2014). The Anti-Drug Abuse Amendment Act of 1988 increased sanctions for crimes related to drug trafficking and established new Federal offenses (Harrison, Backenheimer, and Inciardi 1995). The Comprehensive Crime Control Act and Anti-Drug Abuse Act and Amendment increased federal penalties for cannabis possession, cultivation, and trafficking. “Conspiracies” and “attempts” were punished as severely as completed acts (Harrison, Backenheimer, and Inciardi 1995). Sentences were determined by the quantity of the drug involved, and the possession of 100 cannabis plants had about the same sentence as the possession of a hundred grams of heroin.

In 1989, the Office of National Drug Control Policy (ONDCP) was created (PBS 2014). It was led by William Bennett who campaigned to make drug abuse socially unacceptable. Federal spending on treatment and law enforcement increased under the Bush administration. The Crime Control Act of 1990 doubled the appropriations for drug law enforcement grants to states and localities, and strengthened forfeiture and seizure statutes (Harrison, Backenheimer, and Inciardi 1995). In 1993 under the Clinton administration, the North American Free Trade Agreement (NAFTA) was passed and signed into law, which increased legitimate trade across the U.S.-Mexican border (PBS 2014). The U.S. Sentencing Commission recommended revising mandatory minimum sentences to address racial disparities, but Congress overrode their recommendation. Mandatory sentencing, forfeiture, and seizure was still in place and enforced. Having 100 cannabis plants or 100 kilos of cannabis resulted in a 5-year sentence without parole, and 1,000 plants or 1,000 kilos resulted in 10 years without parole (Harrison, Backenheimer, and Inciardi 1995). While opinions about the legalization and penalties related to cannabis law enforcement varied through the administrations of G.W Bush, Obama, and Trump, no substantial changes or official changes in position have occurred to the Federal laws related to cannabis.

## Los Angeles

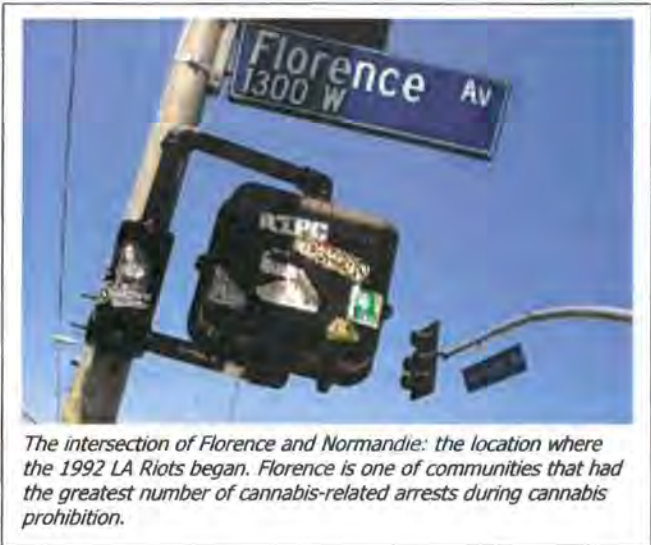
In 1965, riots occurred in the Watts neighborhood for 6 days after an African American motorist arrest escalated into a fight (Felker-Kantor, M. 2017) The community reacted to allegations of police brutality and racism through riots and lootings, known as the Watts Rebellion. In 1973, Los Angeles' first African American mayor, Tom Bradley, tried to implement reforms that would increase civilian oversight and accountability of the LAPD. However, these reforms did not result in police reform or civilian review. In the 1970s, several anti-gang units formed. The LAPD's Special Weapons and Tactics (SWAT) team created what was later named the Community Resources against Street Hoodlums (CRASH) to suppress gang-related crimes in Los Angeles (Murch 2015). The Los Angeles County Sheriff Department (LASD) created the anti-gang unit Operation Safe Streets Bureau (OSS) (Los Angeles County Sheriff's Department 2014). The Hardcore Gangs Investigations Unit was established as a prosecutorial gang suppression program led by the Los Angeles District Attorney's Office and still operates today (National Gang Center 2017). From 1984 to 1990, the number of sworn LAPD officers expanded from 6,900 to 8,414 (Felker-Kantor, M. 2017). The LAPD budget often accounted for approximately 35% of the City's annual budget. This large budget enabled the LAPD to develop elite patrol units, patrol systems, and tested experimental crime control programs (Felker-Kantor, M. 2017).

**City of Los Angeles Timeline**

- **1965** Los Angeles Watts Rebellion
- **1970s** LAPD's SWAT team created in response to riots; anti-gang unit Community Resources against Street Hoodlums (CRASH) formed; LASD anti-gang unit Operation Safe Streets (OSS) Bureau formed; Los Angeles District Attorney's Office Hardcore Gangs Investigations Unit formed
- **1973** Los Angeles' first African American mayor, Tom Bradley, attempts to implement police reform
- **1985** LASD creates Gang Reporting Evaluation and Tracking (GREAT) system
- **1988** Operation Hammer: LAPD sends 1,000 officers to South Central Los Angeles & arrests over 1,400, including more African American youth than any other incident since the Watts Rebellion
- **1989** Operation Knockdown: "rock houses" bulldozed and property seized
- **1992** Los Angeles Riots
- **1992** 47% of African American men ages 21-24 are listed as gang members under GREAT
- **1992** Charter Amendment F passed in Los Angeles intended to help reform LAPD



The City’s approach reflected the policies of the Reagan administration, and included saturation policing, eradication of youth gangs, asset forfeiture, federalization of drug charges, and strict enforcement and mandatory sentencing (Murch 2015) The LAPD Chief and Mayor Bradley employed an increasingly punitive law-and-order campaign targeting gangs and drugs despite studies using LAPD statistics that found that the majority of drug sales in the City were not gang related (Felker-Kantor, M. 2017). Police units performed massive police sweeps in historically African American and Latino neighborhoods in Los Angeles, such as South Central, Watts, and Pico-Union (Murch 2015). Historically African American and Latino neighborhoods were at high risk of arrest due to their location in these areas. In 1988, in conjunction with Operation Hammer, the LAPD sent



*The intersection of Florence and Normandie: the location where the 1992 LA Riots began. Florence is one of communities that had the greatest number of cannabis-related arrests during cannabis prohibition.*

1,000 officers to South Central Los Angeles and arrested over 1,400 people, including more African American youth than any other incident since the Watts Rebellion. Over the next 6 months, another 1,800 people were jailed for offenses that were “gang related.” This was followed by Operation Knockdown in 1989, which bulldozed “rock houses” and took property (Felker-Kantor, M. 2017). In 1992, the 6-day Los Angeles Riots occurred after a trial jury acquitted four LAPD officers of the use of excessive force seen in the videotaped beating of Rodney King. The riots started in Florence and Normandie and then spread from South Central Los Angeles to Hollywood. Looting and fires spread to Inglewood, Hawthorne, Compton, and Long Beach (Felker-Kantor, M. 2017).

**Number of LAPD Officers**  
20% increase between 1984 and 1990

In response to community concerns after the 1992 Los Angeles Riots, residents passed Charter Amendment F, which altered the City charter provisions insulating the LAPD from political oversight, limited the Chief of Police to two 5-year terms, and appointed a civilian member to the board of rights to promote greater accountability (Felker-Kantor, M. 2017). The same year, the Board of Police Commissioners appointed Willie Williams as the first African American Chief. However, his successor, Bernard Parks, opposed external control of the LAPD and the lack of substantive change within the department became evident (Felker-Kantor, M. 2017).

California passed over 80 anti-gang measures between 1984 and 1988, including civil gang injunctions and gang enhancements in sentencing (Murch 2015). Injunctions were first used against a West Los Angeles gang in 1987 (Murch 2015). In 1985, the LASD created the Gang Reporting Evaluation and Tracking system (GREAT). By 1992, 47% of all African American men in the City between the ages of 21 and 24 were listed as gang members under the system, many for minor offenses. The State was not required to provide a public defender for injunctions. Thus, young men on this list without adequate economic means did not have the ability to find legal representation to help them remove their names from the list. With the passage of the California Street

**California Department of Corrections Prison Population**

- 1977: 19,623
- 2000: 162,000
- 40% drawn from Los Angeles
- Black/African Americans & Latinos: 64% of prison population
- Black/African Americans & Latinos: 46% of California population

Terrorism Enforcement and Prevention (STEP) Act in 1988, people who had been listed as gang members faced additional charges. Prosecutors could “enhance” convictions, thereby increasing prison sentences. STEP was amended in 2000 to include greater sentences for nonviolent and violent crimes.

By 1990, drug offenses accounted for 32.4% of all new admissions to, and 25% of detainees, in the Los Angeles County Jail. The California Department of Correction prison population increased from 19,623 in 1977 to 162,000 in 2000, with 40% drawn from Los Angeles. By 2000, Black/African Americans and Latinos comprised 64% of the population of the California Department of Corrections. In 2008, the California Senate Office of Research (SOR) and California Department of Corrections and Rehabilitation (CDCR) surveyed California prison inmates. Of the inmates they surveyed, 14% had been in foster care during their childhood (California Senate Office of Research 2011). Nationwide, the number of youth who entered child welfare in 2015 due to drug use by a parent was 85,937, or 32% of all youth who entered child welfare (U.S. Department of Health and Human Services 2015).

### **Cannabis Decriminalization**

In 1996, The Compassionate Use Act (Proposition 215) was passed by California voters. It allows patients and their designated primary caregivers in California to possess and cultivate marijuana for personal medical use with an appropriate recommendation or approval of a California-licensed physician. In 2004, Senate Bill 420 further protected patients and caregivers from State criminal prosecution for activities such as transporting medical cannabis, and allowed patients to form medical cultivation “collectives” or “cooperatives” to grow cannabis for medical use. In Los Angeles, demand for medical cannabis and dispensaries led to a need for regulating illegally operated cannabis businesses. Proposition D was passed by City voters in May 2013 to regulate medical marijuana dispensaries.

In 2015, the California Legislature passed the Medical Marijuana Regulation and Safety Act (MMRSA or MCRSA). Under the MMRSA, facilities currently operating in accordance with State and local laws may continue to do so until their license applications are approved or denied. In 2016, the Adult Use of Marijuana Act (AUMA) (Proposition 64) was passed by California voters. It legalizes cannabis under State law for use by adults 21 or older, including the cultivation of cannabis for personal use. In 2017, Senate Bill 94 repealed MCRSA and merged its provisions with AUMA under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

#### **Cannabis Decriminalization Timeline**

- **1996** Compassion Use Act: legal for patients & designated caregivers to possess & cultivate cannabis for medical use
- **2004** SB 420: patients & caregivers can transport medical cannabis & form cultivation “collectives” or “cooperatives” to grow cannabis for medical use
- **2013** Proposition D, Los Angeles: authorized medical cannabis businesses given “limited immunity”
- **2015** MMRSA: medical cannabis facilities can continue to operate if follow State & local laws
- **2016** Proposition 64: cannabis use & cultivation for personal use is legal for adults 21 or older
- **2017** Los Angeles Cannabis Enforcement, Taxation, and Regulation Act (Proposition M) affirms City’s power to revise local legislation relating to cannabis

Locally, Proposition M, or CETRA, was passed by City voters in 2017. It affirms the City Council’s power to revise and/or replace local legislation relating to cannabis and medical cannabis after conducting public hearings. It also sets new business taxes for cannabis and medical cannabis-related activity, as well as authorizes criminal penalties, nuisance abatement, increased civil fines, and disconnection of utilities for

unauthorized cannabis activities. The Bureau of Cannabis Control will be issuing temporary licenses starting January 1, 2018 provided an applicant has already received a permit from their local jurisdiction (the City). The City intends to have their Cannabis Licensing Program in place to coincide with the timing of State licensing.

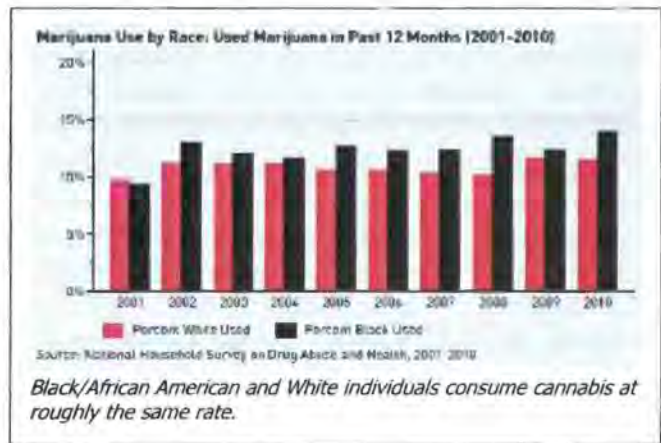
### 3.3 Cannabis-Related Arrests

In order to serve individuals and communities that were disproportionately harmed by cannabis prohibition, disparities in past cannabis enforcement must be identified. An analysis of cannabis-related arrests confirms racial and geographic disparities in enforcement.

**Number of Cannabis-Related Arrests (2000-2016)**  
89,553 arrests Citywide

#### Proportion of Arrests by Race/Ethnicity

The total number of cannabis-related arrests from 2000-2017 Citywide was 89,553. Black/African American and White segments of the population use cannabis at roughly the same rate (ACLU 2017) and young Black/African American individuals use cannabis at lower rates than young White individuals (Drug Policy Alliance and California NAACP 2010). Additionally, a study by the Drug Policy Alliance found that Black/African Americans, Whites, and Latinos consume and sell cannabis at similar rates (Drug Policy Alliance 2016). Thus, it is expected that the racial composition of the population and the racial composition of cannabis-related arrests would be approximately the same.



However, there is a clear disparity between the City's population and the composition of arrests Citywide (Figure 1). Individuals who are Black/African American comprise 9.6% of the population, but represent approximately 40% of all cannabis-related arrests from 2000-2017. Approximately 28% of the population is White, not Hispanic or Latino, but these individuals represent only 16% of cannabis-related arrests. Furthermore, individuals who are Asian comprise approximately 11% of the population but represent close to 0% of cannabis-related arrests. The percentage of individuals who are Hispanic or Latino in the population (49%) is fairly consistent with the proportion of those who are arrested for cannabis-related crimes (44%).

Race/Ethnicity	% of Total City Population	% of Total Cannabis Arrests
Black/African American	9.6%	40%
White, not Hispanic or Latino	28%	16%
Asian	11%	0%
Hispanic or Latino	49%	44%

These results are consistent with the findings of other studies. One study by the Drug Policy Alliance found that Black/African Americans comprised 9.6% of the City’s population but 35% of cannabis possession arrests from 2006-2008 (Drug Policy Alliance and California NAACP 2010). Another study by the Drug Policy Alliance found that Black/African Americans represented 6% of the population of Los Angeles County, but comprised 30% of the population in jail for cannabis only offenses (New Frontier and Drug Policy Action 2016). The Million Dollar Hoods project lead by Professor Kelly Lytle Hernandez and the

Interim Director for the Ralph J. Bunche Center for African American Studies at the University of California, Los Angeles found that from 2010 to 2016, Black/African Americans comprised 9.6% of the City’s population but constituted 38% of cannabis-related arrests (Million Dollar Hoods Project 2017). Though these studies have different time frames and explore different types of cannabis offenses, they provide support for this study’s findings of inequity in cannabis enforcement within the City.

City of Los Angeles Population Composition  
Source: 2010 U.S. Census

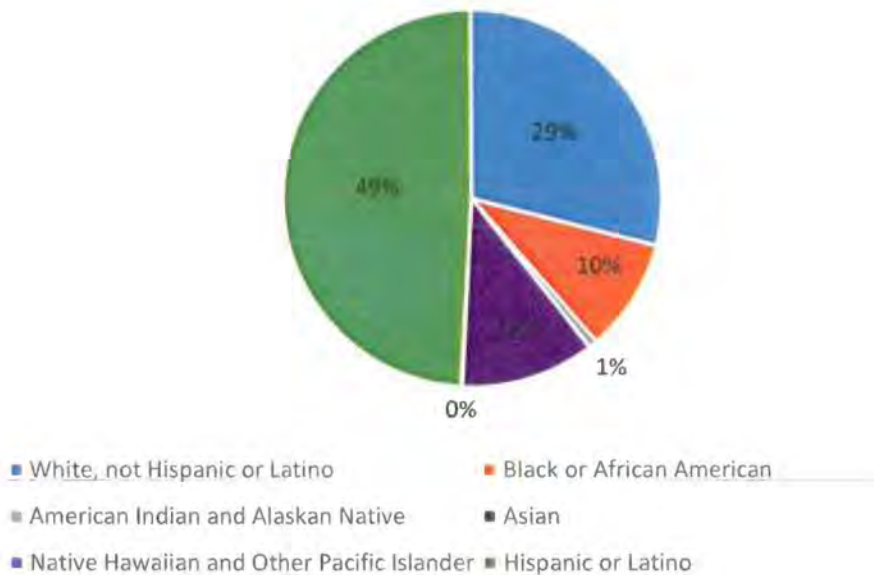
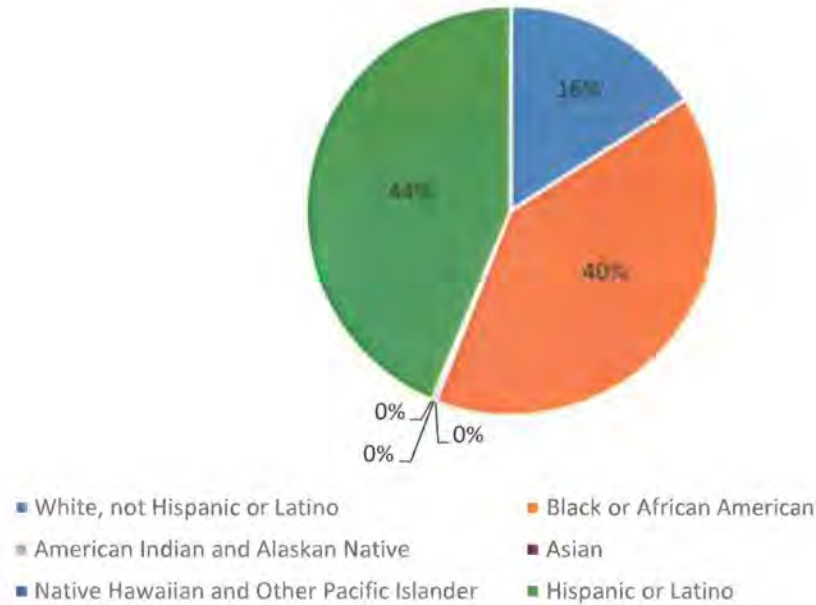


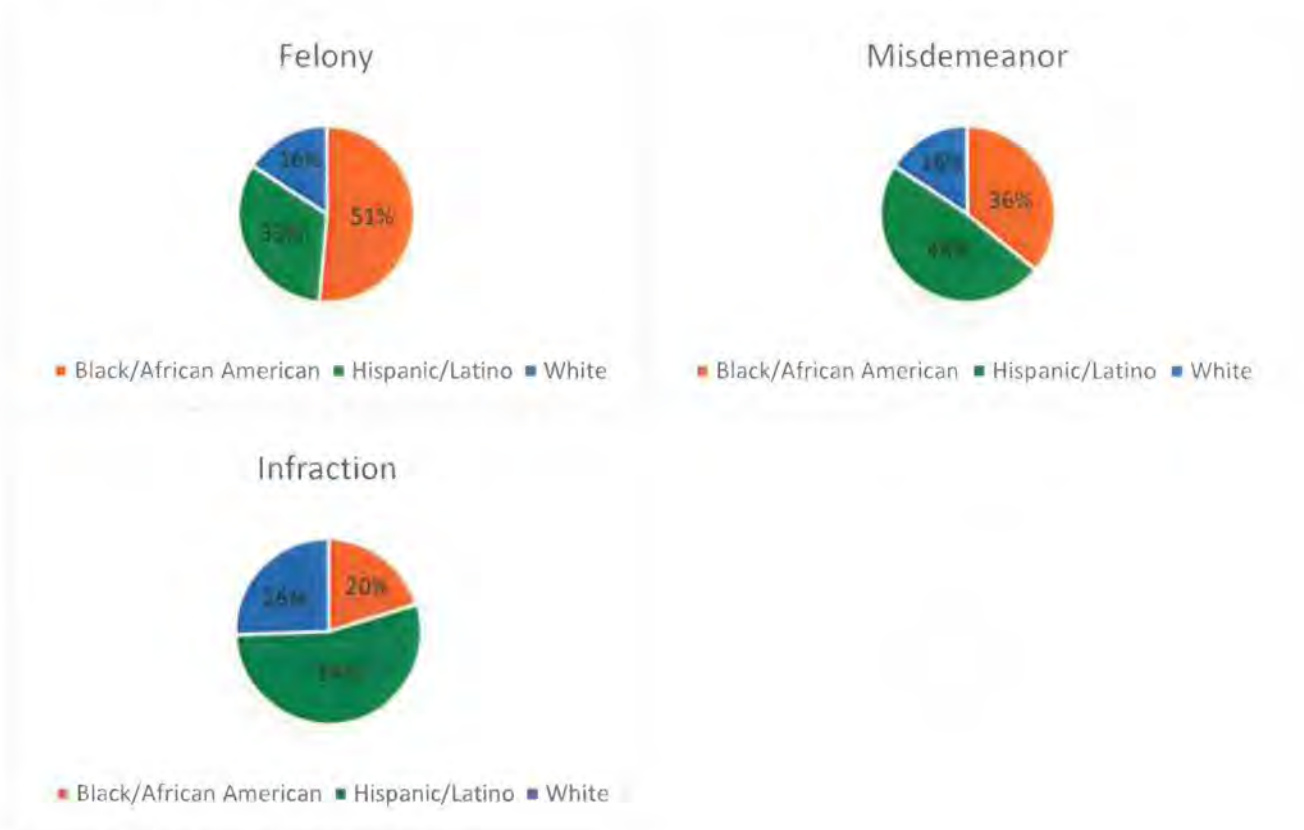
Figure 2. Proportion of City Population by Race/Ethnicity

City of Los Angeles Cannabis-Related Arrests (2000-2016)  
Source: LAPD



**Figure 3. Proportion of City Cannabis-Related Arrests by Race/Ethnicity based on LAPD Data**

As stated above, Black/African Americans and Hispanic/Latinos are arrested for cannabis-related offenses at higher rates than Whites, which does not correlate with their respective proportion of the City’s population. When arrested for cannabis-related offenses, Black/African Americans are more likely to be arrested for felony cannabis-related offenses (37%) and less likely to be issued less severe misdemeanors (63%) or infractions (1%) than either Hispanic/Latinos (21%, 77%, and 1% respectively) or Whites (28%, 70%, and 2% respectively) (Figure 3).



**Figure 4. Arrest Levels by Race/Ethnicity.**

Figure 4 indicates that Black/African Americans are more likely to be arrested for felony cannabis-related offenses than other segments of the population. Arrest data can be further divided based on the listed offense including: Possession of Marijuana, Cultivation/Processing of Marijuana, Possession of Marijuana for Sale, Transportation of Marijuana, and Driving While in Possession of Marijuana (Figure 4). Of the cannabis-related offenses, Possession of Marijuana and Driving While in Possession of Marijuana roughly mirror the total arrest distribution across all races. Black/African Americans were even more likely to be arrested for Possession of Marijuana for Sale and Transportation of Marijuana for Sale when compared to the already imbalanced total arrest data. The only arrest category for which Whites are arrested more frequently, both in raw numbers and proportionality, than both Black/African Americans and Hispanic/Latinos is Cultivation/Processing of Marijuana. Figure 5 indicates that Black/African Americans are disproportionately arrested for possession of cannabis, possession for sale, driving in possession of cannabis, and transportation of cannabis.

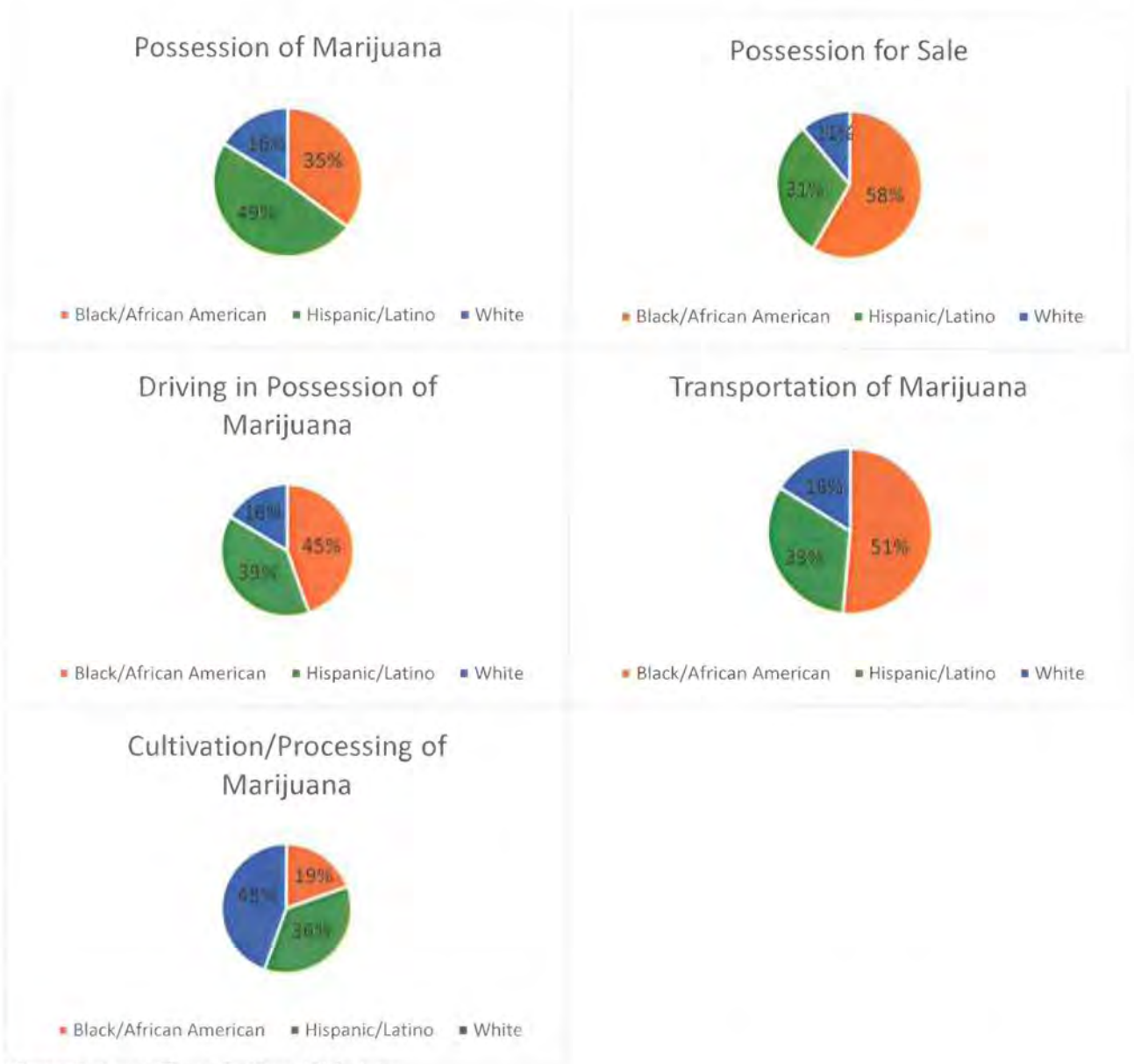


Figure 5. Arrest Types by Race/Ethnicity.

## Arrest Hotspots

In order to determine which areas were subject to high cannabis arrest rates, the number of cannabis-related arrests in each police reporting district from 2000-2016 was calculated. The number of arrests varies by police reporting district. The majority of districts have few arrests, but there are a few districts that have a large number of arrests (Figure 2). The LAPD notes that districts with high numbers of arrest can also be those with a corresponding high level for requests for service, although precise data is not available for such service calls. The median number of arrests per police reporting district for the City is 714 and the mean is 72, demonstrating the high degree of variance between reporting districts throughout the City. Districts with a disproportionately large number of arrests include, but are not limited to, reporting districts 156 (1,426 arrests), 1258 (632 arrests) and 397 (525 arrests). These correspond to the communities of Downtown (Skid Row - San Julian Park), Florence, and Vermont Square (Figure 6. Cannabis-Related Arrests by Police Reporting District).

These findings are consistent with those of the Million Dollar Hoods project. Professor Kelly Lytle Hernandez and colleagues determined the home addresses of those arrested for cannabis-related crimes from 2010 to 2016. They found that 21% of all people arrested reside in Council District 8 (10.73%) and Council District 9 (10.44%) (Million Dollar Hoods Project 2017). The amount of money spent on cannabis enforcement was also greatest in Council Districts 8 and 9. Furthermore, zip codes 90037, 90044, and 90003 contain 5.8% of the City's population, but accounted for over 10% of all arrests. These Council Districts and zip codes overlap with most of the communities found to be most impacted by cannabis enforcement: Downtown, Watts, Vermont Square, Florence, and Broadway-Manchester. Combined with the results of this study on the location of arrests, the Million Dollar Hoods project shows that there is a strong correlation between where people were arrested and where they reside. Furthermore, these areas were allocated a disproportionate amount of enforcement resources, and had a disproportionate number of arrests based on their population size.

There are a few areas where the results of this study and the Million Dollar Hoods project do not overlap. Generally, the people arrested in Hollywood, Venice Beach, and the Los Angeles International Airport do not reside in these areas. This is likely due to the fact that many non-residents, including tourists, frequent Hollywood and Venice Beach, and that no people reside on airport property. This is further supported by the fact that reporting districts 647 (Hollywood) and 1431 (Venice Beach) are 66% and 31% populated by people of color respectively, but people of color account for 73% and 58% of cannabis-related arrests in these districts, respectively. As a significant proportion of people arrested in Hollywood, Venice Beach, and the Los Angeles International Airport do not reside in these areas (e.g., tourists), they are not recommended as

### Million Dollar Hoods Project

The majority of people who are arrested for a cannabis-related crime reside in the Council District they were arrested in.

- 21% of people arrested reside in Council Districts 8 & 9
- Council Districts 8 & 9 had the most money spent on cannabis enforcement
- Zip codes 90037, 90044, and 90003 contain 5.8% of the City's population, but account for 10% of all arrests



*Skid Row in Downtown Los Angeles is one of the areas that experience the largest number of cannabis-related arrests during cannabis prohibition.*



communities that this Program should serve. In the case of Venice Beach, it is a community that is characterized not only by heavy visitation, but by a mix of both affluent and lower income residents, increasing the difficulty of supporting a finding of disproportionate enforcement adversely affecting a lower income community.

**Table 1. Police Reporting Districts with the Most Cannabis-Related Arrests (2000-2016)**

<b>Police Reporting District</b>	<b>Cannabis-Related Arrests</b>	<b>Area Description</b>
<b>Council District 1</b>		
245	427	MacArthur Park
<b>Council District 4</b>		
646*	1,395	Hollywood
645*	784	Hollywood
666*	637	Hollywood
<b>Council District 8</b>		
397*	525	Vermont Square
1822	470	Broadway-Manchester
1842	468	Broadway-Manchester
1844*	444	Green Meadows
363*	421	Baldwin Hills/Crenshaw
1266*	346	Vermont Knolls
1241	286	Hyde Park
392	283	Hyde Park/Crenshaw
1256*	269	Vermont Knolls
1249*	266	Vermont-Slauson
1203	259	Vermont Square
1802	253	Broadway-Manchester
<b>Council District 9</b>		
1258	632	Florence
397*	525	Vermont Square
1269	424	Florence
1259	367	Florence
1345	366	Central-Alameda
1266*	346	Vermont Knolls
398	325	Vermont Square
1268	282	Florence
1256*	269	Vermont Knolls
1249*	266	Vermont-Slauson
<b>Council District 10</b>		
363*	421	Baldwin Hills/Crenshaw
362	339	Baldwin Hills/Crenshaw
361	270	Baldwin Hills/Crenshaw
<b>Council District 11</b>		
1494	1,100	Los Angeles International Airport
1431	911	Venice Beach
1412	862	Venice Beach
1411	638	Venice Beach

**Table 1. Police Reporting Districts with the Most Cannabis-Related Arrests (2000-2016) (Continued)**

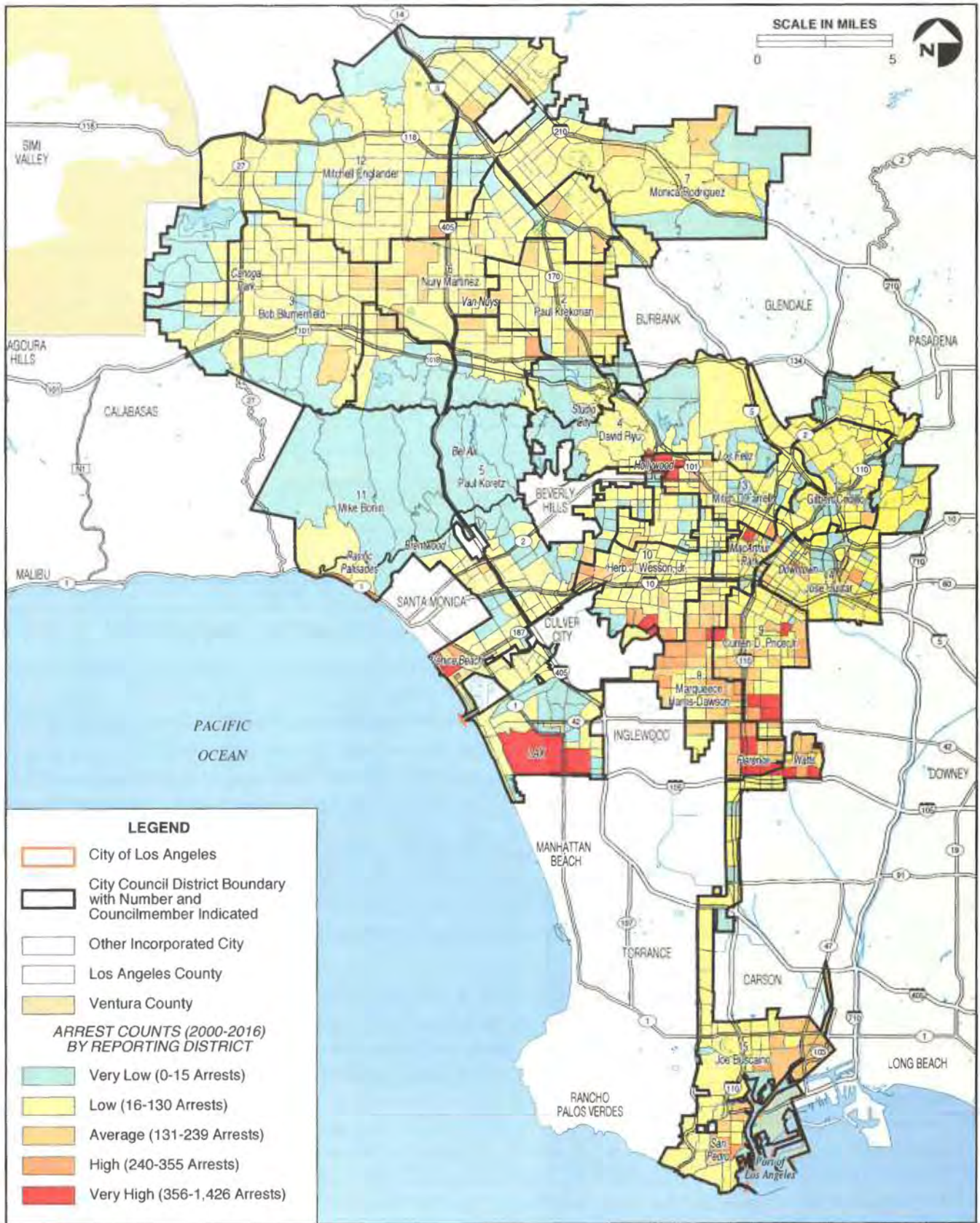
Police Reporting District	Cannabis-Related Arrests	Area Description
Council District 13		
646*	1,395	Hollywood
636	883	Hollywood
645*	784	Hollywood
666*	637	Hollywood
647	391	Hollywood
649	242	East Hollywood
Council District 14		
156	1,426	Downtown (San Julian Park)
155	595	Downtown (Skid Row)
166	521	Downtown (Skid Row)
157	370	Downtown (Skid Row)
147	351	Downtown
467	272	Boyle Heights
Council District 15		
1844*	444	Green Meadows
1846	431	Watts
1849	386	Watts
1837	298	Watts

\*When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.

## Discussion

Cannabis enforcement affects the life outcomes of the individuals arrested, their family members, and the community they live in. It can reduce education and employment opportunities and prevent access to federally-funded housing, as well as increase housing instability and the likelihood of homelessness (ACLU, 2017). The people and communities that were subject to little enforcement avoided these consequences, and thus, were able to expand their businesses and gain capital; this business advantage and subsequent opportunity for wealth development was not similarly afforded to communities that endured inequitable cannabis enforcement. The result is an opportunity gap between those that experienced little enforcement and those who were disproportionately arrested for cannabis-related crimes. Unless barriers, such as access to capital and real estate are addressed, and without meaningful community reinvestment this gap is likely to persist.

From the analysis of LAPD records and U.S. Census data, the segment of the population that is most disproportionately impacted from cannabis enforcement is Black/African American and Hispanic/Latino individuals and their families. However, under State law, race cannot be used as eligibility criteria for government programs (Proposition 209, 1996). Therefore, the Program should focus on individuals with prior cannabis arrest records and their families, as well as the communities that experienced the most cannabis arrests. To decrease disparities in life outcomes for marginalized communities, the Program should also focus on low income households. The following section identifies communities that have a greater percentage of low income households than the entire City. The subsequent section identifies areas of overlap between the communities that experienced the most cannabis arrests and those that have the highest percentages of low income households.



**Cannabis Arrest Counts by Police Reporting District**

**FIGURE 6**



### 3.4 Low Income and Poverty

In Federal and State guidelines and regulations, disproportionate effects on lower-income and ethnic minority populations are considered (Council on Environmental Quality 1997; U.S. Environmental Protection Agency 1998). However, as race cannot be used eligibility criteria for government programs (Proposition 209, 1996), the focus of this analysis is on identifying low income communities. Nevertheless, racial composition is an important corroborating factor and will be described in Section 3.5.

#### Low Income and Poverty Citywide

*Poverty Level* is the level of income needed to meet basic needs for healthy living, including food, shelter, and clothing; the level qualifying as below poverty level is based upon household size/age of household members and adjusted annually for inflation by the Consumer Price Index (U. S. Census Bureau 2017a)(U. S. Census Bureau 2017a)(U. S. Census Bureau 2017a). Citywide poverty levels are presented in Table 2.

The 2015 ACS showed that 22.1% of the City’s population was below the poverty level (refer to Table 1). By comparison, 16.7% of the County’s population and 15.3% of California residents are estimated to be below the poverty level, which is less than the poverty level in the City (U. S. Census Bureau 2017b).

**Table 2. City of Los Angeles (Community of Comparison) 2015 Poverty Characteristics**

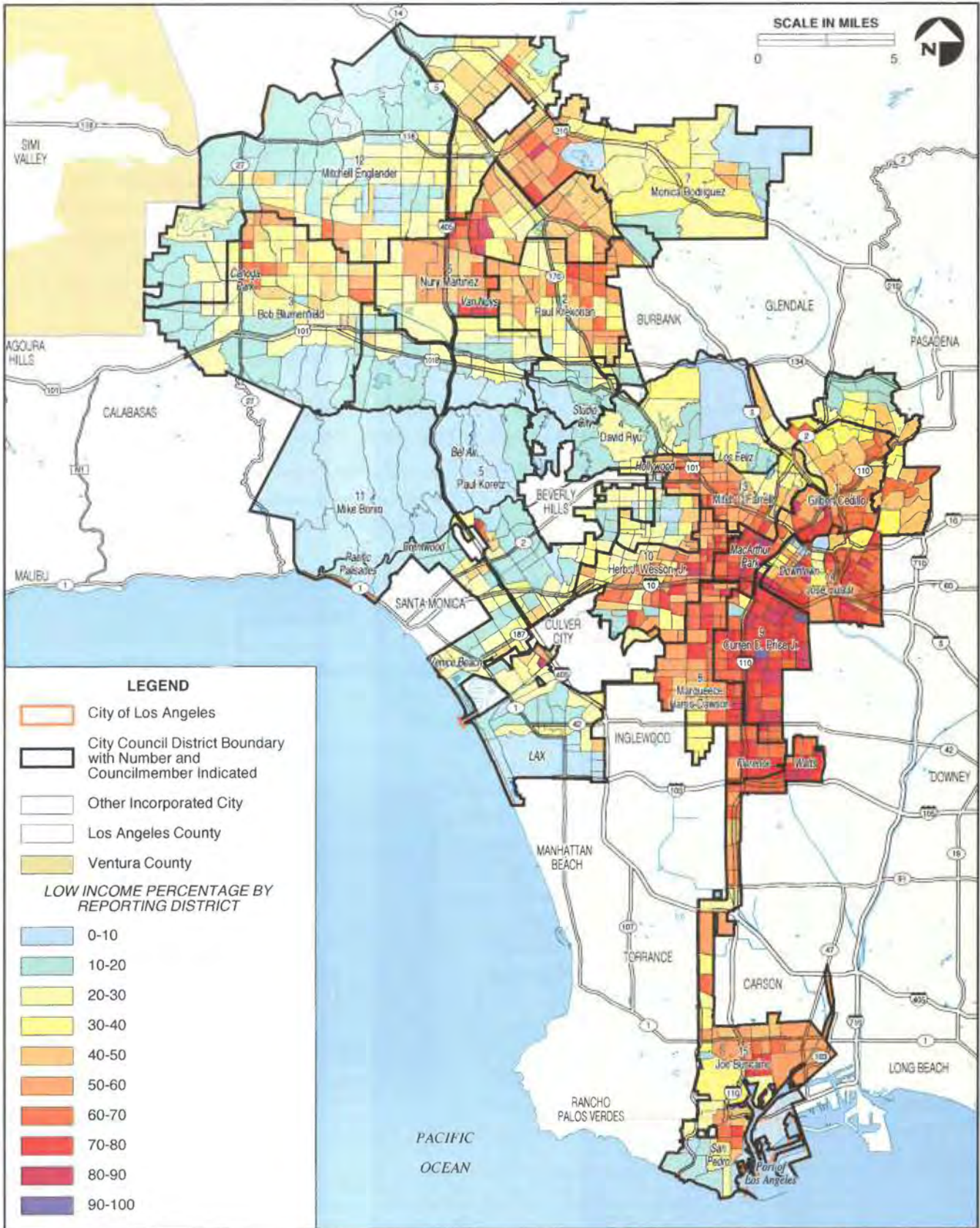
Sample	Population	Percentage
Total Population	3,900,794	100.0
<b>Percent Below Poverty Level</b>	<b>862,075</b>	<b>22.1</b>

Source: (U. S. Census Bureau 2017b).

#### Low Income Hotspots

The California Department of Housing and Community Development (HCD) defines the 2017 Los Angeles County low income level as a household annual income of \$72,100 for a household of four, very low income as \$45,050, and extremely low income as \$27,050 (California Department of Housing and Community Development 2017). Figure 3 shows the areas of the City that have the highest percentage of low income households. Alternatively, the U.S. Environmental Protection Agency Environmental Justice Screening and Mapping Tool maps low income census blocks by percentage of households whose income is less than twice the national poverty level. These areas include but are not limited to Downtown (Skid Row), Central-Alameda, Florence, and Watts (Figure 4).





Low Income Households as Percentage of Population by Police Reporting District

FIGURE 7

### 3.5 Race and Ethnicity

Under State law, race cannot be used as eligibility criteria for government programs (Proposition 209, 1996). However, the geographic composition of the population in terms race and ethnicity is an important corroborating factor for this analysis.

#### Race and Ethnicity Citywide

Table 3 summarizes the City’s race and ethnicity characteristics. The percentage of each race and ethnicity differ at the City, County, and State level (U. S. Census Bureau 2017b). The percentage of White, not Hispanic or Latino, residents in the County of Los Angeles (27.8%) is similar to that of the City, which is 28.7% (U. S. Census Bureau 2017b). However, the percentage of White, not Hispanic or Latino, California residents was much greater at 40.1% than the City or County. The percentage of residents who are Hispanic or Latino is also similar between the City (48.5%) and County (47.7%), but is much lower at the State level (37.6%).

**Population Composition Comparison**

- *Black/African Americans*: greater representation in City than County or State
- *Asian*: lower representation in City than County or State
- *White, not Hispanic or Latino*: Similar representation between City and County, but less than State as a whole
- *Hispanic or Latino*: Similar representation between City and County, but greater than State as a whole
- *American Indian & Alaska Native*: Similar representation between City, County, and State
- *Native Hawaiian & Other Pacific Islander*: Similar representation between City, County, and State

The State, County, and City also differ in their percentages of Black/African American residents and Asian residents (U. S. Census Bureau 2017b). The City has the highest percentage of residents who are Black or African American, followed by the County at 8.7%, and State at 6.2%. The percentage of Asian residents is lower in the City (11.3%) than it is in the County (13.7%) and State (13.0%). Other populations, including American Indian and Alaska Native as well as Native Hawaiian and other Pacific Islander, represent a much smaller percentage of the City’s, County’s, and State’s populations and are similar at the City, County, and State level (U. S. Census Bureau 2017b).

**Table 3. City of Los Angeles (Community of Comparison) 2010 Race and Ethnicity Characteristics**

Race and Ethnicity	Population	Percentage of Population
White alone	1,888,158	49.8
Black or African American alone	365,118	9.6
American Indian and Alaska Native alone	28,215	0.7
Asian alone	426,959	11.3
Native Hawaiian and other Pacific Islander alone	5,577	0.1
Other alone	902,959	23.8
<b>Total One Race</b>	<b>3,616,986</b>	<b>95.4</b>
Total two or more races	175,635	4.6
Hispanic or Latino (of any race)	1,838,822	48.5
Not Hispanic or Latino	1,953,799	51.5
White alone, not Hispanic or Latino <sup>1</sup>	1,088,482	28.7
<b>Total Population</b>	<b>3,792,621</b>	<b>--</b>

Source: (U. S. Census Bureau 2017c); (U. S. Census Bureau 2017b).

### 3.6 Identification of Disproportionately Affected Disadvantaged Communities and Populations

The Program is intended to be centered on social justice. The selection of police reporting districts as an initial metric provides a statistical basis for City action to help guide decision-making. The City retains flexibility in determining which police reporting districts are eligible for the Program based on initial statistical analysis. Which police reporting districts are eligible for inclusion in the Program depends on what statistical threshold is chosen. However, as a social equity and justice program intended to address disparities in cannabis enforcement activities, which have disproportionately affected disadvantaged communities, use of a low threshold would ensure the most inclusive program to redress past harm while remaining statistically valid. The City Council has the authority to determine if such a program requires 98% certainty of disproportionate effects or if a lower more inclusive threshold of 90% statistical certainty is acceptable.

There is a range of possible thresholds that can be used for the Program. These thresholds focus on standard deviation, a measure of the amount of variation or dispersion in a set of data values and present two options:

Most Restrictive Option: This option would include a selection of police reporting districts where the number of cannabis-related arrests are 2.5 standard deviations away from the City average, as the most statistically rigorous and restrictive standard. If the number of cannabis-related arrests in a given reporting district is 2.5 standard deviations away from the City average, statistical standards yield a 99% certainty that this value is significantly different than the City average. There is only a 1% probability that this value differs from the City average simply due to random chance.

More Inclusive Option: The Program is intended to redress past serious harm to disadvantaged communities and lower income individuals who in many cases have suffered major life altering adverse consequences of such enforcement. As such, the City Council may decide use of the most scientifically rigorous threshold does not match past harm or the City's intent for such a social justice program. Decreasing the threshold to ensure a greater number of communities and individuals would fall within in police reporting districts that are eligible for the Program under a lower threshold would ensure a more inclusive approach to redressing past harm. The lowest threshold generally acceptable for the scientific community is 90% certainty, or approximately 1.5 standard deviations away from the City average. With the more inclusive option, no additional communities would be recommended to be included in the Program. However, more police reporting districts, and therefore, more community residents would be recommended to be included in the Program.

Police reporting districts that have a greater number of cannabis-related arrests and a higher percentage of low income households than the City as a whole (Community of Comparison) were identified. Section 3 identifies the police reporting districts that had a significantly greater number of arrests than the City as a whole. Section 3.4 identifies the reporting districts that had a greater percentage of low income households than the City as a whole. To determine which areas have both disproportionately greater arrests and low-income households, an overlay map of poverty and arrests was created (Figure 7).

In general, lower income populations and high numbers of cannabis-related arrests are concentrated in South Los Angeles and Downtown (Figure 7). Sixteen police reporting districts were identified under the most restrictive option as they have greater percentages of low income residents (greater than 60% households are low income) and cannabis-related arrests (more than 2.5 standard deviations from the mean number of arrests) than the City overall. These police reporting districts include the following: 156, 1258, 155, 397, 166, 1822, 1842, 1844, 1846, 245, 1269, 363, 1849, 157, 1259, and 1345. These police reporting districts encompass all or portions of Downtown (San Julian Park and Skid Row), Florence, Vermont Square, Broadway-Manchester, Green Meadows, Watts, and Central Alameda (Table 4). The greatest number of police reporting districts occurs in Council District 9, followed by Council Districts 14 and 8, as well as Council District 1.



*Downtown (San Julian Park). One of the areas with the highest number of cannabis-related arrests and percentage of low income households in the City.*

The More Inclusive Option includes police reporting districts arrest counts greater than 1.5 standard deviations from the City average value). This adds 32 additional police reporting districts before the low-income criterion is applied, and police reporting districts with a high number of cannabis-related arrests but fewer than 50% of households classified as low income are eliminated. Considered as a group, these 32 additional police reporting districts have an average of 60% low income households. As with the highest arrest count police districts, outlier districts whose percentage of households that are low income are less than 60% were eliminated from further consideration as these areas are typically high tourist traffic areas where non-residents are more likely to be those arrested for cannabis-related offenses such as Venice Beach, Hollywood, and Los Angeles International Airport (see section 3.3, *Arrest Hotspots*, for further discussion). Applying the 60% low income household threshold to the more inclusive alternative eliminates 15 reporting districts leaving 17 potentially eligible for the Cannabis Social Equity Program. Combined with the highest arrest count districts, this results in 33 total police reporting districts recommended for inclusion in the Program under the more inclusive alternative. These police reporting districts generally encompass all or portions of Downtown, Vermont Knolls, Baldwin Hills/ Crenshaw, Vermont Square, Watts, Hyde Park, Hyde Park/Crenshaw, Boyle Heights, Florence, Vermont-Slauson, Broadway Manchester, Central Alameda and East Hollywood. The greatest number of police reporting districts under this alternative occurs in Council District 8, followed by Council Districts 9 and 14, as well as Council District 1, 10, 15 and 15.

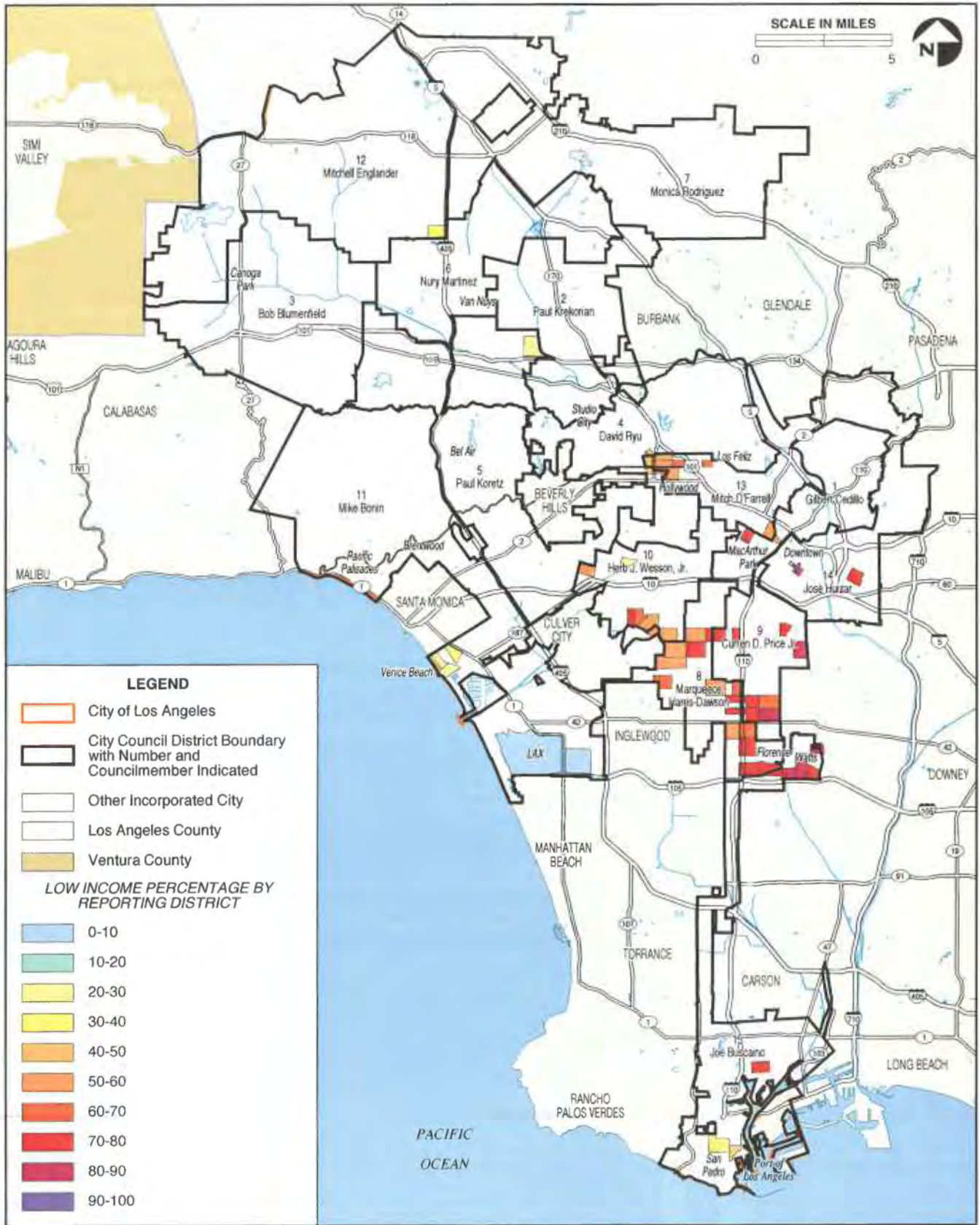


**Table 4. Police Reporting Districts with a Very High Number of Cannabis Arrests (Greater than 2.5 Standard Deviations from City Average).**

Police Reporting District	Area Description	Individual Cannabis Related Arrests	Percent Low Income Households	Percent People of Color
Citywide Mean Reporting District Values †				
		72	43	69
Council District 1				
245	MacArthur Park	427	73	93
Council District 8				
397*	Vermont Square	525	74	98
1822	Broadway-Manchester	470	73	99
1842	Broadway-Manchester	468	73	99
1844*	Green Meadows	444	77	99
Council District 9				
1258	Florence	632	79	99
397*	Vermont Square	525	74	98
1269	Florence	424	81	99
1259	Florence	367	68	99
1345	Central-Alameda	366	70	99
Council District 10				
363	Baldwin Hills/Crenshaw	421	51	97
Council District 14				
156	Downton (San Julian Park)	1,426	90	81
155	Downtown (Skid Row)	595	93	75
166	Downtown (Skid Row)	521	90	81
157	Downtown (Skid Row)	370	88	82
Council District 15				
1844*	Green Meadows	444	77	99
1846	Watts	431	77	99
1849	Watts	386	71	98
† Citywide values reflect the average count of cannabis-related arrests by police reporting district derived from LAPD data along with average percentage of low income households and average distribution of the population by race/ethnicity by police reporting district derived from U.S. Census data *When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.				

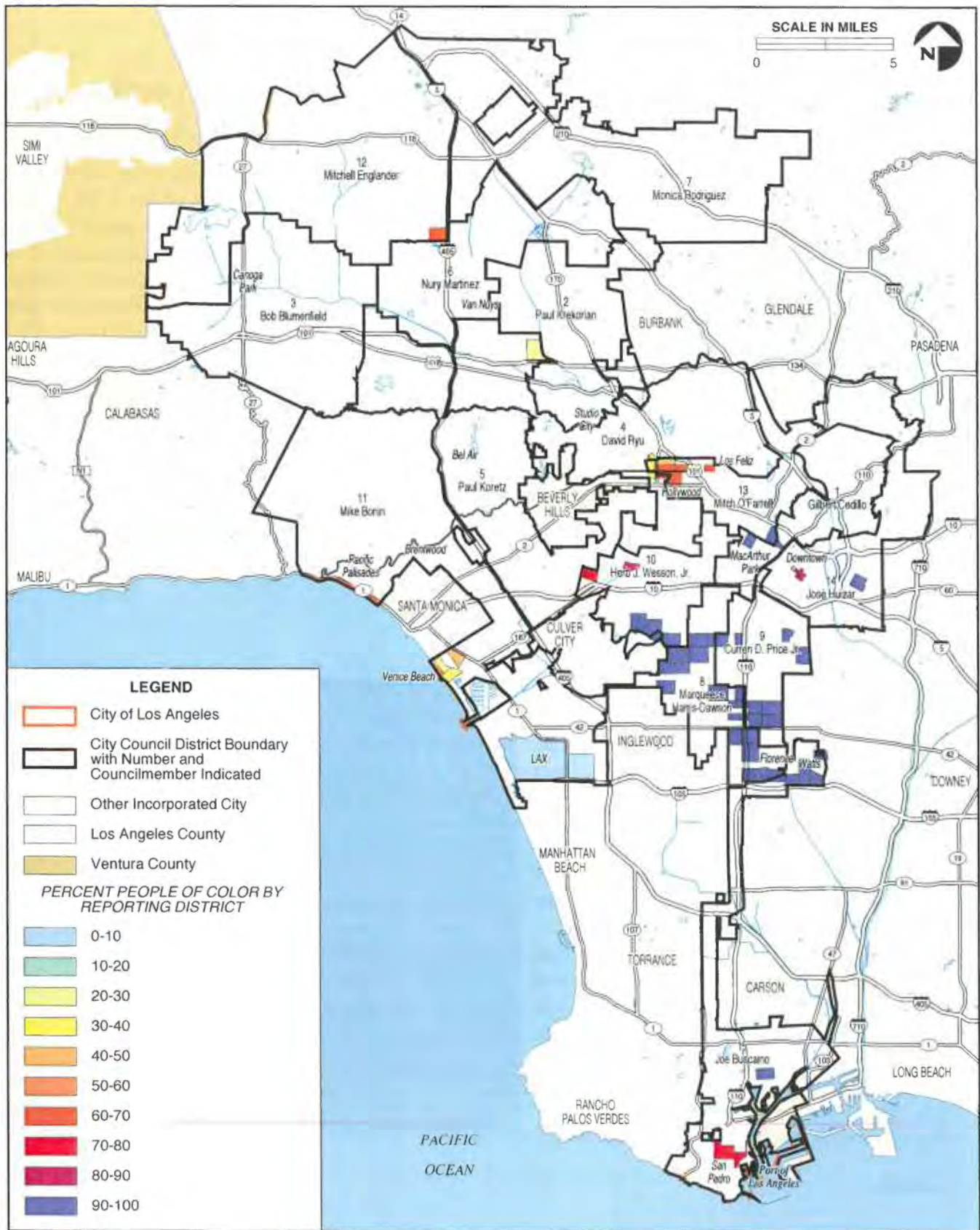
**Table 5. Police Reporting Districts with a High Number of Cannabis Arrests (Greater than 1.5 and Less than 2.5 Standard Deviations from City Average).**

Police Reporting District	Area Description	Individual Cannabis-Related Arrests	Percent Low Income Households	Percent People of Color
Citywide Mean Reporting District Values †				
		72	43	69
Council District 8				
1266*	Vermont Knolls	346	78	99
1241	Hyde Park	286	68	99
392	Hyde Park/Crenshaw	283	71	97
1256*	Vermont Knolls	269	70	99
1249*	Vermont-Slauson	266	68	99
1203	Vermont Square	259	70	98
1802	Broadway-Manchester	253	67	99
Council District 9				
1266*	Vermont Knolls	346	78	99
398	Vermont Square	325	72	98
1268	Florence	282	78	99
1256*	Vermont Knolls	269	70	99
1249*	Vermont-Slauson	266	68	99
1367	Central Alameda	244	80	99
Council District 10				
362	Baldwin Hills/Crenshaw	339	68	99
361	Baldwin Hills/Crenshaw	270	72	99
Council District 13				
649	East Hollywood	242	67	63
Council District 14				
147	Downtown	351	95	73
467	Boyle Heights	272	74	98
Council District 15				
1837	Watts	298	82	99
† Citywide values reflect the average count of cannabis-related arrests by police reporting district derived from LAPD data along with average percentage of low income households and average distribution of the population by race/ethnicity by police reporting district derived from U.S. Census data.				
*When a police reporting district spans multiple Council District boundaries, it is listed under each Council District it overlaps.				



**Low Income Households as Percentage Population by High to Very High Cannabis Arrest Count Police Reporting Districts**

**FIGURE 8**



**People of Color as Percentage of Population by High to Very High Cannabis Arrest Count Police Reporting Districts**

**FIGURE 9**



## 4.0 OPPORTUNITIES AND POTENTIAL BARRIERS UNDER PROPOSED COMMERCIAL CANNABIS REGULATIONS

The City is exploring development of a Cannabis Social Equity Program that would support equitable access to the legal commercial cannabis industry by individuals who were disproportionately adversely affected by past cannabis enforcement activities. This Program is intended to at least acknowledge and partially redress some of the past adverse effects of cannabis enforcement activities on both individuals and communities as identified in this analysis. Although the new legal cannabis industry offers major potential economic opportunity for participants, for a variety of reasons those most disproportionately affected by past enforcement activities face substantial challenges and barriers to entry into this new legal industry.

Entry into the cannabis industry presents many challenges to all participants due to the new nature of the industry including, evolving regulations, uncertain federal regulatory framework, restrictions on banking imposed by the federal government, the need for capital and technical expertise as well as acquiring or leasing real estate to support the business. These challenges are amplified for those without a sustained or ongoing track record in the industry, particularly those of lower income or from disadvantage communities that may not have access to capital, real estate or the technical knowledge of how to enter a new industry, obtain loans and needed City and other agency permits and sustain a successful business, especially during the challenging startup phase.

### 4.1 Barriers to Entry

Barriers for lower income or disadvantage individuals to entrance into the cannabis industry broadly include location, financial, technical, government relations and perceptions, licensing and permitting and past criminal record. While the City's Cannabis Social Equity Program is intended to address these barriers, entry into the Program itself may present challenges that may prevent an applicant eligible for inclusion in the Program aimed at promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of cannabis prohibition in those communities. This section will discuss different types of barriers that prevent entry into the legal cannabis industry.

#### **Barriers to Entry into Cannabis Industry**

- *Location:* Availability of real estate with areas eligible for permitting under the City's Cannabis Regulation Ordinance
- *Financial:* Availability of startup capital and banking infrastructure for cannabis businesses along with cost of real estate
- *Technical Skills:* Cannabis operations such as cultivation and manufacturing require unique technical skills and knowledge
- *Criminal Record:* Prior drug-related convictions are often a disqualifying factor or stigma when reentering the workforce
- *Awareness of Cannabis Social Equity Program:* Public outreach is necessary to ensure participation of disproportionately affected communities

#### **Location**

Geographical barriers for lower income residents or other disadvantaged individuals may exist for participation in the City's Commercial Cannabis Activity Licensing Program. Locating a new cannabis

business in an area that is eligible for cannabis activities under the City's licensing program may be a barrier to prospective social equity applicants. Barriers may relate to distance between home and work, or the cost of rent in areas that are eligible to accommodate cannabis activities under the City's cannabis licensing program. Lower income individuals may also be transit dependent, and depending upon their community of residence, may not have direct or easy transit access from their community to areas in the City eligible for commercial cannabis activity. With relatively limited areas available to locate a new cannabis business, especially when considering the number of unauthorized operators occupying compliant locations in comparison, competition could also increase the cost of available real estate (Los Angeles County Advisory Working Group on Cannabis Regulation 2017).

The Commercial Cannabis Activity Location Restriction Ordinance establishes eligible areas for commercial cannabis activities, including cannabis retail, microbusiness, cultivation, and manufacturing, distribution and testing. Areas proposed to support commercial cannabis retail businesses occur throughout the City, including the recommended police reporting districts in communities such as Downtown, Watts, and Crenshaw, but available areas within those areas are limited by the requirement for compliance with sensitive uses (public and private schools, libraries, and parks) and cannabis retail and microbusiness operators that sell directly to the public. While the sensitive use requirements eliminate some areas within the police reporting districts from eligibility for cannabis retail permitting, the buffers do not fully eliminate this use within the selected police reporting districts. Areas available for indoor cannabis cultivation and non-volatile manufacturing are present in Downtown and South Los Angeles area police reporting districts, specifically in industrial-zoned areas along railroad corridors in Council Districts 8 and 9. Areas supporting volatile manufacturing are present in industrial areas of the City, including the Slauson Avenue corridor in Council Districts 8 and 9. A summary of commercial cannabis-eligible areas by City Council district is provided in Table 6 below and the proposed Commercial Cannabis Regulation Ordinance zoning maps are included as Attachment 2.

Table 6. Acreage Available for Specific Cannabis License Types by City Council District

Council District	Retail (ac)	Microbusiness (ac)	Indoor Cultivation (ac)	Mixed Light Cultivation (ac)	Level 1 Manufacturing (ac)	Level 2 Manufacturing (ac)	Testing/ Distribution (ac)	Total (ac)
City Average	972	1,159	1,320	1,202	1,320	1,232	1,382	3,382
1	1,043	292	325	401	325	306	462	1,476
2	1,805	972	1,056	268	1,056	1,016	1,152	2,158
3	1,014	120	392	1,253	392	256	400	2,267
4	903	130	186	1,077	186	130	205	2,165
5	883	106	113	1,232	113	106	113	2,227
6	700	2,731	2,838	520	2,838	2,753	2,914	4,058
7	591	946	1,080	6,037	1,080	991	1,114	7,708
8	903	175	209	0	209	175	241	1,112
9	789	908	1,133	0	1,133	960	1,221	1,922
10	1,115	36	76	0	76	35	176	1,191
11	948	680	695	3,659	695	680	777	5,302
12	965	960	1,695	2,916	1,695	1,538	1,766	5,576
13	996	380	456	281	456	380	550	1,734
14	1,182	2,296	2,472	273	2,472	2,333	2,478	3,883
15	746	6,660	7,076	119	7,076	6,820	7,158	7,950

Available acreage by license type is calculated by totaling acreage of designated zone districts within each City Council district boundary as listed below:

Retail – CM, C1, C1.5, C2, C4, C5, M1, M2, M3    Level 1 Manufacturing – M1, M2, M3, MR1, MR2    Microbusiness – M1, M2, M3    Level 2 Manufacturing – M1, M2, M3, MR2  
 Indoor Cultivation – M1, M2, M3, MR1, MR2    Testing – CM, M1, M2, M3, MR1, MR2  
 Mixed Light Cultivation – A1, and A2    Distribution – CM, M1, M2, M3, MR1, MR2

## **Financial**

As mentioned in Section 3.3, cannabis law enforcement has impacted the ability individuals and their families to obtain employment and gain capital. Thus, the cost of permitting fees and utilities, as well as the lack of access to loans and real estate can further limit these individuals' ability to participate in the legal cannabis industry. This section describes the different types of financial barriers these individuals may face.

### ***Loans & Real Estate***

Banks rely on federal deposit insurance and the Federal Reserve System, and are regulated by the federal government. A bank could be closed if it suspects a customer is engaged in illegal activity, but does not report it to federal authorities (Koren, J. R. 2017). Though the cannabis industry is legal in California, it is not legal at the federal level. Thus, banks that provide loans or operate bank accounts for cannabis businesses are at risk. Consequently, few banks and credit unions will accept cannabis businesses as customers (Alameda County Cannabis Equity Coalition 2016; Koren, J. R. 2017). Because of this, it is difficult for cannabis businesses to acquire loans to help cover costs associated with starting or expanding their businesses and acquiring real estate. For example, one credit union willing to do business with cannabis owners in Los Angeles requires a \$10,000 fee to cover the costs of financial audits and criminal background checks (Koren, J. R. 2017). With few banks willing to do business with cannabis owners and the large fees required by those that are willing, it is difficult to start a cannabis business especially if the owner's financial situation has been impacted by cannabis enforcement. They often must rely on cash transactions with the capital they currently have. However, landlords often will not accept cash payment (Koren, J. R. 2017). Thus, real estate may be particularly difficult to secure.

In addition to discrimination against the cannabis industry in the financial sector, potential cannabis business owners may face racial discrimination when trying to obtain a loan or real estate. A report by the U.S. Small Business Administration's Office of Advocacy found that entrepreneurs of color were less likely to be approved for bank financing than White entrepreneurs, even when credit history and business type were accounted for in the review (Alameda County Cannabis Equity Coalition 2016). The Federal Reserve released data showing that, on average, business owners of color pay 32% higher interest rates than White business owners (Alameda County Cannabis Equity Coalition 2016). This was attributed to Hispanic and Black/ African American entrepreneurs starting their companies with less money than White entrepreneurs, and having to rely more on their personal wealth than outside lenders or investors. Furthermore, the data shows that White landlords and investors are 10 times less likely to provide resources to businesses owned by people of color than White owned businesses (Alameda County Cannabis Equity Coalition 2016).

### ***Start-Up Costs, Utilities, and Licensing Fees***

Large start-up costs for cannabis-related businesses, which can be up to \$250,000, are a barrier for social equity applicants (Alameda County Cannabis Equity Coalition 2016; Los Angeles County Advisory Working Group on Cannabis Regulation 2017). A review of the start-up costs for cultivation in California illustrates this. Start-up costs for outdoor cultivators ranges from \$5,000 to \$10,000, with the potential for \$5,000 in





additional costs for mixing nutrients into the soil, and \$2,000 in expenses for growing (California Department of Food and Agriculture 2017). Start-up costs for mixed light cultivators range from \$18,000-\$200,000 for greenhouses and \$5,000 annually for electricity (California Department of Food and Agriculture 2017). Start-up costs for indoor cultivation may exceed \$400,000 for creating an indoor grow room and \$14,000 annually for electricity (California Department of Food and Agriculture 2017).

In addition to these expenses, business owners will have to pay for licensing fees, labor, and post-harvest processing (California Department of Food and Agriculture 2017). The licensing for general applicants in the City of Oakland is \$3,000, whereas the City's licenses and inspection fees are proposed to be approximately \$25,000. This may be a significant financial barrier to social equity applicants pursuing cannabis licenses that have fewer financial resources than general applicants.

### **Rent**

The cost of rent is another financial barrier. Commercial rent in the City has continuously increased over time (Kim, E. 2016). Monthly commercial rents in 2016 were \$2.85 per square foot in Downtown, \$7.81 per square foot in West Los Angeles, and \$3.55 in Mid-Wilshire (Kim, E. 2016). For example, although grow sizes vary significantly, the City of Oakland's social equity program requires market-rate permittees to provide 1,000 square feet for social equity partnership grows; this would translate into annual rents of from \$34,200 in Downtown to \$93,720 in West Los Angeles, as significant annual cost for even an entry level grow operation. These costs can prove to be prohibitive for lower income individuals and those whose financial life outcomes were impacted by cannabis enforcement.

### **Technical Skills and Knowledge**

Disadvantaged individuals attempting to start up a cannabis-related business may lack the technical knowledge they need to start a business, including direct knowledge of or experience with legal cultivation, manufacturing, distribution or the retail aspects of the trade. Lack of knowledge of irrigation systems, hydroponics, fertilizer application, organic techniques, and access to high quality strains of cannabis may inhibit the entry of disadvantaged individuals into cultivation. Manufacturing can be highly specialized, require specific and sometimes expensive equipment, and involve potentially hazardous operations and materials. Starting up a retail cannabis business has all the challenges of starting up any small retail outlet combined with those unique to the cannabis industry, such as the financial and banking challenges detailed above. Further, aside from standard property and other taxes, cannabis business owners will be subject to local and state taxes, from a system that is still not yet finalized, adding another layer of complexity and a potential major barrier. Thus, the task of starting a legal business in the City may seem daunting to those with limited or no prior experience in business or the cannabis industry. Individuals may also lack knowledge about business accounting, creating a business plan, or permitting (Los



*Many individuals interested in participating in the legal cannabis industry cannot secure real estate. Large startup costs, application fees, and the cost of utilities are also barriers.*



*Manufacturing activities include a range of processes, such as a rosin press which consists of two heated plates which are pressed together at high pressure to convert hashish into rosin. This process is typically considered non-volatile manufacturing.*

Angeles County Advisory Working Group on Cannabis Regulation 2017). Thus, without assistance, individuals may not be able to successfully start a legal business in the City.

### **Permitting**

Disadvantaged individuals entering the legal cannabis industry will be required to obtain a City permit and potentially navigate a range of City permit processes and associated regulatory requirements. As noted above, the City's licensing process is estimated to cost \$25,000, involve a relative complex application process, and potentially require acquisition of other types of City permits including building permits, electrical, plumbing, or historic/cultural structure clearances, as necessary depending on the type of business and any needed real property improvements. Further, given that the City's permit process will be discretionary, cannabis businesses may potentially be subject to the requirements of the California Environmental Quality Act (CEQA), which depending on the location, type of business and degree of needed improvements, may add complexity, delays, and cost to any permit process. State permits for cannabis businesses add another layer of complexity and are required prior to beginning the City's permit process. A lack the legal resources needed to ensure that they are in compliance with City regulations may also present a barrier (Los Angeles County Advisory Working Group on Cannabis Regulation 2017).

### **Criminal Record**

The U.S. Government Accountability Office (GAO) determined the penalties and disadvantages that can be imposed upon individuals with a nonviolent drug conviction (U.S. Government Accountability Office 2017). The GAO identified 641 collateral consequences that may limit employment, business licensing, education, and government benefits to such individuals. Seventy-eight percent of these consequences can potential last a lifetime. Only 20% of these consequences can be removed using a legal relief mechanism. Thus, disadvantaged or lower income individuals who were subject to disproportionate cannabis enforcement activities with a related criminal record could potentially face major challenges attempting to start up a cannabis related business.



Criminal background checks can financially limit an individual with a record of cannabis crime. Background checks can disqualify individuals from employment if it is found that they have a history of cannabis-related crime (Drug Policy Alliance 2017a, 2017a, 2017b; Los Angeles County Advisory Working Group on Cannabis Regulation 2017). Background checks are often required prior to approval for opening a bank account or obtaining a loan (Drug Policy Alliance 2017a, 2017a, 2017b; Los Angeles County Advisory Working Group on Cannabis Regulation 2017). Consequently, having a criminal record can prevent an individual from acquiring real estate (Drug Policy Alliance and California NAACP 2010). Additionally, City criminal background check requirements may prevent individuals with a history of cannabis-related arrest from being able to obtain a City licenses and permits (Drug Policy Alliance 2017a; Los Angeles County Advisory Working Group on Cannabis Regulation 2017). These factors can prevent an individual from participating in the legal cannabis industry.

Proposition 64 requires that no applicant be denied a license to own or operate a cannabis business solely because of prior drug conviction (Drug Policy Alliance 2017c). However, Proposition 64 does not require local jurisdictions or the State to expunge, or clear, the criminal record of those who have a prior drug conviction. This may leave the barrier related to these conviction left in place for individuals who may not have the financial means or legal knowledge how to expunge their criminal record.

### **Perception of Government**

Historical disparate enforcement practices are likely to have generated distrust of the City's government (see section 3.3). Individuals who have been subject to past disproportionate cannabis enforcement activities, who live in disadvantaged communities, and who have little or negative experience interacting with government agencies would face a major barrier entering into a complex permitting and regulatory environment. This potential distrust or unfamiliarity with government regulatory and permit processes could prevent individuals from pursuing commercial cannabis licenses and starting cannabis businesses seeks to serve from applying for a cannabis license. Furthermore, individuals may be reluctant to attend City affiliated workshops to learn more about the Program if they distrust the government.

### **Equity Program Awareness**

Disadvantaged individuals and those disproportionately affected by past cannabis enforcement activities may be unaware of the details of the City's new Cannabis Licensing Program or that the City is undertaking development of a Cannabis Social Equity Program to encourage participation in the cannabis industry. Disadvantaged individuals and those disproportionately affected by past cannabis enforcement activities may have limited time to closely follow local news, limited or no internet access, and in some cases limited phone service. Visiting individuals at their homes may not be viable if individuals are not home, choose to not answer their door, or are transient and do not reside at a one, permanent location. Furthermore, disadvantaged individuals may be transit dependent or have work schedules that may interfere with their ability to attend public outreach workshops or meetings about the Program.

### **Cannabis Licensing Program Structure**

#### *Discretionary Permits*

As noted above, a discretionary permit process can add cost and delays to starting up any business and may further impede social equity applicants seeking to enter the legal cannabis industry without the knowledge of complex governmental permit processes or the financial resources to sustain added cost. The Commercial Cannabis Regulation Ordinance requires that approval of a commercial cannabis permit be subject to discretionary action of the Cannabis Commission with the exception of non-retail cannabis businesses under 30,000 square feet, and thus, may represent a time and financial barrier to social equity applicants wishing to enter the legal cannabis industry.

## **4.2 Opportunities to Overcome Barriers**

This section outlines the opportunities that exist to help disadvantaged individuals and those disproportionately affected by past cannabis enforcement activities become social equity applicants and overcome the financial, technical, permitting, criminal background, and Commercial Cannabis Activity

Licensing Program barriers described in Section 4.1 above that prevent them from entering the legal cannabis market.

## **Financial**

### *Loans & Financial Assistance*

Although obtaining loans by prospective cannabis business owners, including prospective social equity applicants, can be challenging as discussed above, opportunities do exist for cannabis businesses owners to obtain loans and real estate. A municipal bank, operated by the City in place of corporate banks that avoid federal legal issues with doing business with the cannabis industry, could help cannabis businesses acquire loans to cover the costs of start-up or expansion. Loans from a municipal bank are likely to have lower interest rates, lower fees, and flexibility in lending (Reyes, E. A. 2017). A municipal bank would also give cannabis businesses the opportunity to make check or direct payments for rent. This would help cannabis businesses avoid the issue that some landlords do not accept cash payments (Reyes, E. A. 2017). However, a municipal bank is likely to only have enough funds to loan money to small businesses (Reyes, E. A. 2017). Additionally, while the City Council has expressed interest in creating a municipal bank, the City cannot establish this financial program until the State establishes a State-level institution. Thus, municipal banking is not currently a viable option.



*Staff of the Los Angeles Department of Economic and Workforce Development Department (EWDD). The EWDD has existing programs that may be used to provide technical and financial assistance to cannabis businesses in the City.*

Low interest loans or no interest loans could also be provided by the City itself rather than through establishment of a municipal bank. As discussed further below in Section 4.3, the City of Oakland plans to use tax revenue from existing cannabis businesses to provide loans for participants in its social equity program. Additionally, the City of Los Angeles Economic and Workforce Development Department (EWDD) has a Small Business Loan Program that could help reduce financial barriers that new cannabis businesses face, as well as ensure that low income individuals are employed in the cannabis industry (Los Angeles Economic and Workforce Development Department 2017a). The goal of the Small Business Loan Program is to finance small businesses that private lenders cannot accommodate and to create jobs in the City. To be eligible, businesses must not have more than \$10 million in annual revenue, create one permanent full-time job for every \$35,000 in financial assistance received, and have more than half of all the jobs they create to be fulfilled or made available to low and moderate-income people. The loan provided can be anywhere between \$50,000 and \$500,000 with a 3 to 10-year term, 2.5% + 10 year U.S. Treasury Note rate, and 2.6% loan fee that can be financed through the loan.

The EWDD also funds 18 BusinessSource Centers across the City that provide new and existing businesses with free financing assistance (Los Angeles Economic and Workforce Development Department 2017b). This includes loan qualification and requirements, credit repair, loan packaging assistance, financial restructuring, financial planning needs, and alternative financial services. The EWDD also provides information about starting a business on its website (Los Angeles Economic and Workforce Development Department 2017c). This includes searching for available real estate and finding start-up financing and incentives. Although this program is initially structured to assist applicants with starting up a legal cannabis business, for disadvantaged individuals with no prior business experience, the process of obtain a loan could appear complex and daunting.



*Grand opening of the EWDD-sponsored BusinessSource Center serving the West Valley Region. The EWDD has 18 BusinessSource Centers across the City of Los Angeles where businesses can go to receive one-on-one consulting services.*

The Minority Business Development Agency (MBDA) Business Center-Los Angeles (MBC-LA) may also provide access to capital. The MBC-LA is operated by the University of Southern California in partnership with the City of Los Angeles Mayor's Office of Economic Development, and offers services to businesses owned or controlled by African Americans, Hispanic Americans, Asian and Pacific Islander Americans, Native Americans (including Alaska Natives, Alaska Native Corporations and Tribal entities), Asian Indian Americans, and Hasidic Jewish Americans (MBDA Business Center Los Angeles 2017). The MBC-LA provides businesses with access to capital through developing and maintaining alliances with banking officials and other financial resources, conducting cost analyses, as well as providing financial assistance (e.g., identification, preparation and packaging of standard commercial and alternative debt, bonding, leases, and equity). Because the MBDA Business Center is affiliated with the U.S. Department of Commerce, the programs provided by the MBC-LA may not be applicable to cannabis businesses, as such businesses are illegal at the Federal level. Even if this is the case, the structure of the program and the types of opportunities it provides may provide useful insight for the City's Cannabis Social Equity Program. Although this program is structured to assist minority-owned business, for disadvantaged individuals with no prior business experience, the process of obtain a loan could appear complex and daunting. As the City continues to develop and implement the Social Equity Program, the City should continue to assess opportunities to provide social equity program applicants with equitable access to capital.

### ***Real Estate***

Disadvantaged individuals and those disproportionately affected by past cannabis law enforcement activities are unlikely to own suitable real estate that can accommodate and sustain a regulated cannabis market. Even if these individuals own a home, all cannabis-related activities under the proposed Commercial Cannabis Regulation Ordinance are restricted to properties zoned for commercial or industrial uses. To provide usable real estate for social equity applicants, City property could be offered for lease or purchase to approved Program participants. However, there are many competing priorities for use of such properties. For example, there is a shortage of affordable housing with the City, and it has been suggested that the City use this property for provision of affordable housing. In support of providing affordable housing, potentially in disproportionately impacts areas, it may be useful to limit cannabis businesses located in City-owned properties that are not in suitable zoning districts for affordable housing, such as those zoned for commercial or industrial uses suitable for cannabis businesses, these properties could be used for social equity cannabis

businesses. Several organizations support using City property for social equity applicants, including the Alameda County Cannabis Equity Coalition, The Hood Incubator, and Los Angeles Cannabis Task Force (Alameda County Cannabis Equity Coalition 2016; Los Angeles Cannabis Task Force Social Equity Committee 2017; The Hood Incubator 2017a, 2017b).

Another option is to provide real estate through an industry partner or incubator program. In an incubator program, a business that has qualifying compliant real estate provides space and appropriate building upgrades for a social equity business that needs real estate. Incubators are part of the City of Oakland’s cannabis social equity program and are discussed further in section 4.3. In addition to providing real estate, incubators can provide business mentorship, technical assistance, hard capital, start-up capital loans or other support for social equity including enhanced community benefit agreements (California Minority Alliance 2017; Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017a; The Hood Incubator 2017c). Incubator programs are supported by the Drug Policy Alliance, Alameda County Cannabis Equity Coalition, California Minority Alliance, The Hood Incubator, Los Angeles County Advisory Working Group, R+HEMP Network, and Los Angeles Cannabis Task Force (Alameda County Cannabis Equity Coalition 2016; California Minority Alliance 2017; Drug Policy Alliance 2017b; Los Angeles Cannabis Task Force Social Equity Committee 2017; Los Angeles County Advisory Working Group on Cannabis Regulation 2017; R+HEMP Network 2017a; The Hood Incubator 2017c).

### ***Utilities***

Under Proposition 218, the Los Angeles Department of Water and Power (LADWP) cannot give specific discount rates. However, social equity applicants could be directed to information about the programs LADWP offers to disadvantaged customers (Los Angeles Department of Water and Power 2017). The Business Promotion Bill Credit (BPBC) program is designed to encourage businesses to relocate to the City. Bill credits are provided to these businesses, and are phased out over 3 years. The program also helps businesses identify other LADWP programs and incentives that will help the business save money, water, or power, as well as determine if the business is eligible for the incentives and programs provided by the EWDD.



*The Los Angeles Department of Water and Power (LADWP) has several programs and incentives that can help cannabis businesses reduce the cost of utilities, including energy savings through solar power.*

The LADWP has several other programs and incentives that may be of interest to cannabis businesses. The LADWP provides subsidies to pay for solar installation through the Solar Incentive Program (SIP), and provides the opportunity for businesses to be paid for excess energy generated from solar panels through the Feed-In-Tariff (FIT) program. LADWP’s Utility Infrastructure Loan (UIL) program provides loans for LADWP-required equipment for electric energy or water services, energy efficiency equipment that exceeds Title 24 requirements, and/or water conservation equipment, power correction/power reliability equipment, as well as solar photovoltaic systems except for the FIT program. The LADWP also partners with the Metropolitan Water District in the So Cal Watersmart Commercial Rebate Incentive Program, which offers rebates for businesses who purchase and install water conservation equipment. These programs can help reduce the financial barriers that may prevent individuals from participating in the Program.

### ***City Permit and Inspection Fees***

Several organizations suggest waiving or significantly reduce licensing, permitting and inspection fees in order to reduce financial barriers for social equity applicants, namely the anticipated \$25,000 in commercial cannabis activity fees for new commercial cannabis businesses. These organizations include the Los Angeles Cannabis Task Force, Alameda County Cannabis Equity Coalition, Drug Policy Alliance, and R+HEMP Network (Alameda County Cannabis Equity Coalition 2016; Drug Policy Alliance 2017b; Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017a).

## **Technical**

### ***Businesses***

The EWDD provides various services for businesses in the City, and as previously mentioned, provides information about starting a business on its website (Los Angeles Economic and Workforce Development Department 2017c). This includes links to creating a business plan, registering your business, obtaining permits and licenses, and posting job listings.

The EWDD also directs new business toward free technical assistance services (Los Angeles Economic and Workforce Development Department 2017c). Applicable technical assistance services are provided by the Internal Revenue Service (IRS) Small Business One-Stop Resource Center, U.S. Small Business Administration (SBA) Learning Center, Los Angeles BusinessSource Centers, MBC-LA, California Governor's Office of Economic Development, and SCORE Greater Los Angeles.

The IRS and SBA provide a few information services that are accessible to cannabis businesses. The IRS Small Businesses One-Stop Resource Center provides businesses with information for preparing and filing/paying taxes (Internal Revenue Service 2017). The SBA provides free online courses that cover topics such as



*There are City, State, and Federal resources that provide technical assistance to businesses. These include the EWDD, Internal Revenue Service, U.S. Small Business Administration, and California Governor's Office of Economic Development. Through these organizations, excluding the federal level, cannabis businesses can access one-on-one consulting services, online informational services, and attend workshops and training sessions.*

as financial planning, accounting, contracting, and marketing (U.S. Small Business Administration 2017).

As aforementioned, the EWDD funds 18 BusinessSource Centers across the City that provide new and existing businesses with free services (Los Angeles Economic and Workforce Development Department 2017b). These services include one-on-one consulting with EWDD staff who assist with needs and marketing assessments, business plan development, site location, lease negotiation, and legal considerations. The BusinessSource Centers also provide one-on-one business plan assistance, information regarding local and statewide tax incentives for qualifying small businesses and employee tax hiring credits. Additionally, employee hiring/workforce development, including outplacement services, retention strategies, and organization assessments, are provided. The BusinessSource Centers also provide business courses and workshops. Topics include entrepreneurship, fiscal management, marketing, technical training, e-commerce, green/clean-tech transitions, and accounting.

The MBC-LA provides businesses with access to domestic and global markets, access to capital, strategic business consulting, and developing and maintaining strategic alliances (MBDA Business Center Los Angeles

2017). Services related to access to capital and strategic business consulting are most applicable to this Program. Strategic business consulting involves marketing, financial management, operations and quality management, and general management. Such skills and services would help reduce the barriers to starting a legal cannabis business in the City.

The California Governor's Office of Economic Development provides in-depth online informational resources on starting a business, relocating or expanding a business, international trade and investment, and financial assistance (California Governor's Office of Economic Development 2017a). It also provides financial incentives, such as loans and tax credits, to small businesses (California Governor's Office of Economic Development 2017b). Additionally, it provides individualized services to businesses, including financial and permitting assistance (California Governor's Office of Economic Development 2017c). SCORE Greater Los Angeles provides information online, and workshops that discuss starting a business, forming a business plan, obtaining funding and loans, and obtaining licenses and permits (SCORE Los Angeles 2017).

As discussed above, due to the new nature of the legal cannabis industry, one major gap in existing technical assistance programs are those directly related to conducting cannabis activities. Cannabis cultivation, manufacturing, distribution, and retailing require a substantial set of skills, technical knowledge (e.g., electrical, irrigation, fertilization) and access to materials (e.g., seed stock, clones), market information, and other essential business knowledge. Development of a mentoring program, perhaps independently or through the incubator or industry partner program, would provide social equity applicants and their future employees with the knowledge and skills to cultivate, manufacture, or sell a quality, salable product and operate a successful business. Existing, permitted dispensary/retail operators or general, market-rate applicants for cultivation and manufacturing permits may potentially be conditioned to contribute knowledge to operator/employee training workshops or courses in lieu of contributing directly to being part of an incubator/industry partner pairing with a social equity applicant.

### *Commercial Cannabis Employees*

The cannabis industry requires a variety of employees, including agricultural operators and managers, trimmers and packagers, retail workers, delivery drivers, and testing lab technicians. There are several City programs that provide services to potential employees. The EWDD offers free on-the-job and pre-employment training for potential employees (Los Angeles Economic and Workforce Development Department 2017c). The EWDD BusinessSource Centers provide employee training workshops (Los Angeles Economic and Workforce Development Department 2017b). The California Governor's Office of Economic Development provides funding to employers to help train their employees (California Governor's Office of Economic Development 2017b). Furthermore, the Mayor's Office of Reentry could coordinate with the Department of Cannabis Regulation to assist formerly incarcerated individuals find employment (Mayor's Office of Reentry 2017).



*Mayor Garcetti's Office of Reentry will help formally incarcerated individuals find employment.*



## **Criminal Background**

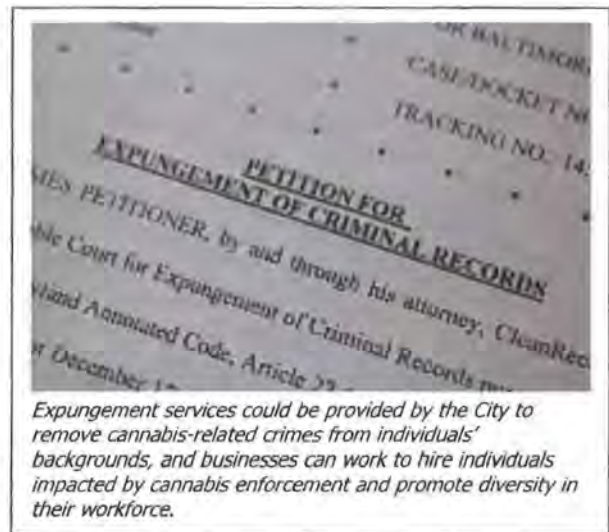
### *Restricted Background Checks*

Currently, California law allows individuals with prior cannabis convictions to participate in the cannabis industry as business owner and employers, with some exception. For example, state regulatory and licensing agencies may deny an applicant who was convicted of fraud, embezzlement, deceit, drug trafficking with enhancements, selling an illegal substance to a minor, and other serious or violent crimes.

Given the history of past cannabis enforcement disparities, the City should move forward with a licensing scheme that is similarly inclusive, and no more restrictive than state licensing and regulatory authorities.

### *Expungement of Past Cannabis Convictions*

Expungement of cannabis-related convictions, namely offenses that are no longer illegal under the revised penal code, lifts certain employment barriers and stigma associated with having a criminal record. The R+HEMP Network and the Los Angeles Cannabis Task Force suggest hosting several events where expungement services are provided (Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017a). It is important to note that though expungement changes the finding of “guilty” to “dismissed” after conviction, it does not erase an individual’s criminal record (Drug Policy Alliance and California NAACP 2010). Thus, an individual convicted of a cannabis-related crime may still face some of the challenges or stigmas of having a criminal record as described in Section 4.1. While the Cannabis Social Equity Program may be able to address the structural barriers to disproportionately impacted individuals with expungable criminal records, and despite the evolution of cannabis policy, it may take time for the newly legal cannabis industry and its participants to become recognized as socially acceptable and for entrenched stigmas related to prior convictions to no longer hinder these individuals’ lives.



### *Employment Opportunities*

Employment standards and living wages can help ensure that community members affected by cannabis enforcement have an opportunity to participate in the cannabis industry. Many organizations support standards for employment, which include hiring and training people who were previously convicted of a cannabis-related crime. These include the R+HEMP Network, Los Angeles Cannabis Task Force, California Minority Alliance, and Drug Policy Alliance (California Minority Alliance 2017; Drug Policy Alliance 2017b; Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017b). Such employment could be required or businesses given a tax credit for meeting employment standards. For example, the California Minority Alliance suggests that incentives should be provided to cannabis businesses if 35% of their workforce, within 2 years of starting business, consists of individuals who are at high risk of unemployment (California Minority Alliance 2017). Some of the characteristics defined for individuals at high risk of unemployment are outside of this Program’s goals, but some of the characteristics relevant to this Program include having a low income and previously being arrested and convicted of a cannabis-related crime.

The Los Angeles Cannabis Task Force suggests that 51% of a cannabis business' workforce should consist of transitional workers, which it defines as individuals that have had prior arrest and conviction for a misdemeanor or felony, among other characteristics (Los Angeles Cannabis Task Force Social Equity Committee 2017). Many of these other characteristics are outside of the goal of the Program, but some include symptoms of having a very low income, such as being homeless or being unemployed. Additionally, the Pennsylvania Department of Health and Los Angeles Cannabis Task Force support promoting diversity plans, which ensure the employment of women and veterans, as well as individuals with disabilities and individuals with diverse racial, ethnic, and cultural backgrounds (Los Angeles Cannabis Task Force Social Equity Committee 2017; Pennsylvania Department of Health 2017).

Opportunities also exist to assist individuals reentering the workforce after being convicted of a cannabis-related crime. Several advocacy groups in the City are focused on reintegrating citizens into society through employment specifically in the cannabis industry. The Los Angeles Cannabis Task Force and R+HEMP suggest that job fairs and networking events could be hosted by the City in communities that were disproportionately affected by cannabis enforcement (Los Angeles Cannabis Task Force Social Equity Committee 2017; R+HEMP Network 2017a). This would enable individuals from these impacted communities to learn about the employment opportunities that exist, determine which job positions fit best with their needs and desires, and increase their chance of being hired through networking with industry professionals in person.

## **Licensing Structure**

### *Streamlining Discretionary Permits*

By adopting a suite of development standards, the Cannabis Commission may reduce the cost and time required of applicants to join the commercial cannabis industry. Additionally, deferring a limited number of social equity applications from the Commission to a Director-level decision, as proposed for all non-retail commercial cannabis permits under 30,000 square feet in the draft regulations, would potentially remove time and cost of the application process by hearing only cases that would be considered exempt from CEQA and omitting the requirement for a public hearing. Specific streamlining efforts are discussed further below in Section 6.0 – Recommendations for the Cannabis Social Equity Program.

## **Community Reinvestment**

Not every individual that was affected by cannabis law enforcement will participate in the cannabis industry. A community reinvestment program could help holistically redress and serve communities that were disproportionately affected by cannabis law enforcement through provision of funding to programs or non-profits dedicated to community improvement. Reinvestments could be made towards community beautification, youth, education, housing, employment, re-entry and other social services. For example, resources could be provided for cannabis education, treatment, intervention and prevention, as well as anti-drugged driving and anti-irresponsible consumption campaigns. The Los Angeles Cannabis Task force suggests that resources could be provided for legal services, youth extracurricular education, civic engagement, mental health services, and voter registration (Los Angeles Cannabis Task Force Social Equity Committee 2017). The California Minority Alliance suggests using funds for community beautification projects, schools, public parks, public libraries, alcoholism or drug abuse recovery or treatment facilities, and neighborhood council projects (California Minority Alliance 2017). In addition to these organizations, the Drug Policy

Alliance, The Hood Incubator, and The Institute of the Black World support community reinvestment programs (Drug Policy Alliance 2017b; Hutchinson, E.O. 2016; The Hood Incubator 2017a).

### 4.3 Existing Cannabis Social Equity Programs

Local governments striving to improve their communities often actively promote of social equity as an approach to ensuring community sustainability. Examples of local government social equity programs include supporting affordable housing as a policy priority, provision of access to information technology for persons without internet connection, after-school programs for children, transportation programs targeted specifically to assist low-income residents, or energy reduction programs targeted specifically to assist low-income persons. In the City, an example of a social equity program described above includes the Minority Business Development Agency. However, research revealed that only one cannabis-specific social equity program currently exists to date, in the City of Oakland (Oakland).

Oakland established a cannabis social equity program in late May 2017. The goal of Oakland’s program is to “promote equitable ownership and employment opportunities in the cannabis industry to decrease disparities in life outcomes for marginalized communities of color and address the disproportionate impacts of the war on drugs in those communities.”

This section describes the structure of Oakland’s cannabis social equity program, how the program seeks to address barriers for equity applicants, as well as identify the program’s successes and areas where improvement is needed. The lessons learned from Oakland’s program will help inform the policy recommendations for the City. Information for this review and analysis was gathered through review of the City’s Equity Program, and City Council record, as well as interviews with Greg Minor, Special Assistant to the City Administrator.

#### Equity Applicant Definition and Eligibility Requirements

The first step in creating Oakland’s cannabis social equity program was to determine who could apply for a cannabis permit as an equity applicant. During the program development process, identified issues included whether to focus on arrest, conviction, or incarceration data, as well as whether to include arrests that occurred outside of Oakland. Oakland decided to focus on arrest and conviction in Oakland, as the goal of its program was to help individuals who were impacted within Oakland. To ensure that marginalized communities and those impacted by the cannabis law enforcement could participate, Oakland decided to create two means by which an individual could be considered an equity applicant.

**Social Equity Applicant Definition:** A social equity applicant in Oakland is defined as an applicant entity whose owner meets the following criteria:

1. Earns less than 80% of Oakland’s average median income AND has lived in select police beats for 10 of the last 20 years, or
2. Has been arrested in Oakland and convicted for a cannabis crime.



Additional key elements and definitions of Oakland’s cannabis social equity program include:

- **Cannabis Business Owner:** The program defines a cannabis business “owner” as someone who is the majority of the board of directors or a person who possesses a majority ownership interest.
- **Police Beats:** Police beats that were subject to a disproportionate number of cannabis arrests were selected for the program. The police beats were selected using 20 years of police data.
- **Residency Requirements:** There is no residency requirement for general applicants.
- **Employment Requirements:** Half of dispensary staff must be Oakland residents. Furthermore, half of the Oakland residents hired must be from areas with high unemployment or low household incomes.

The purpose of defining cannabis business owners is to ensure that an equity program applicant receives the program’s benefits. Sham equity applicants who partner with an equity member who has little ownership interest will not be able to benefit from the program.

The residency requirement has been the most contested aspect of Oakland’s program. The long residency requirement was intended to prevent new cannabis business who have contributed to gentrification from receiving the benefits of the program (Senter, A., Parks, N., Lencho, T., and Zavell, A. 2016). The public raised concerns that they will not be able to participate in the program if they meet the low income requirement and have lived their entire lives in Oakland but not in one of the select police beats, have lived in the selected police beats but not long enough, and most notably, that many have been forced to move out of these police beats or the city due to gentrification (Dersham, D. 2017). However, the program was enacted with these restrictions.

A residency requirement for general applicants was considered but repealed due to legal concerns (Dersham, D. 2017). The Privileges and Immunities Clause as well as the Dormant Commerce Clause of the United States Constitution prohibit states from discriminating against residents from other states without “substantial reason.” Furthermore, MAUCRSA does not require local government approval before a state license is issued and allows for local governments to enact their own regulations if they do not conflict with State law. Thus, it was uncertain how a business with a state license would obtain a license from Oakland.

## **Phased Licensing**

Licensing under Oakland’s cannabis social equity program is phased. In Phase I, the number of general permits cannot exceed the number of permits given to equity applicants. In Phase II, permitting is unrestricted. This phase will begin after Oakland’s Equity Assistance Program (discussed below) is fully established and funded. Oakland is currently in Phase I of their licensing program. Their permits are ministerial to avoid the discretionary decision-making that may act as barrier for equity applicants. As a form of financial assistance, application fees are waived for equity applicants. The application fee for general applicants is about \$3,000.



## **Criminal Record**

Under Oakland's cannabis social equity program, when background checks are performed, prior conviction for cannabis-related activities would not make an applicant ineligible to participate in the program. However, if an applicant is currently on probation for a cannabis-related conviction, they would not be able to participate in the program. Furthermore, applicants that have been convicted or pleaded nolo contendere or guilty to a violent offense or crime of fraud or deceit are not able to participate in the program.

## **Incubator Program**

Oakland city staff have found that the largest barrier for equity applicants to join was the lack of capital to rent space. To address this, Oakland designed an incubator program, which is due to commence once sufficient social equity candidates have applied for inclusion in the program. The idea of creating the program came from edible manufacturers in Los Angeles who were interested in starting a business in Oakland. Under the incubator program, a general applicant provides 1,000 square feet (sf) of space for free to an equity applicant for 3 years, provides all security, and pays utilities and the costs of all permits. General applicants have an incentive as they will receive the next available general permit if they participate.

One concern Oakland had when creating the program were sham incubators. Though Oakland acknowledges that 1,000 sf may be too small for some businesses and too large for others, a minimum size had to be selected to ensure that equity applicants receive adequate space. To further ensure that the incubator partnership was legitimate, Oakland stated that a general applicant must notify the City within 30 days if the equity applicant's business fails, otherwise the general applicant's permit would be revoked.

The incubator program has a few additional benefits. The Division of Special Business Permits and Activities gives applicants a checklist of all the departments whose approval must be gained, and who to contact from those departments. Nevertheless, navigating these requirements can still be a daunting task for new business owners. One benefit of the incubator program is that equity applicants would not have to ensure their business meets City requirements themselves. Instead, the general applicant would ensure that the building is up to code and that all applicable permits have been acquired.

Another benefit of the incubator program is that it can be started in the absence of City funding. Currently, Oakland may have to wait up to a year before it can collect the \$3.4 million it needs to start the Equity Assistance Program. Because the incubator program does not require the City to invest its funds, social equity applicants can be part of the cannabis industry from the time cannabis licensing begins.

A City Council member in Oakland is considering providing City property for the incubator program, but providing this land would prove to be difficult. Much of this public land is already needed for affordable housing and other programs. Thus, the success of an incubator program would be dependent upon incentivizing general applicants to provide space rent-free to equity applicants.



*Oakland's cannabis social equity program includes a business incubator program. Licenses are given to 1 social equity applicant for every 1 general applicant. To receive the next available license, general applicants can provide 1,000 square feet of space for free to a social equity applicant for 3 years.*

## Equity Assistance Program

Implementation of Oakland's Equity Assistance Program will occur after Phase I. Under the program, equity applicants can receive no-interest startup loans and a technical assistance package. Equity applicants can receive assistance with preparing a business plan and interfacing with the City's regulatory requirements. In this way, the program addresses both technical and financial barriers (see Section 4.1, Barriers to Entry). Oakland will need to make a \$3 million one-time investment to establish the loan program, and \$400,000 up front for a third-party consultant to provide equity applicants with business assistance. For each subsequent year, the program will cost \$200,000. To fund the program, Oakland will need a year to collect the necessary \$3.4 million in taxes on the gross receipts of new cannabis businesses (taxes are 5% for medical and 10% for non-medical). Thus, the Equity Assistance Program is scheduled to begin in May 2018.

## Public Outreach

Oakland's goal is to connect property-seeking equity applicants with general applicants. Oakland has a listserv of those who are interested in the cannabis industry, and sends an email when events are hosted. Thus far, Oakland has had 2 in-person networking events. About 500 people came to each event. Though interested in the incubator program, existing cannabis entrepreneurs who attended did not want to make a business decision based on one meeting. Nevertheless, Oakland's application includes a section for general applicants to state that they are willing to be an incubator, and general applicants have expressed their interest in being an incubator. Oakland is currently determining how to connect equity applicants with interested general applicants.

Additional outreach is done through grassroots organizing by other Council members and non-profit organizations. One such organization is The Hood Incubator, a cannabis industry incubator designed to help cannabis entrepreneurs of color (Abello, O.P. 2017). Oakland is also seeking third party consultants to help them expand their outreach.



The Hood Incubator, a cannabis industry incubator designed to help cannabis entrepreneurs of color, has been actively soliciting comments from individuals interested in participating in the legal cannabis industry. Public comments supplied to the Hood Incubator regarding Oakland's cannabis social equity program include:

- Residency requirement which excludes individuals displaced by gentrification
- Incubator program which has not incentivized enough general applicants to participate
- Lack of a community reinvestment program
- Delayed start of the businesses loan program
- Lack of targeted outreach

## Analysis and Discussion of Oakland's Social Equity Program

There are several promising aspects of Oakland's program. The structure of Oakland's program ensures that equity is incorporated from the start. In Phase I of licensing, there cannot be more general permits than equity permits. Additionally, unrestricted licensing does not occur until the Equity Assistance Program has the funding it needs to be implemented. Thus, equity applicants have a chance to start their businesses before the legal market is saturated by existing businesses erecting further barriers to entry to the industry as discussed above.

The incubator program is promising as it removes the largest barrier for equity applicants—access to real estate, as well as barriers associated with permit process complexity, cost and time obtaining required permits,

and providing financial assistance to equity applicants through addressing security and utility costs. It can also be implemented before funding is acquired for the program. However, its success is dependent on the willingness of general and equity applicants to participate. Oakland incentivizes general applicants to participate by creating a bottleneck in the number of general applicants that can receive permits in Phase I. As of August 2017, approximately 60% of applications were received from general applicants and 40% equity applicants. However, approximately 93% of social equity applicants indicated that they did not have property, but not enough general applicants indicated that they were interested in incubating. Thus, more incubators are needed to assist social equity applicants. The Hood Incubator suggests that businesses are averse to the risk of partnering with a business they know little about solely to obtain a license (The Hood Incubator 2017b). They suggest offering tax breaks for general applicants for as long as they incubate an equity applicant. Expanding the definition of an incubator could also help increase general applicant participation in the program. The Hood Incubator suggests allowing incubators to provide start-up capital loans, raw materials, or provide technical and professional services for equity applicants instead (The Hood Incubator 2017c). This would assist equity applicants cover start-up costs in the absence of the Equity Assistance Program. Furthermore, the Hood Incubator suggests providing eligible City-owned property that equity applicants could lease or purchase (The Hood Incubator 2017a, 2017b).

Another promising aspect of the Oakland program is that a quarter of employees must be Oakland residents who live in census tracts that have high unemployment rates or low household income. This helps ensure that there is equitable participation in the cannabis industry.

The Equity Assistance Program and permit fee waiver help remove financial and technical barriers, and are promising aspects of the Oakland's program. However, the Equity Assistance Program cannot be implemented for a year after program implementation. Thus, many equity applicants will not have access to the technical assistance they need to start their business. The Hood Incubator notes that the City providing initial funding to jumpstart the loan program would also help avoid waiting for general applicants to willingly act as incubators (The Hood Incubator 2017b).

The residency requirement for equity applicants and their employees is another potential concern of Oakland's program; specifically, that residents of the selected police beats may have been displaced due to gentrification (Fox, H. 2017; L. Valencia, B.A. Arch, M.C. P 2017). Thus, the program may not appropriately capture a segment of the population it wishes to target. To address this issue, residency requirements would need to be shortened or removed. The Hood Incubator suggests changing the definition of an equity applicant to the following:

1. Income of 80% or less of Oakland's average median income AND convicted of a cannabis crime without regards to when or where OR;
2. Convicted outside of Oakland AND has been a resident of Oakland for a combination of 5 years over the last 10 years (The Hood Incubator 2017c).

Furthermore, Oakland's current program does not include a community reinvestment program. The Hood Incubator notes that not everyone in the communities selected for the program will want to participate in the cannabis industry (The Hood Incubator 2017a). Nonetheless, they were affected by cannabis enforcement. The Hood Incubator suggests that a portion of cannabis tax revenue be set aside for these communities to address their needs. A citizen oversight committee would determine how these funds are allocated.

Additionally, public awareness is necessary for the social equity program's success. Potential equity applicants need to be aware of the program and its benefits for it to succeed. However, Oakland is in the initial stages of outreach to potential equity applicants and has held 2 meetings attended by 500 people each. Additionally,

Oakland has not yet connected general applicants with property-seeking equity applicants for its incubator program. To ensure the program's success, public outreach would need to be expanded to target equity applicants and general applicants interested in the incubator program. The Hood Incubator notes that City Hall and downtown events are not designed for targeted communities, and suggests having City sponsored neighborhood town halls in targeted communities (The Hood Incubator 2017b). They suggest that Council members should reach out to their respective neighborhood organizations to identify a neighborhood outreach leader. They emphasize that grassroots outreach would be the best approach to public outreach for the social equity program.

## 5.0 PUBLIC WORKSHOP

A public workshop hosted by the City was held on Saturday September 30, 2017 from 1:00PM to 4:00PM at the Watts Labor Community Action Committee's Center at Phoenix Hall (10950 South Central Ave., Los Angeles, CA 90059). The intent of the workshop was to provide information about the City's proposed Cannabis Regulations Ordinance and draft Cannabis Social Equity Program, as well as to solicit public comment on the draft Cannabis Social Equity Program. Approximately 600 individuals attended the workshop.

Cat Packer, Executive Director of the City's Department of Cannabis Regulation, introduced the workshop and speakers. Council President Herb J. Wesson, Jr., Council Member Marqueece Harris-Dawson, and Council Member Curren D. Price, Jr. spoke at the event, indicating their united support for the formation of a Cannabis Social Equity Program. Cat Packer provided an overview of cannabis regulation and licensing. Darlene Flynn, Director of the Department of Race and Equality for the City of Oakland, provided a framework for cannabis social equity and described Oakland's cannabis social equity program. The City's draft Cannabis Social Equity Program was presented by the Amec Foster Wheeler consultant team. The public was provided with time for oral testimony, and was also given the opportunity to provide written comments on comment cards and to complete an anonymous survey to gather information about the backgrounds of those interested in the Program and to better understand their needs. These comments were incorporated into the final Program recommendations provided to the City.



*The public workshop was led by Cat Packer, Executive Director of the City's Department of Cannabis Regulation. Council President Herb J. Wesson, Jr., Council Member Marqueece Harris-Dawson, Council Member Curren D. Price, Jr., and Darlene Flynn, Director of the Department of Race and Equality for the City of Oakland, spoke at the event.*

### 5.1 Spoken Comments

Thirty individuals provided oral testimony and comments given the time constraints. Individuals who were unable to speak were encouraged to leave a written comment.



## **Draft Program Components**

This subsection summarizes spoken comments regarding the draft Cannabis Social Equity Program components presented at the public workshop. Individuals who provided spoken comments expressed the importance of receiving technical assistance in order to be in compliance with City regulatory requirements, diversity, community reinvestment, and priority ranking in licensing. Mixed opinions were expressed regarding the ownership requirement. Many individuals discussed the impacts of cannabis enforcement. Several directly stated their support of the Program. Other individuals offered to provide various forms of support to the Social Equity Program and its applicants.

### ***Technical Assistance***

Complying with City regulatory requirements was one of the main concerns of individuals who spoke. Four individuals indicated that technical assistance is needed to help ensure compliance with City regulations. One individual noted that compliance will be ornery, and expressed concern that the cost of compliance would be a barrier to participating in the legal industry. Another individual desired access to training and partnerships that would help expand opportunities for equity businesses.

### ***Community Reinvestment***

Community reinvestment was another component community members felt was important. Four individuals described the need for community reinvestment. One individual indicated the need for responsible use education, and another indicated the need for music in schools. One individual noted that educating children is important, and asked what percentage of cannabis tax revenue would fund education.

### ***Priority Licensing***

Two individuals indicated that social equity applicants should be given priority licensing. One individual stated that social equity applicants should receive licenses at the same time as Proposition M applicants. The other individual desired that 30% of all licenses be given to social equity applicants, and that 75% of licenses given in Window 1 be issued to social equity applicants in order to ensure social equity applicants are competitive in the industry.

### ***Financial Assistance & Access to Real Estate***

Two individuals noted that access to capital and access to real estate are the largest barriers to participating in the industry. Three individuals described the challenge of finding and paying for real estate before a license is issued. One individual suggested that social equity applicants should be allowed to submit an application and obtain an interim license while they find real estate. Another applicant noted the issue of competition for real estate, and desired that the City set aside land for equity applicants at the beginning of the Program.

There were comments related to financial assistance. One individual desired tax collection to be reduced for the first 18-24 months after an equity business



*Thirty members of the public provided spoken comments at the public workshop regarding the proposed program components. These individuals expressed the importance of receiving technical assistance in order to achieve compliance with City regulatory requirements, diversity, community reinvestment, and priority ranking in licensing. Mixed opinions were expressed regarding the ownership requirement.*

begins operating. This individual also desired application fees to be reduced.

There were also comments related to access to capital. One individual desired the creation of a City bank. Another thought access to a low (or no) interest loan program would be helpful, and that financial incentives should be provided to financial investors.

### ***Incubator Program***

Three individuals indicated their willingness to participate in the proposed incubator program. One level 1 manufacturer indicated his interest.

### ***Ownership & Income Requirements***

Several individuals commented on the ownership requirement. Two individuals, including one lawyer, desired the ownership requirement to be relaxed. It was described that the ownership requirement should be tiered with the bottom tier being 33% ownership and the top tier being 51% ownership. However, one individual emphasized the need to ensure that the ownership requirement remain at 51%.

With regards to the income requirement, one individual was concerned that individuals who were previously low income and are now just above the low-income threshold would not be able to participate in the Program.

### ***Criminal Record Eligibility, Expungement, & Police Enforcement***

Three individuals expressed a desire for expungement clinics. One individual requested that the City attorney expunge records as quickly as possible so that equity applicants can participate in the industry from the start. Another individual was concerned that many individuals have a record of cannabis trafficking with enhancements and would be excluded from the Program. One individual expressed concern about the potential of being raided by police despite compliance. This individual desired the City to train LAPD officers to ensure they are up to date with new cannabis regulations and committed to equitable enforcement moving forward.

**Spoken Comments**

- Many individuals shared their stories about how cannabis enforcement impacted their lives, and described the disparate cannabis enforcement practices they experienced.
- A few comments related to areas eligible for cannabis activities and licensing in the City were received.

### ***Employment***

Several individuals discussed employment. One individual stated that employees should be paid a living wage. Another desired a workforce development program. One individual expanded upon this to say that there should be apprenticeship and certification programs. This individual also wanted locals and transitional workers to be hired in the industry. Two individuals discussed employment discrimination in the industry and desired the cannabis industry to have a more diverse workforce.

### ***Diversity***

Several individuals expressed that the benefits of the Program should incorporate diversity in addition to those impacted by cannabis enforcement. Two individuals wanted women, especially women of color, to be included in the definition of a social equity applicant. One individual wanted Latinos and members of the LGBTQ+ community to be included in the definition of a social equity applicant. Another individual wanted individuals with disabilities to be included in the definition of a social equity applicant. Cat Packer addressed these comments by stating that diversity and social equity are not the same, and that the goal of the Program is to serve individuals from lower income communities who were disproportionately impacted by cannabis enforcement.

### *Areas of Eligibility*

There were two comments related to the areas eligible for the Program. One individual wanted to know if Venice would be part of the Program. Another individual thought that equity businesses would be confined to the eligible areas under the Program. Cat Packer clarified that this was not the case. Individuals would be able to locate their businesses anywhere in the City where it is permitted under cannabis zoning regulations.

### *Department of Cannabis Regulation Staff*

One individual stated that Cat Packer should be given an assistant.

### **Cannabis Regulation**

There were two comments related to the proposed Cannabis Regulations Ordinance. A level 1 manufacturer wanted to know where he could locate his businesses. Another individual noted that 90% of the district where he lives is within a buffer zone. He was concerned about how to find property to start a cannabis business when travelling outside his district for work would not be feasible.

### **Disparities**

Many individuals shared their stories about how cannabis enforcement impacted their lives, and described the disparate cannabis enforcement practices they experienced.

## **5.2 Written Comments**

The public was given the opportunity to provide written comments. Sixty-one individuals provided written comments. Many individuals gave their thanks for the public workshop and support for the cannabis social equity program. Additionally, many individuals wished to receive updates about the Program and that requested that there be more public workshops.

### **Draft Program Components**

This subsection summarizes written comments regarding the draft Program components presented at the public workshop. Individuals who provided written comments expressed the importance of receiving technical and financial assistance, diversity, community reinvestment, and priority ranking in licensing. Concerns were expressed about the role of the LAPD in licensing and enforcement. Mixed opinions were expressed regarding the ownership and residency requirements. Many individuals offered to provide financial and technical assistance to social equity applicants.

### ***Technical Assistance***

Four individuals indicated a need for technical assistance. These individuals would like information on how to apply for a license,



*Sixty members of the public provided written comments regarding the proposed Program components at the public workshop. Individuals expressed the importance of receiving technical and financial assistance, diversity, community reinvestment, and priority ranking in licensing. Mixed opinions were expressed regarding the ownership and residency requirements.*

how to open a businesses and find a suitable location, and how to ensure compliance with City regulations. Another individual desired business development and job training.

***Community Reinvestment***

Six individuals provided comments on community reinvestment. Two individuals inquired about how much money would be allocated to community reinvestment. Two individuals desired that the money be put toward educating the community about the medicinal, social, and economic benefits of cannabis in order to reduce social stigma surrounding the industry. Two individuals desired a responsible use program in schools that focuses on educating youth about the impact of cannabis on physical development. One individual expressed a desire to use the money to take care of the homeless, trim trees, and repair sidewalks.

***Licensing & Eligibility***

Several individuals desired that residents who were most affected by cannabis enforcement be given priority to ensure they were represented in the legal cannabis industry. Individuals also expressed concern about not being able to continue operating during the application process, which would hinder their ability to compete in the legal cannabis industry. One individual expressed an interest in learning more about how to be eligible under Tier 4 as Program community partner. Another individual desired consumers and patients to be included in the definition of a social equity applicant.

***Financial Assistance***

Two individuals indicated that access to capital is critical to ensuring that equity businesses are able participate in the legal cannabis industry. Three individuals noted that the large permitting and inspection fees would prevent equity applicants from entering the industry, and requested that these fees be waived or reduced.

***Incubator Program***

Ten individuals expressed interest in providing space or technical assistance to equity applicants through the incubator program.

***Ownership Requirement***

Two individuals expressed a desire to make the ownership requirement more flexible. However, three individuals emphasized the importance of maintaining the requirement at 51% ownership.

***Residency Requirement***

Two individuals expressed concern about the residency requirement due to gentrification. Their concern was that individuals who have been displaced would not be eligible for the Program, and individuals who recently moved into the area would be eligible. One individual provided support for the 5-year residency requirement. Another individual suggested an age consideration for applicants to ensure that young entrepreneurs could participate in the Program.

***Police Involvement & Enforcement***

Individuals desired that the LAPD's role in the licensing and enforcement process be deemphasized. Individuals also desired that LAPD officers be kept informed about current cannabis regulations to ensure that individuals in compliance are not impacted by cannabis enforcement.

**Written Comments**

- Individuals described the impact of cannabis enforcement on their lives and on the lives of youth.
- Concerns were expressed about the role of the LAPD in licensing and enforcement.
- Many comments related to cannabis zoning and licensing in the City were received.

### *Employment*

An individual supported the inclusion of transitional workers as part of the workforce requirement.

### *Diversity*

Four individuals expressed a desire to expand the definition of social equity applicant to include women, veterans, people of color and Latinos in particular.

### *Areas of Eligibility*

One individual inquired as to why Venice is not eligible for the Program. Another individual desired population size to be accounted for in identifying police reporting districts that were subject to disproportionate cannabis enforcement.

## **Cannabis Regulation**

Ten individuals provided comments related to the proposed Commercial Cannabis Activity Regulation Ordinance, and other local and State cannabis regulations. One individual noted that cottage-level licenses are necessary to ensure social equity in the legal cannabis industry. Another individual described the importance of issuing on-site consumption licenses. Three individuals expressed concern about the impacts of cannabis activities on sensitive uses, such as churches and schools. Two individuals expressed a desire to allow Neighborhood Councils to make changes to cannabis regulations. One individual desired leniency with property restrictions.

Three individuals had general questions regarding cannabis regulations. These included how many licenses would be given to each cannabis activity type, if an individual could obtain licenses for multiple cannabis activity types, if a workers permit would be required, and if an individual could obtain a license if they have a felony on their criminal record. Another individual inquired about what affect the State's decision to not issue medical licenses would have at a local level.

## **Disparities**

Individuals described the impact of cannabis enforcement on their lives. A few individuals discussed the impact of cannabis enforcement on youth.

## **5.3 Survey**

The survey was designed in order to gather background information about the individuals interested in the Program, and to better understand which types of assistance would be most helpful in reducing barriers to entry for the legal cannabis industry.

**Program Components Ranked Most Helpful**

1. Zero/low interest start up loan
2. Workforce requirement
3. Assistance with City/State law compliance

### **Types of Assistance Desired**

Approximately 50 individual responses were gathered for this portion of the survey. The types of assistance provided by the draft Program were ranked from most helpful to least helpful, with 1 being the most helpful and 10 being the least helpful. These are as follows:

1. Zero or low interest start up loans
2. Workforce requirement having a diverse workforce & hiring individuals affected by cannabis enforcement
3. Compliance with City/State laws
4. Community reinvestment through cannabis education, treatment, intervention & prevention programs
5. Waived license & inspection fees
6. Expungement of cannabis crimes
7. Preparing license applications
8. Free rental space for 3 years provided by established cannabis businesses/incubators
9. Preparation of business plans
10. Job training for potential cannabis industry employees

### **Participation in Industry**

Individuals were asked if they are part of the existing cannabis industry. Of the 72 respondents, approximately 49% of individuals are part of the existing industry, and 7% of individuals were part of the cannabis industry but are no longer active. These individuals were no longer active due to cannabis arrest, the potential for cannabis arrest, issues with ensuring compliance with City regulations, and inability to compete in the market due to lack of funding.

Individuals were then asked what types of cannabis activities they engage in/want to engage in. There were 64 individuals who responded to this portion of the survey. There were a total of 117 responses as many individuals selected 2-3 types of activities they were interested in. The percentage of responses for each type of activity were similar across all activity types. However, the number of individuals interested in testing was considerably lower. The greatest number of people were interested in cultivation (23%) followed by distribution (20.5%), retail (17.9%), manufacturing (17.1%), other (14.5%), and testing (6.8%). Other activities individuals were interested in included security business, cannabis TV channel, accessories/ancillary business, and tourism.



*Seventy individuals completed the anonymous survey at the workshop. Approximately half were part of the existing cannabis industry. The majority of individuals were interested in participating in cultivation, followed by distribution, retail, and manufacturing.*

### **Impact of Cannabis Enforcement**

Individuals were given the opportunity to describe how cannabis enforcement has impacted them and their families. Their stories highlight the impacts of enforcement on the financial life outcomes of individuals, discriminatory enforcement practices, the inability to open a bank account to protect their profits and report

theft when it occurs, the social stigma surrounding participation in the cannabis industry, and how cannabis enforcement has divided families and led to the loss of loved ones.

Individuals were then asked whether they or an immediate family member has been arrested and/or convicted of a cannabis-related crime. Of the 72 respondents, approximately 20% have been arrested for a cannabis-related crime, and approximately 15% have been convicted for a cannabis-related crime. Approximately 43% have had an immediate family member arrested for a cannabis-related crime, and approximately 35% have had an immediate family member convicted of a cannabis-related crime.

### **Demographics**

Individuals were asked about the number of people in their household and their annual household income. Based on the 37 individuals who responded to this portion of the survey, the average annual household income was \$72,378.38 and the average number of people in a household was 2.24 people.

Individuals were then asked to provide information about their race/ethnicity. There were 69 individuals who responded to this portion of the survey. Some individuals indicated multiple races/ethnicities. Thus, the total number of responses was 73. The majority of respondents indicated that they were Black/African American (45.2%), followed by Hispanic/Latino (16.4%), White not Hispanic or Latino (15.1%), other (8.2%), two or more races (5.5%), American Indian/Alaska Native (4.1%), did not wish to identify (4.1%), and Asian (1.4%). Individuals who selected other identified as Armenian, Persian, European American, and Moor.

## **6.0 RECOMMENDATIONS FOR THE CANNABIS SOCIAL EQUITY PROGRAM**

Recommendations for the Cannabis Social Equity Program are intended to remove barriers and increase opportunities for members of disproportionately affected communities to enter the commercial cannabis industry. Selection and approval of these recommendations is subject to the discretion of the City Council. If approved, implementation and adaptation of approved Social Equity Program components would be under the direction of the Executive Director of the Department of Cannabis Regulations. All Program components must maintain consistency with the City's Commercial Cannabis Regulations Ordinance and all other applicable City and State laws.

## 6.1 Licensing Structure

### Streamlining Development Permitting

This recommendation applies to Proposition M Priority Processing applicants, general applicants, and social equity program applicants. The current proposed Commercial Cannabis Regulation Ordinance requires that approval of a commercial cannabis permit be a discretionary action by the Department of Cannabis Regulation or the Cannabis Regulation Commission. However, public hearings for permit applications will only be required for retail licenses and non-retail licenses greater than 30,000 square feet in area. All other permit approvals would be authorized by the Director of the Cannabis Department and added to the agenda of the subsequent Cannabis Regulation Commission meeting for full approval without a public hearing. In order to simplify and streamline permitting and focus discretionary review, the complexities of conditions imposed on cannabis licenses should be simplified by adopting a set of clear and standardized development standards that can be tailored to individual licenses. These could build upon existing standard conditions of approval or mitigation measures employed by the planning department, public works and other city agencies. By adopting a suite of development standards, the Cannabis Commission may reduce the cost and time required of applicants to join the commercial cannabis industry. Department of Cannabis Regulation staff should work with staff from the Department of City Planning and relevant City agencies to create these development standards at the earliest possible time. Coordination should also occur with State agencies, such as the Regional Water Quality Control Board or other relevant State agencies to address agency concerns to the extent feasible and minimize the burden and overlap associated with State regulations and conditions. Example development standards would include:

#### Licensing Recommendations

- Limit discretionary review through streamlined development standards
- Limit number of licenses per business
- Issue provisional licenses to compliant businesses

- Limited square footage dependent upon proposed commercial cannabis use
- Standards for lighting and security plans
- Standards for irrigation, water usage and runoff control
- Standards for ventilation and odor control
- Clear exterior signage standards
- Standards for protection of historic structures - no allowance for exterior alterations or interior character alterations to potentially historic structures
- Compliance with standard conditions of permit approval including, but not limited to
  - Complete submittal of relevant State plan requirements including Cultivation and Manufacturing Plans
  - Limited hours of operation as specified by City ordinance when adopted
  - Limited numbers of employees permitted to be on-site at any given time

### Individual Business License Limit

In order to limit monopolization, the Program should include a limit on the number a licenses a single cannabis business can have. The City should determine the appropriate license limit, though it is recommended that businesses should be allowed to obtain multiple licenses. Proposition D applicants, general applicants, and



social equity applicants should all be subject to the same license limits. Licenses should be monitored and tracked by the Department of Cannabis Regulation to ensure that businesses do not exceed license limits.

### **Provisional Licensing**

In order to ensure equitable participation by social equity applicants, temporary/conditional approval of licenses should be provided to those equity applicants who do not yet have real estate. In addition, existing cannabis businesses that are not eligible for Proposition M Priority Processing, including cultivators and manufacturers, should be given some form of provisional license or limited immunity that provides either authorization or limited protection from local enforcement. This provisional license or limited immunity should be limited to businesses that both offer qualifying support to the Social Equity Program and demonstrate compliance with the proposed Commercial Cannabis Activity Regulation Ordinance and Commercial Cannabis Activity Location Restriction Ordinances. This would reduce the risk of closure due to cannabis enforcement during the period of time these businesses are waiting for their application to be processed, inspections to be completed, and their license to be issued. As part of the permit process to convert the provisional permits to full permits issued by the Department of Cannabis Regulation, these businesses should participate in the Cannabis Social Equity Program as an incubator partner, business mentor/trainer, or financial contributor supporting the Program or an enhanced community benefit agreement. This would maintain the cannabis supply chain to Proposition M Priority Processing eligible retailers while implementing the Program as quickly as possible, and in turn, prevent widening equity gaps that would potentially result from allowing nonconforming businesses that have avoided enforcement to unimpeded continuous operations.

### **Equity Applicant Participation Ratio**

The current revised draft requirements for commercial cannabis activity as of September 22, 2017, include two permit processing windows for applicants: Proposition M Priority Processing (Window 1) and concurrent Social Equity Program Processing and General Processing (Window 2). To ensure equitable participation in the cannabis industry, after the processing of

#### **Equity Participation Ratio**

One (1) equity applicant to every  
One (1) general applicant starting in  
Window 2

Proposition M eligible applicants and any other processing and provisional licensing structure supporting equity, licenses should be given to one (1) social equity applicant for every one (1) general applicant. Thus, social equity applicants would comprise of half of the licenses given once the social equity program and general processing began and would continue in this manner for the life of the Program.

## **6.2 Social Equity Program Staffing and Support**

To be effective, the City's Cannabis Social Equity Program will require a mix of "in house" City staff resources supported by consultants as needed. The exact balance between use of existing City staff, new positions created for this Program, and outside consultants is a City policy decision. Use of existing City staff or new hires has the advantage of using in house employees who are familiar with City organization, key contacts, processes, and are dedicated to Program success. However, use of City staff, particularly new hires, represents a long-term financial commitment by the City as opposed to the short-term financial commitment of hiring outside consultants. Cannabis tax revenues are the presumed source of funding for staff and consultants.

However, it is currently not clear what the long-term workload of all staff would be after an initial 1- to 3-year rush setting up the Program, what the long-term cannabis tax revenue would be for the City, and what would be the other potential demands on commercial cannabis activity tax revenue.

The City and Department of Cannabis Regulation faces a challenge in accommodating a surge in anticipated cannabis license applications. Based on available projections, more than 10,000 cannabis license applications are expected<sup>1</sup> and processing such applications will require substantial effort. The Department of Cannabis Regulation will require additional staffing and/or consultant support to provide discretionary review of license applications, conduct inspections, and implement the Social Equity Program. While the potential exists for the loan of staff from other City departments, such staff are already subscribed with existing workloads and such loan could adversely impact other City priorities. Therefore, efficient administration of both the overall cannabis licensing and social equity programs will require adequate staffing and/or consultant support of the Department of Cannabis Regulation to fulfill these functions.

### **Executive Director of the Department of Cannabis Regulation**

It is recommended that the Executive Director oversee the development and implementation of the Cannabis Social Equity Program. The Executive Director should be responsible for providing regulator reporting to the City Council on the monitoring and evaluation of the Program.

### **Social Equity Program Coordinator**

It is recommended that a Cannabis Social Equity Program Coordinator oversee Program implementation under the direction of the Executive Director. The coordinator would manage staff, interface with the public, and be responsible for managing Program funds.

Social equity applicants entering the application and licensing process will likely require assistance with this process. Such assistance could be provided by third party consultants, as was done in Oakland during the initial application rush in the first 1-3 years of the Program. Use of a consultant may minimize long term City staffing commitments until overall long-term workload can be ascertained. Alternately, a dedicated full-time equity ombudsperson could be hired within the Department of Cannabis Regulation to assist social equity applicants with application completion. The consultant or ombudsperson would provide applicants with a checklist of the City departments they must coordinate with to meet City requirements, as well as provide them with the contact person in each of those departments and provide technical support in their application process.

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<sup>1</sup> The County of Santa Barbara expects 1,000 cannabis license applicants. Based on the population size of the City of Los Angeles, approximately 10,000 cannabis license applications are expected.

## Licensing and Compliance Assistance

Additional staffing is needed to process the initial influx of licenses for general applicants and social equity applicants. Furthermore, social equity applicants will require mentoring and guidance to navigate City regulations, licensing, and compliance starting in Window 1, the beginning of the Cannabis Licensing Program, and throughout the life of the Program. These functions could be provided by senior City planner(s) and associate planner(s) and/or third party consultants.

There will also be demand for staff and/or consultant support for conducting inspections of social equity businesses to ensure compliance with City regulations and the conditions of individual licenses. Such inspections overlap between the responsibilities of the Cannabis Social Equity Program and the overall Cannabis Regulation Ordinance implementation. The City has the ability and has been considering hiring new LAPD officers to conduct these inspections. LAPD-conducted

inspections are approximately twice as expensive as civilian inspections. To account for this expense, a proposal was made to begin licensing fees for cannabis businesses at approximately \$25,000 per license. Furthermore, given the long history of interaction with law enforcement, it is likely that cannabis business owners and employees will feel more comfortable and willing to participate in the Program if employees of the Department of Cannabis Regulation were to conduct the inspections rather than employees from a law enforcement department. For these reasons, it would seem most beneficial for the Program to use employees of the Department of Cannabis Regulation to conduct inspections rather than the LAPD. This function could be provided by building and grading inspector(s) as well as emergency service and public utilities specialist(s) and/or third party consultants within the Department of Cannabis Regulation who are capable of conducting the inspections. If this recommendation is not selected, an alternative recommendation is that LAPD officers should be required to wear civilian clothing when conducting inspections.

### Proposed Department of Cannabis Regulation Structure

- Executive Director: oversees creation and implementation of Cannabis Social Equity Program
- Cannabis Social Equity Program Coordinator: supplies standardized forms and assists in application completion & direction to other departments
- Licensing and Compliance Staff: license processing, licensing & compliance assistance, conduct inspections
- Education and Outreach Staff: technical assistance, outreach program, community reinvestment program
- Monitoring and Management: adapt program to ensure its success
- Third party consultants: provide support as needed to Executive Director and staff

## Education and Outreach Assistance

Education and outreach assistance could be provided by senior City planner(s) and associate City planner(s), additional positions with the Department of Cannabis Regulation and/or third party consultants. Education and outreach staff would develop and implement an outreach program that is recommended to start in Window 1 and continue throughout the life of the Program in order to ensure prospective social equity and incubator applicants are aware of the Program and its potential benefits. One aspect of the outreach program should be to work with youth and use education and outreach to build trust between disproportionately impacted communities and law enforcement offices. Staff should host informational public workshops about the Program in the Program's eligible districts. Additionally, staff should host networking events for potential incubator applicants and property-seeking equity applicants, as well as employers and potential employees. Technical assistance should be provided in the form of educational workshops and seminars regarding how

to plan and operate a cannabis business in the City, how to comply with existing regulations, and how to apply for City and state licenses. Education and outreach staff should also help implement the educational programs described below as part of the Community Reinvestment Program.

The education and outreach staff should also direct social equity applicants to existing City resources that provide financial and technical assistance such as the EWDD's Small Business Loan Program, EWDD-funded BusinessSource Centers, and LADWP's programs and incentives (discussed in section 4.2). They should also work with the EWDD and the Mayor's Office of Reentry to host trainings and workshops for potential employees. The staff should start providing assistance in Window 2 and continue to do so through the life of the Program. Any education and outreach strategies should be multilingual.

### **Monitoring and Adaptive Management Assistance**

In order to ensure the long-term success of the Program, Department of Cannabis Regulation staff should collect Program-specific information, including but not limited to participation ratios of general and equity applicants, the percentage of property-seeking equity applicants with incubator partners, and industry comments pertaining to the Program. Based on the information collected by staff, the staff should determine how to adjust the components of the Program to ensure that Program goals are met. Department staff should also be responsible for continuing to engage community members in the development and implementation of new cannabis policies, assessing cannabis social equity, assessing and adapting the development standards, as well as updating the low-income thresholds annually. This assistance could be provided by third party consultants and/or senior City planner(s) or associate City planner(s) within the Department of Cannabis Regulation.

### **Third Party Consultants**

As discussed above, third party consultants may be required to assist Department of Cannabis Regulation staff with Program implementation and licensing. Consultants should be hired to provide support for staff or to perform functions that are more short term in nature when needed, thereby providing flexibility when workloads are high, such as at Program initiation, but hiring another permanent staff member is not necessary to complete the task. Use of consultants in conjunction with limited initial hiring may permit the City to more accurately gauge the long-term workload prior to committing to expensive permanent hires.

### **Additional Staffing Needs**

The Department of Cannabis Regulation will also need to perform taxation/financial analysis to ensure that cannabis taxes are properly allocated and Program funds are properly managed. It is recommended that financial analyst(s) are hired within the Department of Cannabis Regulation to fulfill this role.

## 6.3 Definition of Social Equity Applicant

### Eligibility Criteria

Four tiers of applicants are proposed to be eligible for the Cannabis Social Equity Program. It is recommended that individuals must meet one of the following criteria.

1. Are low income residents of the City of Los Angeles, with a prior cannabis conviction in the State of California. These Tier 1 applicants should have access to all Cannabis Social Equity Programs services and resources including priority processing, licensing assistance, business training, fee waivers, access to the Social Equity Industry Loan Program and access to the Social Equity Program Industry Partnership Program.
2. Are low income residents of the City of Los Angeles, with an immediate family member previously convicted of a cannabis-related crime in the State of California. In addition to any Cannabis Social Equity Program services and resources approved by the Department of Cannabis Regulation, Tier 2 applicants should have access to priority processing, licensing assistance, and business training and fee waiver.
3. Are low income residents of City of Los Angeles, who live or have previously lived in eligible disproportionately impacted districts. In addition to any Social Equity Program services and resources approved by the Department of Cannabis Regulation, Tier 3 applicants should have access to priority processing, licensing assistance, and business training and fee deferral.
4. Are a Cannabis Social Equity Supporting Applicant- By providing qualifying support to the Social Equity Program. In addition to any Social Equity Program services and resources approved by the Department of Cannabis Regulation, Tier 4 applicants should have access to priority processing, licensing assistance and business training. Tier 4 applicants would potentially include market-rate applicants that provide space, capital or other means of support to a Program participant and those who do not have sufficient floor space or eligible zoning to provide on-site support to a Program partner under the incubator partner program. In lieu of a direct incubator program partnership with a Program, potential Tier 4 applicants could provide business mentoring, training workshops, other non-financial contributions to Program applicants or make direct financial contributions to the Community Reinvestment or Industry Ownership Funds. Inclusion of Tier 4 applicants would be at the discretion of the Executive Director of the Department of Cannabis Regulation and the Cannabis Regulation Commission.

**Eligibility Tiers**

1. Low income resident of City & prior cannabis conviction in CA
2. Low income resident of City & immediate family member with prior cannabis conviction in CA
3. Low income resident of City & live in eligible police reporting districts
4. Cannabis Social Equity Supporting Applicant (e.g., Incubator program partner)

Program resources should be tiered based on which eligibility criteria are met (as described above). In order to accommodate a constantly evolving regulatory framework, Cannabis Social Equity Program Applicant Eligibility should be flexible and at the discretion of the Department of Cannabis Regulation. In addition to meeting one of the above criteria, it is recommended that individuals must also meet residency and ownership requirements (subsequently defined). The onus should be on the applicants to prove that they meet all requirements and applicable eligibility criteria. It should be noted that conviction records more than 20 years old may be difficult to prove. However, the onus should still be on the applicant to prove conviction if applying under Tier 1 or Tier 2

### Definition of Low Income

Low income should be defined as having a household income at or below 80% of the County’s average median income. The threshold is based on 2017 HCD criteria, which changes annually. Therefore, Program staff will need to update income thresholds each year. HCD defines the 2017 Los Angeles County low income level as a household annual income of \$72,100 for a household of four, very low income as \$45,050, and extremely low income as \$27,050 (California Department of Housing and Community Development 2017). HCD also defines the 2017 Los Angeles County low income level for households of 1 to 8 people, which can be found in their “State Income Limits for 2017” report (California Department of Housing and Community Development 2017).

### Disproportionately Impacted Districts

Disproportionately impacted districts are police reporting districts that had a disproportionate number of cannabis-related arrests and high percentage of low income households as compared to the Citywide average. Police reporting districts recommended to be eligible for the Program include those described in section 3.6 Table 4 (Most Restrictive Option) and Table 5 (More Inclusive Option). Final determination of eligible police reporting districts and communities is at the discretion of the City Council. It should be noted that social equity businesses would not be limited to locating within these eligible disproportionately impacted police reporting districts. They would be able to locate their businesses in any eligible area in the City under the Commercial Cannabis Activity Location Restriction Ordinance.

### Residency Requirement

The length of the residency requirement recommended was selected to enable young entrepreneurs and individuals who have been displaced by gentrification to participate in the Program. To participate in the Program, individuals should have resided in the City (or eligible districts if applying under eligibility criteria #3) for no less than 5 accumulative years. To provide the flexibility needed to ensure that young entrepreneurs and displaced individuals can participate, only 70% of applicants should have to meet the residency requirement. It should be at the discretion of the Department of Cannabis Regulation to determine which of the social equity applicants should have to meet the residency requirement. Analysis of potential legal concerns regarding a residency requirement will need to be

**Definitions**

- Low income: at or less than 80% of County’s average median income
- Residency: live in City for at least 5 accumulative years, some flexibility possible
- Ownership: 51% ownership or majority of board of directors
- Disproportionately impacted districts: police reporting districts with a disproportionate number of cannabis-related arrests & high percentage of low income households



*Crenshaw contains one of the police reporting districts that is recommended to be eligible to receive the benefits of the City’s Cannabis Social Equity Program. This area had a disproportionate number of cannabis-related arrests and has a greater percentage of low income households than the Citywide average.*

performed if the City determines it appropriate to exclude non-City of Los Angeles residents from Program eligibility.

### **Ownership Requirement**

The social equity applicant should have at least 51% ownership in the business or the majority of the board of directors to participate in the Program. The equity applicant should maintain 51% ownership of the business while it is receiving Program benefits. It should be at the discretion of the Department of Cannabis Regulation to determine whether a business can still receive Program benefits after a change of ownership.

### **Criminal Record**

Under Proposition 64, no applicant can be denied a license to own or operate a cannabis business solely because of prior drug conviction. However, Proposition 64 allows but does not require denial of licenses to applicants who have a violent felony conviction, a serious felony conviction, a felony conviction for drug trafficking with enhancements, a felony conviction involving fraud, embezzlement, and deceit. Proposition 64 also allows but does not require denial of licenses to applicants who have a felony conviction for hiring, employing, or using a minor in transporting, carrying, selling, giving away, preparing for sale, or peddling, any controlled substance to a minor; or selling, offering to sell, furnishing, offering to furnish, administering, or giving any controlled substance to a minor.

Due to Proposition 64, it is recommended that no applicants be denied a license solely because of prior cannabis or other drug conviction. Criteria for City denial of a cannabis license due to felony or other serious crimes should be no more restrictive than the criteria for State denial of a cannabis license. Individuals applying as a social equity applicant because their immediate family member has had prior cannabis conviction (Tier 2) should not be considered to meet Tier 2 eligibility if that immediate family member also has record of felony and other serious crimes that meet the criteria for City denial of a cannabis license.

## **6.4 Proposed Program Components**

The proposed Program components are intended to promote equitable ownership and employment opportunities in the commercial cannabis industry to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts of past cannabis enforcement in those communities. Program resources and opportunities pertaining to cannabis businesses are intended to help social equity applicants establish their businesses and should be made available upon license issuance. If, over time, a social equity applicant no longer meets the eligibility criteria under the Program (e.g., is no longer considered to be low income), the Department of Cannabis Regulation should determine if the applicant is still eligible to receive Program benefits based on identified income criteria. Successful future cannabis entrepreneurs who entered the business under the social equity program should no longer receive support when they are financially independent and successful. The Department of Cannabis Regulation should also be permitted flexibility to manage and adapt the Program as necessary within the overall adopted City Program framework in order to meet Program goals. If, based on data collected, the Department of Cannabis Regulation believes equity businesses need continued assistance it should be at the Department's discretion to provide this assistance. Such Program adjustments and actions should be reported back to the City Council as appropriate (e.g., during budget deliberations).

## Waived Fees for Social Equity Applicants

Permitting and inspection fees required by various City agencies, such as the Department of Building and Safety, represent a barrier to entry for social equity applicants. Fees should be waived (Tier 1 & Tier 2) or deferred (Tier 3) for social equity applicants beginning in Window 2 and continuing through the life of the Program. The Department of Cannabis Regulation should coordinate with City agencies whose permitting and inspection fees would be deferred for social equity applicants to allocate funds to these agencies from potential commercial cannabis activity tax revenues.

## Workforce Requirement

All cannabis-related businesses permitted outside of Window 1 should be required to submit a signed affidavit committing to ensure that their employees are paid a living wage and that 50% of their workforce is comprised of residents from eligible districts, individuals who have been arrested and convicted of a cannabis crime in the City and their immediate family members, and individuals who are classified as low income in the City. This workforce requirement should begin in Window 2 and continue through the life of the Program. Depending on City Council determination of compliance for Window 1 Measure M applicants (i.e., existing dispensaries), all Window 1 applicants could be required to adhere to the 50% workforce requirements for future new hires. Failure to meet this requirement within 2 years of starting their cannabis business should result in license revocation.

### Workforce Recommendations

- Requirement: 50% are residents of eligible districts, individuals convicted of a cannabis-related crime & their immediate family members
- Diversity plan: promote & ensure ownership, management, employment, and contracting of women, veterans, individuals with disabilities, members of the LGBTQ+ community

In addition, all cannabis-related businesses should be required to submit a diversity plan along with its application. The diversity plan should promote and ensure the ownership, management, employment, and contracting of individuals from diverse backgrounds including women, veterans, individuals with disabilities, and individuals who are part of the LGBTQ+ community.

To protect workers' welfare, all businesses that employ 20 or more people must have a labor peace agreement. Funds will be given to the Division of Labor Standards and the California Occupational Safety and Health Act (Cal OSHA) to enforce labor laws and protect worker safety. Cannabis businesses that fail to meet these labor laws and safety provisions will risk losing their license.



## Incubator/Pilot or Industry Partner Program

To increase access to real estate, an incubator program should be developed and implemented. To ensure that general applicants, such as storefront retailers or microbusinesses who by the nature of their business would have little square footage available, can participate in the Program, the incubator program should be flexible. General applicants who have a large amount of square footage available, such as cultivators or manufacturers, should provide social equity applicants with a minimum of 1,000 sf or 10% of space for free for at least 3 years, including the prorated payment of utilities, as determined appropriate by the Department of Cannabis Regulation. General applicants without sufficient 1,000 sf of space to supply a social equity applicant should provide social equity applicants with business mentoring, technical assistance, hard capital (e.g., equipment), an enhanced community benefit agreement, and sponsor Department of Cannabis Regulation workshops. The Department of Cannabis Regulation's education and outreach staff or third party consultant should host workshops and networking events to assist the general and social equity applicants create partnerships.

One incentive of this partnership is that general applicants would be able to apply for a license under Tier 4. Thus, they would be able to receive social equity priority and designated processing, and would be more likely to quickly secure their license. To incentivize the longevity of this partnership, both parties should be eligible for a tax rebate after 3 years of partnership. The tax rebate amount should be large enough to incentivize general applicants to participate in the industry partner program. If the social equity partner goes out of business, it should be required that the general applicant identify a new social equity partner in order to receive the tax rebate. Ongoing monitoring of paired industry partners should continue on an annual basis to confirm that both partners remain in business and are fulfilling their agreement. If Department of Cannabis Regulation monitoring staff determine that the tax rebate program did not incentivize enough general applicants to participate, another option would be to give general applicants an interim permit and put them on probation until they find an equity partner. This would ensure that the 1:1 ratio of general applicants to equity applicants is maintained during the life of the Social Equity Program.

Current landlords of cannabis businesses should also be encouraged to act as incubators. The Department of Cannabis Regulation should contact certain qualifying landlords that currently host unlicensed cannabis businesses on their property and notify them that the City will waive the fees they would incur for their illegal operation if they allow a portion of their property to be used by social equity applicants. This would ensure that the landlord has an authorized tenant, existing businesses are licensed, and social equity applicants have access to real estate.

All incubators providing real estate would be subject to the Commercial Cannabis Activity Location Restriction Ordinance. For example, a general applicant who has a retail business with onsite sales could not operate in the same space as an equity applicant who has a retail business with onsite sales because of the Ordinance's sensitive use requirement.

### Incubator Type 1

- 1,000 square feet of free space provided to equity applicants OR business mentoring, technical assistance & hard capital
- Participating general & equity applicants receive tax rebate after 3 years of partnership

### Incubator Type 2

- Landlords with unlicensed cannabis businesses on their property are subject to fees for illegal operation
- City will waive fees if landlord gives equity applicant free rent for 3 years

## **Applicable City Property Available For Social Equity Cannabis Businesses**

Lack of access to real estate is a significant barrier for social equity applicants. The City should conduct an inventory of vacant, City-owned property that is suitable for affordable housing but is appropriately zoned for commercial cannabis. Of these properties, the City should select those that are ineligible for affordable housing and make them available for social equity cannabis businesses for free or reduced rent for the first 3 years after the social equity applicant starts their business. Before adopting this Program component, the City should consider any legal or other issues of acting as landlord to cannabis businesses when cannabis remains illegal at the federal level.

## **Technical Assistance Program**

As aforementioned, the Department of Cannabis Regulation staff should provide technical assistance to social equity applicants. They should guide and mentor social equity applicants with completing applications, achieving compliance with City regulations, as well as partner with other City departments and programs to provide assistance with business planning, financing, and employee training. Funding for the technical assistance program should come from cannabis tax revenue.

## **Community Reinvestment Program**

A Cannabis Social Equity Program Community Reinvestment Fund and Program should be developed and implemented to acknowledge and reinvest in communities that were disproportionately affected by cannabis enforcement. Cannabis tax revenue should be set aside for the program. Community members should be able to participate in the development of how Community Reinvestment Program funds are allocated. This program should be centered on providing resources for community beautification, youth prevention, drug treatment, education, housing, employment, re-entry and other social services. Education programs related to cannabis should be conducted in coordination with educational efforts at the State and County level. The Department of Cannabis Regulation should implement and monitor the community reinvestment program.

### **Community Reinvestment**

- Community beautification
- Youth prevention
- Drug treatment
- Education
- Housing
- Employment
- Re-entry

## **Expungement of Cannabis-Related Criminal Records**

Expungement events should be conducted to assist community members previously convicted of cannabis-related offenses. Events should occur in the eligible districts identified as having a disproportionate number of cannabis-related arrests and percentage of low income households in this study. One expungement event should occur per month for the first 6 months of licensure in Window 2. The events could be coordinated by the Department of Cannabis Regulation, The Mayor's Office of Reentry, Loyola Marymount Law School City Public Defenders Office, Los Angeles County Public Defender's Office, and appropriate non-governmental and community-based organizations. Expungement events should be conducted in accordance with Proposition 64 and other applicable laws. Funding for the events should be acquired from commercial cannabis activity tax revenue.

## **Social Equity Program Industry Ownership Investment Program and Fund**

Start-up costs represent one of the principal economic barriers to social equity applicants entering the legal cannabis industry. A City-managed fund should be created to provide zero (or low) interest business loans for social equity applicants seeking to start new cannabis businesses within the City. The loan program should be funded by a 1% service fee paid by licensees beginning in 2018 or from ongoing City cannabis tax revenues.

### **Estimated Social Equity Program Budget**

The above recommended Cannabis Social Equity Program initiatives will require funding proposed to be derived from City tax revenues from cannabis related businesses taken in by the Department of Cannabis Regulation and the Office of Finance. The City Controller estimates the City could be entitled to collect at least \$50,000,000 dollars from retail sales alone in 2018, or \$250,000,000 over the next 5 years. This estimate is based on City tax rates for commercial cannabis sales (\$100 per \$1,000 of gross receipts) and medical cannabis sales (\$50 per \$1,000 of gross receipts). However, this estimate does not include City tax revenue collected from cultivation and manufacturing (\$20 per each \$1,000 of gross receipts) and transportation, testing, or research (\$10 per each \$1,000 of gross receipts) that will expand as the commercial cannabis supply chain coalesces.

Costs for implementation of all initiatives of the proposed Cannabis Social Equity Program are estimated to cost \$22 million per year or \$110 million for the first 5 years of the Program. This reflects a front-loading of start-up costs for Program initiatives such as the Community Reinvestment and Industry Ownership Investment Fund Programs. Estimated costs of select, specific Program initiatives are listed below:

- Community Reinvestment Program: Allocate 20% of City cannabis tax revenues based on economic impacts to Social Equity Program communities
  - Estimated Cost: **\$10,000,000** per year (\$50,000,000 for first 5 years)
- Industry Ownership Investment Program and Fund: This fund is anticipated to include City and private investment from non-Social Equity Program cannabis businesses that are seeking to assist Program-eligible cannabis businesses
  - Estimated Cost: **\$6,000,000 per year** (\$30,000,000 for the first 5 years)
- Waived/Deferred Fees for Social Equity Businesses: Fee waivers for initial application processing and compliance processing overtime
  - Estimated Cost: **\$5,000,000** per year (\$25,000,000 for first 5 years) assuming 1,000 Social Equity Program businesses at a fee cost of \$25,000 per business
- Live Scan Processing Assistance: Funds allocated to assist Social Equity Program-eligible businesses and employees with Live Scan process
  - Estimated Cost: **\$300,000 per year** (\$1,500,000 for first 5 years) assuming \$75 per Live Scan for 20,000 individuals over 5 years
- Expungement Assistance: In order to provide legal clinics and attorneys to assist community members in expunging cannabis convictions from their records
  - Estimated Cost: **\$15,000 per year** (\$75,000 for first 5 years) assuming 10 legal clinics per year staffed by 10 attorneys per six-hour event
- Business and Compliance Training: Initial development of training materials and training events to potentially be supplied by a third-party consultant
  - Estimated Cost: **\$500,000** for first year of development and implementation

- **Social Equity Program Outreach:** Develop and provide community outreach strategy to ensure sustainable involvement with and implementation of the Program to potentially be supplied by a third-party consultant
  - Estimated Cost: **\$500,000** for first year of development and implementation

## 6.5 Diversity Program

Diversity and social equity are not the same, but both are important. The goal of the Cannabis Social Equity Program is to serve low income individuals who were disproportionately affected by cannabis enforcement, and it is outside the intent of the Program to address diversity. At the public workshop, many individuals desired the creation of a diversity program in addition to the creation of the Cannabis Social Equity Program. Due to Proposition 209, eligibility criteria for a government program cannot be based on race, sex, color, ethnicity, or national origin. Thus, a cannabis diversity program could not give priority to people of color or women as requested by numerous participants in the Public Workshop. To address public concern while abiding by Proposition 209, it is recommended that the City develop a diversity program to ensure veterans, individuals with disabilities, individuals who are part of the LGBTQ+ community, and other populations as deemed appropriate have the opportunity to participate in the commercial cannabis industry.

**Diversity**

- Public expressed the need to address diversity in the cannabis industry
- Development of a diversity program is recommended

An analysis should be conducted that is similar to the social equity analysis described in this report. Based on that analysis, diversity program components should be recommended. It is possible that there are components of the social equity program, which are appropriate to recommend for the diversity program. However, without formal analysis, it is unclear which, if any, social equity program components should be recommended for inclusion in the diversity program.

## 6.6 Summary of Recommended Social Equity Program Components

Table 7 provides a summary of the recommended Social Equity Program components, the social equity benefit associated with each of these implementation components, as well as how the recommended components could be funded and when they could be implemented. This implementation program would serve to recognize social equity and justice as a part of proposed cannabis policies, and related development, permitting, and enforcement programs. Development and monitoring of the overall cannabis regulation program could sustain this Social Equity Goal given the interrelationship with program actions and effects upon housing, education, employment, community quality of life, and life outcomes for the social equity population. The Cannabis Social Equity Program would respond to a recognition of a new direction of compliance based on newly adopted State and City regulations, supportive of reforms to enforcement that serve to denounce population disparities and form a healthier and more transparent relationship with the City's cannabis social equity population as well as the City's cannabis related industry.

Table 7. Summary of Recommended Cannabis Social Equity Program Components

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
<i>Licensing Structure</i>			
Streamlining Development Standards	The Cannabis Commission should adopt development standards for commercial cannabis applicants and defer a limited number of social equity applicants from the Commission to a Director-level decision.	Limits discretionary review, which can be time consuming and expensive for social equity applicants.	Streamlining development standards should be implemented at the start of cannabis licensing.
Individual Business License Limit	City should determine the appropriate limit for the number of cannabis activity licenses per business.	Limit monopolization.	Begin in Window 1
Provisional Licensing	Temporary/conditional approval given to equity applicants that do not yet have real estate. Provisional license or limited immunity given to cannabis businesses that are not eligible for Proposition M Priority Processing that both offer qualifying support to the Program and demonstrate compliance with proposed Commercial Cannabis Activity Regulation and Commercial Cannabis Activity Location Restriction Ordinances.	Maintain cannabis supply chain to Proposition M Priority Processing retailers while implementing the Program as quickly as possible, preventing widening equity gaps.	Begin in Window 2. To be offered to businesses while they wait for their application to be processed, inspections to be completed, and their license to be issued.
Equity Applicant Participation Ratio	Once Window 2 opens, licenses should be given to 1 social equity applicant for every 1 general applicant who receives a license.	Ensure equitable participation in the cannabis industry.	When Window 2 opens through the life of the program.
<i>Department of Cannabis Regulation Expansion</i>			
Executive Director	Oversees creation and implementation of Cannabis Social Equity Program	Ensure Program is created to provide its planned benefit	Begin prior to Window 1
Cannabis Social Equity Program Coordinator	Oversee Program implementation, manage staff, interface with the public, and manage Program funds. Assist social equity applicants with completing applications and direct them to department staff that will help them meet City requirements.	Ensure that the Program runs smoothly. Assisting equity applicants through the permitting process of various departments will help these businesses achieve compliance when hiring permitting professionals is not financially feasible.	Begin in Window 1 and continue through the life of the Program.
Licensing and Compliance	Provide technical assistance to social equity applicants to ensure compliance with City regulations, process licensing applications, and perform inspections. If this recommendation is not selected, LAPD officers should be required to wear civilian clothing when conducting inspections.	Ensure social equity applicants are in compliance with City regulations and make applicants feel more comfortable during inspections.	Begin in Window 1 and continue through the life of the Program.

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
Education and Outreach	Develop and implement an outreach program, help implement the educational programs that are part of the Community Reinvestment Program, direct social equity applicants to existing City resources, host trainings and workshops for potential employees, host informational workshops about the Program, host networking events for potential incubators and property-seeking social equity applicants as well as employers and potential employees. They will also provide educational workshops regarding how to plan and operate a cannabis business in the City, how to comply with existing regulations, and how to apply for state and City licenses.	Ensure social equity applicants and potential employees have the technical assistance necessary to participate in the cannabis industry, and ensure that districts disproportionately affected by cannabis enforcement receive educational benefits from the Program.	Begin in Window 1 and continue through the life of the Program.
Monitoring and Adaptive Management	Based on program-specific information, monitoring staff should determine how to adjust Program components to ensure the Program's success. They will also be responsible for engaging community members in the development and implementation of new cannabis policies, assessing cannabis social equity, assessing and adapting development standards, and updating low-income thresholds annually.	Ensure the Program's goals are met.	Begin in Window 1 and continue through the life of the Program.
Third Party Consultants	Assist Department of Cannabis Regulation staff with Program implementation and licensure when needed.	Ensure the Department of Cannabis Regulation has adequate staff to provide support when permanent staff is not required to complete the task.	Begin in Window 1 and continue through the life of the Program.
Additional Staffing Needs	Perform taxation/financial analysis to ensure that cannabis taxes are properly allocated and Program funds are properly managed.	Ensure proper management of cannabis activity tax revenue and Program funds.	Begin in Window 1 and continue through the life of the Program.
<i>Definition of Social Equity Applicant</i>			
Eligibility Criteria	Four-tiered structure for social equity applicants who have experienced differing levels of impact through cannabis enforcement and would have differing levels of services available to them	Ensures that Program's goal of serving individuals and communities that were disproportionately harmed by cannabis enforcement.	Begin in Window 2 and continue through the life of the Program.
Definition of Low Income	At or below 80% of County's average median income as defined by the California Department of Housing and Community Development.	Ensures that individuals who have access to capital are excluded from receiving the financial benefits of the Program.	Begin in Window 2 and continue through the life of the Program.
Definition of Disproportionately Impacted Districts	Eligible police reporting districts that had a disproportionate number of cannabis-related arrests and high percentage of low	Ensures that communities that were disproportionately harmed by cannabis	Begin in Window 2 and continue through the life of the Program.

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
	income households as compared to the Citywide average.	enforcement can participate in the Program.	
Residency Requirement	Have resided in the City for no less than 5 accumulative years. Only 70% of applicants will have to meet the residency requirement. It is up to the discretion of the Department of Cannabis Regulation to determine which applicants will have to meet the residency requirement.	The Program is designed to help those who faced disproportionate cannabis enforcement in the City. This ensures that only those in the City receive the Program's benefits. The flexible requirement ensures that young entrepreneurs and those who were displaced by gentrification can participate in the Program.	Begin in Window 2 and continue through the life of the Program.
Ownership Requirement	Social equity applicants must have at least 51% ownership in the business or the majority of the board of directors.	Ensures that social equity applicants will receive the benefits of the Program and that applicants do not simply have a "token" equity member on their board of directors.	Begin in Window 2 and continue through the life of the Program.
Criminal Record	Under Proposition 64, no applicants can be denied a license solely because of prior cannabis or other drug conviction. Criteria for City denial of a cannabis license due to felony or other serious crimes should be no more restrictive than the criteria for State denial of a cannabis license.	Ensures that prior cannabis-related conviction does not exclude individuals from participating in the Program.	Begin in Window 2 and continue through the life of the Program.
<i>Program Components</i>			
Waived Fees for Social Equity Applicants	Permitting and inspection fees required by various City agencies to set up and begin a cannabis-related business should be waived (Tier 1 & Tier 2) or deferred (Tier 3) for social equity applicants	Permitting and inspection costs represent a significant barrier to entry for social equity applicants given the high startup costs for new businesses. Waiving fees to be paid various City agencies would reduce startup cost-related barriers to entry for social equity applicants.	Begin Window 2, continue through life of Program
Workforce Requirement	All cannabis-related businesses, permitted outside of Window 1, will be required to submit a signed affidavit committing to ensure that their employees are paid a living wage and that 50% of their workforce is composed of residents of defined social equity communities, individuals who have been arrested and convicted of a cannabis crime in the City and their immediate family members, and	Providing additional employment opportunities to social equity community members would provide incremental progress towards addressing economic barriers to community engagement in cannabis industry. The diversity plan would	Begin Window 2, continue through life of Program

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
	<p>individuals who are classified as low income in the City. Failure to meet this requirement within 2 years of starting their cannabis business will result in their license being revoked. In addition, all cannabis-related businesses should be required to submit a diversity plan. All businesses that employ 20 or more people must have a labor peace agreement. The Division of Labor Standards and Cal OSHA will enforce labor laws and protect worker safety. Businesses that fail to meet these requirements will risk losing their license.</p>	<p>promote diversity in ownership, management, employment and contracting. Worker's welfare and safety will be protected with unionization and enforcement of labor and safety laws.</p>	
<p>Incubator/Pilot or Industry Partner Program</p>	<p>Industry partner agreement initially lasts at minimum 3 years during which the incubator (general applicant) provides, at minimum, 1,000 square feet or 10% of space to social equity applicant in which to conduct business if the incubator has enough space available OR provides business mentoring, technical assistance, hard capital (e.g., equipment), an enhanced community benefits agreement, and sponsor Department of Cannabis Regulation workshops if the incubator does not have enough space available.</p> <p>Incentive: both parties are eligible for tax rebate program from City at conclusion of initial partnership period (3 years).</p> <p>If social equity partner goes out of business, the incubator must identify new social equity partner in order to receive the tax rebate.</p> <p>Additionally, landlords that currently host unlicensed cannabis businesses on their property will be notified that the City will waive the fees they would incur for the illegal operation if they allow their property to be used by social equity applicants.</p>	<p>Access to real estate is one of the largest barriers social equity applicants face. The incubator program will help provide social equity applicants with real estate. Additionally, incubators can provide financial and technical assistance to help social equity applicants overcome these barriers. Additionally, the program will ensure that incubator employ their existing privilege to assist the less privileged social equity applicants who were disproportionately impacted by cannabis enforcement.</p>	<p>Begin in Window 2 and continue through the life of the Program.</p>
<p>Applicable City Property Available for Social Equity Cannabis Businesses</p>	<p>Make City-owned property within eligible cannabis activity areas, that is ineligible for affordable housing, available for social equity cannabis businesses</p>	<p>We acknowledge the shortage of affordable housing within the City and suggestions of usage of City-owned properties as affordable housing. However, some City-owned properties may not be in suitable zoning for affordable housing and these properties could be</p>	<p>City conducts inventory of vacant, City-owned property that is unsuitable for affordable housing but is appropriately zoned for commercial cannabis before the start of Window 2. Make these properties available to social equity applicants at reduced or free rent for</p>



Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
		put into service for social equity cannabis businesses alleviating a significant barrier to social equity applicant business development.	first 3 years.
Technical Assistance Program	Provide technical assistance to social equity applicants to help them complete applications, achieve compliance with City regulations, as well as partner with other City departments and programs to provide assistance with business planning, financing, and employee training.	This program will help social equity applicants overcome the technical barriers to participating in the cannabis industry, as well as identify potential financial resources that may help alleviate financial barriers. It will also help individuals receive the training they need to reenter the workforce.	Funded with cannabis tax revenue beginning in 2018.  Implemented by Department of Cannabis Regulation staff.
Community Reinvestment Program	This program should be centered on providing resources for community beautification, youth prevention, drug treatment, education, housing, re-entry and other social services. Education programs related to cannabis should be conducted in coordination with educational efforts at the State and County level.	Individuals and communities that were disproportionately impacted by cannabis enforcement may not want to participate in the cannabis industry. The Community Reinvestment Program will address that issue by providing social services to those who were disproportionately impacted.	Funded with cannabis tax revenue beginning in 2018.  Implemented by Department of Cannabis Regulation.
Expungement of Cannabis-Related Criminal Records	Assist community members previously convicted of cannabis-related offenses to expunge these records. Expungement events should be conducted in accordance with Proposition 64 and other applicable laws.	Expungement of cannabis-related convictions, namely offenses that are no longer illegal under revised legal code, lifts employment barriers and stigma.	Funded with cannabis tax revenue beginning in 2018.  Conduct expungement events once a month for the first 6 months of licensure in Window 3 in eligible police districts, coordinated by Department of Cannabis Regulation, Mayor's Office of Reentry, Loyola-Marymount Law School City Public Defenders Office, Los Angeles County Public Defender's Office, and appropriate NGOs and community-based organizations. Funding

Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

Recommendation Title	Description	Social Equity Benefit	Implementation/ Timing
			acquired from cannabis tax revenue.
Social Equity Program Industry Ownership Investment Program and Fund	A City-managed fund to provide zero (or low) interest business loans for social equity applicants seeking to start new cannabis businesses within the City.	Will reduce startup costs, which represent one of the principal economic barriers to social equity applicants entering the cannabis industry.	A 1% service fee paid by licensees beginning in 2018

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**ATTACHMENT 1  
DRAFT REQUIREMENTS FOR COMMERCIAL CANNABIS  
ACTIVITY IN THE CITY OF LOS ANGELES**

**REVISED DRAFT REQUIREMENTS**

**FOR**

**COMMERCIAL CANNABIS ACTIVITY**

**IN THE**

**CITY OF LOS ANGELES**



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## **DEFINITIONS**

1. "BTRC" means a Business Tax Registration Certificate issued by the City of Los Angeles Office of Finance.
2. "Business" means any business applying for, or conducting and engaging in Commercial Cannabis Activity.
3. "Commercial Cannabis Activity" includes Commercial Cannabis Activity and Commercial Marijuana Activity as defined by the State of California.
4. "Commission" means the City of Los Angeles Cannabis Regulation Commission.
5. "License" means the official document issued by the Department to the Business for the purposes of conducting and engaging in Commercial Cannabis Activity.
6. "Department" means the City of Los Angeles Department of Cannabis Regulation.
7. "EMMD" means an Existing Medical Marijuana Dispensary, as defined by Proposition M, for the purposes of Proposition M Priority processing.
8. "Notice of Determination" means the official determination of the Commission, Department, or City Council at any time during the Application Processing process.
9. "Premises" means the identified location of a Business applying for, or conducting and engaging in Commercial Cannabis Activity.
10. "Proper Notice" means providing notice to the applicant, occupants and property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity, the local Neighborhood Council, and Council office.
11. "Provisional License" means the official document issued by the Department to those Businesses deemed eligible for Proposition M Priority or approved by the Department or Commission for the purposes of conducting and engaging in Commercial Cannabis Activity prior to receiving a state license.
12. "Transitional Worker" means an individual who, at the time of commencing work at the Business, resides in an Economically Disadvantaged Area or Extremely Economically Disadvantaged Area and faces at least two of the following barriers to employment: (1) being homeless; (2) being a custodial single parent; (3) receiving public assistance; (4) lacking a GED or high school diploma; (5) having a criminal record or other involvement with the criminal justice system; (6) suffering from chronic unemployment; (7) emancipated from the foster care system; or (8) being a veteran.
13. "UID" means the Track-and-Trace system Unique Identifiers as established by the State of California.

## COMMERCIAL CANNABIS ACTIVITY APPLICATION PROCESSING

### GENERAL

1. Applications for Commercial Cannabis Activity Licenses must be completed online or by delivering a printed copy to the Department office. Every application shall, at minimum, meet all application requirements, pay all outstanding taxes, and pay the appropriate application, pre-inspection, and audit (if applicable) fees as outlined prior to further processing, unless otherwise indicated in the Social Equity Program. Every applicant will be provided a date and time stamp of receipt of each application or the electronic equivalent. The Department shall provide a master Commercial Cannabis Activity application form to the public. The Department will begin accepting applications at the Department's discretion.
2. If the Department determines that the application is incomplete, the Department shall provide notice to the applicant. An applicant has six months from the date of the notice to correct all deficiencies. The Department may request additional information and documents from the applicant not listed in the application requirements to determine if an application is complete. If the applicant fails to correct the deficiencies within the six-month period, the application shall be considered abandoned. An applicant may reapply at any time following an abandoned application and must pay all fees associated with the new application. The Department will not refund application fees for an incomplete or abandoned application, unless otherwise indicated in the Social Equity Program.
3. In determining the issuance of Licenses, the Department will consider the equitable dispersion of Businesses throughout the City of Los Angeles prior to the issuance of a License to the extent practicable.
4. If the Department determines that the application is complete, the Department shall provide Proper Notice at least 45 days in advance of scheduling a public hearing or making a determination as indicated below. Once an application is deemed complete by the Department, a pre-inspection has been completed, and environmental review has been conducted, the Department will make the following determination for:
  - a. **RETAILER COMMERCIAL CANNABIS ACTIVITY**  
(Type 10 and Type 12)
    - i. **RECOMMENDED APPROVAL:** Commission public hearing after 45 days from the date of Proper Noticing. The Commission will hold public hearings within the regional geographic area as the proposed Business as defined by the Department. Applications will be batched for the public hearing process by regional geographic area. At a regularly scheduled public meeting, the Commission will consider the Department recommendation, written or verbal correspondence from other City Departments, the Council office, Neighborhood Council, the State of California, and written or verbal testimony from the public prior to making

a determination. The Commission may add conditions or require changes to the project subject to the licensure for the purpose of avoiding or minimizing significant environmental impacts identified in any environmental review prepared pursuant to CEQA. Once the Commission makes a decision, the Department will issue a Notice of Determination and Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process.

- ii. **DEPARTMENT DENIAL:** Once the Department issues a Notice of Determination for denying an application, Proper Notice will be given, including but not limited to a copy of the Notice of Determination and an explanation of the appeals process. An application may be denied for any of the following reasons which include: The applicant does not fully comply with application requirements; the applicant's premises is substantially different from the diagram of the premises submitted by the applicant, in that the size, layout, location of a common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the premises are not the same; the applicant denied Department employees or agents access to the premises; the applicant made a material misrepresentation on the application; the decision maker finds that the significant and unavoidable environmental impacts from issuing the license are not outweighed by the project benefits pursuant to CEQA Guidelines; the applicant failed to correct the deficiencies within the application in accordance with Department requirements and procedures, or the applicant has been denied a license, permit, or other authorization to engage in Commercial Cannabis Activity by a state or local licensing authority. Every applicant shall notify the Commission in writing within 5 business days of any change to any item listed in the application. The notification shall be signed by an owner as defined. Approval of a state license does not allow a business to conduct Commercial Cannabis Activity in the City of Los Angeles without a Department issued License or Provisional License. BTRCs will be revoked for any applicant denied a license.

**b. NON-RETAILER COMMERCIAL CANNABIS ACTIVITY**  
(Type 1A, 1B, 2A, 2B, 3A, 3B, 4, 5A, 6, 7, 8, or 11 Licenses)

- i. **DEPARTMENT APPROVAL:** The Department shall have authority to approve an application for non-retail Commercial Cannabis Activity, subject to the appeals process, unless an applicant for non-retail Commercial Cannabis Activity's premises is larger than 30,000 square feet. Applicants for non-retail Commercial Cannabis Activity with a premises larger than 30,000 square feet must go through the public hearing process as outlined in the retailer Commercial Cannabis Activity application processing. The Department may add conditions or require changes to the project subject to the licensure for the purpose of avoiding

or minimizing significant environmental impacts identified in any environmental review prepared pursuant to CEQA. Once the Department issues a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the determination, an explanation of the appeals process, and list the approved application on the next agenda of a regularly scheduled public meeting of the Commission.

- ii. DEPARTMENT DENIAL: Once the Department issues a Notice of Determination denying an application, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. An application may be denied for any of the following reasons which include: The applicant does not fully comply with application requirements; the applicant's premises is substantially different from the diagram of the premises submitted by the applicant, in that the size, layout, location of a common entryways, doorways, or passage ways, means of public entry or exit, or limited-access areas within the premises are not the same; the applicant denied Department employees or agents access to the premises; the applicant made a material misrepresentation on the application; the decision maker finds that the significant and unavoidable environmental impacts from issuing the license are not outweighed by the project benefits pursuant to CEQA Guidelines; the applicant failed to correct the deficiencies within the application in accordance with Department requirements and procedures, or the applicant has been denied a license, permit, or other authorization to engage in Commercial Cannabis Activity by a state or local licensing authority. Every applicant shall notify the Department in writing within 5 business days of any change to any item listed in the application. The notification shall be signed by an owner as defined. Approval of a state license does not allow Commercial Cannabis Activity in the City of Los Angeles without a Department issued License or Provisional License. BTRCs will be revoked for any applicant that is denied a license.

#### c. APPEALS PROCESS

- i. Appeals may only be based on the rules, regulations, and procedures of the Commission and Department. The Department will provide a master Appeals application form for use in processing all appeals. Acceptance by the Department of an appeal requires the Commission to hold a public hearing within 60 days, or by the City Council within 15 Council days, with Proper Notice.

#### ii. APPEALS BEFORE THE COMMISSION

1. DENIED APPLICATION: If an application has been denied by the Department, the Department will issue a Notice of Determination,

Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants, stakeholders, or property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity will have 15 business days from the date of the Notice of Determination to file an appeal.

If the Department accepts an appeal, at a regularly scheduled public meeting within the same regional geographic area as the proposed Business as determined by the Department, the Commission will consider the Department recommendation, written or verbal correspondence from other City Departments, the Council office, the Neighborhood Council, the State of California, and written or verbal testimony from the public prior to making a determination. The Commission may add conditions or require changes to the project subject to the licensure for the purpose of avoiding or minimizing significant environmental impacts identified in any environmental review prepared pursuant to CEQA. Once the Commission makes a decision, the Department will issue a Notice of Determination and Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the City Council appeals process.

### iii. APPEALS BEFORE THE CITY COUNCIL

1. APPROVED APPLICATION: If an application has been approved by the Commission, the Department will issue a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants, stakeholders, or property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity will have 15 business days from the date of the Notice of Determination to file an appeal.

If an appeal is filed with the Department within the allotted time, the appeal will be transmitted to the City Council. The City Council must act within 15 Council days on the appeal, or the Commission's decision shall be final. If the City Council acts on the appeal, the decision of the City Council shall be final. The City Council shall have all the same rights and privileges as the Commission in making a determination on the appeal or application.

2. DENIED APPLICATION: If an application has been denied by the Commission, the Department will issue a Notice of Determination, Proper Notice will be given, including but not limited to, a copy of the Notice of Determination and an explanation of the appeals process. The applicant and occupants or property owners who reside or own property within 500 feet of the proposed Commercial Cannabis Activity will have 15 business days from the date of the Notice of Determination to file an appeal.

If an appeal is filed with the Department within the allotted time, the appeal will be transmitted to the City Council. The City Council must act within 15 Council days on the appeal, or the Commission or Department's decision shall be final. If the City Council acts on the appeal, the decision of the City Council shall be final. The City Council shall have all the same rights and privileges as the Department in making a determination on the appeal or application.

5. Only applicants who have been issued a Provisional License or permanent License may conduct Commercial Cannabis Activity in the City of Los Angeles. The applicant and property owner will be subject to Police Department and City Attorney enforcement for beginning operations before an application for licensure has been approved or continuing operations after an application for licensure has been denied or revoked. Furthermore, only Proposition M Priority applicants who have been approved for eligibility as defined may conduct Commercial Cannabis Activity while their application is pending in accordance with the Provisional License, and until such time as the appeals process has been exhausted.
6. Once an applicant who has been issued and maintains a valid Provisional License by the Department has been approved for a license by the State of California, the Department shall issue a permanent License to the applicant. Department issued Licenses shall be valid for 12 months from the date of issuance and shall be renewed annually.
7. If an applicant for Commercial Cannabis Activity has been approved for a Provisional License by the Department, but is denied a license by the State of California, the applicant shall cease all Commercial Cannabis Activity at the location and premises as identified in the application until such time that a license by the State of California has been issued. The applicant and property owner will be subject to Police Department and City Attorney enforcement for continuing operations after an application for licensure has been denied by the State of California. BTRCs will be revoked for any applicant that is denied a state license.
8. An applicant may withdraw an application at any time prior to the Commission or Department's approval or denial of a License for Commercial Cannabis Activity. Requests to withdraw an application must be submitted to the Department in writing, dated, and signed by the applicant. The Department will not refund application fees for a

withdrawn application, unless otherwise indicated in the Social Equity Program. An applicant may reapply at any time following the withdrawal of an application and must pay all fees for the new application.

9. The Department will develop and implement an Early Notification System, similar to the Department of City Planning, and shall provide a report to Council offices and Neighborhood Councils on a monthly basis to allow the tracking of applications from the initial filing through the approval process.

#### PROPOSITION M PRIORITY PROCESSING

1. Applications will be accepted by the Department for the first 60 days from when applications are first made available to the public. After 5 p.m. Pacific Time on the 60th day, the Department will close the Proposition M Priority Processing window permanently. Applications under the Proposition M Priority Processing will only be allowed to apply for Retailer Commercial Cannabis Activity (including delivery), which may include on-site cultivation as allowable under Proposition D. The size of the canopy for on-site cultivation may not exceed the size of the EMMD's existing canopy or square footage of building space as documented by a lease or Certificate of Occupancy prior to January 1, 2017. All on-site cultivation will be required to end operations by Dec. 31, 2020 if the EMMD's premises is within a land use designation that does not allow for Indoor Cultivation Commercial Cannabis Activity as defined by the City of Los Angeles. Any applications received after 60 days will be deemed new applications and require separate processing, subject to all land use requirements for new Commercial Cannabis Activity.
2. An EMMD that received a BTRC after 2014 that is operating in compliance with the limited immunity and tax provisions of Proposition D, may continue to operate within the City at the one location identified in its original or amended BTRC at the time of the beginning of the application processing window until such time that the EMMD applies for and receives a final response to its application for a License for Commercial Cannabis Activity being conducted at that location. No changes shall be made to the BTRC once application processing begins. The Department shall give priority in processing applications of EMMDs that can demonstrate to the Department that the EMMD has operated in compliance with the provisions of the limited immunity and tax provisions of Proposition D. Any mitigating circumstances due to gaps in operations, location change or involuntary closure, ownership, tax payments, etc. must be described in detail for the Department to consider eligibility. Changes in ownership status from non-profit status to for-profit status are allowable. A maximum of three Licenses per BTRC will be allowed (One Type 10 (retailer), One Type 10 (retailer with delivery) AND one Type 2A OR Type 3A (on-site cultivation if applicable)).
3. The Department will determine eligibility for Proposition M Priority Processing and its determination will be final. If an application is denied eligibility for Proposition M Priority Processing, the applicant shall cease all Commercial Cannabis Activity at the location or premises identified until a Provisional License is approved under separate



processing. If the application is determined to be eligible for Proposition M Priority Processing, the Department shall issue a Provisional License until such time as the application is approved or denied by the Commission, Department, or the City Council. The applicant and property owner will be subject to enforcement by the Police Department and City Attorney for continuing operations after an application for Proposition M Priority Processing eligibility has been denied by the Department. BTRCs will be revoked for any applicant denied eligibility or denied a license.

4. All applicants that are approved for eligibility under Proposition M Priority processing are subject to a public hearing as outlined for Retailer Commercial Cannabis Activity prior to issuance of a permanent License.
5. Proposition M Priority applicants will submit to a financial audit by the Office of Finance prior to the issuance of a permanent License, pay the associated audit fee, and clear any and all City of Los Angeles tax obligations.

#### SOCIAL EQUITY PROGRAM PROCESSING

1. Criteria for applicants under the Social Equity Program (Council File Nos. 17-0653 and 14-0366-S15) based on the Social Equity analysis are currently being developed by the Department and will be transmitted to the REIG Committee in October. The REIG Committee will incorporate the Social Equity Program in its entirety into the draft ordinance of these regulations prior to final Council approval. No applications will be accepted until the Social Equity Program is approved (including Prop M Priority and General Processing) and the final ordinances are adopted by the City Council. Applications will be accepted and processed at the discretion of the Department.
2. The Department shall provide regularly reporting to the City Council on the monitoring and evaluation of the Social Equity Program.

#### GENERAL PROCESSING

1. Applications will be accepted at the same time as applications for the Social Equity Program.

## **LICENSE TYPES AVAILABLE FOR APPLICATION**

### **1. RETAILER COMMERCIAL CANNABIS ACTIVITY**

- a. Type 10 – Retailer as defined by the State of California.
- b. Only three Licenses per owner as defined or individual shall be issued for Retailer Commercial Cannabis Activity, including Delivery for Retailer Commercial Cannabis Activity and Microbusiness Commercial Cannabis Activity.

### **2. DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY**

- a. Type 10 – Retailer as defined by the State of California.
- b. Only three Licenses per owner as defined or individual shall be issued for Retailer Commercial Cannabis Activity, including Delivery for Retailer Commercial Cannabis Activity and Microbusiness Commercial Cannabis Activity.

### **3. MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY**

- a. Type 12 – Microbusiness as defined by the State of California.
- b. Only three Licenses per owner as defined or individual shall be issued for Retailer Commercial Cannabis Activity, including Delivery for Retailer Commercial Cannabis Activity and Microbusiness Commercial Cannabis Activity.

### **4. CULTIVATION COMMERCIAL CANNABIS ACTIVITY**

- a. Type 1A – Cultivation, Specialty Indoor, Small; Type 1B – Cultivation, Specialty Mixed Light, Small; Type 2A – Cultivation, Indoor Small; Type 2B – Cultivation, Mixed-light Small; Type 3A – Cultivation, Indoor, Medium; Type 3B – Cultivation, Mixed-light Medium; Type 4 – Cultivation, Nursery; and Type 5A – Cultivation, Indoor, Large as defined by the State of California.
- b. The Department shall not restrict the total number of Cultivation Commercial Cannabis Activity Licenses an owner or individual is authorized to hold at any point in time, provided the applicant's total authorized canopy, as indicated in the Licenses, does not exceed 1.5 acres within the City of Los Angeles and meets all State of California and Department requirements.

### **5. MANUFACTURE COMMERCIAL CANNABIS ACTIVITY**

- a. Type 6 – Manufacturer 1 as defined by the State of California.
- b. Type 7 – Manufacturer 2 as defined by the State of California.

6. TESTING COMMERCIAL CANNABIS ACTIVITY

- a. Type 8 – Testing Laboratory as defined by the State of California.

7. DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY

- a. Type 11- Distributor as defined by the State of California.

REVISED DRAFT

## COMMERCIAL CANNABIS ACTIVITY APPLICATION REQUIREMENTS

### GENERAL

1. The name of the applicant. For applicants who are individuals, the applicant shall provide both the first and last name of the individual. For applicants who are business entities, the applicant shall provide the legal Business name of the applicant. If applicable, the business trade name ("DBA") of the applicant.
2. The Commercial Cannabis Activity and License type the applicant is applying for, including if the proposed Business will involve medical (M-Type-) and/or adult use (A-Type-) Commercial Cannabis Activity.
3. Whether the applicant is applying under the Proposition M Priority, Social Equity Program, or General processing.
4. The date the applicant began operations if filing under the Proposition M Priority processing, Social Equity Program and General applicants shall not conduct any Commercial Cannabis Activity until a Department issued Provisional License or permanent License has been issued.
5. A list of the license types and the license numbers issued from the State of California and all other out-of-state or local licensing authorities that the applicant holds, including the date the license was issued and the licensing authority that issued the license, permit or other authorization.
6. Whether the applicant has been denied the right to conduct Commercial Cannabis Activity by the Department or any other cannabis licensing authority. The applicant shall provide the type of license applied for, the name of the licensing authority that denied the application, and the date of denial.
7. The physical address of the premises. The address of record for the applicant. The telephone number for the premises. The website address of the applicant's Business if applicable. The email address for the applicant's Business if applicable. Contact information for the applicant's designated primary contact person including the name, title, address, phone number, and email address of the individual. Contact information for the designated agent for service of process including the name, title, address, phone number, and email address of this individual. The Council District in which the proposed Business is located.
8. The Business organizational structure of the applicant, for example partnership or corporation. The business-formation documents, which may include but are not limited to articles of incorporation, operating agreements, partnership agreements, and fictitious business name statements. The applicant shall also provide all documents filed with the State of California, which may include but are not limited to articles of incorporation,

certificates of stock, articles of organization, certificates of limited partnership, and statements of partnership authority.

9. A list of every fictitious business name the applicant is operating under including the address where the business is located.
10. The applicant shall provide all financial information as required by the State of California for an application to be considered.
11. All individual personal information, other than the name of the individual, will be redacted unless otherwise required by law. All application information will not be provided to the federal government unless required by a Court order.
12. Evidence that the applicant has the legal right to occupy and use the proposed location that complies with the requirements of the Department and the State of California, unless otherwise indicated in the Social Equity Program. If the applicant is not the landowner of the property upon which the premises is located, the applicant shall provide to the Department a document from the landowner that states that the applicant has the right to occupy the property and acknowledging the applicant may use the property for the Commercial Cannabis Activity for which the applicant is applying for. If the landowner of the property is incapacitated, the applicant may provide this document by a duly-notarized agent of the landowner. Only one document per premises will be accepted for any pending applications. An applicant shall also provide a copy of the rental agreement, if applicable. If the applicant is the landowner of the property on which the premises is located, the applicant shall provide to the Department a copy of the title or deed to the property. The applicant shall provide evidence that the proposed location meets all State of California and City of Los Angeles land use and sensitive use requirements.
13. An applicant shall submit to the Department with his or her application a complete and detailed diagram of the proposed premises as required by the State of California and Department. Premises mean the designated structures and land specified in the application that are in the possession of and used by the applicant or Business. The premises must be a contiguous area and may only be occupied by one Business. The diagram must be to scale. If the proposed premises consist of only a portion of a property, the diagram must be labeled indicating which part of the property is the proposed premises and what the remaining property is used for. Multiple Businesses may be located on the same property, as established by an assessor's parcel number, if each premises has a unique entrance and immovable physical barriers between unique premises. Multiple Businesses on the same property must meet all applicable land use and sensitive use requirements of the City of Los Angeles.
14. Applicants will submit to a pre-inspection of the premises during regular business hours prior to the issuance of a Provisional License. Pre-inspection is not required for a Provisional License issued to Proposition M Priority processing applicants, but will be required prior to the issuance of a permanent License. Pre-inspections may include, but is not limited to, employees or agents of the following City Departments: Department of

Cannabis Regulation, Department of Building and Safety, Police Commission, and Fire Department. A pre-inspection consists of approval of the premises diagram, on-site inspection of all applicable building code and fire code requirements, approval of the security plan, fingerprinting, and approval of the fire safety plan (if applicable). An applicant shall satisfy all requirements of a pre-inspection prior to further application processing. An applicant shall upgrade all applicable electrical and water systems to Building and Fire Code standards prior to further application processing.

15. Applicants must provide a detailed description and plan for hiring local residents, including making an ongoing good-faith effort to ensure that at least 30 percent of hours of their respective workforce be performed by residents of the City of Los Angeles, of which at least 10 percent of their respective workforce shall be performed by Transitional Workers whose primary place of residence is within a 3-mile radius of the proposed Business. This shall also include a description of how the applicant will meet all City of Los Angeles wage and labor ordinances and requirements.
16. Applicants must submit a staffing plan and organizational chart that outlines the position and responsibilities of each employee, as well as the reporting or supervisory structure for each employee. This plan shall also include a diversity plan and employee safety plan for staffing.
17. For an applicant with 10 or more full-time equivalent employees, the applicant shall attest that the applicant has entered into a labor peace agreement. Such agreement shall ensure full access for labor representatives to the premises during regular business hours as allowed by the State of California.
18. The applicant shall provide a valid seller's permit number issued by the California State Board of Equalization (if applicable) as required by the State of California. If the applicant has not yet received a seller's permit, the applicant shall attest that the applicant is currently applying for a seller's permit and provide adequate documentation to the Department.
19. Proof of a bond and/or insurance, including product liability insurance, as required by the State of California and the Department.
20. A description of the applicant's practices for allowing individuals access to the limited-access areas of the premises.
21. Applicants must submit a security plan for review and approval by the Department and Police Commission. The approved plan will be maintained by the Department and be made available to other City departments for the purposes of verification and inspections. At minimum, the security plan will include: a description of the applicant's video surveillance system including camera placement and practices for the maintenance of video surveillance equipment; how the applicant will ensure that all access points to the premises will be secured, including the use of security personnel; a description of the applicant's security alarm system; and a description of the applicant's fire-proof safe if

applicable. Security plans are considered confidential, and will not be made available to the public unless required by a Court order.

22. A detailed description of how the applicant will meet the State of California and Department's track-and-trace, inventory, returns, destruction of products, waste management, environmental sustainability, records retention, and operational requirements.
23. Any applicant required to apply for, and maintain a Certified Uniform Program Agency (CUPA) permit issued by the Fire Department must do so prior to the issuance of a Provisional License, and prominently display the CUPA permit on the premises where it can be viewed by state and local agencies.
24. Businesses are not transferable once a License or Provisional License is issued without written approval by the Department. A change to the Business organizational structure or ownership as defined by the State of California requires a change of ownership application, applicable fees, and approval of the change of ownership by the Department.
25. Applicants must provide the Department with a signed copy of the Indemnification agreement as provided to the applicant by the Department and approved by the City Attorney.
26. Applicants will provide a proposed Community Benefits Agreement for consideration that must, at minimum, include all elements as required by the Department. The proposed Community Benefits Agreement must be provided to the local Neighborhood Council for their consideration as indicated below.
27. Applicants will identify and assign an employee as the official Neighborhood Liaison for each Business. Such employee will have a phone number and email to receive and address complaints 24 hours a day.
28. Applicants will provide proof that the local Neighborhood Council in which the Business is proposed has been provided the initial application deemed complete and considered discussing the pending application at a duly-noticed and agenzized public meeting of the Board of the Neighborhood Council, with notice to the public and applicant.
29. Evidence that the applicant is registered with the State Board of Equalization for tax purposes.
30. The applicant shall attest that no owner is a licensed retailer of alcoholic beverages or tobacco products.
31. Provide a radius map and list of all addresses for parties subject to the Public Notice and appeals provisions.

## AUTOMATIC REJECTION OF APPLICATION

1. No business conducting, or proposing to conduct, Commercial Cannabis Activity shall be held by any person holding office in, or employed by, any agency of the State of California and any of its political subdivisions including the City of Los Angeles when the duties of such person have to do with the enforcement and regulation of Commercial Cannabis Activity or any other penal provisions of law of the State of California prohibiting or regulating the sale, use, possession, transportation, distribution, testing, manufacturing, or cultivation of cannabis goods. This section applies to, but is not limited to, any persons employed in the State of California Department of Justice, in any district attorney's office, in any city attorney's office, in any sheriff's office, in any local police department, the City of Los Angeles City Attorney's office, the Los Angeles Police Department, the City of Los Angeles Cannabis Regulation Commission, or the City of Los Angeles Department of Cannabis Regulation. This section applies to any person mentioned herein who has any ownership interest, directly or indirectly, in any Business. This section does not apply to any person who holds a Business in the capacity of executor, administrator, or guardian.
2. Any owner, business entity, or individual convicted for illegal volatile cannabis manufacturing will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.
3. Any owner, business entity, or individual convicted for violating any law involving wages or labor laws will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.
4. An applicant that is a corporation outside of the United States shall not be allowed to apply to conduct Commercial Cannabis Activity in the City of Angeles. This provision does not preclude out-of-state investment in a Business proposing to conduct Commercial Cannabis Activity.
5. Any owner, business entity, or individual convicted for violating any law involving distribution of cannabis to minors will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.
6. Any owner, business entity, or individual cited for conducting illegal Commercial Cannabis Activity after April 1, 2018 will be banned from Commercial Cannabis Activity within the City of Los Angeles for a period of 5 years from the date of conviction.

## RETAILER COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Retailer Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.



### DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Retailer Delivery Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.
2. On-site retail sale to the public is not required unless required by the State of California.
3. Contractors and vendors are allowed to apply for Delivery for Retailer Commercial Cannabis Activity as third-party delivery services if allowed by the State of California.

### MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the application requirements as described above, an applicant shall provide a proposed Microbusiness Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements for Retailer, Indoor Cultivation, and/or Manufacture Commercial Cannabis Activity as described.

### CULTIVATION COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Cultivation Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.
2. Applicants shall provide all water source information as required by the State of California.
3. Applicants shall submit an energy efficiency plan and provide all power source information as required by the State of California, including but not limited to, illumination, heating, cooling, and ventilation.
4. The applicant shall attest that it is an "agricultural employer" as defined by the State of California.
5. The applicant shall attest and provide evidence that the Fire Department's Bureau of Fire Prevention and Public Safety has been notified of the proposed premises for Cultivation Commercial Cannabis Activity.

### MANUFACTURE COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Manufacture Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.
2. An applicant shall provide a detailed description of the Manufacture Commercial Cannabis Activity to be conducted on the premises which shall include, but not be limited to: the type

of activity conducted (extraction, infusion, packaging, labeling) including a description of extraction and infusion methods; and the types of products that will be manufactured, packaged, or labeled. In lieu of a description of the methods, processes and procedures to be used by the applicant, the applicant may submit a copy of every such procedure with the application.

3. Any applicant submitting manufacture operating procedures and protocols to the Department pursuant to the State of California and the Department may claim such information as a trade secret or confidential by clearly identifying such information as "confidential" on the document at the time of submission. Any claim of confidentiality by a manufacturer must be based on the manufacturer's good faith belief that the information marked as confidential constitutes a trade secret as defined by the State of California or otherwise exempt from public disclosure under the California Public Records Act.
4. The applicant shall attest and provide evidence that the Fire Department's Bureau of Fire Prevention and Public Safety has been notified of the proposed premises for Manufacture Commercial Cannabis Activity.

#### TESTING COMMERCIAL CANNABIS ACTIVITY APPLICATION REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Testing Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.
2. An applicant shall provide proof of ISO 17025 accreditation or proof that the applicant is in the process of applying or is preparing to apply for ISO 17025 accreditation, as well as laboratory-employee qualifications as required by the State of California.

#### DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. In addition to the applications requirements as described above, applicants shall provide a proposed Distributor Plan as required by the Department, which shall include how the applicant intends to meet all the operational requirements as described.

## COMMERCIAL CANNABIS ACTIVITY OPERATIONAL REQUIREMENTS

### GENERAL

1. A Business shall be required to follow all operational requirements, as well as any other Business-specific operational requirements, as outlined below or associated with the Business' License. (Violation Type – Minor)
2. A Business shall not make a physical change, alteration, or modification of the premises that materially or substantially alters the premises or the use of the premises from the premises diagram originally filed with the application without the prior written approval of the Department. A Business whose premises is to be materially or substantially changed, modified, or altered is responsible for filing a premises modification application with the Department and paying the associated fees. Material or substantial changes, alterations, or modifications requiring approval include, but are not limited to, the removal, creation, or relocation of a common entryway, doorway, passage, or a means of public entry or exit, when such common entryway, doorway, or passage alters or changes limited-access areas within the premises. (Violation Type – Moderate)
3. A Business shall only use the Business name as identified on the License for the submission of other permits, certificates, or documents issued by the City of Los Angeles. The identified Business name shall be the only name used for communications, advertising, and all documents required by the State of California. (Violation Type – Serious)
4. A Business, its employees, agents, and officers must obey all applicable laws of the City of Los Angeles and State of California. (Violation Type – Minor)
5. All agents, officers, or other persons acting for or employed by a Business shall display a laminated identification badge issued by the Business. The identification badge shall, at a minimum, include the Business' "doing business as" name and authorization number, the employee's first and last name, and a color photograph of the employee that shows the full front of the employee's face and that is at least 2 inches by 2 inches in size. (Violation Type – Minor)
6. Businesses shall ensure that any person on the premises, except for employees and contractors of the Business, are escorted at all times by the owner or at least one employee of the Business when in the limited-access areas of the premises. (Violation Type – Minor)
7. At a minimum, the Business premises shall have a complete digital video surveillance system in accordance with the approved security plan with a minimum camera resolution of 1280 × 1024 pixels. The surveillance-system storage device or the cameras shall be transmission control protocol/ TCP/capable of being accessed through the internet. All areas recorded by the video surveillance system shall at all times have adequate lighting to allow the surveillance cameras to effectively record images. Cameras must be

immobile and in a permanent location. Cameras shall be placed in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the premises, and allows for the clear and certain identification of any person and activities in all areas required to be filmed. Areas that shall be recorded on the video surveillance system include, but are not limited to, the following: areas where cannabis goods are weighed, packed, stored, quarantined, loaded and unloaded for transportation, prepared, or moved within the premises; areas where cannabis is destroyed; limited-access areas; security rooms; areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area; and entrances and exits to the premises, which shall be recorded from both indoor and outdoor vantage points. Businesses conducting Retailer Commercial Cannabis Activity shall also record on the video surveillance system point-of-sale areas and areas where cannabis goods are displayed for sale. At each point of sale location, camera placement must allow for the recording of the facial features of any person purchasing or selling cannabis goods, or any person in the retail area, with sufficient clarity to determine identity. Cameras shall record continuously 24 hours per day and at a minimum of 20 frames per second. The physical media or storage device on which surveillance recordings are stored must be secured in a manner to protect the recording from tampering or theft. Surveillance recordings shall be kept for a minimum of 30 days. Videos are subject to inspection by the Department and Office of Finance and shall be copied and sent to or otherwise provided to the Department or Office of Finance, upon request. Recorded images shall clearly and accurately display the time and date. Time is to be measured in accordance with the United States National Institute Standards and Technology standards. Videos shall be furnished to the Police Department upon request. (Violation Type – Moderate)

8. A Business shall hire or contract for security personnel to provide security services for the premises. All security personnel hired or contracted for by the Business shall comply with the requirements of the State of California and City of Los Angeles and maintain an active American Red Cross first-aid card. A Business shall ensure that the limited-access areas can be securely locked using commercial-grade, nonresidential door locks in accordance with the approved security plan. A Business shall also use commercial-grade, nonresidential locks on all points of entry and exit to the premises in accordance with the approved security plan. (Violation Type – Moderate)
9. A Business shall maintain an alarm system in accordance with the approved security plan as required by the State of California and the Department. A Business shall ensure a licensed alarm company operator or one or more of its registered alarm agents installs, maintains, monitors, and responds to the alarm system. Upon request, a Business shall make available to the Department or the Police Department all information related to the alarm system, monitoring, and alarm activity. A Business must apply for, and maintain in good standing, a Police Alarm Permit issued by the City of Los Angeles. (Violation Type – Moderate)

10. A Business is not required to have his or her cannabis goods tested or to follow the labeling provisions as required by the State of California or Department until 120 days after City licensure, or April 1, 2018, whichever is sooner. (Violation Type – Serious)
11. A Business shall be properly ventilated and the exhaust air filtered to neutralize the odor from cannabis so that the odor cannot be detected by a person with a normal sense of smell at the exterior of the Business or on any adjoining property. No operable windows or exhaust vents shall be located on the building façade that abuts a residential use or zone. Exhaust vents on rooftops shall direct exhaust away from residential uses or zones. (Violation Type – Moderate)
12. A Business is required to meet all on-site and off-site sign requirements and advertising requirements of the City of Los Angeles. Signs shall be limited to on-site wall and projecting signs and only one sign per façade is allowed. No monument, illuminated, architectural canopy, pole, marquee, roof, temporary, digital, window, moving signs or signs with moving parts, super graphics, or off-site signs are permitted. No portable or sandwich signs are permitted in the public right-of-way. (Violation Type – Minor)
13. Agents or employees of the Department requesting admission to the Business for the purpose of determining compliance shall be given unrestricted access during regular business hours and must maintain and provide their City of Los Angeles issued identification badge upon request. (Violation Type – Serious)
14. The Business' License, State of California license, BTRC, operating conditions, and emergency contact information shall be prominently displayed on the premises where it can be viewed by state or local agencies. (Violation Type – Minor)
15. Every applicant shall obtain a License for each premises where it engages in Commercial Cannabis Activity. Licenses are not transferrable or assignable to any other person, entity, or property without written approval from the Department. (Violation Type – Serious)
16. A Business shall not sublet any portion of the premises identified with the License without written approval from the Department. (Violation Type – Serious)
17. No recommendations or approvals by a physician to use medical cannabis or medical cannabis products shall be issued at any Business. (Violation Type – Moderate)
18. A Business shall not allow the consumption of cannabis or the sale or consumption of alcohol on the premises. No employee or agent of the Business shall solicit or accept any cannabis or alcohol products from any customer or vendor while on the premises. (Violation Type – Moderate)
19. A Business shall only permit authorized individuals to enter the limited-access areas. Authorized individuals include individuals employed by the Business as well as any outside vendors, contractors, labor representatives, or other individuals who have a bona

valid business reason for entering the limited-access area. An individual who is not an authorized individual for purposes of entering the limited-access areas shall not enter the limited-access area at any time for any reason. An individual in the limited-access area who is not employed by the Business shall be escorted by individuals employed by the Business at all times within the limited-access area. An individual who enters the limited-access areas shall be at least 21 years of age. The Business shall maintain a log of all authorized individuals who are not employees that enter the limited-access area. These logs shall be made available to the Department upon request. A Business shall not receive consideration or compensation for permitting an individual to enter the limited-access area. (Violation Type – Moderate)

20. The Business shall be responsible for monitoring both patron and employee conduct on the premises and within the parking areas under their control to assure behavior does not adversely affect or detract from the quality of life for adjoining residents, property owners, and businesses. The Business shall properly manage the premises to discourage illegal, criminal, or nuisance activity on the premises and any parking areas which have been made available or are commonly utilized for patron or employee parking. Loitering is prohibited on or around the premises or the area under control of the Business. "No Loitering, Public Drinking, or Public Smoking/ Consumption of Cannabis" signs shall be posted in and outside of the Business. The property and all associated parking, including the adjacent area under the control of the Business and any sidewalk or alley, shall be maintained in an attractive condition and shall be kept free of obstruction, trash, litter, and debris at all times. (Violation Type – Moderate)
21. Parking shall be subject to the determination of the City of Los Angeles. Any off-site parking shall be provided pursuant to the requirements of the City of Los Angeles. (Violation Type – Minor)
22. Businesses are required to comply with Section 12.37 of the Los Angeles Municipal Code (Highway Dedication Procedures) to repair or replace broken and off-grade sidewalks, close unused driveways, and plant street trees, including parking areas controlled or used by the Business and driveways fronting a public right-of-way. This requirement shall apply to the entire property if the Business premises is larger than fifty percent of the subject property. (Violation Type – Minor)
23. Businesses shall comply, to the fullest extent practicable, with the Commercial Citywide Design Guidelines or Industrial Citywide Design Guidelines as applicable. (Violation Type – Minor)
24. All graffiti on the site shall be removed or painted over to match the color of the surface to which it is applied within 24 hours of its occurrence. (Violation Type – Minor)
25. Trash pick-up, compacting, loading, and unloading and receiving activities shall be limited to 7 a.m. to 6 p.m. Monday through Friday and 10 a.m. to 4 p.m. of Saturday. No deliveries or trash pick-up shall occur on Sunday. Waste receptacles shall be kept secure and accessible only to authorized personnel. (Violation Type – Minor)

26. No special events or parties of any type shall be held on the premises, including but not limited to events for which a Temporary Special Event Permit has been issued by the Department of Building and Safety. (Violation Type – Moderate)
27. Outdoor lighting shall be shielded and directed onto the site, such that the light source cannot be seen by persons on adjacent properties or from the public right-of-way. In cases where the premises immediately adjoins a public sidewalk or alley, a light source that is visible from the portion of the sidewalk or alley immediately adjoining the premises shall not be deemed in violation of this provision. (Violation Type – Minor)
28. All exterior portions of the premises shall be adequately illuminated in the evening as to make discernible the faces and clothing of persons utilizing the space. (Violation Type – Minor)
29. All rooftop equipment is required to be screened from view of the public, including air conditioning units, ventilation equipment, and mechanical equipment. (Violation Type – Minor)
30. Exterior mounted devices are prohibited, including security bars, grates, grills, barricades, and similar devices. The use of wrought iron spears and barbed wire (cyclone) on the property are also prohibited. (Violation Type – Minor)
31. An assigned neighborhood liaison shall be identified with a phone number and email address posted prominently for each premises and Business to address and receive complaints. (Violation Type – Minor)
32. A Business shall ensure that the Department is notified in writing of a criminal conviction rendered against the Business, either by mail or electronic mail, within 48 hours of the conviction. A Business shall ensure that the Department is notified in writing of a civil penalty or judgment rendered against the Business, either by mail or electronic mail, within 48 hours of delivery of the verdict or entry of judgment, whichever is sooner. A Business shall ensure that the Department is notified in writing of the revocation of a state license, permit, or other local authorization, either by mail or electronic mail within 48 hours of receiving notice of the revocation. (Violation Type – Minor)
33. A Business shall notify the Police Department and the Department within 24 hours of discovery of any of the following situations: the Business discovers a significant discrepancy as defined in its inventory; the Business becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity pertaining to the operation of the Business; the Business becomes aware of or has reason to suspect diversion, theft, loss, or any other criminal activity by an agent or employee pertaining to the operation of the Business; the Business becomes aware of or has reason to suspect the loss or unauthorized alteration of records related to cannabis goods, registered medical cannabis patients or primary caregivers, or dispensary employees or agents; or the Business

becomes aware of or has reason to suspect any other breach of security. (Violation Type – Moderate)

## RECORDS RETENTION

1. Each Business shall keep and maintain the following records for at least seven years: financial records including, but not limited to, bank statements, sales invoices, receipts, tax records, and all records required by the California State Board of Equalization, other State of California agencies, the Office of Finance, or the Department; personnel records, including each employee's full name, social security, or individual tax payer identification number, date of beginning employment, and date of termination of employment if applicable; training records, including but not limited to the content of the training provided and the names of the employees that received the training; contracts with other Businesses; Permits, licenses, and other local or state authorizations to conduct the Business' Commercial Cannabis Activity. (Violation Type – Serious)
2. The Department or Office of Finance may make any examination of the books and records of any Business as it deems necessary to perform its duties under the rules, regulations, and procedures of the City of Los Angeles and the State of California. Records shall be kept in a manner that allows the records to be produced for the Department at the Business premises in either hard copy or electronic form, whichever the Department requests. A Business may contract with a third party to provide custodial or management services of the records. Such a contract shall not relieve the Business of his or her responsibilities under these regulations. (Violation Type – Serious)
3. A Business must maintain adequate records of all activities and transactions that involve financial implications for seven years. Such businesses are required to utilize electronic track and trace systems and point of sale terminals (if applicable). The equipment must be capable of recording and monitoring business activities, inventories, transportation, sales transactions, and generating reports on demand. The equipment must be fully integrated to process and maintain data that includes information about the Business from whom the goods were received, the type and amount of goods received, the party who holds title to the goods, and the UIDs or lot number of the goods. Electronic equipment may include, but is not limited to: Radio-Frequency Identification Devices, bar code identifiers, scanning equipment and software, cash registers, desktop computers, mobile devices, and cloud-based technologies that can manage all aspects of the cannabis life cycle from "seed to sale". Data storage and reporting features must incorporate all aspects of revenue transactions inclusive of accurate inventory levels, transactional history, sales receipts and entry of all point of sales data inclusive of wholesale and retail sales. The data must also allow for the Department or its authorized agents to clearly distinguish the activities of medical cannabis from retail cannabis. For Businesses engaging in Retailer Commercial Cannabis Activity, information required to be tracked includes the sale of the cannabis goods, such as the date of sale, type of goods purchased and quantity of each good, and related sale prices. For Businesses engaging in Distributor Commercial Cannabis Activity, the Business must disclose when it uses its own Distributor License to transport the cannabis goods to one or more Businesses conducting



Retailer Commercial Cannabis Activity and enter that transport event into the track and trace database. This information includes the distributor state license number, amount of goods transported, vehicle information, and date of transport. (Violation Type – Serious)

#### TRACK AND TRACE

1. The Department shall utilize the State of California track-and-trace system for UIDs of cannabis and cannabis products, which all Businesses conducting Commercial Cannabis Activity shall use. Businesses shall meet all Track and Trace requirements of the State of California at all times. (Violation Type – Serious)

#### RETAILER COMMERCIAL CANNABIS ACTIVITY

1. Except as otherwise provided by state law, access to the premises shall be limited to individuals who are at least 21 years old and have a bona fide business reason for entering the premises. An individual younger than 21 years of age may enter the premises to purchase medical cannabis goods only if the individual is a medical cannabis patient. Any medical cannabis patient younger than 18 years old shall be accompanied by his or her parent, legal guardian, or primary caregiver. (Violation Type – Serious)
2. Individuals shall only be granted access to the area to purchase medical cannabis goods after the Business has identified the individual as a medical cannabis patient or a primary caregiver. Prior to identifying an individual as a medical cannabis patient or a primary caregiver, a Business shall verify that the individual has valid proof of identification as required by the State of California. In the case of a primary caregiver, valid written documentation containing the signature and the printed name of the medical cannabis patient designating the individual as a primary caregiver for a medical cannabis patient. A Business shall only sell medical cannabis goods to medical cannabis patients or the primary caregivers of medical cannabis patients once identification is verified. (Violation Type – Serious)
3. The Business owner or its employees shall be physically present in the retail area at all times when there are individuals who are not employees of the Business in the retail area. (Violation Type – Moderate)
4. A Business conducting Retailer Commercial Cannabis Activity may only sell cannabis goods during the hours of 6:00 a.m. Pacific Time to 9:00 p.m. Pacific Time. At any time the Business is not open for retail sales, the Business shall ensure the following: the premises shall be securely locked with commercial-grade, non-residential door locks; the premises shall be equipped with an active alarm system; when closed for retail business, all cannabis goods shall be stored in a locked safe or vault on the premises; and only authorized employees and contractors of the Business shall be allowed to enter the premises after hours. All patrons must exit the premises by 9:15 p.m. Pacific Time. (Violation Type – Moderate)

5. The display of cannabis goods for sale shall only occur in the retail area during the operating hours of the Business. The Business shall not display any cannabis goods in areas outside of the retail area. The Business shall not display cannabis goods in a place where it is visible from outside the premises. Cannabis goods on display shall not be readily accessible to the customers. The amount of cannabis goods that are displayed shall not exceed the average amount of cannabis goods the Business sells during an average one day period. The remainder of the Business' inventory of cannabis goods shall be stored in accordance with the requirements of the State of California and the Department. (Violation Type – Moderate)
6. A Business shall not make any cannabis goods available for sale or delivery unless the cannabis goods were received and delivered to the Business as required by the State of California, and the Business has verified that the cannabis goods have not exceeded their expiration or sell-by date if one is provided. (Violation Type – Moderate)
7. A Business shall not sell more than the maximum daily limit established for medical cannabis goods including edibles, or adult use cannabis goods including edibles per individual, as required by the State of California. (Violation Type – Moderate)
8. A Business may accept returns of cannabis goods that were previously sold at the same premises. A Business shall not resell cannabis goods that have been returned. A Business shall treat any cannabis goods abandoned on the premises as a return. A Business shall destroy all cannabis goods that have been returned to a Business as required by the State of California and the Department. (Violation Type – Moderate)
9. A Business shall not provide free samples of any type, including cannabis goods, to any person. A Business shall not allow representatives of other companies or organizations to provide free samples of any type, including cannabis goods, to individuals on the Business premises. (Violation Type – Moderate)
10. A Business shall not accept cannabis goods that are not packaged as they will be sold at final sale, in compliance with the requirements of the State of California. A Business shall not purchase dried flower that is not already packaged for final sale, in compliance with the requirements of the State of California. A retailer shall not package or label cannabis goods, unless otherwise allowed by the State of California. (Violation Type – Moderate)
11. Cannabis goods purchased by a customer shall not leave the Business premises unless they are placed in an exit package as required by the State of California. (Violation Type – Moderate)
12. A Business shall store cannabis goods in a building designed to permit control of temperature and humidity and shall prevent the entry of environmental contaminants such as smoke and dust. The area in which cannabis goods are stored shall not be exposed to direct sunlight. A Business may not store cannabis goods outdoors. Employee break rooms, changing facilities, and bathrooms shall be completely separated from the storage

areas. A Business shall meet all temperature and humidity requirements of the State of California. (Violation Type – Moderate)

13. A Business shall maintain an accurate record of its inventory as required by the State of California. A Business shall provide the Department with a record of its current inventory upon request. (Violation Type – Moderate)
14. A Business shall maintain an accurate record of every sale as required by the State of California. (Violation Type – Minor)
15. Up to 120 days after the date of City licensure or April 1, 2018, whichever is sooner, a Business may sell its inventory of untested cannabis goods if the Business places a label on each package it sells with the date of purchase and the following statement: “This product has not been tested under the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).” During the time period allowed by this section, a Business will meet all applicable packaging requirements required by the State of California. (Violation Type – Serious)
16. Within the first three months of the establishment of the training program, all employees of a Business conducting Retailer Commercial Cannabis Activity shall enroll in the Department and Police Department’s standardized training for cannabis retailers. Upon completion of such training, the Business shall request the Department to issue a letter identifying which employees completed the training. In the event there is a change in the ownership of a Business, within six months of the change, this training program shall be required for all new staff. The training shall be conducted for all new hires within two months of their employment. A refresher course is required of all employees every 24 months after the initial training is completed. Online or in-person training is at the discretion of the Department and Police Department. (Violation Type – Minor)
17. An electronic age verification device shall be purchased and retained on the premises to determine the age of any individual attempting to purchase cannabis goods and shall be installed on at each point-of-sales location. The device shall be maintained in operational condition and all employees shall be instructed in its use. Cannabis products shall not be sold to the public without a functioning electronic age verification device. (Violation Type – Moderate)
18. Only one door, as identified in the premises diagram, shall be used for patron access. Two doors, as identified in the premises diagram, may be used for patron access to allow for separation of medical and adult use sales. All other doors shall be equipped on the inside with an automatic locking device and shall be kept closed at all times, other than to permit access for deliveries and trash removal. Exterior doors shall not consist of a screen or ventilated security door but shall be solid. (Violation Type – Moderate)
19. There shall be no sales through exterior openings, such as drive through or walk-up windows. (Violation Type – Serious)

20. All windows that front adjacent streets shall consist of at least 50 percent transparent windows, and provide a clear and unobstructed view free of reflective coatings (Violation Type – Moderate)
21. There shall be no adult entertainment of any type pursuant to Section 12.70 of the Los Angeles Municipal Code or alcohol and tobacco sales of any type. (Violation Type – Moderate)
22. No entertainment of any type shall be allowed to take place, except for ambient music. No disc jockey, karaoke, dancing or performing activity or any kind shall be allowed. Any music, sound, or noise emitted from the Business shall comply with the noise regulations of the Los Angeles Municipal Code and shall not extend beyond the Business. (Violation Type – Moderate)
23. There shall be no pool/billiard tables, dart games, video games, coin-operated game machines or similar game devices maintained upon the premises at any time. (Violation Type – Minor)
24. There shall be no outdoor speakers, address, or paging system on the exterior portions of the Business premises or attached to the façade of the building. (Violation Type – Moderate)
25. A Business shall maintain a fire-proof safe on-site. (Violation Type – Moderate)

#### DELIVERY FOR RETAILER COMMERCIAL CANNABIS ACTIVITY

1. A Business conducting Delivery for Retailer Commercial Cannabis Activity shall meet all applicable operational requirements for Retailer Commercial Cannabis Activity. (Violation Type – Minor)
2. All deliveries of cannabis goods must be performed by a delivery employee of a Business conducting Delivery for Retailer Commercial Cannabis Activity. Each delivery employee of a Business shall be at least 21 years of age. A Business shall only use the services of an independent contractor or courier service to deliver cannabis goods as allowable by the State of California. Only authorized employees of the Business can be in the delivery vehicle during the time of delivery. (Violation Type – Moderate)
3. All deliveries of cannabis goods shall be made in person, pre-ordered, packaged for sale, labeled, and placed in exit packaging prior to being dispatched for delivery. A delivery of cannabis goods shall not be made through the use of an unmanned vehicle. A Business may only deliver cannabis goods to a physical address within the boundaries of the City of Los Angeles. A Business shall not deliver cannabis goods to an address located on publicly owned land or any address on land or in a building leased by a public agency. (Violation Type – Moderate)

4. An electronic age verification device shall be purchased and retained on the premises to determine the age of any individual attempting to purchase cannabis goods for delivery and shall be required at each point-of-sales location. The device shall be maintained in operational condition and all employees shall be instructed in its use. Cannabis products shall not be sold to the public without a functioning electronic age verification device. (Violation Type – Moderate)
5. A delivery employee begins the process of delivering when the delivery employee leaves the Business premises with the cannabis goods for delivery. The process of delivering ends when the delivery employee returns to the Business premises after delivering the cannabis goods. (Violation Type – Minor)
6. A delivery employee of a Business shall, during deliveries, carry a copy of the Business' License, the employee's government-issued identification, and an employer provided badge containing a picture and the name of the delivery employee. A Business shall maintain an accurate list of its delivery employees. (Violation Type – Minor)
7. A delivery employee of a Business, carrying cannabis goods for delivery, shall only travel in an enclosed motor vehicle operated by the delivery employee or another delivery employee of the Business. While carrying cannabis goods for delivery, a delivery employee of a Business shall ensure the cannabis goods are not visible to the public. A delivery employee of a Business shall not leave cannabis goods in an unattended motor vehicle unless the motor vehicle is equipped with an active vehicle alarm system. A vehicle used for the delivery of cannabis goods shall be outfitted with a dedicated Global Positioning System (GPS) device for identifying the geographic location of the delivery vehicle. A dedicated GPS device does not include a phone or tablet. The device shall be either permanently or temporarily affixed to the delivery vehicle and shall remain active and inside of the delivery vehicle at all times during delivery. At all times, the Business shall be able to identify the geographic location of all delivery vehicles that are making deliveries for the Business and shall provide that information to the Department upon request. (Violation Type – Serious)
8. A Business shall only deliver cannabis goods during the hours allowable by the State of California. (Violation Type – Serious)
9. While making deliveries, a delivery employee of a Business shall not carry cannabis goods in excess of \$3,000 at any time. This value shall be determined using the retail price of all cannabis goods carried by the delivery employee. (Violation Type – Moderate)
10. Delivery employees of a Business shall not consume cannabis goods or be under the influence of any substance that impairs the ability of the employee while delivering cannabis goods. (Violation Type – Serious)
11. A Business shall prepare a delivery request receipt for each delivery of cannabis goods as required by the State of California. (Violation Type – Minor)

12. While making deliveries of cannabis goods, a delivery employee of a Business shall only travel from the Business premises to the delivery address; from one delivery address to another delivery address; or from a delivery address back to the Business premises. A delivery employee of a Business shall not deviate from the delivery path, except for necessary rest, fuel, or vehicle repair stops, or because road conditions make continued use of the route unsafe, impossible, or impracticable. (Violation Type – Minor)
13. No Business conducting Retailer Commercial Cannabis Activity may conduct any deliveries within the boundaries of the City of Los Angeles without first obtaining a License from the Department, including licensed or permitted Businesses located outside of the City of Los Angeles. Furthermore, no business is authorized to provide delivery services outside of the City of Los Angeles under a License issued by the Department. (Violation Type – Serious)
14. A Business shall ensure that the Department is notified in writing of an arrest or criminal conviction involving a vehicle of an employee and the employee or employees involved, either by mail or electronic mail, within 48 hours of the conviction or arrest. (Violation Type – Minor)
15. A Business shall maintain a fire-proof safe on-site. (Violation Type – Moderate)
16. On the first of every month and upon request, a Business shall provide the Department and the Police Department with information regarding any motor vehicles used for the delivery of cannabis goods, including the vehicle's make, model, color, Vehicle Identification Number, and license plate number. Any motor vehicle used by the Business to deliver cannabis goods may be inspected by the Department at any premises or during delivery. (Violation Type – Moderate)

#### MICROBUSINESS COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business conducting Microbusiness Commercial Cannabis Activity shall meet all applicable operational requirements for Retailer Commercial Cannabis Activity, Cultivation Commercial Cannabis Activity, and/or Manufacture Commercial Cannabis Activity. (Violation Type – Minor)
2. All windows that front adjacent streets shall consist of at least 50 percent transparent windows, and provide a clear and unobstructed view free of reflective coatings (Violation Type – Moderate)

#### CULTIVATION COMMERCIAL CANNABIS ACTIVITY

1. The Cultivation Plan for a Business shall meet all the requirements of the State of California, including hazardous waste management requirements of the CUPA program. (Violation Type – Minor)

2. Businesses are prohibited from transferring or receiving any cannabis or non-manufactured cannabis products from other Businesses conducting Cultivation Commercial Cannabis Activity, except as otherwise allowed by the State of California. Businesses are allowed to receive immature plants or seeds from nurseries and to transfer cannabis and non-manufactured cannabis products under the requirements of the State of California. (Violation Type – Moderate)
3. Businesses are prohibited from accepting returns of cannabis plants or non-manufactured cannabis products after transferring actual possession of cannabis plants or non-manufactured cannabis to another Business. (Violation Type – Moderate)
4. Cannabis plant material scheduled for destruction shall be held in a holding area identified in the Cultivation Plan and shall be managed and disposed of in accordance with the requirements of the State of California. (Violation Type – Moderate)
5. All cannabis shall be kept commercially clean in respect to established pests of general distribution as required by the State of California. (Violation Type – Moderate)
6. A package used to contain a non-manufactured cannabis product shall adhere to the requirements of the State of California. (Violation Type – Moderate)
7. All labeling shall meet the requirements of the State of California. (Violation Type – Serious)
8. Businesses shall only propagate immature plants for planting at their premises in designated propagation area(s) according to the requirements of the State of California. Businesses propagating immature plants for distribution or seed for distribution to another Business shall obtain a Type 4 License. (Violation Type – Moderate)
9. Businesses shall process their cannabis as required by the State of California. (Violation Type – Moderate)
10. Nurseries producing immature plants for distribution may maintain a research and development area for the cultivation of mature plants as required by the State of California. Nurseries shall only conduct research and development on the premises in designated areas identified in their Cultivation Plan and premises diagram approved by the Department. Non-manufactured cannabis products derived from the plants described above are prohibited from entering the commercial distribution chain without the appropriate Department issued License. (Violation Type – Moderate)
11. Processors shall comply with all of the requirements of the State of California. (Violation Type – Moderate)
12. All Businesses shall comply with the environmental protection measures of the State of California. (Violation Type – Moderate)

13. Indoor license types of all sizes shall ensure that electrical power used for commercial cannabis activity shall meet the requirements of the State of California. (Violation Type – Moderate)
14. A Business shall comply with all requirements of a fire safety plan approved by the Fire Department. (Violation Type – Moderate)

#### MANUFACTURE COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. Cannabis extraction shall only be conducted using the methods in accordance with all requirements and procedures of the State of California. (Violation Type – Serious)
2. The Business shall establish and implement written procedures with respect to disease control, cleanliness, contamination prevention, sanitary operations, quality control, the quality of raw materials and ingredients, manufacturing operations, master manufacturing protocol, hazard analysis, standard operating procedures, and inventory control plan as required by the State of California. (Violation Type – Moderate)
3. A Business shall comply with all requirements of a fire safety plan approved by the Fire Department. (Violation Type – Moderate)
4. Within the first three months of the establishment of the training program, all employees of a Business conducting Manufacturer Commercial Cannabis Activity (Type 7- Manufacturer 2) shall enroll in the Department and Police Department’s standardized training for cannabis manufacturers. Upon completion of such training, the Business shall request the Department to issue a letter identifying which employees completed the training. In the event there is a change in the ownership of a Business, within six months of the change, this training program shall be required for all new staff. The training shall be conducted for all new hires within two months of their employment. A refresher course is required of all employees every 24 months after the initial training is completed. Online or in-person training is at the discretion of the Department and Police Department. (Violation Type – Moderate)
5. At minimum, a Business will meet all facility suitability standards and be equipped with adequate sanitary accommodations as required by the State of California. (Violation Type – Moderate)
6. The Business shall establish and implement written procedures to ensure that all product complaints are handled in accordance with the requirements of the State of California. (Violation Type – Moderate)
7. A Business shall establish and implement written procedures in the Cannabis Waste Management Plan for recalling cannabis products manufactured by the Business that are determined to be misbranded or adulterated in accordance with the requirements of the State of California. (Violation Type – Serious)



8. The Business shall be subject and meet all manufacturer requirements of the State of California. (Violation Type – Moderate)
9. No cannabis product shall exceed the level of contaminants as required by the State of California. (Violation Type – Serious)
10. Prior to release of a product, a Business shall ensure that the product is in finished form and is labeled and packaged in its final form for sale at a Business conducting Retailer Commercial Cannabis Activity. A Business must comply with, and follow all labeling and packaging requirements of the State of California. (Violation Type – Moderate)

#### TESTING COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business shall develop and implement sampling plans, procedures, and protocols that meet the requirements of the State of California for obtaining samples of cannabis goods. (Violation Type – Moderate)
2. A Business shall develop, implement, and maintain written standard operating procedures and scientifically valid testing methodologies as required by the State of California. (Violation Type – Moderate)
3. A Business shall only use metals, butane, propane, or any other flammable solvent or inflammable product for the purposes of testing as required by the State of California. (Violation Type – Serious)
4. A Business shall test for and report measurements for the cannabinoids as required by the State of California. (Violation Type – Serious)
5. A Business shall analyze samples of manufactured cannabis batches for residual solvents and processing chemicals as required by the State of California. (Violation Type – Serious)
6. A Business shall test all samples for residual pesticides, microbiological impurities, mycotoxins, filth and foreign material present, and concentrations of heavy metals as required by the State of California. (Violation Type – Serious)
7. The Business shall generate a certificate of analysis as required by the State of California. (Violation Type – Serious)
8. A Business shall destroy nonhazardous used or unused cannabis test samples as required by the State of California. (Violation Type – Moderate)
9. A Business shall conduct an internal audit at least once per year or according to the ISO accrediting body's requirement and State of California requirements, whichever is more frequent. (Violation Type – Moderate)

10. A Business shall maintain analytical testing laboratory records as required by the State of California. (Violation Type – Moderate)
11. Laboratory employees shall meet the experience, education, and training requirements specified and required by the State of California. A Business shall verify and maintain documentation of qualifications of its employees. (Violation Type – Serious)
12. A Business shall deter the unauthorized entrance into areas within the laboratory where cannabis is present by controlling access to those areas through doing all of the following: limiting access to only certain personnel and for the sole purpose of executing their specific job function and duties; implementing an access-control-card system capable of preventing unauthorized access through access control points. The system must record the transaction history of all entrants; using a security alarm system as required; and maintaining a visitor arrival and departure log, which must contain, at minimum, the name of the visitor, date and time of arrival and departure, and the purpose of the visit. (Violation Type – Moderate)
13. A Business shall store cannabis secured with a commercial-grade lock in a room or cabinet capable of preventing diversion, theft, and loss. Secured areas must be locked at all times except when managing or retrieving a secured item or items. A Business shall store medical cannabis samples and items apart and away from non-medical-cannabis samples and items. The testing laboratory shall designate secured areas for storage as required by the State of California. (Violation Type – Moderate)
14. Businesses shall store all raw unprocessed instrument output data files and processed quantitation output files at the laboratory on some form of electronic, magnetic, or optical media. A Business shall allow access to these records for inspection and audit by the Department. Businesses shall install, manage, and maintain password-protection for electronically stored data, including the data listed. (Violation Type – Serious)
15. Businesses shall notify the Department within 24 hours of discovering any of the following: An unexplained loss of 5% or more of the inventory of unpackaged and unused harvest-batch samples held at the laboratory; an unexplained loss of 1 or more units of packaged cannabis batch samples held at the laboratory; or diversion or theft of medical cannabis or any other criminal activity pertaining to the operation of the laboratory. (Violation Type – Minor)
16. No owner or employee of a Business may be employed by, or have any ownership or financial interest, in any other category of Commercial Cannabis Activity. (Violation Type – Serious)

#### DISTRIBUTOR COMMERCIAL CANNABIS ACTIVITY REQUIREMENTS

1. A Business conducting Distributor Commercial Cannabis Activity must meet all operational requirements of the State of California. (Violation Type – Minor)

## INSPECTIONS

1. Applicants will submit to a pre-inspection of the premises during regular business hours prior to the issuance of a Provisional License. Pre-inspection is not required for a Provisional License issued to Proposition M Priority processing applicants, but will be required prior to the issuance of a permanent License. Pre-inspections may include, but is not limited to, employees or agents of the following City Departments: Department of Cannabis Regulation, Department of Building and Safety, Police Commission, and Fire Department. A pre-inspection consists of approval of the premises diagram, on-site inspection of all applicable building code and fire code requirements, approval of the security plan, fingerprinting, and approval of the fire safety plan (if applicable). An applicant shall satisfy all requirements of a pre-inspection prior to further application processing. An applicant shall upgrade all applicable electrical and water systems to Building and Fire Code standards prior to further application processing.
2. All Businesses and applicants shall be subject to inspection, investigation, or audit by the Department or its agents to determine compliance. An inspection, investigation or audit is a review of any books, records, accounts, inventory, or on-site operations specific to the Business. Inspections, investigations, or audits may include, but is not limited to employees or agents of the following City Departments: the Department of Cannabis Regulation, Department of Building and Safety, Police Commission, Fire Department, and the Office of Finance.
3. The Department and its agents may conduct an on-site inspection prior to issuing a renewal License in accordance with the requirements of the State of California and the Department.
4. The Department may record the inspection, investigation, or audit.
5. The applicant or Business shall allow the Department access to the proposed or authorized premises for any of the following purposes: onsite inspection of the premises prior to issuing a renewal to determine accuracy and completeness of the application; review or inspect the premises to determine compliance with requirements; audit or inspect records; conduct an inspection or investigation in response to a complaint(s) received by the Department regarding the Business; inspect incoming or outgoing shipments of cannabis and cannabis products, storage areas, production processes, labeling and packaging processes, and conveyances used in the manufacture, storage or transportation of cannabis products; all pertinent equipment, raw material, finished and unfinished materials, containers, packaging, and labeling that has a bearing on whether the cannabis or cannabis product is compliant; investigations concerning the adulteration, misbranding or unlicensed production of any cannabis product including the ability to enter and inspect any place where any cannabis product is suspected of being manufactured or held in violation of requirements; and, conduct an investigation of the Business, the operations, and other activities associated with Commercial Cannabis Activity engaged in by the Business, as deemed necessary by the Department. Failure to fully cooperate with inspections, investigations or audits is a Serious Violation subject to enforcement. All inspections, investigations, or audits and related fees

shall be charged to Businesses at full cost recovery. Prior notice of inspection, investigation or audit is not required.

6. All inspections, investigations and audits of the premises shall be conducted during regular business hours, during times of apparent or alleged activity, or as otherwise agreed to by the Department and the Business.
7. No applicant, Business, its agent or employees shall interfere with, obstruct or impede the Department's inspection, investigation or audit. This includes, but is not limited to the following actions: denying the Department access to the premises; providing false or misleading statements; providing false, falsified, fraudulent or misleading documents and records; and failing to provide records, reports, and other supporting documents. Upon completion of an inspection, investigation or audit, the Department shall notify the applicant or Business of any violation(s) and/or action(s) the Department is taking.
8. The Department may perform an audit of the physical inventory of any Commercial Cannabis Business at the Department's discretion. Variances between the physical audit and the inventory reflected in the track-and-trace system at the time of the audit, which cannot be attributed to normal moisture variations in harvested cannabis may be subject to enforcement action.
9. In construing and enforcing the provisions and regulations of the Commission and Department, the act, omission, or failure of an agent, officer, or other person acting for or employed by a Business, within the scope of his or her employment or office, shall in every case be deemed the act, omission, or failure of the Business.

## ENFORCEMENT

1. The Department shall be the lead agency for any enforcement investigations and actions with respect to these regulations for licensed Businesses. The City Attorney and the Police Department shall be the lead agencies with respect to any enforcement investigations and actions of unlicensed Commercial Cannabis Activity.
2. Notwithstanding any other provision of law, the Department may take an administrative action at any time within five years after the Department discovers, or with reasonable diligence should have discovered any violation of the License requirements of the Department. Any action of the Department does not preclude the State of California, the Department of Building and Safety, and the Fire Department from taking their own enforcement action.
3. The Department shall use the violation classes and applicable amounts as follows: For the purpose of this section, violation classes are designated as “Serious,” “Moderate,” and “Minor”.
  - a. “Serious”. Violations which preclude or significantly interfere with enforcement, or those which cause significant false, misleading or deceptive business practices, potential for significant level of public or environmental harm, intentional or knowing sale of cannabis products to a person under the age of 21 (unless a medical cannabis patient), intentional or knowing sale of medical cannabis to a person who is not a medical cannabis patient; packaging or labeling any cannabis product in a manner that violates the requirements of the State of California or Department, advertising or marketing cannabis products that violates the requirements of the State of California or Department, issued violations of any law involving wages or labor as a violation of the California Labor Code or Los Angeles Municipal Code, or for any violation which is a repeat of a Moderate violation that occurred within a two-year period and which resulted in an administrative civil penalty.
  - b. “Moderate”. Violations which undermine enforcement or those where it is likely there will be public or environmental harm; or for any violation which is a repeat of a Minor violation that occurred within a two-year period and which resulted in an administrative civil penalty.
  - c. “Minor”. Violations that are not likely to have an adverse effect on public safety or environmental health. Repeat violations may result in an escalation of violation class. Any Minor violations of the License and conditions of licensure shall be corrected within 30 days of notification, with one 30-day extension by request.
4. The Department shall issue a Notice of Violation to Businesses in violation of the applicable requirements of the Department or the State of California. A copy of the Notice of Violation shall be served upon the Business and legal owner of the property. The Notice of Violation shall contain all of the following: A brief statement of the

violation(s) alleged; a statement of whether the violation is correctable, and a timeframe in which the violation shall be corrected; and appeal rights and procedures as follows: respondent's right to an administrative hearing will be deemed waived if respondent fails to respond in writing within 10 business days from the date the Notice of Violation was received by the respondent, or respondent's agent for service.

5. To prevent destruction of evidence, illegal diversion of cannabis or cannabis products, or to address potential threats to the environment or public safety, while allowing a Business to retain its inventory pending further inspection, or enforcement action, the Department may order an administrative hold of cannabis or cannabis products pursuant to the following procedure: The notice of administrative hold shall provide a documented description of the cannabis or cannabis products to be subject to the administrative hold and a concise statement, regarding the basis for issuing the administrative hold. Within 24 hours of receipt of the notice of administrative hold, the Business shall physically segregate all designated cannabis or cannabis products subject to the hold and shall safeguard and preserve the subject property as noticed. Following the issuance of a notice of administrative hold to the Business, the Department shall identify the cannabis or cannabis products subject to the administrative hold in the track-and-trace system. While the administrative hold is in effect, the Business is restricted from selling, donating, transferring, transporting, or destroying the subject property noticed. Nothing herein shall prevent a Business from the continued possession, cultivation, or harvesting of the cannabis subject to the administrative hold. During the hold period, all cannabis or cannabis products subject to an administrative hold shall be put into separate batches. Nothing herein shall prevent a Business from voluntarily surrendering cannabis or cannabis products that are subject to an administrative hold. The Business shall identify the cannabis or cannabis products being voluntarily surrendered in the track-and-trace system. Voluntary surrender does not waive the right to a hearing and any associated rights. The Business shall have the right to appeal an administrative hold ordered by the Department.
6. The Business may appeal a Notice of Violation or an administrative hold by requesting an administrative hearing by written correspondence to the Department. The request shall be received within 10 business days from the date the Notice of Violation was received.
  - a. The request shall include the following: The respondent's name, mailing address, and daytime phone number; if applicable, the License number issued by the Department; copy of the Notice of Violation; a clear and concise statement for the basis of the appeal or counts within the Notice of Violation. Failure to submit a written request constitutes a waiver of the respondent's right to contest the Notice of Violation. Untimely requests for an administrative hearing will not be considered. If the Notice of Violation places an administrative hold on cannabis or cannabis products, the hold shall remain in effect pending the outcome of the administrative hearing.
  - b. The Department shall schedule an administrative hearing within 30 calendar days from receipt of the request for a hearing. The Department shall provide a notice of

the administrative hearing to the respondent containing the following information: date, location, and time of the administrative hearing; summary of the violations; any other information or documentation necessary for the hearing; and standard of proof.

- c. Administrative hearings shall be conducted as follows: The standard of proof to be applied by the hearing officer shall be preponderance of the evidence; The decision of the hearing officer shall be in writing and shall include a statement of the factual legal basis of the decision; The written decision shall be issued within 30 days after the conclusion of the hearing and may be issued orally at the conclusion of the hearing subject to written confirmation; The decision shall be served on the respondent either by personal service, mail, email or via facsimile per respondent's request/direction; and the respondent may appeal the hearing officer's decision by filing a petition for appeal to the Commission.
7. The Department may take an interim action for any violations noted as "Serious" at the discretion of the Department prior to an administrative hearing. If the Business holds multiple Licenses, the Department may simultaneously suspend or impose conditions upon some or all of the Licenses held by the Business based on violations noted as "Serious, by taking any one of, or combination of, the following actions: suspension of the license for a specified period of time; more restrictive conditions of compliance with terms and conditions determined by the Department; or order an administrative hold of cannabis or cannabis products.
  8. If a License is revoked at an administrative hearing or after the appeals process has been exhausted, the owner or individual shall not be allowed to apply to open a Business conducting Commercial Cannabis Activity for a period of 5 years after the date of revocation. Hearings concerning these proceedings shall be held in accordance with the rules, policies, and procedures of the Commission and Department.
  9. Administrative Fines will be issued as follows: "Minor" Violation – Amount equal to fifty percent of the Cannabis Application Fee for each and every violation; "Moderate" Violation – Amount equal to one-hundred and fifty percent of the amount of the Cannabis Application Fee for each and every violation; "Serious" Violation – Amount equal to three times the amount of the Cannabis Application Fee for each and every violation.
  10. BTRCs will be revoked for any Business that has a license revoked.

## RENEWALS

1. To renew a License, a completed License renewal form and renewal License fee shall be received by the Department from the Business no earlier than 120 calendar days before the expiration of the License, and no later than 5:00 p.m. Pacific Time 60 calendar days before the expiration of the License. Failure to receive a notice for License renewal does not relieve a Business of the obligation to renew all Licenses as required. In the event the License is not renewed prior to the expiration date, the Business must cease all Commercial Cannabis Activity until such time that the Business is issued a new Provisional License from the Department. The applicant and property owner will be subject to enforcement by the Police Department and City Attorney for continuing operations after an application for renewal has been denied or expired.
2. The License renewal form shall contain, at minimum, the following: The name of the Business. For Businesses who are individuals, the applicant shall provide both the first and last name of the individual. For Businesses who are business entities, the Business shall provide the legal business name of the applicant. The License number and expiration date; the Business' address of record and premises address; an attestation that all information provided to the Department in the original application is accurate and current or a detailed explanation of any changes or discrepancies.
3. The Department and its agents may conduct an on-site inspection prior to issuing a renewal License in accordance with the requirements of the State of California and the Department.
4. A Business' security plan must be reviewed every year during the renewal process. The purpose of the review is to assess the effectiveness of the security plan, and the Police Commission may modify any of the measures within the security plan with the approval of the Department.
5. A renewal applicant must be current on all City of Los Angeles taxes, fees, and free of any violations before a renewal will be considered by the Department.
6. BTRCs will be revoked for any Business who is not approved for renewal.



## CANCELLATIONS

1. Every Business who surrenders, abandons, or quits the premises as identified in the License, or who closes the premises for a period exceeding 30 consecutive calendar days, shall, within 30 calendar days after closing, surrendering, quitting, or abandoning the premises, surrender the Licenses to the Department. Exceptions may be made to those Businesses who close due to involuntary relocation. The Department may seize the Licenses of a Business who fails to comply with the surrender provisions and may proceed to revoke the Licenses.
2. The Department may cancel the Licenses of a Business upon request by the Business. Any Business that cancels their licenses will have their BTRC revoked.







**ATTACHMENT 2  
PROPOSED CITY CANNABIS ZONING MAPS**

# DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations  
(Existing Medical Marijuana Businesses\* Included)

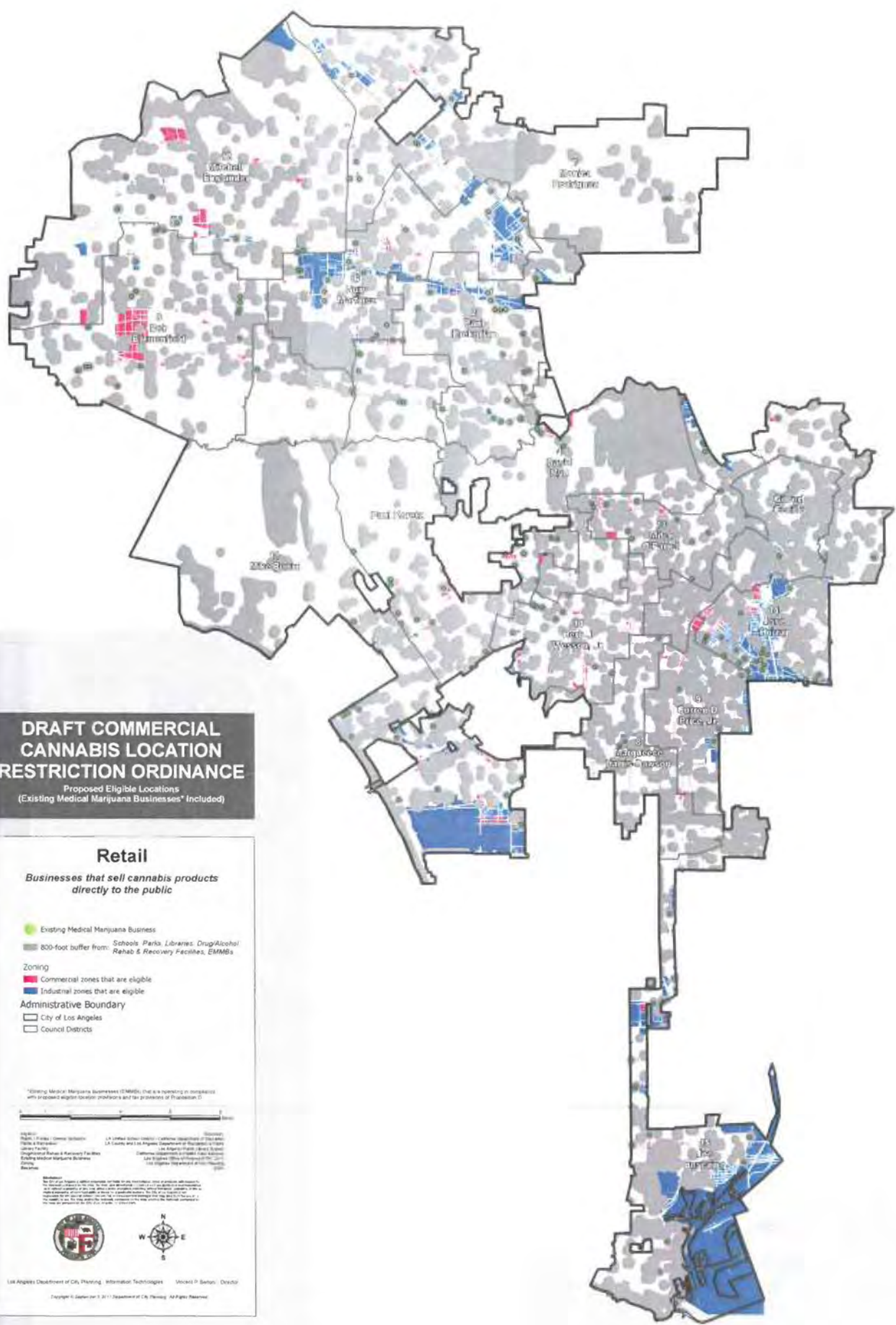
## Retail

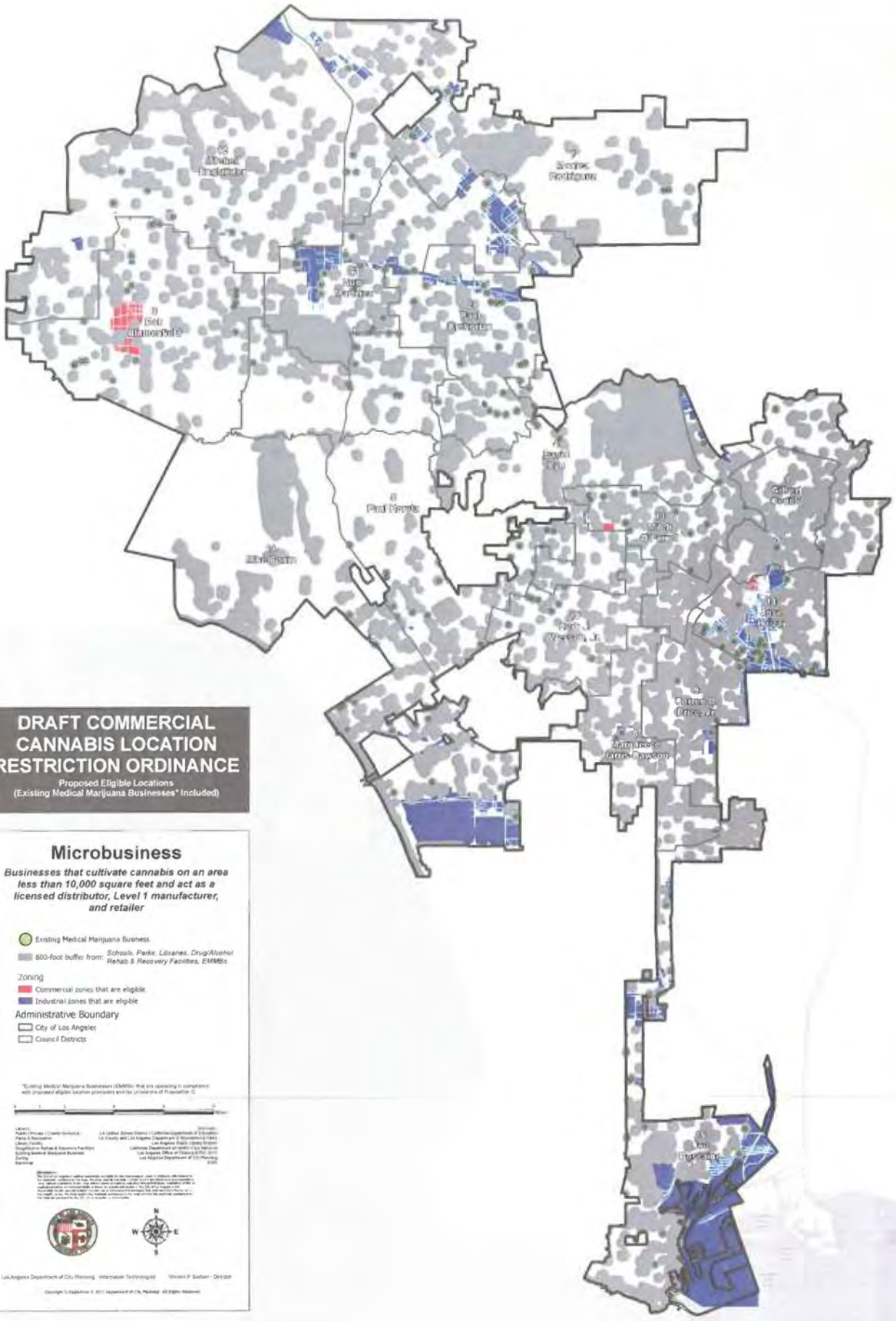
Businesses that sell cannabis products directly to the public

-  Existing Medical Marijuana Business
-  800-foot buffer from: Schools, Parks, Libraries, Drug/Alcohol Rehab & Recovery Facilities, EMMBs
- Zoning**
-  Commercial zones that are eligible
-  Industrial zones that are eligible
- Administrative Boundary**
-  City of Los Angeles
-  Council Districts

\*Existing Medical Marijuana Businesses (EMMBs) that are operating in compliance with or pending eligible operator professions and fee processes of Proposition 63

City of Los Angeles, Planning Department, Information Technologies  
 LA County and LA City Departments of Health and Human Services  
 LA County Department of Public Health  
 California Department of Industrial Relations  
 LA County Department of Health Services  
 LA County Department of Public Health





**DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE**  
 Proposed Eligible Locations  
 (Existing Medical Marijuana Businesses\* Included)

**Microbusiness**  
*Businesses that cultivate cannabis on an area less than 10,000 square feet and act as a licensed distributor, Level 1 manufacturer, and retailer*

- Existing Medical Marijuana Business
- 800-foot buffer from: Schools, Parks, Libraries, Drug/Alcohol Rehab & Recovery Facilities, EMMBs

**Zoning**

- Commercial zones that are eligible
- Industrial zones that are eligible

**Administrative Boundary**

- City of Los Angeles
- Council Districts

\*Existing Medical Marijuana Businesses (EMMBs) that are operating in compliance with proposed eligible location provisions and the provisions of Proposition 63.

City of Los Angeles, Department of City Planning, Information Technology | Vincent P. Barber - Director  
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# DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations

## Indoor Cultivation & Level 1 Manufacturing

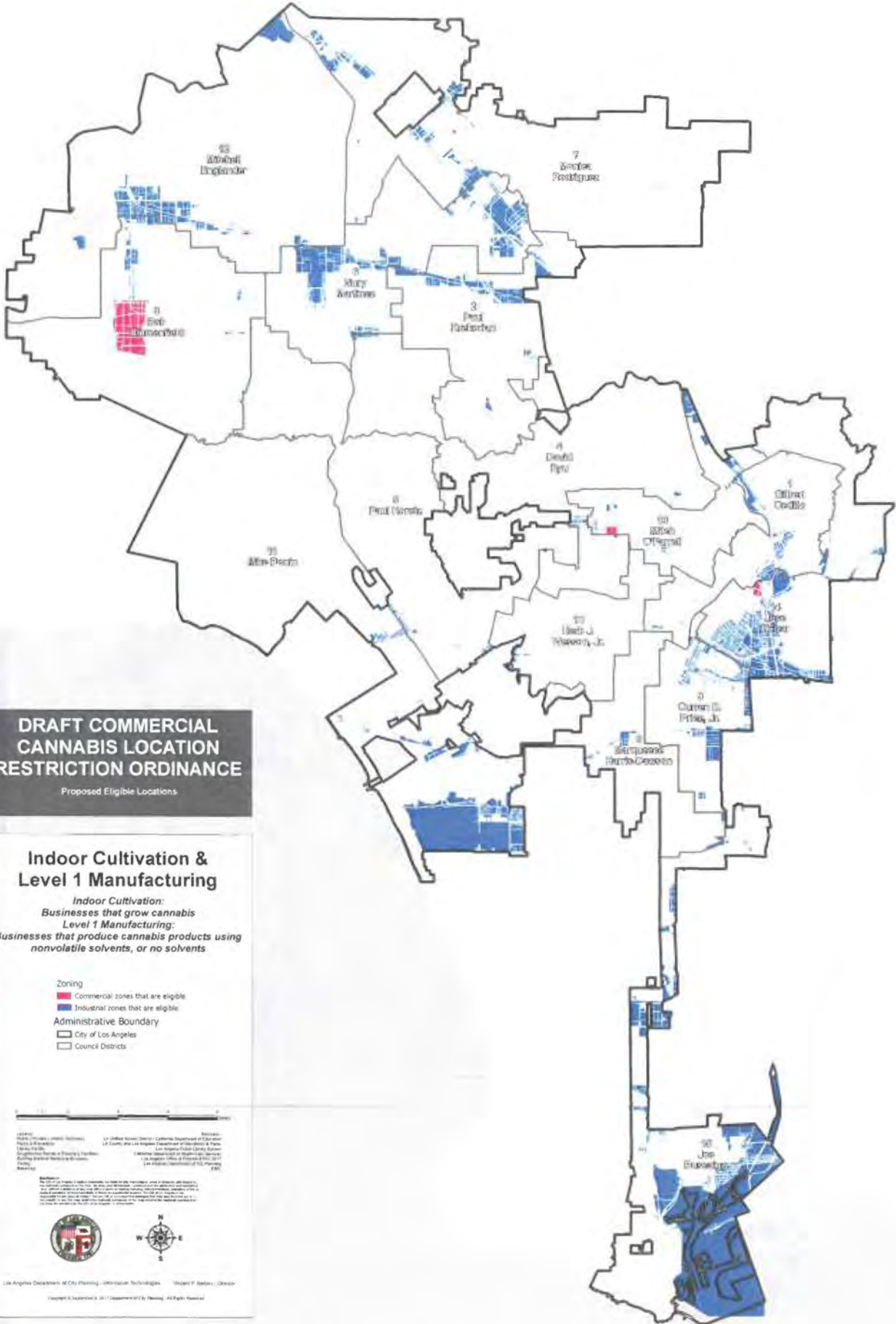
**Indoor Cultivation:**  
Businesses that grow cannabis

**Level 1 Manufacturing:**  
Businesses that produce cannabis products using nonvolatile solvents, or no solvents

- Zoning**
- Commercial zones that are eligible
  - Industrial zones that are eligible
- Administrative Boundary**
- City of Los Angeles
  - Council Districts



**Legend:**  
 City of Los Angeles Department of Planning and Research  
 Planning and Research Division  
 2021

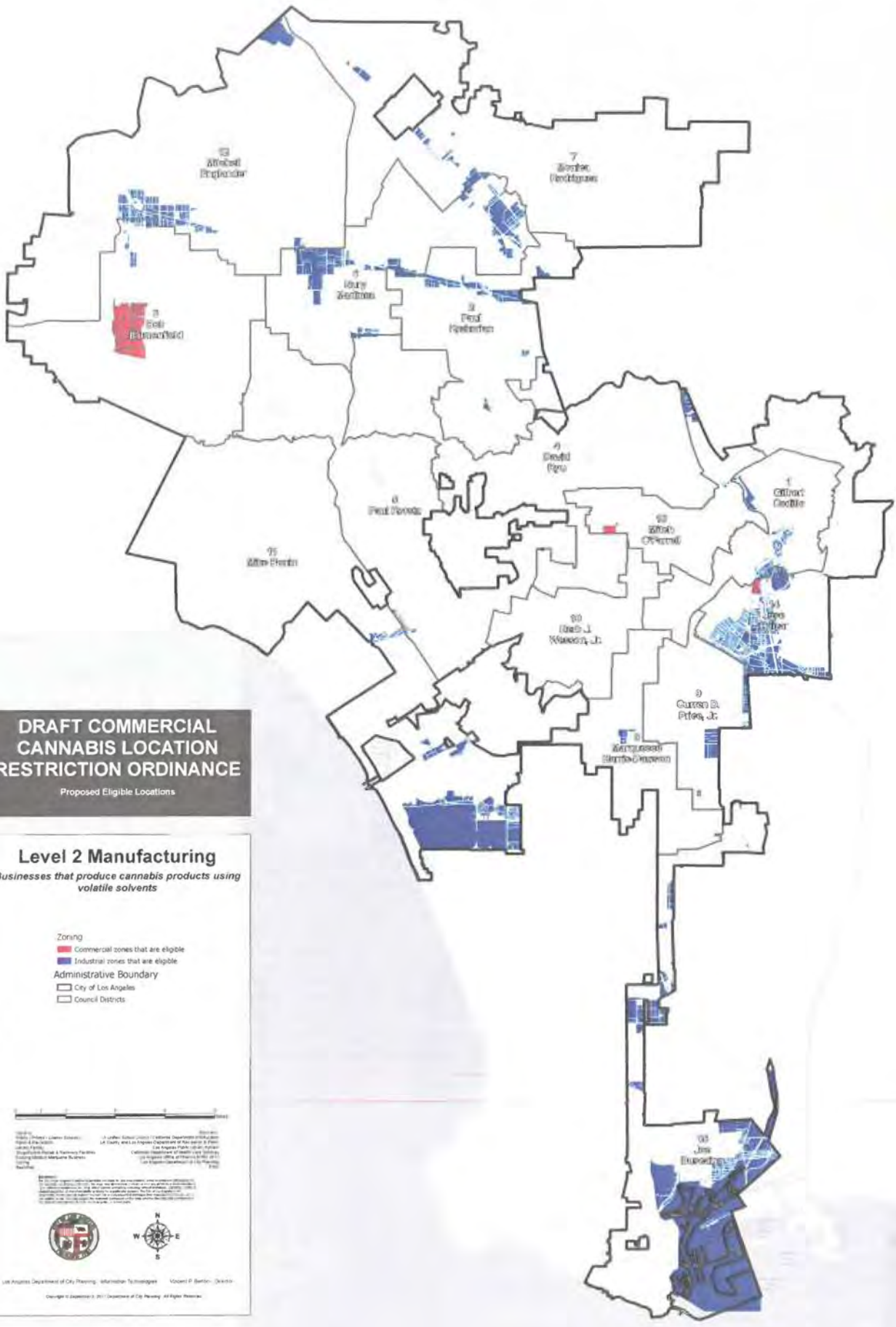


**DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE**  
Proposed Eligible Locations

**Level 2 Manufacturing**  
*Businesses that produce cannabis products using volatile solvents*

- Zoning**
- Commercial zones that are eligible
  - Industrial zones that are eligible
- Administrative Boundary**
- City of Los Angeles
  - Council Districts

Map Date: 12/15/2017  
 Prepared by: Planning & Community Development Department  
 City of Los Angeles  
 100 N. Los Angeles Street, Room 1800, Los Angeles, CA 90012  
 (213) 475-3000  
 www.ci.la.ca.us



# DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations

## Mixed Light Cultivation

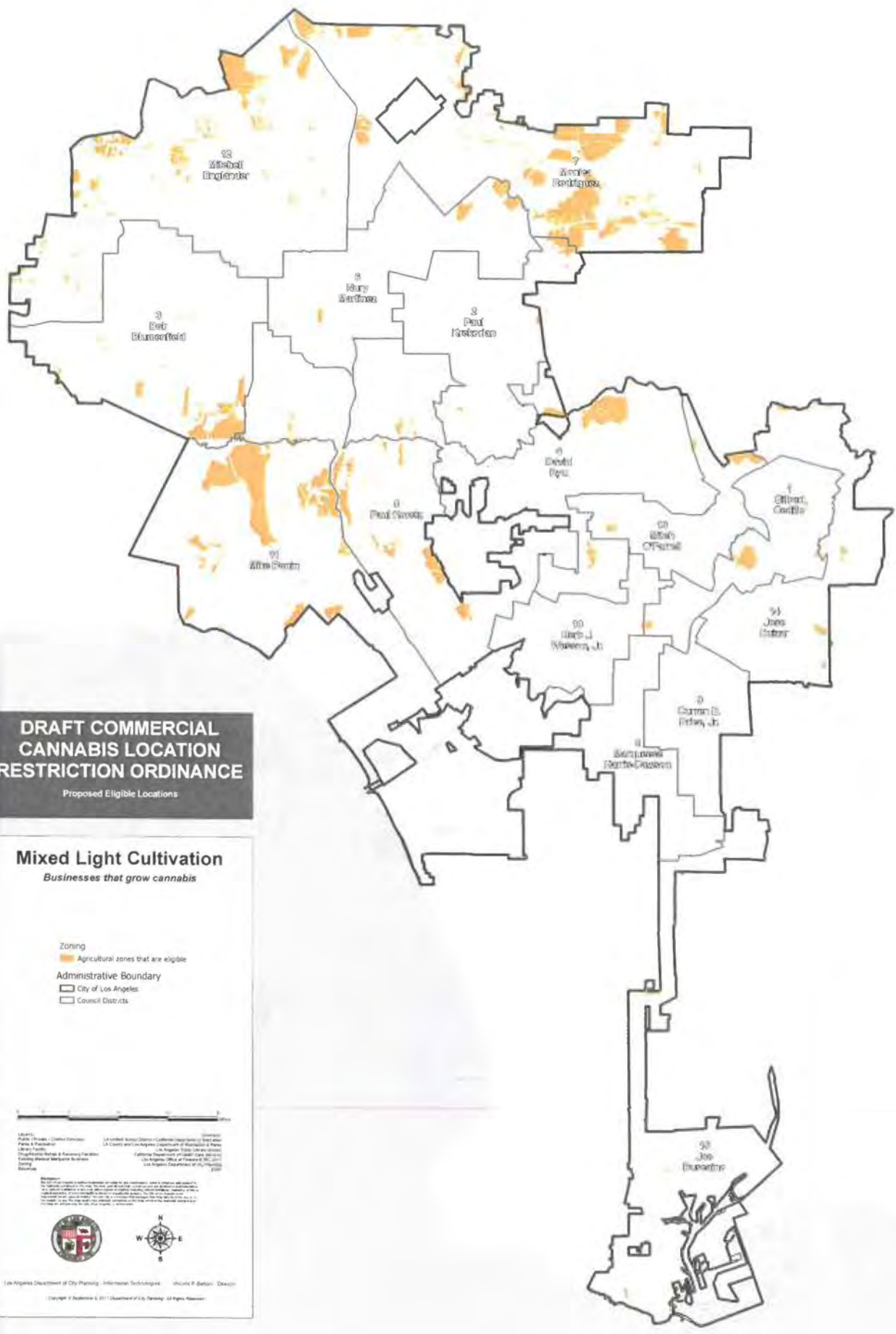
Businesses that grow cannabis

- Zoning**
- Agricultural zones that are eligible
- Administrative Boundary**
- City of Los Angeles
  - Council Districts



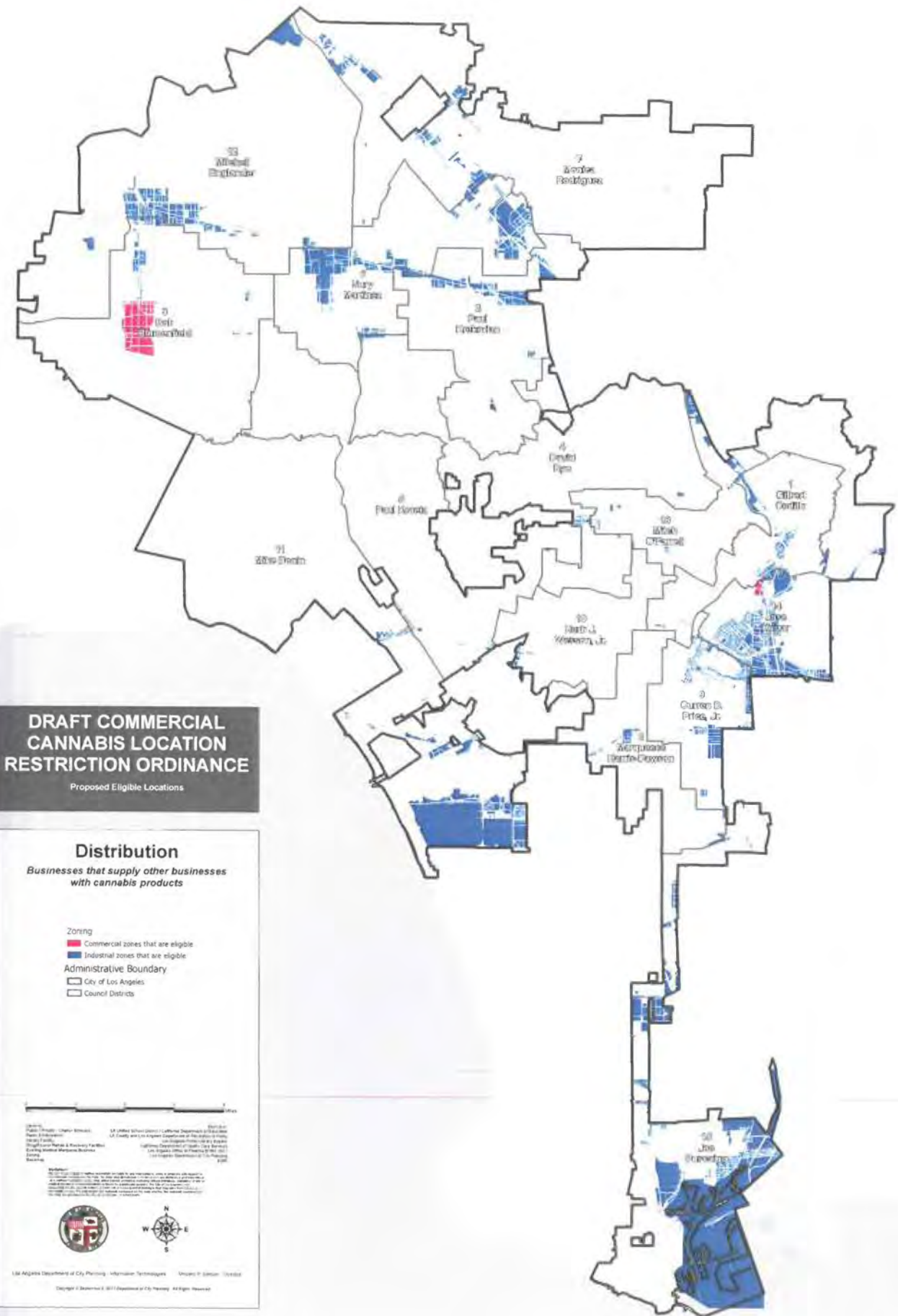
**LEGEND**

<p><b>AGRICULTURAL ZONES</b></p> <ul style="list-style-type: none"> <li> Agricultural zones that are eligible</li> </ul>	<p><b>COUNCIL DISTRICTS</b></p> <ul style="list-style-type: none"> <li> Council Districts</li> </ul>
<p><b>AGRICULTURAL ZONES</b></p> <ul style="list-style-type: none"> <li> Agricultural zones that are eligible</li> </ul>	<p><b>COUNCIL DISTRICTS</b></p> <ul style="list-style-type: none"> <li> Council Districts</li> </ul>









**DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE**  
Proposed Eligible Locations

**Distribution**  
*Businesses that supply other businesses with cannabis products*

**Zoning**

- Commercial zones that are eligible
- Industrial zones that are eligible

**Administrative Boundary**

- City of Los Angeles
- Council Districts

**Scale:** 0 1000 2000 Feet

**Legend:**

- City of Los Angeles
- City Council Districts
- City of Los Angeles Department of Planning and Economic Development
- City of Los Angeles Department of Public Works
- City of Los Angeles Department of Transportation
- City of Los Angeles Department of Water
- City of Los Angeles Department of Public Health
- City of Los Angeles Department of Social Services
- City of Los Angeles Department of Cultural Affairs
- City of Los Angeles Department of Recreation and Parks
- City of Los Angeles Department of Information Technology
- City of Los Angeles Department of Finance
- City of Los Angeles Department of Human Resources
- City of Los Angeles Department of Law and Administrative Services
- City of Los Angeles Department of Neighborhood Development
- City of Los Angeles Department of Public Safety
- City of Los Angeles Department of Public Works
- City of Los Angeles Department of Transportation
- City of Los Angeles Department of Water
- City of Los Angeles Department of Public Health
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- City of Los Angeles Department of Finance
- City of Los Angeles Department of Human Resources
- City of Los Angeles Department of Law and Administrative Services
- City of Los Angeles Department of Neighborhood Development
- City of Los Angeles Department of Public Safety

**Map Information:**

City of Los Angeles Department of City Planning, Information Technologies | Version 1.0 | October 2018

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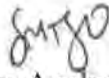


# CLA MEMORANDUM

DATE: November 16, 2017

Assignment No: 17-11-1056

TO: Honorable Members of the  
Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso   
Chief Legislative Analyst

## **Addendum to the Cannabis Social Equity Analysis Report**

Honorable Members:

At its meeting on October 30, 2017, the Rules, Elections, and Intergovernmental Relations Committee (Rules Committee) considered the Cannabis Social Equity Analysis Report, which was prepared by the consulting firm of Amec Foster Wheeler. During this meeting, the Members of the Rules Committee requested additional information for several components of the proposed Social Equity Program (Program), which includes the following:

- Additional research and analysis concerning the proposed ownership requirements and Board of Directors composition.
- Additional research on the legality of the proposed residency requirements of the Program.
- Additional analysis on implementation of the Community Reinvestment Program and Community Benefits Agreements.
- Additional information as it relates to start-up costs for cannabis businesses.

Pursuant to the above request, transmitted herewith is the Addendum to the Cannabis Social Equity Analysis Report prepared by the consulting firm Amec Foster Wheeler. The report was prepared with extensive consultation and participation of the Chief Legislative Analyst; City Administrative Officer; Cannabis Department; Planning Department; City Attorney; Police Department; Fire Department; Department of Water & Power; and Department of Building & Safety.

The Consultant will be available to present their report and findings. If we may be of further assistance, please let us know.

# Addendum to the Cannabis Social Equity Analysis Report



*Prepared by:*



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*With Assistance from:*



Amec Foster Wheeler Environment & Infrastructure, Inc.  
104 West Anapamu Street, Suite 204-A  
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## CANNABIS SOCIAL EQUITY ANALYSIS ADDENDUM

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Attachment 2: Disabled Veterans Business Enterprise (DVBE) Program

Attachment 3: DVBE Program Revisions

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**Acronyms and Abbreviations**

ANWOL	A New Way of Life
CDD	Community Development Department of the City of Los Angeles
CFR	Code of Federal Regulations
City	City of Los Angeles
DSHS	Department of Social and Health Services
DVBE	Disabled Veterans Business Enterprise
EWDD	Department of Economic and Workforce Development
FAME	First African Methodist Episcopal Church
FIT	Feed-In-Tariff Program
GAO	U.S. Government Accountability Office
HCIDLA	Los Angeles Housing and Community Development Investment Department
HSC	Health and Safety Code
LADBS	Los Angeles Department of Building and Safety
LADOT	Los Angeles Department of Transportation
LADWP	Los Angeles Department of Water and Power
LAFD	Los Angeles Fire Department
LAFLA	Legal Aid Foundation of Los Angeles
LAPD	Los Angeles Police Department
LARRP	Los Angeles Regional Reentry Program
LAWA	Los Angeles World Airports
MAUCRSA	Medical and Adult-Use Cannabis Regulation and Safety Act
MBE	Minority Business Enterprise
MCTF	Marijuana Tax Cash Fund
Oakland	City of Oakland
Program	City of Los Angeles Cannabis Social Equity Program
Rules Committee	Rules, Elections, and Intergovernmental Relations Committee
SBA	Small Business Administration
SIP	Solar Incentive Program
UCLA	University of California, Los Angeles
WIB	Workforce Investment Board of the City of Los Angeles
yr	year

## CANNABIS SOCIAL EQUITY ANALYSIS ADDENDUM

### 1.0 INTRODUCTION

The purpose and intent of the addendum is to respond to the Rules, Election, and Intergovernmental Relations Committee (Rules Committee) direction and to provide the Council, City staff and the public with new information that may be relevant to their deliberation of the proposed City of Los Angeles (City) cannabis social equity program (Program). The Rules Committee meeting was held on October 30, 2017 to discuss the proposed Program as described in the Cannabis Social Equity Analysis Report published on October 25, 2017. At the meeting, the Rules Committee requested additional information for several program components.

- First, the Rules Committee requested additional research for proposed ownership requirements and Board of Directors composition and revised recommendations if determined appropriate based on new research findings.
- Second, the Rules Committee requested additional analysis on implementation of the Community Reinvestment Program.

Additional information is also provided based on new research that is relevant to Rules Committee and Council deliberations. This includes how Program components regarding permitting, business assistance, workforce development, expungement, community reinvestment, incubator program, residency requirement, and ownership requirement could be more specifically implemented.

#### Recommendations

##### *Ownership:*

1. The ownership requirement should be adapted to be 51 percent ownership interest and majority of the Board of Directors for higher priority benefits (Tier 1 and 2).
  - a. Language should be crafted to ensure that the analogous structures in non-profits and collectives reflect the proposed majority ownership and majority Board of Directors requirements.
  - b. These businesses should be entitled to 51 percent of the annual distribution of profits.
2. Change of ownership or business structure should require approval by the Department of Cannabis Regulation.
3. Monitoring for the ownership requirement should follow the structure of the Disabled Veterans Business Enterprise (DVBE) program.
4. Tier 3 eligibility should be given to equity businesses demonstrating 33⅓ percent ownership and 33⅓ percent Board of Directors requirement.
  - a. Language should be crafted to ensure that the analogous structures in non-profits and collectives reflect the proposed 33⅓ percent ownership and 33⅓ percent Board of Directors requirement.
  - b. These businesses should be entitled to 33⅓ percent of the annual distribution of profits.

5. Monitoring for the proposed incubator program should follow the structure of the federal Mentor-Protégé program.

***Residency:***

6. The City Attorney should determine if a legally defensible argument can be made for the proposed 5 year accumulative residency requirement.
7. If the proposed residency requirement is not feasible, then non-residents should not be barred from the Program, but residents applying under Tiers 1-4 should have priority over non-residents in receiving Program benefits.

***Community Benefits Program:***

8. The Rules Committee may consider inclusion of a Community Benefits Program. Such a program could be modeled on existing City Community Benefits Programs, involving the Economic Development Committee and established agencies including the Economic and Workforce Development Department of the City of Los Angeles (EWDD) and the Workforce Investment Board of the City of Los Angeles (WIB), and working in collaboration with the Department of Cannabis Regulation.

***Interdepartmental Coordination:***

9. In order to promote essential coordination and an efficient licensing program, 5 interdepartmental task forces, with oversight by the Department of Cannabis Regulation. Relevant agencies and organizations are described in section 1.6. The interdepartmental task forces should include the following:
  - a. Licensing & Compliance
  - b. Business Training
  - c. Workforce Development
  - d. Community Reinvestment
  - e. Expungement
10. The Department of Cannabis Regulation should identify a contact person for departments participating in the task force and further develop a process prior to City issuance of licensing to ensure coordinated and timely collaboration regarding implementation of the program.
11. The Department of Cannabis Regulation should direct applicants both to the designated contact person in other departments and to the LA Business Portal (<http://www.business.lacity.org/>), which describes the requirements for starting a business in the City.

This memo also addresses supporting information regarding the purpose and intent of the proposed Program, and startup costs estimates that will help inform funding for the proposed industry ownership investment program. Recommendations provided for the proposed Program components are intended to be flexible in order to be adaptable to respond to emerging issues as the Program is implemented. As with many social and planning programs, overly specific regulations could result in indirect and unintended consequences once a program has been in effect. This study recommends that the Program be adaptive to be responses to such issues that may arise. As discussed in the *Final Cannabis Social Equity Analysis Report*, it should be at the discretion of the Department of Cannabis Regulation as necessary.



## 1.1 Ownership

The Rules Committee expressed concern regarding the recommended 51 percent ownership requirement, inquired if lowering the ownership requirement could broaden Program participation and questioned if the composition of the Board of Directors should be used as a qualifying criteria. In response, in order to provide further data on composition and effectiveness of established similar governmental programs, the team reviewed and analyzed the ownership requirements to determine the effectiveness of relevant long established federal, state, and City social equity related programs. Based on this analysis, recommendations for ownership are provided for Committee consideration. These recommendations include the following:

- The ownership requirement should be adapted to be 51 percent ownership interest and majority of the board of directors for higher priority benefits (Tiers 1 and 2).
  - Language for the ownership requirement should be adapted from the federal Mentor-Protégé program for corporations, limited liability companies, and partnerships.
  - Language should be crafted to ensure that the analogous structures in non-profits and collectives reflect the proposed majority ownership and Board of Directors requirement.
  - These businesses should be entitled to 51 percent of the annual distribution of profits.
    - Language should be adapted from the DVBE program.
- Change of ownership or business structure should require approval by the Department of Cannabis Regulation.
  - Language for a change of ownership should be adapted from the federal Mentor-Protégé program.
- Monitoring for the ownership requirement should follow the structure of the Disabled Veterans Business Enterprise (DVBE) program.
  - Language for monitoring should be adapted from the DVBE program.
- Tier 3 eligibility should be given to equity businesses demonstrating 33⅓ percent ownership and 33⅓ percent Board of Directors.
  - Language should be crafted to ensure that the analogous structures in non-profits and collectives reflect the proposed 33⅓ percent ownership and Board of Directors requirement.
  - These businesses should be entitled to 33⅓ percent of the annual distribution of profits.
- Monitoring for the proposed incubator program should follow the structure of the federal Mentor-Protégé program.

## Federal Mentor-Protégé Program

### *Program Description*

The federal Mentor-Protégé program, administered by the Small Business Association (SBA), contains language related to ownership that is relevant to the proposed Program. The goal of the federal Mentor-Protégé program is to benefit small businesses that are unconditionally owned and controlled by one or more socially and economically disadvantaged individuals (Code of Federal Regulations 2017a). Under the program, the mentor is paid by the SBA for the direct and indirect cost of the training and assistance it agrees to provide a protégé under a written development plan approved by the protégé (Code of Federal Regulations 2017b). The program’s purpose and intent is similar to that of the proposed Program, because it seeks to shorten the opportunity gap between individuals who by some circumstance beyond their control had fewer capital and credit opportunities than those without that social disadvantage.



The ownership requirements under the federal Mentor-Protégé program are useful in informing the structure of the ownership requirement for the proposed Program. Under the program, a company applying for participation must be 51 percent unconditionally and directly owned by one or more socially and economically disadvantaged individuals. This requirement’s intent is to ensure that individuals who this program seeks to target are individuals that are receiving program benefits. Attachment 1 provides the federal code text for the program. It contains specific language for ownership of a partnership, limited liability company, and corporation (CFR §124.105c-d).

Notably, the program contains language for ownership restrictions for non-disadvantaged individuals (CFR §124.105h). It states that a non-disadvantaged individuals or non-Participant “that is a general partner or stockholder with at least 10 percent ownership interest in one Participant may not own more than 10 percent interest in another Participant...” This requirement addresses the potential unintended consequence that non-disadvantaged businesses fund disadvantaged businesses in order to obtain program benefits for themselves. This program component is relevant to the proposed Program and we recommend inclusion of this language for the Program and adaptive review of this requirement once partnerships are in effect.

Another key component of the federal Mentor-Protégé program is that it requires that disadvantaged applicants have control over their business. Under the program, control includes “both strategic policy setting exercised by board of directors and the day-to-day management and administration of business operations” (CFR §124.106). Specific language for control can be found in the federal code text for the program provided in Attachment 1. Further, the program provides language for a change of ownership (CFR §124.105i). A change of ownership or business structure under the program is permissible only if one or more disadvantaged individuals own and control the business after the change and the SBA approves the change in writing.

In addition to the ownership language, the federal Mentor-Protégé program is relevant in informing monitoring of the proposed incubator program. Under the Mentor-Protégé program, the protégé must submit an annual report detailing whether the mentor has provided them with the services agreed upon in the development plan (U.S. Government Accountability Office 2011). Should a protégé indicate that a mentor is not providing them with the assistance agreed upon, then the SBA could terminate the partnership and suspend the mentor from future program participation based on agency findings.



***Program effectiveness***

Analyses performed by the U.S. Government Accountability office (GAO) describe differences in program regulation by federal agencies that implement the program and calls for data collection, but does not specifically state any issues that have arisen regarding the program (Congressional Research Service 2017). However, changes made to the SBA’s regulations for the program demonstrate a response to issues that arose. For instance, in 2011, the SBA limited the number of protégés a mentor could have to three (Congressional Research Service 2017). It also allowed firms seeking to become mentors to submit audited financial statements or other evidence to demonstrate their “favorable financial health.” The SBA was authorized to recommend the issuance of a “stop work” order on any executive branch contract performed by a mentor-protégé joint venture when it determined that the mentor has not provided the protégé with the development assistance set forth in the mentor-protégé agreement. It also prohibited mentors who were terminated for failure to provide assistance under their mentor-protégé agreement from serving as a mentor for two years. Further changes were made to the regulations regarding joint ventures under the program to ensure that protégé (8[a]) firms are not “taken advantage of by certain non-8(a) joint venture partners.” The protégé must receive profits from the joint venture commensurate of the work it performs, and must perform at least 40 percent of work done by the joint venture, which must be proven by the joint venture firm.

**Disabled Veterans Business Enterprise (DVBE) Program**

***Program Description***

The purpose of the California DVBE program is “to provide procuring agencies with the authority to set acquisitions aside for exclusive competition among service-disabled veteran-owned business concerns, as well as the authority to make sole source awards to service-disabled veteran-owned small business concerns if certain conditions are met” (U.S. Small Business Administration 2017). The California Code of Regulations §1896.81 provides eligibility requirements for certification as a DVBE (California Code of Regulations 2017). Under the certification, one or more disabled veterans must own and control the business. Specifically, the business must be “at least 51 percent unconditionally owned by one or more disabled veterans” (§1896.81a; see Attachment 2). Additionally, “daily business shall be managed and controlled by one or more disabled veterans” (§1896.81a). However, “the disabled veteran who manages and controls the business is not required to be the disabled veteran business owner” (§1896.81a). The code also provides ownership language for sole proprietorships, partnerships, corporations, and subsidiaries (§1896.81b).

Unlike the federal Mentor-Protégé program, the DVBE certification provides language specifying the benefits the disabled veteran owners are entitled to receive (§1896.81g), which includes “at least 51 percent of the annual distribution of profits paid to the owners of a corporation or partnership.” Like the federal Mentor-Protégé program, one or more disabled veterans must maintain control of the business (§1896.81h). This includes “both strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations.” Control under the program is both managerial and operational (§1896.81h). Additionally, like the federal Mentor-Protégé program, the DVBE program requires that the business notify all awarding departments of any change in ownership or business structure (§1896.82h).

**DVBE Program: Ownership**

- Majority ownership requirement
- Daily management & control requirement
- Limited to majority of annual distribution of profits
- Annual reporting of ownership structure
  - Change of ownership must be reported
  - Sanctions & penalties for falsifying majority ownership

Federal tax returns are required to be submitted annually to determine if a disabled veteran is a majority owner of the business (California Department of General Services 2013). Firms that have been determined to be violation face various sanctions and penalties. For example, they may face a misdemeanor punishable by imprisonment, financial penalties, and suspension from bidding on or participating in any state contract for a period of time (California Department of General Services 2017).

***Program effectiveness***

The California Department of General Services made changes to the eligibility requirements for DVBEs in 2016. As with the federal Mentor-Protégé program, changes made to the DVBE regulations demonstrate a response to issues that arose. Under the revised regulations, the California Department of General Services can require owners of the certified firm to complete and submit tax returns to ensure they meet eligibility requirements (§1896.12d; see Attachment 3) (California Department of General Services 2016). Additionally, new provisions were written to ensure that certified businesses are actually performing the contract work (§1896.15a-e).

**Oakland Cannabis Social Equity Program**

***Program Description***

The City of Oakland’s (Oakland) cannabis social equity program also has a majority ownership requirement. However, unlike the Business Mentor-Protégé program and DVBE programs, Oakland’s ownership requirement includes definitions for collectives and not-for-profit entities. Oakland defines ownership as the individual or individuals who:

- (i) With respect to for-profit entities, including without limitation corporations, partnerships, limited liability companies, has or have an aggregate ownership interest (other than a security interest, lien, or encumbrance) of 50 percent or more in the entity
- (ii) With respect to not for-profit entities, including without limitation a non-profit corporation or similar entity, constitutes or constitute a majority of the board of directors
- (iii) With respect to collectives, has or have a controlling interest in the collective’s governing body

**Program effectiveness**

Oakland has opened the application window for cannabis licensing, but has yet to begin issuing licensing. As of October 31, 2017, the Assistant to the City Administrator for Oakland reported an even 50-50 split between equity and general applicants exists. Thus, even with a majority ownership requirement, Oakland has met its participation ratio of 1 equity applicant for every 1 general applicant.

**Oakland Program: Ownership**

- ✦ Majority ownership requirement & analogous structures for nonprofits & collectives
- ✦ Has equal participation of equity & general applicants despite majority ownership requirement

Other data useful in informing the potential effectiveness of the City’s Program includes numerics regarding the incubator program, how many equity applicants had secured property at the time of application, the percentage of equity applicants qualifying based on residency and prior conviction, and the distribution of cannabis industry types amongst applicants. Seventy-eight percent of all equity applicants applied based on residency in the city and 22 percent based on prior cannabis-related conviction. Twenty percent of Oakland’s applicants are incubators or indicated their interest in incubating, while 59 percent of equity applicants indicated that they do not currently have property. Thus, the number of incubators is only a third of what is needed to provide these equity applicants with property. This highlights the importance of providing temporary/conditional property for equity applicants in Los Angeles who do not yet have real estate. Additionally, it supports the need for applicable City-owned properties to be made available to supplement property needs of social equity applicants and the importance of the proposed industry ownership investment fund in providing equity applicants the capital they need to secure property.

As Table 1 shows, the distribution of cannabis activity types amongst equity applicants and general applicants is similar. The majority of applicants are interested in delivery, cultivation, distribution, and manufacturing.

**Table 1. Oakland applicants by cannabis activity type.**

Cannabis Activity Type	Percent of Equity Applicants	Percent of General Applicants	Percent of All Applicants (General + Equity)
Delivery	24	18	21
Cultivation	33	36	35
Distributor	19	14	16
Manufacturing	18	27	22
Transporter	2	3	3
Lab testing	4	2	3

**Additional Ownership Recommendations**

The original proposed ownership requirement was 51 percent ownership or board of directors. However, concerns were raised regarding how Board of Directors are structured amongst various organizations. Depending on how a particular organization is structured, a majority of the Board of Directors requirement may not reflect the degree of ownership as a majority ownership requirement. Thus, it is recommended that the ownership requirement be revised based on the analysis provided above of federal, state, and city social equity related programs.

With the precedent set by the federal Mentor-Protégé program, Oakland’s equity participation and the DVBE program, it is recommended that the City consider providing higher priority to businesses that are 51 percent

owned by one or more equity individuals. Language for the ownership requirement for corporations, limited liability companies, and partnerships should be adapted from the Mentor-Protégé program. However, the Mentor-Protégé program does not have language for non-profits and collectives. Thus, language should be crafted to ensure that the analogous structures in non-profits and collectives reflect the proposed majority ownership requirement.

Like the DVBE program, the equity owners should receive the majority of the annual distribution of profits from the business. This will ensure that equity individuals, rather than their non-equity partners, are receiving the majority of the Program's benefits. Like the federal Mentor-Protégé program and DVBE program, an equity applicant under the proposed Program should be required to notify the Department of Cannabis Regulation should it have a change in ownership or business structure. In order to verify equity ownership of an equity business, tax returns could be required to be provided.

The federal Mentor-Protégé program and DVBE program had requirements for control of the business. Thus, it is recommended that the new proposed ownership requirement consist of both 51 percent ownership and majority of the Board of Directors. However, this proposed requirement does not include day-to-day management and administrative control. This is because the goal of the proposed recommendations is to balance ease of implementation with meeting the proposed Program's purpose of intent. As recommended, the majority of Program benefits will be given to individuals whose life outcomes were disproportionately impacted by cannabis enforcement if the business meets the majority ownership requirement, majority of Board of Directors requirement, and workforce composition requirement (50 percent of workforce is composed of residents of defined social equity communities, individuals who have been arrested and convicted of a cannabis crime and their immediate family members, and low-income individuals in the City). Though no information is available regarding the difficulty of implementing the managerial and administrative control requirement under the federal Mentor-Protégé program and DVBE program, our experience working with the agricultural industry and other industry groups has indicated that governments have difficulty regulating industry at the management level. We have seen that the benefit of a day-to-day management and administration requirement may not be as important as having an experienced non-equity manager or administrator who can address such business functions as regulatory challenges, operational requirements, and industry trends. Thus, it is recommended that managerial and administrative control not be a requirement under the program.

During the Rules Committee meeting, Council members raised concern regarding the majority ownership requirement. Their concern was that a majority ownership requirement may limit the ability of individuals disproportionately impacted by cannabis enforcement to participate in the proposed Program. In balancing the concern over broadening participation in the Program with focusing receipt of majority benefits to disproportionately impacted individuals, lowering the ownership requirement to 33⅓ percent would result in an individual, who has not been disproportionately impacted by cannabis enforcement, receiving majority benefits. The model programs reviewed as part of this report, the Federal Mentorship-Protégé Program California DVBE Program and City of Oakland Cannabis Social Equity Program all require majority

**Ownership Requirement**

- Majority ownership & majority Board of Directors requirement for higher priority benefits (Tiers 1 and 2)
  - Analogous structures for nonprofits & collectives
  - Entitled to majority of annual distribution of profits
- Tier 3 eligibility given to businesses demonstrating 33⅓ percent ownership & 33⅓ percent Board of Directors
  - Analogous structure for nonprofits & collectives
  - Entitled to 33⅓ percent annual distribution of profits
- Change of business structure must be approved

ownership. However, to the Rules Committee concerns, if a majority requirement excludes individuals who were disproportionately impacted by cannabis enforcement from participating in the program, then the Program's purpose and intent will not be met. Therefore, in order to broaden potential participation in the Program, while retaining the highest level of benefit for disproportionately impacted individuals, it is recommended that a new Tier be created for equity individuals who have 33⅓ percent ownership up to but not including 51 percent ownership. In order to balance who will receive program benefits, these individuals should be eligible for Tier 3 Program benefits, which includes licensing fee deferrals.

As previously noted, it is recommended that this Program be flexible and adaptive to respond to unintended direct and indirect consequences should they arise. Therefore, it should be at the discretion of the Department of Cannabis Regulation to adapt the ownership requirement and control incentive as necessary to meet the Program's purpose and intent. The Department plans to provide regular briefings to the Rules committee during Program implementation which will permit decision-maker feedback and guidance on major adaptations.

**Flexibility & Adaptability**

- Respond to unintended consequences should they arise
- Discretion of the Department of Cannabis Regulation to adapt Program as necessary
- Department of Cannabis Regulation to provide regular briefings to City Council & incorporate their guidance on major program adaptations

## **1.2 Residency**

The Rules Committee and members of the public raised concern regarding the legality of the proposed residency requirement. This section describes the legal concerns of the current proposed residency requirement, and provides alternative mechanisms to incorporate the purpose and intent behind the residency requirement into the proposed Program. Recommendations include the following:

- The City Attorney should determine if a legally defensible argument can be made for the proposed 5 year accumulative residency requirement.
- If the proposed residency requirement is not feasible, then non-residents should not be barred from the Program and should be part of Tier 4; residents applying under Tiers 1-3 would have priority over non-residents in receiving Program benefits.

### **Legal Concerns**

The Transportation Research Board, a division of the National Research Council, prepared a report regarding legality of local hiring preference programs (Transportation Research Board 2013). Under a local hiring program, contractors and developers receiving public funds must utilize the labor of a certain percentage of local residents. The goal of these programs is to reduce local unemployment by providing job opportunities to local residents. However, these programs indirectly disadvantaged nonresidents, which has resulted in legal challenges to local hiring programs. To avoid these legal challenges, there has been a shift towards using community benefit agreements (which are discussed in section 1.4 of this addendum). Nevertheless, local hiring programs are still used and the legal issues arising from them are relevant in informing the proposed residency requirement for this Program.

### ***Privileges and Immunities Clause***

The main legal challenges to local hiring programs pertain to the Privileges and Immunities Clause, Commerce Clause, and Equal Protection Clause. Local hiring programs trigger scrutiny under the Privileges and Immunity Clause, because a non-local or out-of-state citizen or resident cannot enjoy the same privileges given to a city citizen/resident under the program. To violate the Privileges and Immunity Clause, it must be considered a “fundamental right” of all citizens to enjoy those privileges. This fundamental right has been further defined as the right of a “citizen of one State to pass into any other State of the Union for the purpose of engaging in lawful commerce, trade, or business without molestation.”

In order to avoid implication under the Privileges and Immunity Clause, there must be 1) a substantial reason for the difference in treatment and 2) the discriminatory remedy must bear “close relation” to the state’s objective. The substantial reason for the different in treatment must be “beyond the fact that they are citizens of other States.” Evidentiary proof is required to show that nonresidents are a source of “peculiar evil” or that preference for residents is required to counteract “grave economic and social ills and spiraling unemployment.” As stated, the discriminatory remedy must bear “close relation” to the state’s objective. Substantial evidence must be presented to show that there is a “reasonable relationship between the danger presented by noncitizens, as a class, and the severe discrimination practiced upon them.” Thus, it is necessary to show that nonresidents were a cause of the unemployment the hiring preference is designed to alleviate. Because this is so difficult of an argument to make, most courts have found local hiring laws with resident preferences to be unconstitutional (Transportation Research Board 2013).

### ***Commerce Clause***

Implication under the “dormant” Commerce Clause arises when states and municipalities impose burdens on interstate commerce. This occurs when states and municipalities adopt regulations that benefit local economic interests at the expense of out-of-state competitors. If the law is not intentionally discriminatory or protectionist but still impacts interstate commerce, the Court will determine if the burden on interstate commerce outweighs the benefits. If it does, then the law is unconstitutional. Additionally, when states and municipalities act as a “market participant” or proprietor (i.e., purchases goods or services with its own money), they can place restrictions on the immediate parties they conduct business with (including residency restrictions). Thus, if the states and municipalities provide evidence that they are a “market participant,” then they can survive a Commerce Clause challenge.

### ***Equal Protection Clause***

The Equal Protection Clause prevents a state from denying “any person within its jurisdiction the equal protection of the law.” Both durational and conditional residency requirements have been challenged under the Equal Protection Clause. Durational residency requirements, similar to that of the proposed Program,

#### **Legal Considerations: Residency Requirement**

- For Privileges & Immunities Clause, must show:
  - Substantial reason for difference in treatment
  - Remedy must bear “close relation” to objective
- For Commerce Clause, must show:
  - Not intentionally discriminatory or protectionist
  - Burden on interstate commerce does not outweigh local benefits
- For Equal Protection Clause, must show:
  - New regulation is least drastic means available to remedy problem
  - Remedy is “narrowly tailored” (e.g., benefits proportional to harm, geographically tailored, not over-inclusive)



base eligibility for benefits on an individual having resided in the jurisdiction for a minimum period of time. The issue raised regards an individual's fundamental right to travel, which encompasses the right to "migrate, resettle, find a job, and start a new life." One legal challenge involving a violation of the Equal Protection Clause, involved an Alaskan local hiring law. In the case of the local hiring law, Alaska was found to be in violation because the new law was not the least drastic means available to reduce Alaska's high unemployment rate. Thus, Alaska failed the "strict scrutiny test" and was implicated under the Equal Protection Clause.

Unlike durational residency requirements, conditional residency requirements have been upheld for specific types of municipal positions and public professions under the Equal Protection clause. Under this type of residency requirement, residency within or near a specified government unit is a condition of obtaining or continuing employment. It is argued that residents have a better understanding of the local problems, and thus, hiring local public school teachers, police officers, and firefighters is justified. An example of a city with a residency requirement is Boston. The city has a residency requirement for City employment and requires annual proof of residency (City of Boston 2017).

Like durational residency requirements, governmental programs that give preference based on ethnicity are subject to the strict scrutiny test. In the case of local hiring, the government entity must show gross statistical disparities between the proportion of people of color hired and the proportion of people of color willing to do work. This demonstrates a compelling state interest. Thus, an eligibility preference may be upheld if the preference is supported by a statistical study that demonstrates the disparities the population segment receiving the preference has faced. In addition to serving a compelling interest, remedies must be "narrowly tailored" to the compelling government interest of eliminating discrimination, or in this case an equity gap caused by the disproportionate effects of cannabis enforcement. The remedy is "narrowly tailored" if it 1) considers other alternatives prior to adoption 2) the benefits proportionately correspond to the identified discrimination 3) the program is flexible and provides exemptions when "good faith efforts" are made (e.g., a contractor make a good faith effort to meet project contracting goals for inclusion of people of color) and 4) the ordinance or statute is geographically tailored and not over-inclusive, which is most relevant to the proposed Program. For example, in *Associated General Contractors of California*, the court upheld its program because its reach was limited to Minority Business Enterprises (MBEs) in San Francisco and avoided any extension of benefits to groups not shown to have be subject to discriminatory practices.

## **Recommendations**

Upholding the proposed residency requirement of 5 accumulative years is possible but would be difficult. Given the difficulty of avoiding legal implication, this addendum provides alternatives to the proposed residency requirement. An alternative would be to incentivize or prioritize residency. Non-residents would not be barred from the Program but would not be prioritized in receiving program benefits. Non-residents would only be eligible for Tier 4 listing under the Program. Thus, residents eligible for Tier 1-3 listing would have priority in receiving the available resources under the proposed Program. However, further legal analysis is required by the City Attorney to ensure that these recommendations are legally defensible.

## **1.3 Cannabis Use, Arrest & Life Outcomes**

This section provides additional information that may be relevant to the Rules Committee and City Council regarding information encountered during additional research, including data on broad use of cannabis throughout the general population, including individuals not necessarily convicted of a cannabis-related crime.

This information addresses analysis in the draft Report as well as discussion at the Rules committee hearing of October 30, 2107. Information is also provided on the discrepancy between the total number of possession arrests compared to cultivation and manufacturing based on Los Angeles Police Department (LAPD) arrest data from 2000-2016. The final subsection describes the new information on the results of study conducted by the U.S. General Accountability Office (GAO) that identified the collateral consequences of nonviolent drug offenses.

### **Cannabis Use & Sale Rates by Race**

The rates of cannabis usage or sales among various racial groups were discussed at the last Rules Committee hearing. A recent study by the Drug Policy Alliance analyzed the results of the 2010 National Survey on Drug Use and Health conducted by the U.S. Department of Health and Human Service Substance Abuse and Mental Health Service Administration’s Center for Behavioral Health Statistics and Quality (Substance Abuse and Mental Health Services Administration 2010). Based on the results of the National Survey, the Drug Policy Alliance found that Black/African Americans, Whites, and Latinos consume and sell cannabis at similar rates (Drug Policy Alliance 2016). Thus, it is expected that the racial composition of the population and the racial composition of cannabis-related arrests would be approximately the same. However, as the Final Cannabis Social Equity Analysis Report details, there are significant disparities in the racial distribution of cannabis arrests and felony offenses. For example, individuals who identify as Black/African American represent 9.6 percent of the City’s population, but comprise 40 percent of the City’s cannabis-related arrests and 51 percent of cannabis-related felonies (see *Final Cannabis Social Equity Analysis Report*, Section 3.3).

Black/African Americans, Whites, and Latinos consume and sell cannabis at similar rates (Substance Abuse and Mental Health Service Administration). However, there are significant disparities in the racial distribution of cannabis arrests and felony offenses.

### **Number of Arrests by Arrest Type**

Arrests for possession compose the majority of cannabis-related arrests in the City of Los Angeles since 2000. Of the 89,552 cannabis-related arrests between 2000 and 2017, 55,055 arrests, 61 percent were specifically cited as related to possession of less than 28.5 grams of marijuana. This does not include arrests for possession of marijuana by a minor, 1721 arrests, or possession of marijuana for sale, 22,466 arrests. Arrests for cultivation of marijuana compose a relatively small portion of cannabis-related arrests in Los Angeles between 2000 and 2017, 817 arrests or less than one percent of arrests over the study time period. There were no arrests for cannabis manufacturing. Therefore, most citizens that were arrested for cannabis-related offenses were arrested for possession of marijuana in amounts that are no longer illegal under the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

The majority of citizens were arrested for cannabis-related offenses that are no longer illegal under MAUCRSA (LAPD arrest statistics 2000-2016).

## Impact of Nonviolent Drug Offenses

Under Housing & Safety Code (HSC) 11361.8, persons with prior convictions for cannabis offenses, including felonies for possession for sale, sale, or cultivation have the ability to have those felonies removed from or reduced on their record. Thus, under current state law, individuals with prior cannabis convictions have a relatively high potential to have such convictions removed from their record. Despite current legal status, available data demonstrates that their life outcomes may have been greatly affected by cannabis enforcement. As part of a 2017 report, the GAO reviewed the penalties and disadvantages that can be imposed upon individuals with a nonviolent drug conviction (U.S. Government Accountability Office 2017). The GAO identified 641 collateral consequences that may limit employment, business licensing, education, and government benefits to such individuals. Seventy-eight percent of these consequences can potentially last a lifetime. Only 20 percent of these consequences can be removed using a legal relief mechanism. Thus, the GAO report confirmed the potentially life altering consequences of cannabis related arrests.

**GAO-identified consequences**

- 641 collateral consequences in total
- Limit employment, business licensing, education, and access to government benefits
- 78% of consequences last a lifetime
- Only 20% can be removed using a legal relief mechanism

## 1.4 Community Benefits Agreement

The Rules Committee expressed interest in community reinvestment. This section provides information on the language and structure used in existing business agreements that may be relevant to implementing the proposed cannabis social equity program. For example, the Los Angeles Sports and Entertainment District agreement provides a mechanism to monitoring the workforce force requirement under the proposed Program and work with businesses to achieve the workforce composition target.

### Examples

#### *Community Benefits Agreement for LAX Master Plan Program*

The Los Angeles World Airports (LAWA) community benefits agreement includes job training and priority hiring programs (Los Angeles World Airports 2005). The language included in this agreement (Attachment 4) could be adapted for the Cannabis Social Equity Program. Under the job training program, LAWA must provide \$3 million per year for five years to fund job training for airport jobs, aviation-related jobs, and pre-apprenticeship programs. Funds for the job training program are administered by EWDD and WIB. The program is implemented by qualified job training organizations selected by EWDD and WIB. The content of job training includes job readiness programs, skills development, career ladder programs, and incumbent worker training. In addition to the job training program, funds are given to EWDD and WIB to implement a work experience program for residents within

**LAX Master Plan CBA**

- Job training
  - \$3 million/yr for 5 years
  - Workforce Development Board & Community Development Department
- Priority hiring
  - Residents impacted by Project
  - Low-income residents of City

LAWA’s project impact area. The job-training programs funded by LAWA are predominantly made available for low-income individuals living in the project impact area for at least one year, special needs individuals, low-income individuals residing in the City, and individuals currently working in airport jobs or aviation-related jobs and eligible for incumbent worker training.

The priority hiring program is called the First Source Hiring Program. It provides early access to targeted applicants for available airport jobs. Qualified and trained applicants are referred to employers at no cost to the employers. The first priority for the program are low-income individuals living in the project impact area for at least one year and special needs individuals. Second priority is given to low-income individuals living in the City. The referral system is designed and implemented by LAWA, EWDD, and WIB who work with employers; community-based job training organizations; and other community-based organizations. These organizations administer notices of job openings, provide referrals under the First Source Hiring Program, and assist with monitoring and compliance of the program.

***Community Benefits Agreement for Los Angeles Sports and Entertainment District Project***

The L.A. Arena Land Company and Flower Holdings, LLC community benefits agreement focuses on maximizing benefits of the project to the local community, the Figueroa Corridor (Figueroa Corridor Coalition for Economic Justice 2001). Benefits of the agreement include publically accessible park space, open space, and recreational opportunities; employment opportunities to residents in the vicinity of the project area; permanent affordable housing; basic services need by the community; addressing issues of traffic, parking, and public safety.

**STAPLES Center CBA**

- Parks & recreation facilities
  - \$1 million
- 70% of Project jobs are living wage
  - Review by Economic Development Committee
- Local hiring & job training
  - \$100,000 to seed third party training organization

The Figueroa Corridor community did not meet the park space acreage required by the City. Under the community benefits agreement, the developers are to provide \$1 million to fund the creation or improvement of one or more parks and recreation facilities that are open to the public and free of charge within a one-mile radius of the project (see Attachment 5). The parks created or improved under the agreement had to include active recreation components (e.g., playgrounds, playing fields) and permanent improvements and features (e.g., restroom facilities, drinking fountains, park benches, patio structures, barbecue facilities, picnic tables). The selection of improvement is based on a needs assessment conducted by a qualified organization agreed upon by both the developer and the Figueroa Corridor Coalition for Economic Justice (Coalition). The park and recreation facilities created under the agreement had to be completed within 5 years of completion of the needs assessment.

Under the agreement, the developer must maintain at least 70 percent of the jobs in the project as living wage jobs (Attachment 5). The developer must provide the City Council’s Economic Development Committee an annual report of the percentage of jobs in the project that are living wage jobs. If actual performance is less than 80 percent of that target for two consecutive years, the developers must meet with the Coalition to agree upon steps to achieve that target.

In addition to the living wage requirement, the agreement includes local hiring and job training (Attachment 5). Under the customized job training program, employers of the Project can request specialized job training for applicants they intend to hire. Additionally, the agreement requires the creation of a First Source Referral System. The Coalition and developer agree upon a nonprofit organization to implement the First Source Hiring Policy, a policy by which qualified, trained applicants are referred to employers for available jobs. The

developer provides \$100,000 in seed funding to the organization to begin implementing the First Source Hiring Policy program.

### **Recommendations**

The Rules Committee may consider inclusion of a Community Benefits Program. Such a program could be modeled on existing City Community Benefits Programs, involving the Economic Development Committee and established agencies including EWDD and WIB, and working in collaboration with the Department of Cannabis Regulation.

## **1.5 Start-Up Costs of Cannabis Businesses**

Additional information regarding start-up costs for social equity businesses is pertinent to future deliberation about the proposed Program. For example, information regarding start-up costs will help inform cannabis tax allocation for the proposed Social Equity Program Industry Ownership Investment Program and Fund (see *Final Cannabis Social Equity Analysis Report*, Section 6.4).

### **Start-Up Costs**

#### *Los Angeles Rent*

Section 4.1 of the Final Cannabis Social Equity Analysis Report provides rent estimates for commercial rent. Rent is \$2.85 per square foot in Downtown, \$7.81 per square foot in West Los Angeles, and \$3.55 per square foot in Mid-Wilshire (Kim, E. 2016). Table 1 provides estimate for rent based on facility size and location in the City. As the Final Cannabis Social Equity Analysis Report discusses, rent would comprise a significant portion of cannabis business start-up costs.

**Table 2. Estimated First Year Rent for Commercial Cannabis Businesses in Los Angeles**

<b>Facility Size (sq. ft.)</b>	<b>Downtown (\$/year)</b>	<b>West Los Angeles (\$/year)</b>	<b>Mid-Wilshire (\$/year)</b>
1,000	\$34,200/ yr	\$93,720/ yr	\$42,600/ yr
5,000	\$171,000/ yr	\$468,600/ yr	\$213,000/ yr
20,000	\$684,000/ yr	\$1,874,400/ yr	\$852,000/ yr

#### *Startup Costs of Existing Operators*

Beyond real estate, start-up costs for commercial cannabis businesses include materials including: plants, soils, lighting, climate control systems, and irrigation tubing for cultivators; resin presses and pressure extraction machinery for manufacturers; cannabis chemical analysis equipment for testing facilities; and vehicles for off-site delivery services. Existing industry operators in Santa Barbara County have provided guidance in estimating startup costs for differing cannabis businesses including raw materials to activation. Generally, indoor cultivation operations are the more expensive facility compared to hoop houses (not proposed for the City of Los Angeles) and mixed-light greenhouses (proposed to be restricted only to A1 and A2 agricultural zones).

**Table 3. Estimated cost of cannabis operation facilities and materials by licensing type.**

Facility type	Cost
<b>Cultivation</b>	
Hoop house	30 cents per square foot (similar to berries)
Greenhouse	\$22-\$60 per square foot (though typically more than \$45 per square foot)
Indoor	\$100-\$150 per square foot
Processing	\$50 per square foot (includes separating, trimming, and drying; 10 percent of cultivation canopy space required)
<b>Manufacturing</b>	
Manufacturing	\$55-\$60 per square foot (estimate includes materials and other start-up costs; between 5,000 and 10,000 square feet of space needed)
<b>Distribution</b>	
Distribution	\$35 per square foot (includes coolers, pallets, office desks, and loading docks)
<b>Testing</b>	
Testing	\$4,000,000 total (includes testing equipment and staffing; approximately 5,000 to 10,000 square feet required)

*Source: existing cannabis operator in Santa Barbara County*

All cannabis businesses would require some level of security by state and local requirements. An industry estimator provided information for security features that would vary based on the business type. For instance, a multi-acre outdoor operation which would not be permissible under the proposed City ordinances, could cost approximately \$500,000.

Beyond security, all cannabis businesses will have expenses for permitting and on-going compliance, which will be partially scaled in cost depending on size, intensity, and complexity of the operation. The operator estimated permitting and compliance costs to be approximately 50 percent of the physical startup costs.

Utility costs, namely power and water, also vary widely by commercial cannabis activity with indoor cultivation requiring the most electricity to operate lights and water for irrigation in contrast with retail locations which function analogously to other typical retail uses.

## 1.6 Interdepartmental Coordination

Cannabis licensing, including that for Social Equality applicants will be a complex process involving many City departments. Interdepartmental coordination will be key to the overall success of the licensing program as well as to social equity applicants. Thus, the following are recommended:

- In order to promote coordination and an efficient licensing program, interdepartmental task forces, with oversight by the Department of Cannabis Regulation, should be formed prior to licensing for:
  - Licensing & compliance
  - Business assistance
  - Workforce development
  - Expungement

- Community reinvestment
- The Department of Cannabis Regulation should identify a contact person for each of those departments and develop a process prior to City issuance of licensing to ensure coordinated and timely collaboration regarding implementation of the program.
- The Department of Cannabis Regulation should direct applicants both to the designated contact person in other departments and to the LA Business Portal (<http://www.business.lacity.org/>), which describes the requirements for starting a business in the City.

The following sections identify the applicable departments for each task force and provide a description of services which may be relevant for cannabis businesses in the City.

## **Applicant Compliance with City Regulations**

### *City Departments*

Office of Finance – issues Business Tax Registration Certificates; administering some types of business permits and licenses (police alarm permits, police permits, fire permits, tobacco retailer permits, police garage forms, monthly communication user’s tax, parking occupancy taxes, transient occupancy taxes).

**Compliance**  
Cannabis businesses will have to obtain permits from several City and County agencies. Thus, interdepartmental coordination is essential.

Fire Department (LAFD) – fire life safety inspection; fire life safety plan check; plan reviews for site access and fire hydrant placement.

Police Department (LAPD) – crime prevention (security plans); police permit issuance for certain types of businesses, including pool rooms, dance halls and businesses that provide live entertainment (e.g., café entertainment).

Department of Water and Power (LADWP) – permitting/plan check/inspections for planned electric services

Department of Public Works (Bureau of Engineering) – reviewing and approving permits for sidewalk/outdoor dining and other business activities that take place on sidewalks or other public right-of-way.

Department of City Planning – review conditional use permit applications that allow an establishment to conduct certain business activities; monitoring and enforcement of zoning regulations; reviewing applications for zoning variances or rezoning.

Department of Building and Safety – enforces LA building code to ensure that businesses are safe for employees and patrons; issues permits that allow building, renovation, repairs and demolition; conducts inspections to ensure construction and renovation work is completed properly and safely.

Concierge Program (help navigate through development permitting process)

Parallel Design-Permitting Process (Los Angeles Department of Building and Safety [LADBS] will start to plan check building plans at the conceptual design phase, correction verification, and code consultation services through the various design phases = design process and permitting process occur concurrently)

Preliminary Plan Check Service (meet with a plan check engineer to identify site-specific issues prior to plan check submittal)

Inspection Case Managers (liaisons for all LADBS for construction projects valued above \$5 million and projects to development restaurants and other food services establishments)

### ***County Departments***

Los Angeles County Agricultural Commissioner/Weights & Measures – pesticide permits & compliance inspections, state law requires that devices to weigh goods must be accurate.

Los Angeles County Department of Public/Environmental Health – public health and safety as it relates to incorporating cannabis into food.

Los Angeles County Sanitation District – industrial wastewater discharge permits (for cultivation, cannabis extraction, and food production).

### **Business Assistance**

Economic and Workforce Development Department (EWDD)– BusinessSource Centers (free one-on-one consulting for business owners and start-ups); tax incentives & credits (Small Business Loan Program).

Mayor’s Office of Economic Development – conducts workshops on how to legally start a business in the City and City resources available to small businesses.

Department of Water and Power (LADWP) – rebates and incentives for energy-efficient upgrades (e.g., Solar Incentive Program [SIP], Feed-In-Tariff [FIT] Program, Utility Infrastructure Program, So Cal Watersmart Commercial Rebate Incentive Program); installation/upgrade electrical and water services; outdoor lighting for business; tree trimming for vegetation surrounding business; electrical vehicle charging station installation; solar meter installation.

Department of Transportation (LADOT) – installing and maintaining bicycle parking, including racks and corrals, upon request of business owners; providing transportation access to businesses via the DASH bus lines, bike infrastructure and parking.

Department of Public Works – managing environmental waste and working with certain types of businesses to pretreat their wastewater and operating the City’s Green Business Certification program (Bureau of Sanitation); installing and maintaining street lighting outside of businesses (Bureau of Street Lighting).

General Services Department – leases retail and office space in City-owned and managed properties through its Real Estate division.

### **Workforce Development**

Economic and Workforce Development Department (EWDD) – support for employees in the case of a business closure or staff reduction (Rapid Response Program); free resources for employee hiring and workforce development (WorkSource and YouthSource Centers); review of EB-5 Visa applications.

Mayor’s Office of Reentry – assists formerly incarcerated individuals in finding employment.

**Business Assistance & Workforce Development**  
Several City agencies have existing programs that could be utilized by cannabis businesses and employees.



## Expungement

The Department of Cannabis Regulation should coordinate with other agencies and entities to organize and disseminate information about the expungement clinics. A New Way of Life Re-Entry Project (ANWOL) runs free monthly re-entry legal clinics in partnership with University of California Los Angeles (UCLA) School of Law's Critical Race Studies Program (A New Way of Life Reentry Project 2017). These clinics focus on expungement under Proposition 47 and Proposition 64. Other organizations who organize expungement clinics include but are not limited to Loyola Law School (Loyola Marymount University 2012), LAW Project Los Angeles (LAW Project of Los Angeles 2017), Legal Aid Foundation of Los Angeles (LAFLA) (Legal Aid Foundation of Los Angeles 2017), First African Methodist Episcopal Church (FAME) (First African Methodist Episcopal Church 2017), and Pepperdine University (Pepperdine University School of Law 2017). Other legal clinics can be found at the following link: <http://www.reentrylegalclinic.org/other-clinics.html>. Other relevant organizations include the Mayor's Office of Reentry and Los Angeles County Public Defender's Office. The Department's outreach strategy should also include information about where Live Scan fingerprinting services are available within the County of Los Angeles. These locations can be found at the following link: <https://oag.ca.gov/fingerprints/locations?county=Los%20Angeles>.

**Expungement**  
Organizing expungement clinics would involve coordination with local nonprofits, churches, universities, and County and City agencies.

## Community Reinvestment Program

The Rules Committee expressed interest in a Community Reinvestment Program and requested more information about how the program could be more specifically implemented. Proposed Community Reinvestment Program sub-components could include programs such as community beautification, youth prevention, drug treatment, education, housing, employment, re-entry, neighborhood facilities, and health and wellness services. This section provides existing examples of proposed sub-programs, as well as agencies and organizations relevant to Program implementation. The Department of Cannabis Regulation should coordinate with these agencies and organizations to form a task force to assess proposed programs for feasibility and set mid- and long-term goals for program implementation.

The City is facing a \$224 million budget deficit (Smith, D. 2017). Cannabis revenue may be needed to reduce this deficit. If that is the case, an alternative may be required for the 20 percent of annual tax revenue proposed to fund the community reinvestment program.

One alternative would be to start community reinvestment funding at 5 percent, and increase it by 3 percent a year until the full 20 percent is reached 5 years after cannabis licensing begins. This would increase funding as proposed sub-components become established and enable more cannabis funds to be used initially to address the City's deficit.

**Community Reinvestment**

- Proposed sub-components
  - Community beautification
  - Health & wellness
  - Community education
  - Housing
  - Employment
  - Reentry
- Funding:
  - 20% of annual cannabis tax revenue
  - Alternative: start at 5% of annual cannabis tax revenue & increase to 20% over next 5 years

### *Other Jurisdiction Examples*

#### *Colorado*

The State of Colorado legalized the recreational use of cannabis in 2012 including state sales, special sales, and excise taxes on the new retail cannabis industry to be deposited into two funds, Building Excellent Schools Today (BEST) and Marijuana Tax Cash Fund (MCTF). The BEST fund receives the first \$40,000,000 of the state excise tax collected annually and is used to renew or replace deteriorating public schools and funds are awarded as competitive grants on an annual basis. The MCTF is funded by state sales taxes on medical and retail cannabis along with revenue from the state excise tax exceeding \$40,000,000 appropriated for the BEST fund. MCTF funds are, by law, appropriated for new and existing programs (Colorado Joint Budget Committee 2017) including, but not limited to:

- Creating prevention and education campaigns about appropriate and legal use of cannabis;
- Obtaining health data through surveys or other means regarding cannabis and other drugs and to monitor health impacts of cannabis;
- Improvements to the State's Poison Control Center; and,
- Substance abuse prevention.

#### *Washington*

The State of Washington legalized the recreational use of cannabis in 2012, with follow up legislation appropriating tax revenues for new and existing programs including, but not limited to health services, substance abuse prevention, and school dropout prevention (Washington Office of Financial Management 2017). The State taxes cannabis via a 37 percent excise tax at the point of retail sales, and funds are distributed to cities and counties or deposited into a dedicated marijuana tax revenue fund. Washington appropriates funds from its dedicated marijuana tax revenue account on a set dollar amount basis that requires changes to state law to alter existing appropriations. Examples of appropriations include \$125,000 for the Department of Social and Health Services (DSHS) for an annual survey of youth and family attitudes towards cannabis use and \$25,500,000 for the DSHS for prevention and reduction of substance abuse.

#### *California*

At the state level in California, cannabis tax revenue will be deposited into the California Marijuana Tax Fund. A portion of these funds will go to research on the effects of the measure (\$10 million), establishing driving while impaired protocols (\$3 million), and medical cannabis research (\$2 million) (Legislative Analyst's Office 2017). Funds will be set aside for community reinvestment (e.g., job placement assistance and substance use disorder treatment), which will be distributed to communities that were most affected by past drug policies. These funds will start at \$10 million in 2018-2019, increase annually by \$10 million until 2022-2023, and continue at \$50 million every year thereafter. Sixty percent of the remaining funds will go toward youth drug prevention, education, and treatment. The remaining funds are planned to go toward environmental restoration (20 percent) and law enforcement (20 percent).

#### *Proposed National Program*

In addition to these state level programs, the federal Marijuana Justice Act introduced by Senator Cory Booker, New Jersey (Booker, C. 2017) would include a national \$500,000,000 annual appropriation for a community reinvestment fund to,

*Establish a grant program to reinvest in communities most affected by the war on drugs, which shall include providing grants to impacted communities for programs such as –*

- (1) Job training;*
- (2) Reentry services;*
- (3) Expenses related to the expungement of convictions;*
- (4) Public libraries;*
- (5) Community centers;*
- (6) Programs and opportunities directed at youth;*
- (7) Support a special purpose fund; and*
- (8) Health education programs.*

### *New York City*

Although not specifically tied to cannabis legalization, other jurisdictions, are beginning to make social equity a part of their community vision and planning including New York City's OneNYC plan ([onenyc.cityofnewyork.us](http://onenyc.cityofnewyork.us)) that seeks to balance growth with sustainability, resiliency, and equity. Reported successes under OneNYC include providing free broadband to over 5,000 New York City Housing Authority households to address equity gaps in internet service to low income households and universal Pre-K serving 69,510 children including increased support for students whose native language is not English, students with disabilities, and students from high-need areas.

### ***Proposed Sub-Program Examples***

Existing City, County, and non-profit programs that could potentially coordinate with the Community Reinvestment Program include, but are not limited to:

#### *Community Beautification*

The City Public Works Department includes the Office of Community Beautification which supports community and volunteer activities such as tree planting (via the City Plants program including offers of free trees), painting of murals (and removal of graffiti), sidewalk repair, planting community gardens, and the Adopt-a-Median program which beautifies street medians).

#### *Health and Wellness*

The Los Angeles County Department of Public Health administers the Substance Abuse and Prevention Control program which includes a number of community health operations related to drug use including youth addiction treatment services and the Juvenile Justice Crime Prevention Act – Youth Substance Abuse Program designed to reduce crime among at-risk and juvenile probationers. Additional County-administered substance abuse initiatives include parolee and reentry programs.

#### *Community Education*

Non-profit community organizations such as the Watts Labor Community Action Committee provide a youth center and education, employment training programs, family wellness programs, and a community gathering place.

Housing

The Los Angeles Housing and Community Investment Department's (HCIDLA's) mission is to promote livable and prosperous communities through the development and preservation of decent, safe, and affordable housing, neighborhood investment, and social services. HCIDLA focuses on housing development including financing from federal and state sources to build and preserve low-income communities and community services and development including social services and housing programs to assist low-income, homeless, and special needs populations and communities.

Employment

The City of Los Angeles Economic & Workforce Development Department (EWDD) provides assistance to prospective employees and business owners via a number of services including BusinessSource which provides startup ventures and small business owners tools to make their business a success and LA:RISE which helps those with high barriers to employment get good jobs and stay employed from unemployment, to transitional employment, to permanent work. The City of Los Angeles Workforce Development Board operates WorkSource Centers across the City that provide employment assistance including collecting job listings, resume writing, and training opportunities.

Re-entry

The Los Angeles Regional Reentry Partnership (LARRP) is a network of public (including the Mayor's Office of Reentry), community, and faith-based agencies and advocates to ensure the reentry system meets the needs of agencies, communities, and citizens they serve. LARRP is directed by a Steering Committee and includes three standing committees: Housing, Employment, and Behavior Health

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## ATTACHMENTS



## **Attachment 1: Federal Mentor-Protégé Program**

reinvested in the firm or used to pay taxes arising in the normal course of operations of the firm. Losses from the S corporation, LLC or partnership, however, are losses to the company only, not losses to the individual, and cannot be used to reduce an individual's personal income.

(4) *Fair market value of all assets.* An individual will generally not be considered economically disadvantaged if the fair market value of all his or her assets (including his or her primary residence and the value of the applicant/Participant firm) exceeds \$4 million for an applicant concern and \$6 million for continued 8(a) BD eligibility. The only assets excluded from this determination are funds excluded under paragraph (c)(2)(ii) of this section as being invested in a qualified IRA account.

[63 FR 35739, June 30, 1998, as amended at 76 FR 8254, Feb. 11, 2011; 81 FR 48580, July 25, 2016]

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#### **§124.105 What does it mean to be unconditionally owned by one or more disadvantaged individuals?**

An applicant or Participant must be at least 51 percent unconditionally and directly owned by one or more socially and economically disadvantaged individuals who are citizens of the United States, except for concerns owned by Indian tribes, Alaska Native Corporations, Native Hawaiian Organizations, or Community Development Corporations (CDCs). See §124.3 for definition of unconditional ownership; and §§124.109, 124.110, and 124.111, respectively, for special ownership requirements for concerns owned by Indian tribes, ANCs, Native Hawaiian Organizations, and CDCs.

(a) *Ownership must be direct.* Ownership by one or more disadvantaged individuals must be direct ownership. An applicant or Participant owned principally by another business entity or by a trust (including employee stock ownership trusts) that is in turn owned and controlled by one or more disadvantaged individuals does not meet this requirement. However, ownership by a trust, such as a living trust, may be treated as the functional equivalent of ownership by a disadvantaged individual where the trust is revocable, and the disadvantaged individual is the grantor, a trustee, and the sole current beneficiary of the trust.

(b) *Ownership of a partnership.* In the case of a concern which is a partnership, at least 51 percent of every class of partnership interest must be unconditionally owned by one or more individuals determined by SBA to be socially and economically disadvantaged. The ownership must be reflected in the concern's partnership agreement.

(c) *Ownership of a limited liability company.* In the case of a concern which is a limited liability company, at least 51 percent of each class of member interest must be unconditionally owned by one or more individuals determined by SBA to be socially and economically disadvantaged.

(d) *Ownership of a corporation.* In the case of a concern which is a corporation, at least 51 percent of each class of voting stock outstanding and 51 percent of the aggregate of all stock outstanding must be unconditionally owned by one or more individuals determined by SBA to be socially and economically disadvantaged.

(e) *Stock options' effect on ownership.* In determining unconditional ownership, SBA will disregard any unexercised stock options or similar agreements held by disadvantaged individuals. However, any unexercised stock options or similar agreements (including rights to convert non-voting stock or debentures into voting stock) held by non-disadvantaged individuals will be treated as exercised, except for any ownership interests which are held by investment companies licensed under the Small Business Investment Act of 1958.

(f) *Dividends and distributions.* One or more disadvantaged individuals must be entitled to receive:

(1) At least 51 percent of the annual distribution of dividends paid on the stock of a corporate applicant concern;

(2) 100 percent of the value of each share of stock owned by them in the event that the stock is sold; and

(3) At least 51 percent of the retained earnings of the concern and 100 percent of the unencumbered value of each share of stock owned in the event of dissolution of the corporation.

(g) *Ownership of another Participant in the same or similar line of business.* (1) An individual may not use his or her disadvantaged status to qualify a concern if that individual has an immediate family member who is using or has used his or her disadvantaged status to qualify another concern for the 8(a) BD program. The AA/BD may waive this prohibition if the two concerns have no connections, either in the form of ownership, control or contractual relationships, and provided the individual seeking to qualify the second concern has management and technical experience in the industry. Where the concern seeking a waiver is in the same or similar line of business as the current or former 8(a) concern, there is a presumption against granting the waiver. The applicant must provide clear and compelling evidence that no connection exists between the two firms.

(2) If the AA/BD grants a waiver under paragraph (g)(1) of this section, SBA will, as part of its annual review, assess whether the firm continues to operate independently of the other current or former 8(a) concern of an immediate family member. SBA may initiate proceedings to terminate a firm for which a waiver was granted from further participation in the 8(a) BD

program if it is apparent that there are connections between the two firms that were not disclosed to the AA/BD when the waiver was granted or that came into existence after the waiver was granted. SBA may also initiate termination proceedings if the firm begins to operate in the same or similar line of business as the current or former 8(a) concern of the immediate family member and the firm did not operate in the same or similar line of business at the time the waiver was granted.

(h) *Ownership restrictions for non-disadvantaged individuals and concerns.* (1) A non-disadvantaged individual (in the aggregate with all immediate family members) or a non-Participant concern that is a general partner or stockholder with at least a 10 percent ownership interest in one Participant may not own more than a 10 percent interest in another Participant that is in the developmental stage or more than a 20 percent interest in another Participant in the transitional stage of the program. This restriction does not apply to financial institutions licensed or chartered by Federal, state or local government, including investment companies which are licensed under the Small Business Investment Act of 1958.

(2) A non-Participant concern in the same or similar line of business or a principal of such concern may not own more than a 10 percent interest in a Participant that is in the developmental stage or more than a 20 percent interest in a Participant in the transitional stage of the program, except that a former Participant in the same or similar line of business or a principal of such a former Participant (except those that have been terminated from 8(a) BD program participation pursuant to §§124.303 and 124.304) may have an equity ownership interest of up to 20 percent in a current Participant in the developmental stage of the program or up to 30 percent in a transitional stage Participant.

(i) *Change of ownership.* A Participant may change its ownership or business structure so long as one or more disadvantaged individuals own and control it after the change and SBA approves the transaction in writing prior to the change. The decision to approve or deny a Participant's request for a change in ownership or business structure will be made and communicated to the firm by the AA/BD. The decision of the AA/BD is the final decision of the Agency. The AA/BD will issue a decision within 60 days from receipt of a request containing all necessary documentation, or as soon thereafter as possible. If 60 days lapse without a decision from SBA, the Participant cannot presume that it can complete the change without written approval from SBA. A decision to deny a request for change of ownership or business structure may be grounds for program termination where the change is made nevertheless.

(1) Any Participant that was awarded one or more 8(a) contracts may substitute one disadvantaged individual for another disadvantaged individual without requiring the termination of those contracts or a request for waiver under §124.515, as long as it receives SBA's approval prior to the change.

(2) Where the previous owner held less than a 10 percent interest in the concern, or the transfer results from the death or incapacity due to a serious, long-term illness or injury of a disadvantaged principal, prior approval is not required, but the concern must notify SBA within 60 days.

(3) Continued participation of the Participant with new ownership and the award of any new 8(a) contracts requires SBA's determination that all eligibility requirements are met by the concern and the new owners.

(4) Where a Participant requests a change of ownership or business structure, and proceeds with the change prior to receiving SBA approval (or where a change of ownership results from the death or incapacity of a disadvantaged individual for which a request prior to the change in ownership could not occur), SBA will suspend the Participant from program benefits pending resolution of the request. If the change is approved, the length of the suspension will be restored to the Participant's program term in the case of death or incapacity, or if the firm requested prior approval and waited 60 days for SBA approval.

(5) A change in ownership does not provide the new owner(s) with a new 8(a) BD program term. For example, if a concern has been in the 8(a) BD program for five years when a change in ownership occurs, the new owner will have four years remaining until program graduation.

(j) *Public offering.* A Participant's request for SBA's approval for the issuance of a public offering will be treated as a request for a change of ownership. Such request will cause SBA to examine the concern's continued need for access to the business development resources of the 8(a) BD program.

(k) *Community property laws given effect.* In determining ownership interests when an owner resides in any of the community property states or territories of the United States (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Puerto Rico, Texas, Washington and Wisconsin), SBA considers applicable state community property laws. If only one spouse claims disadvantaged status, that spouse's ownership interest will be considered unconditionally held only to the extent it is vested by the community property laws. A transfer or relinquishment of interest by the non-disadvantaged spouse may be necessary in some cases to establish eligibility.

[63 FR 35739, June 30, 1998, as amended at 74 FR 45753, Sept. 4, 2009; 76 FR 8255, Feb. 11, 2011; 81 FR 48580, July 25, 2016]

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#### **§124.106 When do disadvantaged individuals control an applicant or Participant?**

Control is not the same as ownership, although both may reside in the same person. SBA regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations. An applicant or Participant's management and daily business operations must be conducted by one or more disadvantaged individuals, except for concerns owned by Indian tribes, ANCs, Native Hawaiian Organizations, or Community Development Corporations (CDCs). (See §§124.109, 124.110, and 124.111, respectively, for the requirements for concerns owned by Indian tribes or ANCs, for concerns owned by Native Hawaiian Organizations, and for CDC-owned concerns.) Management experience need not be related to the same or similar industry as the primary industry classification of the applicant or Participant. Disadvantaged individuals managing the concern must have managerial experience of the extent and complexity needed to run the concern. A disadvantaged individual need not have the technical expertise or possess a required license to be found to control an applicant or Participant if he or she can demonstrate that he or she has ultimate managerial and supervisory control over those who possess the required licenses or technical expertise. However, where a critical license is held by a non-disadvantaged individual having an equity interest in the applicant or Participant firm, the non-disadvantaged individual may be found to control the firm.

(a)(1) An applicant or Participant must be managed on a full-time basis by one or more disadvantaged individuals who possess requisite management capabilities.

(2) A disadvantaged full-time manager must hold the highest officer position (usually President or Chief Executive Officer) in the applicant or Participant and be physically located in the United States.

(3) One or more disadvantaged individuals who manage the applicant or Participant must devote full-time to the business during the normal working hours of firms in the same or similar line of business. Work in a wholly-owned subsidiary of the applicant or participant may be considered to meet the requirement of full-time devotion. This applies only to a subsidiary owned by the 8(a) firm, and not to firms in which the disadvantaged individual has an ownership interest.

(4) Any disadvantaged manager who wishes to engage in outside employment must notify SBA of the nature and anticipated duration of the outside employment and obtain the prior written approval of SBA. SBA will deny a request for outside employment which could conflict with the management of the firm or could hinder it in achieving the objectives of its business development plan.

(5) Except as provided in paragraph (d)(1) of this section, a disadvantaged owner's unexercised right to cause a change in the control or management of the applicant concern does not in itself constitute disadvantaged control and management, regardless of how quickly or easily the right could be exercised.

(b) In the case of a partnership, one or more disadvantaged individuals must serve as general partners, with control over all partnership decisions. A partnership in which no disadvantaged individual is a general partner will be ineligible for participation.

(c) In the case of a limited liability company, one or more disadvantaged individuals must serve as management members, with control over all decisions of the limited liability company.

(d) One or more disadvantaged individuals must control the Board of Directors of a corporate applicant or Participant.

(1) SBA will deem disadvantaged individuals to control the Board of Directors where:

(i) A single disadvantaged individual owns 100% of all voting stock of an applicant or Participant concern;

(ii) A single disadvantaged individual owns at least 51% of all voting stock of an applicant or Participant concern, the individual is on the Board of Directors and no super majority voting requirements exist for shareholders to approve corporation actions. Where super majority voting requirements are provided for in the concern's articles of incorporation, its by-laws, or by state law, the disadvantaged individual must own at least the percent of the voting stock needed to overcome any such super majority voting requirements; or

(iii) More than one disadvantaged shareholder seeks to qualify the concern (i.e., no one individual owns 51%), each such individual is on the Board of Directors, together they own at least 51% of all voting stock of the concern, no super majority voting requirements exist, and the disadvantaged shareholders can demonstrate that they have made enforceable arrangements to permit one of them to vote the stock of all as a block without a shareholder meeting. Where the concern has super majority voting requirements, the disadvantaged shareholders must own at least that percentage of voting stock needed to overcome any such super majority ownership requirements.

(2) Where an applicant or Participant does not meet the requirements set forth in paragraph (d)(1) of this section, the disadvantaged individual(s) upon whom eligibility is based must control the Board of Directors through actual numbers of voting directors or, where permitted by state law, through weighted voting (e.g., in a concern having a two-person Board of Directors where one individual on the Board is disadvantaged and one is not, the disadvantaged vote must be weighted—worth more

than one vote—in order for the concern to be eligible for 8(a) participation). Where a concern seeks to comply with this paragraph:

(i) Provisions for the establishment of a quorum cannot permit non-disadvantaged Directors to control the Board of Directors, directly or indirectly;

(ii) Any Executive Committee of Directors must be controlled by disadvantaged directors unless the Executive Committee can only make recommendations to and cannot independently exercise the authority of the Board of Directors.

(3) An applicant must inform SBA of any super majority voting requirements provided for in its articles of incorporation, its by-laws, by state law, or otherwise. Similarly, after being admitted to the program, a Participant must inform SBA of changes regarding super majority voting requirements.

(4) Non-voting, advisory, or honorary Directors may be appointed without affecting disadvantaged individuals' control of the Board of Directors.

(5) Arrangements regarding the structure and voting rights of the Board of Directors must comply with applicable state law.

(e) Non-disadvantaged individuals may be involved in the management of an applicant or Participant, and may be stockholders, partners, limited liability members, officers, and/or directors of the applicant or Participant. However, no non-disadvantaged individual or immediate family member may:

(1) Exercise actual control or have the power to control the applicant or Participant;

(2) Be a former employer or a principal of a former employer of any disadvantaged owner of the applicant or Participant, unless it is determined by the AA/BD that the relationship between the former employer or principal and the disadvantaged individual or applicant concern does not give the former employer actual control or the potential to control the applicant or Participant and such relationship is in the best interests of the 8(a) BD firm; or

(3) Receive compensation from the applicant or Participant in any form as directors, officers or employees, including dividends, that exceeds the compensation to be received by the highest officer (usually CEO or President). The highest ranking officer may elect to take a lower salary than a non-disadvantaged individual only upon demonstrating that it helps the applicant or Participant. In the case of a Participant, the Participant must also obtain the prior written consent of the AA/BD or designee before changing the compensation paid to the highest ranking officer to be below that paid to a non-disadvantaged individual.

(f) Non-disadvantaged individuals who transfer majority stock ownership or control of the firm to an immediate family member within two years prior to the application and remain involved in the firm as a stockholder, officer, director, or key employee of the firm are presumed to control the firm. The presumption may be rebutted by showing that the transferee has independent management experience necessary to control the operation of the firm.

(g) Non-disadvantaged individuals or entities may be found to control or have the power to control in any of the following circumstances, which are illustrative only and not all inclusive:

(1) In circumstances where an applicant or Participant seeks to establish disadvantaged control of the Board of Directors through paragraph (d)(2) of this section, non-disadvantaged individuals control the Board of Directors of the applicant or Participant, either directly through majority voting membership, or indirectly, where the by-laws allow non-disadvantaged individuals effectively to prevent a quorum or block actions proposed by the disadvantaged individuals.

(2) A non-disadvantaged individual or entity, having an equity interest in the applicant or participant, provides critical financial or bonding support or a critical license to the applicant or Participant which directly or indirectly allows the non-disadvantaged individual significantly to influence business decisions of the Participant.

(3) A non-disadvantaged individual or entity controls the applicant or Participant or an individual disadvantaged owner through loan arrangements. Providing a loan guaranty on commercially reasonable terms does not, by itself, give a non-disadvantaged individual or entity the power to control a firm.

(4) Business relationships exist with non-disadvantaged individuals or entities which cause such dependence that the applicant or Participant cannot exercise independent business judgment without great economic risk.

(h) Notwithstanding the provisions of this section requiring a disadvantaged owner to control the daily business operations and long-term strategic planning of an 8(a) BD Participant, where a disadvantaged individual upon whom eligibility is based is a reserve component member in the United States military who has been called to active duty, the Participant may elect to designate one or more individuals to control the Participant on behalf of the disadvantaged individual during the active duty call-up period. If such an election is made, the Participant will continue to be treated as an eligible 8(a) Participant and no additional

time will be added to its program term. Alternatively, the Participant may elect to suspend its 8(a) BD participation during the active duty call-up period pursuant to §§124.305(h)(1)(ii) and 124.305(h)(4).

[63 FR 35739, June 30, 1998, as amended at 74 FR 45753, Sept. 4, 2009; 76 FR 8255, Feb. 11, 2011; 81 FR 48580, July 25, 2016]

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### **§124.107 What is potential for success?**

The applicant concern must possess reasonable prospects for success in competing in the private sector if admitted to the 8(a) BD program. To do so, it must be in business in its primary industry classification for at least two full years immediately prior to the date of its 8(a) BD application, unless a waiver for this requirement is granted pursuant to paragraph (b) of this section.

(a) Income tax returns for each of the two previous tax years must show operating revenues in the primary industry in which the applicant is seeking 8(a) BD certification.

(b)(1) SBA may waive the two years in business requirement if each of the following five conditions are met:

(i) The individual or individuals upon whom eligibility is based have substantial business management experience;

(ii) The applicant has demonstrated technical experience to carry out its business plan with a substantial likelihood for success if admitted to the 8(a) BD program;

(iii) The applicant has adequate capital to sustain its operations and carry out its business plan as a Participant;

(iv) The applicant has a record of successful performance on contracts from governmental or nongovernmental sources in its primary industry category; and

(v) The applicant has, or can demonstrate its ability to timely obtain, the personnel, facilities, equipment, and any other requirements needed to perform contracts as a Participant.

(2) The concern seeking a waiver under paragraph (b) must provide information on governmental and nongovernmental contracts in progress and completed (including letters of reference) in order to establish successful contract performance, and must demonstrate how it otherwise meets the five conditions for waiver. SBA considers an applicant's performance on both government and private sector contracts in determining whether the firm has an overall successful performance record. If, however, the applicant has performed only government contracts or only private sector contracts, SBA will review its performance on those contracts alone to determine whether the applicant possesses a record of successful performance.

(c) In assessing potential for success, SBA considers the concern's access to credit and capital, including, but not limited to, access to long-term financing, access to working capital financing, equipment trade credit, access to raw materials and supplier trade credit, and bonding capability.

(d) In assessing potential for success, SBA will also consider the technical and managerial experience of the applicant concern's managers, the operating history of the concern, the concern's record of performance on previous Federal and private sector contracts in the primary industry in which the concern is seeking 8(a) BD certification, and its financial capacity. The applicant concern as a whole must demonstrate both technical knowledge in its primary industry category and management experience sufficient to run its day-to-day operations.

(e) The Participant or individuals employed by the Participant must hold all requisite licenses if the concern is engaged in an industry requiring professional licensing (e.g., public accountancy, law, professional engineering).

(f) An applicant will not be denied admission into the 8(a) BD program due solely to a determination that potential 8(a) contract opportunities are unavailable to assist in the development of the concern unless:

(1) The Government has not previously procured and is unlikely to procure the types of products or services offered by the concern; or

(2) The purchase of such products or services by the Federal Government will not be in quantities sufficient to support the developmental needs of the applicant and other Participants providing the same or similar items or services.

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### **§124.108 What other eligibility requirements apply for individuals or businesses?**

(a) *Good character.* The applicant or Participant and all its principals must have good character.

**Attachment 2: Disabled Veterans Business Enterprise (DVBE)  
Program**

- (a) Data reported by the awarding department as required by § 10111 of the Public Contract Code shall be consistent with the regulations governing the award of the contracts. For contracts with a participation goal, awards shall be reported as proposed by the contractor per § 1896.70(g) or as documented by contract modification per § 1896.76. For contracts awarded without a participation goal, the awarding department shall report each business represented in the contract that is a DVBE.
- (b) Awarding departments shall not count contracts toward participation goals that were awarded to equipment brokers as defined in § 1896.62(u) and in accordance with Military and Veterans Code §§ 999.2(b)(3), 999.2(c) and 999.2(e).
- (c) Awarding departments shall not count toward participation goals any contract funds awarded during any period in which a DVBE is not in compliance with Military and Veterans Code § 999.2(g)(4) with respect to furnishing required declarations.
- (d) Awarding departments shall not count toward participation goals any state funds expended with a business that is not certified.
- (e) Upon completion of a contract for which a commitment to achieve a DVBE goal was made, the contractor shall certify in writing to the awarding department, all of the items listed:
  - (1) Total amount the prime contractor received under the contract.
  - (2) The name and address of the DVBE that participated in the performance of the contract.
  - (3) The amount each DVBE received from the prime contractor.
  - (4) That all payments under the contract have been made to the DVBE.
- (f) Awarding departments shall maintain the contractor's written statement in § 1896.78(e) on file pursuant to records retention requirements.

**NOTE:**

Authority cited: §§ 14600 and 14615, Government Code; § 10111, Public Contract Code; and §§ 999.2 and 999.5, Military and Veterans Code.  
 Reference: § 10111, Public Contract Code; §§ 999.2 and 999.5, Military and Veterans Code; and *Monterey Mechanical Co. v. Wilson*, 125 F.3d 702 (9th Cir. 1997), rehearing denied, \_\_\_ F.3d \_\_\_ (March 9, 1998).

Article 3. DVBE Certification

**§ 1896.80. Application**

An electronic application may be submitted via the DGS website: <http://www.dgs.ca.gov>. Upon receipt of the electronic application, an acknowledgement will be emailed. Instead of the electronic application, a Small Business & DVBE Certification Application, 812 (Rev. 12/2012), incorporated by reference, may be obtained from the website and submitted to the OSDS. A list of support documents is also contained in the paper application and located on the website.

**NOTE:**

Authority cited: §§14600 and 14615, Government Code; § 999.5(f), Military and Veterans Code; and § 10115.3, Public Contract Code.  
 Reference: § 10115.3, Public Contract Code; and § 999.5(f), Military and Veterans Code; and *Monterey Mechanical Co. v. Wilson*, 125 F.3d 702 (9th Cir. 1997), rehearing denied, \_\_\_ F.3d \_\_\_ (March 9, 1998).

**§ 1896.81. Eligibility for Certification as a DVBE**

- (a) Applications shall be approved, and certification granted, when found to have met



eligibility requirements. Applications that do not meet these requirements shall be denied. If a business is unable to maintain eligibility or has violated program requirements, the certification shall be revoked. The applicant or DVBE shall meet and maintain all of the following qualifying criteria:

- (1) The DVs shall have at least a ten percent service-connected disability and be domiciled in California.
  - (2) The principal office of the firm shall be located in the United States and cannot be a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business.
  - (3) The business shall be at least 51-percent unconditionally owned by one or more DVs.
  - (4) The daily business operations shall be managed and controlled by one or more DVs. The DV who manages and controls the business is not required to be the DV business owner.
  - (5) The DVBE shall file and submit federal tax returns to the OSDS annually, without exception.
- (b) The OSDS shall evaluate ownership according to the following criteria for specific types of businesses:
- (1) It is a sole proprietorship with at least 51-percent ownership by one or more DVs. If the sole proprietorship submits a federal individual tax return, each owner shall submit a Schedule C. The Schedule C shall list the qualifying DV as the majority owner.
  - (2) It is a partnership with at least 51-percent interest unconditionally owned by one or more DVs. The partnership agreement shall reflect each owner's interest.
  - (3) It is a limited liability company unconditionally owned by one or more DVs.
  - (4) It is a corporation with at least 51-percent unconditional ownership of all outstanding stock, including but not limited to voting stock owned by one or more DVs. DV owners shall control the board of directors. There shall be no formal or informal restrictions which limit voting power or control of the DV owners.
  - (5) It is a subsidiary. The parent corporation shall be unconditionally owned by one or more DVs. The DVs shall own at least 51 percent of voting stock of the parent corporation.
- (c) Ownership by a living trust. Ownership by a living trust shall be equivalent to ownership by a DV. The trust shall be revocable, and the DV shall be the sole grantor, trustee and beneficiary.
- (d) Ownership by an employee stock ownership plan. The plan shall be less than or equal to 49-percent ownership.
- (e) Ownership shall be unconditional by one or more DVs. Ownership shall not be subject to conditions precedent, conditions subsequent, executory agreements, voting trusts, restrictions on or assignments of voting rights, or other arrangements of voting rights, or other arrangements causing or potentially causing ownership benefits to go to another (other than after death or incapacity). The pledge or encumbrance of stock or other ownership interest as collateral, including seller-financed transactions, does not affect the unconditional nature of ownership if the terms follow normal commercial practices and the owner retains control absent violations of the terms.
- (f) In determining unconditional ownership, any unexercised stock options or similar agreements held by DVs are disregarded. However, any unexercised stock options or similar agreements (including rights to convert non-voting stock or debentures into voting stock) held by Non-DVs will be treated as exercised, except for any ownership interests that are held by investment companies licensed under part 107 of Title 13, Code of Federal Regulations.

- (g) One or more DV owners shall be entitled to receive:
- (1) At least 51 percent of the annual distribution of profits paid to the owners of a corporation or partnership;
  - (2) One hundred percent of the value of shares of stock in the event that the stock is sold;
  - (3) At least 51 percent of the retained earnings of the business. In the event of dissolution of the corporation or partnership, the DV shall receive 100 percent of the unencumbered value of each share owned.
  - (4) Profits of the business commensurate with the extent of ownership interest.
- (h) The DV owners and/or DV managers shall document they maintain control of the business. The OSDS regards control as including both the strategic policy setting exercised by boards of directors and the day-to-day management and administration of business operations. A business's management and daily business operations shall be conducted by one or more DVs. The DVs managing the business shall have managerial experience of the extent and complexity needed to run the business. However, where a license is held by a Non-DV having an ownership interest in the business, the Non-DV may be found to control the business.
- (i) Control is comprised of two parts -- Managerial and Operational.
- (1) DV owners shall have managerial control of the overall destiny of the business. The DV owners and/or DV managers shall demonstrate responsibility for the critical areas of the business's operations. The DV owners and/or DV managers shall be personally responsible for, including but not limited to, the following:
    - (A) Negotiations, execution and signature of contracts; and
    - (B) Execution of financial (credit, banking, bonding) transactions and agreements.
  - (2) To have operational control of the day-to-day operations, the DV owners and/or DV managers shall demonstrate independent decisions for the day-to-day operations. Absentee or titular management by the qualifying DVs shall not be deemed to be in operational control. The DV owners and/or DV managers shall include an active role in controlling the business. Control is demonstrated by, including but not limited to, all of the following:
    - (A) DV owners and/or DV managers possess the requisite experience, education, knowledge and qualifications in the business's field of operations;
    - (B) No third party agreements restrict control by DV owners and/or DV managers; and
    - (C) DV owners and/or DV managers control the operation of the business in the following areas:
      1. Supervision - direct responsibility for subordinates
      2. Work force - direct responsibility for subordinates or subcontractors
      3. Equipment
      4. Materials
      5. Facilities (office /yard)
- (j) The business shall be controlled by one or more DVs who possess requisite management capabilities:
- (1) DVs shall show sustained and significant time invested in the business. A DV engaged in full-time employment or management with another business, federal, state, or local government (30 hours per week or more) shall submit a detailed statement with the application. The statement shall demonstrate why these activities will not impact the DV's ability to manage and control the business. If the DV is a federal, state or local government employee, a copy of the conflict of interest statement or equivalent document shall be submitted.
  - (2) A DV shall hold the highest officer position exercising control over all other positions in the business.

- (3) A DV's unexercised right to cause a change in the management of the business does not in itself constitute DV control, regardless of how quickly or easily the right could be exercised. Exception is when the OSDS deems a DV to control the board of directors as provided for in § 1896.81(m)(1).
- (k) In the case of a partnership, one or more DVs shall serve as general partners, with control over all partnership decisions. A partnership in which no DV is a general partner will be ineligible for certification.
- (l) In the case of a limited liability company, one or more DVs shall serve as managing members, with control over all decisions of the limited liability company.
- (m) In the case of a corporation, one or more DVs shall control the board of directors.
  - (1) The OSDS will deem DVs to control the board of directors, including but not limited to, the following:
    - (A) A DV owns 100 percent of all voting stock of the business; or
    - (B) A DV owns at least 51 percent of all voting stock of a business, the DV is on the board of directors and no supermajority voting requirements exist for shareholders to approve corporate actions. If a supermajority exists that limits the majority DV's voting stock, the applicant or DVBE shall be ineligible for certification; or
    - (C) One or more DVs own at least 51 percent of all voting stock, each DV owner is on the board of directors, and no supermajority voting requirements exist for shareholders to approve corporate actions. The DV shareholders shall demonstrate that they have an enforceable arrangement to permit DV to vote the stock of all as a block without a shareholder meeting.
  - (2) Where a business does not meet the requirements set forth in § 1896.81(m)(1), the DVs upon whom eligibility is based shall control the board of directors. Where a business has a two person board of directors, one individual is a DV and one is not, the DV vote shall be weighted. In order for the business to be eligible for certification, the DV's vote shall be worth more than one vote.
    - (A) Provisions for the establishment of a quorum cannot permit Non-DV directors to control the board of directors directly or indirectly;
    - (B) Any executive committee of the board of directors shall be controlled by DV directors unless the executive committee only makes recommendations to the board.
  - (3) Non-voting, advisory, or honorary directors may be appointed without the ability to control the board of directors.
  - (4) Arrangements regarding the structure and voting rights of the board of directors shall comply with applicable state law.
- (n) Non-DVs may be involved in the management of a business, and may be stockholders, partners, officers, or directors of the business. Non-DVs shall not:
  - (1) Exercise control or have the power to control the business; or
  - (2) Receive compensation from the business in any form as directors, officers or employees, including dividends that exceed the compensation received by the DV holding the highest officer position.
- (o) Non-DVs who transfer majority stock ownership of the business to DVs within two years prior to the application and remain involved in the business, in any capacity, are presumed to control the business. This presumption may be rebutted by documenting that the DV has the experience necessary to manage and control all activities of the business. The rebuttal shall be submitted by the DV.
- (p) Non-DVs or entities may be found to control or have the power to control in the following situations, including but not limited to:
  - (1) When the by-laws allow the Non-DVs through a quorum to block the DVs proposals.
  - (2) When the Non-DV provides licenses, critical financial or bonding support which influence business decisions.

- (3) When the terms of the loan agreement gives the grantor the power to control the business.
- (4) When relationships exist with Non-DVs or entities which cause such dependence that the DVs cannot exercise independent business judgment without great economic risk.

**NOTE:**

Authority cited: §§ 14600, 14615 and 14840, Government Code; § 999.5(f), Military and Veterans Code, and §§ 10115.3(b), 10115.9 and 10295, Public Contract Code.

Reference: §§ 10115.1 and 10115.9, Public Contract Code; and § 999(g), Military and Veterans Code, and § 23101, Revenue and Taxation Code.

**§ 1896.82. Responsibilities of the DV Applicant and DVBE**

In order to be considered by the OSDS for certification as a DVBE, a business must meet, including but not limited to, all of the following:

- (a) A business shall meet all requirements set forth in this subchapter and Article 6 (commencing with § 999) of Chapter 6, Division 4 of the California Military and Veterans Code.
- (b) Provide the following documentation to OSDS electronically or by paper copy, no later than five o'clock p.m. (5:00 p.m.) of the bid due date, unless the regulations (§ 1896 et seq., Title 2, California Code of Regulations) implementing the Small Business Procurement and Contract Act (SBPCA) specify a different time, in which case the submission time for application as identified in the SBPCA shall prevail:
  - (1) A completed DVBE certification application and required support documents;
  - (2) A copy of an Award of Entitlement letter from the United States Department of Veterans Affairs or United States Department of Defense that was issued within six months of the application. The letter shall certify the existence of a service-connected disability of at least ten percent;
- (c) DVBEs shall notify the OSDS in writing upon changes of the business address, contact information, and changes to the DVs home address within 30 calendar days.
- (d) In the case of a renewal, the qualifying DV shall certify in writing there are no changes in the service-connected disability status. If the disability status has changed, a new Award of Entitlement letter is required.
- (e) A DVBE shall maintain all licenses, permits and registrations, including but not limited, to those issued by any California State Department or local government.
- (f) A DVBE shall provide notice to the OSDS and the awarding department, including but not limited to, any changes in licenses, permits, registrations, operation or ownership within 30 calendar days.
- (g) A DVBE, including a DV in the case of equipment ownership, shall provide the OSDS the most recent copies of federal tax returns and amendments upon filing with the Internal Revenue Service, within 90 calendar days.
- (h) The following shall be required for changes in ownership or business structure:
  - (1) DVBE shall submit a new application identifying the new DV owners, DV managers and new business structure. Continued eligibility and the award of any new contracts require that the OSDS first verify that all eligibility requirements are met by the business and the new owners.
  - (2) Any DVBE that is performing contracts and desires to substitute one DV owner for another DV shall submit a proposed novation agreement and supporting documentation to the awarding departments prior to the substitution or change of ownership for approval.

- (3) In the event of a permanent disability or death of the majority DV owner, the business shall do the following within 30 calendar days:
  - (A) Notify awarding departments.
  - (B) Submit documents establishing the DV's permanent disability or death to the OSDS. In addition, provide documents verifying who controls or has inherited the business. The DVBE designation shall be continued if the business is controlled or inherited by the spouse or children. This designation may not exceed three years. It is solely for the purpose of completing existing contracts. If the business is a small business, a certification application and appropriate documents may be submitted.
- (i) A DVBE shall perform a CUF pursuant to § 1896.62(l) as determined by § 1986.71 by awarding departments.
- (j) A DVBE shall withdraw their certification when they no longer meet eligibility requirements. The OSDS shall end the certification except when the business or its affiliates are under investigation.
- (k) Applicants are responsible for renewing certifications whether or not a renewal notice is received. Renewals shall be submitted, including required documents, prior to the certification expiration dates. Applicants may submit an electronic or paper application. Both options are located on the website at [www.dgs.ca.gov](http://www.dgs.ca.gov). Renewals may not be submitted earlier than 90 calendar days before certifications expire. An applicant with an expired certification shall submit a new application. An expired certification shall not be submitted as a renewal application.
- (l) DVBE certification shall be revoked for any of the following reasons:
  - (1) Failure to respond to a certification notice issued by the OSDS within 30 calendar days from the date of the notice.
  - (2) Failure to notify the OSDS and the awarding department that the certification requirements have not been maintained pursuant to § 999.2(h) of the Military and Veterans Code.
  - (3) Failure to submit federal income returns as required by § 999.2(g) of the Military and Veterans Code.
  - (4) Failure to reinstate to an active status with the California Secretary of State within 60 calendar days.
  - (5) Violation of § 999.9(a) of the Military and Veterans Code shall also include, but is not limited to, suspension from participation in state contracting.
  - (6) Violation of §§ 14842 or 14842.5 of the Government Code shall also include, but is not limited to, suspension from participation in state contracting.

**NOTE:**

Authority cited: §§ 14600, 14615 and 14840, Government Code; §§ 999.2 and 999.5(f), Military and Veterans Code, and §§ 10115.3(b), 10115.9 and 10295, Public Contract Code.

Reference: §§ 10115.1 and 10115.9, Public Contract Code; and § 999.2(g), Military and Veterans Code, and § 23101, Revenue and Taxation Code.

**§ 1896.83. Determination of Intent to Perform a Commercially Useful Function (CUF)**

For certification purposes only, the OSDS shall determine if the applicant establishes the intent and ability to perform a CUF pursuant to § 1896.62(l) in the primary business type identified in the application. Documents to support the determination include, but are not limited to, professional licenses, financial records, ownership, facilities, and agreements required to determine eligibility for certification in § 1896.81. Certification does not override or replace the CUF determination required of awarding departments in §

## **Attachment 3: DVBE Program Revisions**

are filed, the awarding department shall give notice in writing of at least five (5) working days to the listed subcontractor of a hearing by the awarding department on the prime contractor's request for substitution.

(e) Failure of the contractor to subcontract with the small businesses listed on its bid to the state, or follow these substitution rules may be grounds for the Department to apply such ~~impose~~ sanctions as pursuant to Government Code §§ 14842 and 14842.5 and the subsequent provisions of this subchapter permit ~~§1896.16~~. In the event such sanctions are ~~to be~~ imposed, the contractor shall be notified in writing and entitled to a hearing pursuant ~~to~~ §§ 1896.18 and 1896.20.

Note: Authority cited: Sections 14837(d)(4), 14842(f), and 14843, Government Code. Reference: Sections 14837, 14842 and 14842.5 Government Code; and Sections 4100, 4107, and 4107.5, Public Contract Code.

**Article 3 Heading is amended to read:**

Article 3. Small Business Eligibility, Certification Process and Responsibilities

**Subsection 1896.12 is amended to read:**

**§1896.12. Eligibility for Certification as a Small Business.**

(a) To be eligible for certification as a small business, a business must meet all of the following qualifying criteria:

- (1) It is independently owned and operated; and
- (2) ~~It's~~ The principal office is located in California; and
- (3) ~~The~~ officers of the business (in the case of a corporation); officers and/or managers, or in the absence of officers and/or managers, all members in the case of a limited liability company; partners in the case of a partnership; or the owner(s) in all other cases, are domiciled in California; and
- (4) It is not dominant in its field of operation(s), and
- (5) It is either:
  - (A) A business that, together with all affiliates, has 100 or fewer employees, and annual gross receipts of fifteen ~~fourteen~~ million dollars (\$154,000,000) or less as averaged for the previous three (3) tax years, as biennially adjusted by the Department in accordance with ~~pursuant to~~ Government Code § 14837(d)(3) (If the business or its affiliate(s) has been in existence for less than three (3) tax years, then the GAR will be based upon the number of years in existence); or
  - (B) A manufacturer as defined herein that, together with all affiliates, has 100 or fewer employees.

(b) To be eligible for designation as a microbusiness, a business must meet all the qualifying criteria in subparagraph (a)(1) – (4), and in addition, must be either:

- (1) A business that, together with all affiliates, has annual gross receipts of three million, five hundred thousand dollars (\$3,500,000) or less as averaged for the previous three (3) tax years, as biennially adjusted by the Department in accordance with ~~pursuant to~~ Government Code §14837(d)(3) (If the business or its affiliate(s) has been in existence for less than three (3) tax years, then the GAR will be based upon the number of years in existence); or
- (2) A manufacturer as defined herein that, together with all affiliates, has 25 or fewer employees.

(c) Joint ventures ~~may~~ must be certified as a small business or microbusiness on a bid-by-bid basis. ~~The joint venture shall not be subject to the average annual gross receipts and employee limits imposed by this subchapter.~~ when each individual business of the joint venture is a certified small

business. The joint venture is established by written agreement to engage in and carry out a business venture for joint profit, for which purpose they combine their efforts, property, money, skills and/or knowledge. The joint venture shall not be subject to the average annual gross receipts and employee limits imposed by this subchapter. However, each individual business participating in the joint venture must be certified as a small business.

(d) Criteria for Certification Determination(s):

(1) In determining if a business is eligible for certification, OSDS the Department may consider the applicant's or small business' organizational structure, operations and business relationships during the previous three (3) tax years (or years the business has been in existence if fewer than three (3) tax years), and OSDS may request the applicant provide copies of income tax returns as filed with the State of California or other jurisdictions California Franchise Tax Board in addition to the required federal income tax returns and schedules, as filed with the federal Internal Revenue Service, and/or other documentation deemed necessary for the OSDS Department to make a final certification determination.

(2) The OSDS may require the owner(s) or the certified firm to complete and submit an Internal Revenue Service Form 4506-T, for the purpose of requesting a tax return transcript for certification eligibility review. In determining if a business is eligible for small business certification, the applicant business, together with all affiliates, has been in existence less than three years shall have 100 or fewer employees, and an average annual gross receipts of \$14 million or less as averaged by the number of years in existence, as adjusted by the Department pursuant to Government Code, § 14837(d)(3).

(3) In determining if a business is eligible for microbusiness certification, applicant business, together with all affiliates, in existence less than three years shall have an average annual gross receipts of \$3.5 million or less as averaged by the number of years in existence, as adjusted by the Department pursuant to Government Code, §14837(d)(3).

(4) Government Code § 14837(c) defines manufacturer for purposes of this subchapter. OSDS's The Department's determination of whether a business is a manufacturer may include consideration of be based on, but not limited to: (A) Whether the business, with its own facilities, performs the primary activities in transforming inorganic or organic substances into the end item being acquired, and is not a packager or, in the case of kits, a final assembler. The end item must possess characteristics that, as a result of mechanical, chemical, or human action, it did not possess before the original substances, parts, or components were assembled or transformed. The end item may be finished and ready for utilization or consumption, or it may be semi-finished as a raw material to be used in further manufacturing. (B) The factors considered by the federal Small Business Administration pursuant to Title 13, Code of Federal Regulations (CFR), Chapter I, Part 121, § 121.406(b)(2). (C) Whether more than fifty percent (50%) of its' annual gross receipts, as determined by the Department, result from the manufacture and sale of products manufactured by the business.

(4)(5) OSDS's The Department's determination of whether the officers, owners and/or partners, managers or members of a business, as applicable, are domiciled in California may be based on, but not be limited to, a review of:

- (A) Voter registration records;
- (B) Homeowner's property tax exemption filings;
- (C) Driver's licenses;
- (D) Utility billings; and
- (E) Individual state tax returns; and
- (F) Other currently valid documentations, acts, occurrences, or submissions events that indicate presence in California is more than temporary or transient, and clearly substantiate the claimed domicile.



~~(5)~~(6) ~~OSDS's The Department's~~ determination of whether the ~~p~~Principal ~~o~~Office of a business is located in California, as GC §14837(d) mandates, may shall be based on, but not limited to, a review of the address or physical location where management, direction and control of operations originate.:

~~(A) In the case of a corporation, the location where the corporate officers manage, direct and control the operations must be located within California;~~

~~(B) In the case of Limited Liability Companies, the location where the Manager(s) and/or Officer(s) or Members manage, direct and control the operations must be located within California;~~

~~(C) In all other cases, the location where the owner(s) manage, direct and control the operations must be located within California.~~

~~(6)~~(7) ~~OSDS's The Department's~~ determination of whether a business is affiliated with another, with respect to satisfying GC §14837(d) requirements ~~business,~~ may be based on, but not limited to, historical and current factors including ownership, management, financial and/or business relationships or ties with another business, such as familial relationships, contractual relationships, assignments, passage of title to goods or merchandise, and other related matters as reflected in tax returns and other documentation.

~~(A) OSDS The Department~~ may additionally consider the following in determining affiliation:

1. The applicant business assigns a contract, in whole or in part, to another business.

2. There exists common ownership and/or management with the applicant business and another business.

3. The applicant business and another business share facilities, equipment, systems, or employees.

4. There is a familial relationship with the applicant business and another business and both businesses are in the same industry.

5. A person or business has assisted the applicant business with activity to meet bond/security requirements.

~~(B) The following types of business relationships shall not be considered affiliations:~~

1. A franchise and/or license agreement provided that the franchisee or licensee has the right to profit from its efforts and bears the risk of loss commensurate with ownership.

2. A manufacturer's or service provider's representative provided that a written agreement exists between the manufacturer(s) or service provider(s) and the representative that substantiates the independent nature of the individual businesses.

~~(C) A joint venture shall be deemed an affiliate for the purposes of this subchapter.~~

~~(7)~~(8) A business entity whose ownership interests, management and operation are not subject to control, restriction, modification or limitation by an outside source, individual or another business entity is considered independently owned and operated. OSDS The Department shall presume an applicant business not to be independently owned and operated if evidence exists of any of the following exists:

~~(A) An outside person or business concern owns or controls, or has the power to control, fifty percent (50%) or more of the voting stock of the applicant business, or~~

~~(B) One or more business owners, general partners, directors, officers or members of an outside business concern controls or haves the power to control or influence the day-to-day operations of the applicant business, board of directors and/or owner(s) of the applicant business.~~

~~(8)~~(9) ~~An applicant business concern that exercises or has the ability to exercise a controlling or major influence, on a statewide basis, in a kind of business activity or field of operation in which a number of business concerns are primarily engaged, may shall be determined to be dominant in its field of operation, and statutorily ineligible for small business certification.~~ The following criteria,

among others, may be considered by the OSDS Department in determining if the applicant business is dominant in its field of operation:

- (A) Volume of business;
- (B) Financial resources;
- (C) Competitive status or position;
- (D) Ownership or control of materials, processes, licenses agreements and facilities;
- (E) Sales territory and nature of business activity.

(e) Except as limited by law, and only in order to determine the eligibility of a business for certification as a small business, OSDS the Department may consider whatever information is provided to it from multiple sources, including but not limited to those seeking certification, and records gathered or held by any California state or local agency, any governmental agency of another state, or the federal government.

(f) To promote a core statewide small business certification process, the Department shall provide local agencies and the general public web access to a small business statewide directory maintained by the OSDS for the purpose of searching and confirming small bBusinesses that have been certified by or on behalf of other governmental organizations may be eligible for certifications as a small business if the organization uses substantially the same or more stringent definitions as those set forth in Government Code § 14837 and substantially the same or more stringent certification analysis process than used by the Department.

(g) Nonprofit veteran service agencies are eligible for certification as a small business if all of the conditions set forth in Military and Veterans Code Subsection 999.51 are met. Nonprofit public benefit corporations are registered with the Department solely for the purpose of compliance with the provisions of the California Prompt Payment Act (Government Code §927 et seq.).

Note: Authority cited: Sections 14837(d), 14839 and 14843, Government Code. Reference: Sections 927.2(e), 14615(a), 14837(c) and (d), 14838, 14839(a) and (h), 14839.1(b) and 14340(b), Government Code; Section 999.51, Military and Veterans Code; and Title 13, Code of Federal Regulations (CFR), Chapter I, § 121.406.

**Subsection 1896.14 is amended to read:**

**§1896.14. Responsibilities of the Applicant Small Business.**

(a) In order to register and be considered by OSDS the Department for certification as a small business a business must:

- (1) Supply electronically via the appropriate web portal, or sSubmit a completed hard copy certification request application to OSDS the Department, including all of the required substantiating documentation and information needed by OSDS the Department to determine the business' eligibility for small business certification; and
- (2) Submit all the information requested by the date and time stated in rResponded to any notice from OSDS the Department, by the date and time specified by the Department, with all additional information requested, Upon good cause or provide reasons acceptable to the Department regarding why the deficiency request cannot be fulfilled OSDS may extend deadlines; and
- (3) Meet all eligibility requirements as set forth in this subchapter.
- (4) OSDS must be immediately notified of any changes in operation or ownership during the certification application process.

(b) A business that does not meet the eligibility requirements for certification, or does not respond to requests from OSDS for additional information by the date and time specified, will be denied certification. A small business must provide written notification to the Department of any changes in its

~~operation or ownership during its certification period that may affect its continuing eligibility as a small business pursuant to § 1896.12. Should a small business be sold during its certification period, the certification is not transferable to the new owners. Should the new business owners choose to do so, they may submit a new application for certification.~~

~~(c) A certified small business shall keep current all of its licenses or permits during certification. Small business contractors and subcontractors shall perform commercially useful functions in each contract they are awarded by the state agencies.~~

~~(d) Every business certified as a small business shall be subject to reverification of status at any time. Failure by a small business to provide requested information that supports its continued eligibility as a small business, by the date and time specified by the Department, shall be grounds for decertification.~~

Note: Authority cited: Sections 14837(d)(4), 14839.1(a), and 14843, Government Code. Reference: Sections 14837(d)(4), 14839.1(a), 14840(a) and 14842.5, Government Code.

**Subsection 1896.15 is adopted to read:**

**§ 1896.15. Definition and Determination of Commercially Useful Function (CUF).**

(a) A certified small business contractor, subcontractor or supplier of goods and/or services that contributes to the fulfillment of the contract requirements, shall perform a Commercially Useful Function (CUF) for each contract in accordance with the requirements of GC §14837(d)(4).

(b) A small business contractor, subcontractor, or a supplier of goods and/or services is deemed to perform a CUF if the business does all of the following:

(1) Is responsible for the execution of a distinct element of the work of the contract; (including the supplying of services and goods);

(2) Carries out its obligation by actually performing, managing, or supervising the work involved;

(3) Performs work that is normal for its business services and functions;

(4) Is responsible, with respect to products, inventories, materials and supplies required for the contract, for negotiating price, determining quality and quantity, ordering, installing, if applicable, and making payment.

(5) Is not further subcontracting a portion of the work that is greater than that expected to be subcontracted by normal industry practices.

(c) A contractor, or subcontractor or supplier will not be considered to perform a commercially useful function if its role is limited to that of an extra participant in a transaction, contract or project through which funds are passed in order to obtain the appearance of small business participation.

(d) Contracting/procurement officials of the awarding department must:

(1). Evaluate if a certified small business (including microbusiness) awarded a contract, meets the CUF requirement as defined in this subsection.

(2) During the duration of the contract, monitor for CUF compliance. (see State Contracting Manual Volume 1 Chapter 8 and Volumes 2 and 3, Chapter 3).

(e) If a CUF evaluation identifies potential program violations, the awarding departments shall investigate and report findings to the OSDS in accordance with § 1896.17(i).

Note: Authority cited: Sections 14837(d)(4), 14839.1, and 14843, Government Code. Reference: Sections 14837, 14839(g) 14842.5(a)(6) and 14842.5(e), Government Code; Sections 999(b)(5)(B) and 999.6 Military and Veterans Code; Volume 1 Chapter 8 and Volumes 2 and 3, Chapter 3, State Contracting Manual.

**Attachment 4: LAX Master Plan Program Community Benefits Agreement**

**c. Implementation of LAX Proposed Restriction.** If the FAA or any other regulatory authority approves in full or in part the application described in Section III.G.1, LAWA shall implement the LAX Proposed Restriction to the extent permitted in the approval.

**2. Record of Eastbound Departures.** LAWA shall maintain a record of all nighttime eastbound departures during Over-Ocean Operations and Westerly Operations. This record shall be made available to the public on the LAWA website and shall be updated monthly.

**3. Community Response Program.** LAWA shall operate a community response program through which the public may report nighttime flights in the areas east of LAX. LAWA shall maintain a record of all individual reports, and shall prepare annual reports documenting individual reports, including records of airline, flight, date, and time of each reported flight, where possible. All records of reports, excluding the reporting individual's name and address, shall be maintained as public records and posted on the LAWA website.

#### **IV. JOB TRAINING.**

**A. Job Training Program.** Beginning in fiscal year 2005-06, LAWA shall provide \$3 million per year for five years, not to exceed \$15 million over five years, to fund job training for Airport Jobs and Aviation-Related Jobs, and for Pre-apprenticeship Programs. Any funds unspent in a particular year shall be rolled over to the subsequent year. At the conclusion of the five-year period, any unused funds shall revert to the job training funds described in Section XV.

**1. FAA Modification.** If at any time the FAA expands the job categories for which it will permit LAWA to expend job training funds under this Section IV.A, LAWA shall expend those funds for all newly available job categories. At all times, if the FAA prohibits particular job training expenditures required under this Section IV.A, then LAWA shall provide the full funding amount described in this section for job training expenditures that are required by this section and are not prohibited.

**2. Seeking Alternative Funding Sources in Case of FAA Prohibition.** Beginning in fiscal year 2004-05, LAWA shall consult with CDD and the WIBs to identify and secure funds or redirect existing resources for any job training described in this Section IV.A for which the FAA has prohibited expenditures, with an overall goal of securing funding and resources from alternative sources for five years. Potential resource providers for this activity shall include, but not be limited to, local and neighboring WIBs, the State of California, the County of Los Angeles, the Los Angeles Community College District, and the Los Angeles Unified School District. Funds secured by LAWA under this Section IV.A.2 shall be administered as described in Section IV.B. Funds secured from alternative sources under this Section IV.A.2 shall not reduce the funding commitment made by LAWA elsewhere in this Section IV.

#### **B. Administration.**

**1. Coordination among LAWA, CDD, and WIB.** LAWA shall make best efforts to negotiate a memorandum of understanding (“MOU”) between LAWA, CDD and the WIB, under which job training funds provided under this Section IV shall be administered by CDD and WIB. LAWA shall consult with the Coalition Representative in negotiating the MOU with CDD and a WIB. The administrative and fiscal oversight shall entail CDD and the WIB receiving LAWA funds described in Section IV.A, selecting Qualified Job Training Organizations, and providing the funds to Qualified Job Training Organizations for performance of job training as described in this Section IV.

If LAWA does not enter into such an MOU with CDD and a WIB within six months of the effective date of this Agreement, LAWA shall initiate a Contract Award Process for a contractor to perform the administration described in this Section IV.B.

Regardless of what entity performs the administration, LAWA shall ensure that job training funded under Section IV.A commences by July 1, 2005, if CDD participates or by January 1, 2006, if CDD does not participate.

**2. Provisions of MOU.** Under the MOU described in Section IV.B.1, training paid for with funds provided under this Section IV.A shall be performed by Qualified Job Training Organizations that are selected in accordance with City and WIB applicable procurement policies. LAWA recognizes that the South Bay Workforce Investment Board is a current primary service provider to eligible residents of Inglewood, Lennox and West Athens. Under this MOU, CDD shall contract with the South Bay Workforce Investment Board, reserving all administrative and contractual remedies to enforce performance; CDD shall consult with LAWA and the Coalition Representative at regular intervals regarding the progress of the job training provided under this Section IV.A; and CDD shall provide an opportunity for consultation with the Coalition Representative on program design issues during the development of the RFP. At the conclusion of the term of the MOU, any unused funds shall revert to the job training funds described in Section XV.

**3. Limitation on Administrative Costs.** At least 90 percent of the funds provided by LAWA under this Section IV shall be provided by CDD and/or the WIB, or other contractor administering job training funds, to Qualified Job Training Organizations under contract awards, rather than retained as compensation for services provided under the MOU or contract.

**C. Work Experience Programs.** LAWA shall provide work experience jobs and pay applicable wages. The funding of these Work Experience Programs is separate from that described in Section IV.A and is independent of the job training program to be operated by CDD and WIB. LAWA shall, to the extent permissible by law, specifically target opportunities for placement in these work experience programs to Project Impact Area residents. Funding provided under this Section IV.C shall not qualify as an expenditure under any other provision of Section IV.

**D. Eligibility.** Enrollment opportunities in all job-training programs funded primarily by funds distributed under this Section IV shall be predominantly made available to:

- Low-Income Individuals living in the Project Impact Area for at least one year;
- Special Needs Individuals;
- Low-Income Individuals residing in the City;
- Individuals currently working in Airport Jobs or Aviation-Related Jobs and eligible for incumbent worker training.

**E. Content of Job Training.** Job training programs funded by funds distributed under this Section IV shall include job readiness programs, skills development, career ladder programs, incumbent worker training, and other, similar programs as approved by LAWA and the Coalition Representative. Recipients of these funds shall be required to consult with LAWA, the Coalition Representative, CDD, WIB and the designated WorkSource Center in design of training programs.

## **V. FIRST SOURCE HIRING PROGRAM.**

**A. First Source Hiring Program for Airport Jobs.** The First Source Hiring Program shall provide early access to targeted applicants for available Airport Jobs, and employers will receive prompt, cost-free referrals of qualified and trained applicants. Except where the City's Worker Retention Policy requires retention of particular workers, LAWA shall require participation in the First Source Hiring Program with regard to all Airport Jobs by any:

- new Airport Contractor, Airport Lessee, and/or Airport Licensee resulting from the approved LAX Master Plan Program;
- Airport Contractor that enters into or receives a new, amended, or renewed Airport Contract, or receives a voluntary extension of an existing Airport Contract;
- Airport Lessee that enters into or receives a new, amended, or renewed lease of any property owned by LAWA, or receives a voluntary extension of an existing lease; and
- Airport Licensee that agrees, receives, or is subject to a new, amended, extended, or revised licensing or permitting agreement or set of requirements.

AS of July 1, 2005, LAWA shall ensure that the First Source Hiring Program, attached as Exhibit C, is a material term of all Airport Contracts, lease agreements, and licensing or permitting agreements or sets of requirements that are new, extended, amended, renewed, or revised. Under these Airport Contracts, agreements, or requirements, employer participation in the First Source Hiring Program shall commence on the effective date of the Airport Contract, agreement, or requirement in question, or on July 1, 2005, whichever is later. LAWA shall actively monitor compliance with the First Source Hiring Program by all covered employers; shall enforce the liquidated damages provision of Exhibit C with regard to any instances of noncompliance; and shall take any other enforcement action under Airport Contracts, lease agreements, and licensing and permitting requirements necessary to prevent noncompliance.

Nothing in this Agreement shall require employers that are subject to collective bargaining agreements that conflict with the terms of the First Source Hiring Program, are construction contractors, or that operate Transportation Charter Party limousines, non-tenant shuttles, or taxis, to comply with the First Source Hiring Program. Applicants hired under the First Source Hiring Program shall have to meet any applicable LAX security-badging requirements. The Coalition Representative shall participate in monitoring participation in the First Source Hiring Program, as described in Exhibit C.

**B. Targeted Applicants.** Referrals under the First Source Hiring Program shall, to the extent permissible by law, be made in the order of priority set forth below.

- **First Priority:** Low-Income Individuals living in the Project Impact Area for at least one year and Special Needs Individuals;
- **Second Priority:** Low-Income Individuals residing in the City.

**C. Referral System.** The Referral System, to be designed and implemented through a joint effort of LAWA and the Coalition, and CDD and WIB, if possible, will work with employers, community-based job training organizations, and other community-based organizations to receive notices of job openings, to provide referrals under the First Source Hiring Program, and to assist in monitoring compliance with the First Source Hiring Program. LAWA and the Coalition shall ensure that the Referral System operates as described in this Agreement.

**1. LAWA Expenditure and Provision of Office Space.** LAWA shall annually provide funds sufficient for all costs associated with two full-time employees, and shall provide office space On-Site and any necessary equipment for operation of the Referral System.

**2. CDD/WIB Operation of Referral System.** In consultation with the Coalition, LAWA shall negotiate a memorandum of understanding under which CDD and the WIBs shall operate the Referral System. This memorandum of understanding shall require that in operation of the Referral System, CDD and/or WIB practice cultural and language sensitivity to the relevant communities, and perform outreach and build relationships to develop a network of community-based organizations that can access a large and diverse pool of job applicants. If LAWA does not enter into a memorandum of understanding with CDD and/or WIB by July 1, 2005, LAWA shall complete a Contract Award Process for selection of an entity to operate the Referral System.

**3. Contract Award Process for Operation of Referral System.** In the event that LAWA initiates a Contract Award Process for selection of an entity to operate the Referral System, then the RFP shall require that respondents demonstrate cultural and language sensitivity to the relevant communities, and demonstrate the ability to do outreach and build relationships to develop a network of community-based organizations that can access a large and diverse pool of job applicants, and perform other functions as described in this Agreement.



**4. Use of Available Systems.** Any entity selected to operate the Referral System shall utilize established job opportunity reporting and tracking systems currently available through the City's Workforce Development System, to the extent that these systems are compatible with the functions of the Referral System as described in this Agreement.

**D. Referral System Participants.** LAWA shall make best efforts to negotiate a memorandum of understanding with CDD, under which LAWA shall utilize CDD and WIB services to facilitate the First Source Hiring process. LAWA, CDD and the WIB shall have the following Referral System roles, in addition to responsibilities described elsewhere described in this Agreement:

**1. LAWA - Launch of Employer Outreach.** LAWA, through its Small Business and Job Opportunities Unit, shall conduct outreach to Airport Contractors, Airport Lessees, and Airport Licensees ("Airport Employers") to establish awareness of the First Source Hiring Program, and to secure voluntary participation and/or required commitments for overall Airport Employer participation, and familiarize Airport Employers with CDD and WIB services provided through the Referral System.

**2. CDD/WIB - Development of Job Opportunities and Applicant Pool.** CDD and the WIB will develop and implement specific systems required to effectively match qualified priority job applicants with available Airport Jobs. CDD will conduct Airport Employer job development functions, coordinate the development of a qualified applicant pool for Airport Job opportunities and refer job candidates to Airport Employers. CDD shall also develop and access any systems necessary to complete Program performance tracking and reporting.

**E. FAA Prohibition.**

**1. FAA Prohibition of Application to Certain Jobs.** If an FAA Determination, as defined in and pursuant to the procedures set out in the Cooperation Agreement, or any other regulatory authority prohibits application of the First Source Hiring Program to certain Airport Jobs, or threatens to withhold federal funding if LAWA applies the First Source Hiring Program to certain Airport Jobs, then LAWA shall nonetheless implement the First Source Hiring Program with regard to all other Airport Jobs.

**2. Complete FAA Prohibition.** If an FAA Determination, as defined in and pursuant to the procedures set out in the Cooperation Agreement, or any other regulatory authority completely prohibits LAWA from taking actions required by this Section V, or threatens to withhold federal funding if LAWA takes actions required by this Section V, then LAWA shall contribute \$200,000 annually to the job training funds described in Section XV until 2015.

**F. Construction.** LAWA shall work collaboratively with the Coalition Representative to implement the Los Angeles International Airport Project Labor Agreement in a manner that, to the greatest extent possible, enhances employment opportunities for underemployed individuals residing in the Project Impact Area and the City, especially minorities and women.

## **VI. LIVING WAGE, WORKER RETENTION, AND CONTRACTOR RESPONSIBILITY.**

LAWA shall apply to all Airport Contractors, Airport Lessees, and Airport Licensees the City's Living Wage Ordinance, as set forth in Los Angeles Administrative Code Section 10.37; the City's Worker Retention Policy, as set forth in Los Angeles Administrative Code Section 10.36; and the Contractor Responsibility Program set forth in BOAC Resolution No. 21601, in accordance with City policy.

## **VII. AIR QUALITY STUDY.**

**A. Air Quality Study.** LAWA shall fund a study by an Independent Expert of toxic air contaminants and criteria air pollutant emissions from jet engine exhaust and other emission sources ("Air Quality Study"). In addition to other contaminant and pollutant emissions, the Air Quality Study shall measure jet engine exhaust emissions and provide chemical composition data from a representative sample of engine types and ages under a variety of conditions that reflect actual operations, and shall include this data and all other relevant study results as part of the final study provided to LAWA.

**B. Air Quality Study Draft Protocols.** The Air Quality Study draft protocols shall be based upon the "Air Quality and Source Apportionment Study" described in LAWA, *Air Quality and Source Apportionment Study of the Area Surrounding Los Angeles International Airport, Technical Workplan*, November 17, 2000, and all associated documents, as listed in part in Exhibit D. LAWA, in consultation with the Coalition Representative, shall review draft protocols set forth in the above document, and shall update and modify these draft protocols as appropriate for use in the Air Quality Study. Within 150 days of the effective date of this Agreement, LAWA shall provide to the Coalition Representative all documents relevant to the Air Quality Study draft protocols and shall meet with the Coalition Representative to facilitate his/her participation in this process. LAWA shall incorporate into the draft protocols changes proposed by the U.S. Environmental Protection Agency peer review group, as described in EC/R Incorporated, *Report on the Peer Review Workshop on the Los Angeles World Airports, Air Quality and Source Apportionment Study of the Area Surrounding Los Angeles International Airport*, August 8, 2003. Within 240 days of the effective date of this Agreement, LAWA shall request, pursuant to the procedures in Section II.D of the Cooperation Agreement, an FAA Approval to proceed with the Air Quality Study. The resulting draft protocols shall be included in the RFP for the Air Quality Study.

**C. Contract Award Process.** Within 270 days of the date LAWA receives an FAA Approval to proceed with the Air Quality Study, LAWA shall complete a Contract Award Process for selection of a contractor to conduct the Air Quality Study. Within 90 days of the contract award, the contractor shall commence the Air Quality Study.

**D. Review of Protocols and Interim Reporting.** Prior to commencing the Air Quality Study, the contractor selected to conduct the Air Quality Study shall submit proposed

**Attachment 5: Los Angeles Sports and Entertainment District Project  
Community Benefits Agreement**

Tenant shall exclude any tenant of a residential dwelling unit, any guest or other client of any hotel and any governmental entity.

### **III. PARKS AND RECREATION**

**A. PURPOSE.** The purpose of this Section is to help address the deficit of park space in the Figueroa Corridor community. The Figueroa Corridor contains less than a quarter of the park space acreage required by the City. The park construction efforts under this Section will help address this deficit, providing a measurable and lasting benefit to the Figueroa Corridor community.

**B. QUIMBY FEES.** Developer agrees to pay all fees required by the Los Angeles Municipal Code, Chapter I, Article 7, Section 17.12, "park and recreation site acquisition and development provisions," subject to offsetting credits as allowed by that section and/or state law and approved by the city. The Coalition shall support Developer's application for Quimby credit under this section, provided that Developer's applications for credits are based on publicly accessible space and facilities.

#### **C. PARKS AND OPEN SPACE NEEDS ASSESSMENT.**

1. **Needs Assessment.** The Developer will fund an assessment of the need for parks, open space, and recreational facilities in the area bounded by the following streets: Beverly Boulevard and the 101 freeway (north boundary); Western Avenue (west boundary); Vernon Avenue (south boundary); and Alameda Street (east boundary). Developer will commence fulfillment of its responsibilities under this section III.C within 90 days after enactment by the Los Angeles City Council of a development agreement ordinance for the Project.

2. **Funding.** Developer will fund the Needs Assessment in an amount between \$50,000 and \$75,000, unless the Coalition consents to the Developer funding the Needs Assessment in an amount less than \$50,000.

3. **Selection of organization conducting needs assessment.** The Needs Assessment will be conducted by a qualified organization agreed upon by both the Developer and the Coalition, and paid an amount consistent with Section III.C.2, above. The Developer and the Coalition may enlist other mutually agreed upon organizations to assist in conducting the Needs Assessment.

#### **D. PARK AND RECREATION FACILITY CREATION BY DEVELOPER.**

1. **Park and recreation facility creation.** Following the completion of the needs assessment, the Developer shall fund or cause to be privately funded at least one million dollars (\$1,000,000) for the creation or improvement of one or more parks and recreation facilities, including but not limited to land acquisition, park design, and construction, within a one-mile radius of the Project, in a manner consistent with the results of the Needs Assessment. By mutual agreement of the Coalition and the Developer, this one-mile radius may be increased. Each park or recreation facility created pursuant to this agreement shall be open to the public and free of charge. Developer shall have no responsibility for operation or

maintenance of any park and recreation facility created or improved pursuant to this agreement. Developer after consultation with the Coalition shall select the location of park and recreation facilities to be created or improved. Park and recreation facilities shall be created or improved in a manner such that a responsible entity shall own, operate, and maintain such facilities. Each park created or improved pursuant to this agreement shall include active recreation components such as playgrounds and playing fields, and shall also include permanent improvements and features recommended by the Needs Assessment, such as restroom facilities, drinking fountains, park benches, patio structures, barbecue facilities, and picnic tables. Recreation facilities created pursuant to this Section should to the extent appropriate provide opportunities for physical recreation appropriate for all ages and physical ability levels.

2. **Timeline.** The park and recreation facilities created or improved pursuant to this agreement shall be completed within five years of completion of the Needs Assessment. At least \$800,000 of the funds described in Section III.D.1, above, shall be spent within four years of completion of the Needs Assessment.

**E. OPEN SPACE COMPONENTS OF DEVELOPMENT.**

1. **Street-level plaza.** The Project will include a street-level plaza of approximately one-acre in size and open to the public.

2. **Other public spaces.** The Project will include several publicly-accessible open spaces, such as plazas, paseos, walkways, terraces, and lawns.

**IV. COMMUNITY PROTECTION**

**A. PARKING PROGRAM.** The Developer shall assist the Coalition with the establishment of a residential permit parking program as set forth below.

1. **Permit Area.** The area initially designated as part of the Parking Program is generally bounded by James Wood Drive on the north, Byram and Georgia Streets on the west, Olympic Boulevard on the south and Francisco on the east. The permit area may be adjusted from time to time by mutual agreement of the Developer and the Coalition or upon action by the City determining the actual boundaries of a residential parking district in the vicinity of the Project.

2. **Developer Support.** The Developer shall support the Coalition's efforts to establish the parking program in the permit area by requesting the City to establish a residential permit parking district through a letter to City Council members and City staff, testimony before the City Council or appropriate Boards of Commissioners, and through technical assistance which reasonably may be provided by Developer's consultants.

To defray the parking program's costs to residents of the permit area, the Developer shall provide funding of up to \$25,000 per year for five years toward the cost of developing and implementing the parking program within the permit area. Such funding shall be provided to the City.

3. **Limitations.** The Coalition understands, acknowledges and hereby agrees that the City's determination of whether to establish a residential permit parking district and the boundaries thereof are within the City's sole discretion. The Developer is not liable for any action or inaction on the part of the City as to establishment of a residential permit parking district or for the boundaries thereof. The Coalition understands, acknowledges and hereby agrees that the total annual aggregate cost of a residential permit parking district may exceed \$25,000 per year and that in such event, the Developer shall have no liability for any amounts in excess of \$25,000 per year for five years.

**B. TRAFFIC.** The Developer in consultation with the Coalition shall establish a traffic liaison to assist the Figueroa Corridor community with traffic issues related to the Project.

**C. SECURITY.** The Developer shall encourage the South Park Western Gateway Business Improvement District to address issues of trash disposal and community safety in the residential areas surrounding the Project. The Developer shall request the BID to provide additional trash receptacles in the vicinity of the Project, including receptacles located in nearby residential areas.

## **V. LIVING WAGE PROGRAM**

### **A. DEVELOPER RESPONSIBILITIES REGARDING LIVING WAGES.**

1. **Compliance With Living Wage Ordinance.** The Developer, Tenants, and Contractors shall comply with the City's Living Wage Ordinance, set forth in the Los Angeles Administrative Code, Section 10.37, to the extent such ordinance is applicable.

2. **Seventy Percent Living Wage Goal.** The Developer shall make all reasonable efforts to maximize the number of living wage jobs in the Project. The Developer and the Coalition agree to a Living Wage Goal of maintaining 70% of the jobs in the Project as living wage jobs. The Developer and the Coalition agree that this is a reasonable goal in light of all of the circumstances. Achievement of the Living Wage Goal shall be measured five years and ten years from the date of this Agreement. In the event that actual performance is less than 80% of the goal for two consecutive years, Developer shall meet and confer with the Coalition at the end of such two year period to determine mutually agreeable additional steps which can and will be taken to meet the Living Wage Goal.

3. **Achievement of Living Wage Goal.** For purposes of determining the percentage of living wage jobs in the Project, the following jobs shall be considered living wage jobs:

- jobs covered by the City's Living Wage Ordinance;
- jobs for which the employee is paid on a salaried basis at least \$16,057.60 per year if the employee is provided with

employer-sponsored health insurance, or \$18,657.60 per year otherwise (these amounts will be adjusted in concert with cost-of-living adjustments to wages required under the City's Living Wage Ordinance);

- jobs for which the employee is paid at least \$7.72 per hour if the worker is provided with employer-sponsored health insurance, or \$8.97 per hour otherwise (these amounts will be adjusted in concert with cost-of-living adjustments to wages required under the City's Living Wage Ordinance); and
- jobs covered by a collective bargaining agreement.

The percentage of living wage jobs in the Project will be calculated as the number of on-site jobs falling into any of the above four categories, divided by the total number of on-site jobs. The resulting number will be compared to the Living Wage Goal to determine whether the Living Wage Goal has been achieved.

4. **Developer Compliance If Goal Not Met.** Whether or not the Living Wage Goal is being met at the five- and ten-year points, the Developer shall be considered to be in compliance with this Section if it is in compliance with the remaining provisions of this Section.

5. **Reporting Requirements.** The Developer will provide an annual report to the City Council's Community and Economic Development Committee on the percentage of jobs in the Project that are living wage jobs. The report will contain project-wide data as well as data regarding each employer in the Project. Data regarding particular employers will not include precise salaries; rather, such data will only include the number of jobs and the percentage of these jobs that are living wage jobs, as defined in Section V.A.3, above. If the report indicates that the Living Wage Goal is not being met, the Developer will include as part of the report a discussion of the reasons why that is the case. In compiling this report, Developer shall be entitled to rely on information provided by Tenants and Contractors, without responsibility to perform independent investigation. This report shall be filed for any given year or partial year by April 30th of the succeeding year.

6. **Selection of Tenants.**

a. **Developer Notifies Coalition Before Selecting Tenants.** At least 45 days before signing any lease agreement or other contract for space within the Project, the Developer shall notify the Coalition that the Developer is considering entering into such lease or contract, shall notify the Coalition of the identity of the prospective Tenant, and shall, if the Coalition so requests, meet with the Coalition regarding the prospective Tenant's impact on the 70% living wage goal. If exigent circumstances so

require, notice may be given less than 45 days prior to signing such a lease agreement or other contract; however, in such cases the Developer shall at the earliest possible date give the Coalition notice of the identity of the prospective Tenant, and, if the Coalition requests a meeting, the meeting shall occur on the earliest possible date and shall in any event occur prior to the signing of the lease agreement or other contract.

b. **Coalition Meeting with Prospective Tenants.** At least 30 days before signing a lease agreement or other contract for space within the Proposed Development, the Developer will arrange and attend a meeting between the Coalition and the prospective Tenant, if the Coalition so requests. At such a meeting, the Coalition and the Developer will discuss with the prospective Tenant the Living Wage Incentive Program and the Health Insurance Trust Fund, and will assist the Coalition in encouraging participation in these programs. If exigent circumstances so require, such a meeting may occur less than 30 days prior to the signing of a lease agreement; however, in such cases the meeting shall be scheduled to occur on the earliest possible date and shall in any event occur prior to the signing of the lease agreement or other contract. The Developer will not enter into a lease agreement with any prospective Tenant that has not offered to meet with the Coalition and the Developer regarding these issues prior to signing of the lease.

c. **Consideration of Impact on Living Wage Goal.** When choosing between prospective Tenants for a particular space within the Project, the Developer will, within commercially reasonable limits, take into account as a substantial factor each prospective Tenant's potential impact on achievement of the Living Wage Goal.

d. **Tenants Agree to Reporting Requirements.** Tenants are not required to participate in the Living Wage Incentive Program or the Health Insurance Trust Fund. However, all Tenants in the Project shall make annual reports as set forth in Section V.B.3, below. The Developer will include these reporting requirements as a material term of all lease agreements or other contracts for space within the Project.

## **B. TENANTS' OPPORTUNITIES AND RESPONSIBILITIES.**

1. **Living Wage Incentive Program.** All Tenants will be offered the opportunity to participate in a Living Wage Incentive Program. Tenants are not required to participate in this program, but may choose to participate. Under the Living Wage Incentive Program, Tenants providing living wage jobs may receive various benefits of substantial economic value. The Coalition, the Developer, and the City will collaborate to structure a set of incentives, at no cost to the Developer, to assist the Project in meeting the Living Wage Goal. The Living Wage Incentive Program shall be described in a simple and accessible written format suitable for presentation to prospective Tenants. The Coalition, working collaboratively with the Developer, shall seek funding from governmental and



private sources to support the incentives and benefits provided in the Living Wage Incentive Program.

2. **Health Insurance Trust Fund.** All Tenants will be offered the opportunity to participate in the Health Insurance Trust Fund. Tenants are not required to participate in this program, but may choose to participate. The Health Insurance Trust Fund, still being established by the City, will provide Tenants with a low-cost method of providing employees with basic health insurance.

3. **Reporting Requirements.** Each Tenant in the Project must annually report to the Developer its number of on-site jobs, the percentage of these jobs that are living wage jobs, and the percentage of these jobs for which employees are provided health insurance by the Tenant. Tenants need not include precise salaries in such reports; rather, with regard to wages, Tenants need only include the number of jobs and the percentage of these jobs that are living wage jobs, as defined in Section V.A.3, above. Such reports shall be filed for any given year or partial year by January 31st of the succeeding year.

C. **TERM.** All provisions and requirements of this Section shall terminate and become ineffective for each Tenant ten years from the date of that Tenant's first annual report submitted pursuant to Section V.B.3, above.

## VI. LOCAL HIRING AND JOB TRAINING

A. **PURPOSE.** The purpose of this Section is to facilitate the customized training and employment of targeted job applicants in the Project. Targeted job applicants include, among others, individuals whose residence or place of employment has been displaced by the STAPLES Center project, low-income individuals living within a three-mile radius of the Project, and individuals living in low-income areas throughout the City. This Section (1) establishes a mechanism whereby targeted job applicants will receive job training in the precise skills requested by employers in the Project, and (2) establishes a non-exclusive system for referral of targeted job applicants to employers in the Project as jobs become available.

B. **CUSTOMIZED JOB TRAINING PROGRAM.** The First Source Referral System, described below, will coordinate job training programs with appropriate community-based job training organizations. Prior to hiring for living wage jobs within the Project, employers may request specialized job training for applicants they intend to hire, tailored to the employers' particular needs, by contacting the First Source Referral System. The First Source Referral System will then work with appropriate community-based job training organizations to ensure that these applicants are provided with the requested training.

C. **FIRST SOURCE HIRING POLICY.** Through the First Source Hiring Policy, attached hereto as attachment No. 1, qualified individuals who are targeted for employment opportunities as set forth in Section IV.D of the First Source Hiring Policy will have the opportunity to interview for job openings in the Project. The Developer, Contractors, and Tenants shall participate in the First Source Hiring Policy, attached

hereto as Attachment No. 1. Under the First Source Hiring Policy, the First Source Referral System will promptly refer qualified, trained applicants to employers for available jobs. The Developer, Contractors, and Tenants shall have no responsibility to provide notice of job openings to the First Source Referral System if the First Source Referral System is not fulfilling its obligations under the First Source Hiring Policy. The terms of the First Source Hiring Policy shall be part of any deed, lease, or contract with any prospective Tenant or Contractor.

**D. FIRST SOURCE REFERRAL SYSTEM.** The First Source Referral System, to be established through a joint effort of the Developer and the Coalition, will work with employers and with appropriate community-based job training organizations to provide the referrals described in this Section. The Coalition and the Developer will select a mutually agreeable nonprofit organization to staff and operate the First Source Referral System, as described in the First Source Hiring Policy. The Developer will provide \$100,000 in seed funding to this organization. The Developer will meet and confer with the Coalition regarding the possibility of providing space on site for the First Source Referral System, for the convenience of Tenants and job applicants; provided, however, the Developer may in its sole and absolute discretion determine whether or on what terms it would be willing to provide space for the First Source Referral System. If the First Source Referral System becomes defunct, Employers shall have no responsibility to contact it with regard to job opportunities.

## **VII. SERVICE WORKER RETENTION**

**A. SERVICE CONTRACTOR WORKER RETENTION.** The Developer and its Contractors shall follow the City's Worker Retention Policy as set forth in the Los Angeles Administrative Code, Section 10.36. The City's Worker Retention Policy does not cover individuals who are managerial or supervisory employees, or who are required to possess an occupational license.

**B. WORKER RETENTION FOR HOTEL AND THEATER EMPLOYEES.** The Developer agrees that Tenants in hotel and theater components of the Project will follow the City's Worker Retention Policy with regard to all employees, and will require contractors to do the same. The Developer will include these requirements as material terms of all lease agreements or other contracts regarding hotel and/or theater components of the Project.

**C. INCLUSION IN CONTRACTS.** The Developer shall include the requirements of this section as material terms of all contracts with Contractors and with Tenants in hotel and theater components of the Project, with a statement that such inclusion is for the benefit of the Coalition.

## **VIII. RESPONSIBLE CONTRACTING**

**A. DEVELOPER SELECTION OF CONTRACTORS.** The Developer agrees not to retain as a Contractor any business that has been declared not to be a responsible contractor under the City's Contractor Responsibility Program (Los Angeles Administrative Code, Section 10.40.)

**DEPARTMENT OF  
CANNABIS REGULATION**

CANNABIS REGULATION  
COMMISSION

ROBERT AHN  
PRESIDENT

RITA VILLA  
VICE PRESIDENT

THRYERIS MASON  
PHILIP D. MERCADO  
VICTOR NARRO

JOSIE TREVIZO  
COMMISSION EXECUTIVE ASSISTANT  
(213) 320-7815

**CITY OF LOS ANGELES**  
CALIFORNIA



ERIC GARCETTI  
MAYOR

**EXECUTIVE OFFICES**  
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JASON KILLEEN  
ASSISTANT EXECUTIVE DIRECTOR

<http://cannabis.lacity.org>

June 16, 2020

The Honorable City Council  
City of Los Angeles  
City Hall, Room 395  
Los Angeles, California 90012

Attention: Rules, Elections and Intergovernmental Relations Committee

Dear Honorable Members:

**EXPANDED CANNABIS SOCIAL EQUITY ANALYSIS REPORT; DCR REPORT NO. 3 (3 OF 4)**

**SUMMARY**

At its meeting of December 6, 2017, the Los Angeles City Council adopted Ordinance No. 185343 to implement the City's Social Equity Program based on the October 2017 Cannabis Social Equity Analysis Report and November 2017 Addendum to the Cannabis Social Equity Analysis Report (collectively 2017 Analysis) prepared by the consulting firm Amec Foster Wheeler (Council File No. 17-0653).

On February 28, 2018, the City Council instructed the Department of City Planning and the Department of Cannabis Regulation (Department) to extend the contract with Amec Foster Wheeler to provide further analysis of the San Fernando Valley, the Boyle Heights Community and longstanding residential enclaves in Downtown Los Angeles, and to address which Zip Codes were adversely impacted by the War on Drugs within the San Fernando Valley, the Boyle Heights Community and certain areas Downtown Los Angeles within the Disproportionately Impacted Area definition in LAMC 104.20(b). On April 30, 2019, the City Council further instructed the Department to review the effects of gang injunctions with respect to the War on Drugs in the City while conducting the Expanded Analysis (Council File No. 14-0366-S5).

Pursuant to the February 2018 and April 2019 City Council instructions, transmitted herewith is the Expanded Social Equity Analysis Report (Expanded Analysis) submitted by the consulting firm of Wood Environment & Infrastructure Solutions, Inc (formerly Amec Foster Wheeler Environment & Infrastructure, Inc) (Attachment).

This report is the third of four reports the Department has prepared for consideration by the Los Angeles City Council and is part of a proposed comprehensive reorganization and revision of the Cannabis Procedures Ordinance. Together, these four reports contain the Department's immediate policy objectives which seek to do the following:

- Establish a process for the issuance of temporary approval for all applicants.
- Allow businesses to relocate.
- Clarify the process for applicants to request a finding of Public Convenience or Necessity.
- Allow individuals to participate in the Social Equity Program based on the original criteria or new criteria as supported by the Expanded Cannabis Social Equity Analysis.
- Amend the selection process for Phase 3 Round 2 Type 10 Retailer application processing by establishing a selection process that identifies Social Equity Applicants eligible for further processing via lottery rather than an online, first-come, first serve process.
- Limit Type 10 and Type 9 application processing to Social Equity Applicants until January 1, 2025.
- Expand the definition of Equity Share and establish related requirements to provide additional protections to mitigate against potential predatory practices.
- Reorganize, clarify and include necessary procedures for the administration of the City's commercial cannabis Licensing and Social Equity Program.
- Address recommendations put forth by the Cannabis Regulation Commission.
- Address extensive feedback from the licensing and Social Equity Program stakeholders.

The following table lists the Cannabis Procedures Ordinance sections included in each of the four reports and summarizes the main policy objectives contained therein.

**LIST AND SUMMARY OF DCR REPORTS**

DCR Report No. 1:	Amends LAMC Sections 104.01, 104.02, 104.03, 104.04, 104.05, 104.07, 104.08 and 104.12. These amendments include proposed language to clarify the Public Convenience or Necessity (PCN) process and to allow Business Premises relocations in Sections 104.03(a)(4) and 104.03(e)(1) respectively.
DCR Report No. 2:	Amends LAMC Sections 104.06, 104.06.1, 104.20, 104.21 and 104.22. These amendments include proposed language to limit Type 9 and Type 10 application processing to only Social Equity Applicants until January 1, 2025 in Section 104.06; to allow the issuance of Temporary Approvals in Section 104.06(d); to create a lottery process for Phase 3 Round 2 application processing in Section 104.06.1(c) and revises the definitions for Equity Share, Low Income and Disproportionately Impacted Area and revises the qualifying criteria for a Social Equity Individual Applicant in Section 104.20
DCR Report No. 3:	Transmits the Expanded Cannabis Social Equity Analysis Report requested by the City Council (Council File No. 14-0366-S5).
DCR Report No. 4:	In conjunction with DCR Report No. 1, this report outlines the step-by-step process to request a public convenience or necessity (PCN) determination from the City Council and recommends approval standards for City Council consideration and adoption by resolution.

**RECOMMENDATION**

In conjunction with the proposed amendments to Los Angeles Municipal Code Section 104.20 in DCR Report No. 2, that the City Council, subject to approval by the Mayor:

1. Approve amending Section 104.20(b) of the Los Angeles Municipal Code to redefine "Disproportionately Impacted Area" to be based on 151 Police Reporting Districts as identified in the attached Expanded Cannabis Social Equity Analysis; and
2. Approve amending Section 104.20(b) of the Los Angeles Municipal Code to replace the term "Social Equity Applicant" with "Social Equity Individual Applicant" to mean an individual who meets any two of the following three criteria, as amended: 1) Low-Income; 2) Disproportionately Impacted Area; and 3) Cannabis Arrest or Conviction; and
3. Request the Office of the City Attorney to prepare and present an ordinance to amend Article 4, Chapter X of the Los Angeles Municipal Code in accordance with the proposed amendments.

The above recommendations seek to improve the administration of the City's commercial cannabis Licensing and Social Equity Program. Your time and consideration of this proposal is greatly appreciated. If you have any questions or concerns, please contact Rocky Wiles at (213) 978-0738.

Sincerely,



CAT PACKER  
Executive Director

CP:RW

- c: William Chun, Deputy Mayor of Economic Development  
Ron L. Frierson, Director of Economic Policy  
Richard H. Llewellyn, Jr., City Administrative Officer  
Sharon Tso, Chief Legislative Analyst  
Heather Aubry, Assistant City Attorney - Cannabis Law Division

*Attachments:*

- A – *Expanded Cannabis Social Equity Report prepared by Wood Environment & Infrastructure Solutions, Inc*



May 27, 2020

The Honorable City Council  
City of Los Angeles  
City Hall, Room 395  
Los Angeles, California 90012

Attention: Rules, Elections, and Intergovernmental Relations Committee

Dear Honorable Members:

**SUBJECT: EXPANDED CANNABIS SOCIAL EQUITY ANALYSIS**

**SUMMARY**

Per the instructions by the City of Los Angeles City Council and in coordination with the City of Los Angeles Department of Cannabis Regulation, Wood Environment & Infrastructure Solutions, Inc (formerly Amec Foster Wheeler Environment & Infrastructure, Inc) respectfully submits this analysis to expand upon its 2017 Cannabis Social Equity Analysis. This Expanded Cannabis Social Equity Analysis (Expanded Analysis) provides a further analysis of the San Fernando Valley, the Boyle Heights Community and longstanding residential enclaves in downtown Los Angeles (collectively “New Study Area”), and addresses which Zip Codes were adversely impacted by the war on drugs within the San Fernando Valley, the Boyle Heights Community and certain areas of Downtown Los Angeles (Figure A), and considers these areas for inclusion within the Disproportionately Impacted Area definition in Section 104.20(b) of the Los Angeles Municipal Code (LAMC). The Expanded Analysis also reviews the effects of gang injunction areas, defined below, with respect to the war on drugs in the City of Los Angeles (City) and considers these areas for inclusion within the “Disproportionately Impacted Area” definition in LAMC Section 104.20(b) (Figure B).

Based on the Expanded Analysis and the City’s goal to provide flexibility in eligibility criteria while meeting the spirit and intent of the overall Social Equity Program (Program) and to more appropriately define disproportionately impacted areas within the City of Los Angeles, the Expanded Analysis recommends that the City revise the definition of “Disproportionately Impacted Area” to be based on the 151 Police Reporting Districts (PRDs) identified herein instead of the 19 Zip Codes referenced in the 2017 Cannabis Social Equity Analysis (2017 Analysis) and referenced in Regulation No. 13 in the Rules and Regulations. These 151 PRDs were identified as those which have greater than the citywide mean number of cannabis-related arrests and meet the 60 percent or greater Low-Income household threshold as defined in the 2017 Analysis.

Further, to address City Council concerns regarding user-friendliness and accessibility and based on ongoing engagement with the Department of Cannabis Regulation, the Expanded Analysis recommends that the City amend the ordinance to replace the term of “Social Equity Applicant” with “Social Equity Individual Applicant” to mean a natural person who meets any two out of the following three criteria, as amended: 1) Low-Income; 2) Disproportionately Impacted Area residency; and, 3) Cannabis Arrest or Conviction.

## **BACKGROUND**

In 2017, after passing an initiative to authorize the City to tax, license and regulation commercial cannabis activity, the City of Los Angeles established the Department of Cannabis Regulation and the Cannabis Regulation Commission. In June 2017, the City Council instructed various City departments to solicit a social equity analysis which, among other directives, included the prioritization of individuals who live or have lived in communities that were subject to high drug arrest rates. On October 18, 2017, the City Legislative Analyst provided the City Council with the Cannabis Social Equity Analysis (2017 Analysis) prepared by Amec Foster Wheeler Environment & Infrastructure, Inc., (Council File No. 17-0653).

On December 19, 2017, the City's Commercial Cannabis Regulation Ordinance was adopted establishing licensing procedures and regulations for the sale, cultivation, manufacturing, testing, transport, storage, and distribution of medicinal and adult-use cannabis. The City Council also adopted the City's Social Equity Program whose purpose is to promote equitable ownership and employment opportunities in the cannabis industry, to decrease disparities in life outcomes for marginalized communities, and to address disproportionate impacts of past cannabis enforcement in those communities. The Department of Cannabis Regulation was charged with the responsibility of administering and implementing the Program. Under the Program, individuals who met certain eligibility criteria would qualify for the opportunity for certain benefits when applying for cannabis related permits like priority processing, fee deferrals and business, licensing, and compliance assistance, as established.

The 2017 Analysis identified criteria associated with individuals and communities disproportionately impacted by cannabis arrests and the war on drugs. Despite limitations, the 2017 Analysis provided a comprehensive view of the geographic distribution of arrests and Low-Income households across the City by PRD. Recommendations were based on best available data and methodology of analysis given the time constraints.

Specifically, the 2017 Analysis considered LAPD cannabis-related arrest data from 2000 to 2016, the 2015 American Community Survey (ACS) income data, and 2010 Decennial Census race and ethnicity data<sup>1</sup> by PRD or census tract. PRDs are the smallest administrative units by the LAPD, with over 1,200 PRDs in the City. Census tracts are the basic geographic unit from which U.S. Census Bureau data is collected every 10 years for the nationwide Decennial Census and the continuous ACS, which periodically samples communities to track community changes between censuses.

The 2017 Analysis acknowledged that, 'federal guidelines recommend the selection of the smallest geographic areas for evaluating social and environmental justice impacts to disadvantaged communities' and further articulated that the smaller geographic units permit better resolution of the supplied arrest data. The 2017 Analysis further acknowledged that within the City limits, census tracts are generally smaller than PRDs which could not be divided along census boundaries. To reconcile these sets of data, census tracts were combined when necessary to align with PRD boundaries.

<sup>1</sup> Although the analyses looked at race and/or ethnicity, these demographic data were not used as the basis to determine eligibility into the Program.

In selecting a methodology, the 2017 Analysis identified and recommended PRDs as the geographic unit to assess which communities had been disproportionately impacted. PRDs were evaluated against a Community of Comparison (i.e., City of Los Angeles), the larger geographical area that represents the general population of the entire community. In summary, whenever the percentage of Low-Income households and number of cannabis-related arrests in a PRD was substantially greater than that of the City as a whole, it was recommended that the City select it for inclusion in the Program.

To determine which areas were subject to high cannabis arrest rates, the number of cannabis-related arrests in each PRD from 2000 to 2016 was calculated. The median number of arrests per PRD for the City was 714 and the mean was 72, demonstrating the high degree of variance between reporting districts throughout the City. The 2017 Analysis identified PRDs that had a greater number of cannabis-related arrests and a higher percentage of low-income households than the City as a whole (Community of Comparison).

In order to provide the City with options that would maintain ‘flexibility in determining which police reporting districts were eligible for the Program based on initial statistical analysis’ the 2017 Analysis provided the following two options for consideration to determine which PRDs would be included in the definition of Disproportionately Impacted Area, based on a measure of the amount of variation or dispersion in the data:

- **Most Restrictive Option:** The Most Restrictive Option included 16 PRDs with both a greater number of cannabis-related arrests (more than 2.5 standard deviation from the mean number of arrests) than the City overall and with 60 percent Low-Income households.

The following PRDs were included: 156, 1258, 155, 397, 166, 1822, 1842, 1844, 1846, 245, 1269, 363, 1849, 157, 1259, and 1345. These police reporting districts encompass all or portions of downtown (San Julian Park and Skid Row), Florence, Vermont Square, Broadway-Manchester, Green Meadows, Watts, and Central Alameda.

- **More Inclusive Option:** The More Inclusive Option included 33 PRDs with both a greater number of cannabis-related arrests (more than 1.5 standard deviations above the mean number of arrests) than the City overall and with 60 percent low income households.

These police reporting districts generally encompass all or portions of downtown, Vermont Knolls, Baldwin Hills/ Crenshaw, Vermont Square, Watts, Hyde Park, Hyde Park/Crenshaw, Boyle Heights, Florence, Vermont-Slauson, Broadway Manchester, Central Alameda and East Hollywood.



After considering the findings in the 2017 Analysis, the City selected the More Inclusive Option which identified 33 police reporting districts as disproportionately impacted areas. However, through the legislative process, the City ultimately defined Disproportionately Impacted Area to mean,

*“eligible Zip Codes based on the “More Inclusive Option” as described on page 23 of the “Cannabis Social Equity Analysis Report” commissioned by the City in 2017, and referenced in Regulation No. 13 of the Rules and Regulations, or as established using similar criteria in an analysis provided by an Applicant for an area outside of the City.”*

The use of Zip Codes was chosen as a user-friendly option compared to the use of the less known PRD. However, the extrapolation from the smaller PRDs to the larger Zip Codes increased the geographic scope of the Program to include portions of the City outside of the PRDs identified as disproportionately impacted by cannabis arrests. This resulted in the incorporation of 19 Zip Codes into Program eligibility where there was a presence of at least one PRD with cannabis-related arrests greater than 1.5 standard deviation above the citywide mean and populations with 60 percent or greater low-income households within the boundary of the Zip Code (Figure C).

## **EXPANDED ANALYSIS – NEW STUDY AREA**

The Expanded Analysis consideration of New Study Areas for inclusion in the definition of Disproportionately Impacted Area by evaluating which PRDs within the San Fernando Valley, the Boyle Heights Community, and longstanding residential enclaves in Downtown Los Angeles were adversely impacted by the war on drugs.

The existing Program includes 19 Zip Codes that were selected based on the presence of at least one PRD with both cannabis-related arrests greater than 1.5 standard deviations above the citywide mean and populations with 60 percent or greater Low-Income households within the boundary of the Zip Code. Of the 1,212 PRDs for which cannabis arrest records were recorded by the LAPD, 33 PRDs were recorded with both a greater number of cannabis-related arrests than the citywide mean and with 60 percent Low-Income households. It is these 33 PRDs that determined the 19 Zip Codes identified as Disproportionately Impacted Areas within the Program (Figure C).

To evaluate expansion of the Program’s geographic scope, altering the threshold value of the arrest counts by PRDs as the criteria for designating Disproportionately Impacted Areas was analyzed. Specifically, transitioning from a standard deviation-based analysis to consideration of all PRDs with greater than the citywide mean number of cannabis arrests over the study period (72 arrests) was analyzed.

Of the 1,212 PRDs for which cannabis arrest records were recorded by the LAPD, 330 PRDs included greater than 72 cannabis-related arrests, the citywide mean arrest count value. Cannabis-related arrests recorded in these PRDs total to 58,569 of the citywide value of 89,553. Therefore, 27 percent of PRDs record approximately 65 percent of the City’s total cannabis-related arrests over the study timeframe.

**Table 1. Police Reporting Districts Above, At, and Below the Citywide Mean Arrest Count**

Arrest Count Description	Arrests	Percent of Total Arrests*	Number of Reporting Districts	Percent of Total Reporting Districts*
Citywide	89,553	100%	1,212	100%
Mean	72		1	<0.01
Above Mean	58,569	65.4%	330	27.3%
Below Mean	30,912	35.5%	881	72.7%

\*Percentile values do not total to exactly 100% due to rounding

Of the 330 PRDs with greater than the citywide mean number of cannabis-related arrests, 151 PRDs meet the 60 percent or greater Low-Income household threshold used in the 2017 Analysis. The demographic makeup (i.e. percent Low-Income households and percent persons of color<sup>2</sup>) of these 151 PRDs was reviewed and income levels are depicted in Figure D. Expansion of the Program to include all PRDs with greater the citywide mean value of cannabis-related arrests and then gating the subset at 60 percent Low-Income households or greater would incorporate additional impacted areas in close proximity to areas of the existing Program while also incorporating additional areas of the City including the San Fernando Valley, a greater portion of Boyle Heights along with adjacent communities of Lincoln Heights and Ramona Gardens, and the southern portion of Downtown Los Angeles and the neighboring Westlake District.

As stated above and in the 2017 Analysis, ‘federal guidelines recommend the selection of the smallest geographic areas for evaluating social and environmental justice impacts to disadvantaged communities.’ The 2017 Analysis further articulated that smaller geographic units (i.e., PRDs versus larger LAPD Divisions) permit finer resolution of the supplied LAPD arrest data. PRDs are the smallest administrative units of the LAPD, with over 1,200 PRDs in the City. The selection of the 19 Zip Codes, rather than the 33 PRDs into the Program as the geographic unit to define disproportionately impacted area, was a user-friendly option compared to the use of the less widely known PRD. However, the City maintains at least two GIS applications available to the public, namely Zoning Information and Map Access System (ZIMAS) and NeighborhoodInfo.lacity.org, which allows address queries and returns site specific information, including the PRDs. These applications are available on desktop computers and mobile devices which facilitates public access and makes it easier for members of the public to determine which PRD is assigned to a specific area for the purpose of assessing Program eligibility based on a new definition of Disproportionately Impacted Area, if revised.

Based on the Expanded Analysis, to define a Disproportionately Impacted Area within the City of Los Angeles which includes the San Fernando Valley, the Boyle Heights Community and longstanding residential enclaves in Downtown Los Angeles, it is recommended that the City revise the basis for the definition of “Disproportionately Impacted Areas” from the existing 19 Zip Codes to the 151 PRDs identified by this Expanded Analysis as those which have greater than the citywide mean number of cannabis-related arrests and meet the 60 percent or greater Low-Income household threshold used in the 2017 Analysis (Figure E).

<sup>2</sup> Although the analyses looked at race and/or ethnicity, these demographic data were not used as the basis to determine eligibility into the Program.

## **EXPANDED ANALYSIS - GANG INJUNCTION AREAS**

This Expanded Analysis reviews the effects of gang injunctions with respect to the war on drugs in the City of Los Angeles. Gang injunctions imposed on various groups and individuals have been authorized by the courts for areas both inside and outside City limits. This analysis evaluates the 55 gang injunction areas within the City, considers potential correlation of gang injunction areas with disproportionate cannabis-related arrest counts based on the 2017 Analysis, and assesses potential modifications to the existing definition of Disproportionately Impacted Areas. This analysis is based on the relationship between injunction areas, not previously considered, and the 19 Zip Codes in the existing Program. Gang injunction areas are not evenly distributed throughout the City and frequently overlap one another and existing Program Zip Codes. Generally, when viewed at a City Council District-level, District 9 has the greatest portion covered by one or more injunction areas, followed by Districts 1, 13, 8, and 10, which all exceed 60 percent coverage (Figure B). Conversely, some districts, namely Districts 5 and 12, lack any gang injunction coverage.

Overlap between differing injunction areas is common and creates areas of the City where two, three, and four injunction areas co-occur and are simultaneously enforced. One portion of the City includes overlap of four separate injunction areas and includes individual injunctions directed at 1) Playboys; 2) 42nd St., 43rd St., and 48th St. Gangster Crips; 3) 38th St.; and 4) Florence-Pueblo Del Rio 6 Gang Area (All for Crime, Barrio Mojados, Florencia 13, Pueblo Bishops, Bloodstone Villains, and Oriental Boyz). This four-part overlap is located in Southeast Los Angeles and is bounded on the north by E. Vernon Avenue, on the east by S. Central Avenue, on the south by E. Slauson Avenue, and S. San Pedro Street. Three other three-part overlap areas occur outside of the previously described four-part overlap area. The first occurs just east of Interstate 110 between W. Florence Avenue and W. Manchester Avenue. Overlapping injunction areas in this overlap include the Figueroa Corridor area (related to the Hoover Trouble gangs); Fremont Free Passage around John C. Fremont High School and directed at the Swans, F-13, 7-Trey, and Main Street Crips; and Florence-Pueblo Del Rio 6 Gang Area as described above. The second is located in Hollywood and informally bounded by Sunset Boulevard, N. Bronson Avenue, Santa Monica Boulevard, and N. Gower St. Specific injunctions in this area are directed at White Fence (Hollywood), Mara Salvatrucha, and 18th St. – Hollywood. The third is located in Northeast Los Angeles and includes the Highland Park, Dogtown (North), and Avenues injunction areas.

Gang injunction areas were evaluated for cannabis-related arrests based on a PRD's presence fully or partially within each area. In assessing arrest counts, the full arrest count value of partial reporting districts was assigned to the relevant injunction area to remain consistent with the 2017 Analysis (Table 2). Given the wide variance in size between injunction areas (e.g. the Florence-Pueblo Del Rio 6 Gang area encompasses nearly 8,800 acres compared to the combined 187 acres of the north and south components of the Dogtown injunction area) total arrest counts within an injunction area does not necessarily provide the best measure of disproportionate enforcement of cannabis. Instead, the number of cannabis-related arrests per reporting district was calculated for each injunction area along with a count of Above and Below Mean cannabis-related arrest districts wholly or partially located within each gang injunction area (Table 2).

**Table 2. Cannabis-Related Arrest Counts by Gang Injunction Area**

<b>Injunction Area</b>	<b>Area (acres)</b>	<b>Number of Police Reporting Districts (PRD)</b>	<b>Total Arrests</b>	<b>Above Mean PRD</b>	<b>Below Mean PRD</b>
Venice Shoreline	533	5	2328	4	1
18th St. - Hollywood	1231	13	4633	9	4
Bounty Hunters	291	4	1276	4	4
Fremont Free Passage (Swans, F-13, 7-Trey, Main Street Crips)	908	8	2431	7	1
Crenshaw District (Baldwin Village Zone)	598	4	1078	3	1
Venice 13-Oakwood	1190	8	1684	5	3
Vernon Corridor (Rolling 40s, 46 Top Dollar Hustler Crips, 46 Neighborhood Crips)	2060	14	2848	10	4
Grape St. Crips	870	6	1219	5	1
Figueroa Corridor (Hoover and Trouble)	2501	21	4114	18	3
5th & Hill	356	23	4432	12	11
Florence-Pueblo Del Rio 6 Gang Area (All for Crime, Barrio Mojados, Florencia 13, Pueblo Bishops, Bloodstone Villains, Oriental Boyz)	8792	61	9299	46	15
Rolling 60s	1800	9	1307	6	3
White Fence (Hollywood)	1122	13	1542	8	5
Playboys (South)	902	8	932	7	1
38th St.	2473	24	2784	15	9
18th St. Wilshire (Wilshire/Smiley Dr.)	159	2	222	2	0
18th St. - Wilshire (Wilshire/Rimpau)	264	5	550	4	1
Crenshaw District (Mid-City Zone)	298	3	321	2	1
Blythe St.	897	8	834	5	3
Dogtown (North)	165	3	308	0	5
Eastside/Westside Wilmas	2688	13	1296	7	6
42 <sup>nd</sup> /43 <sup>rd</sup> /48 <sup>th</sup> St. Gangster Crips	4827	41	4082	23	18
San Pedro	5000	20	1860	11	9
Langdon St.	268	3	276	2	1
Barrio Van Nuys	3011	13	1156	9	4
White Fence (Boyle Heights)	843	7	617	3	4
Harbor City Boys/Harbor City Crips	328	4	332	3	1
204th / Eastside Torrance	1248	5	407	3	2
Schoolyard Crips/Geer St.	3058	28	2255	15	13
Columbus St.	1723	15	1202	6	9
18th St. -Southwest	94	2	157	1	1
10 Gangs (18 <sup>th</sup> Street, Crazy Riders, DIA, Krazy Town, La Rza Loca, Orphans, Rockwood, Varrío Vista Rifa, Wanderers, Witmer Street)	1853	31	2244	10	21
Mara Salvatrucha (A)	1703	18	1178	6	12
Toonerville	2782	5	289	2	3
Crenshaw District (Wilshire Zone)	593	9	492	2	7

Injunction Area	Area (acres)	Number of Police Reporting Districts (PRD)	Total Arrests	Above Mean PRD	Below Mean PRD
Temple St.	809	9	483	3	6
Eastside Pain	563	2	102	0	2
Glendale Boulevard (6 Gang)	2527	19	958	3	16
Highland Park	2920	19	956	5	14
Harpys	932	14	703	3	11
KAM	380	4	197	1	3
Avenues	6214	30	1465	8	22
Pacoima Project Boys	410	2	92	0	2
Mara Salvatrucha (B)	1181	24	1097	2	22
Lincoln Heights/Clover/Eastlake	1709	13	587	2	11
Culver City Boys	1509	7	311	1	6
18th St. - Pico Union	437	10	413	1	9
Canoga Park Alabama	2963	19	784	2	17
Vario Nueva Estrada	792	5	197	1	4
San Fer	6280	19	711	2	17
Dogtown (South)	22	1	27	0	1
Big Hazard	262	3	70	2	1
Playboys (North)	230	5	90	0	5
18th St. - Wilshire (Wilshire/Shatto Park)	322	4	72	0	4
18th St. - Hollywood (Lake Hollywood)	151	1	14	0	1

Shaded injunction areas are not part of the current recommended Program

Of the 55 gang injunction areas in the City, 50 include at least one PRD with greater than the mean number of cannabis-related arrests recommended for inclusion in the Program. While there appears to be correlation between gang injunction areas and greater than mean numbers of cannabis-related arrests, it is unclear if the designation of gang injunction areas is driving greater enforcement actions by law enforcement leading to higher cannabis-related arrests or if higher numbers of cannabis-related arrests were used as evidence to support the designation of gang injunction areas. Further, while many gang injunction areas include Program-recommended PRDs, gang injunction areas also include large areas within areas of PRDs with less than the mean number of cannabis-related arrests not recommended for inclusion in the Program as discussed above. Therefore, because a precise correlation between gang injunction areas and potentially disproportionate cannabis related arrest cannot be made, it is recommended that PRDs be retained as the geographic unit for Program incorporation while acknowledging a potential correlation between cannabis-related arrests and imposition of gang injunctions.

## CONCLUSION

As directed by the Los Angeles City Council, this Expanded Analysis evaluated the effects of the New Study Areas and Gang Injunction Areas with respect to cannabis-related arrests in the City for inclusion in the definition of “Disproportionately Impacted Area”. To evaluate the expansion of the geographic scope, the method of analysis transitioned from a standard deviation-based analysis used in the 2017 Analysis to consideration of all PRDs with greater than the citywide mean number of cannabis arrests (72 arrests) over the study period with a 60 percent or greater Low-Income household threshold. Limiting the PRDs to 60 percent or greater Low-Income households, prevents the inclusion of more affluent areas of the City (e.g., Brentwood, Venice and Shadow Hills near Hansen Dam). Of the 330 PRDs with greater than the citywide mean number of cannabis arrests (72 arrests), 151 PRDs were found to also meet the 60 percent or greater Low-Income household threshold.

Therefore, to define a Disproportionately Impacted Area within the City of Los Angeles which includes the San Fernando Valley, the Boyle Heights Community and longstanding residential enclaves in downtown Los Angeles, the basis for selecting disproportionately impacted areas should be revised from the existing 19 Zip Codes to the 151 PRDs identified by the Expanded Analysis as those which have greater than the citywide mean number of cannabis-related arrests and meet the 60 percent or greater low-income household threshold.

## RECOMMENDATION

Based on the Expanded Analysis and furthering the City’s goal to provide flexibility in eligibility criteria while meeting the spirit and intent of the overall Social Equity Program, and to more appropriately define disproportionately impacted areas within the City of Los Angeles, the Expanded Analysis recommends that the City amend the ordinance to redefine “Disproportionately Impacted Area” to be based on the 151 PRDs identified herein instead of the 19 Zip Codes referenced in the 2017 Analysis. These PRDs were identified as those which have greater than the citywide mean number of cannabis-related arrests and meet the 60 percent or greater Low-Income household threshold as defined in the 2017 Analysis

Further, to address City Council concerns regarding user-friendliness and accessibility and suggested by ongoing engagement with the Department of Cannabis Regulation, this Expanded Analysis recommends that the City amend the definition of “Social Equity Applicant” to “Social Equity Individual Applicant” and to mean a natural person who meets any two out of the following three criteria, as amended: 1) Low-Income; 2) Disproportionately Impacted Area (as revised above) residency; and, 3) Cannabis Arrest or Conviction.

Sincerely,



**Matt Sauter**

Senior Environmental Scientist  
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Attachments:

Figure A – New Study Areas

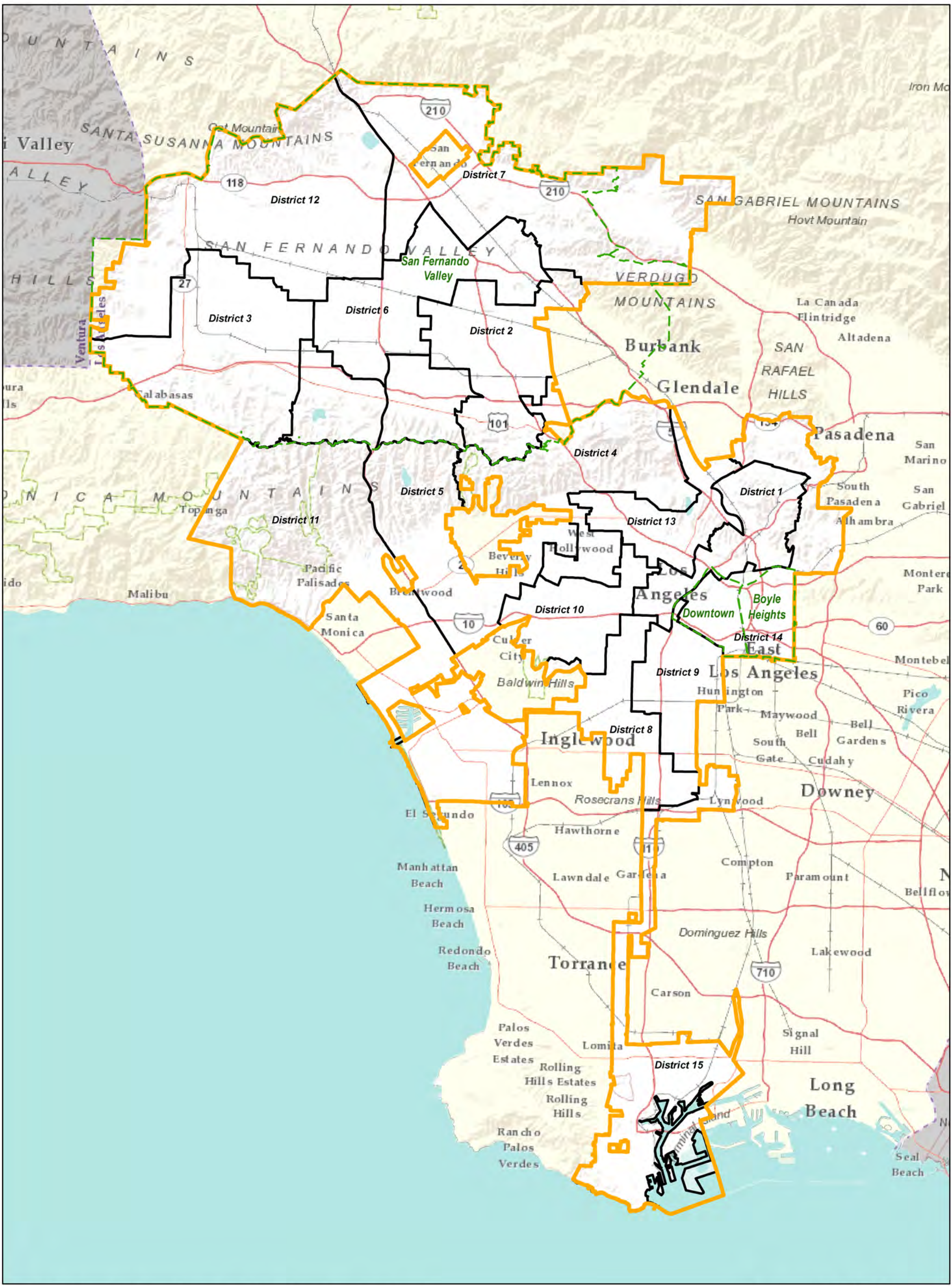
Figure B – Gang Injunction Areas

Figure C – Original 33 PRDs and Zip Codes

Figure D – New Study Areas and 151 Police Reporting Districts

Figure E – New 151 PRDs with Zip Codes:

Figure F – Gang Injunction Areas and 151 PRDs:



Path: Q:\3551\_Planning\CityofLA\_CannabisMXDR\ReportFigures\FigA\_SpecificAreas.mxd, aaron.johnson, 5/12/2020

Service Layer Credits: Sources: Esri, USGS, NOAA  
Sources: Esri, Garmin, USGS, NPS



1 inch = 3.5 miles  
0 3.5 Miles

**Legend**

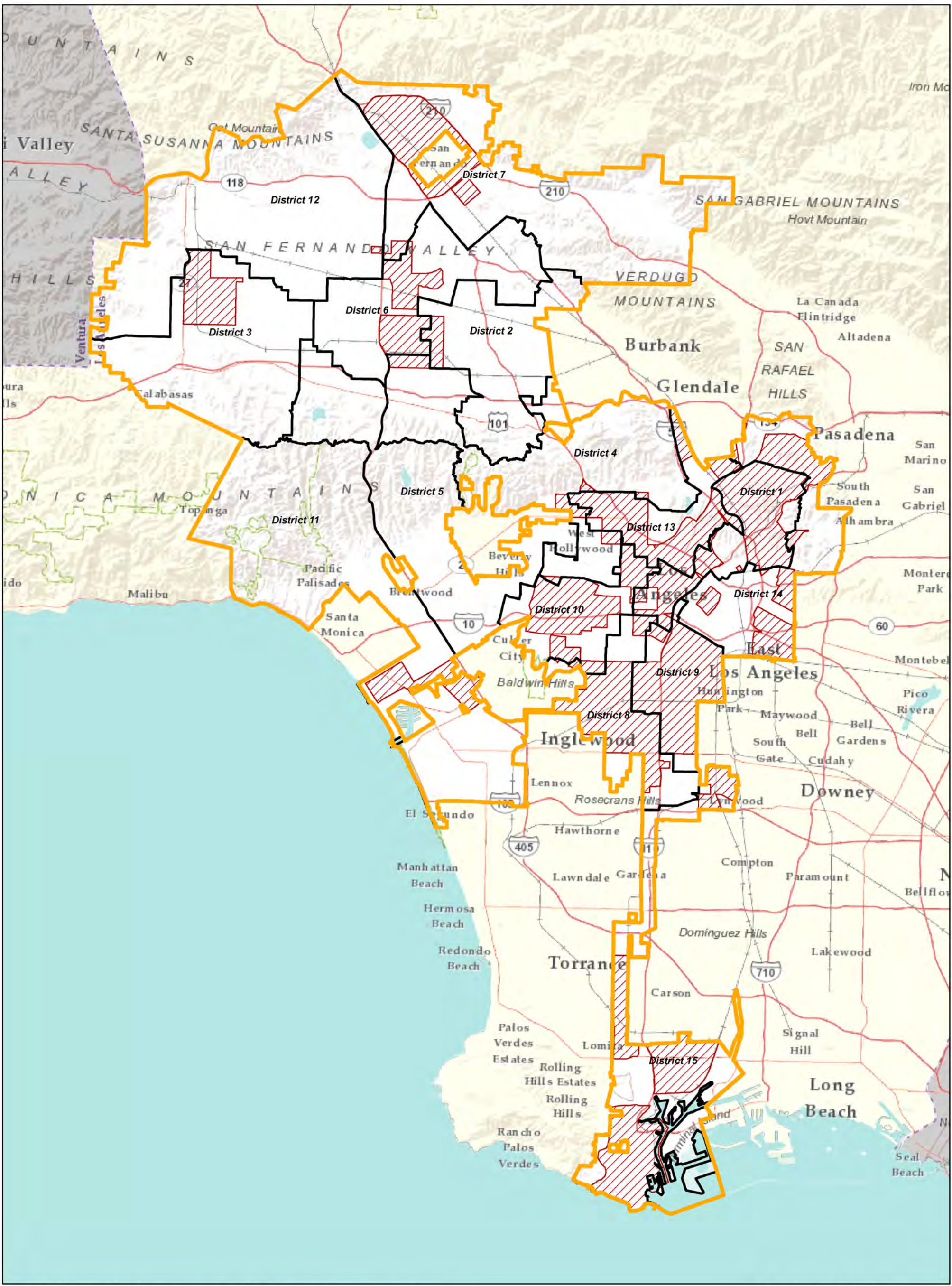
- LAPD Reporting Area
- Council District
- New Study Area

**FIGURE A**

New Study Areas  
Cannabis Social Equity Analysis  
City of Los Angeles, CA







Path: Q:\3551\_Planning\CityofLA\_Cannabis\MXD\ReportFigures\FigB\_GangInjunctionAreas.mxd, aaron.johnson, 5/12/2020

Service Layer Credits: Sources: Esri, USGS, NOAA  
Sources: Esri, Garmin, USGS, NPS

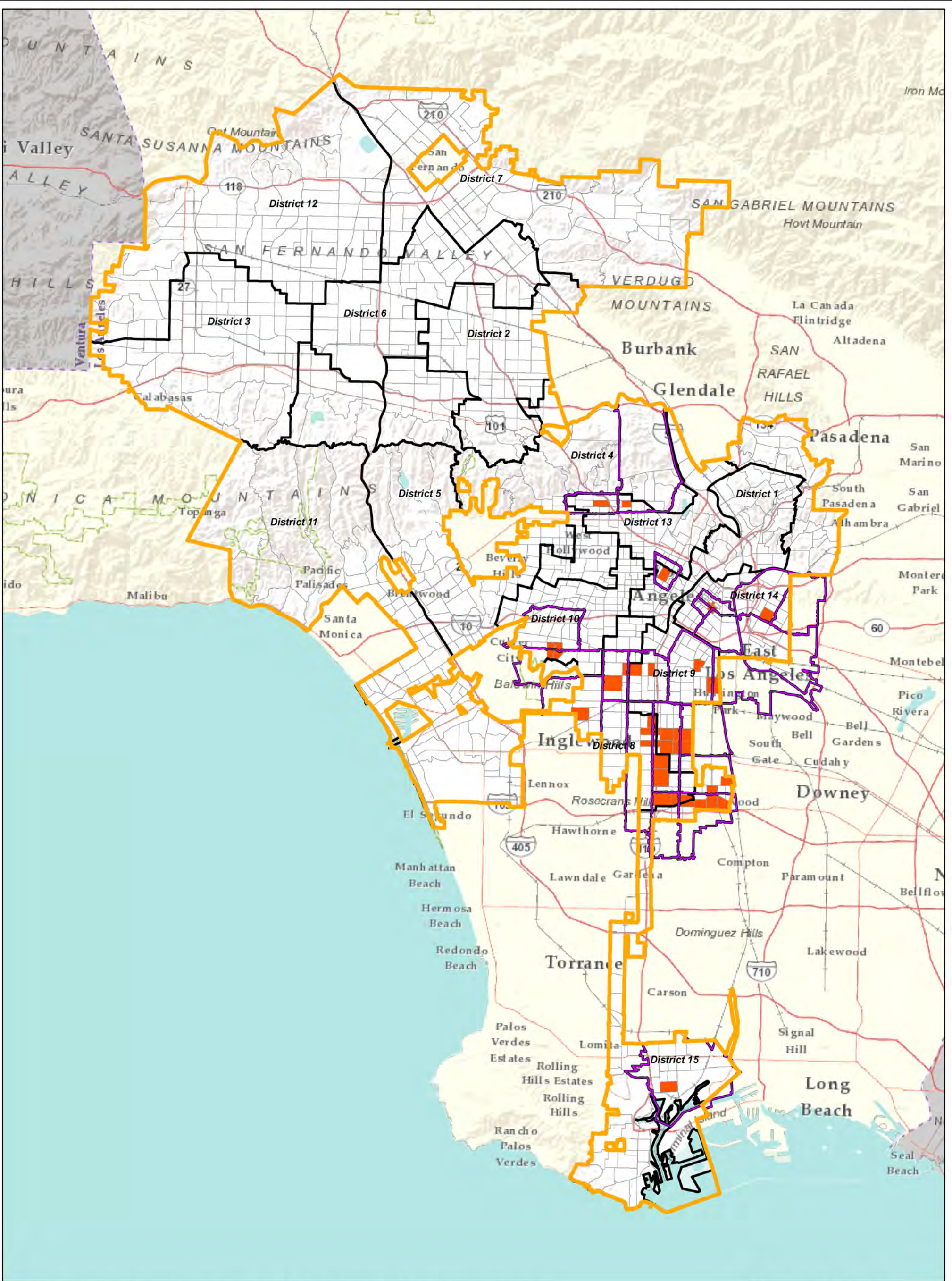


1 inch = 3.5 miles  
0 3.5 Miles

- Legend**
- LAPD Reporting Area
  - Council District
  - Gang Injunction Area

**FIGURE B**  
Gang Injunction Areas  
Cannabis Social Equity Analysis  
City of Los Angeles, CA





Path: Q:\3551\_Planning\CityofLA\_CannabisMXDIReportFigures\FigE\_HighStdDev\_GT60pctLowIncome\_PRD\_Zipcode.mxd, aaron.johnson, 5/12/2020

Service Layer Credits: Sources: Esri, USGS, NOAA  
Sources: Esri, Garmin, USGS, NPS

**Legend**

- LAPD Reporting Area
- Council District
- LAPD Reporting District
- High Arrest Count, 60% Low Income
- Zip Codes Containing PRDs

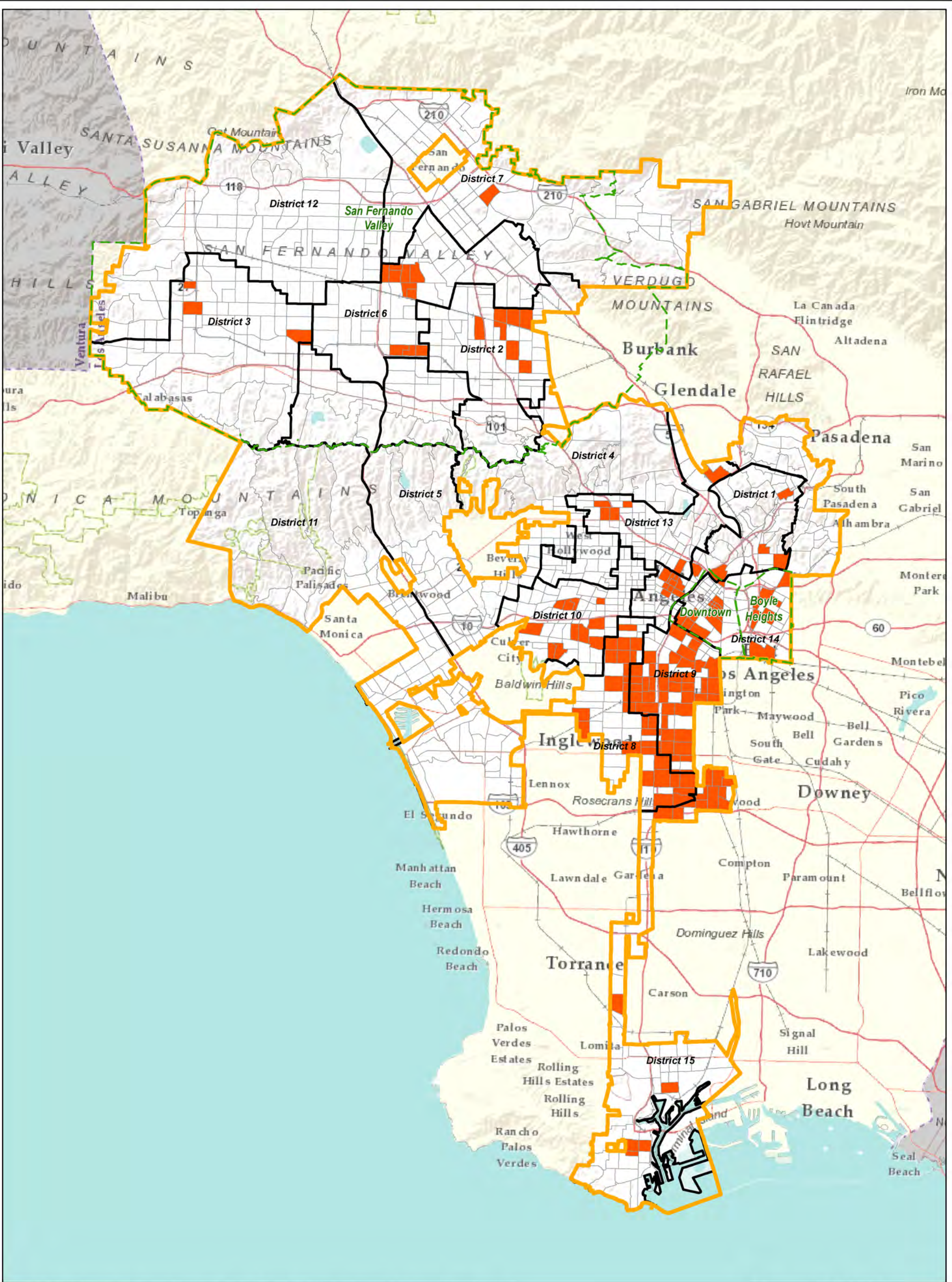


1 inch = 3.5 miles  
0 3.5 Miles

**FIGURE C**

Police Reporting Districts and Zip Codes with High/Very High Arrest Counts and Greater Than 60% Low Income (Original 33 PRDs from 2017 Analysis) Cannabis Social Equity Analysis City of Los Angeles, CA





Path: Q:\3551\_Planning\CityofLA\_CannabisMXDR\ReportFigures\FigC\_AboveMean\_GT60pctLowIncome\_PRD.mxd, aaron.johnson, 5/12/2020

Service Layer Credits: Sources: Esri, USGS, NOAA  
Sources: Esri, Garmin, USGS, NPS



1 inch = 3.5 miles  
0 3.5 Miles

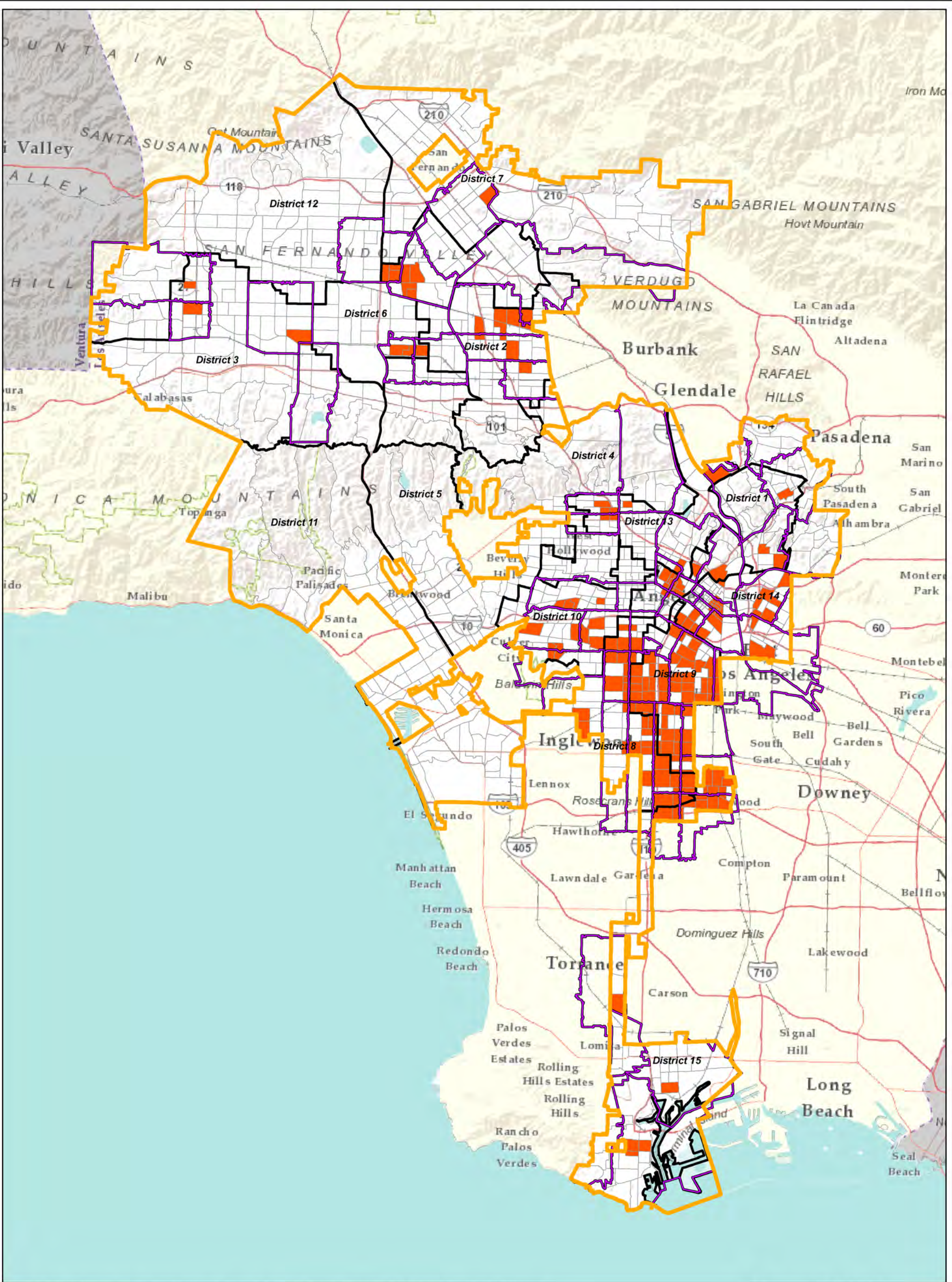
**Legend**

- LAPD Reporting Area
- Council District
- Specific Area
- Above Mean Arrest Count, 60% Low Income
- LAPD Reporting District

**FIGURE D**

New Sudy Areas and Police Reporting Districts with Above Average Arrest Counts and Greater Than 60% Low Income Cannabis Social Equity Analysis City of Los Angeles, CA





Path: Q:\3551\_Planning\CityofLA\_Cannabis\MXD\ReportFigures\FigF\_AboveMean\_GT60pctLowIncome\_PRD\_Zipcode.mxd, aaron.johnson, 5/12/2020

Service Layer Credits: Sources: Esri, USGS, NOAA  
Sources: Esri, Garmin, USGS, NPS



1 inch = 3.5 miles  
0 3.5 Miles

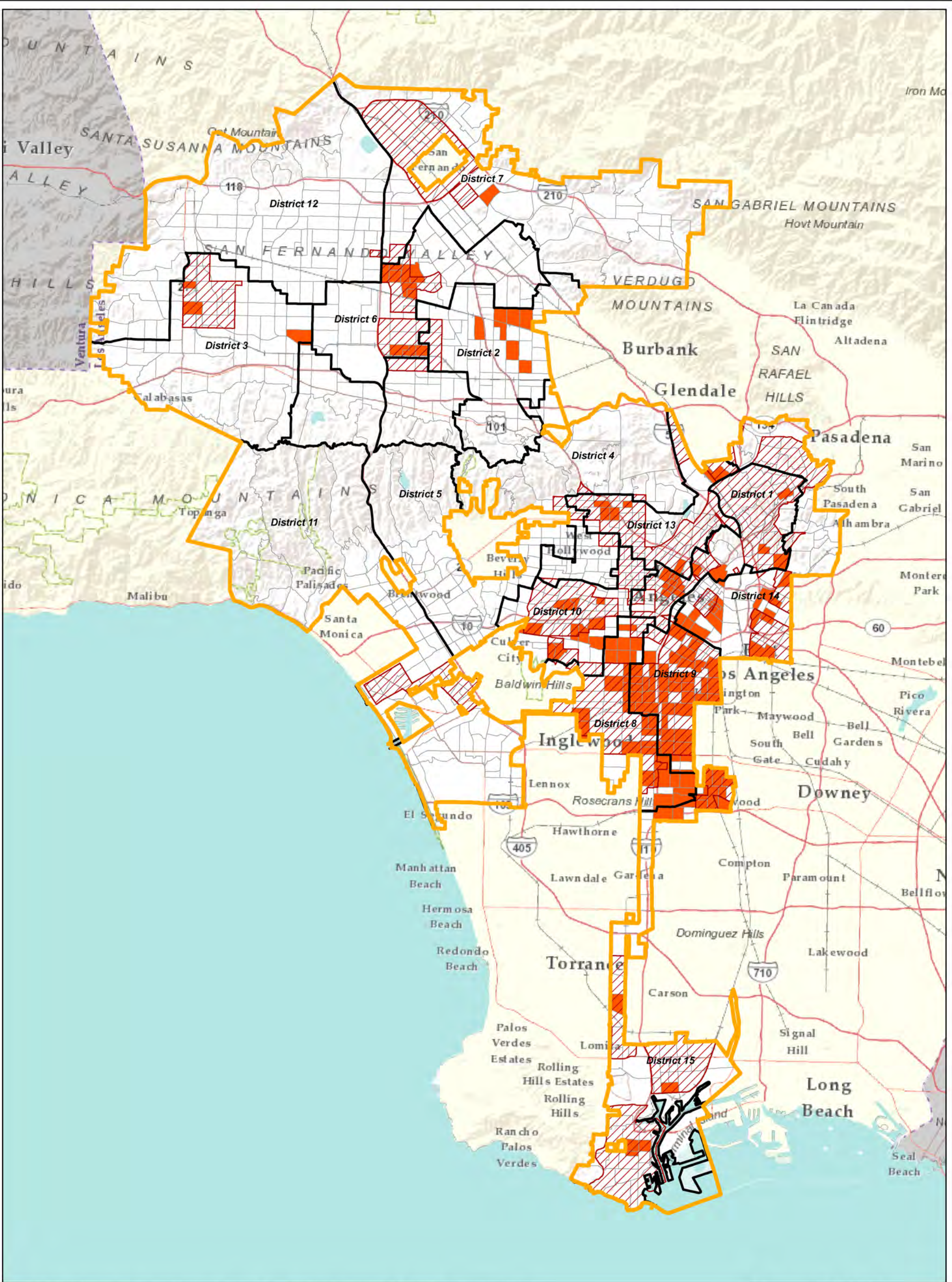
**Legend**

- LAPD Reporting Area
- Council District
- LAPD Reporting District
- Above Mean Arrest Count, 60% Low Income
- Zip Codes Containing PRDs

**FIGURE E**

Police Reporting Districts and Zip Codes with Above Average Arrest Counts and Greater Than 60% Low Income Cannabis Social Equity Analysis City of Los Angeles, CA



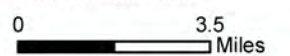


Path: Q:\3551\_Planning\CityofLA\_CannabisMXDIReportFigures\FigD\_AboveMean\_GT60pctLowIncome\_PRD\_Gang.mxd, aaron.johnson, 5/12/2020

Service Layer Credits: Sources: Esri, USGS, NOAA  
Sources: Esri, Garmin, USGS, NPS



1 inch = 3.5 miles



**Legend**

- LAPD Reporting Area
- Council District
- Gang Injunction Area
- Above Mean Arrest Count, 60% Low Income
- LAPD Reporting District

**FIGURE F**

Gang Injunction Areas and Police Reporting Districts with Above Mean Arrest Counts and Greater Than 60% Low Income  
Cannabis Social Equity Analysis  
City of Los Angeles, CA



# PROPOSED CANNABIS SOCIAL EQUITY PROGRAM

## **Background**

On November 14, 2017, the City Council directed staff to research social equity policies for consideration as part of a commercial Adult-Use Cannabis Ordinance (Ordinance). Since that time, the Office of Cannabis Oversight (OCO) has worked with the Office of Equity to prepare recommendations on a potential Cannabis Social Equity Program (Program) in Long Beach. The Program recommendations are based on research into other California cities that have adopted cannabis social equity policies, as well as meetings with City departments that would be responsible for implementing the Program. The Program is included in the proposed Ordinance to regulate commercial adult-use cannabis in Long Beach.

## **What is Cannabis Social Equity?**

Social equity in cannabis seeks to recognize the long-term negative impact that the criminalization of cannabis has had on low-income communities across the country, resulting from the enforcement of federal and state laws related to cannabis use and possession. In 1971, the Federal Government classified cannabis as a Schedule I Controlled Substance, the most restrictive category of drugs with the harshest penalties, which gave rise to a significant increase in cannabis arrests over several decades. For example, the annual number of cannabis arrests in the United States increased from 188,000 in 1970 to over 850,000 in 2010.

Research from communities across the United States has consistently demonstrated the disproportionate impact of cannabis enforcement on disadvantaged communities, despite similar cannabis usage rates. Specifically, high poverty neighborhoods have been impacted by higher rates of arrests and incarceration for cannabis-related drug activities. The consequences of a criminal conviction and incarceration include the permanent loss of property, disqualification from employment opportunities, reduced earnings potential, exclusion from public benefits such as housing assistance or student financial aid, and other life-altering impacts. The goal of social equity for the cannabis industry is to help ensure that the communities most impacted by federal and state cannabis drug enforcement policies are provided an opportunity to benefit from the projected growth of this newly legalized industry.

Making legal cannabis business ownership and employment opportunities more accessible to marginalized communities would increase economic opportunity and reduce economic disparities. Since the legalization of medical and adult-use cannabis in several states across the country, several cities have implemented programs to achieve equity goals and mitigate barriers to entry into the cannabis industry. California state law regarding cannabis delegates much autonomy to localities over licensure and regulation of cannabis operations, giving Long Beach an opportunity to create an innovative equity policy specific to our City and its diverse communities.

## **Community Input**

The Office of Equity met with community stakeholder representatives from the following organizations and groups to discuss the development of a cannabis social equity policy for the City: California Conference for Equality and Justice; Habitat for Humanity; Centro CHA; Building Healthy Community's Coalition for Good Jobs and a Healthy Community; World Famous VIP Records; and, Safe Long Beach Safe Communities working group. During these meetings,

community stakeholders recommended that the City consider incorporating the following policy/program components into the City's broader cannabis social equity policy:

- Community Reinvestment – Allocate a portion of new cannabis tax revenues to support community-based social services and support programs in communities most impacted by the criminalization of cannabis, specifically related to youth development and diversion, community health and wellness, housing, and reentry support.
- Employment Opportunities – Create pathways to employment within the cannabis industry for individuals impacted by prior cannabis enforcement, which may lead to business ownership opportunities in the future.
- Low-Interest Loans – Offer direct funding to support equity business owners. Funding may include a low-interest loan program, or other types of financial assistance.
- Business Assistance – Explore other options to support low-income businesses, including direct assistance from the City, an equity incubator program, or equity fee charged to cannabis businesses.

### **Summary of Cannabis Social Equity Programs in Other Jurisdictions**

The City of Oakland was the first jurisdiction in California to implement a cannabis social equity program. The program was approved by the Oakland City Council in March 2017. The Oakland program can be broken down into four key policy areas:

1. Criteria for Equity Applicants
2. Benefits for Equity Applicants
3. Equity Incubators
4. Licensing Phases/Ratios

Other California cities that have adopted cannabis equity ordinances include Los Angeles, San Francisco and Sacramento. In addition, state legislatures across the country have begun to consider cannabis social equity programs, including Florida, Ohio, and Pennsylvania. In December 2017, Massachusetts became the first state to pass a statewide cannabis social equity program. Recently, the California Senate began considering SB 1294, a bill to create a statewide cannabis equity program. SB 1294 would create a "state equity program to help ease the burdens associated with obtaining a license under this division and participating in the cannabis industry, including removing barriers to entry such as lack of business opportunities, generational wealth, access to capital, and expertise in the cannabis supply chain."

Exhibit A to this report summarizes the social equity policies adopted by other California cities. The table is grouped into the four categories originally established through the Oakland cannabis equity program.

### **Proposed Long Beach Program**

At the request of the City Council, staff prepared a Program for Long Beach that is consistent with the general framework created by other jurisdictions throughout the state. Specifically, this includes: (1) Defining who is eligible for the program; (2) Offering direct benefits to eligible individuals through the application process; and, (3) Creating employment opportunities for program participants. Further details on each component of the proposed Program are provided below.

#### **Program Eligibility**

Staff recommends establishing the following criteria to qualify an individual for the Program:

1. Annual family income at or below 80 percent of the Los Angeles – Long Beach – Glendale (Los Angeles County) Area Median Income (AMI), and net worth below \$250,000.

In addition, an individual must meet at least one of the following criteria to qualify for the Program:

1. Was arrested or convicted for a crime relating to the sale, possession, use, or cultivation of cannabis in Long Beach prior to November 8, 2016 that could have been prosecuted as a misdemeanor or citation under current California law; or
2. Lived in a Long Beach census tract for a minimum of three years where at least 51 percent of current residents have a household income at or below 80 percent of the Los Angeles County AMI.

The proposed limits on family income and net worth will allow the City to target program benefits to only those individuals with the greatest need for assistance. Eligibility criteria based on a prior cannabis arrest or conviction is intended to address the direct impact that the enforcement of state and federal cannabis laws have had on members of the Long Beach community. Specifically, persons who were previously arrested for cannabis-related activity were directly impacted by the enforcement of laws that have since been decriminalized at the State and local level. Applicants who have been convicted of serious crimes not related to cannabis will still be prohibited from obtaining an adult-use cannabis business license.

The consequences of an arrest extend beyond the individual to their family and social network, through lost wages, disqualification from benefits, and the psychological and social impact that individuals with incarcerated family members and friends face in the short- and long-term. Collectively, these impacts have been felt disproportionately by low-income residents through reduced incomes, barriers to employment, the loss of generational wealth, and other direct and indirect consequences of arrest and incarceration. As a result, staff recommends granting Program eligibility to residents of higher poverty neighborhoods whose communities have experienced the disproportionate burden of cannabis related laws and enforcement.

A map of eligible areas is provided in Exhibit B to this report. To create this map, staff identified areas of the Long Beach where over 51 percent of current residents have a household income at or below 80 percent of the AMI. These areas are typically identified as low- and moderate-income



areas of Long Beach. The methodology was selected in part due to its consistency with other economic opportunity programs managed by the City, including the Community Development Block Grant (CDBG) and Neighborhood Improvement Strategy (NIS) areas. As described earlier, research has shown that many of these low- and moderate-income areas experienced a disproportionate number of cannabis arrests. By allowing residents who have lived in eligible areas for a minimum of three years to access Program benefits, the City will accommodate individuals who may have grown up in impacted areas but have since moved to a new community; thus, allowing these individuals access to the Program as well.

### Direct Benefits Through the Application Process

Individuals who are eligible for the Program face significant barriers to entry into the legal cannabis market. These barriers include limited access to capital, historically low industrial and commercial property vacancy rates, and lack of technical expertise in accounting, regulatory compliance, or other specialized fields. In addition to these market barriers, cannabis applicants must also complete the City's adult-use cannabis business license application process, which can be particularly challenging for new business owners.

Given these challenges, staff recommends offering the following benefits to individuals who qualify for the Program. The proposed benefits are primarily focused on removing burdens associated with applying for a cannabis business license in Long Beach. Staff acknowledge that the proposed benefits do not solve every barrier to entry into the cannabis market. Significant challenges will remain for low-income applicants that qualify for the Program. However, the proposed benefits will help alleviate some of the burdens that the City has direct control over, such as tax administration, fee collection, and application processing.

The discussion below provides a rough estimate for the cost associated with each benefit. In some cases, cost projections are dependent on the total number of Program applications the City receives. In these instances, staff has estimated that 25 businesses will apply for a cannabis business license through the Program. If the actual number of Program applicants is higher or lower than this figure, the estimated cost will need to be adjusted.

1. *Fee Waivers*: Fee waivers for Program applicants will reduce the overall cost of applying for a cannabis business license, thereby allowing applicants to invest a greater share of their limited resources directly into the cannabis business. Fee waivers will include application review fees, background investigation fees, and first year regulatory fees. Collectively, these waivers account for thousands of dollars in savings that equity applicants could then redirect towards other business investments. **(One-Time Loss of \$25,000 GF Revenue)**
2. *Expedited Application Review*: The City may prioritize Program application review over other general applications. Currently, the average wait time for a business license application review to be completed is approximately one month. The delay is primarily due to the amount of time required for Business Licensing staff to review specific cannabis application materials, and the large number of applications that have been submitted over a short period of time. Expedited application review will help Program applicants avoid costs that may accrue during application review, including lease payments, architect and

attorney fees, and other ongoing expenses. Because these costs are incurred prior to a business opening, they cannot be offset by operating revenues. Program applicants with limited capital resources have less of an ability to absorb these costs and, therefore, could benefit from an expedited review process. **(No General Fund Cost)**

3. *Expedited Plan Check*: The Department of Development Services offers expedited plan review to applicants who pay double the standard building plan review fees. The expedited review reduces the average plan check wait time from approximately one month to two weeks. Expedited plan check services may be offered to Program applicants at no additional cost. By offering this service, the City will further reduce ongoing costs incurred by Program applicants prior to operation. **(\$50,000 One-Time General Fund Cost)**
4. *Business License Tax Deferrals*: Under existing policy, a cannabis business license applicant is required to remit their initial tax payment prior to issuance of a business license. For cultivation businesses, the initial tax payment is charged at \$12 per square foot of total canopy, and covers the first full year of operation. Depending on the size of the facility, the cultivation business license tax payment could range from \$6,000 to \$264,000 per year.

Recognizing that cultivation Program applicants may not have sufficient capital to cover the initial tax payment, the City may offer Program applicants a monthly payment plan during the first year of business operation. Since the tax payment would still accrue during the first year of operation, the benefit would be considered a tax deferral and not a tax waiver. The deferral would potentially allow Program applicants to generate revenues during the first year of operation to offset the cost of the monthly tax payments. This would help avoid a drain in limited capital resources prior to business opening. There is a risk that some Program applicants will fail to remit monthly tax payments to the City after obtaining a business license, which would result in a loss to General Fund tax revenues. **(No General Fund Cost, Taxes Paid Monthly Rather Than Upfront, Potential Risk of Unpaid Taxes)**

5. *Application Workshops*: Navigating the cannabis business license process can be challenging for first-time business owners. Before a business license can be issued, applicants must obtain approval from the Planning Bureau, Business Services Bureau, Building Bureau, Fire Department, Health Department, and Police Department. With the anticipation that most Program applicants will be first-time business owners, the complexity of the application process may act as a deterrent for businesses. To help alleviate these challenges, the City may offer Program businesses an application workshop. The workshop could be advertised on the cannabis website, and offered to Program applicants individually upon request. The workshop would focus on the key steps of the application process, and provide applicants with strategies to minimize delays, and increase opportunities for approval. Workshops will be conducted by the Office of Cannabis Oversight using existing staffing resources. **(No General Fund Cost)**
6. *Fresh Start Workshops*: Proposition 64 created a process whereby individuals may petition a judge to have certain cannabis-related convictions reclassified, expunged or dismissed. A cannabis-related reclassification, expungement or dismissal for Program applicants can serve to mitigate barriers such as the inability to obtain a business loan or lease agreement

based on prior criminal history, as well as help to eliminate the employment barriers faced by individuals with a cannabis-related arrest or conviction. To help facilitate the dismissal process and support eligible residents with eliminating barriers to employment, staff proposes the launch of a “Fresh Start Program,” to be coordinated through the Long Beach Department of Health and Human Services Safe Long Beach Violence Prevention Team. Clinics would be hosted in partnership with community-based organizations and held in areas of Long Beach that were most impacted by federal and state cannabis drug enforcement policies. The Fresh Start Program would be modeled after the Expungement Education Workshops previously offered through the Long Beach Department of Health and Human Services’ Weed and Seed Program. Federal funding for the Weed and Seed Program has since been eliminated, thus any cannabis conviction clinic assistance would require a new source of funding. It is recommended that in the first two years of the program, the City provide funding support to host a minimum of four expungement clinics per year, to be hosted on a quarterly basis in different impacted areas throughout Long Beach. **(\$16,000 One-Time General Fund Cost)**

7. *Business Incubation:* The purpose of an incubator program is to create partnerships between established cannabis businesses and individuals who qualify for the Program. These partnerships can then be leveraged to help individuals overcome market barriers, such as lack of technical experience or access to shelf space to sell cannabis products. To create an incubator program in Long Beach, staff recommends requiring cannabis businesses that do not qualify for the cannabis social equity program to submit a plan to the City describing how they intend to support equity business owners. This may include, but is not limited to, providing business plan guidance, operations consulting, technical assistance, and shelf space for equity products. Support from licensed cannabis businesses will help supplement other direct benefits offered by the City to Program applicants. Rather than explicitly mandate what level of assistance incubators must provide to Program applicants, the City will allow incubators to develop their own plan in good faith with the overall goals of social equity. **(No General Fund Cost)**

Individuals who qualify for the Program must maintain a minimum 51 percent ownership in the business entity applying for the cannabis business license to receive application benefits. The minimum ownership requirement is necessary to ensure that Program applicants maintain a meaningful stake in the business applying for a license. By not setting the ownership percentage too high, Program applicants will still be able to partner with investors to obtain necessary startup capital.

It is important to note that all cannabis applicants, including Program applicants, must still undergo a criminal background investigation prior to obtaining a cannabis business license. The purpose of the criminal background investigation is to confirm that cannabis owners have not been convicted of a serious offense substantially related to the operation of a cannabis business, including a violent felony, serious felony, felony involving fraud, deceit or embezzlement, felony involving drug trafficking with a minor, felony for drug trafficking with enhancements, or other criminal acts. Applicants who have violated any of these laws will still be prohibited from obtaining a cannabis business license. Both the City of Long Beach and State of California perform separate criminal background checks on applicants to confirm they have not committed a serious offense. However, under State and local law, a prior cannabis conviction for possession,

possession for sale, sale, manufacture, transportation, or cultivation of cannabis is not considered a serious offense under State law and the proposed Ordinance. Therefore, the proposed Program for individuals who have been arrested or convicted of a crime relating to the sale, use, possession, or cultivation of cannabis is consistent with the prohibition of individuals with prior serious offenses from obtaining a cannabis license.

### Employment Opportunities

Staff recommends establishing a 25 percent Equity Hire requirement for all adult-use cannabis businesses. To satisfy this requirement, businesses must ensure that at least 25 percent of annual work hours are performed by employees who are eligible for the Program. The Equity Hire requirement will extend the benefits of the Program to a much larger population within the Long Beach community than those applying for a cannabis business license.

Recent coverage of the cannabis industry has noted the significant potential for employment opportunities in the cannabis sector. By some estimates, the legal cannabis market could support over 100,000 new positions in California as the industry matures. While local employment opportunities will comprise only a fraction of this total, staff estimates that the industry has the potential to support a significant number of jobs in Long Beach.

For this reason, staff has placed an emphasis on creating pathways to employment within the cannabis industry. The 25 percent Equity Hire requirement will be overseen by the Pacific Gateway Workforce Innovation Network (PGWIN). PGWIN has extensive experience in implementing workforce development programs, and was instrumental in developing the Equity Hire recommendation. Specifically, PGWIN may provide the following services to help adult-use cannabis businesses meet the 25 percent Equity Hire requirement:

- Develop a public campaign to explain the Program via a website, short videos, FAQ and other public materials;
- Complete public education and outreach in key neighborhoods;
- Build an online registry for individuals to express interest in the Program;
- Hold orientations at PGWIN to provide potential employees information about the Program;
- Collect and review Program application materials to confirm an individual's eligibility;
- Maintain an online registry for businesses to identify potential Program employees as opportunities develop;
- Communicate directly with employers regarding use of the registry, Program compliance, and other issues;
- Host periodic job fair events to match Program workers with employers; and,
- Grant business exemptions for the 25 percent hire requirement in instances where there is insufficient equity labor supply to meet employer demand.

With support from the PGWIN, staff believes the 25 percent Equity Hire requirement is a readily achievable standard for all cannabis businesses to meet. To support the 25 percent figure, staff conducted an analysis of U.S. Census Bureau and U.S. Housing and Urban Development (HUD) data for the Program targeted areas. The analysis found that a sufficient labor force population below 80 percent AMI exists in the identified census tracts to satisfy even the most aggressive projections for employment levels in the Long Beach cannabis industry.

Businesses will be expected to meet the 25 percent Equity Hire requirement beginning their second full-year of operation. PGWIN will have the authority to reduce or grant exemptions from the 25 percent hire requirement if it determines that an insufficient labor pool exists to meet employer demand. PGWIN may also reduce or grant exemptions to businesses that show a good-faith effort to hire Program employees. This includes, but is not limited to, submitting documents demonstrating such equity hiring efforts to the PGWIN for review.

In addition to the Equity Hire requirement, and for purposes of consistency, staff recommends mandating that all adult-use businesses enter into a labor peace agreement or collective bargaining agreement with a labor union that represents cannabis workers in Long Beach. This requirement is consistent the labor provision that voters approved for medical cannabis businesses through Measure MM, now Chapter 5.90 of the Long Beach Municipal Code. The requirement for a labor peace agreement will ensure the jobs made available through the 25 percent Equity Hire requirement are union-represented positions consistent with voter intent through Measure MM.

### **Fiscal Impact**

In FY 18, staff estimates a one-time cost of \$266,000 to develop the Program, based on assumed applicant volume. This cost is made up of \$200,000 for the PGWIN to establish the Equity Hire program, \$50,000 for the Development Services Department to offset the cost of providing automatic expedited plan checks to Program applicants, and \$16,000 for the Equity Office to coordinate the Fresh Start Program. This one-time cost of \$266,000 is anticipated to be offset by citywide budget savings in excess of established Department General Fund savings targets in FY 18. However, regardless of these savings, it is uncertain whether the General Fund will end the year in a net surplus or deficit and it is possible this one-time could add to a budget shortfall.

Ongoing costs related to PGWIN oversight of the Equity Hire program will be offset through an Equity Hire fee charged to adult-use cannabis businesses. Establishment of the fee will be requested through proposed changes to the Master Fees and Charges Schedule following passage of the Ordinance. The annual fee amount will depend on the number of businesses that apply for an adult-use cannabis license. Staff estimates the annual Equity Hire fee to be approximately \$2,000 annually per cannabis business. The fee will be dedicated to funding PGWIN's ongoing role in overseeing the Equity Hire program. Ongoing costs related to automatic plan checks for equity applicants are difficult to project, and will depend on the number of equity applications received by the City.

**EXHIBIT A - California Cannabis Social Equity Program Comparison Chart**

POLICY AREA	OAKLAND	SAN FRANCISCO	LOS ANGELES	SACRAMENTO
<b>Criteria for Equity Applicants</b>	<ul style="list-style-type: none"> <li>-City Residency</li> <li>-Annual income less than 80% AMI</li> <li>-Lives or lived in a police beat with high rates of arrests/ convictions <u>or</u> arrested after November 5, 1996 for a cannabis offense committed in the city</li> </ul>	<ul style="list-style-type: none"> <li>-Natural person</li> <li>-Asset total that does not exceed asset limit established by Director</li> <li>-Minimum ownership percentage</li> <li>-Meets <u>three or more</u> of the following:               <ol style="list-style-type: none"> <li>1. Member of a household with annual income below 80% SF Median Income;</li> <li>2. Arrested or convicted between 1971-2016 for a cannabis-related offense;</li> <li>3. Experienced an eviction, foreclosure, or revocation of housing subsidy in SF;</li> <li>4. Has a parent, sibling or child arrested or convicted between 1971-2016 for a cannabis related offense;</li> <li>5. Attended SF Unified School District for 5 years;</li> <li>6. Lived for at least 5 years in SF census tracts where at least 17% of households had incomes below FPL</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>-City residency</li> <li>-Low income and prior cannabis conviction in the State of California <u>or</u> low income and lives or lived in a disproportionate impact area for 5 years <u>or</u> lives or lived in a disproportionate impact area for 10 years</li> </ul>	<ul style="list-style-type: none"> <li>-Minimum ownership percentage</li> <li>-Resides in a zip code of a priority neighborhood for at least 7 years, between 1994 and the date of application <u>or</u> from the most negatively impacted zip code subject to disproportionate marijuana arrest rates</li> <li>-Annual income between 200% Federal Poverty Level and net worth below \$250,000</li> <li>-A woman or veteran-owned business</li> </ul>
<b>Benefits for Equity Applicants</b>	<ul style="list-style-type: none"> <li>-Access to third party consultant providing business, technical, legal, regulatory and other direct assistance</li> <li>-No interest business start-up loans</li> <li>-Fee waivers</li> </ul>	<ul style="list-style-type: none"> <li>-Establishment of a Community Reinvestment Fund to support Equity Applicants with:               <ol style="list-style-type: none"> <li>1. Workforce development;</li> <li>2. Access to affordable real estate;</li> <li>3. Access to investment financing;</li> <li>4. Access to legal services and business administration.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>-Business, licensing and compliance assistance</li> <li>-Expedited renewal processing</li> <li>-Program specific site conditions</li> <li>-Fee deferral program</li> <li>-Access to Industry Investment Fund (<i>if established</i>)</li> </ul>	<ul style="list-style-type: none"> <li>-Expungement of criminal records</li> <li>-Fee waiver/deferral</li> <li>-Access to third party consultant providing business, technical, legal, regulatory, and other direct assistance</li> <li>-Provisional non-operating license to help equity applicants attract capital</li> <li>-Community informational workshops promoting the equity program</li> </ul>
<b>Licensing Phases/Ratios</b>	<ul style="list-style-type: none"> <li>-<u>Phase I</u>: Equity businesses must account for a minimum of 50% of all cannabis licenses. Non-equity incubators may partner with an on-site equity applicant to obtain a license.</li> <li>-<u>Phase II</u>: After \$3.4M in cannabis tax revenues have been collected to fund the no interest business start-up loan program for equity applicants, the minimum 50% requirement will be lifted.</li> </ul>	<ul style="list-style-type: none"> <li>-<u>Phase I</u>: The Director may issue Cannabis Business Permits <u>only</u> to Equity Applicants, Equity Incubators, or existing Medical Cannabis Businesses</li> <li>-<u>Phase II</u>: The Director may issue Cannabis Business Permits to other applicants <u>only</u> if the total number of Cannabis Permits awarded to Equity Applicants has reached 50% of total permits awarded</li> </ul>	<ul style="list-style-type: none"> <li>-Social Equity and Incubator Applicants will receive priority processing for all non-retail license types on a 1:1 ratio with all non-Social Equity Applicants.</li> </ul>	<ul style="list-style-type: none"> <li>-N/A</li> </ul>
<b>Equity Incubators</b>	<ul style="list-style-type: none"> <li>-A cannabis business that provides free real estate or rent to an Equity Applicant. The Equity Incubator must also comply with the following conditions:               <ol style="list-style-type: none"> <li>1. The free real estate or rent shall be for a minimum of three years.</li> <li>2. The Equity Applicant shall have access to a minimum of 1,000 square feet to conduct its business operations.</li> <li>3. The General Applicant must provide any City required security measures, including camera systems, safes, and alarm systems for the space utilized by the Equity Applicant.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>-During its <u>first 3 years</u> of operation, a cannabis business that:               <ol style="list-style-type: none"> <li>1. Ensures that at least 30% of all business work hours are performed by local residents;</li> <li>2. Ensures that at least 50% of the employees meet the equity applicant criteria;</li> <li>3. Provides a community investment plan demonstrating engagement with businesses and residents located within 500 feet of the site of the proposed business;</li> <li>4. Submits an "Equity Incubator Plan" to provide support to Equity Applicants, by, among other things, providing business plan guidance, operations consulting, and technical assistance <u>or</u> providing an Equity Applicant with rent-free commercial space, equal to or exceeding 800 square feet or the equivalent of at least 10% of the square footage of the Equity Incubator premises, and must provide security services for the space</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>-A cannabis business that enters into a Social Equity Agreement with the City to provide capital, leased space, business, licensing and compliance assistance to persons who meet the criteria to be a Social Equity Applicant. Specifically, a equity incubator shall provide Social Equity Applicants access to property with no rent and with prorated utilities for a minimum of two years.</li> </ul>	<ul style="list-style-type: none"> <li>-A cannabis business that either:               <ol style="list-style-type: none"> <li>1. Commits to employ 51% transitional workers**.</li> <li>2. Commits to offering an equity business free or greatly reduced rent, technical assistance, and general business guidance</li> </ol> </li> </ul>

\* A good faith effort is defined as, at minimum, contacting local community-based organizations, City of Los Angeles Work Source Centers, and other such similar organizations to facilitate job outreach, development, and placement services. A Licensee is required to provide a detailed semiannual report on the first business day of January and the first business day of July every year that provides evidence of its outreach efforts, including the number of persons interviewed, and details on who was hired to satisfy the good faith requirement.

\*\* Transitional worker: having a prior arrest and conviction for a misdemeanor or felony; homeless; a custodial single parent; receiving public assistance; lacking a GED or high school diploma; suffering from chronic unemployment; having been emancipated from the foster care system; a veteran of the U.S. Military

City of Long Beach,  
California

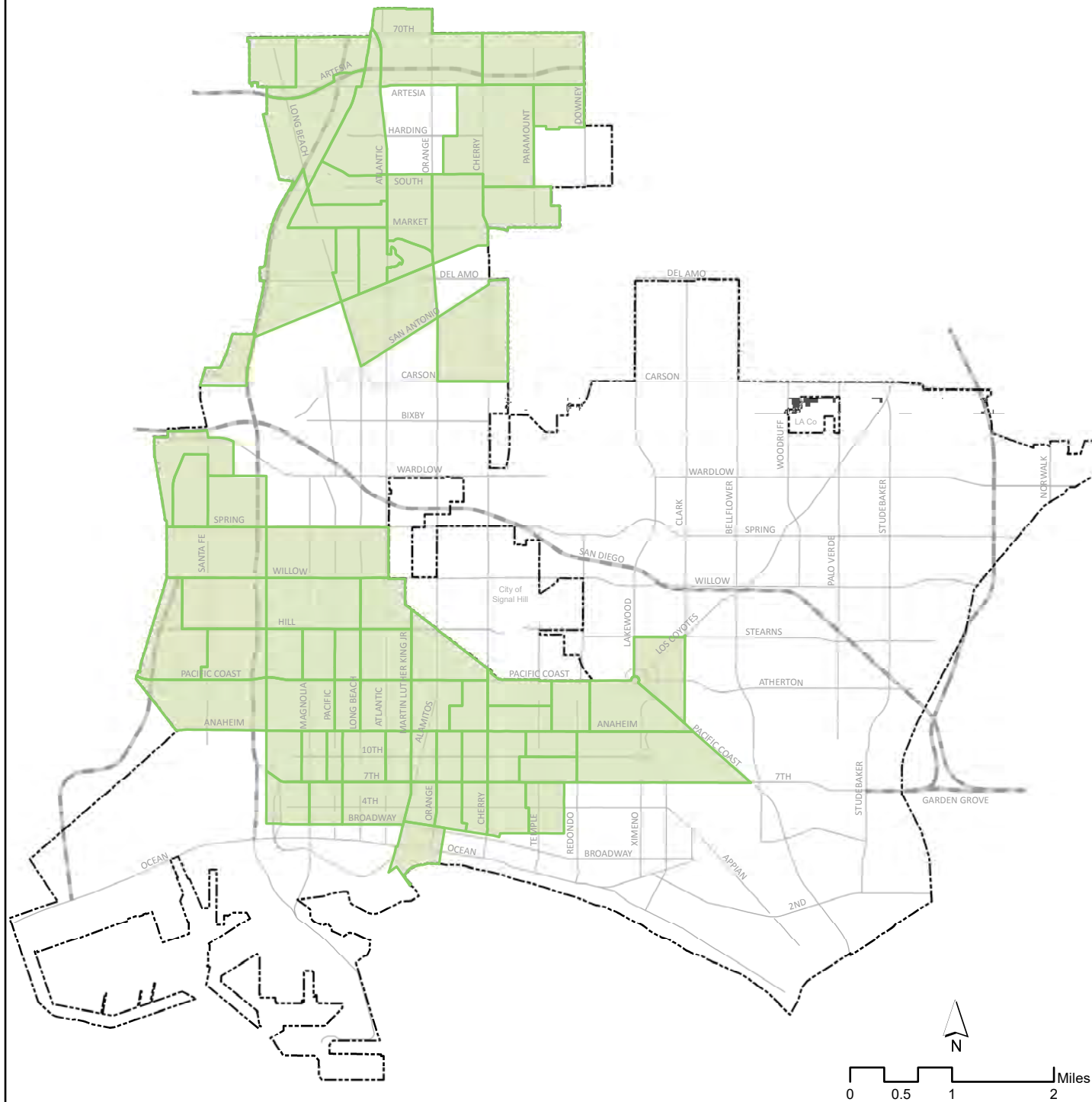


**Census Tracts Eligible  
for Cannabis Social  
Equity Program**

based on  
2010 Census Tracts

- Eligible Census Tracts \*
- City Boundary

\* Census Tracts with at least 51% of current residents with household income at or below 80% AMI



Source: FY17 LMISD Data, based on the 2006-2010 American Community Survey (ACS)



## **Mendocino County Cannabis Equity Assessment February 2020**

Abstract: The legalization of cannabis creates remarkable business opportunities in the future, however not everyone who has made a living in the past is able to thrive in the legal cannabis industry. The California Center for Rural Policy (CCRP) at Humboldt State University and the Humboldt Institute for Interdisciplinary Marijuana Research (HIIMR) collected secondary data to create a cannabis equity assessment for Mendocino. The assessment provides recommendations that will assure assistance is provided to community members that experienced harm from decades of criminalization of cannabis and assist them in participation in the legalized industry in Mendocino County.



## Section 1. Executive Summary

The California Center for Rural Policy (CCRP) at Humboldt State University was asked by the Mendocino County Board of Supervisors (MCBOS) to create a Mendocino County Cannabis Equity Assessment (CEA) to:

- Provide a data-informed look at the history of impacts the prohibition and criminalization of cannabis had on the community
- Provide policy recommendations to guide the county as it develops its Local Equity Plan and program activities which will help former disenfranchised community members successfully enter the legal cannabis workforce.
- Make recommendations that will help assure that there is equity and diversity in the emerging cannabis industry

The Board of Supervisors has also authorized CCRP to create the CEA to inform the Mendocino County Cannabis Local Equity Program. In order to accomplish this, CCRP reached out to the Humboldt Institute for Interdisciplinary Marijuana Research at Humboldt State University to help create the CEA.

The County of Mendocino is committed to including equity as a key consideration as the state of California transitions the cannabis industry to legal status. Mendocino County needs an equity program that makes sense for residents and considers the unique needs and assets of our community.

### Key Findings/Recommendations

For the complete set of findings and recommendations, please see Section 6.

**Finding #1:** Equity program eligibility factors should be focused on specific targeted populations most harmed by cannabis criminalization and poverty in order to reduce barriers to entry into the legal, regulated market. Eligibility criteria should be supported by data.

**Finding #2:** Ensure that applicants meeting equity program eligibility factors have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.

**Finding #3:** All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry. CCRP recommends tracking data on general and equity applicants on an ongoing basis to measure the success of the equity program.

**Finding #4:** Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market that address lack of access to capital, business space, technical support and regulatory compliance assistance.

**Finding #5:** Continue using cannabis revenues collected by the County for community reinvestment programming to rebuild/restore communities adversely affected by the past criminalization of those involved in the cannabis industry.

**Finding #6:** All cannabis operators should provide equitable employment opportunities that provide a living wage. These opportunities should include hiring those with past non-violent cannabis convictions, local residents, and other historically-disadvantaged populations.

**Finding #7:** Geographic disparities may emerge in cannabis-related activities, and scarcity of available land can cause real estate values to rise. Consider land use guidelines that ensure equitable distribution and thoughtful placement of cannabis businesses.

**Finding #8:** Update the Mendocino County Equity Assessment next year and every 3 years afterwards and create an evaluation plan that will:

- 1) monitor and share progress of the Equity Program,
- 2) monitor and share trends in the emerging legal cannabis industry,
- 3) identify areas for course correction and/or unexpected consequences, and
- 4) demonstrate an ongoing commitment to data-informed decision making and strategic planning to ensure Mendocino County's strong transition to a legal cannabis industry.

**Finding #9:** Mendocino County should assist cannabis equity clients with opportunities to market and network with other equity businesses across the state.

## Section 2. Introduction

Mendocino is a rural county in California with a land area of 3,509 square miles and a population of 87,580 people (U.S. Census Bureau, 2018). Approximately 55% of the population resides in urban areas of the county and the other 45% live in rural communities including farms and ranches. In 2018, Mendocino's population was 76% White, 22% Hispanic, 4% Native American, and 15% reported as two or more races. The remaining 3% reported as Asian, African American, or Pacific Islander.

According to the U.S. Census Bureau, the median household income in Mendocino County was \$47,656, 36% lower than the state's median household income (\$74,605). In Mendocino County, 19.1% of the total population lives below the federal poverty level (FPL).

The past criminalization of cannabis adversely impacted communities in Mendocino County in a manner unique to its location as “n epicenter for the war on California cannabis cultivators that consolidated Federal, State and local law enforcement resources starting in the late 1970s<sup>1</sup>. This history cannot be fully understood without examining the intersection of local, state, national, and global politics that made the place and its people central to militarized eradication efforts, and the communities of resistance that became integrated into its social fabric.

In the official record, the singular intensity of America's drug war in rural Mendocino County is most obvious from documents and records related to paramilitary-style cannabis eradication that became formalized in 1983 through the establishment of a seasonal Federal, State and local task forces dedicated to eradicating cannabis, the Campaign Against Marijuana Planting (CAMP). The story begins, therefore, by documenting the fact that Mendocino has been one of two counties most affected by CAMP throughout its nearly 40-year history, from evidence presented in its own annual reports.

Drawing on supplemental materials, this report also describes the communities impacted by the campaign, other instances of paramilitary policing, and perennial conflicts between law enforcement and people involved in nonviolent cannabis production. After the passage of Proposition 215 in 1996, the Compassionate Use Act, California's war on cannabis and its impacts on Mendocino communities evolved new dynamics related to the county's unique efforts to accommodate medical cannabis markets through forms of regulation that included a series of ballot measures and a short-lived “zip tie” program initiated by the Mendocino County Sheriff's Office. This process culminated as State regulatory frameworks (including enforcement aspects) whiplashed from 2016's reformist medical cannabis statute, MRSA, to the Medical and

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<sup>1</sup> Corva, Dominic, “Requiem for a CAMP.” *International Journal of Drug Policy* 25(1): 75-80.

Adult-Use Cannabis Regulation and Safety Act (MAUCSRA), a radical new direction creating California's first legal cannabis markets.

In all periods considered through the report narrative, the Federal war on cannabis provides important context for understanding how Mendocino's unregulated cannabis markets emerged and changed over time, greatly distorting this rural county's efforts to create sustainable, broad-based economic development. The way cannabis was policed created a drug war economy that, at different times, spurred the arrival of new cannabis industry participants. These included an ever-widening segment of the local population looking for a way out of rural poverty, as well as new actors that did not always share the ecological ethics and scale of the communities from which local cannabis livelihoods emerged.

The damage done by the drug war to Mendocino communities included the proliferation of violence to the environment done by industrial-scale "green rush" activity that was incompatible with the environmental and community values embedded in Mendocino's multi-generational, smallholder cannabis market culture. While many applauded public efforts to distinguish between communitarian cannabis stakeholders and "green rush" profiteers, the former kept getting caught up and in the crossfire.

County authorities and cannabis communities tried to manage this increasing dissonance between violent and nonviolent cannabis market participants, between 2000 and 2012. But the Federal and State scales of the drug war and the structural violence of the drug war economy stymied efforts to deploy local, less violent modes of regulation. This resulted in the renewal of widespread mistrust of public authorities and experiences of traumatization continuous in accounts of Mendocino's war on cannabis dating back to the 1970s.

The advent of State and local regulatory frameworks for legal production in 2018 did not end the war on cannabis at either scale. California's war on some cannabis market participants, nonviolent and otherwise, remains intact. The structural cause of ongoing damage to Mendocino communities has to be located at the Federal level. Ongoing Federal prohibition handicaps the State's ability to transition to legal markets and their nonviolent regulation. Most obviously, lack of access to banking means that the new market favors actors with access to large amounts of private capital, very little of which can be found in Mendocino County -- which otherwise has a disproportionately large demographic of people with requisite knowledge and skill to otherwise succeed in the market and contribute to the county's long-term economic development.

Cannabis legalization presents a challenge and an opportunity for thousands of skilled cannabis cultivators in the county that desire to be part of a long-term, sustainable industry. They have the

experience, knowledge, and in many cases the land to become legal, but they do not have the means to overcome barriers to entry and contribute formally as members of a sustainable, long-term industry.

The legalization of cannabis for adult use in California has dramatically shifted the economic climate. Without significant changes in, and support for what is now significantly a multigenerational local cannabis industry, the county economy and population is at risk of suffering irreparable harm. A cannabis equity program presents an important opportunity to create an environment where those adversely affected by past policies can operate and thrive in a legal manner.

### **Section 3. Equity Analysis**

#### Methodology

The California Center for Rural Policy (CCRP) at Humboldt State University was asked by the Mendocino County Board of Supervisors (MCBOS) to create a Mendocino County Cannabis Equity Assessment (CEA) to:

- Provide a data-informed look at the history of impacts the illegalization of cannabis had on the community
- Provide policy recommendations to guide the county as it develops its Local Equity Plan and program activities which will help former disenfranchised community members successfully enter the legal cannabis workforce.
- Make recommendations for future research that will help assure that there is equity and diversity in the emerging cannabis industry

In order to accomplish this, CCRP reached out to the Humboldt Institute for Interdisciplinary Marijuana Research (HIIRM) at Humboldt State University to help create the CEA.

The Board of Supervisors has authorized the creation of a Mendocino County Cannabis Local Equity Program that is informed by this study.

The County of Mendocino has also authorized the creation of a Mendocino County Local Equity Program Manual to focus on supporting individuals and communities that were negatively or disproportionately impacted by cannabis criminalization.

## Historical Context of Cannabis Criminalization in Mendocino County

Northern Mendocino County was “ground zero” for the war on California cannabis-producing communities in the late 1970s. In 1979, California Attorney General George Deukmejian staged the State’s first media-covered helicopter raid in Spyrock, Northern Mendocino, donning a flak jacket and inviting reporters to the scene. After he became governor, his successor John Van deKamp worked with him to obtain federal funding that made such raids an annual affair through the creation of CAMP.

The best indicators we have to demonstrate this are Mendocino County’s “plants eradicated” nationwide rank for the two periods for which CAMP data are available: 1984-1995 and 2004-2009 (see figures below). Although Mendocino never ranked first in eradicated plants for each period, its only peer in the first period (the top two combined for more than 60%) dropped considerably in the second period. Mendocino dropped to third in the second period, characterized by a more even distribution of CAMP’s geographic focus.

<i>Top 10 CA counties by CAMP eradication</i>	<i>Average plants eradicated 1984-1995</i>	<i>Share of CAMP plants eradicated 1984-1995</i>
Humboldt	40311	36.80%
Mendocino	28298	25.90%
Trinity	5686	5.20%
Santa Cruz	4887	4.50%
Santa Barbara	4050	3.70%
Butte	4029	3.70%
Sonoma	3105	2.80%
Monterrey	2391	2.20%
Shasta	2062	1.90%
San Luis Obispo	2045	1.90%
Lake	1924	1.80%

Source: Camp Reports

Between 1984 and 1996, Mendocino was one of the top two California counties in plants eradicated by CAMP by a significant margin. CAMP supply repression raised the farmgate price and risk profile of cannabis agriculture, which attracted producers to and beyond the region that had no interest in being part of local communities, including professional criminal elements.

At the same time, local communities turned to environmentally unsustainable indoor cultivation practices within the county, to protect their multigenerational commitment to stay on the land and avoid the trap of rural poverty. Indoor production in Mendocino County spread south, on the grid; and underground off the grid in the watersheds, using diesel generators to avoid aerial detection. It also spread to public lands and remote locations of private timber estates, as had outdoor production before it.

The California Department of Justice lost its CAMP report records between 1997-2003<sup>2</sup>, so it is difficult to tell exactly when things changed. But after 2003, the geography and logic of eradication had shifted, towards increasingly high plant count operations in remote locations on public and private lands across the state rather than intensively focused on Mendocino and Humboldt.

CAMP clearly shifted its *raison d'être* from policing communities to maximizing plant eradication counts and protecting public land from intensive, industrial-style cultivation by organized criminal enterprises, which attracted more Federal funding and less political blowback. However, Mendocino remained a top three county for CAMP eradication between 2004 and 2009, with more than twice the share of plants eradicated than the county ahead of them in the previous era:

<i>Top 10 CA counties by CAMP eradication</i>	<i>Average plants eradicated 2004-2009</i>	<i>Share of CAMP plants eradicated 2004-2009</i>
Lake	333505	15%
Shasta	286151	12.90%
Mendocino	184192	8.30%
Tulare	153648	6.90%
Fresno	144882	6.50%
Humboldt	109646	4.90%
Los Angeles	91113	4.10%
Riverside	89195	4%
Trinity	73294	3.30%
Napa	67719	3%
Kern	66957	3%

Source: Camp Reports

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<sup>2</sup> Humboldt State University librarians have tried to locate CAMP reports from 1997-2003, but according to the California Department of Justice, a disgruntled employee destroyed them.

This is a significant period for two obvious reasons. First, the passage of California’s Proposition 215 in 1996 shifted the legal grounds for eradicating cultivation sites in the state. And second, CAMP’s reports emphasize foreign, organized crime cultivation particularly in national forests as its main target. Domestic cannabis cultivators, particularly small ones with low plant counts, were significantly de-emphasized as targets of eradication programs in the wake of Proposition 215.

Although CAMP policing practices professionalized over time, the cumulative effects of annual paramilitary raids initiated in the watersheds did lasting damage to the social infrastructure. During this period, communities became less impacted directly by the trauma of paramilitary raid season, and more impacted by how the politics of policing cannabis in California changed and diverged from the enforcement of Federal prohibition. The main impact shifted from direct experience with paramilitary policing to a direct experience of just how unsustainable the drug war economy is. Before we examine the economic impact of the drug war economy on Mendocino after 1996, though, let’s review how CAMP’s formation and first phase was about enforcement on communities that were made into public enemies through the criminalization of a plant they often grew and consumed.

#### *CAMP: Policing Communities*

Initially, CAMP was especially focused on communities with significant concentrations of “hippies” that had recently migrated to redeveloped timber estates and ranches to go “back to the land” after participating in the social movements of the 1960s. They were concentrated mostly in northern Mendocino, southern Humboldt, and the adjacent southwestern corner of Trinity County<sup>3</sup> (Anderson 1987), in watershed connected to the Mattole and Eel Rivers. Those communities adopted local poet Deerhawk’s combination of the river names to identify a cross-county cultural region: the Mateel. The environmental and communitarian values of the Mateel watershed communities have been extensively documented by Mendocino cannabis community archivist Beth Bosk in a project called “The New Settler Interviews.”<sup>4</sup>

Mendocino County has a long history of involvement in the cannabis industry, associated with a pattern of migration to the rural county that began in the mid-1960s and intensified in the aftermath of 1968, as urban anti-war protesters especially from the Bay Area; Vietnam veterans; and those economically displaced by an industrial economy in general decline migrated to rural

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<sup>3</sup> Anderson, Mary. *Whatever Happened to the Hippies?* R & E Miles. 1987.

<sup>4</sup> Bosk, Beth (ed). *The New Settler Interviews Volume I: Boogie at the Brink*. Chelsea Green Publishing. 2000.



areas in search of cheap land where they began to experiment in ways to be left alone on the one hand, and find new ways to be together, for different reasons<sup>5</sup>.

The pattern of settlement was especially visible on the Mendocino coast, where communes and hippie communitarians proliferated on the Albion Ridge; and on its northern border with Humboldt, where “Beat” generation Humboldt native Bob McKee subdivided his family ranch holdings in Whale Gulch out to people, usually hippies, going “back to the land.” Inland, nascent cannabis-growing communities clustered in the watersheds of the Mattole and Eel rivers. By 1985, the area formerly known to its hippie communities as the Mateel was dubbed by CAMP the “Emerald Triangle.”

In an interview published in 1985, CAMP commander Bill Ruzzamenti made clear that community disruption was a goal of the raids, spelling out that they are going after “community support systems” to get to cannabis:

The situation that’s developed in southern Humboldt and northern Mendocino particularly is that you have vast enclaves of marijuana growers . . . We’re going after the community support system that makes it appear as a viable and legitimate enterprise, since everyone around you is doing it”<sup>6</sup>.

Ruzzamenti’s comment shows that these communities were targeted for political reasons, rather than demonstrable safety threats associated with cannabis cultivation or the people who did it. It wasn’t just that they grew cannabis, but that they made it seem like the legitimate industry it now is more than 30 years later.

CAMP’s community disruption agenda belonged to a “law and order” playbook initiated by the Nixon administration in the early 1970s, which used the broad criminalization of drugs to selectively repress political dissidents, particularly hippies and people of color.

Anti-war hippies had become “soft” political targets of the Nixon administration, grouped with people of color though the drug war as scapegoats to gain “law and order” political capital.

Former Nixon aide John Ehrlichman:

We knew we couldn’t make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest their

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<sup>5</sup> Boal, I., J. Stone, M. Watts and C. Winslow. 2012. *West of Eden: Communes and Utopia in Northern California*. PM Press: Oakland.

<sup>6</sup> Raphael, Ray. *Cash Crop: An American Dream*. The Ridge Times Press. 1985.

leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news.<sup>7</sup>

Nixon's War on Drugs used the criminalization of ethnic and countercultural minorities to gain political power, not simply by disrupting their communities but by stirring up a moral panic<sup>8</sup> against his critics through the use of mass media. This practice was so successful that it was adopted by a generation of politicians regardless of party that institutionalized the drug war and drove the rise of mass incarceration. The emergence of CAMP in Mendocino County provides a rural variation on what is more commonly understood as an urban phenomenon, the intensification of paramilitary and parapolice violence against communities characterized by extreme poverty<sup>9</sup>. But first we must examine the national and global political forces that stimulated the commercialization of what was, initially, just another crop in the hippie garden<sup>10</sup>.

### *The first Green Rush*

Starting in 1975 and continuing through 1979, the U.S. government paid Mexico to spray the herbicide Paraquat on its cannabis fields, and advertised the practice widely in the media to scare U.S. cannabis consumers away from Mexican sources. The value of the domestic crop, which could easily be distinguished from its highly seeded Mexican counterparts, skyrocketed. In 1977 the San Francisco Chronicle published a front-page story on the immediate economic impact of this phenomenon on Garberville, the urban "peopleshed" for the Emerald Triangle's rural periphery, in an article titled "How a Town Got High."

This media coverage catalyzed the first "Green Rush," as new actors, including criminal elements but also existing, non-hippie communities living in rural poverty, realized the potential of the new cash crop. It also drew the attention of California law enforcement, which sent the first helicopters to the region in 1979 when a new Attorney General was elected on a law and order platform. In between, the national political environment also shifted radically.

The Carter Administration, led by drug policy reformer Peter Bourne, came into office explicitly in favor of decriminalizing cannabis. The administration continued Ford's Paraquat program, leading National Organization for the Reform of Marijuana Laws (NORML) Director Keith Stroup to "refuse to deny" that Bourne used cocaine at a NORML event, in a 1978 Washington

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<sup>7</sup> Baum, Dan. "Legalize it All." *Harper's Magazine*. April 2016.

<sup>8</sup> Scott, John, ed. (2014), "M: Moral panic", *A dictionary of sociology*, Oxford New York: [Oxford University Press](#), p. 492

<sup>9</sup> Balko, Radley. *Rise of the Warrior Cop: the Militarization of America's Police Forces*. Public Affairs, 2013.

<sup>10</sup> Anders, Jentri. *Beyond Counterculture: The Community of the Mateel*. Washington State University Press, Spokane, Washington. 1990.

Post article<sup>11</sup>. Bourne resigned and the Carter administration stepped back from reforming cannabis laws in the country. The political landscape was cleared for the amplification and institutionalization of the bipartisan War on Drugs during the Reagan administration.

By 1979, Mexican imports had dropped significantly and the farmgate wholesale price of domestic cannabis reached \$2000/lb, more than \$11,000 per pound in 2011 prices. At the end of the Paraquat program, Colombia and Thailand exported the bulk of the cheap, low-end cannabis consumed in the lower 48 states, but domestic sources also achieved liftoff. Cannabis production exploded in Hawaii and the Appalachian region of the US, where a resource extraction commodity bust and therefore rural poverty also provided structural conditions driving participation in the domestic industry<sup>12</sup>.

But it was rural Northern California where efforts to eradicate cannabis in California emerged -- first through state and local efforts, then joined by federal funding in 1983 when CAMP was created.

CAMP was a joint task force created in 1983 to coordinate federal, state, and local agencies for at least eight weeks every year between August and October to locate and eradicate primarily outdoor cannabis agriculture. It was timed to maximize garden visibility close to harvest time, usually the first rains of October. CAMP's funding sources came from an array of law enforcement and environmental bureaucracies that changed over time, but were dominated by the U.S. Drug Enforcement Agency (DEA) and California's Bureau of Narcotics Enforcement (BNE). Federal agencies that also contributed included the U.S. Forest Service, Coast Guard, Customs, Marshalls, Internal Revenue Service (IRS) and Alcohol Tobacco and Firearms (ATF). Significant California agencies included the Bureau of Land Management (BLM), Fish and Game, Forestry, Corrections and the California Highway Patrol (CHP).

CAMP brought into coordination previously existing county and state efforts to police cannabis agriculture, and was initially focused on three Northern California counties: Humboldt, Mendocino, and Trinity counties, which were dubbed the "Emerald Triangle," a geographical imagination likely introduced by law enforcement as part of a media campaign meant to evoke comparisons with Southeast Asia's opium-producing "Golden Triangle."

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<sup>11</sup> Clark, Claire and Emily Dufton. "Peter Bourne's Drug Policy and the Perils of a Public Health Ethic, 1976-1978." *American Journal of Public Health* 105(2): 283-292.

<sup>12</sup> Clayton, Richard. *Marijuana in the "Third World": Appalachia, USA*. Lynne Rienner, Boulder, Colorado and London. 1995.

In 1979 Republican George Deukmejian, recently elected AG on a law and order platform, donned a flak jacket for the first “media raid” of Emerald Triangle cannabis communities, in northern Mendocino County.<sup>13</sup>

After Deukmejian was elected governor of California in 1982, he collaborated with incoming Democrat AG John Van de Kamp and former California governor-turned president Ronald Reagan to institutionalize the state’s summer eradication program as a joint Federal, State and local task force. As governor from 1967-1975, Reagan had a history of cracking down on hippies and student protesters -- many of whom then fled to Humboldt and Mendocino in the back-to-the-land movement and created the earliest domestically produced cannabis markets.

Communities were disrupted from regular paramilitary raids that disproportionately targeted Humboldt and Mendocino counties. Enforcement methods often deviated from standards of professional police conduct toward citizens with constitutional protections. Three key community self-defense institutions emerged in the conflict: the Citizen’s Observation Group (COG), which followed CAMP around documenting what happened; the Civil Liberties Monitoring Project (CLMP) which sued the government based on that documentation; and community alert systems that started as networks of walkie-talkies in the hills and evolved into regular programming on KMUD, the Emerald Triangle’s community radio station.

In 1985, CLMP, staffed by lawyers from both Mendocino and Humboldt Counties, partnered with the California chapter of the National Organization for the Reform of California laws in a successful injunction against unconstitutional CAMP practices, *NORML v Mullen*. Fifty sworn declarations from County residents alleged

... warrantless searches and seizures, arbitrary detentions and destruction of property, and sustained low-altitude helicopter activity resulting in repeated invasions of privacy, emotional distress, property damage, disrupted schooling and work, and general danger to the public. Plaintiffs contend, in short, that CAMP is "out of control" and has turned its areas of operations into "war zones."<sup>14</sup>

In finding for the plaintiffs, the court found that official CAMP policy provided by the attorney general’s office and supported by Ruzzamenti’s testimony explicitly “endorses warrantless entries, searches, and seizures on private property,” lending “considerable credence to the allegations of warrantless searches and seizures and the oppressive character of the resulting

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<sup>13</sup> Hurst, J., & Garlington, P. (1979). Police play knock knock with home pot growers. *The Modesto Bee*, (December), 3.

<sup>14</sup> *NORML v Mullen*. 1985. Electronic document accessed on August 27, 2019. Url: <https://law.justia.com/cases/federal/district-courts/FSupp/608/945/1465035/>.

encounters with innocent residents.” Domestic policing operations, paramilitary or not, had to be held to constitutional standards consistent with the rights of citizens.

In 1990, Operation Green Sweep, a joint Federal-State exercise outside CAMP’s scope and guidelines issued by *NORML v Mullen*, was deployed in the King Range near Whale Gulch, which straddles the Humboldt-Mendocino border near the coast<sup>15</sup>. Green Sweep marked the first time active-duty military units were used to police drug crimes, let alone cannabis, inside the United States<sup>16</sup>.

The resultant lawsuit by CLMP, which focused on environmental harms associated with the operation as well as civil rights claims from communities that found themselves accosted by commandos without due process, dragged out for years before culminating in guidelines issued to the state’s BLM for considering environmental impacts associated with eradication operations nominally led by that agency on California public lands<sup>17</sup>.

Of particular interest to our focus on community disruption, a newsletter from CLMP archives notes comments from one defense lawyer to his own team:

"There was almost no irrelevant testimony. It was an impressive mix of commenters [*sic*]. You would have been impressed with the professionalism and seriousness with which the public presented their comments. Informally, I was taken in a way I haven't been before in eight years, with the profundity with which the operations have impacted this area and community. Until these two days of public meetings, I didn't realize the extent of the effects on the people who live there"<sup>18</sup>.

### *1996-2008: Diffusion and expansion of cannabis in Mendocino*

In 1996, Proposition 215 established protections from prosecution for medical cannabis patients and caregivers. It was the culmination of a six year process catalyzed by the HIV/AIDS crisis,

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<sup>15</sup> Military Takes Part in Drug Sweep And Reaps Criticism and a Lawsuit  
[KATHERINE BISHOP, Special to The New York Times, New York Times](#), Late Edition (East Coast); New York, N.Y. [New York, N.Y]10 Aug 1990: A.12.

<sup>16</sup> Mendel, Col. William. “Illusive Victory: From Blast Furnace to Green Sweep.” *Military Review* 1992 (December: pp 74-87).

<sup>17</sup> Webster, Bernadette. “Greensweep Lawsuit Update.” CLMP publication from Spring/Summer 2000. HAPA Archives electronic document accessed August 27, 2019. Url: <http://www.haparchive.org/civilliberties.org/ss00greensweep.html>.

<sup>18</sup> Webster, Bernadette. “The Sweepings of Greensweep.” CLMP publication from Spring 1999. HAPA Archives electronic document accessed August 27, 2019. Url: <http://www.haparchive.org/civilliberties.org/spr99greensweep.html>.

centered in the Bay Area where Dennis Peron was inspired to fight for legal reforms upon the brutalization of his severely afflicted partner by San Francisco Police over cannabis possession. Cannabis flowed south from Humboldt and Mendocino counties to medical cannabis compassion clubs. In 1997, two out of five Mendocino County Supervisors voted for a resolution to refuse CAMP funding.

In the absence of statewide regulation, local law enforcement found it increasingly difficult to obtain convictions for cannabis trafficked through the county. Mendocino resident and lifelong civil rights activist<sup>19</sup> Pebbles Trippet won a landmark case in 1997, *People v Trippet*, establishing a “patient’s current medical needs” defense for transportation-related arrests in California. The landmark case weakened California criminal enforcement cases related to medical cannabis considerably.

In 2000, Mendocino voters approved Measure G, legitimizing grows up to 25 plants and making the policing of such small gardens the lowest county priority. Cannabis cultivation (small- to large-scale) grew in Mendocino as it did all over the state, somewhat protected by the gray legal defense opened up by the Compassionate Use Act. And 2004’s Senate Bill 420 which set up a statewide medical cannabis identity card system and expanded protections for patients and primary caregivers that organize cultivation in a “collective or cooperative” manner (hereafter referred to as “collective”).

SB 420 effectively opened the floodgates for the commercialization of California’s medical cannabis markets. There were no limits on how many patients could be in a cooperative, and no limits on how many cooperatives a patient could join. Measure G went from being a uniquely progressive County policy for accommodating what was by then multigenerational, communitarian, small-scale cannabis cultivation to anachronistic policy overnight.

Cannabis cultivation, distribution, and dispensing became increasingly normalized in the county, to which there emerged a reaction. Larger scale cannabis production -- almost entirely indoor in the 1990s -- became almost entirely outdoor again for the first time since the 1980s. This was great for the industry’s carbon footprint, but led to increasing public visibility and more complaints to the Sheriff’s office. The Sheriff’s office had to respond to such complaints, but generally couldn’t do anything about gardens in compliance with Measure G and/or SB 420, including collective gardens after 2004. This led to an increasing drain on public resources, as law enforcement time and energy were spent on situations that were difficult to enforce, on the one hand, and often involved otherwise upstanding members of the community on the other. But the legal conditions set by 215 and Measure G created a gray area in which who counted as

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<sup>19</sup> [Trippet](#) began her activist career in 1960, helping desegregate public lunch counters in Tulsa, Oklahoma.

community members, and what police actions counted as legal and/or just, subject to political interpretation.

In 2005, for example, a Fort Bragg facility supplying a locally compliant San Francisco medical cannabis delivery service called “MendoHealing” was raided by Mendocino law enforcement<sup>20</sup>. Law enforcement seized more than 1700 plants and 1000 pounds of cannabis, numbers way above the Measure G’s limits. Sixty-five people were discovered trimming and processing cannabis, many of which were Mexican migrants who had recently worked in the county’s grape harvest. Although the facility contained paperwork including a letter from Sheriff Tony Craver confirming the medical status of the operation, as well as patient records supporting a 215-compliant legal defense the business as a collective garden, observers reported legally questionable actions by the law enforcement team:

The crew was handcuffed for about half an hour—“detained but not arrested,” they were told—then cut loose and ordered to leave the premises until 9 p.m. Those who returned that night found the warrant and an itemized list of what had been seized on the kitchen table. Our source says, “Anybody that had more than \$100 cash on them, they took it and they didn’t give anybody a receipt for it. Since everybody was paid in cash, most of the trim crew had more than \$100 on them... I feel like we were robbed. Somebody broke and entered and robbed us. It was the exact same thing.” Migrant workers don’t usually use banks, many keep their earnings on them in cash. One man who had worked the grape harvest was said to have lost \$8,000 to the law enforcers.

#### *2008-2016: Political and Economic Volatility*

The last decade of local cannabis criminalization in Mendocino County played out in an especially volatile manner, even relative to the rest of California. Economically, Mendocino’s traditional cannabis community was caught between a new “green rush” of actors that valued commercial interests over sustainable livelihoods. And politically, Mendocino’s nonviolent, locally embedded, communitarian actors that had consistently operated within the spirit of the Compassionate Use Act were caught in the crossfire of county’s efforts to define and enforce against profit-motivated, environmentally unsound actors. The dynamic interplay between regulation and criminalization included Federal criminal enforcement dimensions, particularly when 2011’s “Operation Full Court Press” that led to the demise of the local sheriff’s innovative zip tie program and substantially eroded public trust in the county’s efforts to move away from criminal enforcement against communitarian market actors.

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<sup>20</sup> <https://www.counterpunch.org/2005/11/19/the-raid-on-mendohealing/>.

The Board of Supervisors efforts were codified in the 2008 establishment of, and subsequent near-annual revision of Chapter 9.31 in title 9 of the Mendocino County Code. 9.31 was added to the Code by Ordinance 4197. It implemented the Board’s successful initiative, Measure B, which repealed Measure G and reduced the individual garden limit from 25 to those set by California’s default guidelines: six plants. It also set the maximum garden size for any one property at 25 and established zoning requirements for the first time, dramatically limiting existing forms and locations for cannabis market activities.

Ordinance 4197 was particularly noteworthy for its codified justifications in section 9.31.020, focusing on the smell of cannabis as a public nuisance since 2004, when SB 420 was passed, in findings 9, 10, 14, 16 and 18. Actual criminal activity is mentioned by itself in finding 15 as a short sentence that says “[t]here have been several marijuana cultivation related incidents, some including acts of violence.” The ordinance more about establishing civil limits to cannabis activity as a public nuisance than controlling crime, but for the first time in 14 years local law enforcement was being legally tasked with more enforcement.

Measure B was controversial. For obvious reasons, cannabis market participants faced a sudden reduction in the scope of their allowable activities and campaigned hard against it. However, law enforcement also saw that the measure would require more law enforcement resources at a moment when the financial crisis was about to decimate available public budgets. For much of the campaign Sheriff Tom Allman remained neutral, deciding to come out in favor of the measure when its opponents circulated a quote that he felt was taken out of context and implied that he was against it.

The quote itself is notable as an artifact of Mendocino law enforcement attitudes towards using resources on types of cannabis market activity that could be construed as outside the bounds of community values and interests:

Investigating violent crime will remain our top priority. We do not, and will not, target small grows. We will continue to focus on large grows and complaints about growers who create a public nuisance, endanger public safety or trash the environment<sup>21</sup>.

Just what constituted small grows and public nuisance was precisely what Measure B re-codified: the quote was neutral with respect to that change.

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<sup>21</sup> <https://www.ukiahdailyjournal.com/2008/05/14/sheriff-endorses-measure-b/>



The ordinance also established language for a “zip tie” program for cultivators to pay fees to register flowering plants with the County, which went into operation in 2010 and will be discussed below.

In January 2010, California’s default medical cultivation and possession limits that formed the basis of Measure B’s guidelines were removed by the state Supreme Court. **People v Kelly** struck down SB 420’s plant and dried flower possession limits, partly by using **People v Trippett** as precedent. State law had changed, but there were other local reasons for a new ordinance to revise 9.31. A 2016 ordinance revision described the 2010 situation succinctly:

[I]n 2010, in response to complaints that the 25 plant per parcel limit was too restrictive and that the overall impact on negative impacts was less than optimal, the County amended this ordinance to allow for an exemption to the 25 plant per parcel limitation provided that those seeking the exemption apply for, obtain, and abide by the conditions of a permit issued by the Sheriff<sup>22</sup>.

The Board of Supervisors amended 9.31 through Ordinance 4235, which relaxed the individual and collective garden plant limits from 6/25 to 25/99. Cultivation of 26-99 plants did however require an application for exemption that would only be granted on parcels of at least 5 acres, as one of 22 conditions that had to be met. These conditions also mandated participation in the zip tie program established in 2008, but without proper incentives for participation.

Ordinance 4235 also established a more rigorous set of guidelines for growing indoors. As mentioned above, illegal cannabis cultivation moved mostly indoors in the 1990s in response to increased enforcement of outdoor production through CAMP and COMMET, Mendocino’s year-round county eradication task force. Just two years after Measure B exposed outdoor cultivation to more enforcement, the county was responding to a similar dynamic. The regulatory framework grew much more complex, but there was no civil authority established to govern it. Instead, Ordinance 4235 charged the Sheriff’s Office with a large laundry list of regulations to check to achieve and investigate compliance with civil nuisance abatement and zoning policies.

Most importantly for our narrative here, Ordinance 4235 required that cultivators participate in the zip tie program introduced in 2008. Again, 2016’s Ordinance language provides a clear perspective on the program, in Finding M:

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<sup>22</sup> Ordinance 4356, Section 9.31.030, Finding L.

The exemption came to be known as the 9.31 permit program and successfully provided a means for medical marijuana cultivators to be clearly in compliance with state and local law while protecting the public peace, health, and safety, including the environment.

The 9.31 permit program sought to draw a clear line between cannabis cultivation by people who could be governed as members of communities, and people who could not. Once again, Mendocino County tried to deal with the impact of cannabis criminalization, including the way it perversely incentivized relatively selfish behavior, by creating a way for its law enforcement officers to distinguish between permitted “good” cultivation and “bad” cultivation to be prosecuted, in the absence of meaningful State regulation and the continued presence of Federal prohibition.

Approved medical cannabis cooperatives could purchase zip-ties from the Sheriff’s office to be attached to each flowering plant, creating a revenue stream that helped save the county’s law enforcement budget from cuts related to effects from the 2008 financial crisis. 9.31 was featured on National Public Radio’s (NPR) *This American Life* program<sup>23</sup>, on August 16, 2013. NPR interviewer Mary Cuddehe connected the value of the 9.31 permit program but to with wider financial crisis:

At the time, Mendocino, like counties and states all across the country, was facing huge budget cuts. Allman had already been told that he needed to lay off five deputies. But 9.31 brought in almost a million dollars in the first two years, enough to keep those jobs.

In the interview, Allman emphasized clearly how he felt the program benefitted Mendocino County communities: “I was very excited to have clear regulations. I feel that overall it was a very healing time for the community.”

The “healing time” to which he refers wasn’t just about reducing the impact of enforcement on otherwise law-abiding citizens in the community. He felt that the program freed up resources to go after cannabis market participants that weren’t popular even with communitarian cannabis market participants, especially environmentally damaging cultivation on public lands. Armed with a clear distinction and liberated bandwidth, in 2011 Allman joined other rural California agencies to partner with National Guard, the DEA, the FBI, the Bureau of Land Management, California Fish and Game, and the National Bureau of Land Management for “Operation: Full Court Press,” a CAMP-style<sup>24</sup> eradication effort focused mostly in the Mendocino National Forest.

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<sup>23</sup> Transcript here: <https://www.thisamericanlife.org/503/transcript>

<sup>24</sup> For several years at the beginning of this decade, CAMP was re-branded as CERT, Cannabis Eradication and Reclamation Teams, operating mainly in national forests and remote timberlands.

The 2013 NPR interview reflects Allman’s analysis of how that operation led to the demise of the 9.31 permit program in 2011. Two weeks after the operation concluded, he met with the US Attorney for Northern California Melinda Haag, the FBI supervisor of Northern California, four other sheriffs, and four district attorneys to brief them on the program. Two months after the meeting, in which Haag’s office (according to NPR) claimed to rebuke Allman for running a program that wasn’t consistent with federal law, the Sheriff received notification from federal authorities that they were raiding one of the first farmers who had signed up for the program, Matt Cohen.

In the NPR piece, Mendocino County Supervisor John McCowan expressed the theory that when Federal law enforcement came to Mendocino for Full Court Press, they didn’t like what they saw and wanted to prevent other counties from emulating the program. McCowan said: “I do have it on good authority that the federal attorney and others were actually getting calls saying, ‘We understand what Mendocino County is doing is working very well. How do we do that?’”

Following the raid, the Department of Justice subpoenaed the county for all records related to the 9.31 program, including the names and locations of participants. The county eventually successfully struck a deal to withhold the names of the farmers, but absent such efforts the Federal criminalization of cannabis would have turned Mendocino’s effort to reduce impacts to the community into an informant on the community it was trying to protect.

Deeply rooted mistrust of government authority that had been growing for three generations developed another layer, given Federal prohibition that continues to this day. Even if local authorities recognized communitarian approaches to cannabis market participation, local efforts to regulate cannabis could still be used by extra-local authorities to disrupt and impact local communities. This is a condition that holds today, and will hold as long as Federal prohibition remains in effect, and significantly impacts current decisions to try to participate in California’s fledgling legal market.

Allman’s final reflection from the NPR piece is telling, because it illustrates how the Federal criminalization of cannabis shut down a program that, from the perspective of the Mendocino County Sheriff, was a successful community relations program:

Two years ago, people were paying cops \$500 a month to come to their house, count the number of marijuana plants, make sure they weren't stealing water, make sure they weren't using dangerous environmental practices and they weren't spilling diesel. I mean, what better

solution is there than to have this open communication? But we're not going to have that now.

The Department of Justice's intervention led to two more revisions of 9.31 in the next two years. Ordinance 4291 passed in February 2012 eliminated the 99 plant exemption from the 25 plant per parcel limit and all substantive components of the regulatory program that developed between 2008 and 2011. The following year, Ordinance 4302 added section 9.31.015. It declared that all medical cannabis information collected by the county was intended to be confidential, retroactive to 2008. It would be three years later, in 2016, when the County again took to the task of constructing new medical cannabis regulations.

### *2016-present*

In 2016, two processes that started independently of each other happened at once, ushering a new period of rapid change for Mendocino County communities. The California State Legislature had passed the Medical Marijuana Regulation and Safety Act in 2015 (MMRSA), which went into effect on January 1, 2016, to regulate and tax medical cannabis statewide that replaced SB 420 and sunset provisions associated with Proposition 215. It was re-worked in 2016 as the Medical Cannabis Regulation and Safety Act (MRCSA), and it created a short-lived Bureau of Medical Cannabis Regulation (BMCR). Mendocino's Measure B finally had a state-level counterpart, although as we have seen Measure B had been gutted due to Federal intervention four years earlier. At the same time, California passed a legalization initiative, the Adult Use of Marijuana Act (AUMA), that overlapped considerably with MRCSA with respect to regulation and taxation but was focused on transforming commercial cannabis activity previously associated with medical cannabis markets into a non-medical, adult-use legal framework. MRCSA, though, initiated a dual state-local licensing requirement that meant local jurisdictions like Mendocino were once again in the business of licensing and taxing medical cannabis operations.

The significant regulatory overlap between the two regimes propelled the legislature to combine them into one, the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCSRA). Although MAUCSRA was a major reboot of California cannabis law, it “did not create a legal tabula rasa ... Instead, MAUCSRA changed and augmented existing laws, making California cannabis laws more byzantine than ever<sup>25</sup>”. The BMCR became the Bureau of Cannabis Control (BCC), but shared regulation authority with new cannabis-specific branches created within the California Department of Food and Agriculture and the Department of Public Health.

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<sup>25</sup> Figueroa, Omar. 2018. *California Cannabis Laws: MAUCSRA* edition. Page 3.

In 2016, Mendocino voters passed Measure AI, establishing a local tax rate on medical cannabis businesses and allocating revenue from those taxes to general county services, including illegal cannabis enforcement but not to any services related to the civil regulation of new legal frameworks. The lack of funds for civil regulation had a direct impact on the pace and quality of County permitting processes, while providing money for enforcement against unpermitted (including a nervous demographic of “yet to be permitted”) cannabis operations.

Delays in processing cannabis business applications have increased the cost of transitioning “heritage” cannabis applicants (defined by the county as those operating before 2016) to the new market considerably, given the high cost of meeting state and local regulatory requirements with no access to capital to make the improvements.

The capital barriers to entry situation for potential Mendocino equity applicants is greatly exacerbated, especially for cultivators and small business operators, by the collapse of wholesale cannabis prices on the West Coast of the United States since about 2010. This phenomenon is relatively independent of market fluctuations due to local regulatory volatility; and also independent from the very recent emergence of state-legal cannabis markets. It is, however, directly related to the ebb and flow of cannabis criminalization in the State.

The paradox of cannabis legalization in California is that it is at least 10 years too late for the vast majority of small businesses and communitarian individuals historically involved in cannabis markets, because they have been going broke during that time period; and that the larger, profit-motivated commercial enterprises much more likely to have been associated with organized crime and environmentally impactful business practices over the last 10 years are in a much better position to capitalize on transition to the legal market.

The following section reviews how the enforcement of cannabis criminalization structurally creates boom and bust cycles we are accustomed to seeing with unsustainable resource extraction economies; and that the onset of the bust before any opportunity to transition to a regulated, sustainable future confounds Mendocino’s efforts to create conditions for sustainable economic development in the context of rural poverty.

### *The Drug War Economy and County Economic Development*

Adjusted for inflation, wholesale farmgate prices remained fairly stable from the 1980s to the mid-2000s as cannabis eradication suppressed supply and drove up risk capital, pushing cultivation indoor and to more remote areas of California including public lands. After the passage of Proposition 215 in 1996, however, eradication efforts backed off considerably due to

the gray area created by the state initiative. As CAMP retreated from policing small growers with medical authorizations, risk fell and production from people embedded in communities and many who were not rushed in. This echoed the pre-CAMP, post-1978 original “green rush,” with similar dynamics.

The gradual, post-1996 statewide decline in the enforcement of cannabis criminalization in the context of ongoing Federal prohibition created major shifts in the economic geography of cannabis production in California, with national, global and Mendocino-specific implications. Local Mendocino cannabis cultivation and market activities increased, like the rest of the state. But Mendocino’s geographic position south of Humboldt County, its sister cannabis producing county, meant that an enormous flow of cannabis passed through the county on 101 on its way to the Bay Area, the rest of the state, and indeed the country. This process certainly accelerated after 2004, with the passage of SB 420. Dispensaries, especially in the Bay Area, evolved as more vertically integrated enterprises using local urban warehouse production. In the first half of the first decade of the century, two things happened.

First, rural producers lost share in urban markets in California to indoor producers. And second, rural and urban California producers surpassed Mexican imports as the primary supplier of cannabis consumed elsewhere in the United States, perhaps partially in response to declining State share. It’s not clear which came first, but the two are clearly related and implicate the third event: a price collapse between 2009 and 2018. This signalled an end to a 30-year boom sustained entirely by prohibition’s function as a price support mechanism preventing overproduction.

In 2009, the wholesale farmgate price for a pound of cannabis was about \$3000. By 2011, it was under \$2000, and by 2014 it had dropped to \$1200. At the end of 2018, wholesale pound prices bottomed out at about \$500. Unregulated cannabis cultivation ceased to be much of a viable livelihood strategy. This had the effect of driving many profit-motivated, large-scale, mono-crop producers out of cannabis cultivation towards more profitable pursuits elsewhere. For smaller scale cannabis market participants for whom Mendocino was home, however, leaving was not an option.

Legalization, which formally began for California in 2018, did not cause the economic collapse of unregulated cannabis cultivation as an economic engine for the production of rural livelihoods. Rather, runaway production especially in Northern California and Southern Oregon, where it had become integrated into the social fabric of many communities as a quasi-decriminalized informal economic sector, in the context of ongoing Federal prohibition

that resists such a possibility, catalyzed the commodity bust that intensified conditions of rural poverty in the County.

In particular, this means that communities affected by the war on drugs in Mendocino County were ill-prepared to enter a 2018's regulated legal cannabis industry, which as noted before is a system characterized by extremely high capital barriers to entry due to the ongoing Federal criminalization of cannabis.

### *Conclusion*

The cannabis markets that developed between 1996 and 2008 allowed many residents of a county characterized by conditions of rural poverty to develop novel livelihoods in compliance with California's Compassionate Use Act. For eight years, until 2004, traditional medical cannabis markets remained fairly stable if increasingly public and perhaps a little odorous. After 2004, as the HIV/AIDS crisis subsided and commercial medical cannabis markets developed throughout the State (connected to but more or less on top of traditional medical cannabis markets), the idea that cannabis needed to be regulated in Mendocino County emerged as a political issue, culminating in 2008 when Measure B passed at the onset of the global financial crisis. For the next three years, the County and its communities navigated how to grapple with ways to govern cannabis beyond the use of law enforcement, even if law enforcement was tasked with implementing those ways. As Federal forces took a wrecking ball to forward-looking experiments in California local governance, the commodity boom went bust and the livelihoods that were still mostly invented during the 12-year stretch, when cannabis policies tended towards liberalization rather than regulation across the State, became precarious.

The present impacts of cannabis-specific drug war criminalization on communities in Mendocino County have much deeper roots and lasting effects than just about anywhere else in California. Part of this has to do with Mendocino's unique efforts to accommodate small, otherwise law-abiding cannabis businesses through regulation administered through its criminal enforcement agencies. This strange arrangement meant that every few years a different "bright line" was drawn between legitimate and illegitimate cannabis market activity, and once that line was drawn more criminal enforcement was enacted, which often caught folks on the other side of that line in the crossfire. The fact that that line was much blurrier in neighboring counties where intensive cannabis market growth exacerbated the situation. But conditions of rural poverty created an incessant "pull" factor into cannabis market activities of all types, dating from the beginning.

In some ways, what has happened in Mendocino prefigured what is happening in California now, just two years after the State chose to create an entirely new legal cannabis market rather than integrating its globally-integrated existing ones. CAMP, for example, has been resurrected from wherever it went after it became CERT, an environmental policing program mostly for protecting public lands. This time, some of the public reasons for enforcing against state-illegal cannabis activity include protecting the nascent market from its perceived competition, which is also Federally illegal.

Enforcement never went away. Between 2008 and the present moment which includes conditions of State legalization, Mendocino communities continued to be impacted by forms of paramilitary policing and related trauma. Last year, in 2019, the California governor pulled National Guard troops from the Mexican border to go after the remaining industrial scale grows on public and private land in Northern California, with a particular emphasis on Humboldt and Mendocino counties. Just like 40 years ago, however, it is clear that small farmers -- including those awaiting permit processing -- were caught up in the crossfire.

On July 1, 2019, permitted cultivator and Mendocino Cannabis Alliance chair Casey O'Neill wrote a letter published in the Mendocino Voice. The introductory and concluding paragraphs state:

I write today as a son of Mendocino County, and as Policy Chair for the Mendocino Cannabis Alliance. I write as a farmer and homesteader to speak to the heavy-handed enforcement that is happening in our communities. I am appalled by what has been reported to me regarding law enforcement treatment of small-scale cannabis cultivation. There are two issues I grapple with: first, small cultivators being caught up as collateral damage when cannabis laws are enforced through militarization; and second, the atrocious and inhumane treatment of those enforced upon, whether “properly” targeted or not ...

Collateral actions should be limited and homes should not be violated. Chopping down plants is one thing, ransacking homes is another. Community members find themselves caught between the rock of enforcement and the hard place of a convoluted and unaffordable permitting process. *Enforcement without opportunity is a broken paradigm* [emphasis added].

O'Neill's final sentence bears directly on why Mendocino County is applying to the state for equity funds. Cannabis legalization, as a defection from patterns of national cannabis criminalization that began as a political strategy to target Richard Nixon's domestic enemies, is in its infancy. A great deal of work remains to make it work the way it is supposed to, to



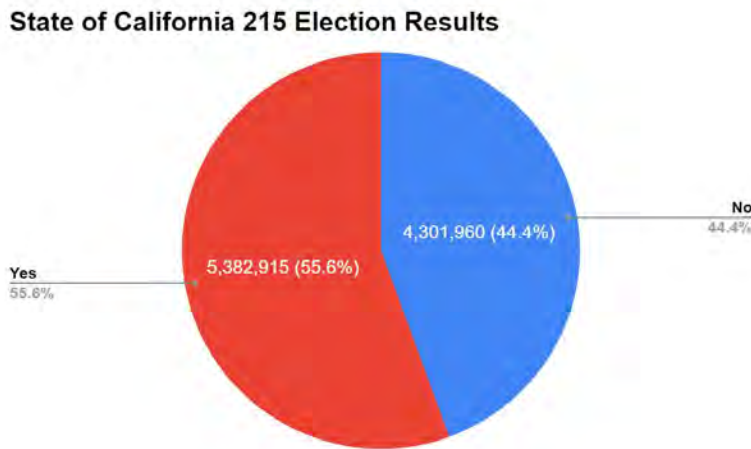
eliminate prohibition’s impacts on California communities. Enforcement remains part of the state’s policy tool kit, and equity grant funds are desperately needed to help create the kinds of opportunities that could fix what is otherwise a broken paradigm.

The equity program seeks to support small businesses, and the restoration of ecologically sustainable principles that characterized the emergence of cannabis agriculture in Mendocino County, which was the birthplace of cannabis agriculture in California. Traditional cultivators that are left behind are vulnerable to remaining dangerous criminal elements; have been doing it so long there is no viable career alternative; cannot receive help mitigating pre-cannabis timber-related environmental problems where they settled; and cannot afford to implement sustainable cultivation practices to address environmental problems that have emerged around them.

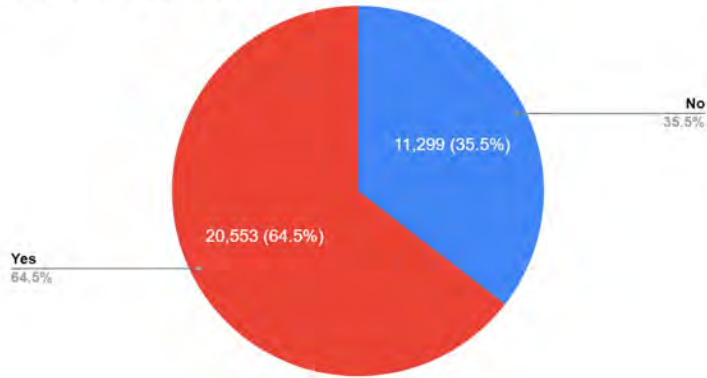
### History of Cannabis Policy Reforms in California & Mendocino County

#### *California*

In 1996, California passed Proposition 215, the Compassionate Use Act. Mendocino County also supported the measure. California was the first state in the United States to legalize cannabis for medical use.



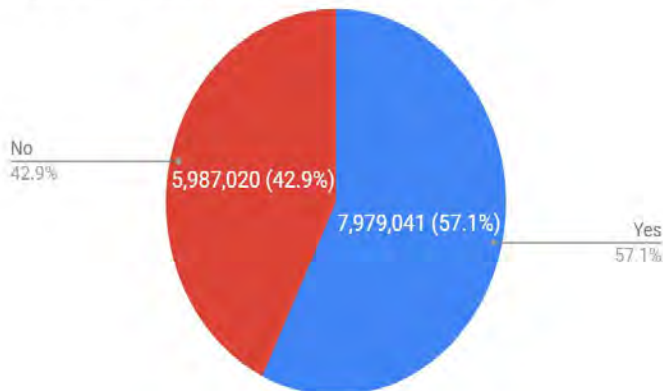
### Mendocino County 215 Election Results



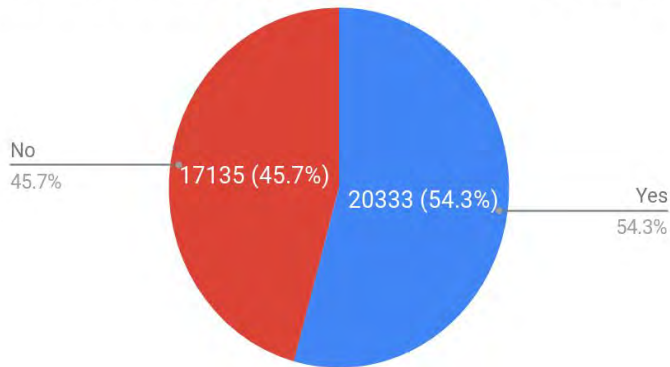
The Compassionate Care Act made it possible for patients and qualified caregivers to cultivate and possess cannabis for personal use. No regulatory structure was put in place. California voters continued to push for policies to decriminalize drug use, as evidenced by the voter-approved Substance Abuse and Crime Prevention Action in 2000, which allowed the state to offer eligible offenders convicted of drug use and/or possession treatment instead of jail time.

In 2016, California established a legal framework to regulate and monitor cannabis dispensaries after the passage of the Medical Marijuana Regulation and Safety Act. On November 8, 2016, California voters passed Proposition 64, the Adult Use Marijuana Act. Proposition 64 legalized the distribution, sale, and possession of cannabis. It passed with 57% of the vote statewide and 54% in Mendocino County.

### State of California 64 Election Results



## Mendocino County Prop 64 Election Results



### *Mendocino Measures*

The below section provides a high level summary of Mendocino's cannabis-related measures and programs from 2000- the present.

**Date:** 2000

**Title:** Measure G

**Summary:** Measure G's focus was on how many marijuana plants could be legally grown by residents of Mendocino County. This measure set the limit of growth to 25 plants for personal use. This measure was passed by 58% of Mendocino County's voters.

**Date:** 6/3/2008

**Title:** Measure B

**Summary:** Measure B's focus was on how many marijuana plants could be legally grown by residents of Mendocino County. This measure reduced the limit of 25 plants, set by Measure G, to a limit of 6 plants. Measure B was approved.

**Date:** 2009-2011

**Title:** 9.31 Program

**Summary:** The 9.31 Program created a licensing system for allowing streamlined monitoring of marijuana growers. This allowed farms to grow more plants, if they registered for a license, paid for zip ties on each plant, and paid inspection fees.

**Date:** 8/2/2016

**Title:** Cannabis Business Tax

**Summary:** To impose a tax on the privilege of cultivating, manufacturing, dispensing, producing, processing, preparing, storing, providing, donating, selling, or distributing cannabis and/or cannabis products by commercial businesses in unincorporated areas of the county.

**Date:** 4/4/2017

**Title:** Mendocino Cannabis Cultivation Ordinance

**Summary:** Regulation of the cultivation of cannabis within the unincorporated areas of Mendocino County in a manner consistent with State law. This ordinance promotes the health, safety, and general welfare of the residents and businesses through balancing medical needs, public safety needs, and environmental impact needs.

**Date:** 4/4/2017

**Title:** Cannabis Cultivation Sites

**Summary:** The objective is to allow the cultivation of cannabis in locations that are consistent with the intent of the base zoning districts and to help ensure that its cultivation and related activities will not create adverse impacts to the public health, safety, and welfare of the residents of the County of Mendocino.

**Date:** 10/17/2017

**Title:** Cannabis Facilities

**Summary:** Regulation of the processing, manufacturing, testing, dispensing, retailing, and distributing of cannabis within the unincorporated areas of Mendocino County in a manner consistent with current State law.

**Date:** 11/16/2017

**Title:** Cannabis Facilities Businesses

**Summary:** A “Cannabis Facility Business License” is a revocable, limited-term grant of permission to operate a cannabis processing, manufacturing, testing, retailing/dispensing, distributing, and/or microbusiness within the county. A Cannabis Facility Business License shall be required for the operation of any cannabis facility.

**Date:** 11/5/2019

**Title:** Cannabis Economic Development Ad Hoc Strategic Plan

**Summary:** Our vision is to scale the unique heritage and culture of our cannabis community to drive revenue, and increase sales in a way that will enhance the standard of living for all its citizens. Our goal is to improve the economic forecast for the county by generating 50% more revenue from cannabis over the next 5 years.

## Drug Arrest Rates in Mendocino County, California and the United States

### *Mendocino County*

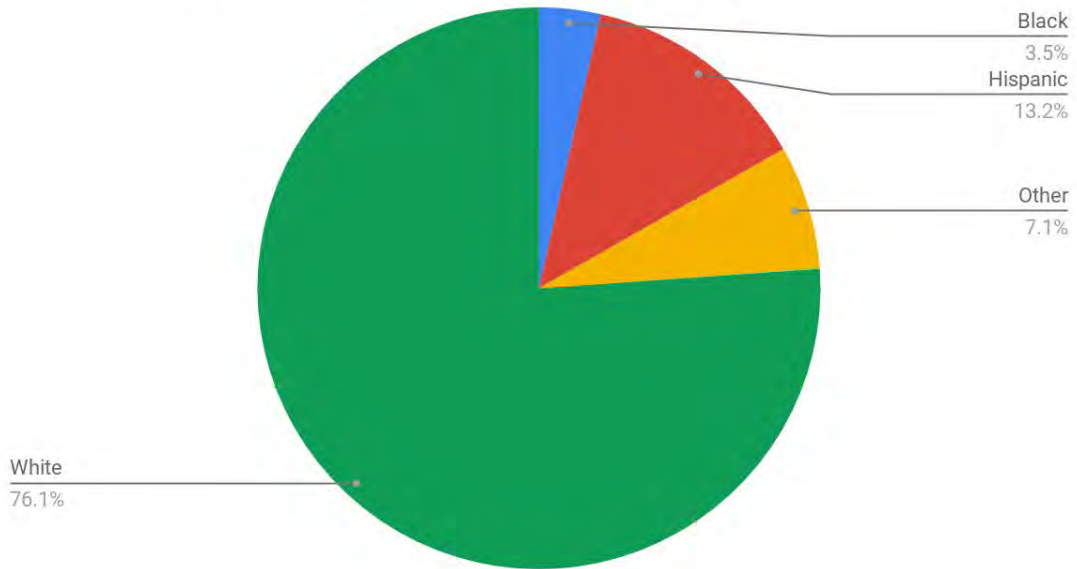
Public data related to drug-related arrest rates was obtained from the California Department of Justice. The below tables illustrates the number of arrests for felony drug offenses for Mendocino County from 2011-2015. Mendocino County had a drug restitution program in place at this time and those charged with a felony could participate in a restitution program instead and the felony charge would be dropped.

### Felony Arrests for Drug Offenses Mendocino County, 2011-2015

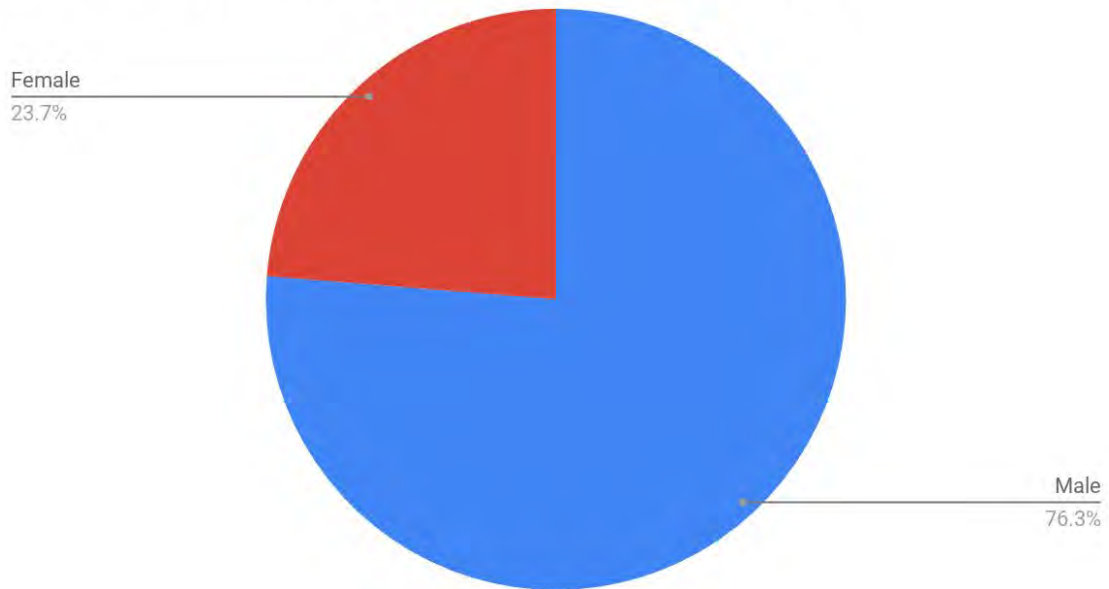


The below figures show the drug arrest data for Mendocino County by race, gender and age group from 1980-2018.

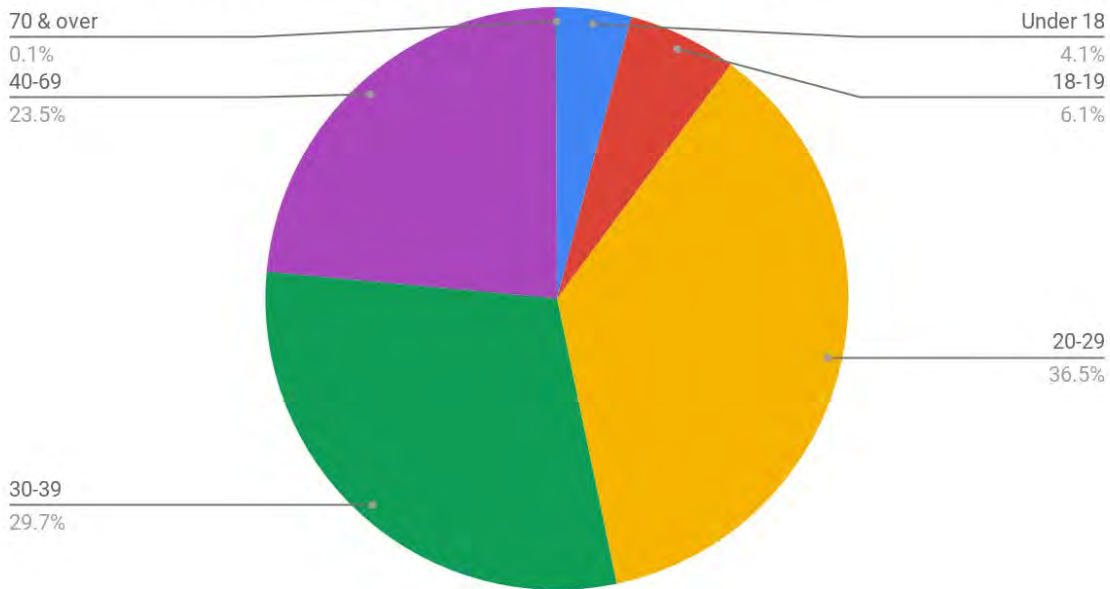
Mendocino County Drug Arrests by Race, 1980-2018



Mendocino County Drug Arrests by Gender, 1980-2018

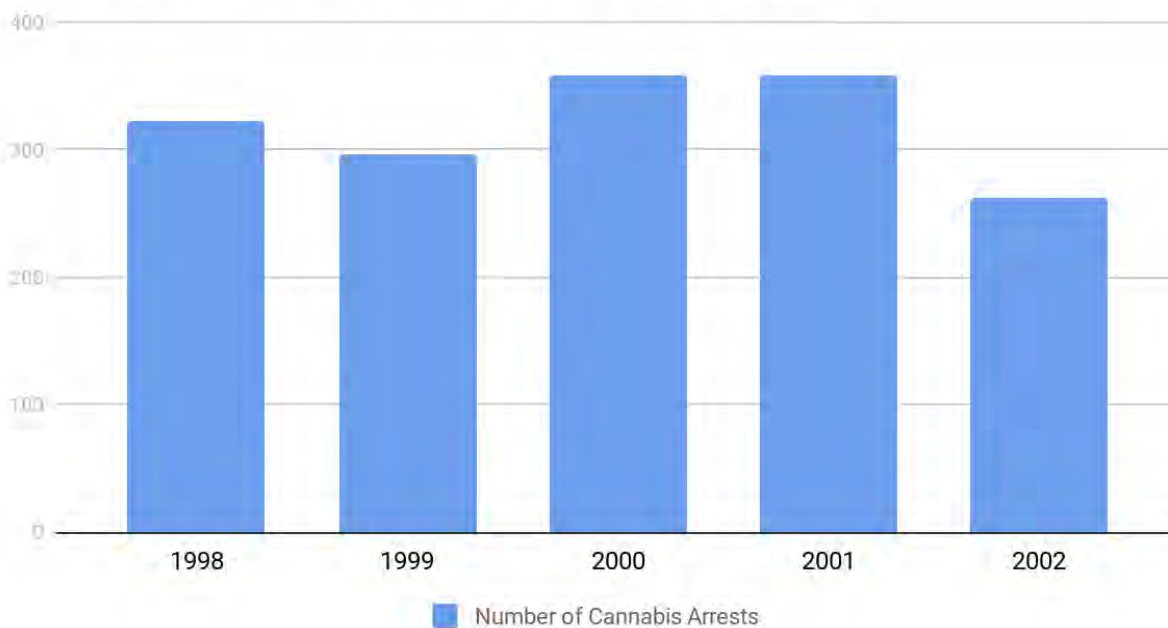


## Mendocino County Drug Arrests by Age, 1980-2018



Cannabis arrests by county for California was obtained from the Uniform Crime Reporting Program. Cannabis-related arrests between 1998 and 2002 ranked Mendocino County as #9 highest of 58 counties for rates of cannabis arrests. The tables below show that small, rural counties in California were disproportionately affected by cannabis arrests. Between 1998-2002, Mendocino County had significantly higher rates of cannabis arrests than the state of California as a whole.

### Mendocino County Cannabis Arrests, 1998-2002



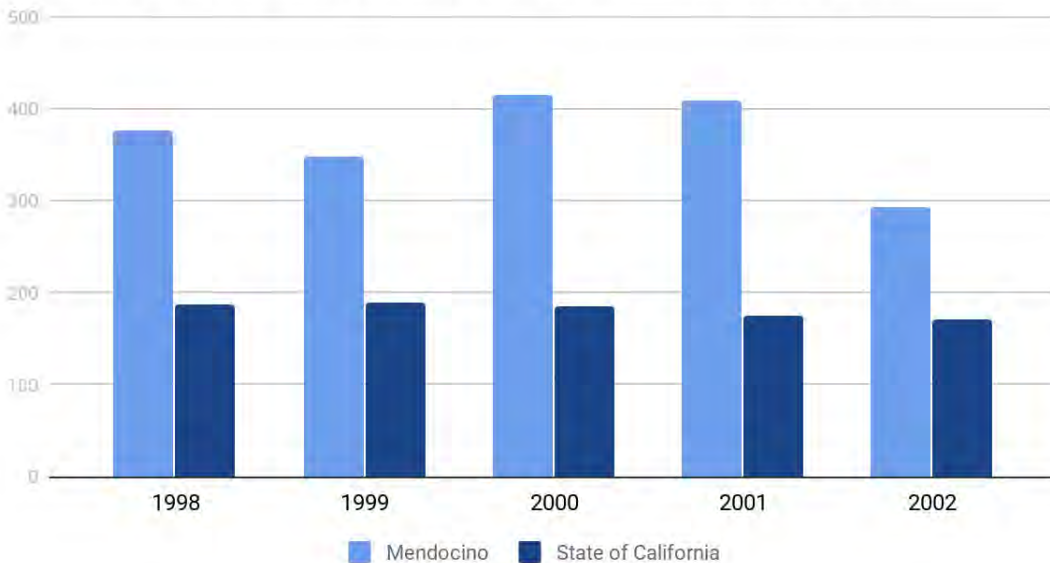
### California Cannabis Arrest Rates Ranked by County, 1998-2002

Ranking	County
1	Alpine
2	Sierra
3	Humboldt
4	Plumas
5	Trinity
6	Calaveras
7	Nevada
8	Imperial
9	Mendocino

Source: The NORML Almanac of Marijuana Arrest Statistics, California Marijuana Arrests, 1995-2002



## Cannabis Arrests Rates, Mendocino vs. California, 1998-2002



Mendocino’s long history of cannabis cultivation and the nature of an underground cannabis economy has led to violent crime and victimization of vulnerable populations. For example, women in the cannabis industry who experienced violence or assault were unlikely to report those crimes.

Multiple articles have been written on this topic as women have spoken out about their experiences. According to an article titled *The Weed Industry Responds to Accusations of Rampant Sexual Assault* by Gabby Bess in 2016, “the problem of rape and sexual harassment in an industry that operates in seclusion is ongoing. In many circumstances, victims rarely report their sexual assault to the police either out of fear or the belief that law enforcement won’t do anything to help them. The environment cultivated around marijuana grows, however, makes it even harder for rape victims to speak out.” In the same article, the California Growers Association executive director, Hezekiah Allen, wrote that the void of regulation has allowed illegal grows to proliferate in the grey area. “It is no secret that criminal behavior lingers in the shadows cast by prohibition and regulatory vacuum.”

### *California and the United States*

The Center on Juvenile and Criminal Justice (CJ CJ) has published several reports that demonstrate patterns in drug arrest rates in California that disproportionately affected people of color. Starting in the 1990’s, arrests in California for drug possession increased dramatically.

Cannabis possession rates increased by 124% while other categories of serious crime showed decreased arrest rates. Rates of arrest per 100,000 population rose much faster for African American, Hispanics, those under the age of 21 and European American over the age of 40.

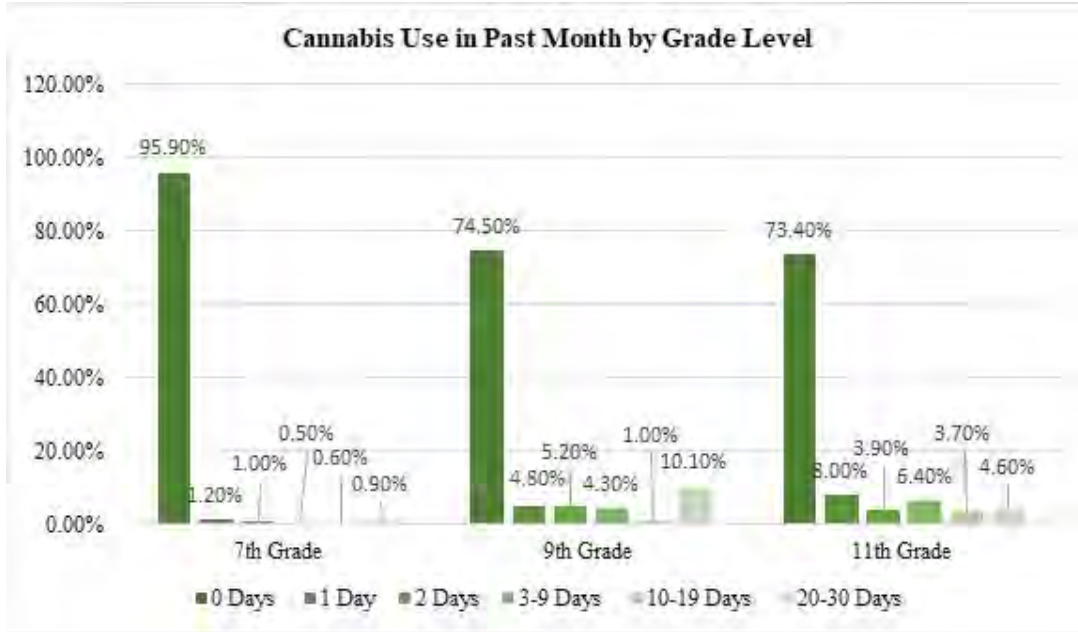
Though a majority of states allow medical cannabis use, cannabis leads drug-related prosecutions in the United States. According to New Frontier Data, over 650,000 people were arrested for cannabis-related offenses in 2016. Cannabis accounted for 42% of all drug-related arrests in 2016, with cannabis possession offenses specifically accounting for 37% of all arrests. For comparison, heroin and cocaine accounted for 26% of arrests nationally.

#### **Section 4. Current Conditions in Mendocino County**

##### *Youth Cannabis Use in Mendocino County*

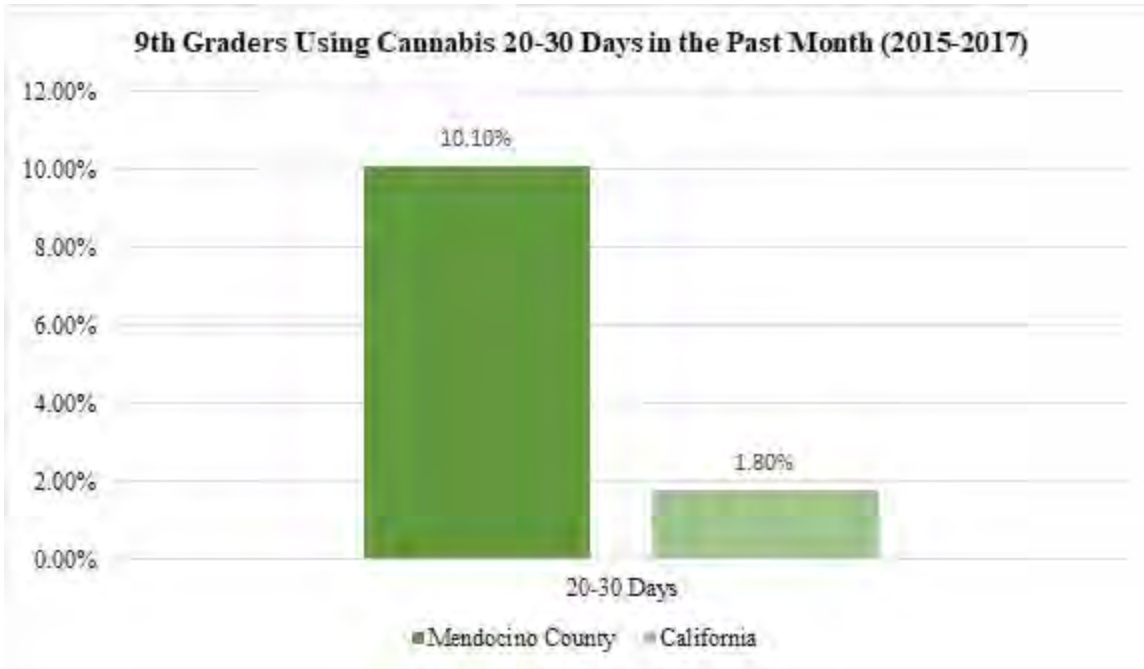
Youth use of cannabis use starts earlier in Mendocino County than in other parts of the state. Although currently we do not have data we suspect there is a link between suspension and absenteeism from school and cannabis use. This is an area that should be studied. There is also an unusual workforce issue since technically Prop 64 allows adults aged 21 years or older to possess and use marijuana for recreational purposes, but most people in Mendocino County enter the workforce by the time they are 18. Youth cannabis use is still illegal and therefore they still may be adversely impacted.

According to Kidsdata, in 2015-2017 9th graders used cannabis more often than 7th graders and 11 graders (kidsdata.org). About 10.1% of 9th graders used cannabis for 20-30 Days in the past month compared to 4.6% of 11th graders and 0.9 of 7th graders. The chart below illustrates the frequency of cannabis use by grade level.



Source: Kidsdata.org 2015-2017

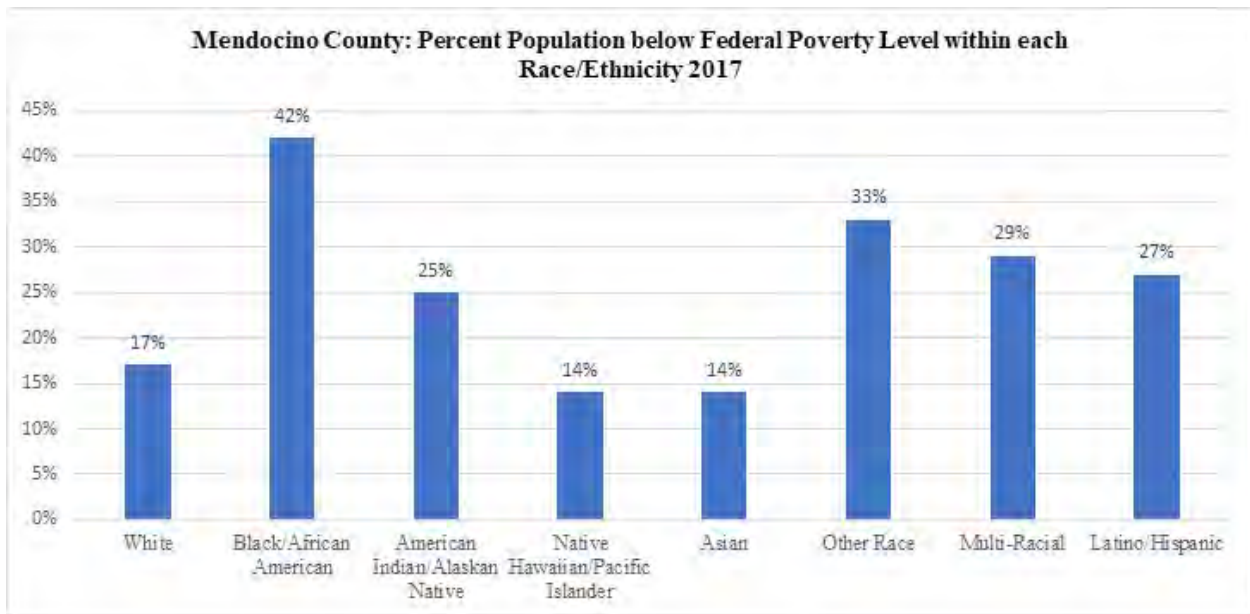
In Mendocino County, the frequency of youth cannabis use is higher compared to the state of California. The chart below compares the frequency of 9th graders using cannabis for 20-30 days in the past month in Mendocino County and in the state of California.



Source: Kidsdata.org 2015-2017

*Poverty in Mendocino County*

In Mendocino County, 19.1% of the total population lives below the federal poverty level (FPL\*). The race/ethnicity with the highest percentage of poverty is the Black/African American population (42%). The Asian and Pacific Islander population has the lowest percentage of poverty both estimating around (14%). The white population has the second lowest percentage of poverty (17%). Conversely, the total number of people in poverty is highest in the white population (12,394) and lowest in the Native Hawaiian and Other Pacific Islander population (26), thus it is important to look at both the percentage and the actual numbers.



Source: American Community Survey 2017 5 year estimates.

From 2018-2019, about 74% of all students in Mendocino county were enrolled in the Free Reduced Price Meal Program (FRPM). The table below demonstrates the total student population and the percentage of students enrolled in FRPM for each school district.

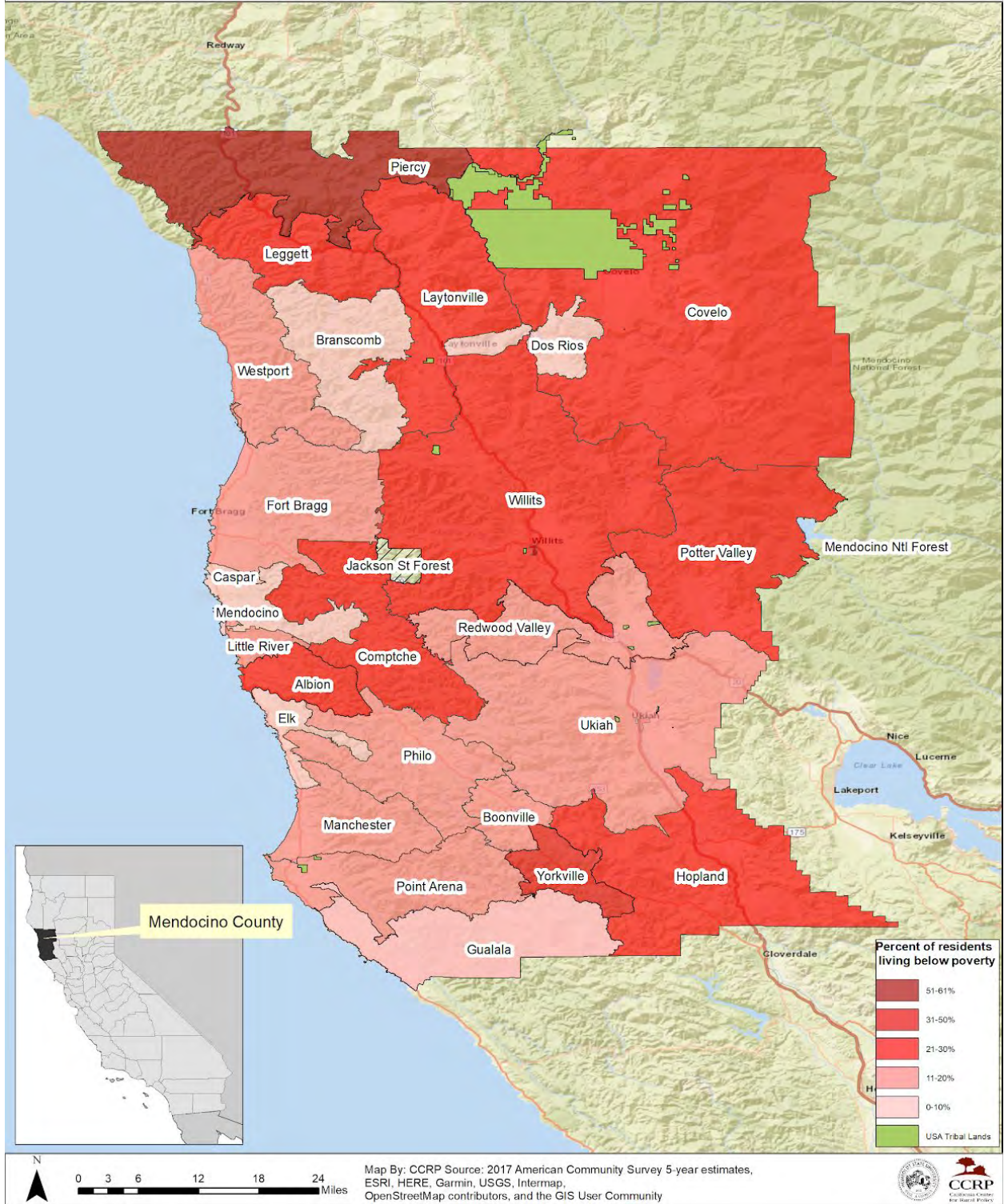
**Percentage of Students Enrolled in FRPM by School District 2018-2019**

<b>School District</b>	<b>Total Student Population</b>	<b>Percentage of Students in FRPM</b>
Anderson Valley Unified	490	86.21%
Arena Union Elementary	313	71.0%
Fort Bragg Unified	1883	73.23%
Laytonville Unified	360	70.0%
Leggett Valley Unified	128	60.16%
Manchester Union Elementary	36	69.44%
Mendocino County of Office of Education	74	92.4%
Mendocino Unified	536	46.27%
Point Arena Joint Union High	133	63.2%
Potter Valley Community Unified	264	64.39%
Round Valley Unified	461	97.17%
Ukiah Unified	6606	78.3%

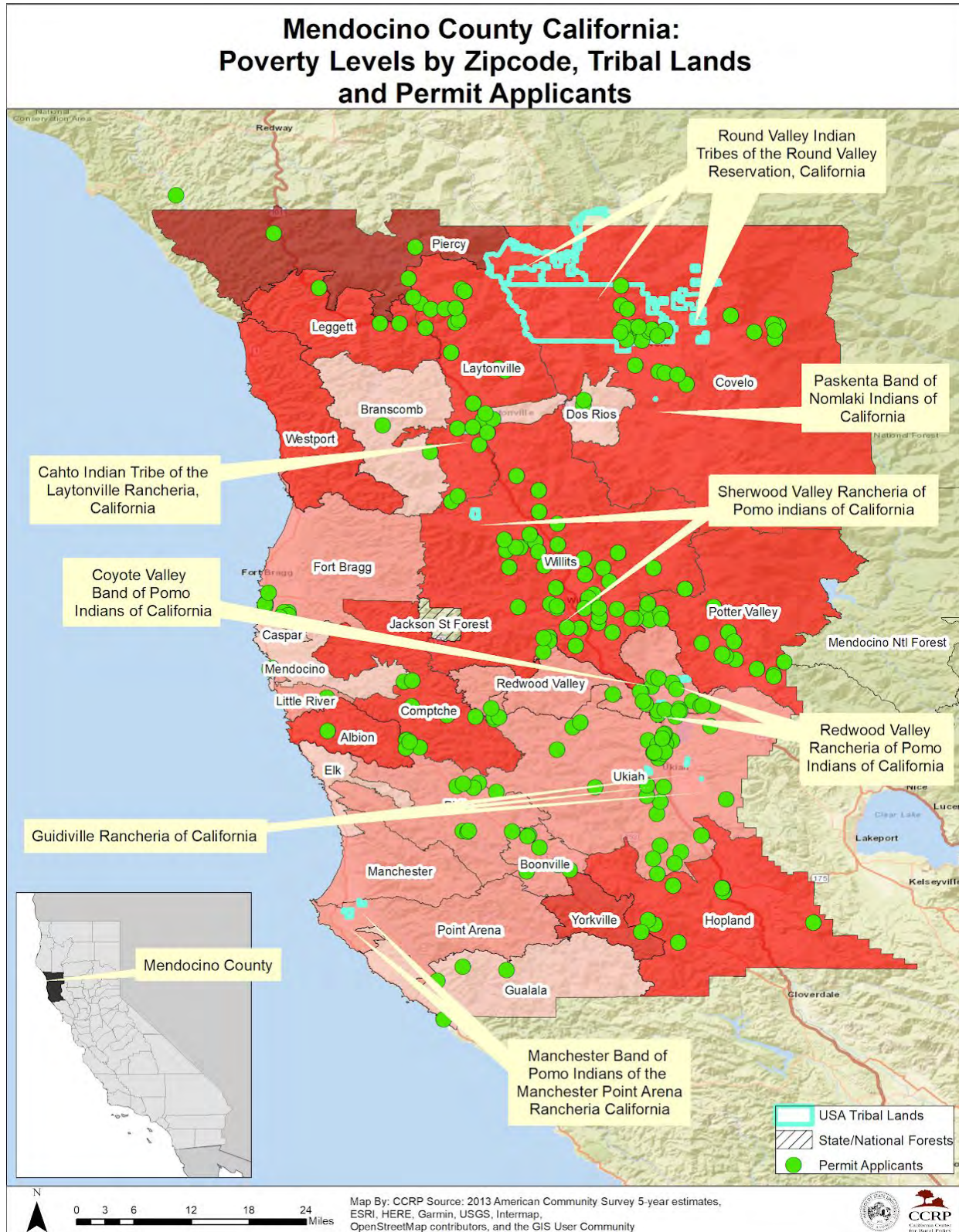
Willits Unified	1847	74%
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The first map illustrates the poverty levels in Mendocino County by zip code.

# Mendocino County California Poverty Map by Zipcode



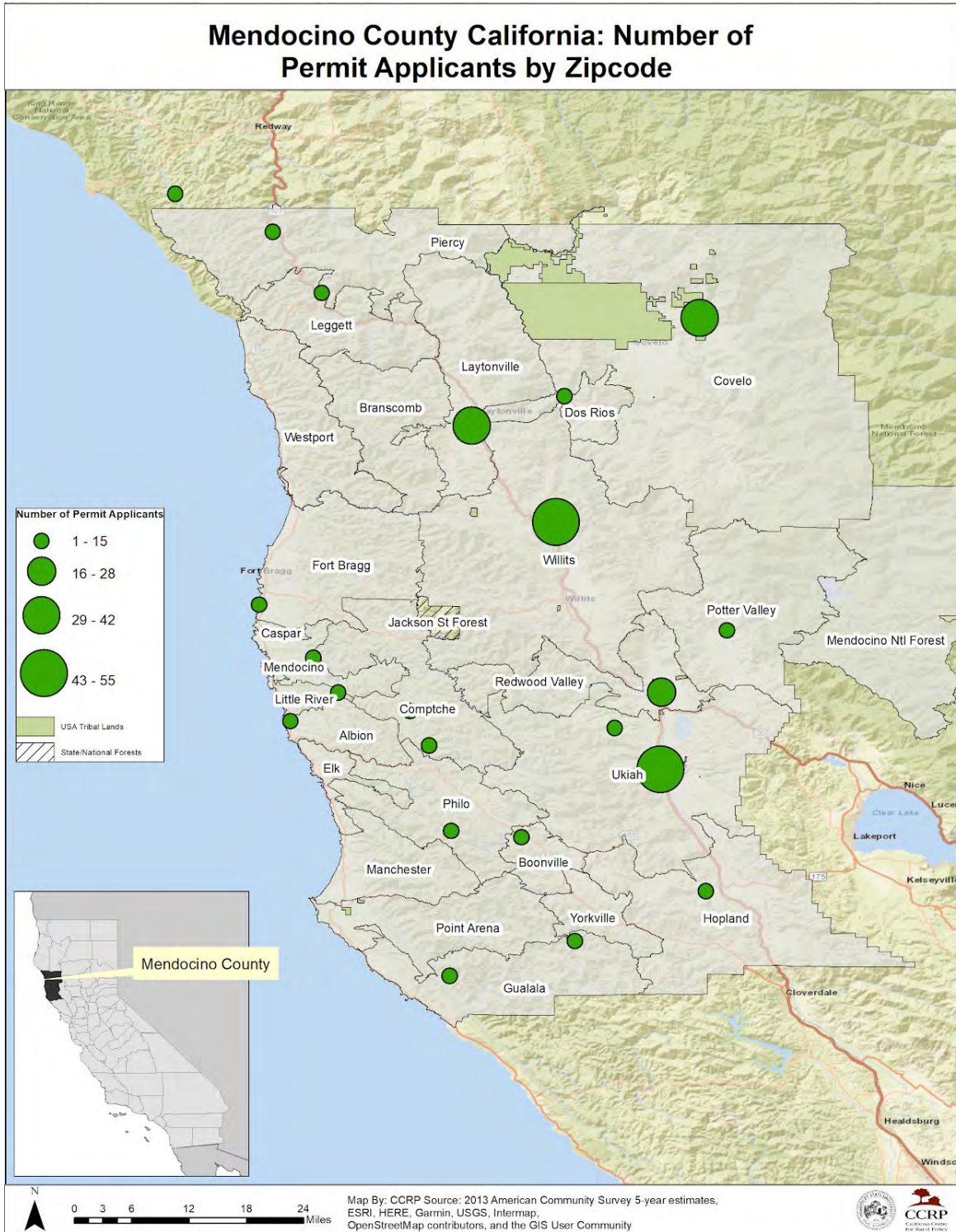
The second map below illustrates the geographic distribution of poverty by zip code, Tribal Lands and cannabis applicants in Mendocino County.



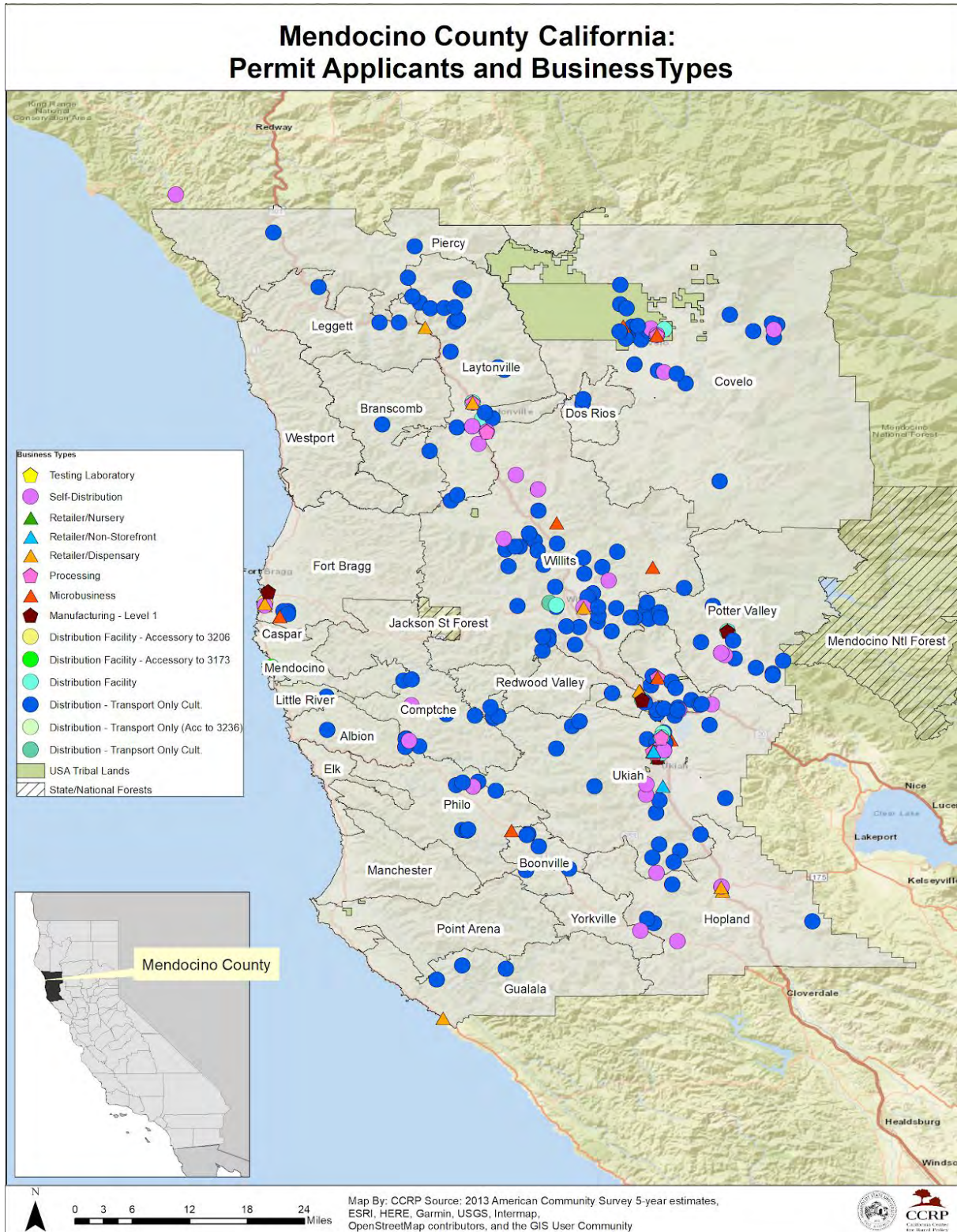


*Overview of Mendocino County Cannabis License Applicants*

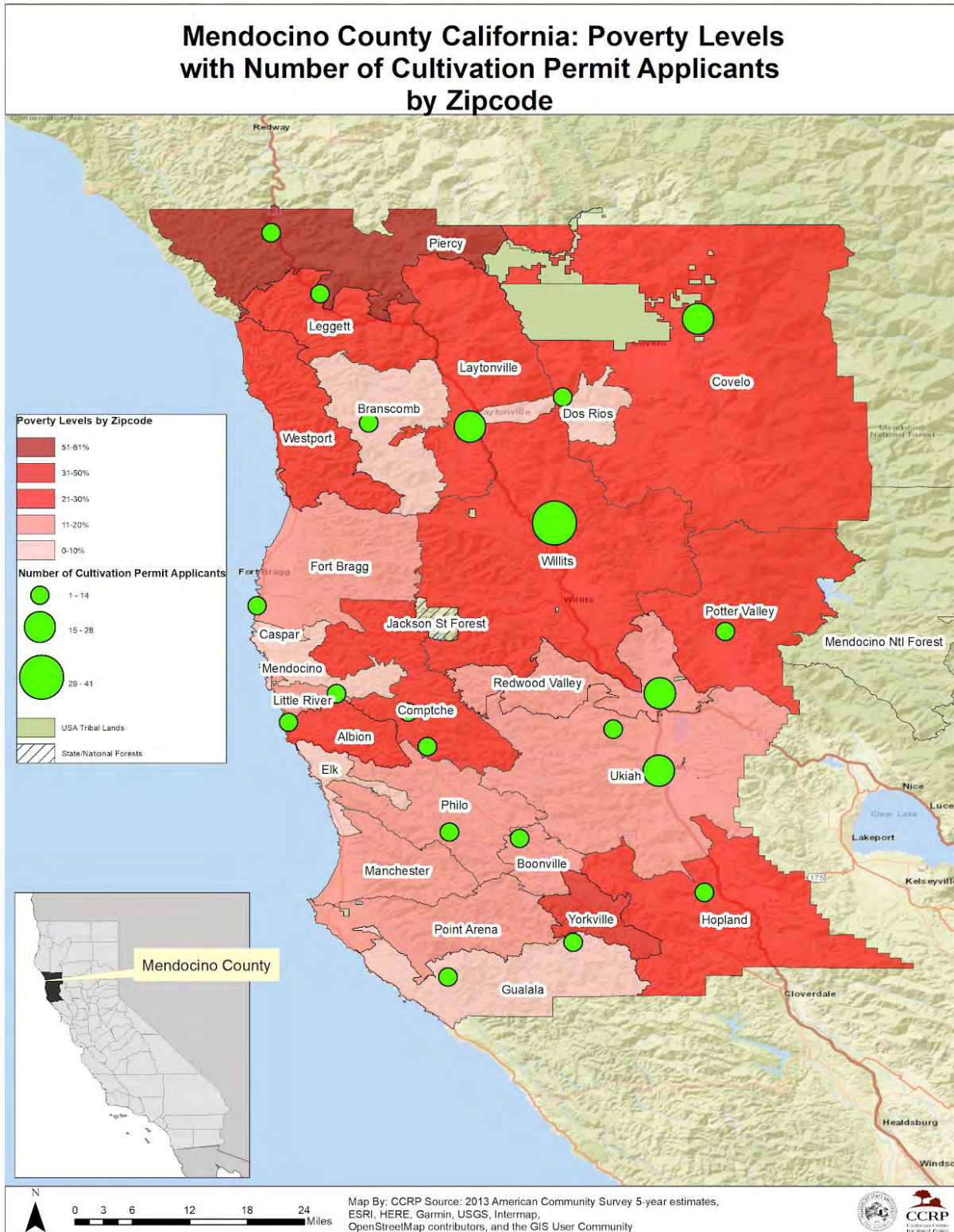
The third map below illustrates the geographic distribution of applicants seeking all types of cannabis licences.



The fourth map below illustrates the geographic distribution of types of cannabis license applicants are seeking.

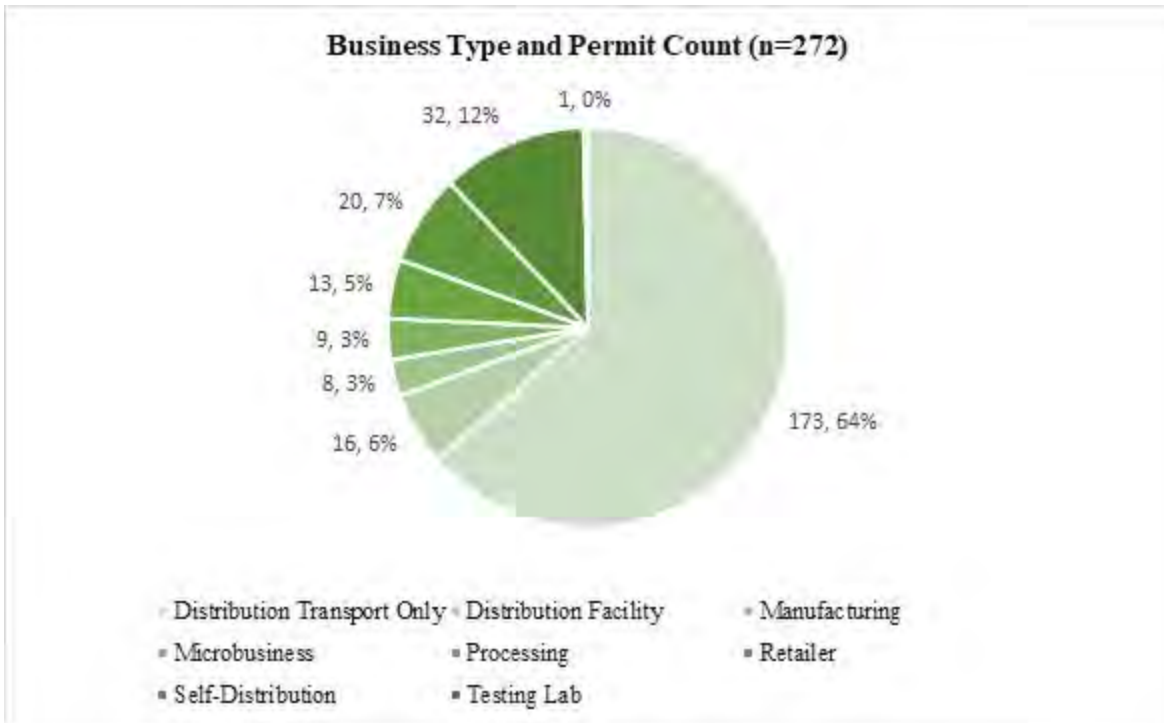


The fifth map below demonstrates the number of cultivation permit applicants per zip code with poverty levels per zip code.



The businesses locations that account for more than 10% of permit applicants are Willits (n=20%), Ukiah (n=18%) and Covelo (n=11%) The majority of applicants in Covelo are for businesses located on the Round Valley Indian Tribes of Round Valley Reservation.

There are 14 business types/permit type documented. The chart and table below illustrates the types of businesses and how many permits there are for each business type



The majority of applicants (n=64%) are applying for Distribution Transport Only - Cultivation permits. . (Please note that several applicants applied for more than one type of permit).

Permit Type	Applicants
Distribution Transport Only-Cultivation	N=173 (64%)
Self Distribution	N=32 (12%)
Retailer	N=20 (7%)
Distribution-Facility	N=16 (6%)
Processing	N=13 (5%)

Microbusiness	N=9 (3%)
Manufacturing	N=8 (3%)
Testing/Laboratory	N=1 (0.4%)

The Mendocino Cannabis Alliance (MCA) recently conducted a policy survey with members regarding the current status of cannabis businesses in the county. Ninety percent of respondents (n=158) that currently have a cannabis business reported that they have a cultivation license. In addition to interest in cultivation and nursery licenses, there was significant interest in other types of permits- with microbusiness (n=59), distributor- self (n=46), and processor (n=32) being the top choices.

### **Section 5. Barriers to Entry**

This section includes an overview of barriers that can make it difficult to enter the cannabis market. Mendocino County’s equity program should have components designed to mitigate these barriers.

According to an article in *The Madera Tribune* on July 10, 2019, UC Berkeley is conducting research to understand why cannabis farmers are not joining the legal market. Cannabis growers are being asked to participate in a survey about their experiences with the regulated market. The survey closed on August 1, 2019.

Preliminary survey results showed the following:

1. Small farmers have a hard time getting permits
2. Nearly half of people who have applied still have their permits pending with CDFA
3. Everyone (those with permits, those without, those who did not apply) was confused by the process
4. Many of those who did not apply for permits were on land zoned such that they could not apply
5. Many of those who did not apply for permits had other income sources; cannabis was used to supplement income

#### *Financial*

All new businesses face financial requirements to enter a new market. For individuals adversely affected by historical criminalization of cannabis, financial barriers can be difficult to overcome.

The application fees, fees for professional studies of environmental, water supply, road engineering issues, and the cost of compliance with mitigation measures are significant barriers for smaller scale operations and/or socio-economically disadvantaged populations.

#### *Administrative/Technical*

Applications require an understanding of and compliance with complex requirements from multiple local and state agencies. This process is especially daunting for the smaller, family-based, cultivators.

#### *Business Acumen*

The skills needed for participation in a highly regulated marketplace, including business planning, human resources management, accounting and inventory controls can be significant barriers to entering a new market.

#### *Distrust of Government*

As was mentioned above, CAMP raids and the experience of cannabis growers during the era of criminalization of cannabis have left many individuals in the industry with a deeply engrained sense of distrust and fear of government.

## **Section 6. Cannabis Equity Program Recommendations**

### Review of Other Jurisdiction's Effort to Promote Equity in Cannabis Implementation

Other jurisdictions in communities and states with a legal cannabis industry have developed and/or implemented programs to improve equity. Mendocino County has worked closely with the Rural County Representatives of California (RCRC) to understand the impact of legalizing cannabis on rural counties in California. Mendocino County has been ahead of the curve in licensing efforts due to historical involvement in the cannabis industry as well as a proactive Board of Supervisors.

### Findings & Recommendations

**Finding #1: Equity program eligibility factors should be focused on specific targeted populations most harmed by cannabis criminalization and poverty in order to reduce barriers to entry into the legal, regulated market. Eligibility criteria should be supported by data.**

Mendocino County should consider including the following eligibility criteria:

- Conviction history associated with cannabis-related offenses and consideration for participants in the restitution program, which expunged after 2 years.
- Immediate family member with a conviction history associated with cannabis-related offenses
- Low income status
- Residency consideration
- Ownership consideration
- Geographic location
- Size of operation
- Previous participation in Mendocino County’s zip-tie program
- Historically-disadvantaged populations

<b>Criteria</b>	<b>Recommendation</b>
Conviction history	<p>Have been arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis (including as a juvenile), or been subject to asset forfeiture between 1971 and 2015</p> <p>Have a parent, sibling or child who was arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis between 1971 and 2015</p>
Low income status	Household income at or below 80% of Mendocino area’s median income
Residency consideration	Give additional consideration to those who have resided in Mendocino County for at least five years between 1971-2016
Ownership consideration	Give additional consideration to those who own at least 40-51% of the business
Geographic location	Have lived within a five mile radius of the location of raids conducted by CAMP during 1971-2016
Size of operation	Have engaged in cultivation of cannabis on property in Mendocino County owned, leased, or with the express permission of the owner, with a cultivation area less than 10,000 square feet

**Finding #2: Ensure that applicants meeting equity program eligibility factors have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.**

- Prioritization: Consider a prioritized permit process for equity applicants.
- Ratios: Consider mandating a requisite number/percentage of equity applicants during permitting.
- Provisional Approval: Consider allowing for provisional approval of permits to allow equity applicants to overcome financial barriers. Provisional approval may provide potential investors with more certainty and willingness to provide capital investments.
- Amnesty Program: Consider developing pathways such as an amnesty program to encourage existing nonconforming businesses (such as small operators who qualify as equity applicants) to transition to the legal market.

**Finding #3: All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry. CCRP recommends tracking data on general and equity applicants on an ongoing basis to measure the success of the equity program.**

Recommended Metrics:

- Number of equity applicants to apply
  - Types and numbers of drug-related offenses
  - Income status
  - Race
  - Ethnicity
  - Gender
  - Sexual Identity
  - Residency Status
  - Ownership Structure
- Workforce characteristics
  - Total number of employees
  - Number of local employees
  - Employment status (full-time, part-time, etc.)
- Equity program-specific data
  - Number of applicants eligible for equity program
  - Number and types of services provided to equity applicants
  - Number of equity program applicants to receive licenses



**Finding #4: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market that address lack of access to capital, business space, technical support and regulatory compliance assistance.**

Barrier	Recommendation
Financial	<ol style="list-style-type: none"> <li>1. Waive fees for application assistance trainings</li> <li>2. Deferral of payment of application fees for zoning and special use permits</li> <li>3. Waive or defer fees for trainings and certifications required by law</li> <li>4. Loans or grants to incentivize businesses that mitigate adverse environmental effects of cannabis cultivation</li> </ol>
Administrative/Technical	<ol style="list-style-type: none"> <li>1. Technical assistance for formation of cannabis cooperative associations</li> <li>2. Technical assistance to ensure public and private road access to cannabis operations</li> <li>3. Provide training and/or technical assistance to assist those with past cannabis convictions get their records expunged</li> <li>4. Work with banking institutions and provide technical assistance to support equity applicants in accessing banking services</li> </ol>
Business Acumen	<ol style="list-style-type: none"> <li>1. Employment skill training for equity participants employed or seeking employment in licensed cannabis operations</li> <li>2. Training/support for business owners to understand workforce rules and regulations. See recommendations below*</li> </ol>
Distrust of Government	<ol style="list-style-type: none"> <li>1. Conduct outreach and education efforts in areas that were focused on by law enforcement for cannabis eradication and cannabis arrests; encourage those individuals to apply for licenses and enter the legal industry</li> <li>2. Create outreach materials that are clear, concise, and accessible to those with low literacy. Consider creating materials in multiple languages such as Spanish and Hmong.</li> </ol>

The June 2018 *Workforce Report: Humboldt County’s New Cannabis Landscape* authored by Deborah Claesgens & Michael Kraft on behalf of the Humboldt County Workforce Development Board made the following recommendations\* to support cannabis businesses. Mendocino

County may want to consider these recommendations in their efforts to support cannabis businesses as well.

#### Agriculture/Cultivation:

- Access to business planning, low cost loans or investment sources that can assist smaller, often multi-generational family farmers with the costs of legalization, so that income can be spent on hiring, training, growing wages and benefits of a variety of jobs-from farm management to bookkeeping.
- Support for reasonable regulations and zoning that promote and incentivize employers to build good business and workforce development practices.
- Access to standard human resource methods: hiring and orientation, training in proper and regulated land use for farm and field workers, hiring and supervision processes, setting job benchmarks and performance standards, evaluating performance for promotion or wage scale increases.
- Access to business and HR tools: developing HR manuals and procedures, how to frame up a request for a consultant scope, interview and select the right consultant or consultant firm, how to manage a consultant scope.
- Developing, securing and increasing farm management skills in agricultural, biology, land management.
- Access to agricultural extension services to help with the science of plant biology from a medicinal and commercial standpoint, and help feed local graduates in biology and environmental sciences into the industry-much like the timber industry has done.

#### Manufacturing/Production

##### *Large Scale/Well-Financed Startups*

- Access to supervisory skills, consistent HR policy development (hiring and termination, teamwork) across jobs and between employees.

##### *Artisan Size Businesses*

- Access to business planning (business startup strategy: how to build and manage a detailed startup business plan that can scale up and include facilities, marketing, tax and regulation, payroll, human resources hiring and supervision, and teamwork).
- Access to incubation and manufacturing hubs that can hire, cross train and job share positions between small entrepreneurs.

#### Retail

- Access to comprehensive business and marketing strategies that connects cannabis retail to tourism, related workforce development (hiring, training, presentation, customer service, job readiness and supervisory skills).

- Access, training or mentorship in general business supervisory, customer service, workplace norms and software skills.
- Evaluate the specific need and content for a program that certifies front line positions (bud tending, security, track and trace, manufacturing and packaging personnel).

### Testing

- Increase the hiring of biology and chemistry degree graduates trained in laboratory protocols by building those skills into certification and degree programs.
- Training in customer service, workplace norms, software, and lab methods.

**Finding #5: Continue using cannabis revenues collected by the County for community reinvestment programming to rebuild/restore communities adversely affected by the past criminalization of those involved in the cannabis industry.**

Some potential focus areas include:

1. Youth alcohol and drug prevention efforts
2. Restorative justice programs
3. Neighborhood safety programs
4. Non-profit organizations whose work focuses on health and well-being of residents
  - a. Organizations working to address abuse, assault, and trafficking within the cannabis industry
5. Community development projects

**Finding #6: All cannabis operators should provide equitable employment opportunities that provide a living wage. These opportunities should include hiring those with past non-violent cannabis convictions, local residents, and other historically-disadvantaged populations.**

- Leverage existing workforce programs such as OEWD Reentry Services Program
- Expand workforce curriculum to support new workforce
  - Support workforce fairs to provide outreach and education
  - Engage individuals who are experienced in the cannabis industry and have transitioned from the unregulated market to the regulated market to ensure curriculum is relevant and applicable
- Consider incentivizing employers to prioritize hiring for local residents, those with past non-violent cannabis convictions, and other historically-disadvantaged populations (such

as women, those who lived in communities targeted by CAMP raids, those living in poverty, and tribal members).

**Finding #7: Geographic disparities may emerge in cannabis-related activities, and scarcity of available land can cause real estate values to rise. Consider land use guidelines that ensure equitable distribution and thoughtful placement of cannabis businesses.**

- Make attempts to equitably distribute cannabis storefront retail to mitigate overconcentration in socioeconomically disadvantaged neighborhoods
- Limit cannabis-related businesses in close proximity to schools, child care centers, public parks and trails, and community centers or businesses that serve youth.
- Consider the concentration of alcohol and tobacco retailers when issuing land use approval and avoid overconcentration of businesses that are engaged in activities that have potential harm to one's health.
- Consider having a Citizen Advisory Committee monitor issues related to overconcentration and trends in real estate values or delegate this responsibility to communities.

**Finding #8: Update the Mendocino County Equity Assessment next year and every 3 years afterwards and create an evaluation plan that will:**

- 1) monitor and share progress of the Equity Program,
- 2) monitor and share trends in the emerging legal cannabis industry,
- 3) identify areas for course correction and/or unexpected consequences, and
- 4) demonstrate an ongoing commitment to data-informed decision making and strategic planning to ensure Mendocino County's strong transition to a legal cannabis industry.

**Finding #9: Mendocino County should assist cannabis equity clients with opportunities to market and network with other equity businesses across the state.** Mendocino County has historically been associated with cultivation and should think broadly about other successful business opportunities with less barriers that could be easier for disadvantaged populations to create, and ways for equity clients to market and network with other equity applicants across the state. Currently almost 80% of permits in Mendocino County are for cultivation.



FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2017 FEB 23 PM 5: **AGENDA REPORT**

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Darlene Flynn  
Director, Dept. of Race &  
Equity  
and  
Greg Minor  
Asst. to the City  
Administrator

**SUBJECT:** Equity Analysis and Proposed Medical  
Cannabis Ordinance Amendments

**DATE:** February 14, 2017

City Administrator Approval

Date:

*2/23/17*

**RECOMMENDATION**

**Staff Recommends That The City Council Receive a Race and Equity Analysis Report Regarding Medical Cannabis Regulations and Adopt The Following Pieces Of Legislation:**

- 1) Ordinance Amending Oakland Municipal Code Chapter 5.80, Medical Cannabis Dispensary Permits, To Clarify and Strengthen the City's Equity Permit Program and Provide Additional Updates Consistent with State Law;**
- 2) Ordinance Amending Oakland Municipal Code Chapter 5.81, Medical Cannabis Cultivation Facility Permits, To Clarify and Strengthen the City's Equity Permit Program and Provide Additional Updates Consistent with State Law;**
- 3) Resolution Establishing Budget Priorities For Expenditure of Cannabis Business Taxes Collected by the City Pursuant to Oakland Municipal Code Section 5.04.480 and 5.04.481.**

**EXECUTIVE SUMMARY**

At the direction of the November 14, 2016 Oakland City Council staff has performed a race and equity analysis of medical cannabis regulations. This analysis identifies disparities within the cannabis industry as well as revisions to the City's medical cannabis ordinances, including a phased permitting process that prioritizes equity applicants and encourages equity incubators, to address the root causes of these disparities (See Summary Chart of Equity Barriers and Strategies, **Attachment A**, and Ordinance Revisions, **Attachments B and C**). In addition, staff recommends investing \$3.4 million in forthcoming cannabis business tax revenue in a zero interest business start-up revolving loan and technical assistance program for equity applicants administered by an outside consultant (See Resolution, **Attachment D**). Staff's

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recommendations lay an equitable foundation for the cannabis industry at a pivotal moment given the rapid pace of the industry and the eve of implementation of state medical cannabis and adult use laws.

### **BACKGROUND / LEGISLATIVE HISTORY**

In light of changing federal policy and the passage of California's Medical Cannabis Regulation and Safety Act (MCRSA), in May 2016 the Oakland City Council amended the City's medical cannabis ordinances, Oakland Municipal Code (OMC) 5.80 and 5.81, to regulate the full spectrum of medical cannabis activities, including cultivation, manufacturing, distributing, testing, dispensing, and consumption of medical cannabis. This permitting framework contrasts with the City's current regulatory system that has been limited to dispensaries due to past federal intervention, absence of clear state law, and different local interests. This lack of regulation of non-dispensary facilities has negatively impacted the City in a number of ways, including burglaries, fires, lost revenue, and disparities in enforcement of drug laws.

Since May 2016, however, members of the public as well as Oakland City Councilmembers submitted proposals to further amend OMC 5.80 and 5.81. These proposals culminated with a November 14, 2016 Special City Council Meeting in which the City Council directed staff to perform a race and equity analysis, and return with revised ordinances using proposals from Councilmembers Kalb, Campbell-Washington, Guillen, Gibson-McElhane and Kaplan as a guide. The City Council also adopted the following racial equity outcome goal:

Promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities of color and to address the disproportionate impacts of the war on drugs in those communities.

### **ANALYSIS AND POLICY ALTERNATIVES**

Below staff provides a racial impact analysis of medical cannabis regulations.

**1. The areas of inequity related to the proposed actions:**

Community economic development, access to living wage employment, ownership of business assets and wealth building, and consideration of unequal enforcement of drug laws are some of the racial inequity areas at issue.

**2. Equity outcome goals for the action area:**

Promote equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities of color and address the disproportionate impacts of the war on drugs in those communities.

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**3. Inform evaluation of the proposals with racially specific disparity data to identify marginalized or impacted groups to be evaluated for inclusion in equity program and consulted during vetting of specific strategies:**

Preliminary disparity data seen in Table One revealed marginalized communities of color based on poverty, recent cannabis arrests and unemployment rates.

Table 1: PRELIMINARY DISPARITY DATA

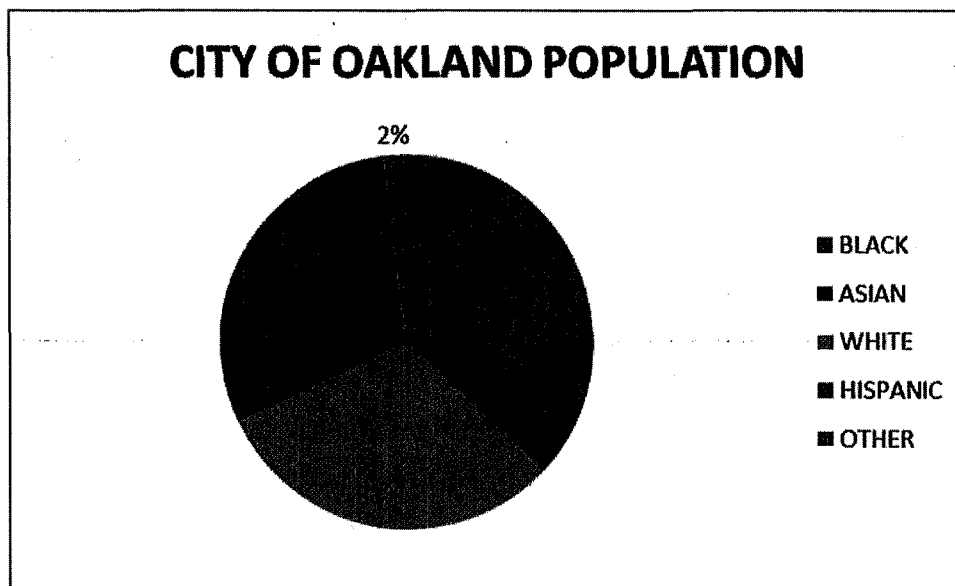
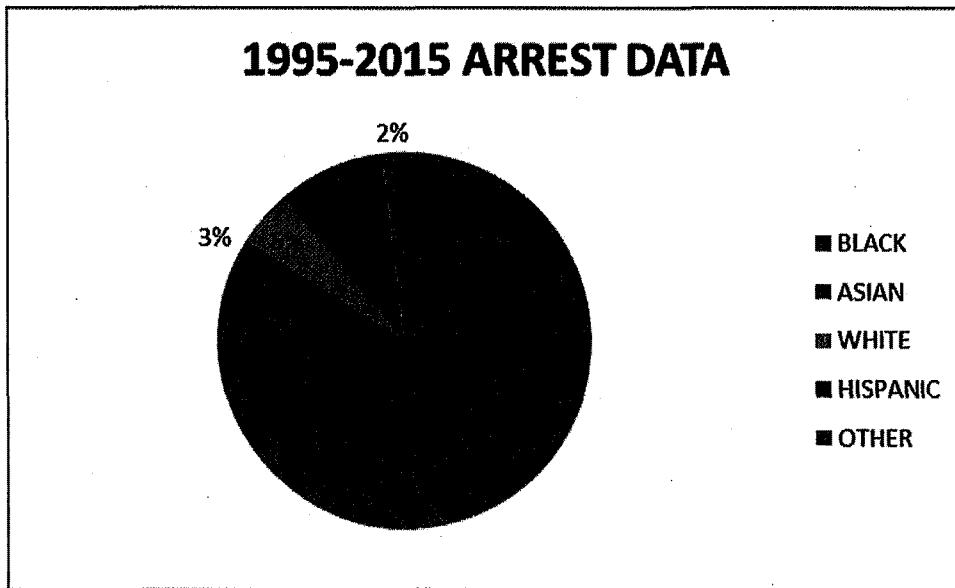
Racial Group	Population	Unemployment Rates	Poverty Rates	2015 Cannabis Arrest Rates
White	31%	4.2%	3.2%	4%
Black/African American	30%	9.2%	22.9%	77%
Hispanic/Latino	30%	6.7%	24.6%	15%
Asian	7%	8.4%	17.6%	2%
Native HI/Pacific Islander	> 1%	10% (County)	23.1%	-
American Indian/AK Native	> 1%	10.4% (County)	8.7% (County)	-

*(Data Sources: Oakland and Alameda County 2016 Data Snapshot, 2015 American Community Survey, and 2015 OPD cannabis citation data disaggregated by Race)*

Given the degree of over representation of African Americans in all three indicator areas of this sample data, staff conducted more evaluation to verify assumptions about that data. However, review of disaggregated cannabis arrest rates from 1996 – 2015 only revealed greater disparities in African American arrests across the years, which were as high as 90 percent, compared to 3.91 percent White arrests in 1998. (See **Attachment E**– Cannabis Arrest Rates by Race).

The high percentage of arrests of African Americans remained constant despite state and local decriminalization of medical cannabis. African American arrests peaked with 914 arrests in 2008, after which the economic downturn downsized the Oakland Police Department and limited its ability to enforce. While total arrests have never returned to that historical high, disparities in comparative arrest rates continue through the present. For example, in 2015 African American arrests were “down” to 71 percent of all arrests, but Asian, and Latino arrests were up to 6.95 percent and 16.31 percent respectively, as compared to 3.02 percent White arrests.<sup>1</sup>

<sup>1</sup> These patterns are not particular to the Oakland Police Department but rather consistent with the national “War on Drugs.” Nevertheless, these policies are deeply problematic. According to the Drug Policy Alliance, “Higher arrest and incarceration rates for African Americans and Latinos are not reflective of increased prevalence of drug use or sales in these communities, but rather of a law enforcement focus on urban areas, on lower-income communities and on communities of color as well as inequitable treatment by the criminal justice system. We believe that the mass criminalization of people of color, particularly young African American men, is as profound a system of racial control as the Jim Crow laws were in this country until the mid-1960s.”



What is unique to Oakland is that there was a parallel, illegal but tolerated business environment for other people involved in the cannabis trade. Following the California legalization of medical cannabis in 1996 the Oakland cannabis advocacy community, which is predominantly White, began experimenting semi-openly with various cultivation, manufacturing and distribution business models. These activities proceeded, largely unimpeded by law or regulatory enforcement to this present day as demonstrated in cannabis arrest rates by race. The City's support of this sector was so well known that in 2012 the federal government did not inform the Oakland Police Department in advance of its raid on symbolic Oaksterdam University, one of the few exceptions to the freedom of enforcement enjoyed by this cannabis business community.



**4. Identify potential equity opportunities and/or potential detrimental impacts on or barriers to equity for identified groups.**

**A. Barriers to Equity**

The differing enforcement policies described above had concrete and lasting effects on Oakland's community. Possessing a criminal record can keep someone unemployable, as demonstrated in African American unemployment rates that are more than three times as high as White unemployment rates. This condition undermines the building of economic security and contributes to lives lived in poverty in communities of color at three to four times the rate for White residents. It blocks access to federally-funded housing, increases housing instability and the likelihood of homelessness. Against this backdrop, predictable recidivism rates and related opportunistic gang activity occur, draining the vitality of communities of color.

In contrast, drug trade in White communities and lack of enforcement during the same period has resulted in growth in new business ownership and the financial starting line for the next phase of entrepreneurial wealth and community building. This permissive business environment on one hand and the aggressive enforcement of drug laws on the other has widened the opportunity gap between people of color and White residents in the City of Oakland.

**B. Potential Equity Opportunities**

Making legal cannabis business ownership and employment opportunities accessible to marginalized communities of color would increase economic opportunity and reduce economic disparities. This can be achieved by opening doors to African American leaders/mentors who are also small operators with community connections and recognizing the already developed customer base and distribution practices as community assets.

**5. Adjust preliminary assumptions about the disparities with any information gathered from specific marginalized racial group(s) perspectives to deepen understanding of the causes of disparities and/or barriers to equity related to the identified determinants.**

Equity barrier themes and conclusions that emerged during information-gathering conversations with community members centered on City licensing requirements, financial disparities, technical barriers and equity criteria.

**A. City Licensing Barriers**

Costly license fees and complicated processes disadvantage lower income applicants. Because of the impacts of uneven drug enforcement many more members of disadvantaged communities could be blocked from licensing by criminal background checks. The history of historical discretionary regulation and uneven enforcement practices has perpetuated distrust in the City that could be a barrier to people in marginalized communities coming out of the shadows to apply for licenses.

B. Financial Disparities

In general, access to capital for starting a cannabis business is restricted because of federal regulations and further limited in low income communities due to the lack of personal wealth. Those with assets and a head start have the ability surge forward with real estate acquisition and leasing that could lock new operations out of being able to set up shop in Oakland. "Living wage" underground jobs in marginalized communities are in danger of being pushed out of those communities.

C. Technical Barriers

New businesses need to have access to technical resources, such as legal and business accounting as new operations get started. Easy access to City expertise for those who are not familiar with how the City works will be needed to assure that information is available. Culturally appropriate approaches and community-based outreach will be needed to meaningfully engage marginalized communities in the equity program processes.

D. Equity Criteria

The Equity Program eligibility should not be so broad that it fails to impact inequities. Any means test should be simple, perhaps based on other program eligibility. Using geography is tricky because of gentrification and shifting demographics, so residence requirements should go back more than five years. (Per the U.S. Census the City of Oakland lost approximately 23 percent of its African American population between 2000 and 2010.)

**6. Consider adoption of approaches to maximize benefits and minimize burdens for marginalized racial groups related to achieving identified racial equity outcome.**

The historical inequity in treatment of different populations in Oakland with respect to cannabis and its detrimental impacts on City of Oakland residents strongly support a case for adopting a meaningful equity program and related policies as part of legalizing cannabis cultivation and manufacturing. The benefits of this approach will accrue not only to members of the communities who were negatively impacted, but also to the city as a whole.<sup>2</sup> To the degree that a City Equity Program can increase opportunity to address inequity, there is potential to reduce the costly fallout that results from economic marginalization. Investing in equitable economic development contributes to a more thriving and resilient City of Oakland for all residents.

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<sup>2</sup> "Equity is the superior growth model. Equity is both the antidote to inequality and the means to a future where everyone can participate and prosper. Through an equity lens the strategies needed for all to succeed are clear: jobs that pay decent wages, good education that prepares young people for the future and provides skills for adults who need them, and the removal of racial barriers to economic inclusion and civic participation." Angela Glover Blackwell, PolicyLink – Oakland, CA

I. Equity Assistance Program

To address those inequity barriers that are not directly controlled by the City, financial disparities and the need for technical assistance, staff recommends creating an Equity Assistance Program for medical cannabis applicants who have been most detrimentally impacted by the City's disparate cannabis policies.

A. Definition of Equity Program Applicant

Staff recommends utilizing qualifying criteria that addresses low wage or under employment, the impacts of living in or having been displaced from high cannabis arrest rate police beats (beats with more than 150 arrests between 1998 and 2015 – see **Attachment F**, OPD Cannabis Arrest Data by Beat) as well as disproportionate conviction records.

Specifically, staff proposes amending OMC 5.80.010 and 5.81.020 to define an "Equity Applicant" as:

- An Applicant whose ownership has an annual income at or less than 80 percent Oakland Average Medium Income (AMI) adjusted for household size;
- AND
- Has either 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, 35X for at least five of the last ten years;
- OR
- Was arrested in Oakland and convicted for a cannabis crime after November 5, 1996.

These criteria assure that the resources of the program have the intended impact of increasing access and opportunity for marginalized groups.

B. Equity Program Design Elements

The program will include a technical assistance package, waivers from City fees, and access to no interest business start-up loans since these are the dominant barriers for groups without access to their own or intergenerational wealth. This business assistance is especially needed due to cannabis' status as a Controlled Substance, which restricts federally funded small business programs from supporting cannabis clients. Due to the income levels and conditions impacting eligible participants, loan repayment schedules will need to be deferred until the business is operating at an income-generating level. This support will be provided through a consultant that provides the following services:

- Industry specific technical assistance, delivered in the community by trusted advocates.
- Business ownership technical assistance, such as business plan preparation and interface with City regulatory requirements, etc.
- Collaboration with City Administrator's staff on details of loan program design.

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- Loan application preparation assistance, processing and approval.
- Exploration of the development of co-location business facilities for equity businesses

This business support program would be funded with an ongoing economic development investment of cannabis revenue focused on those communities most impacted by economic and cannabis related inequities.

## II. Recommended Changes to City Licensing Process

Perhaps the easiest barriers to remove are those imposed by the City itself through its medical cannabis regulations and its implementation thereof. Below staff highlights recommended changes to the City's licensing process to address the lessons learned from the racial disparity data and the concerns raised by representatives of historically marginalized groups.

### A. Phased Licensing

When and how the City begins receiving applications for medical cannabis permits can play an important role in either reducing or exacerbating disparities between well-resourced cannabis operators and operators of historically marginalized populations. For example, if the City initiates an unrestricted permitting process before an Equity Assistance Program is in place, well-positioned operators will only move further ahead as historically marginalized operators fall further behind due to lack of capital and real estate.

As a result, the City recommends issuing permit applications in two phases: (1) a restricted initial phase in which the number of permits issued to general applicants may not exceed the number of permits issued to equity applicants; (2) an unrestricted second phase that commences after the Equity Assistance Program has been funded and implemented, at which point equity applicants will have access to business assistance needed to compete with more privileged operators.

### B. Equity Incubators

To encourage partnerships between well-resourced and less-resourced cannabis operators, the City recommends giving general applicants that provide free rent or real estate to an equity applicant the next available general applicant permit. This will both help equity applicants overcome the equity barriers of a lack of access to capital and real estate and help provide general applicants with the certainty of obtaining their own permit in the near future.

In order to ensure these incubators are meaningful and result in successful equity businesses, under proposed OMC 5.80.045 and 5.81.060 the City has outlined baseline criteria for general applicant incubators to follow. These requirements include a minimum of three years free rent or real estate, access to at least 1,000 square feet for business operations, providing of security measures, and stipulation that the general applicant incubator must re-apply for a permit should the equity applicant cease operating its business. These measures will provide the Equity business with time to become profitable and self-supporting, sufficient space to operate its business and a motivated partner to help them be successful.

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C. Eliminate Regulatory Discretion Where Possible

The racial disparity displayed in the City's cannabis arrest data is not surprising given the large degree of discretion afforded to law enforcement in the highly ambiguous context of medical cannabis law. And just as broad law enforcement discretion benefits well-resourced populations to the detriment of historically marginalized groups, excessive regulatory discretion will likely assist those with additional resources and unduly burden those without. For example, well-resourced operators can hire lawyers and lobbyists to pressure City staff to find in their favor despite technical non-compliance; while a similar operator without these resources may be deemed out of compliance under a strict reading of the law.

As a result, staff recommends limiting administrative discretion and clarifying what the exact rules are on the face of the medical cannabis ordinances themselves. This includes clarifying the precise areas where cannabis activity is permitted, what compliance entails with respect to track and tracing of medical cannabis, community benefit requirements, and background check processes.

D. Allow Cottage Cultivation Sites

Cultivating cannabis at home may be the easiest entryway into the medical cannabis industry as it allows entrepreneurs to own a cannabis operation without having to spend capital on real estate. Since historically marginalized populations possess far less access to capital and real estate, restricting cultivation to increasingly expensive commercial and industrial areas effectively locks this population out of the licensed cannabis process. This is especially true in the context of medical cannabis, where the lack of banking forces operators to rely on informal networks of wealth, which historically marginalized populations lack in comparison to more resourced populations.

That said home cultivation must be regulated to avoid nuisance activity, including burglaries and offensive odors, in residential areas. Staff proposes achieving this by maintaining the home cultivation regulations of OMC 5.81.101 while increasing the size of unlicensed cultivation areas to 250 square feet and eliminating earlier amorphous language under OMC 5.81.101(C) that made enforcing prior size restrictions unfeasible.

E. Require At Least Half of Dispensary Permits Be Issued to Equity Applicants

Reserving half of the City's dispensary permits for equity applicants will ensure that historically marginalized operators are successful when competing against better resourced operators for one of the limited dispensary permits. Additionally, this requirement will ensure that the benefits of operating a dispensary go directly to historically marginalized populations, rather than relying on a general program applicant to pass along said benefits.

F. Ensure Meaningful Definition of Equity "Owner"

The definition of the term "owner" under OMC 5.80 and 5.81 is critical in order for the equity program to achieve its intended purpose and reach the population it seeks to serve. Eligibility for the equity permit program depends on an applicant entity with an owner who qualifies under the equity program criteria. Accordingly, staff recommends defining owner as a majority of the

board of directors or a person who possesses a majority ownership interest. Imposing this majority requirement will help avoid the possibility of sham equity applicants comprised of one token equity member.

G. Allow Conditional Approval With No Real Estate Requirements

Since access to capital is one of the identified equity barriers that prevents historically marginalized populations from owning or leasing real estate appropriate for medical cannabis business operations, requiring a cannabis operator to own or lease such a property before applying for a City permit promises to only further disparity. Accordingly, staff recommends allowing operators to apply for a permit and even be conditionally approved before they need to invest any resources on leasing or purchasing a space. This conditional approval may also provide operators with the legitimacy needed to attract capital needed for real estate leasing or purchasing.

H. Restricting Background Checks

City-imposed criminal background requirements must be mindful of the criminal justice system's disproportionate enforcement against historically marginalized populations; look no further than the City's cannabis arrest data to see just how disparately the same law can be applied across racial lines. Accordingly, staff recommends excluding all drug offenses from background offenses and only including recent convictions of specified fraud and violent offenses. Further, City background checks need only apply to cannabis applicants as opposed to employees of cannabis operations, and applicants with recent convictions should still have option to petition for reconsideration if they can demonstrate evidence of rehabilitation, which the City should specifically define.

I. Adjust Fees

Staff will adjust its licensing fees as part of the citywide master fee schedule update to better align the small, medium and large business definitions with economic reality.

III. OPD Equity Training and Reporting on Disparate Cannabis Enforcement

Although the total number of cannabis arrests is down significantly in recent years as a result of changes in drug law enforcement approaches by OPD, disparities in arrest rates for African American and other people of color persist at approximately the same levels. OPD has engaged the services of Stanford Professor Jennifer Eberhardt, nationally recognized researcher on implicit bias, to assist the Department in understanding and addressing racial disparities. As part of that work on racial disparities OPD should review its cannabis enforcement activities and outcomes specifically while they are updating policies, practices and procedures related to implementing Prop 64.

**FISCAL IMPACT**

A. Revenue

1. Potential Future Tax Revenue

As noted in previous reports, implementing a regulatory process for the full scope of the medical cannabis industry could have considerable positive impacts from new businesses paying taxes at the City's elevated medical cannabis business tax rate of five percent of gross receipts. It is difficult to forecast, though, how many new businesses will emerge from the underground economy with new potential revenue for the City to receive. As a comparison, though, in 2016 the City of Denver, Colorado received \$7.78 million from 657 medical cannabis licenses taxed at a 4.75 percent local rate and \$22.56 million from 392 recreational businesses taxed at a 8.25 percent local rate.<sup>3</sup>

2. Prior (Back-Taxes) Business Tax Assessment Process:

OMC Section 5.04.580 allows the Director of Finance or authorized employee to audit and examine all books and records of persons engaged in business in the City and to make a deficiency determination (or assessment) based on this information or any other information that that may come into the Director's possession. The Revenue Management Bureau bases the tax assessment on the type of business activity, reflective of the historic averages from similar businesses carrying-on similar type of business activity in cases of a businesses that failed to register, or where the registration occurred but no tax declarations were filed, or the business owner reported no gross receipts. The assessment includes penalties and interest, which continue to accrue until paid in full (OMC Sections 5.04.190 Penalty and 5.04.230 Interest).

If a business believes that the assessment is improper, the business has the ability to request a Redetermination Hearing with the Director of Finance by making a written request for a hearing with the Director within 20 days from the date of service of the tax assessment notice. Otherwise, if a request for hearing is not made in a timely manner, the tax assessed by the Director of Finance becomes final and conclusive. If a business continues to believe that the assessment is improper following the Redetermination Hearing, the business has the option to appeal the Director of Finance's decision to the Business Tax Board of Review.

B. Costs

1. Regulatory Costs

The City will incur costs in regulating the medical cannabis industry. Ongoing regulatory expenses will be supported through the application and permit fees that staff has proposed at full cost recovery. In the case of equity applicants, staff's recommendation of waiving their fees will require these ongoing expenses to be covered by other revenue sources to be determined. That said, some of the fees incurred by equity applicants, such as fire and building inspections,

<sup>3</sup> Adams, Stephanie, Budgeting Marijuana Tax Revenues, and Dent, Bob and Don Korte, City and County of Denver Tax Treasury, Denver Marijuana Symposium, October 28, 2016; The Denver Collaborative Approach 2016, Denver's Marijuana Industry, p.5.

will effectively be paid by general applicant incubators that house equity applicants within general applicant facilities.

## 2. Equity Assistance Program Costs

Staff has proposed supporting the costs of the Equity Assistance Program through the initial \$3.4million in business license tax revenue received from new cannabis businesses, excluding the eight licensed medical cannabis dispensaries already existing. These revenues will be deposited in the General Purpose Fund (1010), Treasury: Operations Org (08721), Local Taxes: Business Tax Account (41511), DP080 Administrative Project (1000007), Financial Management Program (IP59) and will be appropriated in the City Administrator's Organization (02111) after the \$3.4 million has been collected.

Much like the Commercial Lending Program, the Equity Assistance Program's revolving loan program will require a one-time investment of approximately \$3 million. This entire amount may not be needed in the first year of operation as staff expects the Equity Assistance program to be phased in. This up-front investment is needed for equity applicants to begin to close the financial gap between well-resourced and historically marginalized cannabis operators.

One-time funding of approximately \$400,000 is required to fund a third-party consultant to provide equity applicants with business assistance and administer the City's no interest business start-up loan program at the cost of \$200,000 annually for the first two years. The City's Commercial Lending Program currently provides similar services via Main Street Launch to between 30-35 small businesses annually at a cost of \$192,427.

The City Administrator and City Council will evaluate the Equity Assistance Program after two years and assess the program's performance in reaching the City Council's goal of promoting equitable opportunities and decreasing disparities for marginalized communities of color. This evaluation will include determining funding the on-going \$200,000 annual cost of the consultant to administer the program.

### **PUBLIC OUTREACH / INTEREST**

The Department of Race and Equity and the City Administrator's Office's Special Activity Permits Division engaged in targeted outreach to marginalized community members and their advocates to hear their perspectives on proposed medical cannabis regulations.

### **COORDINATION**

The Department of Race and Equity and the City Administrator's Office's Special Activity Permits Division consulted with the Department of Housing and Community Development, Office of Economic and Workforce Development, the Oakland Police Department, the Revenue Management Bureau and the Office of the City Attorney in the drafting of this report.

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## **FOLLOW UP**

After experience is gained from the expansion of the medical cannabis regulatory process, staff will analyze workload revenues and fees and return to the City Council with any necessary adjustments.

Similarly, staff will return to council later in 2017 with recommendations for local implementation of adult use regulations in light of the passage of Proposition 64 and related 2018 deadlines...

## **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.

***Social 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 receive a Race and Equity analysis regarding medical cannabis regulations, approve staff's recommendations, and adopt the following pieces of legislation:

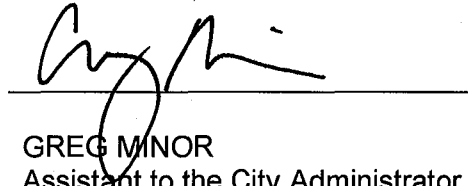
- 1) **Ordinance Amending Oakland Municipal Code Chapter 5.80, Medical Cannabis Dispensary Permits, To Clarify and Strengthen the City's Equity Permit Program and Provide Additional Updates Consistent with State Law;**
- 2) **Ordinance Amending Oakland Municipal Code Chapter 5.81, Medical Cannabis Cultivation Facility Permits, To Clarify and Strengthen the City's Equity Permit Program and Provide Additional Updates Consistent with State Law;**
- 3) **Resolution Establishing Budget Priorities For Expenditure of Cannabis Business Taxes Collected by the City Pursuant to Oakland Municipal Code Section 5.04.480 and 5.04.481.**

For questions regarding this report, please contact Darlene Flynn, Director, Department of Race and Equity, at (510) 238-2904, or Greg Minor, Assistant to the City Administrator, at (510) 238-6370.

Respectfully submitted,



DARLENE FLYNN  
Director, Department



GREG MINOR  
Assistant to the City Administrator

Reviewed by:  
Christine Daniel, Assistant City Administrator

Attachments:

- A. Equity Barriers and Strategies Chart
- B. Revised Oakland Municipal Code 5.80
- C. Revised Oakland Municipal Code 5.81
- D. Resolution
- E. Cannabis Arrest Data By Race
- F. Cannabis Arrest Data By Police Beat
- G. Oakland Police Beat Map

**ATTACHMENT A**  
**EQUITY BARRIERS and**  
**STRATEGIES CHART**

## Medical Cannabis Equity Barriers & Strategies Overview

Equity Barriers	Equity Strategy
Access to affordable sites for business operations	<p>Encourage Equity Incubators by giving permitting priority to General Applicants that provide Equity Applicants with free rent or real estate</p> <p>Allow conditional approval with no real estate requirement</p> <p>Allow small cottage operations</p> <p>Explore developing co-location facilities</p>
Head start for established cannabis operations locking out business opportunity for members of marginalized communities	<p>Phased Licensing - ensure at least half of initial licenses go to Equity Program qualified individuals, until Equity Assistance Program is operational</p> <p>Require at least half of dispensary permits be issued to Equity qualified applicants</p>
Access to capital for business startup	Zero interest small business loans for Equity Applicants through contracted provider
Cannabis criminal record	Restrict background checks in licensing requirements
Equity ownership definition too minimal so as to allow for token or paper only facade of participation	Revise ownership definition to <i>a majority of the board of directors or a person who possesses a majority ownership interest.</i>
Equity Program eligibility so broad that it does not maximize impact on equity for marginalized groups	<p>Revise eligibility criteria for Program as follows:</p> <ul style="list-style-type: none"> <li>• Ownership must have an annual income at or less than 80% AMI adjusted for household size; <b>AND</b></li> <li>• Ownership has Lived in any combination of the Oakland police beats: 2X, 2Y,6X, 7X, 19X, 21X, 21Y, 23X, 26Y, 27X, 27Y, 29X, 30X, 30Y, 31Y, 32X, 33X, 34X, 35X, for at least five of the last ten Years; <b>OR</b></li> <li>• Ownership arrested in Oakland and convicted of a drug crime after November 5, 1996</li> </ul>

<b>Equity Barriers</b>	<b>Equity Strategy</b>
Lack of familiarity with government "red tape," processes and relationships	City staff work with contractor to provide accurate and timely information and assistance with City processes
Access to technical "industry resources" for starting and maintaining a legal business; legal, regulatory, grow technology	City pursue RFP for cannabis technical assistance provided in the community by trusted community experts

**ATTACHMENT B**  
**REVISED OAKLAND**  
**MUNICIPAL CODE 5.80**

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APPROVED AS TO FORM AND LEGALITY

INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

**DRAFT**  
CITY ATTORNEY'S OFFICE

OAKLAND CITY COUNCIL  
ORDINANCE NO. \_\_\_\_\_ C.M.S.

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**ORDINANCE AMENDING OAKLAND MUNICIPAL CODE CHAPTER 5.80,  
MEDICAL CANNABIS DISPENSARY PERMITS, TO CLARIFY AND  
STRENGTHEN THE CITY'S EQUITY PERMIT PROGRAM AND PROVIDE  
ADDITIONAL UPDATES CONSISTENT WITH STATE LAW**

**WHEREAS**, in 2015, Assembly Bills 243 and 266 and Senate Bill 643 were enacted (codified at Business and Professions Code section 19300 *et seq.* and titled the "Medical Cannabis Regulation and Safety Act," previously known as the Medical Marijuana Regulation and Safety Act). These bills also amended provisions of the Medical Cannabis Program Act related to the cultivation of medical marijuana; and

**WHEREAS**, the Medical Cannabis Regulation and Safety Act establishes a long-overdue comprehensive regulatory framework for medical cannabis in California (including production, transportation and sale of medical cannabis), requires establishment of uniform state minimum health and safety standards, testing standards, mandatory product testing, and security requirements at dispensaries and during transport of the product, and provides criminal immunity for licensees; and

**WHEREAS**, the Medical Cannabis Regulation and Safety Act preserves local control in a number of ways: (1) by requiring medical cannabis businesses to obtain both a state license and a local license or permit to operate legally in California, (2) by terminating the ability of a medical cannabis business to operate if its local license or permit is terminated, (3) by authorizing local governments to enforce state law in addition to local ordinances, if they request that authority and it is granted by the relevant state agency, (4) by providing for civil penalties for unlicensed activities, and continuing to apply applicable criminal penalties under existing law, and (5) by expressly protecting local licensing practices, zoning ordinances, and local actions taken under the constitutional police power; and

**WHEREAS**, the Medical Cannabis Regulation and Safety Act authorizes medical cannabis businesses to vertically integrate their business and hold multiple state licenses if they are located in jurisdictions that adopted a local ordinance, prior

to July 1, 2015, allowing or requiring qualified businesses to cultivate, manufacture, and dispense medical cannabis or medical cannabis products; and

**WHEREAS**, the City of Oakland's medical cannabis regulations have allowed and will continue to allow an individual qualified business to cultivate, manufacture, and dispense medical cannabis or medical cannabis products; and

**WHEREAS**, the City of Oakland wishes to amend Oakland Municipal Code (OMC) Chapter 5.80 to continue and expand citywide regulation of medical cannabis activities in a manner that protects the public health, safety and general welfare of the community, and in the interest of patients who qualify to obtain, possess and use marijuana for medical purposes, consistent with the Compassionate Use Act of 1996, the Medical Marijuana Program Act, and the Medical Cannabis Regulation and Safety Act; and

**WHEREAS**, the City of Oakland has a compelling interest in protecting the public health, safety, and welfare of its citizens, residents, visitors and businesses by developing and implementing strict performance and operating standards for dispensaries; and

**WHEREAS**, it is the City of Oakland's policy in the permitting of medical cannabis facilities to encourage the hiring of high unemployment groups, including Oakland residents who were formerly incarcerated and residents of disadvantaged neighborhoods within Oakland; and

**WHEREAS**, certain low-income communities and communities of color have been negatively and disproportionately impacted by disparate enforcement of cannabis laws; and

**WHEREAS**, police arrest data reflect disproportionately higher arrests for cannabis offenses in certain police beats; and

**WHEREAS**, individuals arrested and previously incarcerated for cannabis related offenses face significant barriers to obtaining employment, financial aid, housing, and other economic opportunities; and

**WHEREAS**, individuals who have been operating unfettered by regulation and law enforcement have a significant advantage related to real estate acquisition and leasing that could lock members of negatively impacted groups out of being able to start up a cannabis business; and

**WHEREAS**, the City of Oakland seeks to address inequity in business ownership in the cannabis industry through the incorporation of a Equity Permit Program; and



**WHEREAS**, in May 2016, the City Council adopted amendments to O.M.C. Chapter 5.80 to further the above-described objectives; and

**WHEREAS**, subsequent to May 2016 members of the public and City Councilmembers proposed further amendments to O.M.C. Chapter 5.80; and

**WHEREAS**, at the November 14, 2016 Special City Council Meeting, the City Council directed the City Administrator to perform a race and equity analysis as described in the November 8, 2016 staff report and return to Council with revised ordinances; and

**WHEREAS**, on March 7, 2017, the Oakland City Council held a duly noticed public meeting to consider these revised amendments; and

**WHEREAS**, nothing in this Ordinance shall be deemed to conflict with federal law as contained in the Controlled Substances Act, 21 U.S.C. § 841 or to license any activity that is prohibited under said Act except as mandated by State law; and

**WHEREAS**, nothing in this Ordinance shall be construed to (1) allow persons to engage in conduct that endangers others or causes a public nuisance; or (2) allow the use of cannabis for non-medical purposes; or (3) allow any activity relating to the sale, distribution, possession or use of cannabis that is illegal under state or federal law; and compliance with the requirements of this Ordinance shall not provide a defense to criminal prosecution under any applicable law; now, therefore

**THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:**

**SECTION 1. Recitals.** The City Council finds and determines the foregoing recitals to be true and correct and hereby adopts and incorporates them into this Ordinance.

**SECTION 2. Purpose and Intent.** It is the purpose and intent of this Ordinance to clarify and expressly authorize medical cannabis dispensaries and delivery-only dispensaries, in order to preserve the public peace, health, safety, and general welfare of the citizens and residents of, and travelers through, the City of Oakland, as authorized by the Medical Cannabis Regulation and Safety Act; and to establish an equity program to promote equitable business ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and address the disproportionate impacts of the war on drugs in those communities.

**SECTION 3. Amendment of Chapter 5.80 of the Oakland Municipal Code.** Oakland Municipal Code Chapter 5.80 is hereby amended to read as follows (additions are shown in double underline and deletions are shown as ~~strikethrough~~):

## Chapter 5.80 - MEDICAL CANNABIS DISPENSARY PERMITS

### 5.80.010 - Definitions.

The following words or phrases, whenever used in this chapter, shall be given the following definitions:

- A. "Applicant" shall mean any individual or business entity that applies for a permit required by this chapter.
- B. "Cannabis" or "Marijuana" shall have the same definition as Business and Professions Code Section 19300.5(f), as may be amended, which, as of March 2016, defines "cannabis" as all parts of the plant Cannabis sativa Linnaeus, Cannabis indica, or Cannabis ruderalis, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound. Manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. "Cannabis" also means the separated resin, whether crude or purified, obtained from marijuana. "Cannabis" also means marijuana as defined by Health and Safety Code Section 11018, "Cannabis" does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seeds of the plant which is incapable of germination. "Cannabis" does not mean "industrial hemp" as defined by Section 81000 of the Food and Agricultural Code or Section 11018.5 of the Health and Safety Code.
- C. "Cannabis dispensary" or "Dispensary" shall mean a facility where medical cannabis, medical cannabis products, or devices for the use of medical cannabis or medical cannabis products are offered, either individually or in any combination, for retail sale, including an establishment that delivers medical cannabis and medical cannabis products as part of a retail sale.
- D. "City Administrator" means the City Administrator of the City of Oakland or his/her designee.
- E. "Collective" means any association, affiliation, or establishment jointly owned and operated by its members that facilitates the collaborative efforts of qualified patients and primary caregivers, as described in State law.
- F. "Delivery" means the commercial transfer of medical cannabis or medical cannabis products from a dispensary to a primary caregiver or qualified patient as defined in Section 11362.7 of the Health and Safety Code, or a testing laboratory. "Delivery" also includes the use by a dispensary of any technology platform that enables qualified patients or primary caregivers to arrange for or facilitate the commercial transfer by a licensed dispensary of medical cannabis or medical cannabis products.
- G. "Delivery only dispensary" means a cannabis dispensary that provides medical cannabis or medical cannabis products to primary caregivers or qualified patients

as defined in Section 11362.7 of the Health and Safety Code exclusively through delivery.

- H. "Equity Applicant" shall mean an Applicant whose ownership has an annual income at or less than 80 percent of Oakland Average Medium Income (AMI) adjusted for household size and 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, and 35X for at least five of the last ten years or (ii) was arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland, California.
- I. "General Applicant" shall mean an Applicant other than an Equity Applicant.
- J. "Medical marijuana" or "Medical cannabis" means marijuana authorized in strict compliance with Health and Safety Code Sections 11362.5, 11362.7 et seq., as such sections may be amended from time to time.
- K. "Ownership" shall mean the individual or individuals who:
  - (i) with respect to for-profit entities, including without limitation corporations, partnerships, limited liability companies, has or have an aggregate ownership interest (other than a security interest, lien, or encumbrance) of 50 percent or more in the entity.
  - (ii) with respect to not for-profit entities, including without limitation a non-profit corporation or similar entity, constitutes or constitute a majority of the board of directors.
  - (iii) with respect to collectives, has or have a controlling interest in the collective's governing body.
- L. "Parcel of land" means a single contiguous parcel of real property as identified by the county assessor's parcel number (APN), which is used to identify real property and its boundaries for legal purposes.
- M. "Primary caregiver" shall have the same definition as California Health and Safety Code Section 11362.7, as may be amended, which, as of March 2016, defines "Primary Caregiver" as an individual designated by a qualified patient or by a person with an identification card, who has consistently assumed responsibility for the housing, health, or safety of that patient or person, and may include a licensed health care facility, a residential care facility, a hospice, or a home health agency as allowed by California Health and Safety Code Section 11362.7(d)(1)—(3).
- N. "Qualified patient" shall have the same definition as California Health and Safety Code Section 11362.7 et seq., as may be amended, which, as of March 2016, means a person who is entitled to the protections of California Health and Safety Code Section 11362.5. For purposes of this ordinance, qualified patient shall include a person with an identification card, as that term is defined by California Health and Safety Code Section 11362.7 et seq.

- O. "Smoking" shall have the same definition as Oakland Municipal Code Chapter 8.30, which as of March 2017 means "inhaling, exhaling, burning, or carrying any lighted cigar, cigarette, weed, or other combustible substance."
- P. "Youth Center" means a community or recreation facility that primarily serves persons eighteen (18) years or younger.
- Q. ~~"General Application permit" shall mean all applications issued under OMC Chapter 5.80 with the exception of dispensary equity permits issued under Section 5.80.040.~~

**5.80.020 - Business permit ~~required~~ and application for permit required.**

- A. Except for hospitals, research facilities, or an entity authorized pursuant to Section 8.46.030, it is unlawful for any owner, operator, or association to own, conduct, operate ~~or~~ maintain, ~~or~~ to participate therein, ~~or~~ to cause or to allow to be conducted, operated, or maintained, any dispensary, delivery or delivery only dispensary in or into the City unless there exists a valid business permit in compliance with the provisions of Chapter 5.02 and a permit issued under this chapter. However, entities authorized under OMC Chapter 8.46 must abide by the same requirements imposed herein on dispensaries.
- B. This chapter, and the requirement to obtain a business permit, does not apply to the individual possession or cultivation of medical marijuana for personal use, nor does this chapter and such requirement apply to the usage, distribution, cultivation or processing of medical marijuana by qualified patients or primary caregivers when such group is of three (3) or less fewer individuals, and distributing, cultivating or processing the marijuana from a residential unit or a ~~single non-residential~~ parcel of land. Such associations of three (3) or less qualified patients or primary caregivers shall not be required to obtain a permit under Chapter 5.80, but must comply with applicable State law.
- C. The City Administrator shall issue no more than eight new valid permits for the operation of dispensaries in the City per calendar year, with a minimum of half of the dispensary permits issued each calendar year issued to Equity Applicants. Delivery only dispensaries shall not be subject to these this limits. Dispensary permits shall be issued through a Request for Proposal (RFP) process that is done in collaboration with the Department of Race and Equity.
- D. In addition to the requirements specified in Section 5.02.020 for business permits, the ~~permit~~ application for a dispensary permit shall set forth the following information:
  - 1. Unless the City Administrator in his/her discretion determines that the location will not impact the peace, order and welfare of the public evidence that the proposed location of such dispensary is not within six hundred (600) feet of a public or private school providing instruction in kindergarten or grades 1 to 12, inclusive (but not including any private school in which education is primarily conducted in private homes), another dispensary or youth center, unless the school or youth center moved into the area after the dispensary was issued a

permit under this chapter. The distance between facilities shall be measured via path of travel from the closest door of one facility to the closest door of the other facility. The proposed dispensary or delivery only dispensary must be located in a commercial or industrial zone, or its equivalent as may be amended, of the City.

2. A plan of operations that will describe how the dispensary or delivery only dispensary will operate consistent with State law and the provisions of this chapter, including but not limited to:
  - a. Controls to ensure medical marijuana will be dispensed only to qualified patients and primary caregivers, and
  - b. Controls to acquire, possess, transport and distribute marijuana to and from State-licensed medical cannabis entities.
3. A security plan, as a separate document, outlining the proposed security arrangements to deter and prevent unauthorized entrance into areas containing medical cannabis or medical cannabis products and theft of medical cannabis or medical cannabis products at the dispensary, in accordance with minimum security measures required by State law. The security plan shall be reviewed by the Police Department and the Office of the City Administrator and shall be exempt from disclosure as a public record pursuant to Government Code Section 6255(a).
4. A community beautification plan to reduce illegal dumping, littering, graffiti and blight and promote beautification of the adjacent community.

~~Confirmation of the following criteria:~~

- ~~a. That the dispensary or delivery only dispensary will not contribute to undue proliferation of such uses in an area where additional ones would be undesirable, with consideration to be given to the area's function and character, problems of crime and loitering, and traffic problems and capacity;~~
- ~~b. That the dispensary or delivery only dispensary will not adversely affect adjacent or nearby churches, temples, or synagogues; public, parochial, or private elementary, junior high, or high schools; public parks or recreation centers; or public or parochial playgrounds;~~
- ~~c. That the dispensary or delivery only dispensary will not interfere with the movement of people along an important pedestrian street;~~
- ~~d. That the dispensary or delivery only dispensary will be of an architectural and visual quality and character which harmonizes with, or where appropriate enhances, the surrounding area;~~
- ~~e. That the design will avoid unduly large or obtrusive signs, bleak unlandscaped parking areas, and an overall garish impression;~~
- ~~f. That adequate litter receptacles will be provided where appropriate;~~

- ~~g. That where the dispensary or delivery only dispensary is in close proximity to residential uses, and especially to bedroom windows, it will be limited in hours of operation, or designed or operated, so as to avoid disruption of residents' sleep;~~
- ~~h. That no cannabis or cannabis odors shall be detectable by sight or smell outside of a permitted facility.~~
- 5. If the applicant is an Equity Applicant, information documenting such status, as described in Section 5.80.045 and any applicable administrative guidelines.
- 6. Such other information deemed necessary to conduct any investigation or background check of the applicant, and for the City Administrator to determine compliance with this chapter, the City's Municipal Code and Zoning Code.
  - a. Background checks shall only apply to Dispensary and Delivery-Only Dispensary Applicants and they shall be limited to determining whether an Applicant has been convicted or plead nolo contendere or guilty to a violent offense or crime of fraud or deceit as defined by the City Administrator's administrative guidelines.
  - b. Applicants with recent relevant convictions may still petition the City Administrator for reconsideration if they can demonstrate evidence of rehabilitation, such as participation in rehabilitative services and payment of restitution.
- 7. An applicant for a dispensary permit shall not be disqualified from receiving a permit under this Chapter on the ground that the applicant also operates or intends to operate in a cannabis-related field by providing additional, non-dispensary activities (such as cultivation).
- E. Applications for dispensaries shall be subject to a public hearing and ~~must provide with public notice of the hearing in accordance with Section 5.02.050.~~ Applications for delivery only dispensaries shall not be subject to a hearing requirement. The City Administrator shall be the investigating official referred to in Section 5.02.030 to whom the application shall be referred. ~~In recommending the granting or denying of such permit and in granting or denying the same, the City Administrator shall give particular consideration to the capacity, capitalization, and complaint history of the applicant and any other factors that in the City Administrator's discretion he/she deems necessary to the peace, order and welfare of the public. Fifty percent (50%) of all permits issued under OMC Chapter 5.80 shall be issued to an Oakland resident who meets the Dispensary Equity Permit Program requirements set forth in Section 5.80.045. At no time shall the number of new general application permits exceed the number of dispensary equity permits issued by the City Administrator. The eight (8) existing dispensary operators are exempt from the fifty percent (50%) requirement. All General applicants shall pay an application fee, a permit fee, and all inspection fees that may be required as part of the application process, as specified in the~~

City's Master Fee Schedule. There shall be no application fee for Equity Applicants.

~~F. At the time of submission of dispensary permit application, the General applicant shall pay a dispensary permit application fee. The fee amount shall be set in the City's Master Fee Schedule.~~

F. All dispensary permits shall be special business permits and shall be issued for a term of one year. No property interest, vested right, or entitlement to receive a future license to operate a medical marijuana business shall ever inure to the benefit of such permit holder as such permits are revocable at any time with our without cause by the City Administrator subject to Section 5.80.070.

**5.80.025 - Onsite consumption permit.**

A. ~~An applicant dispensary must obtain a secondary onsite consumption permit in order for cannabis to be consumed on the premises of the dispensary.~~

B. An onsite consumption permit may be issued at the discretion of the City Administrator to existing dispensaries in good standing following a public hearing conducted according to the requirements of Chapter 5.02. and based on an evaluative point system that takes into consideration the operating history and business practices of the applicant, and any other factors that are deemed necessary to promote the peace, order and welfare of the public. An application for an onsite consumption permit may be denied for failure to meet requirements of the City Building Code, City Fire Code, City Planning Code, this chapter, and/or any violation of State or local law relevant to the operation of dispensaries.

C. The City Administrator shall establish conditions of approval for each onsite consumption permit, including but not limited to a parking plan, ventilation plan, anti-drugged driving plan, and set hours of operation. Set hours of operation may only be adjusted by submitting a written request to and obtaining approval from the City Administrator's Office.

D. The permit shall be subject to suspension or revocation in accordance with Section 5.80.070, and the owner/operator shall be liable for excessive police costs related to enforcement.

E. The application fee and annual fee for the onsite consumption permit shall be specified in the City's Master Fee Schedule.

F. All onsite consumption permits shall be special business permits and shall be issued for a term of one year. No property interest, vested right, or entitlement to receive a future license to operate a medical marijuana business shall ever inure to the benefit of such permit holder as such permits are revocable at any time with our without cause by the City Administrator subject to Section 5.80.070.

### 5.80.030 - Regulations.

The City Administrator shall establish administrative regulations for the permitting of dispensaries, ~~and delivery only dispensaries,~~ and onsite consumption, and may set further standards for such operations and activities through administrative guidance and formal regulations. ~~of dispensaries and delivery only dispensaries.~~ The In order to maintain a dispensary or delivery only dispensary permit in good standing, shall each dispensary and delivery only dispensary must meet all the operating criteria for the dispensing of medical marijuana required pursuant to State law, the City Administrator's administrative regulations, and this Chapter.

### 5.80.040 - Performance and operating standards.

The City Administrator shall develop and implement performance and operating standards consistent with those set forth in Ordinance No. 12585 in the Office of the City Administrator Guidelines and shall modify such Guidelines from time to time as required by applicable law and consistent with public health, welfare and safety. Noncompliance of such operating standards shall constitute a breach of the permit issued hereunder and may render such permit suspended or revoked based upon the City Administrator's determination.

The following performance standards shall be included in the City Administrative regulations:

- A. No cannabis shall be smoked, inside the premises of the dispensary.
- B. The dispensary shall not hold or maintain a license from the State Department of Alcohol Beverage Control to sell alcoholic beverages, or operate a business that sells alcoholic beverages.
- C. Dispensaries must maintain a staff comprised of at least fifty percent (50%) Oakland residents and twenty-five percent (25%) Oakland residents in census tracts identified by the City Administrator as having high unemployment rates or low household incomes. The City Administrator's guidelines and regulations may promulgate provide details of these requirements, including standards for phasing in this requirement for existing facilities.
- D. Dispensaries and delivery only dispensaries that hire and retain formerly incarcerated current Oakland residents may apply for a tax credit or license fee reduction based on criteria established by the City Administrator.
- E. All dispensary employees and delivery only dispensary employees shall be paid a living wage as defined by OMC Chapter 2.28.
- F. Dispensaries and delivery only dispensaries must implement a track and trace program as prescribed by state law that records the movement of medical cannabis and medical cannabis products in their custody and make these records available to the City Administrator upon request.
- G. No cannabis odors shall be detectable outside of the permitted facility.



~~H. At no time shall the number of new general application permits exceed the number of dispensary equity permits issued by the City Administrator.~~

**5.80.045 – Dispensary Equity Permit Program.**

A. Equity Criteria. Applicant ownership must satisfy ~~have at least one member who meets all of the following criteria:~~

1. ~~Be an Oakland resident who~~ Have an annual income at or less than 80% Oakland Average Median Income (AMI) Adjusted for household size and either has:
  - a. Have lived Resides for at least two (2) years prior to the date of application in any combination of Oakland Police Department Beats 2X, 2Y, 6X, 7X, 19X, 21X, 21Y, 23X, 26Y, 27X, 27Y, 29X, 30X, 30Y, 31Y, 31Z, 32Y, 32X, 33X, and 34X, and 35X for at least five of the last ten years; or
  - b. Were arrested after November 5, 1996 and convicted those individuals who, within the last ten (10) years, have been previously incarcerated for of a cannabis crime marijuana-related offense as a result of a conviction arising out of committed in Oakland, California.
  - b. Maintains not less than a fifty percent (50%) ownership in the Dispensary applicant entity, partnership, limited liability corporation, collective, corporation, worker cooperative or other recognized ownership entity; and

B. Review of Criteria.

1. Proof of Income shall be supported with federal tax returns and at least one of the following documents: two months of pay stubs, current Profit and Loss Statement, or Balance Sheet.
2. A minimum of the two of the following documents shall be required in order to demonstrate proof of Oakland Residency: California Driver's Record or Identification Card, property tax bills, copies of tax returns, utility bills, vehicle registration.
3. Proof of Incarceration should be demonstrated through Department of Corrections or Federal Bureau of Prisons documentation.

C. Assistance. Equity Applicants will be eligible for participation in the Equity Assistance program, which will include industry specific technical assistance, business ownership technical assistance, no interest business start-up loans, and waivers from City permitting fees.

D. Initial Permitting Phase.

1. The period of time before the Equity Assistance Program referred to in OMC 5.80.045(C), is established, funded and implement shall be referred to as the Initial Permitting Phase

2. At any point during the Initial Permitting Phase, a minimum of fifty (50) percent of all permits collectively issued under OMC Chapters 5.80 and 5.81 shall be issued to Equity Applicants.
3. In the Initial Permitting Phase, a General Applicant will receive the next available General Applicant permit if it serves as an Equity Incubator by providing free real estate or rent to an Equity Applicant who obtains a medical cannabis permit. In order to receive this permitting priority, the General Applicant must also comply with the following conditions:
  - a. The free real estate or rent shall be for a minimum of three years.
  - b. The Equity Applicant shall have access to a minimum of 1,000 square feet to conduct its business operations.
  - c. The General Applicant must provide any City required security measures, including camera systems, safes, and alarm systems for the space utilized by the Equity Applicant.
  - d. The General Applicant is otherwise compliant with all other requirements of OMC Chapter 5.80 or 5.81.
4. If a General Applicant obtains a medical cannabis permit utilizing the Equity Incubator priority provisions of OMC 5.80.045 (D)(3) and the Equity Applicant ceases its business operations, the General Applicant must:
  - a. Notify the City Administrator within thirty (30) days of the Equity Applicant ceasing its business operations; and
  - b. Re-apply for a medical cannabis permit subject to the permitting restrictions of this Chapter, including OMC 5.80.045 (D)(2).
5. Failure to notify the City Administrator, submit a new application and obtain a new medical cannabis permit as required under OMC 5.80.045 (D) is grounds for revocation and a violation of this chapter.

#### E. Renewal.

1. In order to continue to receive new Equity Assistance Program services, an Equity Applicant must provide proof that it continues to satisfy the Equity Criteria at the time of its annual permit renewal.
2. An Equity Applicant who no longer satisfies the Equity Criteria but is compliant with all other requirements of OMC Chapter 5.80 or 5.81, will be entitled to renew the permit but will no longer be entitled to receive new Equity Assistance Program services. Such an Applicant may utilize any services previously granted under the Equity Assistance Program, though, such as previously issued loans.
2. Prior marijuana or cannabis conviction shall not be a bar to equity ownership.

#### **5.80.050 - Regulatory fees; seller's permit.**

- A. ~~Unless exempted under OMC 5.80.045, in addition to the dispensary application fee, the dispensary shall pay an annual regulatory fee at the same time as applying for the business tax certificate or renewal thereof. The dispensary shall post a copy of the business tax certificate issued pursuant to Chapter 5.04, together with a copy of the dispensary permit and onsite consumption permit (if applicable) issued pursuant to this chapter and Section 5.02.020, in a conspicuous place in the premises approved as a dispensary at all times.~~
- B. ~~The State Board of Equalization has determined that medical marijuana transactions are subject to sales tax, regardless of whether the individual or group makes a profit, and those engaging in transactions involving medical marijuana must obtain a seller's permit from the State Board of Equalization.~~
- B. The fees referenced herein shall be set by the Master Fee Schedule, as modified from time to time.

**5.80.060 - Sales.**

Retail sales of medical marijuana that violate California law or this chapter are expressly prohibited.

**5.80.070 - Revocation, suspension and appeals.**

~~Notwithstanding Chapter 5.02, any decision by The City Administrator's decision to issue or deny a permit, shall be subject to an appeal by the Applicant pursuant to Section 5.02.100, except that the appeal authorized in Section 5.02.100 shall be to an independent hearing officer and not the City Council. The request for an appeal must be made in writing within fourteen (14) days of the City Administrator's decision. The decision of the independent hearing officer the, suspensions or revocations of permits, shall be final and conclusive, and there shall be no right of appeal to the City Council or any other appellate body.~~

For suspensions or revocations of permits the City shall follow the procedures set forth in Section 5.02.080, except that the City Administrator shall provide fourteen (14) days' notice of the hearing on the proposed action to suspend or revoke the permit. The appeal authorized in Section 5.02.100 shall be to an independent hearing officer, and such request for appeal must be made in writing within fourteen (14) days of the City Administrator's decision. The decision of the independent hearing officer shall be final and conclusive.

**5.80.080 - Prohibited operations; nonconforming uses.**

- A. All dispensaries Operation of a dispensary or delivery only dispensary in violation of California Health and Safety Code Section 11326.7, et seq., 11362.5, and this chapter are expressly prohibited. It is unlawful for any dispensary or delivery only dispensary in the City, or any agent, employee or representative of such

dispensary or delivery only dispensary, to permit any breach of peace therein or any disturbance of public order or decorum by any tumultuous, riotous or disorderly conduct on the premises of the dispensary or during the delivery of medical cannabis.

- B. Except for uses established pursuant to Chapter 8.46, no use which purports to have distributed marijuana prior to the enactment of this chapter shall be deemed to have been a legally established use under the provisions of the Oakland Planning Code, this Code, or any other local ordinance, rule or regulation, and such use shall not be entitled to claim legal nonconforming status.
- C. Any violations of this chapter, including administrative regulations authorized by this chapter, may be subject to administrative citation, pursuant to Chapters 1.08 and 1.12, and other applicable legal, injunctive or equitable remedies.

#### **5.80.090 - Liability and indemnification.**

- A. To the fullest extent permitted by law, any actions taken by a public officer or employee under the provisions of this chapter shall not become a personal liability of any public officer or employee of the City.
- B. To the maximum extent permitted by law, the permittees under this chapter shall defend (with counsel acceptable to the City), indemnify and hold harmless the City of Oakland, the Oakland City Council, and its respective officials, officers, employees, representatives, agents and volunteers (hereafter collectively called City) from any liability, damages, actions, claims, demands, litigation, loss (direct or indirect), causes of action, proceedings or judgment (including legal costs, attorneys' fees, expert witness or consultant fees, City Attorney or staff time, expenses or costs) (collectively called "action") against the City to attack, set aside, void or annul ~~annual~~, any medical cannabis-related approvals and actions and comply with the conditions under which such permit is granted, if any. The City may elect, in its sole discretion, to participate in the defense of said action and the permittee shall reimburse the City for its reasonable legal costs and attorneys' fees.
- C. Within ten (10) calendar days of the service of the pleadings upon the City of any action as specified in Subsection B. above, the permittee shall execute a letter of agreement with the City, acceptable to the Office of the City Attorney, which memorializes the above obligations. These obligations and the letter of agreement shall survive termination, extinguishment or invalidation of the medical cannabis-related approval. Failure to timely execute the letter of agreement does not relieve the applicant of any of the obligations contained in this section or any other requirements or performance or operating standards that may be imposed by the City.

#### **5.80.100 - Examination of books, records, witnesses—Penalty.**

- A. Permittees must provide the City Administrator with access to any licensed dispensary during normal business hours to verify compliance with this chapter.

- B. Permittees must provide the City Administrator with access to any and all financial information regarding the dispensary at any time, as needed to conduct an audit of the permittees under this chapter to verify tax compliance under Chapter 5.80 and/or gross receipts tax requirements.
- C. The City Administrator is authorized to examine the books, papers, tax returns and records of any permittee for the purpose of verifying the accuracy of any declaration made, or if no declaration was made, to ascertain the business tax due.
- D. The City Administrator is authorized to examine a person under oath, for the purpose of verifying the accuracy of any declaration made, or if no declaration was made, to ascertain the business tax, registration or permit fees due under this chapter. In order to ascertain the business tax, registration or permit fees due under this chapter, the City Administrator may compel, by administrative subpoena, the production of relevant books, papers and records and the attendance of all persons as parties or witnesses.
- E. Every permittee is directed and required to furnish to the City Administrator, the means, facilities and opportunity for making such financial examinations and investigations.
- F. Any permittee refusal to comply with this section shall be deemed a violation of this chapter, and administrative subpoenas shall be enforced pursuant to applicable law.

**SECTION 5. Reporting.** City staff shall report back to City Council no later than one year from the date of adoption of this legislation, providing information about the implementation, review of effectiveness of the included standards, including equity standards, issues that have arisen, if any, and whether any changes are recommended.

**SECTION 6. California Environmental Quality Act.** The City Council independently finds and determines that this action is exempt from CEQA pursuant to CEQA Guidelines sections 15061(b)(3) (general rule), 15183 (projects consistent with a community plan, general plan, or zoning), 15301 (existing facilities), 15308 (actions by regulatory agencies for protection of the environment) and 15309 (inspections), each of which provides a separate and independent basis for CEQA clearance and when viewed collectively provide an overall basis for CEQA clearance. The Environmental Review Officer or designee shall file a Notice of Exemption with the appropriate agencies.

**SECTION 7. Severability.** The provisions of this Ordinance are severable, and if any section, subsection, sentence, clause, phrase, paragraph, provision, or part of this Ordinance, or the application of this Ordinance to any person, is for any reason held to be invalid, preempted by state or federal law, or unconstitutional by decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the ordinance. It is hereby declared to be the legislative intent of the City Council that this Ordinance would have been adopted

had such provisions not been included or such persons or circumstances been expressly excluded from its coverage.

**SECTION 8. Ordinance Effective Date.** Pursuant to Section 216 of the Charter of the City of Oakland, this Ordinance shall become effective immediately upon final adoption if it receives six or more affirmative votes; otherwise it shall become effective upon the seventh day after final adoption by the Council of the City of Oakland.

**SECTION 9. General Police Powers.** This Ordinance is enacted pursuant to the City of Oakland's general police powers, including but not limited to Sections 106 of the Oakland City Charter and Section 7 of Article XI of the California Constitution.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL-WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLÉN, KALB, KAPLAN AND  
PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LATONDA SIMMONS  
City Clerk and Clerk of the Council  
of the City of Oakland, California

Date of Attestation: \_\_\_\_\_

**NOTICE AND DIGEST**

**ORDINANCE AMENDING OAKLAND MUNICIPAL CODE CHAPTER 5.80,  
MEDICAL CANNABIS DISPENSARY PERMITS, TO CLARIFY AND  
STRENGTHEN THE CITY'S EQUITY PERMIT PROGRAM AND PROVIDE  
ADDITIONAL UPDATES CONSISTENT WITH STATE LAW**

**ATTACHMENT C**  
**REVISED OAKLAND**  
**MUNICIPAL CODE 5.81**



2017 FEB 23 PM 5:20

**DRAFT**

CITY ATTORNEY'S OFFICE

INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

## OAKLAND CITY COUNCIL

**ORDINANCE NO. \_\_\_\_\_ C.M.S.**

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**ORDINANCE AMENDING OAKLAND MUNICIPAL CODE CHAPTER 5.81,  
MEDICAL CANNABIS CULTIVATION FACILITY PERMITS, TO CLARIFY AND  
STRENGTHEN THE CITY'S EQUITY PERMIT PROGRAM AND PROVIDE  
ADDITIONAL UPDATES CONSISTENT WITH STATE LAW**

**WHEREAS**, in 2015, Assembly Bills 243 and 266 and Senate Bill 643 were enacted (codified at Business and Professions Code section 19300 et seq. and titled the "Medical Cannabis Regulation and Safety Act," previously known as the "Medical Marijuana Regulation and Safety Act); and

**WHEREAS**, the Medical Marijuana Regulation and Safety Act establishes a long-overdue comprehensive regulatory framework for medical cannabis in California (including production, transportation and sale of medical cannabis), requires establishment of uniform state minimum health and safety standards, testing standards, mandatory product testing, and security requirements at dispensaries and during transport of the product, and provides criminal immunity for licensees; and

**WHEREAS**, the Medical Marijuana Regulation and Safety Act preserves local control in a number of ways: (1) by requiring medical cannabis businesses to obtain both a state license and a local license or permit to operate legally in California, (2) by terminating the ability of a medical cannabis business to operate if its local license or permit is terminated, (3) by authorizing local governments to enforce state law in addition to local ordinances, if they request that authority and it is granted by the relevant state agency, (4) by providing for civil penalties for unlicensed activities, and continuing to apply applicable criminal penalties under existing law, and (5) by expressly protecting local licensing practices, zoning ordinances, and local actions taken under the constitutional police power; and

**WHEREAS**, the Medical Marijuana Regulation and Safety Act authorizes medical cannabis businesses to vertically integrate their business and hold multiple state licenses if they are located in jurisdictions that adopted a local ordinance, prior to July 1, 2015, allowing or requiring qualified businesses to cultivate, manufacture, and dispense medical cannabis or medical cannabis products; and

**WHEREAS**, the City of Oakland's medical cannabis regulations have allowed and will continue to allow an individual qualified business to cultivate, manufacture, and dispense medical cannabis or medical cannabis products; and

**WHEREAS**, extensive medical cannabis activities, including cultivation and manufacturing, currently occur in the City and have not been expressly regulated; and

**WHEREAS**, these activities have caused and continue to cause ongoing adverse impacts that can be harmful to the health, safety and welfare of Oakland residents and constitute a public nuisance, including without limitation damage to buildings containing indoor medical cannabis cultivation facilities, including improper and dangerous electrical alterations and use, inadequate ventilation leading to mold and mildew, increased frequency of home-invasion robberies, and similar crimes; and

**WHEREAS**, many of these community impacts have fallen disproportionately on residential neighborhoods. These impacts have also created an increase in City response costs, including code enforcement, building, fire, and police staff time and expenses; and

**WHEREAS**, absent appropriate regulation, these unregulated medical cannabis activities pose a potential threat to the public health, safety and welfare;

**WHEREAS**, the City of Oakland wishes to amend OMC Chapter 5.81 to continue and expand citywide regulation of medical cannabis activities in a manner that protects the public health, safety and general welfare of the community, and in the interest of patients who qualify to obtain, possess and use marijuana for medical purposes, consistent with the Compassionate Use Act of 1996, the Medical Marijuana Program Act, and the Medical Marijuana Regulation and Safety Act; and

**WHEREAS**, the City of Oakland has a compelling interest in protecting the public health, safety, and welfare of its citizens, residents, visitors and businesses by developing and implementing strict performance and operating standards for medical cannabis cultivation, manufacturing and other facilities; and

**WHEREAS**, it is the City of Oakland's policy in the permitting of medical cannabis facilities to encourage the hiring of high unemployment groups, including Oakland residents who were formerly incarcerated and residents of disadvantaged neighborhoods; and

**WHEREAS**, certain low-income communities and communities of color have been negatively and disproportionately impacted by disparate enforcement of cannabis laws; and

**WHEREAS**, police arrest data reported to the Cannabis Regulatory Commission reflect disproportionately higher arrests for cannabis offenses in certain police beats; and

**WHEREAS**, individuals arrested or previously incarcerated for cannabis related offenses face significant barriers to obtaining employment, financial aid, housing, and other economic opportunities; and

**WHEREAS**, individuals who have been operating unfettered by regulation and law enforcement have a significant advantage related to real estate acquisition and leasing that

could lock members of negatively impacted groups out of being able to start up a cannabis business; and

**WHEREAS**, the City of Oakland seeks to address inequity in business ownership in the cannabis industry through the incorporation of a Cultivation, Manufacturing, Distribution, Testing, and Transporting Equity Permit Program; and

**WHEREAS**, in May 2016, the City Council adopted amendments to O.M.C. 5.81 to further the above-described objectives; and

**WHEREAS**, subsequent to May 2016 members of the public and City Councilmembers proposed further amendments to O.M.C. Chapter 5.81; and

**WHEREAS**, at the November 14, 2016 Special City Council Meeting, the City Council directed the City Administrator to perform a race and equity analysis as described in the November 8, 2016 staff report and return to Council with revised ordinances; and

**WHEREAS**, on March 7, 2017, the Oakland City Council held a duly noticed public meeting to consider these revised amendments; and

**WHEREAS**, nothing in this Ordinance shall be deemed to conflict with federal law as contained in the Controlled Substances Act, 21 U.S.C. § 841 or to license any activity that is prohibited under said Act except as mandated by State law; and

**WHEREAS**, nothing in this Ordinance shall be construed to (1) allow persons to engage in conduct that endangers others or causes a public nuisance; or (2) allow the use of cannabis for non-medical purposes; or (3) allow any activity relating to the sale, distribution, possession or use of cannabis that is illegal under state or federal law; and compliance with the requirements of this Ordinance shall not provide a defense to criminal prosecution under any applicable law; now, therefore

**THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:**

**SECTION 1. Recitals.** The City Council finds and determines the foregoing recitals to be true and correct and hereby adopts and incorporates them into this Ordinance.

**SECTION 2. Purpose and Intent.** It is the purpose and intent of this Ordinance to clarify and expressly authorize non-dispensary medical cannabis activities, including the cultivation of medical cannabis, in order to preserve the public peace, health, safety, and general welfare of the citizens and residents of, and travelers through, the City of Oakland, as authorized by the Medical Cannabis Regulation and Safety Act ; and to establish an equity program to promote equitable business ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and address the disproportionate impacts of the war on drugs in those communities.

**SECTION 3. Amendment of Chapter 5.81 of the Oakland Municipal Code.** Oakland Municipal Code Chapter 5.81 is hereby amended as follows (additions are shown in double underline and deletions are shown as ~~strikethrough~~):

## Chapter 5.81 - MEDICAL CANNABIS CULTIVATION, MANUFACTURING AND OTHER FACILITY PERMITS

### 5.81.010 - Findings and purpose.

- A. The City Council, based on evidence presented to it in the proceedings leading to the adoption of this chapter hereby finds that the lack of regulation of medical cannabis facilities other than medical cannabis dispensaries, including unregulated cultivation, manufacturing and processing of medical cannabis in the City has caused and is causing ongoing impacts to the community. These impacts include disparities in enforcement of drug laws, damage to buildings containing indoor medical cannabis cultivation facilities, including improper and dangerous electrical alterations and use, inadequate ventilation leading to mold and mildew, increased frequency of home-invasion robberies and similar crimes, and that many of these impacts have fallen disproportionately on residential neighborhoods. These impacts have also created an increase in response costs, including code enforcement, building, fire, and police staff time and expenses.
- ~~B. The City Council further finds that the creation of a permitting process implementing public health and safety standards for medical cannabis facilities other than dispensaries will not only improve public health and safety but provide a measure of certainty for legitimate businesses and thus encourage them to situate in Oakland.~~
- B. The City acknowledges that the voters of the State have provided an exemption to prosecution for the cultivation, possession of cannabis for medical purposes under the Compassionate Use Act (CUA), but that the CUA does not address land use or building code impacts or issues arising from the resulting increase in cannabis cultivation within the City.
- C. The City acknowledges that sales of medical marijuana are subject to taxation by both the City and the State and that the California State Board of Equalization (BOE) is also requiring that businesses engaging in such retail transactions hold a seller's permit.
- D. The primary purpose and intent of this chapter is to regulate non-dispensary medical cannabis facilities, including the cultivation of medical cannabis, in a manner that protects the public health, safety and welfare of the community, as authorized by the Medical Marijuana Cannabis Regulation and Safety Act.

### 5.81.020 - Definitions.

The following words or phrases, whenever used in this chapter, shall be given the following definitions:

- A. "Applicant" as used only in this chapter shall be any individual or business entity ~~industrial cannabis cultivation, processing, manufacturing facility that~~ applies for a permit required under this chapter.

- B. "Batch" as used only in this chapter shall be defined by the City Administrator to mean a discrete quantity of dried cannabis produced and sold together.
- C. "Cannabis" or "Marijuana" as used only in this chapter shall be the same, and as may be amended, as is defined in Section 5.80.010.
- D. "Cannabis concentrate" as used only in this chapter shall mean manufactured cannabis that has undergone a process to concentrate the cannabinoid active ingredient, thereby increasing the product's potency.
- E. "Cannabis Dispensary" as used only in this chapter shall be the same, and as may be amended, as is defined in Section 5.80.010 and is also referred to herein as "dispensary."
- F. "City Administrator" as used only in this chapter shall mean the City Administrator for the City of Oakland and his or her designee.
- G. "Cultivate" as used only in this chapter shall mean ~~to plant, grow, harvest, dry, cure, grade or trim more than forty-eight (48) ounces of dried cannabis and/or~~ to plant, grow, harvest, dry, cure, grade or trim cannabis in an area greater than ~~ninety-six (96)~~ two-hundred and fifty square feet of total area within one parcel of land.
- H. "Distribute" as used only in this chapter shall mean the procurement, sale, and transport of medical cannabis and medical cannabis products between State licensed medical cannabis entities.
- I. "Edible cannabis product" as used only in this chapter shall mean manufactured cannabis that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum.
- J. "Equity Applicant" shall mean an Applicant whose ownership has an annual income at or less than 80 percent of Oakland Average Medium Income (AMI) adjusted for household size and 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, and 35X for at least five of the last ten years or (ii) was arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland.
- K. "General Applicant" shall mean an Applicant other than an Equity Applicant under this chapter.
- L. "Manufactured cannabis" as used only in this chapter shall mean raw cannabis that has undergone a process whereby the raw agricultural product has been transformed into a concentrate, an edible product, or a topical product.
- M. "Manufacture" as used only in this chapter shall mean to produce, prepare, propagate, or compound manufactured medical cannabis or medical cannabis products, directly or indirectly, by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis.

- N. "Medical cannabis collective" as used only in this chapter shall be the same, and as may be amended, as is defined in Section 5.80.010.
- O. "Medical marijuana" or "Medical cannabis" as used only in this chapter shall be the same, and as may be amended, as is defined in Section 5.80.010.
- P. "Ownership" as used only in this chapter shall mean the individual or individuals who:
- (i) with respect to for-profit entities, including without limitation corporations, partnerships, limited liability companies, has or have an aggregate ownership interest (other than a security interest, lien, or encumbrance) of 50 percent or more in the entity.
  - (ii) with respect to not for-profit entities, including without limitation a non-profit corporation or similar entity, constitutes or constitute a majority of the board of directors.
  - (iii) with respect to collectives, has or have a controlling interest in the collective's governing body.
- Q. "Parcel of land" as used only in this chapter shall be the same, and as may be amended, as is defined in Section 5.80.010.
- R. "Permittees" as used only in this chapter are individuals or businesses that have obtained a permit under this chapter to cultivate, distribute, manufacture, test or transport.
- S. "Primary caregiver" as used only in this chapter shall be the same, and as may be amended, as is defined in Section 5.80.010.
- T. "Qualified patient" as used only in this chapter shall be the same, and as may be amended, as is defined in Section 5.80.010.
- U. "Testing" as used only in this chapter shall mean the conducting of analytical testing of cannabis, cannabis-derived products, hemp, or hemp-derived products.
- V. "Topical cannabis" as used only in this chapter shall mean a product intended for external use such as with cannabis-enriched lotions, balms and salves.
- W. "Transport" as used only in this chapter means the transfer of medical cannabis or medical cannabis products from the permitted business location of one licensee to the permitted business location of another licensee, for the purposes of conducting commercial cannabis activity, as defined by State law.
- X. "Transporter" as used only in this chapter means a person licensed to transport medical cannabis or medical cannabis products between State licensed medical cannabis facilities.
- Y. "Volatile solvents" as used only in this chapter shall mean those solvents used in the cannabis manufacturing process determined to be volatile by the California Department of Public Health or Oakland Fire Department.

~~W. "General Application permit" shall mean all applications issued under OMC Chapter 5.81 with the exception of cultivation, manufacturing, distribution, testing, and transporting equity permits issued under Section 5.81.030.~~

**5.81.030 – Business permit and application required.**

- A. Except for hospitals and research facilities that obtain written permission for cannabis cultivation under federal law, it is unlawful to cultivate, distribute, manufacture, test or transport without a valid business permit issued pursuant to the provisions of this chapter. Possession of other types of State or City permits or licenses does not exempt an applicant from the requirement of obtaining a permit under this chapter.
- B. The City Administrator shall issue, as detailed below, special business permits for medical cannabis cultivation, distributing, manufacturing, testing and transporting. All General Applicants shall pay any necessary fees including without limitation application fees, inspection fees and regulatory fees that may be required hereunder.
- C. All cultivation, distribution, manufacturing, testing and transporting permits shall be special business permits and shall be issued for a term of one year. No property interest, vested right, or entitlement to receive a future license to operate a medical marijuana business shall ever inure to the benefit of such permit holder ~~as such permits are revocable at any time with our without cause by the City Administrator subject to Section 5.81.120.~~
- D. Cultivation, distribution, manufacturing, testing, and transporting permits shall only be granted to entities operating legally according to State law.
- E. More than one medical cannabis operator may situate on a single parcel of land, however, each operator will be required to obtain a permit for their applicable permit category.
- F. No proposed use under this Chapter shall be located within a 600-foot radius of any public or private school providing instruction in kindergarten or grades 1 to 12, inclusive (but not including any private school in which education is primarily conducted in private homes) ~~nor situate in an area other than as prescribed below unless the City Administrator in his/her discretion determines that the location will not impact the peace, order and welfare of the public.~~ The distance between facilities shall be measured via path of travel from the closest door of one facility to the closest door of the other facility.
- G. An applicant for a permit under this chapter shall not be disqualified from receiving a permit on the ground that the applicant also operates or intends to operate in an additional cannabis-related field, such as a dispensary.
- H. ~~Cultivation, Manufacturing, Distribution, Testing, and Transporting Equity Permit Program Criteria.~~ Applicant must have at least one member who meets all of the following criteria:
  - 1. ~~Be an Oakland resident who:~~

- a. ~~Resides for at least two (2) years prior to the date of application in Oakland Police Department Beats 26Y, 30X, 30Y, 31Z, 32Y, and 34X (Oakland Police Department Beat Map is attached and incorporated herein by reference); or those individuals who, within the last ten (10) years, have been previously incarcerated for marijuana-related offense as a result of a conviction arising out of Oakland, California;~~
  - b. ~~Maintains not less than a fifty percent (50%) ownership in the dispensary applicant entity, partnership, limited liability corporation, collective, corporation, worker cooperative or other recognized ownership entity; and~~
2. ~~Prior marijuana or cannabis conviction shall not be a bar to equity ownership.~~

**5.81.040 - Cultivation, distribution, testing and transporting of medical marijuana.**

- A. Proposed cultivation, distribution, testing or transporting locations shall be in areas where "light manufacturing industrial," "research and development," or their equivalent use, is permitted by right under the Oakland Planning Code, as may be amended; provided, however, that no vested or other right shall inure to the benefit of any cultivation, distribution, testing or transporting facility permittee.
- B. The aforementioned location restrictions shall not apply to existing dispensary cultivation facilities located at a retail location that are compliant with building and fire codes. ~~if the City Administrator in his/her discretion determines that the location will not impact the peace, order and welfare of the public.~~
- C. The maximum size of any areas of cultivation shall not exceed any limitations or restrictions set forth in State law.

**5.81.045 - Manufacturing of medical marijuana.**

- A. Proposed locations for manufacturing of medical cannabis products using nonvolatile solvents shall be in areas where "custom manufacturing industrial," or its equivalent use, is permitted by right under the Oakland Planning Code, as may be amended, or in residential zones if the manufacturing is compliant with the restrictions imposed on cottage food operators under the California Homemade Food Act, Chapter 6.1 (commencing with Section 51035) of Part 1 of Division 1 of Title 5 of the Government Code.
- B. Proposed locations for manufacturing of medical cannabis products using volatile solvents shall be in areas where "general manufacturing industrial" or its equivalent use, is permitted by right under the Oakland Planning Code, as may be amended.

**5.81.050 - Application for permit.**

- A. All General applicants shall pay an application fee as specified in the Master Fee Schedule. There shall be no application fee for Equity Applicants.



- B. All applicants shall submit written information to the City Administrator that shall include, as applicable, plans for security, odor mitigation, waste disposal, pest management, product testing, worker safety and compensation, local hiring, non-diversion of product, facility location, capitalization, -, applicant complaint history, criminal background checks, plan for minimizing environmental impacts, compliance with City building and fire codes, and any additional information deemed necessary by the City Administrator. The City Administrator may design application forms specific to each permitted category and require inspections of proposed facilities before issuing a permit under this chapter.
1. Background checks shall only apply to Applicants and they shall be limited to determining whether an Applicant has been convicted or plead nolo contendere or guilty to a violent offense or crime of fraud or deceit as defined by the City Administrator's administrative guidelines.
  2. Applicants with recent relevant convictions may still petition the City Administrator for reconsideration if they can demonstrate evidence of rehabilitation, such as participation in rehabilitative services and payment of restitution.
- C. The City Administrator shall establish criteria for minimizing the carbon footprint, environmental impact and resource needs of permitted facilities. Applicants that demonstrate they can satisfy these environmental criteria, such as cultivators seeking to operate greenhouse facilities, will be given preference in the processing of their application.
- D. All applicants shall demonstrate compliance with State law, during the course of the permit application procedure described under this section, prior to issuing any permit, and upon the issuance of a permit, thereafter.

#### **5.81.060 - Equity Permit Program.**

- A. Equity Criteria. Applicant ownership must satisfy the following criteria:
1. Have an annual income at or less than 80% Oakland Average Median Income (AMI) Adjusted for household size and:
    - a. Have lived in any combination of Oakland Police Department Beats 2X, 2Y, 6X, 7X, 19X, 21X, 21Y, 23X, 26Y, 27X, 27Y, 29X, 30X, 30Y, 31Y, 32X, 33X, 34X, and 35X for at least five of the last ten years; or
    - b. Were arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland, California;
- B. Review of Criteria.
1. Proof of Income shall be supported with federal tax returns and at least one of the following documents: two months of pay stubs, current Profit and Loss Statement, or Balance Sheet.
  2. A minimum of the two of the following documents shall be required in order to demonstrate proof of Oakland Residency: California Driver's

Record or Identification Card, property tax bills, copies of tax returns, utility bills, vehicle registration.

3. Proof of Incarceration should be demonstrated through Department of Corrections or Federal Bureau of Prisons documentation.

C. Assistance. Equity Applicants will be eligible for participation in the Equity Assistance Program, which will include industry specific technical assistance, business ownership technical assistance, no interest business start-up loans, and waivers from City permitting fees.

D. Initial Permitting Phase.

1. The period of time before the Equity Assistance Program referred to in OMC 5.81.060(C) is established, funded and implemented shall be referred to as the Initial Permitting Phase

2. At any point during the Initial Permitting Phase, a minimum of fifty (50) percent of all permits collectively issued under OMC Chapters 5.80 and 5.81 shall be issued to Equity Applicants.

3. In the Initial Permitting Phase, a General Applicant will receive the next available General Applicant permit if it serves as an Equity Incubator by providing free real estate or rent to an Equity Applicant who obtains a medical cannabis permit. In order to receive this permitting priority, the General Applicant must also comply with the following conditions:

a. The free real estate or rent shall be for a minimum of three years.

b. The Equity Applicant shall have access to a minimum of 1,000 square feet to conduct its business operations.

c. The General Applicant must provide any City required security measures, including camera systems, safes, and alarm systems for the space utilized by the Equity Applicant.

d. The General Applicant is otherwise compliant with all other requirements of OMC Chapter 5.80 or 5.81.

4. If a General Applicant obtains a medical cannabis permit utilizing the Equity Incubator priority provisions of OMC 5.81.060 (D)(3) and the Equity Applicant ceases its business operations, the General Applicant must:

a. Notify the City Administrator within thirty (30) days of the Equity Applicant ceasing its business operations.

b. Re-apply for a medical cannabis permit subject to the permitting restrictions of this Chapter, including OMC 5.80.045 (D)(2).

5. Failure to notify the City Administrator, submit a new application and obtain a new medical cannabis permit as required under OMC 5.80.045 (D) is grounds for revocation and a violation of this chapter.

E. Renewal.

1. In order to continue to receive new Equity Assistance Program services, an Equity Applicant must provide proof that it continues to satisfy the Equity Criteria at the time of its annual permit renewal.
2. An Equity Applicant who no longer satisfies the Equity Criteria but is compliant with all other requirements of OMC Chapter 5.80 or 5.81, will be entitled to renew the permit but will no longer be entitled to receive new services under the Equity Assistance Program. Such an Applicant may utilize any services previously provided granted under the Equity Assistance Program, though, such as previously issued loans.

**5.81.070 - Operating and performance standards.**

- A. Facilities permitted under this chapter shall not be open to the public. The City Administrator shall establish operating and performance standards for permittees. The intent of these operating and performance standards is to minimize any negative effects and enhance the benefits of permitted facilities on the surrounding community.
- B. The following standards shall be included in the City Administrator's regulations:
  1. No cannabis or cannabis odors shall be detectable by sight or smell outside of a permitted facility.
  2. Permitted facilities must install security cameras capable of documenting activity inside and outside the facility, as determined by the Oakland Police Department.
  3. Permitted facilities must implement a community beautification plan to reduce illegal dumping, littering, graffiti and blight and promote beautification of the adjacent community.  
~~Permitted facilities shall maintain a staff that is at least fifty percent (50%) Oakland residents and at least twenty five percent (25%) Oakland residents in census tracts identified by the City Administrator as having high unemployment rates. The City Administrator may promulgate standards for phasing in this requirement for existing facilities.~~
  4. Permitted facilities that hire and retain formerly incarcerated Oakland residents may apply for a tax credit or license fee reduction based on criteria established by the City Administrator.
  5. All employees shall be paid a living wage as defined by OMC Chapter 2.28.
  6. Permitted facilities must implement a track and trace program as prescribed by state law that records the movement of medical cannabis and medical cannabis products in their custody and make these records available to the City Administrator upon request.
- C. Noncompliance of such operating standards shall constitute a breach of the permit issued hereunder and may render such permit suspended or revoked based upon the City Administrator's determination.

**5.81.080 - Examination of books, records, witnesses—Information confidential—  
Penalty.**

- A. The City Administrator shall be provided access to any licensed medical cannabis cultivation, manufacturing, and other facility during normal business hours to verify compliance with this chapter.
- B. The City Administrator shall be provided access to any and all financial information at any time, as needed to conduct an audit of the permittees under this chapter to verify tax compliance under Chapter 5.81 and/or gross receipts tax requirements.
- C. The City Administrator is authorized to examine the books, papers, tax returns and records of any permittee for the purpose of verifying the accuracy of any declaration made, or if no declaration was made, to ascertain the business tax due.

The City Administrator is authorized to examine a person under oath, for the purpose of verifying the accuracy of any declaration made, or if no declaration was made, to ascertain the business tax, registration or permit fees due under this chapter. In order to ascertain the business tax, registration or permit fees due under this chapter, the City Administrator may compel, by administrative subpoena, the production of relevant books, papers and records and the attendance of all persons as parties or witnesses.

- D. Every permittee is directed and required to furnish to the City Administrator, the means, facilities and opportunity for making such financial examinations and investigations.
- E. Any permittee refusal to comply with this Section shall be deemed a violation of this chapter, and administrative subpoenas shall be enforced pursuant to applicable law.

**5.81.100 - Liability and indemnification.**

- A. To the fullest extent permitted by law, any actions taken by a public officer or employee under the provisions of this chapter shall not become a personal liability of any public officer or employee of the City.
- B. To the maximum extent permitted by law, the permittees under this chapter shall defend (with counsel acceptable to the City), indemnify and hold harmless the City of Oakland, the Oakland City Council, and its respective officials, officers, employees, representatives, agents and volunteers (hereafter collectively called "City") from any liability, damages, actions, claims, demands, litigation, loss (direct or indirect), causes of action, proceedings, or judgment (including legal costs, attorneys' fees, expert witness or consultant fees, City Attorney or staff time, expenses or costs) (collectively called "action") against the City to attack, set aside, void or annul, any medical cannabis-related approvals and actions and strictly comply with the conditions under which such permit is granted, if any. The City may elect, in its sole discretion, to participate in the defense of said

action and the permittee shall reimburse the City for its reasonable legal costs and attorneys' fees.

- C. Within ten (10) calendar days of the service of the pleadings upon the City of any action as specified in Subsection B. above, the permittee shall execute a letter of agreement with the City, acceptable to the Office of the City Attorney, which memorializes the above obligations. These obligations and the letter of agreement shall survive termination, extinguishment or invalidation of the medical cannabis-related approval. Failure to timely execute the letter of agreement does not relieve the applicant of any of the obligations contained in this section or any other requirements or performance or operating standards that may be imposed by the City.

**5.81.101 - Personal use and individual limits for non-licensed medical cannabis cultivation.**

~~Notwithstanding State law regarding medical cannabis cultivation, no qualified patient or primary caregiver may cultivate medical cannabis in an area of more than thirty two (32) 250 square feet on one parcel of land, unless they form a cooperative or collective.~~

~~A collective or cooperative of qualified patients or primary caregivers, may cultivate medical cannabis covering an area of no more than thirty two (32) 250 square feet inside a residential unit or if in a nonresidential building on one parcel of land per each member of the cooperative or collective, up to a maximum of two hundred sixteen (216) cannabis/marijuana plants within a maximum growing area of ninety six (96) square feet indoor or sixty (60) outdoor cannabis/marijuana plants on one parcel of land.~~

In the absence of a permit under this chapter, such cultivation shall be subject to the following operating standards:

- A. Cultivation, processing, possession, and/or manufacturing of medical marijuana in any residential areas shall be limited to qualified patients, primary caregivers, and medical cannabis collectives or cooperatives comprised of no more than three (3) qualified patients and/or their primary caregivers. Every member of the medical cannabis collective or cooperative shall possess an identification card issued by the County of Alameda, or the State of California, or another agency recognized by the City pursuant to California Health and Safety Code Section 11362.7 et seq.
- B. Cultivation, processing, possessing, and/or manufacturing of medical cannabis in residential areas shall conform to the following standards:
1. The residential facility shall remain at all times a residence with legal and functioning cooking, sleeping and sanitation facilities. Medical cannabis cultivation, processing, possession, and/or manufacturing shall remain at all times secondary to the residential use of the property;
  2. Cultivation possession, processing and/or manufacturing of medical cannabis in residential areas shall occur only in a secured residence occupied by the qualified patient or primary caregiver;

3. No individual residential facility or other facility housing the cultivation, processing and/or manufacturing of medical cannabis shall contain more than ~~forty-eight (48) ounces of dried cannabis, and/or more than ninety-six (96) two-hundred and fifty (250)~~ square feet of cultivation area;
4. If required by the building or fire code, the wall(s) adjacent to the indoor cultivation area shall be constructed with 5/8 " Type X fire resistant drywall;
5. The cultivation area shall be in compliance with the current adopted edition of the California Building Code;
6. The cultivation area shall not adversely affect the health or safety of the residence or nearby properties through creation of mold, mildew, dust, glare, heat, noise, noxious gasses, odor, smoke, traffic, vibration, or other impacts, or be hazardous because of the use or storage of materials, processes, products or wastes;
7. All high amperage electrical equipment (exceeding six (6) amps) used in the cultivation of medical cannabis, (e.g., lighting and ventilation) shall be plugged directly into a wall outlet or otherwise hardwired; the use of extension cords to supply power to high amperage electrical equipment (exceeding six (6) amps) used in the cultivation of medical cannabis is prohibited;
8. Any electrical rewiring or remodeling shall first require an electrical permit from the City;
9. The use of butane gas products for personal use medical cannabis cultivation is prohibited; and
10. From a public right-of-way, there shall be no exterior evidence of medical cannabis cultivation occurring at the property.

~~C. If a qualified patient or primary caregiver who is cultivating, possessing, processing and/or manufacturing medical cannabis for personal use at the residence has a doctor's recommendation that the above allowable quantity does not meet the qualified patient's medical needs, the qualified patient or primary caregiver may possess an amount of marijuana consistent with the patient's needs, as specified by such doctor.~~

#### **5.81.110 - Prohibited operations.**

A. Any cultivating, ~~distributing~~, manufacturing, testing, or transporting without a permit under this chapter is expressly prohibited. No use that purports to have cultivated, distributed, manufactured, tested or transported marijuana shall be deemed to have been a legally established use under the provisions of the Oakland Planning Code, the Oakland Municipal Code, or any other local ordinance, rule or regulation, and such use shall not be entitled to claim a vested right, legal nonconforming or other similar status. ~~However, for the limited purpose of State licensing priority, operators may submit a petition to the City Administrator's Office for a determination of good standing prior to January 1, 2016.~~

- B. Any violations of this chapter may be subject to administrative citation, pursuant to Chapters 1.08 and 1.12, and other applicable legal, injunctive or equitable remedies, No enforcement of this provision shall take place, though, until after the City Administrator has published information on how to apply for cultivation, distribution, laboratory, manufacturing and transporting permits and no enforcement shall take place against a permit applicant while their application is pending.

#### **5.81.120 - Revocation, suspension and appeals.**

Notwithstanding Chapter 5.02, any decision by The City Administrator's decision to issue or deny a permit, shall be subject to an appeal by the Applicant pursuant to Section 5.02.100., except that the appeal authorized in Section 5.02.100 shall be to an independent hearing officer and not the City Council. The request for an appeal must be made in writing within fourteen (14) days of the City Administrator's decision. The decision of the independent hearing officer the, suspensions or revocations of permits, shall be final and conclusive., and there shall be no right of appeal to the City Council or any other appellate body.

For suspensions or revocations of permits the City shall follow the procedures set forth in Section 5.02.080, except that the City Administrator shall provide fourteen (14) days' notice of the hearing on the proposed action to suspend or revoke the permit. The appeal authorized in Section 5.02.100 shall be to an independent hearing officer, and such request for appeal must be made in writing within fourteen (14) days of the City Administrator's decision. The decision of the independent hearing officer shall be final and conclusive.

**SECTION 4. Reporting.** City staff shall report back to City Council no later than one year from the date of adoption of this legislation, providing information about the implementation, review of effectiveness of the included standards, including equity standards, issues that have arisen, if any, and whether any changes are recommended.

**SECTION 5. California Environmental Quality Act.** The City Council independently finds and determines that this action is exempt from CEQA pursuant to CEQA Guidelines sections 15061(b)(3) (general rule), 15183 (projects consistent with a community plan, general plan, or zoning), 15301 (existing facilities), 15308 (actions by regulatory agencies for protection of the environment) and 15309 (inspections), each of which provides a separate and independent basis for CEQA clearance and when viewed collectively provide an overall basis for CEQA clearance. The Environmental Review Officer or designee shall file a Notice of Exemption with the appropriate agencies.

**SECTION 6. Severability.** The provisions of this Ordinance are severable, and if any section, subsection, sentence, clause, phrase, paragraph, provision, or part of this Ordinance, or the application of this Ordinance to any person, is for any reason held to be invalid, preempted by state or federal law, or unconstitutional by decision of any court of competent jurisdiction, such decision shall not affect the

validity of the remaining portions of the ordinance. It is hereby declared to be the legislative intent of the City Council that this Ordinance would have been adopted had such provisions not been included or such persons or circumstances been expressly excluded from its coverage.

**SECTION 7. Ordinance Effective Date.** Pursuant to Section 216 of the Charter of the City of Oakland, this Ordinance shall become effective immediately upon final adoption if it receives six or more affirmative votes; otherwise it shall become effective upon the seventh day after final adoption by the Council of the City of Oakland.

**SECTION 8. General Police Powers.** This Ordinance is enacted pursuant to the City of Oakland's general police powers, including but not limited to Sections 106 of the Oakland City Charter and Section 7 of Article XI of the California Constitution.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL-WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLÉN, KALB, KAPLAN AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LATONDA SIMMONS  
City Clerk and Clerk of the Council  
of the City of Oakland, California

Date of Attestation: \_\_\_\_\_



**NOTICE AND DIGEST**

**ORDINANCE AMENDING OAKLAND MUNICIPAL CODE  
CHAPTER 5.81, MEDICAL CANNABIS CULTIVATION FACILITY  
PERMITS, TO CLARIFY AND STRENGTHEN THE CITY'S  
EQUITY PERMIT PROGRAM AND PROVIDE ADDITIONAL  
UPDATES CONSISTENT WITH STATE LAW.**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2017 FEB 23 PM 5:21

# ATTACHMENT D

## RESOLUTION

**DRAFT**

City Attorney's Office

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2017 FEB 23 PM 5:21

**OAKLAND CITY COUNCIL****RESOLUTION No. \_\_\_\_\_ C.M.S.****RESOLUTION ESTABLISHING BUDGET PRIORITIES FOR EXPENDITURE OF CANNABIS BUSINESS TAXES COLLECTED BY THE CITY PURSUANT TO OAKLAND MUNICIPAL CODE SECTION 5.04.480 AND 5.04.481**

**WHEREAS**, through the passage of Proposition 215, the voters of California authorized the use of cannabis for medical purposes in 1996; and

**WHEREAS**, by a 79% vote in favor of the proposition, the voters of Oakland overwhelmingly approved Proposition 215; and

**WHEREAS**, the City Council of the City of Oakland has adopted medical cannabis permitting ordinances to prevent nuisance, provide for effective controls, enable medical cannabis patients to obtain cannabis from safe sources, and provide appropriate licensing in a manner consistent with state law, as codified at Chapters 5.80 and 5.81 of the Oakland Municipal Code; and

**WHEREAS**, in November 2010, the City's electorate approved business license taxes for imposition on medical cannabis businesses at 5% (five percent), which taxes are codified at Section 5.04.480 of the Oakland Municipal Code, and 10% (ten percent) for adult use cannabis businesses, which taxes are codified at Section 5.04.481 of the Oakland Municipal Code; and

**WHEREAS**, a business' obligation to pay taxes pursuant to Chapter 5.04 of the Oakland Municipal Code is wholly independent of the business' right to operate the business under federal, state or City law, and the imposition and collection of such taxes does not confer any regulatory right to operate. (*See OMC § 5.04.050- "the taxes prescribed by the provisions of this chapter constitute a tax for revenue purposes, and are not regulatory permit fees."*); and

**WHEREAS**, the payment of a business tax required by this chapter, and its acceptance by the City, and the issuance of a business certificate to any person shall not entitle the holder thereof (1) to carry on any business unless he or she has complied with all of the requirements of this chapter and all other applicable laws, nor (2) to carry on any business activity in any building or on any premises designated in such business tax certificate in the event that such business activity in the building or premises violates of any law; and

**WHEREAS**, certain low-income communities and communities of color have been negatively and disproportionately impacted by disparate enforcement of cannabis laws; and

**WHEREAS**, police arrest data reflect disproportionately higher arrests for cannabis offenses in certain police beats; and

**WHEREAS**, individuals arrested and previously convicted for cannabis related offenses face significant barriers to obtaining employment, financial aid, housing, and other economic opportunities; and

**WHEREAS**, at the November 14, 2016 Special City Council Meeting the City Council adopted the racial equity outcome goal of promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities of color and to address the disproportionate impacts of the war on drugs in those communities; and

**WHEREAS**, at the November 14, 2016 Special City Council Meeting the City Council also directed the City Administrator to perform a race and equity analysis of medical cannabis regulations and return to the council with revised versions of the Oakland Municipal Code Sections 5.80 and 5.81; and

**WHEREAS**, the City Administrator's March 7, 2017 race and equity analysis identified access to capital and real estate as well as the need for technical assistance as key barriers to achieving equity within the medical cannabis industry; and

**WHEREAS**, the City of Oakland seeks to address these barriers to equity and inequity in business ownership in the cannabis industry through the incorporation of an Equity Assistance Program; and

**WHEREAS**, the Equity Assistance Program will provide financial and technical assistance to Equity Applicants under Oakland Municipal Code Sections 5.80 and 5.81; and

**WHEREAS**, said financial assistance shall include zero interest loans for business start-up, operations costs, equipment, technology and system upgrades; and

**WHEREAS**, the technical assistance shall include preparation of business plans and compliance with all applicable laws; and

**WHEREAS**, to serve around thirty to thirty-five cannabis business annually, the City Administrator anticipates the Equity Assistance Program requiring an initial one-time seed fund of approximately three million dollars for the revolving no interest loan program and one-time funding in the amount of approximately four-hundred thousand to fund an outside entity to operate the program at the cost of up to two-hundred thousand annually; and

**WHEREAS**, the City Administrator and City Council desire to evaluate the Equity Assistance Program after two years to ensure it is achieving its intended goals of reducing equity barriers and promoting a more equitable cannabis industry; now, therefore,

**THE COUNCIL OF THE CITY OF OAKLAND DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1. Budget Priorities.** The City Administrator shall allocate the initial three-million and four hundred thousand (\$3,400, 000) dollars of incoming business taxes collected pursuant to both Section 5.04.480 and 5.04.481 of the Oakland Municipal Code from cannabis operations other than the City's initial eight (8) licensed medical cannabis dispensaries for a Cannabis Equity Assistance Program consisting of the following services:

1. \$3,000,000 of one-time funds towards financial assistance for cannabis equity applicants in the form of zero interest loans for business start-up, operations costs,

equipment, technology and system upgrades; and;

- 2. \$400,000 of one-time funds towards a consultant to administer the financial assistance described above for the first two years (\$200,000 per year) and provide technical assistance, in the community through trusted advocates, to cannabis equity applicants; including preparation of business plans and compliance with all applicable laws. Ongoing funding will be determined by the City Administrator and City Council in conjunction with the evaluation of the Equity Assistance Program's performance after two years.

The initial \$3,400,000 of business taxes collected from cannabis operations other than the City's initial eight (8) licensed medical cannabis dispensaries will be deposited in the General Purpose Fund (1010), Treasury: Operations Org (08721), Local Taxes: Business Tax Account (41511), DP080 Administrative Project (1000007), Financial Management Program (IP59) and upon receipt of these revenues the City Administrator is authorized to appropriate this one-time funding in the City Administrator's Organization (02111) for the Cannabis Equity Assistance Program described above.

**Section 2. Severability.** The provisions of this Resolution are severable. If a court of competent jurisdiction determines that any word, phrase, clause, sentence, paragraph, subsection, section, chapter or other provision (collectively called "Part") is invalid, or that the application of any Part of this Resolution to any person or circumstance is invalid, such decision shall not affect the validity of the remaining Parts of this Resolution. The City Council declares that it would have adopted this Resolution irrespective of the invalidity of any Part of this Resolution or its application to such persons or circumstances have expressly excluded from its coverage.

**Section 3. California Environmental Quality Act Requirements.** This Ordinance is exempt from the California Environmental Quality Act, Public Resources Code section 21000 et seq., including without limitation" Public Resources Code section 21065, CEQA Guidelines 15378(b)(4) and 15061(b)(3), as it can be seen with certainty that there is no possibility that the activity authorized herein may have a significant effect on the environment.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, AND  
PRESIDENT GIBSON MCELHANEY

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

2072334

# **ATTACHMENT E**

## **CANNABIS ARREST DATA**

### **BY RACE**

### CANNABIS ARREST DATA BY RACE 1995-2015

YEAR	BLACK	ASIAN	WHITE	HISPANIC	VIETNAM.	FILIPINO	CHINESE	CAMBOD.	SAMOAN	AMERICAN INDIAN	PACIFIC ISLANDER	LOATIAN	OTHER	UNKN	TOTALS
<b>1995</b>															
HS11358	10	0	2	2	1								0	0	15
HS11359	393	1	17	20	0								4	4	439
VC23222(B)	6	0	0	1	0								0	0	7
<b>TOTAL</b>	<b>409</b>	<b>1</b>	<b>19</b>	<b>23</b>	<b>1</b>								<b>4</b>	<b>4</b>	<b>461</b>
<b>PERCENTAGE</b>	<b>88.72%</b>	<b>0.22%</b>	<b>4.12%</b>	<b>5.00%</b>	<b>0.50%</b>								<b>0.87%</b>	<b>0.57%</b>	
<b>1996</b>															
HS11358	18	2	3	2		0							1	0	26
HS11359	338	0	5	34		1							4	1	383
VC23222(B)	7	0	1	1		0							0	0	9
<b>TOTAL</b>	<b>363</b>	<b>2</b>	<b>9</b>	<b>37</b>		<b>1</b>							<b>5</b>	<b>1</b>	<b>418</b>
<b>PERCENTAGE</b>	<b>86.84%</b>	<b>0.48%</b>	<b>2.15%</b>	<b>8.85%</b>		<b>0.24%</b>							<b>1.20%</b>	<b>0.24%</b>	
<b>1997</b>															
HS11358	8	1	11	31		0	0	0	0				1		
HS11359	464	1	7	2		1	1	1	1				2		
VC23222(B)	19	0	0	0		0	0	0	0				0		
<b>TOTAL</b>	<b>491</b>	<b>2</b>	<b>18</b>	<b>33</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>				<b>3</b>	<b>0</b>	<b>551</b>
<b>PERCENTAGE</b>	<b>89.11%</b>	<b>0.36%</b>	<b>3%</b>	<b>6.00%</b>		<b>0.18%</b>	<b>0.18%</b>	<b>0.18%</b>	<b>0.18%</b>				<b>0.54%</b>		
<b>1998</b>															
HS11358	2	0	3	0						0			0	0	
HS11359	404	3	13	19						1			4	1	
VC23222(B)	8	0	2	0						0			0	0	
<b>TOTAL</b>	<b>414</b>	<b>3</b>	<b>18</b>	<b>19</b>						<b>1</b>			<b>4</b>	<b>1</b>	<b>460</b>
<b>PERCENTAGE</b>	<b>90%</b>	<b>0.65%</b>	<b>3.91%</b>	<b>4.13%</b>						<b>0.22%</b>			<b>0.87%</b>	<b>0.22%</b>	
<b>1999</b>															
HS11358	6	0	7	0	0	0	0	0			0		0		

YEAR	BLACK	ASIAN	WHITE	HISPANIC	VIETNAM.	FILIPINO	CHINESE	CAMBOD.	SAMOAN	AMERICAN INDIAN	PACIFIC ISLANDER	LOATIAN	OTHER	UNKN	TOTALS
HS11359	526	1	28	43	1	1	2	2			1		8		
VC23222(B)	27	1	0	2	0	0	1	0			0		1		
<b>TOTAL</b>	<b>559</b>	<b>2</b>	<b>35</b>	<b>45</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>2</b>			<b>1</b>		<b>9</b>		<b>658</b>
<b>PERCENTAGE</b>	<b>84.96%</b>	<b>0.30%</b>	<b>5.32%</b>	<b>6.84%</b>	<b>0.15%</b>	<b>0.15%</b>	<b>0.46%</b>	<b>0.30%</b>			<b>0.15%</b>		<b>1.37%</b>		
<b>2000</b>															
HS11358	2	0	8	1		0	0	0					0		
HS11359	505	1	23	32		1	3	3					12		
VC23222(B)	0	0	0	0		0	0	0					0		
<b>TOTAL</b>	<b>507</b>	<b>1</b>	<b>31</b>	<b>33</b>		<b>1</b>	<b>3</b>	<b>3</b>					<b>12</b>		<b>591</b>
<b>PERCENTAGE</b>	<b>85.79%</b>	<b>0.17%</b>	<b>5.25%</b>	<b>5.58%</b>		<b>0.17%</b>	<b>0.50%</b>	<b>0.51%</b>					<b>2.03%</b>		
<b>2001</b>															
HS11358	3	0	5	1	0		0	0					1		
HS11359	384	1	11	21	3		4	1					12		
VC23222(B)	11	0	1	2	0		0	0					0		
<b>TOTAL</b>	<b>398</b>	<b>1</b>	<b>17</b>	<b>24</b>	<b>3</b>		<b>4</b>	<b>1</b>					<b>13</b>		<b>461</b>
<b>PERCENTAGE</b>	<b>86.33%</b>	<b>0.22%</b>	<b>3.68%</b>	<b>5.21%</b>	<b>0.65%</b>		<b>0.87%</b>	<b>0.22%</b>					<b>2.82%</b>		
<b>2002</b>															
HS11358	8	2	6	0			0					0	1		
HS11359	431	5	14	28			3					1	8		
VC23222(B)	16	0	5	3			0					0	1		
<b>TOTAL</b>	<b>455</b>	<b>7</b>	<b>25</b>	<b>31</b>			<b>3</b>					<b>1</b>	<b>10</b>		<b>532</b>
<b>PERCENTAGE</b>	<b>85.53%</b>	<b>1.32%</b>	<b>4.70%</b>	<b>5.83%</b>			<b>0.56%</b>					<b>0.19%</b>	<b>1.87%</b>		
<b>2003</b>															
HS11358	1	0	4	3							0		0		
HS11359	262	4	8	20							1		2		
VC23222(B)	7	0	0	0							0		0		
<b>TOTAL</b>	<b>270</b>	<b>4</b>	<b>12</b>	<b>23</b>							<b>1</b>		<b>2</b>		<b>312</b>
<b>PERCENTAGE</b>	<b>87%</b>	<b>1.28%</b>	<b>3.85%</b>	<b>7.37%</b>							<b>0.32%</b>		<b>0.64%</b>		



YEAR	BLACK	ASIAN	WHITE	HISPANIC	VIETNAM.	FILIPINO	CHINESE	CAMBOD.	SAMOAN	AMERICAN INDIAN	PACIFIC ISLANDER	LOATIAN	OTHER	UNKN	TOTALS
<b>2004</b>															
HS11358	3	0	9	2		0	1						1		
HS11359	280	6	13	24		1	0						5		
VC23222(B)	13	0	0	1		0	0						1		
<b>TOTAL</b>	<b>296</b>	<b>6</b>	<b>22</b>	<b>27</b>		<b>1</b>	<b>1</b>						<b>7</b>	<b>0</b>	<b>360</b>
<b>PERCENTAGE</b>	<b>82.22%</b>	<b>1.67%</b>	<b>6.11%</b>	<b>7.50%</b>		<b>0.280%</b>	<b>0.280%</b>						<b>1.94%</b>		
<b>2005</b>															
HS11357 (A)	37		11	2											
HS11357 (B)	205	4	22	45	1			2					2		
HS11357 (C)	1		1	1											
HS11358	0		3	10											
HS11359	372	3	6	11	1	2	2	1		1			6	1	
HS11360(A)	202		4	7			1	2					2		
HS11360(B)	3		1												
VC23222(B)	5		2										1		
<b>TOTAL</b>	<b>825</b>	<b>7</b>	<b>50</b>	<b>76</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>5</b>		<b>1</b>			<b>11</b>	<b>1</b>	<b>983</b>
<b>PERCENTAGE</b>	<b>83.93%</b>	<b>0.71%</b>	<b>5.09%</b>	<b>7.73%</b>	<b>0.20%</b>	<b>0.20%</b>	<b>0.31%</b>	<b>0.51%</b>		<b>0.10%</b>			<b>1.12%</b>	<b>0.10%</b>	
<b>2006</b>															
HS11357 (A)	21		2	1				1			1		1		
HS11357 (B)	152	1	15	31	2	2		1					8		
HS11357 (C)	1		1	1											
HS11357 (E)	2	1									1	1	1		
HS11358	1	1	2	1	2								2		
HS11359	286	3	8	24	5		1						7		
HS11360(A)	103		2	7	2								1		
HS11360(B)	2														
HS11361(A)	1														
VC3222(B)	16			6											
<b>TOTAL</b>	<b>585</b>	<b>6</b>	<b>30</b>	<b>71</b>	<b>11</b>	<b>2</b>	<b>1</b>	<b>2</b>			<b>2</b>	<b>1</b>	<b>20</b>		<b>731</b>
<b>PERCENTAGE</b>	<b>80.03%</b>	<b>0.82%</b>	<b>4.10%</b>	<b>9.71%</b>	<b>1.50%</b>	<b>0.27%</b>	<b>0.14%</b>	<b>0.27%</b>			<b>0.27%</b>	<b>0.14%</b>	<b>2.75%</b>		







YEAR	BLACK	ASIAN	WHITE	HISPANIC	VIETNAM.	FILIPINO	CHINESE	CAMBOD.	SAMOAN	AMERICAN INDIAN	PACIFIC ISLANDER	LOATIAN	OTHER	UNKN	TOTALS
HS11358	2	5	4	8									2		21
HS11359	197	17	4	43									6		267
HS11360(A)	36	1	2	3									1		43
<b>TOTAL</b>	<b>235</b>	<b>23</b>	<b>10</b>	<b>54</b>									<b>9</b>		<b>331</b>
<b>PERCENTAGE</b>	<b>71.00%</b>	<b>6.95%</b>	<b>3.02%</b>	<b>16.31%</b>									<b>2.72%</b>		

# **ATTACHMENT F**

## **CANNABIS ARREST DATA BY POLICE BEAT**

## ARREST DATA BY BEATS 1998-2015\*

BEAT	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2013	2014	2015	TOTAL PER BEAT
1X	0	2	1	1	3	6	4	5	5	0	0	0	3	3	1	0	0	34
2X	2	4	11	8	17	2	12	18	12	9	22	10	21	10	4	9	3	174
2Y	2	15	9	9	14	12	21	10	9	12	11	14	19	8	8	1	9	183
3X	2	7	2	1	2	0	4	5	3	2	5	9	11	5	6	4	10	78
3Y	2	4	5	4	1	3	2	13	5	9	2	5	6	0	1	1	3	66
4X	5	1	7	19	8	6	5	11	4	8	6	16	7	6	6	21	7	143
5X	1	4	12	9	4	5	4	11	5	11	17	14	11	5	3	3	4	123
5Y	1	1	0	1	7	2	1	4	2	0	2	2	2	3	0	1	4	33
6X	19	29	38	26	23	17	24	54	20	20	26	46	28	20	7	12	9	418
7X	13	13	28	9	21	11	14	23	17	13	20	31	38	17	4	8	15	295
8X	4	19	12	11	9	5	2	18	7	11	9	11	13	8	2	0	3	144
9X	1	6	2	0	0	0	1	4	0	4	4	1	1	0	0	0	0	24
10X	2	3	9	11	14	7	7	12	5	4	11	5	5	1	2	5	5	108
10Y	1	9	9	6	3	5	5	11	3	16	13	17	8	9	1	8	4	128
11X	1	4	6	3	2	7	3	5	10	7	3	9	5	1	4	7	1	78
12X	5	5	9	2	3	6	0	4	3	5	4	6	5	0	3	8	2	70
12Y	0	3	3	4	2	3	1	2	1	0	5	0	1	5	0	1	0	31
13X	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2
13Y	0	1	0	1	0	0	1	0		0	0	0	2	0	0	2	0	7
13Z	3	1	0	2	0	0	0	0	0	0	7	0	0	0	0	0	0	13
14X	0	1	4	0	2	1	1	0	2	1	0	1	0	3	1	1	2	20
14Y	0	1	1	1	0	1	0	0	0	0		1	2	0	0	0	0	7
15X	2	7	3	5	2	2	3	4	1	1	4	11	19	0	1	5	1	71
16X	0	0	1	0	0	0	0	0	0	1	0	3	0	0	0	0	0	5
16Y	1	0	1	1	0	1	0	3	0	0	1	1	0	0	0	0	0	9
17X	2	6	3	0	0	2	2	8	4	12	8	6	20	3	3	2	0	81
17Y	0	14	9	7	4	3	5	7	3	14	6	6	14	1	4	4	5	106
18X	0	3	4	1	0	2	0	5	6	9	6	10	11	4	2	12	6	81
18Y	5	8	8	4	3	6	8	13	3	1	11	12	12	6	0	2	5	107
19X	3	9	8	15	11	4	9	15	6	18	26	11	22	11	1	16	7	192
20X	3	8	7	4	2	1	9	11	10	7	21	15	28	11	0	3	2	142

BEAT	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2013	2014	2015	TOTAL PER BEAT
21X	4	15	14	4	7	6	6	15	3	11	17	11	18	8	3	2	15	159
21Y	2	21	1	3	16	1	10	11	12	11	25	19	24	11	3	3	6	179
22X	0	2	5	3	0	1	1	3	2	3	2	2	3	0	0	1	0	28
22Y	0	1	2	0	2	1	3	7	0	1	10	7	11	1	0	0	1	47
23X	1	11	9	6	13	10	5	20	5	16	13	9	20	11	9	8	13	179
24X	4	12	8	2	10	7	9	9	3	13	16	16	6	3	6	3	7	134
24Y	2	6	4	2	2	3	6	5	0	3	15	4	4	3	1	1	0	61
25X	1	5	7	3	4	2	4	2	0	3	13	4	10	3	3	2	0	66
25Y	0	4	0	0	3	5	0	3	0	2	0	0	1	2	1	0	1	22
26X	2	10	5	13	3	3	3	6	8	8	15	4	3	3	0	2	3	91
26Y	33	74	51	66	61	24	17	50	65	66	38	24	41	17	20	14	15	676
27X	7	36	13	10	12	9	27	36	14	16	21	11	16	4	4	9	7	252
27Y	13	37	10	10	13	5	10	20	19	30	40	28	28	14	9	15	18	319
28X	0	5	6	1	2	0	2	5	3	6	7	8	12	1	3	3	2	66
29X	7	17	22	26	33	18	14	27	20	30	27	17	19	5	8	0	4	294
30X	22	68	45	15	29	16	8	63	39	77	47	31	32	16	13	31	27	579
30Y	8	35	48	30	19	10	10	28	19	21	32	20	25	13	11	15	6	350
31X	2	2	3	1	0	0	2	16	6	3	1	1	4	1	0	2	0	44
31Y	6	3	6	4	11	3	8	15	6	13	9	24	15	9	7	13	5	157
31Z	1	2	1	2	5	3	1	3	0	9	2	11	12	4	10	15	3	84
32X	12	7	12	9	9	4	8	5	13	11	15	13	9	2	8	8	18	163
32Y	9	4	11	5	11	5	6	8	1	9	20	15	16	3	11	5	4	143
33X	7	15	12	10	26	15	10	28	8	21	22	16	15	11	3	11	13	243
34X	12	36	25	37	30	26	25	47	20	54	92	51	41	13	26	31	48	614
35X	11	16	32	26	37	6	10	15	6	34	63	46	26	12	8	11	5	364
35Y	0	1	1	2	1	0	1	0	0	2	0	0	0	1	3	0	0	12
Unknown	214	24	26	6	15	9	6	260	43	65	88	77	53	23	2		3	914
<b>TOTALS</b>	<b>460</b>	<b>658</b>	<b>591</b>	<b>461</b>	<b>532</b>	<b>312</b>	<b>360</b>	<b>983</b>	<b>461</b>	<b>733</b>	<b>900</b>	<b>742</b>	<b>778</b>	<b>334</b>	<b>236</b>	<b>341</b>	<b>331</b>	<b>9213</b>

\*Missing data for 2012 due to a flood at OPD Administration Building





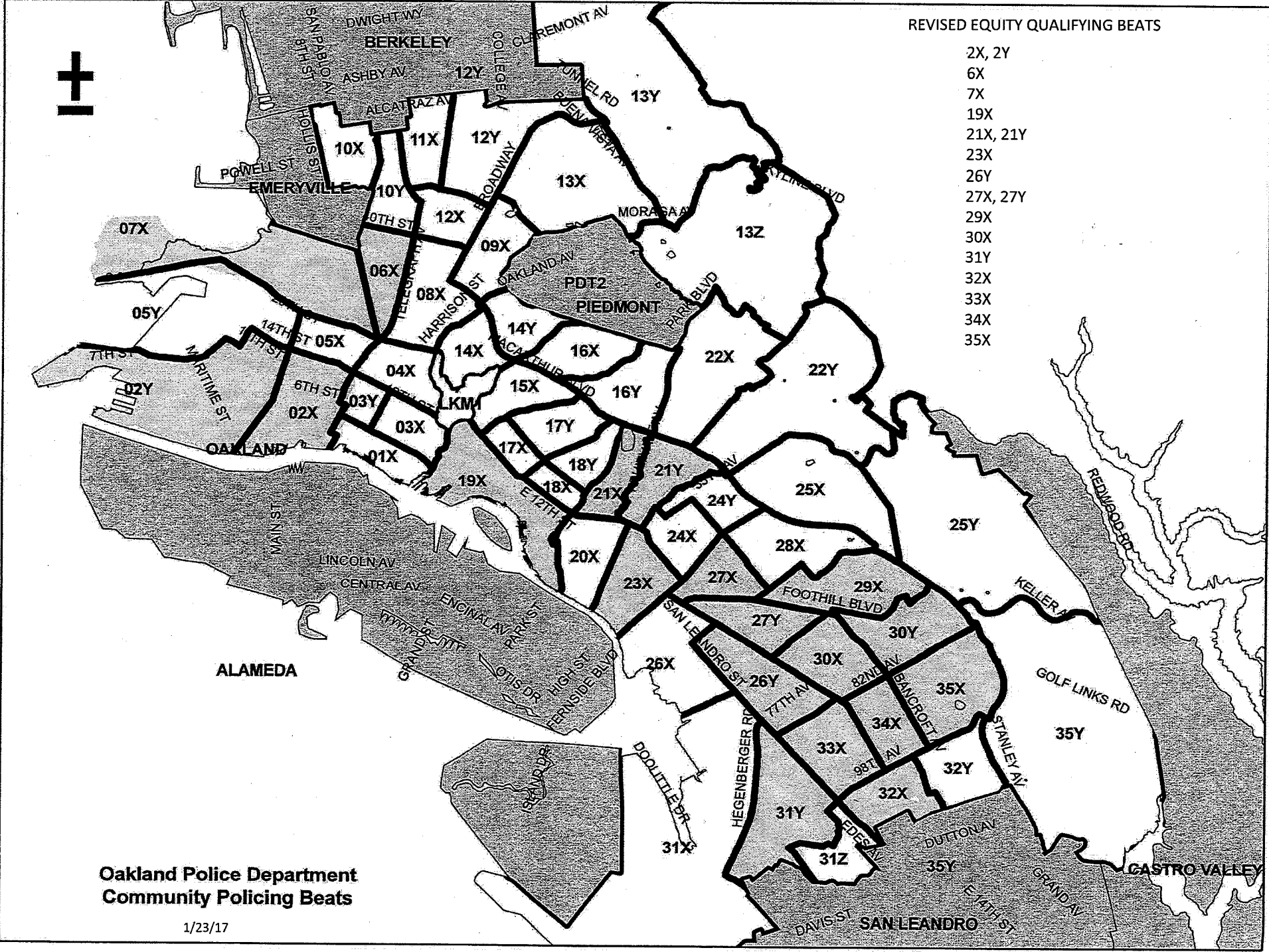
# **ATTACHMENT G**

## **OAKLAND POLICE BEAT MAP**



REVISED EQUITY QUALIFYING BEATS

- 2X, 2Y
- 6X
- 7X
- 19X
- 21X, 21Y
- 23X
- 26Y
- 27X, 27Y
- 29X
- 30X
- 31Y
- 32X
- 33X
- 34X
- 35X



Oakland Police Department  
Community Policing Beats



## City Council Report

915 I Street, 1<sup>st</sup> Floor

Sacramento, CA 95814

[www.cityofsacramento.org](http://www.cityofsacramento.org)

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**File ID:** 2018-01089

August 9, 2018

**Discussion Item 03**

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**Title: Resolution Authorizing the Implementation of the Cannabis Equity Program and Establishing a Zero-Dollar Cannabis Business Permit Fee for Program Participants (Two-Thirds Vote Required) [Noticed 07/31/2018 & 08/07/2018]**

**Location:** Citywide

**Recommendation:** 1) Pass a Motion by two-thirds vote suspending Council Rules of Procedure chapter 15, section B (4), requiring the Budget and Audit Committee to review fees prior to bringing them forward to City Council; and 2) conduct a public hearing and upon conclusion, pass a Resolution: a) authorizing the implementation of the Cannabis Opportunity Reinvestment and Equity (CORE) program, and b) adopting a zero-dollar fee for cannabis business permits for eligible participants of the CORE program.

**Contact:** Joe Devlin, Chief, (916) 808-4772; Zarah Cruz, Program Specialist, (916) 808-8925, Cannabis Policy and Enforcement, Office of the City Manager.

**Presenter:** Joe Devlin, Chief, (916) 808-4772, Cannabis Policy and Enforcement, Office of the City Manager.

**Attachments:**

1-Description/Analysis

2-Resolution

3-Exhibit A (Cannabis Equity Study)

4-Exhibit B (CORE Program)

## Description/Analysis

**Issue Detail:** On November 28, 2017, the City Council authorized staff to develop and establish an equity program for the City's cannabis business licensing program and directed staff to return with a resolution adopting the program, among other things. As such, staff recommends Council adopt the CORE Program as a pilot equity program, described in the attached Resolution.

Over the last six months staff has worked on refining the CORE Program eligibility by enhancing its details. (See Proposed Resolution, Attachment 2.) Staff has also developed a request for proposals (RFP) to select a qualified and experienced organization with a culturally competent staff and a history of successfully operating business development programs. The selected organization will be responsible for providing the services described in the CORE Program, administer the program, and identify and assist program participants most ready to operate a business, but also assist as many applicants as possible to become ready. The RFP is expected to be released after Council approves the program.

Summarily, the CORE Program is a multifaceted assistance program aimed at removing or reducing the barriers to entry into the cannabis industry by persons that were impacted by the disproportionate law enforcement of cannabis-related crimes. Staff recommends that the CORE Program be employed for a two-year period and include a zero-dollar fee for cannabis business permits (BOPs) for individual CORE participants.

The CORE Program will be administered by a third-party business and technical support organization. The third-party provider will be selected by utilizing a standard RFP process. The CORE Program will include a small business support center and a mentoring program. Participants will receive services including, but not limited to:

- Business plan development;
- Cannabis specific business education and mentoring;
- Coaching on access to capital;
- Loan readiness assistance;
- Market assessment, data, and research assistance;
- Assistance with establishing a lawful business;
- Lease negotiation assistance;
- Mentoring;
- Fiscal management;
- Marketing and Social Media support;
- Related technical training;
- Employee training;

- Guidance on regulatory compliance; and
- Assistance with criminal record expungement.

Under the CORE Program, individuals and businesses may be eligible to participate. Individuals that are qualified participants will receive the benefit of a zero-dollar fee when applying for a BOP. Additionally, the third-party business and technical support organization selected to administer the program may also cover all or a portion of the conditional use permit (CUP) fees for one or more participants pursuant to the terms of the resulting contract.

The City will also provide priority processing of any required Conditional Use Permits (CUPs) for the operation of a cannabis related business and BOPs for qualified participants. Lastly, Non-Operational BOP will be made available for participants that have completed a business plan and the background check requirement of chapter 5.150 of the Sacramento City Code, to allow them to attract capital and potential investors.

A two-thirds vote to suspend Council Rules of Procedure chapter 15, section B(4), requiring the Budget and Audit Committee to review fees prior to bringing them forward to City Council is recommended in order to establish the Program's fees (waivers) within time to implement the CORE Program. Lastly, a public hearing is required to establish a new fee under Government Code Section 66018.

**Policy Considerations:** The City Council authorized staff to establish an equity program and directed staff to return with a resolution detailing the parameters of the program for Council approval. (Motion No. 2017-0354.) The proposed action provides the detailed program based on a study of the impact of disproportionate law enforcement practices of cannabis related crimes within the City of Sacramento. The proposed action will provide staff with the authority to implement the program and establish zero-dollar fees for certain equity participants.

**Economic Impacts:** None

**Environmental Considerations:** This action is exempt from CEQA because it is the adoption of an ordinance, rule, or regulation by a local jurisdiction that requires discretionary review, including environmental review, and approval of permits, licenses, or other authorizations to engage in commercial cannabis activity (CEQA Guidelines § 15601(B)(1), Cal. Bus. and Prof. Code § 26055(h)) and because it does not have the potential for causing a significant effect on the environment (CEQA Guidelines §15061(b)(3)).

**Sustainability:** Not applicable

**Commission/Committee Action:** Not Applicable

**Rationale for Recommendation:** By 2020, the legal cannabis industry in California is expected to be in the billions of dollars. Large companies and investors are well positioned to control large portions of the legal cannabis market. However, certain communities were negatively, and disproportionately affected by the war on drugs and are currently facing barriers that prevent them from participating in the developing cannabis industry at the same rate of other communities.

The resources provided in the CORE program including, business assistance, technical support, mentorship, and the waiver of fees for CORE program participants, altogether, will significantly reduce those barriers of entry into the cannabis industry. The program is a conscious effort to provide the training and support necessary to ensure that the emerging cannabis market is accessible to persons that have been negatively impacted by the disproportionate enforcement of the War on Drugs.

The proposed CORE program represents an expansive effort to ensure that the City's cannabis program is balanced, efficient, and accessible to every segment of the community.

**Financial Considerations:** The BOP fees that will not be collected as a result of the fee waiver and fee deferral for the two-year pilot program will depend on the number of CORE Program participants per year. BOP fees range from \$2,590 for a small manufacturing permit to \$29,000 for a distribution center. The BOP permit is annual and requires renewal.

Staff recommends the use of a maximum of \$250,000 in excess Business Operations Tax revenues to cover the BOP fee waivers. Staff can return to Council for consideration of additional resources should demand exceed initial authority.

**Local Business Enterprise (LBE):** Not Applicable

## **RESOLUTION NO. 2018-**

Adopted by the Sacramento City Council

August 9, 2019

### **Establish the Cannabis Opportunity Reinvestment and Equity (“CORE”) Program and Adopt a Zero-Dollar Fee and Appropriate Funding for Business Permits for CORE Participants**

#### **BACKGROUND**

- A. On November 28, 2017, the City Council authorized staff to create a program to address the negative impacts of disproportionate enforcement of cannabis related regulation in the city of Sacramento before the adoption of Proposition 64 and directed staff to return to City Council with a resolution to establish the program.
- B. The City inquired into the negative impacts of cannabis regulation prior to its legalization in its Cannabis Equity Study (the “Study”) (Exhibit A). The following includes the overall findings of the Study:
- C. Cannabis related arrest rates in the City of Sacramento spiked in 2006 with 1,590 total arrest incidents where one charge was related to cannabis. Arrest rates for cannabis related charges precipitously dropped after 2010. In 2010, Governor Schwarzenegger signed Senate Bill 1449 which reduced the charge for possession of one ounce or less of cannabis to an infraction (from a misdemeanor). From 2010 to 2011, cannabis arrest rates fell nearly 45% in the city of Sacramento. From 2006 to 2016 the cannabis related arrest rates citywide dropped 65%, yet were still made disproportionately. (Exhibit A.)
- D. The racial group arrested more frequently, where the arrest included at least one cannabis charge, was Black/African American. White, Hispanic, and Asian all had arrest rates for cannabis related lower than their citywide populations. Males were significantly more likely to be arrested than females. (Exhibit A.)
- E. The communities with the highest arrest rates disproportionate to their population in the city between 2004 and 2017, based on zip code were: Downtown (95811 and 95814), Land Park (95818), Oak Park (95817), Parkway Meadowview (95823), Del Paso Heights South (95815), Florin Perkins (95826), Fruitridge (95820), and Elder Creek (95824 and 95828). (Exhibit A.)



- F. Generally, the highest arrest rates in the above communities were concentrated near low- income household areas.
- G. Additionally, Sacramento Police Department Crime Analysis Unit cannabis arrest records for the years 2004-2016 demonstrate that, of a total of 6,124 arrests for cannabis- related crimes only, 3,061 arrestees were Black, or nearly 50 percent. Of a total of 13,652 arrests which included at least one cannabis-related crime, 6,808 arrestees were Black, or nearly 50 percent. Black people comprise only 14 percent of the population in the city of Sacramento according to population demographics for 2016 and 2017 derived from U.S. Census data.
- H. High populations of low income residents citywide, recipients of public assistance and food stamps, former foster youth, homeless people, ex-offenders appear to reside within the zip codes as noted in the Golden One Center Priority Apprenticeship program sponsored by the City.
- I. Populations, children, families and neighborhoods in these zip codes experienced economic destruction, trauma and displacement in part from disproportionate enforcement of the War on Drugs. Academic literature across multiple decades have consistently noted high arrest rates for black males, relative to their population and compared to white and Hispanic males, and the consequences that happen to families and communities. The reasons for why those disproportionate arrests rates have taken place has multiple competing, but not mutually exclusive theories.
- J. Based on the above, staff developed the attached, Cannabis Opportunity Reinvestment and Equity (“CORE”) Program. CORE is a program aimed to assist individuals who have been negatively impacted by the disproportionate enforcement of cannabis-related crimes by providing them with assistance and an opportunity to participate in the new cannabis industry. (Exhibit B.)
- K. The proposed CORE program includes multiple components with a common goal of creating multiple pathways for communities in these zip codes, individuals and businesses to participate in the cannabis industry by removing typical barriers to entry and facilitating business opportunities for those who otherwise do not have access due to lack of capital or business expertise or criminal history.
- L. A successful CORE program will contribute to City tax revenues and support the revitalization of neighborhoods and thriving populations, families and communities due to dollars through the reinvestment of funds and the establishment of businesses owned by persons from the communities negatively and disproportionately impacted by prior enforcement of cannabis-related crimes.
- M. CORE will benefit five types of applicants that are either individuals who have been disproportionately impacted as described herein or businesses that directly benefit such individuals.
- N. Generally, participants of the CORE Program will have access to various resources and support including assistance with the development of a cannabis-related business plan, and access to business education, mentoring, technical assistance, regulatory compliance, priority processing of certain permit

applications, and assistance with expungement of criminal records.

- O. CORE Program participants will also benefit from a zero-dollar fee for cannabis business permit fees. The City may set fees at less than full recovery to ensure program access and viability. (See City of Sacramento Fees and Charges Policy, Resolution No. 2018-0168.)

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The findings and declarations of the background statements A through – O are true.
- Section 2. The Cannabis Opportunity Reinvestment Equity (“CORE”) Program is hereby adopted. (Exhibit B.)
- Section 3. The City will continue to evaluate the CORE Program and the Equity Study to address any disparate, negative impacts of cannabis-related regulation and enforcement in the city of Sacramento reasonably related to the findings herein.
- Section 4. The City Manager, or the City Manager’s designee, is authorized to select a vendor to facilitate the CORE Program on behalf of the City through the City’s competitive selection process in accordance with the City Code.
- Section 5. The City Manager, or the City Manager’s designee, is authorized to make amendments that are not substantive to the CORE Program. Substantive amendments must be approved by resolution of the City Council.
- Section 6. Notwithstanding City Council Resolution No. 2018-0168 for the City’s Master Fee and Charge Report, the fee for cannabis business permits for qualified CORE program participants shall be zero dollars (\$0). This fee shall expire upon the expiration of the CORE program.
- Section 7. Excess revenue from cannabis-related business operations tax shall be utilized to recover the associated costs of processing business permits for qualified CORE participants by the City.
- Section 8. Exhibits A and B are part of the resolution.

**Table of Contents:**

- Exhibit A – City of Sacramento Cannabis Equity Study
- Exhibit B – City of Sacramento’s Cannabis Opportunity and Reinvestment Equity Program

# **City of Sacramento**

## **Office of Cannabis Policy & Enforcement**

### **Cannabis Equity Study**

- I. Purpose of the Study**
- II. Topline Results**
- III. History of Cannabis Enforcement**
- IV. City of Sacramento Demographics**
- V. Literature Review**
- VI. Methodology**
- VII. Analysis of Cannabis Enforcement in the City of Sacramento**
- VIII. Conclusion**
- IX. Appendix**

*Special Thanks to the City of Sacramento Police Department, Crime Analysis Unit for providing the data which made this report possible.*

Report Produced by Daniel Sanchez, Special Project Manager, City Manager's Office

Completed: May 2018

## Exhibit A

### I. Purpose of the Study:

The Cannabis Equity Study (the “Study”) is intended to determine if and which demographic groups have been arrested at a disproportionate rate to their population within the City of Sacramento. This is important as an arrest and a conviction often mean significantly reduced employment opportunities and life outcomes.<sup>1</sup> According to federal government research, a criminal record in the United States makes finding employment much more difficult and people who have been incarcerated earn 10 to 40 percent less than similar people who do not have criminal records.<sup>2</sup> Similarly, enforcement of cannabis criminal laws (“cannabis enforcement” for our purposes) affects the life outcomes of family members of individuals arrested.<sup>3</sup> Groups with higher rates of poverty and experience with the criminal justice system are less likely to have the means to begin successful cannabis businesses. The City of San Francisco and Los Angeles describe various barriers to entry to begin a cannabis business, these barriers include: access to capital, access to real estate, regulatory fees, among others.<sup>4</sup> This data is included in the City’s analysis for this Study. Based on this Study, the City of Sacramento intends to develop an equity program to support communities impacted by cannabis enforcement.<sup>5</sup>

### II. Topline Results:

- 1) Cannabis related arrest rates in the City of Sacramento spiked in 2006 with 1,590 total arrest incidents where one charge was related to cannabis. Arrest rates for cannabis related charges precipitously dropped after 2010. In 2010 Governor Schwarzenegger signed Senate Bill 1449 which reduced the charge for possession of one ounce or less of cannabis to a misdemeanor (from a misdemeanor). From 2010 to 2011, cannabis arrest rates fell nearly 45% in the city of Sacramento. From 2006 to 2016 the cannabis related arrest rates citywide dropped 65%.
- 2) The racial group arrested more frequently, where the arrest included at least one cannabis charge, was Black/African American. White, Hispanic and Asian all had arrest rates for cannabis related lower than their citywide populations.
- 3) Males were significantly more likely to be arrested than females.
- 4) The communities with the highest arrest rates disproportionate to their population between 2004 and 2017, based on zip code were: Downtown (95811 and 95814), Land Park (95818), Oak

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<sup>1</sup> Labelling, life chances and adult crime: The direct and indirect effects of official intervention in adolescence on crime in early adulthood. Bernburg, Krohn. 2003.

<sup>2</sup> Economic Perspectives on Incarceration and the Criminal Justice System. The White House. Office of the Press Secretary. 2016.

<sup>3</sup> Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.

<sup>4</sup> City and County of San Francisco. Cannabis Equity Report. Office of Cannabis, Human Rights Commission, Controller’s Office. 2017.

<sup>5</sup> This report uses data on arrest incidents where the incident included at least one cannabis charge. The report also analyzed data on arrests for cannabis charges only. The distribution of the data on arrests for cannabis only was nearly identical to the data on arrest incidents where the incident included at least once cannabis charge. The main difference between the two data sources was that cannabis only charges were roughly half of the volume of arrests where cannabis was one of the charges. Both data sources are included in the attachments.

## Exhibit A

Park (95817), Parkway Meadowview (95823), Del Paso Heights South (95815), Florin Perkins (95826), Fruitridge (95820), and Elder Creek (95824 and 95828).

- 5) It is unclear if the locations where people were arrested for cannabis activity are also the same locations where the people who were arrested lived. It is also unclear *why* those arrests took place. The significant number of arrests-to-population Downtown suggests that the high number of arrests occurred because of people from outside the area (not living in the area) congregating in Downtown and a high police presence in that area due to its civic and entertainment amenities.

### III. History of Cannabis Enforcement:

The following is a brief overview of recent US history on cannabis enforcement.

Until recently, US government action on cannabis moved towards greater restrictions and enforcement. The Federal Food and Drug Act of 1906 regulated food and drugs for the first time in the United States and required that any over-the-counter remedies containing cannabis be labeled. In 1937, the Marijuana Tax Act effectively criminalized cannabis. The Act both restricted possession of cannabis and required paying a tax for its authorized use in industrial or medical uses.<sup>6</sup> The US Justice Department's Bureau of Narcotics and Dangerous Drugs was created in the late 1960s which coincided with significant increases in cannabis arrests in California, from 7,560 in 1964 to 50,327 in 1968.<sup>7</sup> Furthermore, the Comprehensive Drug Abuse Prevention and Control Act of 1970 created five schedules for regulating drugs based on medical value and assumed danger of addiction. According to the law, cannabis was a Schedule 1 drug, which along with cocaine and heroin, had no medical use and a high risk of addiction. The law also made it a federal crime to manufacture, distribute or possess cannabis.<sup>8</sup>

The 1990 Crime Control Act, passed by Congress, provided funds for local law enforcement agencies in seizing private property associated with unlawful drug activities, including cannabis cultivation or distribution. From 1991 to 2008, there was a drastic increase of arrests for simple cannabis possession. The number of people arrested for possession of small amounts of cannabis nationally increased by three times as much from 1991 to 2008.<sup>9</sup> During the same time, cannabis use did increase but not at the same rate as the number of arrests. From 1991 to 2008, according to the National Household Survey on Drug Abuse, the rate of use over the last year increased from 6,520 in 1991 to 9,797 in 2008, per 100,000 people.

Public opinion shifted on cannabis in the late 1990s. In 1996, California passed Proposition 215, the Compassionate Use Act, which allowed patients and primary care providers to cultivate and possess cannabis for personal medical use. In 2010 Governor Schwarzenegger signed Senate Bill 1449 which reduced the charge for the possession of one ounce of cannabis. In addition, in 2010 the City of Sacramento began to legalize and permit medicinal cannabis dispensaries. This led to a precipitous drop in cannabis related arrests in the City of Sacramento in the subsequent years. The Control, Regulate and

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<sup>6</sup> PBS Frontline. Marijuana Timeline.

<sup>7</sup> Institute of Medicine Committee for the Substance Abuse Coverage Study, 1992.

<sup>8</sup> Cannabis use in the United States: Implications for policy. Harrison, Backenheimer, and Inciardi. 1995.

<sup>9</sup> How Risky is Marijuana Possession? Considering the Role of Age, Race, and Gender. Nguyen and Reuter. 2012

## Exhibit A

Tax Adult Use of Marijuana Act in 2016 passed by California voters allowed cannabis to be used and cultivated legally under state law.

On January 1, 2018 the State of California began issuing licenses for cannabis businesses under the Medicinal Adult Use Cannabis Regulation Safety Act. In 2017 the City of Sacramento Council adopted policies to regulate cultivation, manufacturing and testing of cannabis in anticipation of state law. Later in 2017 the City Council took steps to develop the Cannabis Opportunity, Reinvestment and Equity (CORE) Program that seeks to reduce barriers to entry into the cannabis market by groups disproportionately impacted by cannabis enforcement.

### IV. City of Sacramento Demographics:

The data below shows City of Sacramento demographics in 2010. The year 2010 was selected because it is derived from the decennial census where more accurate data is available for subpopulations. Dates between 2000 and 2009 and after 2010, have significant margins of error for subpopulations. A high margin of error makes data less reliable.

Figure 1: City of Sacramento Demographics by Race, 2010

Total population	466,488	Percent
Hispanic or Latino (of any race)	125,276	26.86%
White alone	210,006	45.02%
Black or African American alone	68,335	14.65%
American Indian and Alaska Native alone	5,291	1.13%
Asian alone	85,503	18.33%
Native Hawaiian and Other Pacific Islander alone	6,655	1.43%

Source: US Census Bureau 2010

Figure 2: City of Sacramento Zip Code Population, 2010

Location	Zip Code	Percent of City population within Zip Code	Population
Parkway Meadowview	95823	10.82%	50,451
Greenhaven	95831	8.81%	41,078
South Land Park/Hollywood Park	95822	8.05%	37,570
Natomas North	95835	7.72%	35,992
Natomas South	95833	7.51%	35,040
Del Paso South	95815	7.44%	34,693
Del Paso North	95838	7.05%	32,879
Fruitridge North	95820	6.92%	32,259
Elder Creek	95824 95828	4.20%	19,607
East Sacramento	95816	4.15%	19,341

## Exhibit A

Natomas Center	95834	5.22%	24,353
Meadowview West	95832	3.47%	16,174
Oak Park	95817	3.46%	16,154
Land Park	95818	3.35%	15,639
Sac State East Sacramento	95819	3.33%	15,516
Center City	95814	2.98%	13,882
Surrounding Center	95811	2.00%	9,347
Florin Perkins	95826	1.36%	6,329
University Howe Ave	95825	0.48%	2,224

Source: US Census Bureau 2010 and City of Sacramento Community Development Department

### V. Literature Review

Academic literature confirms that there are disparities in arrest rates for cannabis by geography, race, age and gender. The literature, however, does not have consensus on exactly *why* certain groups have higher cannabis related arrests rates. It could be that certain racial groups or geographic areas are arrested at a greater rate because those groups have another undetected characteristic (such as greater call volume in a particular area, or higher rates of blue collar occupations—blue collar men have higher chances of being arrested for cannabis than non-blue collar men).<sup>10</sup> Some research suggests that Black/African American people are more likely to be arrested for cannabis use because they have less access to private spaces and therefore are more likely to carry out drug use and purchases in public. Research also shows that Black/African American people are significantly more likely to buy drugs outdoors, from strangers, and further from home—this increases the likelihood that they will be visible to police and therefore more likely to be arrested.<sup>11</sup> These differences in cannabis purchasing behavior, however do not seem to account for the differences in arrest rates between Whites and Blacks/African Americans. If it did, according to research, Whites should have significantly more drug arrests. The literature also shows that Blacks/African Americans and Whites do not have significantly different rates of cannabis use.<sup>12</sup> This suggests that Blacks/African Americans are *not* arrested more for cannabis simply because they use more cannabis compared to Whites.

The characteristic of a community is also relevant in determining the arrest rates for Blacks/African Americans and Whites. Arrests for cannabis are more likely to occur in higher visibility areas such as downtowns. Higher police presence per capita is another factor, which the literature suggests, for why Black/African American people are arrested more often for cannabis than White people.<sup>13</sup>

Research in Seattle notes that race plays a major factor in drug arrest disparities between Whites and Black/African Americans, and that per capita concentrations of police presence or citizen complaints did not account for arrest disparities.<sup>14</sup> Subsequent research in Seattle suggests that arrests are largely

<sup>10</sup> Arrest Probabilities for Marijuana Users as Indicators of Selective Law Enforcement. Johnson, Petersen, Wells. 1977.

<sup>11</sup> Racial differences in marijuana users' risk of arrest in the United States. Ramchand, Pacula, Iguchi. 2006

<sup>12</sup> How Risky is Marijuana Possession? Considering the Role of Age, Race and Gender. Nguyen and Reuter. 2012.

<sup>13</sup> Predicting drug arrest rates: Conflict and social disorganization perspectives. Mosher. 2001.

<sup>14</sup> Race, Drugs and Policing: Understanding Disparities in Drug Delivery Arrests. Beckett, Nyrop, Pflugst. 2006.

## Exhibit A

driven by deployment of police officers and resident's calls for service.<sup>15</sup> This suggests that a data driven method of deploying police resources will pick up more populations in communities that have higher crime incidents and calls for service.

### *Limitations of the Analysis:*

It is beyond the scope of this analysis to determine which, if any, factor led to higher cannabis arrest rates for Black/African American males in Sacramento, as described below. Similarly, this report cannot specify why certain geographic regions had higher cannabis arrests than their populations would suggest.

This report does not measure City of Sacramento Police Department deployment trends, nor does it measure individual cannabis use trends per racial category per year, or methods of purchasing cannabis. The analysis also does not measure whether arrest rates differed because of differential involvement in criminal activity. Data sources for these variables, either were not available or do not exist for the City of Sacramento.

The analysis uses zip code arrest data, but zip codes do not perfectly align with Census tracts. This means that some geographic areas are included in the Census data but should not have because they are outside the city limits.

The analysis shows that Black/African American male residents living in certain zip codes were arrested more often than their population would suggest—but not why. The analysis cannot state the reason in different arrest rates, or whether other factors, such as higher calls for service, were significant.

## **VI. Methodology**

The primary data source for this study was City of Sacramento Police Department Crime Analysis Unit data by zip code on the number of arrest incidents, where at least one charge was cannabis related, for each year from 2004—2017 by race and gender. This date range was used because the Police Department changed their records management system in 2004. Using data before 2004 would create problems with the accuracy of the data and mean that comparing data before 2004 and after would no longer be possible. This data was used to determine which groups were disproportionately impacted by cannabis enforcement. By “disproportionate enforcement” we mean at a greater rate than the ratio of their citywide or zip code population would suggest.

Census tract data is the most basic unit of measurement for the decennial census which is collected every 10 years and for the continuous American Community Survey. The boundaries of a census tract are developed so that each tract contains roughly 1,200 to 8,000 people. Census tracts roughly, though not exactly, match zip codes within the City of Sacramento. By matching multiple Census tracts together into their zip code, this report provides an estimate of the demographics of each zip code in the City of Sacramento.

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<sup>15</sup> Race, Place and Drug Enforcement. Engel, Smith, Cullen. 2012.



## Exhibit A

Census tract data does not exactly match zip codes, yet this is the closest method to find the demographics of each zip code. This was necessary because the Sacramento Police Department does not collect data by Census tract, nor does the Census Bureau collect demographic data by police beat or zip code. It was therefore necessary to match these two as approximate as possible.

Once a demographic profile of each zip code was developed, including population and the proportion of population by race, this demographic data was compared to corresponding arrest rates. As stated above, arrest data from 2010 forward was used because that is when the most accurate Census tract data was available. There were 10 zip codes out of 20 analyzed which had a higher proportion of arrests for a racial group, than its population would suggest.

### VII. Analysis of Cannabis Enforcement in the City of Sacramento:

- 1) Cannabis related arrests in the City of Sacramento spiked in 2006 at 1,590 and remained relatively stable until 2010. In 2010, Governor Arnold Schwarzenegger signed California State Senate Bill 1449, which reduced the offense for an ounce or less of cannabis possession.<sup>16</sup> From 2010 to 2011, cannabis arrest rates fell roughly 45% in the city of Sacramento. From 2006 to 2016, the arrest rates citywide dropped by 65%. By 2017, there were less than two hundred cannabis related arrests in the city of Sacramento.

Figure 3: City of Sacramento Number of Cannabis Arrests by Year 2004 – 2017

Year	Number of Arrests
2004	913
2005	1282
2006	1590
2007	1562
2008	1498
2009	1500
2010	1360
2011*	742
2012	640
2013	711
2014	702
2015	600
2016	552
2017	195

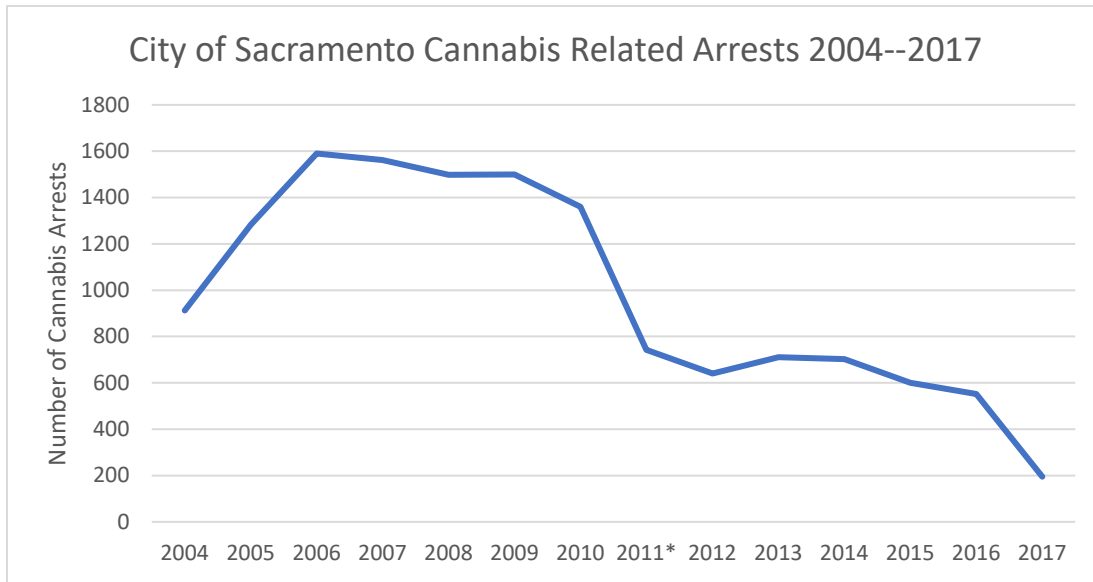
Source: City of Sacramento Police Department

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<sup>16</sup> State of California. California Legislative Information.  
[https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=200920100SB1449](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=200920100SB1449)

Exhibit A

Figure 4: City of Sacramento Number of Cannabis Arrests 2004 – 2017



Source: City of Sacramento Police Department

- Black/African American residents were arrested, where at least one charge was cannabis related, at a rate higher than their citywide population proportion. Black/African American residents make up only 14.65% of the city’s population but 47.87% of cannabis related arrests in 2010. White and Asian residents were arrested at a lower rate than their population. Hispanic residents were arrested at a comparable, and slightly lower rate to their population. These trends in arrest rates by race also hold for other years, where Black/African American residents are more likely to be arrested given their population while White, Hispanic and Asian residents are arrested at a lower rate to their population. This finding does not intend to suggest *why* Black/African American residents were arrested at a higher rate.

Figure 5: Number and Percent of Cannabis Related Arrests by Race, 2010

Race	Number Arrests	Percent Population	Percent Arrests
White	299	45.02%	21.99%
Black	651	14.65%	47.87%
Hispanic	318	26.86%	23.38%
Asian	69	18.33%	5.07%

Source: City of Sacramento Police Department and US Census 2010

- Males in the City of Sacramento were overwhelmingly more likely than females to have an arrest where at least one charge was cannabis related. This figure is comparable to most of the

Exhibit A

academic literature which shows that males are significantly more likely to have drug related arrests and convictions.

Figure 6: Gender and Percent of Cannabis Related Arrests 2004--2017

Gender	Number of Arrests	Percent of Arrests 2004--2017
Male	12211	88.19%
Female	1636	11.81%
Total	13847	100%

Source: City of Sacramento Police Department

- There are 20 zip codes in the City of Sacramento. Elder Creek (95824 and 95828) has two zip codes which were combined due to their proximity. Each zip code roughly corresponds to a community within the City of Sacramento, such as Oak Park or East Sacramento. Matching each zip code to multiple Census tracts gives a demographic profile for each zip code. This demographic profile contains information on the zip code’s population, and race proportion. Certain zip codes had a higher proportion of cannabis related arrests in 2010 than their population would suggest.

For example, Oak Park (95817) made up 5.51% of all cannabis related arrests in 2010, but only 3.46% of the city population. Greenhaven (95831), meanwhile, constituted 8.81% of the population in 2010, but only amounted to 3.01% of cannabis related arrests. The report therefore recommends Oak Park to be included in a cannabis equity program, but not Greenhaven. Of the 20 zip codes in the City of Sacramento, 10 had a higher cannabis related arrest rate than their population percent.

Figure 7: Number and Percent of Cannabis Related Arrests by Most Frequent Zip Codes, 2010

Location	Zip Code	2010 Arrests	Percent of Population, 2010	% of Cannabis related Citywide Arrests, 2010
Surrounding City	95811	34	2.00%	2.50%
Center City	95814	154	2.98%	11.32%
Land Park	95818	100	3.35%	7.35%
Oak Park	95817	75	3.46%	5.51%
Florin Perkins	95826	28	1.36%	2.06%
Fruitridge North	95820	118	6.92%	8.68%
Elder Creek	95824 95828	85	4.20%	6.25%

Exhibit A

Del Paso South <sup>17</sup>	95815	98	7.44%	7.21%
Parkway Meadowview	95823	174	10.82%	12.79%

Source: City of Sacramento Police Department

- 5) Certain groups (male and black) and certain geographic areas (95811, 95814, 95818, 95817, 95826, 95820, 95824, 95828, 95815, 95823) had cannabis related arrests at a higher rate than their population would suggest. Exactly *why* these regions and groups have higher cannabis related arrests is not clear. This data also does not tell whether people who were arrested in certain areas lived in those locations in which they were arrested.

Some data suggests that people were arrested in places removed from where they lived. In the City Center (95814) most of the cannabis related arrests are concentrated between 7<sup>th</sup> and 9<sup>th</sup> street along L Street. This is the same location as the former 815 L Street Nightclub and the old Greyhound Bus Station. For this reason, the report recommends removing 95814 from the list of zip codes eligible to participate.

The cannabis related arrests for the zip code 95818 are concentrated around two public housing complexes. Such may be the case for other areas. For this reason, the report also discusses the impact of disproportionate cannabis enforcement for low income households.<sup>18</sup>

*Further considerations:*

Convictions:

The City of Sacramento may wish to include a cannabis related conviction as an eligibility criterion. This is because a criminal conviction record can limit a person’s ability to gain employment, apply for public assistance, or obtain a loan. Individuals convicted of drug offenses are often subject to fines, court costs, incarceration and other disadvantages. The Government Accountability Office (GAO) identified 641 additional consequences from a nonviolent drug conviction. These consequences include limited ability to achieve education, employment and government benefits. According to the GAO, 78% of these consequences can last a lifetime.<sup>19</sup>

Early research suggests that a criminal conviction stigmatizes individuals with a criminal conviction, and that employers are less likely to respond positively to prospective employees with past convictions.<sup>20</sup> Similarly, employers are more likely to hire welfare recipients or applicants with scant employment history rather than former felons, according to survey research in four metropolitan areas.<sup>21</sup> Research also suggests that, since many jobs are found through personal connections that match potential

<sup>17</sup> Del Paso South (95815) in 2010 had slightly less cannabis related arrests given its population. However, between 2004-2017, 95815 experienced a higher cannabis arrest rate than its population would suggest. The population of 95815 is roughly 7% of the city while it made up nearly 9% of cannabis related arrests (2005—2017) in the City of Sacramento. For this reason, Del Paso Heights South was included.

<sup>18</sup> “Low income households” as defined by Sacramento City Code section 17.712.020.

<sup>19</sup> Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.

<sup>20</sup> Delinquency and Stigmatisation. Buikhuisen and Dijksterhuis. 1971.

<sup>21</sup> What Employers Want: Job Prospects for Less Educated Workers. Holzer. 1996.

## Exhibit A

workers with employers, these connections are weakened during incarceration. Former felons are therefore more likely to struggle to find employment, in part because their social circles are less likely to provide employment leads.<sup>22</sup> The evidence also suggests that incarceration lowers a person's earnings, though not always the ability to find employment. The negative impacts on earnings is greater for older employees and white-collar workers.<sup>23</sup>

### Poverty:

An arrest or conviction can have significant negative impacts on an individual's lifetime outcomes. This increases a person's likelihood to remain in poverty. Previous Equity Studies have, therefore, included income as an eligibility criterion; this report also recommends the inclusion of income as an eligibility criterion.<sup>24</sup> According to the US Census Bureau the Median Household Income for Sacramento was \$57,509 in 2016.<sup>25</sup> Meanwhile, 21.4% of the population of Sacramento was in poverty.

### VIII. Conclusion:

The City of Sacramento seeks to create an equity program to support groups with disproportionately higher rates of cannabis related arrests than their population would suggest. As such, this report recommends extending the program to:

Type 1: A resident of the city of Sacramento who has lived in the following zip codes for five (5) consecutive years between 1990 and 2011,<sup>26</sup> and who resides in a Low-Income Household.<sup>27</sup>

These zip codes are:

<b>95811</b>	<b>95820</b>
<b>95823</b>	<b>95824</b>
<b>95818</b>	<b>95828</b>
<b>95817</b>	<b>95815</b>
<b>95826</b>	

Type 2: A resident of the city of Sacramento who resides in a Low-Income Household and was either a) arrested or convicted for a cannabis related crime in the city of Sacramento during the

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<sup>22</sup> The Labor Market Consequences of Incarceration. Western, Kling and Weiman. 2001.

<sup>23</sup> The Labor Market Consequences of Incarceration. Western, Kling and Weiman. 2001.

<sup>24</sup> Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.

<sup>25</sup> United State Census Bureau. QuickFacts. Sacramento county, California.

<sup>26</sup> The 2011 year has been selected because from 2011 forward, cannabis related arrests dropped significantly citywide.

<sup>27</sup> City of Sacramento Title 17: Section 17.712.020 "Low income household" means a household whose income does not exceed 80% of median income applicable to Sacramento County, adjusted for family size as published and annually updated by the United States Department of Housing and Urban Development pursuant to section 8 of the United States Housing Act of 1937.

The County of Sacramento Median Household income in 2016 was: \$57,509.

## Exhibit A

time specified in Type 1, or b) is an immediate family member of an individual described in subsection a of Type 2.<sup>28</sup>

For the purposes of this report an immediate family member is a child or a parent. Limiting the program to residents who lived in these zip codes prior to 2011 is because from 2011 forward, the number of cannabis related arrests dropped precipitously.

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<sup>28</sup> The City of San Francisco Equity Study has recommended to make the following serious criminal convictions not eligible: offenses that include violent felony conviction(s); serious felony conviction(s); felony conviction(s) with drug trafficking enhancements; felony conviction(s) for hire; employing or using a minor to transport, carry, sell, give away, prepare for sale, or peddle any controlled substance to a minor; or sell, offer to sell, furnish, offer to furnish, administer, or give away a controlled substance to a minor.

**IX. Appendix:**

*Barriers to Entry:*

Previous Cannabis Equity Studies in Oakland, San Francisco, and Los Angeles have described significant barriers to entry for individuals and communities impacted by cannabis enforcement. Some of the significant barriers to entry are due to the nature of the new industry including an evolving regulatory framework, uncertain federal prohibitions, limits on banking due to federal regulations, real estate, utilities and capital requirements to starting the business. These are significant challenges for any entrepreneurs, but they are even more pronounced for individuals who are low income and have history with the criminal justice system.

Below is a Description of Barriers to Entry and Potential Tools to Overcome the Barriers.

**Location:** The availability of real estate appropriate for a cannabis business is a barrier to entry. This is due to travel distances, and the cost of purchasing or leasing in appropriately zoned locations.

Disadvantaged groups may not have access to a reliable method of transportation, while the cost of purchasing or leasing space for a cannabis business may include deposits and insurance costs which eligible individual equity applicants may not have.

**Financial:** Banks are regulated by the federal government and depend upon federal deposit insurance. Banks are subject to significant penalties if they knowingly do business with a customer suspected of criminal activity. A cannabis business, under existing federal laws is not lawful. Currently, few banks and credit unions offer traditional financial services to cannabis businesses.<sup>29</sup> As a result, cannabis business often must rely on cash to conduct business. Property owners and real estate professionals often do not accept cash and may be cautious to engage with an all cash business. All cash cannabis businesses may also be exposed to a greater amount of criminal activity which may increase the costs to insure the business. Furthermore, City of Sacramento conditional use permit fees and Business Operation Permit fees can increase the costs to beginning a business to tens of thousands of additional dollars.

**Start Up Costs:** According to the City of Los Angeles Equity Study, the start-up costs for cultivating cannabis outdoors in California range from \$5,000 to \$10,000. Meanwhile the start up costs for mixed light cultivators is between \$18,000 to \$200,000 for greenhouses. Electricity costs can hover around \$5,000 annually. According to the California Department of Food and Agriculture, indoor cultivation start-up costs may exceed \$400,000 for creating indoor grow rooms.<sup>30</sup> Without traditional methods of raising capital, entrepreneurs may need to rely on personal wealth, which eligible individual equity applicants are less likely to have.

**Business Skills and Knowledge:** Eligible individual equity applicants are less likely to have significant business expertise as they are likely not employed or working in industries that expose them to the necessities of starting a business, likely reside in neighborhoods with similar disadvantaged individuals, and have limited access to capital to fund such educational pursuits. Beginning a business requires knowledge of creating a business plan, relationship with industry vendors, knowledge of regulatory and

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<sup>29</sup> Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.

<sup>30</sup> California Department of Food and Agriculture. 2017. Economic Impact Analysis of Medical Cannabis Program Regulation: Standardized Regulatory Impact Assessment.

## Exhibit A

legal requirements. Beginning a cannabis business, meanwhile requires specialized agriculture, chemicals or manufacturing knowledge.<sup>31</sup>

**Lack of Regulatory and Government Knowledge:** Groups with little experience, or negative experience with city government or government in general may be more likely to struggle to navigate through the complex regulatory and permitting process of developing a legal cannabis business. Eligible individual equity applicants may also have less awareness of local government policies nor be able to afford professional services to help them navigate such as attorneys or professional consultants.

Below is a Description of Potential Tools to Overcome Barriers:

**Financial Assistance:** The City of Los Angeles Equity Study describes a municipal bank which could provide business loans and other financial products to cannabis businesses. The City could also provide low interest or no interest loans to cannabis businesses. Other financial support could include credit repair, financial planning needs, fee waivers, and assistance securing alternative financing.

**Real Estate:** An Equity Program could provide real estate support to entrepreneurs through an existing industry partner or an incubator program. An incubator could provide eligible businesses real estate and other business support services. Similarly, an existing cannabis business could provide real estate to disadvantaged entrepreneurs in return for certain incentives.

**Business Support Services:** In addition to direct financial assistance and real estate support, the city could provide business mentorship, and technical assistance. This could include consulting services on financial management, business accounting, hydroponics, manufacturing, obtaining licenses or fertilizers. Eligible individual equity applicants are less likely to be familiar with legal requirements of establishing a business, particularly a cannabis business. Connections to legal services could also assist such applicants with beginning a cannabis business.

**Permit and Business Operation Permit Fees:** Previous cannabis equity studies have considered the option of waiving or reducing licensing, permitting and inspection fees to reduce the financial barriers for eligible individual equity applicant entrepreneurs.

**Expungement of Past Cannabis Criminal Convictions:** According to the Los Angeles Equity Study, expungement of cannabis related convictions would lift certain employment barriers and the stigma that individuals carry from having a criminal record. Expungement would mean that previous cannabis related charges would change from “guilty” to “dismissed.” While having “dismissed” on a criminal record is preferable than “guilty,” individuals would, however, continue to have a criminal record and therefore may retain some stigma.<sup>32</sup>

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<sup>31</sup> City and County of San Francisco. Cannabis Equity Report. Office of Cannabis, Human Rights Commission, Controller’s Office. 2017.

<sup>32</sup> Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.



**CITY OF SACRAMENTO**  
**CANNABIS OPPORTUNITY REINVESTMENT AND EQUITY PROGRAM**

The City of Sacramento has determined, based on its 2018 Cannabis Equity Study, that a two-year pilot program dedicated to aiding communities who were subject to criminal law enforcement of cannabis related crimes at a disproportionate rate to their population within the City and, as a result, were negatively impacted is in the best interests of the City. As such, the City has adopted the Cannabis Opportunity Reinvestment and Equity Program (CORE) described herein.

1. **Program Purpose.** The CORE Program seeks to reduce the barriers of entry and participation for communities that have been negatively impacted by the disproportionate law enforcement of cannabis related crimes by providing them access to cannabis business development resources, services, and contracting and shareholder opportunities described herein. The CORE Program is a conscious effort to provide the business plan development, training, mentoring, and support necessary to ensure that the emerging cannabis market is accessible to all, regardless of economic status, gender, racial, cultural background and criminal history. Although City funding for the CORE Program's cannabis business development resources and services shall expire in two years from the date of adoption (unless such time for these pilot program support services are otherwise reduced or extended by resolution of the City Council), all other program definitions, eligibility, processing, benefits, features and functions shall remain intact as policy.
  
2. **Definitions.** Except for as provided herein, for purposes of the CORE Program, the words and phrases defined in chapters 1.04 and 5.150 of the Sacramento City Code shall have the same meaning herein. Further, the following words and phrases shall have the meanings respectively ascribed to them by this section:
  - a. "Ancillary business" means non-essential support business services (e.g., human resources or payroll and call centers).
  
  - b. "Applicant" means an individual or business who makes a formal application to be admitted in the CORE Program.
  
  - c. "Business" means a firm, organization, association, partnership, business trust, corporation, company, or like entity.

- d. “Cannabis Social Enterprise” or “CSE” means a cannabis business in the city that incubates and/or employs Classifications 1 or 2 participants and uses commercial strategies to maximize improvements in financial, social, and environmental well-being of the disadvantaged community the organization sits in. This may include maximizing social impact alongside profits for external shareholders. CSEs can be structured as a for-profit or non-profit organization and may take the form of a co-operative, mutual organization, a disregarded entity, a social business, a benefit corporation, a community interest company, a company limited by guarantee, or a charity organization. They can also take more conventional structures. Social enterprises have both business goals and social goals. As a result, their social goals are embedded in their objective, which differentiates them from other organizations and corporations.
- e. “Classification” means a category of individuals or businesses that meet either Classification 1, 2, 3, or 4 of the CORE Program.
- f. “CORE Incubator” or “Incubator” means a cannabis business which as a condition for receiving priority processing, either:
  - 1. Hosts a participant; 30% of its workforce are Classification 1 or 2 eligible participants, measured by hours worked; and contracts no less than 51% of its cannabis products or services and ancillary business support with eligible participants; or
  - 2. Is a shared manufacturing cannabis business and donates at least 10% of its hours of operation to allow participant(s) to utilize 100% of its business’ floor space and equipment; or
  - 3. Is a cannabis business that sells, gives or otherwise transfers no less than a 33% equity share in the CORE Incubator’s cannabis business to eligible CORE participants or participants; 30% of its workforce be Classification 1 or 2 eligible; and contracts no less than 30% of its cannabis and ancillary business with Classification 1 or 2 eligible participants.

CORE Incubators shall host, donate to, employ, contract with, sell, give, or transfer to participants that reside within the city district in which the Incubator sits. If no such participants exist, Incubators shall utilize participants from other applicable areas.

- g. “CORE Program” or “the program” means the City’s Cannabis Opportunity Reinvestment and Equity Program.
- h. “CORE Program participant” or “participant” means an individual or a business that has been admitted to participate in the CORE Program.
- i. “Equity share” means an ordinary share, including a fractional or part ownership in which a shareholder, as a fractional owner, undertakes the maximum entrepreneurial risk associated with a business venture. The holders of such shares are members of the company and have voting rights.
- j. “Facilitator” means the organization selected by the city to facilitate this Program on behalf of the city.
- k. “Floor space” means at least 10%, but not less than 800 square feet, of building space.
- l. “Host” means to rent or lease operations-ready building or floor space to a participant that resides in the city district where the cannabis business sits, if any, free of charge for two years, or at a rate of 33% of the market value for four years; and to provide that participant with business or technical assistance (e.g., business plan development, coaching on access to capital, and establishing a lawful business, or use of equipment). If no such participants exist, participants from other applicable areas shall be utilized.
- m. “Immediate family member” means a person in the first, second, or third degree of lineal or collateral kinship as defined in chapter 13 of Part 1 of Division 1 of the California Probate Code.
- n. “Incubate” means to assist one or more participants that reside in the city district where the cannabis business sits, if any, to enter the cannabis industry by hosting, providing training, technical assistance, and general business guidance. If no such participants exist, participants from other applicable areas shall be utilized.
- o. “Individual” means a person.
- p. “Low income household” has the same meaning provided in Sacramento City Code section 17.712.020.

- q. “Operations-ready” means a hosted building or floor space that is in compliance with the applicable health and safety laws and regulations and has the appropriate equipment and licensure to lawfully run or conduct any type of cannabis business.
  - r. “Priority processing” or “priority” means the City will review and approval of cannabis related business or conditional use permit applications or renewals of CORE participants, if any, before any cannabis related business or conditional use application or renewal received by the City that would otherwise be processed on a first come, first served basis.
  - s. “Sits” means to be engaged in its cannabis business.
3. **Applicability of Sacramento City Code chapter 5.150.** All CORE Program participants are subject to the provisions of chapter 5.150 of the Sacramento City Code.
4. **Applications for the CORE Program.** An individual or business may apply for the CORE Program by filing an application with the Facilitator. The application shall be on a form approved by the City Manager and may require information or documentation consistent with the provisions of the city code or state law and this program, including the following:
- a. **Application.**
    - i. The information provided in city code sections 5.150.210 A.1.b, A.3.a., and A.9.
    - ii. Individual.
      - 1. Must be lawfully able to work in the United States;
      - 2. Twenty-one (21) years of age or older;
    - iii. Business.
      - 1. A description of the statutory entity or business form that will serve as the legal structure for the applicant and a copy of its formation and organizing documents, including, but not limited to, articles of incorporation, certificate of amendment, statement of information, articles of association, bylaws, partnership agreement, operating agreement and fictitious business name statement.
    - iv. A statement dated and signed by the applicant, under penalty, affirming that the applicant meets the program eligibility

requirements as applicable to the particular applicant.

5. **Review Process**. The Facilitator shall review and approve all CORE program applications that meet the eligibility requirements described herein. If an application is denied, that applicant may appeal to the City for evaluation and a final determination.

6. **Program Eligibility**. To be admitted into the CORE Program, an applicant must provide documentation, as described in section 7 below, that sufficiently demonstrates that the applicant satisfies any one of the following Classifications:

a. **Individuals**. An individual that is eligible to participate in the program is either:

i. **Classification 1**. A current or former resident of the City of Sacramento who previously resided or currently resides in a low-income household and was either: a) arrested or convicted for a cannabis related crime in Sacramento between the years 1980 and 2011; or is b) an immediate family member of an individual described in subsection a of Classification 1 or Classification 2.

ii. **Classification 2**. A current or former resident of the City of Sacramento who has lived in a low-income household for at least five (5) years, between the years of 1980 and 2011 in the following zip codes:

95811, 95815, 95817, 95820, 95823, 95824, 95826, 95828, and 95818.

b. **Businesses**. A cannabis business that is eligible to participate in the program is either:

i. **Classification 3**. A cannabis business with not less than 51% ownership by individuals meeting Classifications 1 or 2 criteria that reside within the city district in which their business sits, if any. If no such individuals exist, individuals meeting Classifications 1 or 2 criteria from other applicable areas may be utilized.

ii. **Classification 4**. A cannabis business that is a CORE Incubator.

iii. **Classification 5.** A Cannabis Social Enterprise with not less than 51% ownership by individuals meeting Classifications 1 or 2 criteria.

7. **Documentation and Review.** An applicant shall provide the following with its application for the Program, in addition to any other documentation that the City deems necessary to determine the applicant's eligibility:
- a. **Proof of Income.** Proof of income shall be supported with federal and state tax returns and at least one of the following documents from the last five (5) years: two months of pay stubs; proof of current eligibility for General Assistance, food stamps, Medi-Cal/CalWORKS, supplemental security income, or social security disability, or similar documentation.
  - b. **Proof of residency.** Proof of residency shall be supported by a minimum of two of the following documents: California driver's or identification card records, property tax billings and payments, signed rental agreement, verified copies of state or federal tax returns with an address in the geographic area of the city of Sacramento, school records, medical records, banking records, Sacramento Housing Authority records, or utility, cable, or internet company billing and payment records.
  - c. **Proof of arrest or conviction of a cannabis related crime.** Proof of an arrest or conviction of a cannabis related crime shall be demonstrated by federal or state court records indicating the disposition of the criminal matter, records expungement documentation, or any other applicable law enforcement record.
8. **Participant Benefits.** General program benefits may include but are not limited to: business plan development, business mentoring, coaching on access to capital, business needs assessment, loan readiness assessment, market assessment, data and research strategies and support, assistance with establishing a legal entity, assistance with criminal records expungement, lease negotiation assistance, small business legal considerations, mentoring, fiscal management, marketing/social media, technical training, employee training, and regulatory compliance.

A CORE Program participant shall be entitled to receive the following benefits based on the applicable Classification:

- a. **Classifications 1, 2, 3 & 5:** Participants shall receive the following:

- i. All support services offered under the program,
- ii. The City will provide priority processing of the participant's cannabis related business and conditional use permits,
- iii. The fee for a participant's cannabis related business permit is waived by the City,
- iv. The City will provide priority to participants for storefront cannabis dispensary permit lotteries procedures as will be adopted by the City Council (Sacramento City Code section 5.150.350), and
- v. Admittance into the program shall be deemed to satisfy the neighborhood responsibility plan requirement under Sacramento City Code section 17.228.920.

b. **Classification 4**: Participants shall receive the following:

- i. Qualified and ready CORE participants to host,
- ii. The City will provide priority processing of the participant's cannabis related business and conditional use permits.

9. **CORE Condition on Cannabis Business Operations Permit**. CORE Classifications 3, 4, and 5 participants are required to continue, maintain, and carry out their respective eligibility requirements through the term of their respective cannabis business operations permit. Compliance with this section 9 shall be a condition of Classifications 3, 4, and 5 participants respective cannabis business operations permit, such that failure to comply with this section 9 shall be grounds to deny, suspend, or revoke such cannabis business operations permit pursuant to Sacramento City Code section 5.150.240(C).

10. **Program Monitoring and Reporting**. The Office of Cannabis Policy and Enforcement shall provide quarterly updates to the City Council on the status of the CORE program, including number of participants, participant success measured by the number of participants either ready to obtain or that have obtained a cannabis business operating permit. The City will reevaluate and update its Equity Study when data becomes available or known to it that may expand the eligibility and benefits of the program; including, but not limited to, an analysis of disproportionate impacts within census tracts. Additionally, the report should include an evaluation of any ongoing barriers to entry and participation, any reevaluations of the Equity Study, and recommend solutions as needed to advance equity and accomplish the City's goals, which includes achieving 50 percent of all cannabis business permits awarded to CORE participants.

City & County of San Francisco

Cannabis Equity Report

Office of Cannabis, Human Rights Commission & Controller's Office

November 1, 2017





**To the Board of Supervisors:**

On September 5, 2017, Ordinance No. 170859 unanimously passed, creating the Office of Cannabis and requesting that the Office of Cannabis, the Human Rights Commission, and the Controller's Office deliver to them and the Mayor no later than November 1, 2017, a report analyzing available data related to disparities in the cannabis industry, and providing recommendations regarding policy options that could (A) foster equitable access to participation in the industry, including promotion of ownership and stable employment opportunities in the industry, (B) invest City tax revenues in economic infrastructure for communities that have historically been disenfranchised, (C) mitigate the adverse effects of drug enforcement policies that have disproportionately impacted those communities, and (D) prioritize individuals who have been previously arrested or convicted for marijuana-related offense.

As detailed in this report, the War on Drugs, has had disastrous impacts in San Francisco. In this city and in cities across the nation, these effects of decades of discriminatory drug policies have been shouldered by that have been made more vulnerable. As the City considers our regulatory structure for commercial cannabis activity, we have a responsibility to ensure that the policies we create undo the racist policies of our past.

In developing this report, we were inspired by the opportunity to participate in crafting programs that foster equitable access to and industry – programs that seek to reflect and uplift our communities. It is our hope that this report and its recommendations help inform a final equity program that is robust and guided by a cohesive, results-oriented strategy.

A successful program will ensure we see a more inclusive and diverse industry through ownership and workforce, an expansion of educational opportunities, an end to policies that continue to burden our communities that have been disproportionately impacted by the War on Drugs, and investment in communities that are disenfranchised because of the consequences of drug policies.

There is much work to do, and as we continue to push for the elimination of discriminatory institutional and structural policies and practices against activates now legal under Proposition 64, we look forward to receiving additional input and guidance from our policymakers and communities.

This report is submitted with gratitude to the many contributors, including Office of the Controller, the Human Rights Commission Director and staff, Dr. William Armaline, Director of the Human Rights Program and an Associate Professor in the Department of Sociology and Interdisciplinary Social Sciences [SISS] at San José State University, Dr. Mike Males, Senior Research Fellow at the Center on Juvenile and Criminal Justice. The report was further advised by the work of the San Francisco Cannabis State Legalization Taskforce, Human Rights Commission staff convening of stakeholders, the feedback of experts and the community during the October 21, 2017 District 10 Cannabis Forum, the San Francisco Chapter of the California Growers Association, and numerous City departments.

We are grateful for your partnerships and look forward to partnering with you, San Francisco's policymakers, the community, and other impacted stakeholders as the City moves forward with development a thoughtful and impactful Cannabis Equity Program.



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## I. Executive Summary

The case for equity is clear. For decades, the War on Drugs has had consequential impacts on communities of color in San Francisco. The impacts of this disproportionality are acutely felt today: poverty, education gaps, and criminal records are the vestiges of explicitly and implicitly racist drug enforcement policies.

The City's challenge today is also our opportunity. As we move towards embracing a new industry, we must take the opportunity to harness its potential to begin to restore historic inequities. Some cities have already created industry-specific equity programs, but San Francisco should develop and implement a program that makes sense for the residents of our City, balancing our priorities and reflecting our values.

This report was drafted by the staff of the Office of Cannabis, Human Rights Commission, and Controller's Office, with assistance from numerous City and community partners. It examines the local, state and national history of cannabis regulation, the War on Drugs, and its impact on our communities. It reviews known characteristics of the City's existing cannabis industry and discusses barriers to entry into the industry. This report also looks at other jurisdictions' equity programs for lessons learned. Finally, the report makes recommendations meant to inform the creation of San Francisco's Cannabis Equity Program. Outlined below are key findings and highlights across the various sections within the report, and a summary of the final recommendations.

### Equity Analysis

- San Francisco has always been on the forefront of cannabis legalization.
- African Americans in San Francisco have endured disproportionately higher felony drug arrests and crackdowns.
- More recent decriminalization efforts helped to narrow those gaps, but people of color still interact with the justice system at a rate far higher than white San Franciscans.
- Significant social hurdles result from disproportionate arrest and incarceration rates.
- Although local data is incomplete at best and misleading at worst, it reveals a strong correlation between poverty and cannabis arrests.
- Taken together, this paints a troubling picture of the War on Drugs' impact on communities of color, even in a progressive city like San Francisco.
- Data suggests that San Francisco's cannabis industry (and the national industry) skews disproportionately white and male.

### Barriers to Entry

- Financial and real estate barriers present major equity hurdles to individuals seeking to enter the regulated cannabis industry.
- Other barriers include the soft skills of entrepreneurship, compliance, and legal complexity.
- While Prop. 64 clears the way for people convicted of cannabis crimes to enter the industry, a past criminal history can still present significant challenges, like accessing financing or signing a lease.
- Where the City allows cannabis businesses to operate will have important impacts on whether we can grow the industry equitably.



## Cannabis Equity Programs Analysis

- Oakland and Los Angeles both have real or proposed equity programs that may serve as a good model for San Francisco.
- Both cities aim to help people either arrested for cannabis or residents of high-enforcement neighborhoods, and offer a suite of fee waivers, technical assistance, and subsidized loans to equity applicants.
- Other cities and states also put in place policies to try to correct for historical imbalances.
- San Francisco should select the policy components that make the most sense for our city.

## Findings & Recommendations

The Office of Cannabis and supporting agencies chose to present a series of findings and recommendations to guide the Mayor and Board of Supervisors as they legislate an equity program. The following policy areas of focus represent this report's core recommendations:

1. **Eligibility:** inform eligibility criteria with data, set tiered eligibility criteria to allow most affected groups to receive higher-value benefits, while extending some benefits to a wider range of applicants impacted by the War on Drugs.
2. **Permitting:** prioritize and assist Equity Applicants during the permitting process, and establish an incubator program to incentivize partnerships between Equity Applicants and other cannabis operators.
3. **Community Reinvestment:** direct new potential funding from local cannabis taxes or the state toward programming for communities impacted by the War on Drugs. Businesses should also be required to describe how their business will provide community benefits.
4. **Workforce Development:** promote equitable employment opportunities at all cannabis businesses, especially for formerly-incarcerated individuals and those living in neighborhoods impacted by the War on Drugs. Expand First Source and Local Hire to cover the cannabis industry.
5. **Financial & Capital Access:** take an active advocacy role to open up banking services, particularly through state and local credit unions, for the cannabis industry.
6. **Technical Assistance:** direct Equity Operators to existing technical assistance resources in the City, and create new technical resources within the Office of Cannabis. Facilitate partnerships with other existing Operators and non-profits to help overcome technical barriers.
7. **Criminal History:** hold streamlined expungement events for citizens convicted of eligible cannabis offenses.
8. **Stakeholder Engagement:** create culturally sensitive and district-specific outreach, and extend Task Force membership to include representatives from communities with high concentrations of individuals eligible for Equity status.
9. **Public Awareness & Education:** deploy an outreach campaign for the Equity Program.
10. **Data Collection & Accountability:** gather data on General and Equity Applicants on a regular basis to analyze the outcomes of the Equity Program, and use this data to refine the program. Enforce compliance of commitments made by applicants.
11. **Modification & Course Correction:** permitting in phases and communicating with stakeholder groups will allow for steady improvement of the regulatory structure.
12. **Land Use & Zoning:** create land use controls that mitigate overconcentration in disenfranchised neighborhoods.

## II. Introduction

Mayor Lee has designated San Francisco's vision to be a safe, vibrant city of shared prosperity. Guided by the Human Rights Commission, the City incorporates strategies and programs that address the challenges resulting from prejudice, intolerance, bigotry, and discrimination. The City undertakes these challenges with the knowledge that the cumulative impact of systemic discrimination has depressed prosperity for us collectively.

In 1964, the stroke of a pen ended legal discrimination in the United States. However, as our country and our city has learned, the deletion of explicitly racist words, amendments to explicitly racist laws, and the terming out of explicitly racist policymakers were insufficient to address centuries of racialized outcomes. In the United States and in San Francisco, the legacy of those discriminatory laws remains: communities of color are still disproportionately incarcerated, unemployed, and impoverished.

The San Francisco Human Rights Commission has developed an equity framework, known as Engineering for Equity, for all City and County of San Francisco departments, including the Office of Cannabis, to provide the tools and strategies essential to making our government services more equitable for all. The equity framework helps city departments create and uphold transformational systems and approach actual and/or perceived limitations with innovation. It reflects the belief that city government can support resilient people and, in partnership with communities, can help develop foundations that uplift all.

This framework builds on shared definitions, developed in the interest of creating alignment across City departments working to ensure that all people are seen and heard fairly. Accordingly, this report adopts the Human Rights Commission's definitions for equity and community:

- **Equity:** Full and equal access to opportunities, power and resources, whereby all people may thrive and prosper regardless of demographics.
- **Community:** Stakeholders across San Francisco's diverse neighborhoods who are either benefited or burdened by public policies.

The legalization of adult-use cannabis presents an urgent opportunity to learn from the past and create accountable mechanisms to achieve shared prosperity. In anticipation of this, on September 5, 2017, the Board of Supervisors unanimously passed Ordinance No. 170859, creating the Office of Cannabis and requesting that the Office of Cannabis, the Human Rights Commission, and the Controller's Office deliver to them and the Mayor no later than November 1, 2017, a report analyzing available data related to disparities in the cannabis industry, and providing recommendations regarding policy options that could (A) foster equitable access to participation in the industry, including promotion of ownership and stable employment opportunities in the industry, (B) invest City tax revenues in economic infrastructure for communities that have historically been disenfranchised, (C) mitigate the adverse effects of drug enforcement policies that have disproportionately impacted those communities, and (D) prioritize individuals who have been previously arrested or convicted for marijuana-related offense.

As detailed in this report, the War on Drugs, has had disastrous impacts in San Francisco. In this city and in cities across the nation, these effects, including the creation of generational poverty, loss of property, community degradation, and loss of educational and employment opportunities, have been disproportionately shouldered by the poor and people of color, specifically African American and Latinx populations.

If the City is serious about improving the quality of life in San Francisco and helping those who have been disproportionately burdened by public policies like the War on Drugs, it must address systemic barriers and understand the role that policies, practices, and procedures play in creating the current health, safety, economic mobility and community environment circumstances. We must remember the part these factors play in developing an equitable, inclusive and diverse city.

San Francisco is currently considering a proposed regulatory structure for local commercial cannabis activity beginning in 2018. The Commercial Cannabis Regulations Ordinance contemplates the creation of an Equity Program and makes clear that applications for adult-use commercial cannabis activity will not be made available until the City establishes a program designed to foster equitable access to participation in the cannabis industry, including access to workforce and ownership opportunities.

It is our hope that this report and its recommendations help inform the development of a robust equity program that ensures a cohesive, results-oriented strategy. A successful program will strengthen equitable access to the cannabis industry workforce, encourage entrepreneurship, and expand educational opportunities. It will help eliminate discriminatory institutional and structural policies and practices and strive to curtail the stigma against activities now legal under Proposition 64. This will require relevant departments to consider the impact of their services and develop transformational approaches that cut across multiple institutions, to disrupt institutional culture, and shift values and political will to create equity.

### III. Equity Analysis

#### Methodology

This Equity Analysis section first examines the history of drug enforcement policies in the United States and in California, which informs this overall equity analysis. This section also examines arrest rates in San Francisco, starting with a broad view of all drug arrests and narrowing to cannabis arrests. It uses census data and arrests data to highlight which populations in San Francisco have experienced disproportionate levels of cannabis arrests. From there, it defines the size and scope of low-income communities in San Francisco, and geospatially cross-references cannabis arrests with low-income census tracts. The overlap provides some insight into the correlation between cannabis law enforcement and income status, highlighting which local communities have likely been economically disadvantaged by cannabis law enforcement. Finally, this analysis looks into the demographics of the existing legal cannabis industry, from a national perspective and a local one, exhibiting which populations have begun to economically benefit from gradual cannabis decriminalization.

#### Historical & Legislative Context of Cannabis Policies

##### *United States Drug and Cannabis Policy*

Food and drug regulation began in the United States with the Federal Food and Drug Act of 1906. The law permitted the U.S. Department of Agriculture's Bureau of Chemistry to test, regulate, and standardize commercial substances.<sup>1</sup> Between 1906 and 1942, the federal government primarily regulated narcotics through taxation, with the exception of opium and cocaine. The Opium Exclusion Act of 1909 limited opium imports, partially over legitimate concerns regarding the drug's level of addiction and health effects. However, its passage was contemporaneously supported by xenophobic fears of East Asian immigrants, foreshadowing the federal government's racialization of drug policy throughout much of the 20<sup>th</sup> century.<sup>2</sup> The Harrison Act of 1914 created a prescription registry and imposed a special tax on narcotics imports.

In 1927, Congress reorganized the drug regulatory structure by establishing the Food, Drug, and Insecticide Administration, which was shortened to the Food and Drug Administration in 1930. 1930 brought further administrative and bureaucratic changes, including the transfer of powers from existing agencies to the newly created Bureau of Narcotics.<sup>3</sup> The Bureau of Narcotics was given broad jurisdiction over controlling narcotics, and its first commissioner, Harry J. Anslinger, pushed cannabis regulations further towards criminalization and as an outlet for discrimination and marginalization.<sup>4</sup>

Throughout his tenure as Narcotics Commissioner, Anslinger gave speeches across the United States, portraying cannabis as, "a scourge on society, ruining the moral fabric of America..."<sup>5</sup> Anslinger often implicated Mexicans, Mexican-Americans, and African Americans as drug users, even stating explicitly that Mexico was responsible for introducing cannabis to the United States.<sup>6</sup> In *Marijuana: A Short History*, John Hudak connects the racialization of cannabis policy to wider geopolitical events at the

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<sup>1</sup> Hudak, John. *Marijuana: A Short History*. Washington, D.C.: Brookings Institution Press, 2016, 32.

<sup>2</sup> *Ibid.*, 34.

<sup>3</sup> *Ibid.*, 35.

<sup>4</sup> *Ibid.*, 35-36.

<sup>5</sup> *Ibid.*, 36.

<sup>6</sup> Anslinger, Harry. *Marijuana, Assassin of Youth*. *The American Magazine*, 124, no. 1 (1937).

time. After the Mexican-American War (1846-1848) and continuing into the early 20th century, America received an influx of Mexican immigrants, which further exacerbated existing racial tensions. Hudak writes, “As Americans sought a pretext to vilify this new immigrant community, they found an ideal culprit in marijuana...fear and anti-immigrant sentiment prompted state-level bans on cannabis...”<sup>7</sup>

Anslinger conducted public opinion campaigns to support the criminalization of cannabis at the state and federal levels. By the time Congress passed the Uniform State Narcotic Act in 1932, urging states to unify narcotics laws and implement criminal punishments, 29 states had already criminalized the use of cannabis.<sup>8</sup> The Marihuana Tax Act of 1937 levied a tax on every group involved with producing, distributing, selling and purchasing cannabis, including importers, growers, sellers, prescribers, physicians, veterinarians, patients, and other consumers. Failing to pay any of these taxes resulted in heavy fines and jail time.<sup>9</sup>

Despite facing some objections against implementing harsh punishments for cannabis offenses, Anslinger and Congress continued to criminalize cannabis in stricter terms.<sup>10</sup> The Boggs Act of 1951 created mandatory minimum sentences for those convicted of drug-related offenses. These sentences were soon increased with the Narcotics Control Act of 1956.<sup>11</sup>

The counterculture movements of the 1960s pushed back against social norms and government actions and policies that were perceived as unjust.<sup>12</sup> Cannabis took on a visible role within some of these countercultures, as well as within the music industry and media. Cannabis use increased among American youth, and the United States government, perceiving itself as under siege, responded again with increased criminalization.<sup>13</sup>

Presidential administrations from the 1950s onward frequently pushed the criminalization of cannabis alongside urgent social narratives. President Eisenhower’s Interdepartmental Committee on Narcotics published a report in 1956 that detailed the harms of cannabis on youth and communities, without scientifically evaluating the impacts of cannabis usage.<sup>14</sup> One exception was President Kennedy’s Advisory Committee on Narcotic and Drug Abuse, established with Executive Order 11076 in 1963, which found that drugs were not grouped together legally based on the risk of addiction or level of health effects, and even stated that mandatory minimums should be reconsidered.<sup>15</sup> However, Kennedy was assassinated shortly thereafter, and his successor, President Johnson, did not take action on many of the Committee’s findings. .

Despite this, Lyndon B. Johnson had a relatively nuanced stance on drug usage, distinguishing between dealers and users and recognizing the public health and safety need for treatment. However, Richard Nixon’s election in 1968 redirected the government’s focus back to criminalization and punishment.<sup>16</sup> After Congress passed the Controlled Substances Act in 1970, President Nixon formally declared a “War

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<sup>7</sup> Hudak, John. *Marijuana: A Short History*, 38.

<sup>8</sup> *Ibid.*, 37.

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*, 38-39.

<sup>11</sup> *Ibid.*, 39.

<sup>12</sup> *Ibid.*, 41-42.

<sup>13</sup> *Ibid.*, 42.

<sup>14</sup> *Ibid.*, 43-44.

<sup>15</sup> *Ibid.*, 46.

<sup>16</sup> *Ibid.*, 48.

on Drugs”.<sup>17</sup> Nixon, however, had been focused on this war for years, as a part of his “Southern Strategy,” which sought to marginalize vulnerable populations, especially minorities.<sup>18</sup> In fact, Nixon’s adviser, John Ehrlichman, was recorded in a 1981 interview with Lee Atwater, saying:

*We knew we couldn’t make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest their leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news. Did we know we were lying about the drugs? Of course we did.*<sup>19</sup>

The events and actions that led to Nixon’s formal War on Drugs proclamation include a 1969 speech to Congress, in which Nixon declared cannabis a national threat; the Supreme Court case *Leary v. United States*; Operation Intercept, a military operation that seized contraband at the U.S.-Mexico border; and the 1969 Bipartisanship Leadership Meeting on Narcotics and Dangerous Drugs.<sup>20</sup>

The 1970 Controlled Substances Act is crucial because it formalized drug schedules, which categorized drugs into legal groups for sentencing and other purposes.<sup>21</sup> However, Congress, not the scientific or medical community, sorted drugs into schedules, placing cannabis in Schedule I alongside drugs with much higher levels of addiction and health effects.<sup>22</sup> The law expanded the government’s powers for regulating drugs and gave Nixon the foundation for his upcoming War on Drugs.<sup>23</sup> Nixon’s final substantial action in the War on Drugs was his proposal to Congress to reorganize the government agencies that regulate drugs and narcotics, the “Reorganization Plan 2 of 1973”.<sup>24</sup> Congress approved and the Drug Enforcement Administration (DEA) was created within the Department of Justice. The DEA consolidated functions and jurisdictions and has consistently received significant increases in funding and employees since its creation.<sup>25</sup>

President Ford continued Nixon’s tough rhetoric, expanding the United States’ involvement in drug operations internationally. At the same time, Ford supported treatment and prevention, later revealing that drug addiction was a personal issue to his family. Like President Ford before him, Carter worked to stem international drug trafficking while attempting to reform aspects of drug policy at home. In his 1977 “Drug Abuse Message to the Congress,” Carter laid out his vision to increase funding for research,

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17 Nixon, Richard. “Special Message to the Congress on Drug Abuse Prevention and Control, June 17, 1971.” The American Presidency Project. Accessed October 30, 2017. <http://www.presidency.ucsb.edu/ws/?pid=3048>.

18 Hudak, John. *Marijuana: A Short History*, 50.

19 13th. Directed by A. DuVernay. Produced by H. Barish and S. Averick. United States: Netflix, 2016.

20 Hudak, John. *Marijuana: A Short History*, 51-52; Nixon, Richard. “Special Message to the Congress on the Control of Narcotics and Dangerous Drugs, July 14, 1969.” The American Presidency Project. Accessed October 30, 2017. <http://www.presidency.ucsb.edu/ws/?pid=2126>.

21 The Diversion Control Division. “Title 21 United States Code (USC) Controlled Substances Act.” U.S. Department of Justice. Accessed October 30, 2017. <https://www.deadiversion.usdoj.gov/21cfr/21usc/811.htm>.

22 Hudak, John. *Marijuana: A Short History*, 54.

23 *Ibid.*, 55.

24 Nixon, Richard. “Message to the Congress Transmitting Reorganization Plan 2 of 1973: Establishing the Drug Enforcement Administration, March 28, 1973.” The American Presidency Project. Accessed October 30, 2017. <http://www.presidency.ucsb.edu/ws/index.php?pid=4159>.

25 The Drug Enforcement Agency. “DEA Staffing & Budget.” DEA.gov. Accessed October 30, 2017. <https://www.dea.gov/pr/staffing.shtml>.

create federal prevention and treatment programs, and shift the government's regulatory focus to drugs with more severe health consequences. Carter's proposals were never realized.<sup>26</sup>

Like Nixon, Reagan incorporated drug policy into his broader political strategy. He continued to expand the United States' drug involvement efforts internationally while enhancing penalties and reducing defenses for the accused domestically.<sup>27</sup> Finally, Reagan expanded education and treatment programs, enlisting the help of First Lady Nancy Reagan. With Executive Order No. 12368, Reagan created the Drug Abuse Policy Office.<sup>28</sup> The Office quickly won a series of legislative successes, including the Comprehensive Crime Control Act of 1984, the Anti-Drug Abuse Act of 1986, and the Anti-Drug Abuse Act of 1988.<sup>29</sup> All of these laws enhanced criminal punishments for drug-related offenses. The 1986 law expanded the crimes to which mandatory minimums applied, and the 1988 law enhanced these minimums.<sup>30</sup> In 1989, President H.W. Bush created the Office of National Drug Control Policy, replacing Reagan's Drug Abuse Policy Office. The director of this office is referred to as the "Drug Czar", whose influence in U.S. drug policy continues to this day.<sup>31</sup>

The 1988 law also increased funding for education programs, and redirected funds in other programs towards drug-related programs. Researchers have evaluated the effectiveness of drug education programs, and found limited, if any, effects on curbing drug use among American youth.<sup>32</sup>

President Bill Clinton incorporated kinder rhetoric when speaking about drug use, although his policies continued to intensify criminal punishments for cannabis.<sup>33</sup> For instance, the Violent Crime Control and Law Enforcement Act of 1994 intensified criminalization, introducing the "three strikes" provision for traffickers, and increased funding for prisons and local law enforcement.<sup>34</sup> After the 1994 law, arrests for cannabis users increased significantly. In 1991, there were around 327,000 arrests for cannabis-related offenses. By 2000, there were over 700,000.<sup>35</sup> Meanwhile, states began legalizing medical cannabis; some states authorized medical cannabis on the day Clinton was reelected to office.<sup>36</sup>

Public opinion about cannabis reversed became increasingly positive in the 1990s and 2000s,<sup>37</sup> a trend that has continued to the present. In 2000, 31% of Americans supported the legalization of cannabis. By

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26 John Hudak. *Marijuana: A Short History*, 67-70; Carter, Jimmy. "Drug Abuse Message to the Congress, August 2, 1977." The American Presidency Project. Accessed October 30, 2017.

<http://www.presidency.ucsb.edu/ws/?pid=7908>.

27 Hudak, John. *Marijuana: A Short History*, 73.

28 Reagan, Ronald. "Executive Order 12368: Drug Abuse Policy Functions, June 24, 1982." The American Presidency Project. Accessed October 30, 2017. <http://www.presidency.ucsb.edu/ws/index.php?pid=42672>.

29 Hudak, John. *Marijuana: A Short History*, 76.

30 *Ibid.*

31 *Ibid.*

32 Engs, Ruth C., and Fors, Stuart W. "Drug Abuse Hysteria: The Challenge of Keeping Perspective." *Journal of School Health* 58, no. 1 (1988): 26-28.

33 Hudak, John. *Marijuana: A Short History*, 81-82.

34 *Ibid.*, 82-83.

35 King, R., and M. Mauer. "The War on Marijuana: The Transformation of the War on Drugs in the 1990's." *The Harm Reduction Journal* 3, no. 6 (2006).

36 Hudak, John. *Marijuana: A Short History*, 83.

37 Pew Research Center. "In Debate over Legalizing Marijuana, Disagreement over Drug's Dangers." Accessed October 29, 2017. <http://www.people-press.org/2015/04/14/in-debate-over-legalizing-marijuana-disagreement-over-drugs-dangers/2/>.

2013, nearly 58% of those polled supported legalization.<sup>38</sup> Much of this shift in public opinion is attributed to generational acceptance and an increase in the number of individuals who have tried or used cannabis.<sup>39</sup>

While campaigning for President, George W. Bush conveyed his support for allowing states to determine their own cannabis policies. During a campaign event in Seattle, Bush stated, “I believe each state can choose that decision as they so choose”.<sup>40</sup> Despite this initial stance, President Bush’s drug policies closely resembled those of his predecessors, focusing on international trafficking, law enforcement and treatment.<sup>41</sup> What’s more, the Bush Administration frequently conducted raids on medical cannabis dispensaries, including dispensaries that functioned legally under state law.<sup>42</sup>

President Obama voiced support for the concept of medical cannabis, and promised a Justice Department Policy that would allow dispensaries to operate unimpeded. In a formal memo to United States Attorneys in 2009, Attorney General Holder wrote that the Obama Administration would end raids on cannabis distributors. It states that “...the prosecution of significant traffickers of illegal drugs, including marijuana...continues to be a core priority...pursuit of these priorities should not focus federal resources in your states on individuals whose actions are in clear and unambiguous compliance with existing state laws providing for the medical use of marijuana.”<sup>43</sup> Holder did, however, oppose adult-use cannabis. His position became public in response to a 2010 California ballot initiative, which would have legalized adult-use cannabis in California, but failed to win a majority vote<sup>44</sup>

Then, in 2011, the Justice Department announced a crackdown on medical cannabis dispensaries across the United States. In a memo released on June 29, 2011, Deputy Attorney General James Cole communicated that the Justice Department would prosecute persons involved in producing, distributing, and selling cannabis, “regardless of state law”.<sup>45</sup> Shortly afterwards, California’s four U.S. Attorneys proceeded to announce criminal charges against cannabis dispensaries and threaten landlords with property seizure (See “California Cannabis Policy,” below).

Like George W. Bush before him, Donald Trump vowed to leave medical cannabis policy to individual states while campaigning. As President, however, Trump nominated then-Senator Jeff Sessions for

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38 Swift, Art. “For the First Time, Americans Favor Legalizing Marijuana.” Gallup. Accessed October 30, 2017. <http://news.gallup.com/poll/165539/first-time-americans-favor-legalizing-marijuana.aspx>.

39 Hudak, John. Marijuana: A Short History, 91-92.

40Hsu, Spencer. “Bush: Marijuana Laws Up to States; But GOP Candidate Says Congress Can Block D.C. Measure.” The Washington Post, October 22, 1999. Accessed October 30, 2017. <http://news.gallup.com/poll/165539/first-time-americans-favor-legalizing-marijuana.aspx>.

41 Marquis, Christopher. “Bush’s \$19 Billion Antidrug Plan Focuses on Law Enforcement and Treatment.” The New York Times, February 13, 2002. Accessed October 30, 2017. <http://www.nytimes.com/2002/02/13/us/bush-s-19-billion-antidrug-plan-focuses-on-law-enforcement-and-treatment.html?ref=topics>.

42 Johnston, David and Lewis, Neil. “Obama Administration to Stop Raids on Medical Marijuana Dispenseries.” The New York Times, March 18, 2009. Accessed October 30, 2017.

<http://www.nytimes.com/2009/03/19/us/19holder.html>; Taylor, Stuart. “Marijuana Policy and Presidential Leadership: How to Avoid a Federal-State Train Wreck.” The Brookings Institution, April 11, 2013. Accessed October 30, 2017. <https://www.brookings.edu/research/marijuana-policy-and-presidential-leadership-how-to-avoid-a-federal-state-train-wreck/>.

43 Taylor, Stuart. “Marijuana Policy and Presidential Leadership: How to Avoid a Federal-State Train Wreck,” 20.

44 Ibid., 21.

45 Ibid., 22.



Attorney General of the United States,<sup>46</sup> an opponent of medical cannabis and any effort to decriminalize cannabis or to reduce criminal punishments. At a Senate drug hearing in April 2016, Sessions stated:

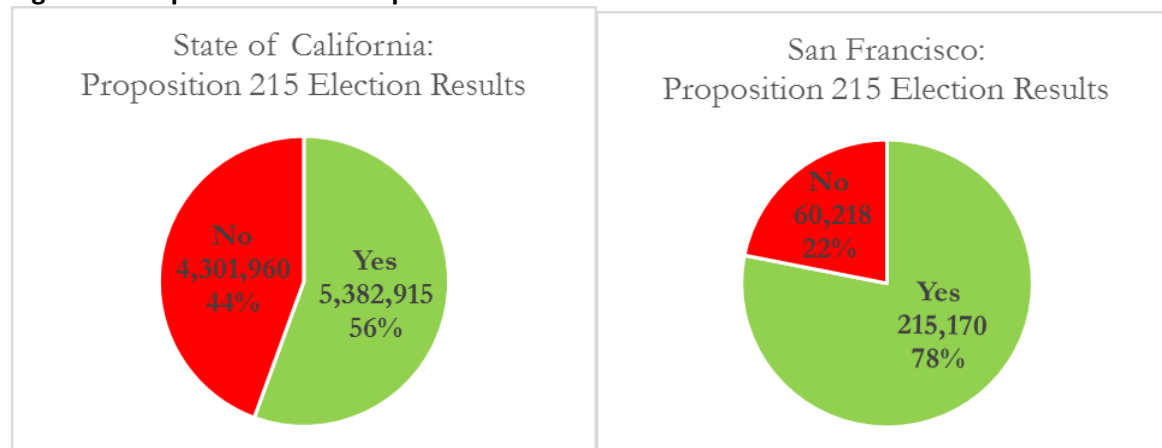
...we need grown-ups in charge in Washington to say marijuana is not the kind of thing that ought to be legalized, it ought not to be minimized, that it's in fact a very real danger...this drug is dangerous, you cannot play with it, it is not funny, it's not something to laugh about...and to send that message with clarity that good people don't smoke marijuana.<sup>47</sup>

Attorney General Sessions' stance on cannabis is reminiscent of Anslinger's statements, which rejected cannabis on moral grounds without acknowledging its similarities to legal substances such as tobacco and alcohol.

### *California Cannabis Policy*

In 1996, California passed Proposition 215, the Compassionate Use Act, with 56% of the votes statewide, and 78% in San Francisco as illustrated in Figure 1 below.

**Figure 1. Proposition 215: Comparison of California and San Francisco Election Results**



In doing so, California became the first state in America to legalize cannabis for medical use. The Compassionate Care Act allowed patients and qualified caregivers to cultivate and possess cannabis for personal use, however it did not provide a regulatory structure.<sup>48</sup> To clarify the Compassionate Use Act, the State Legislature passed Senate Bill 420 in 2003. This bill also provided for the creation of an identification program for qualified patients.<sup>49</sup>

In addition to legalizing medical cannabis, California voters propelled the state's drug policy away from criminalization and harsh punishments. In 2000, voters approved the Substance Abuse and Crime

46 Ingraham, Christopher. "Trump's Pick for Attorney General: 'Good People Don't Smoke Marijuana'" The Washington Post, November 18, 2016. Accessed October 30, 2017.

[https://www.washingtonpost.com/news/wonk/wp/2016/11/18/trumps-pick-for-attorney-general-good-people-dont-smoke-marijuana/?utm\\_term=.854263e133ee](https://www.washingtonpost.com/news/wonk/wp/2016/11/18/trumps-pick-for-attorney-general-good-people-dont-smoke-marijuana/?utm_term=.854263e133ee).

47 Ibid.

48 "Uniform Controlled Substances Act." California Legislative Information. Accessed October 28, 2017.

[https://leginfo.ca.gov/faces/codes\\_displaySection.xhtml?sectionNum=11362.5.&lawCode=HSC](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?sectionNum=11362.5.&lawCode=HSC).

49 "Bill Number: SB 420, Bill Text." California Legislative Information. Accessed October 28, 2017.

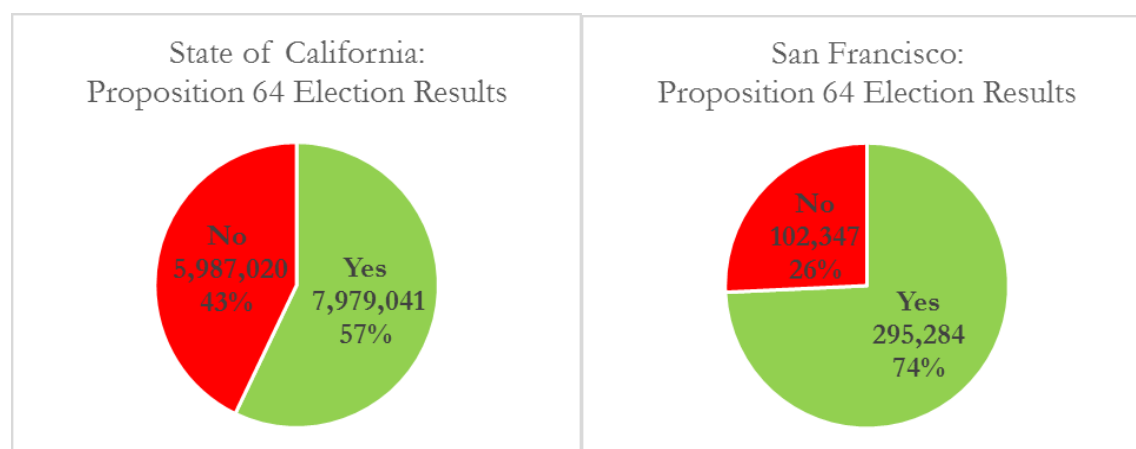
[ftp://www.leginfo.ca.gov/pub/03-04/bill/sen/sb\\_0401-0450/sb\\_420\\_bill\\_20031012\\_chaptered.html](ftp://www.leginfo.ca.gov/pub/03-04/bill/sen/sb_0401-0450/sb_420_bill_20031012_chaptered.html).

Prevention Act, directing the state to offer eligible offenders treatment rather than jail-time for drug possession and drug use.<sup>50</sup>

Between 2003 and 2015, the commercial cannabis industry grew with few rules and regulations. It wasn't until 2015 and the passage of the Medical Marijuana Regulation and Safety Act that California established a legal framework to regulate and monitor cannabis dispensaries.<sup>51</sup> Originally set to take effect on January 1, 2016, the Medical Marijuana Regulation and Safety Act was amended via the Medical Cannabis Regulation and Safety Act in June 2016. This updated piece of legislation aimed to incorporate stronger environmental protection policies within a comprehensive licensing system.<sup>52</sup>

On November 8, 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act, legalizing the distribution, sale, and possession of cannabis.<sup>53</sup> Proposition 64 passed with 57% of the vote statewide and 74% of the vote in San Francisco, as illustrated in Figure 2 below.

**Figure 2. Proposition 64: Comparison of California and San Francisco Election Results**



The Adult Use of Marijuana Act (AUMA) of 2016 was modeled on the Medical Marijuana Regulation and Safety Act (MMRSA) of 2015. In 2017 California sought to create one regulatory system for both medical and adult-use use. Therefore, this last June, Governor Jerry Brown signed the Medicinal and Adult Use Cannabis Regulation and Safety Act into law, reconciling the differences between AUMA and MMRSA, and taking a crucial step towards developing a regulatory framework to facilitate a legal, for-profit cannabis sector for both medicinal and adult-use.<sup>54</sup>

50 "The Substance Abuse & Crime Prevention Act of 2000." County of Santa Clara's Public Defender Office, March 13, 2013. Accessed October 28, 2017. <https://www.sccgov.org/sites/pdo/Pages/SACPA.aspx>.

51 "AB-243, Medical Marijuana." California Legislative Information. Accessed October 30, 2017. [https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201520160AB243](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB243).

52 "SB-643, Medical Marijuana." California Legislative Information. Accessed October 29, 2017. [https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201520160SB643](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB643).

53 "AB-64, Cannabis: Licensure and Regulation." California Legislative Information. Accessed October 29, 2017. [https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180AB64](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB64).

54 "SB-94 Cannabis: Medicinal and Adult Use." California Legislative Information. Accessed October 30, 2017. [https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB94](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB94); "State and Local Cannabis regulations under the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA)." The Sonoma County Bar Association. Accessed October 30, 2017. <http://www.sonomacountybar.org/wp-content/uploads/2017/09/12-12-17-Cannabis-Regulation-Safety-Act.pdf>.

### *San Francisco Cannabis Policy*

Prior to the passage of the statewide Compassionate Use Act, San Francisco voters passed Proposition P, Hemp Medication, in 1991. The proposition asked whether San Francisco would recommend that the State of California and the California Medical Association restore “hemp medical preparations” to California’s official list of medicines.<sup>55</sup> There were three paid arguments on the ballot in favor of Proposition P, which provided quotes from physicians and cited scientific institutions in arguing for cannabis’ medical benefits.<sup>56</sup> Voters approved the proposition with nearly 80% of the vote.<sup>57</sup>

In 1999, San Francisco’s Health Commission adopted Resolution No. 29-99, “Supporting the Development and Implementation of a Voluntary Medical Cannabis Identification Card Program.”<sup>58</sup> This resolution supported the development of an identification card program for medical cannabis for individuals who qualified under the Compassionate Use Act as patients or primary caregivers. In 2000, the Board of Supervisors formally created San Francisco’s current identification program for medical cannabis.<sup>59</sup>

In 2002, the Board of Supervisors placed Proposition S, titled “Medical Marijuana,” on the ballot. The proposition was a declaration of policy, directing the Mayor, Board of Supervisors, District Attorney, City Attorney, and Department of Public Health to explore the possibility of creating a program to grow and distribute medical marijuana.<sup>60</sup> Proposition S passed with approximately 62% of the vote.<sup>61</sup>

In March 2005, the Board of Supervisors passed Ordinance No. 64-05, “Zoning – Interim Moratorium on Medical Cannabis Dispensaries”.<sup>62</sup> The ordinance expressed concern over the significant increase in the number of individuals enrolled in the city’s voluntary medical cannabis identification program, stating “In 2002, there were approximately 2,200 individuals registered...and there are now over 5,000 or 7,000 individuals enrolled”.<sup>63</sup> The ordinance acknowledged that there were no mechanisms to regulate or monitor medical cannabis dispensaries and therefore imposed a moratorium on new medical clubs and dispensaries. On November 22, 2005, the Board of Supervisors unanimously passed Article 33 of the San

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55 Office of the Registrar of Voters. San Francisco Voter Information Pamphlet and Sample Ballot. PDF. The San Francisco Public Library, 1991. Accessed October 29, 2017.

[https://sfpl.org/pdf/main/gic/elections/November5\\_1991short.pdf](https://sfpl.org/pdf/main/gic/elections/November5_1991short.pdf).

56 Ibid., 146.

57 “San Francisco Ballot Propositions Database.” The San Francisco Public Library. Accessed October 29, 2017.

<https://sfpl.org/index.php?pg=2000027201&PropTitle=&Description=&PropLetter=p&Month=&Year=1991&submit=Search>.

58 The San Francisco Health Commission. Minutes of the Health Commission Meeting. The San Francisco Department of Public Health, 2000. Accessed October 29, 2017.

<https://www.sfdph.org/dph/files/hc/HCMins/HCMIn2000/HCMIn07182000.htm>.

59 Ibid.

60 The Department of Elections. Voter Guide: November 5, 2002. PDF. The City and County of San Francisco, 2002. [https://sfpl.org/pdf/main/gic/elections/November5\\_2002.pdf](https://sfpl.org/pdf/main/gic/elections/November5_2002.pdf).

61 “San Francisco Ballot Propositions Database.” The San Francisco Public Library.

62 The San Francisco Board of Supervisors. Ordinance No. 64-05: Zoning - Interim Moratorium on Medical Cannabis Dispensaries. PDF. The City of San Francisco, 2005. Accessed October 30, 2017.

<sup>63</sup> Ibid.

Francisco Health Code, which provided codes, rules, regulations, and operating procedures for medical cannabis dispensaries.<sup>64</sup>

Despite the city's 2005 moratorium on cannabis dispensaries, San Francisco and its Board of Supervisors continued to support cannabis for medicinal purposes as a whole. In 2007, the Board of Supervisors passed Resolution No. 307-07, "acknowledging [the] importance of safe and legal access to medical cannabis in San Francisco."<sup>65</sup> The resolution further urged the U.S. Attorney's Office in San Francisco to cease from investigating and prosecuting medical cannabis providers, caregivers and patients.

On October 7, 2011, California's four United States Attorneys announced law enforcement efforts against illegal operations within the for-profit cannabis industry.<sup>66</sup> Melinda Haag, the U.S. Attorney General for Northern California at the time, threatened landlords of cannabis dispensaries located near schools with property seizure.<sup>67</sup>

Anticipating the decriminalization of adult-use cannabis for adults, the San Francisco Board of Supervisors created the Cannabis State Legalization Task Force in 2015.<sup>68</sup> The task force is comprised of a range of stakeholders, from representatives of the Department of Public Health, to industry members, and community residents. The task force hosts public meetings to discuss issues related to the regulation of adult-use cannabis activity in an effort to advise the City's policymakers on the legalization of adult-use cannabis. To date, the task force has created over 200 recommendations for consideration.

San Francisco's "Budget and Appropriation Ordinance" for the Fiscal Year 2017-2018 established the Office of Cannabis to coordinate city departments and state agencies for the regulation of commercial cannabis activity in 2018.<sup>69</sup>

### **Arrest Rates in San Francisco**

To better understand which individuals and communities have been disproportionately impacted by War on Drugs enforcement policies, this section takes available data sets and reviews arrests rates by race, ethnicity, and geographic location in the City and County of San Francisco. The arrest analysis relies

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64 The San Francisco Department of Public Health. Article 33: Medical Cannabis Act. PDF. The City and County of San Francisco. Accessed October 30, 2017. [https://www.sfdph.org/dph/files/EHSdocs/MedCannabis/MCD-Article\\_33.pdf](https://www.sfdph.org/dph/files/EHSdocs/MedCannabis/MCD-Article_33.pdf).

65 The San Francisco Board of Supervisors. Resolution No. 307-07: Condemning Prosecution of Medical Marijuana by the Federal Government. PDF. The City of San Francisco, 2007. Accessed October 30, 2017. <http://sfbos.org/ftp/uploadedfiles/bdsupvrs/resolutions07/r0307-07.pdf>.

66 "California's Top Federal Law Enforcement Officials Announce Enforcement Actions against State's Widespread and Illegal Marijuana Industry." The United States Attorney's Office, October 7, 2011. Accessed October 30, 2017. <https://www.justice.gov/archive/usao/cac/Pressroom/2011/144a.html>.

67 United States Attorney, Northern District of California. Re: Marijuana Dispensary at REDACTED City and County of San Francisco APN: REDACTED. PDF. KQED. Accessed October 30, 2017. <http://ww2.kqed.org/news/wp-content/uploads/sites/10/2011/10/US-Attorney-marijuana-letter.pdf>.

68 "Knowledge Sharing & Collaboration: Cannabis State Legislation Task Force." The San Francisco Department of Public Health, 2015. Accessed October 29, 2017. <https://www.sfdph.org/dph/comupg/knowlcol/csl/default.asp>.

69 Office of the Controller. Budget and Appropriation Ordinance 145-16. PDF. The City and County of San Francisco. Accessed October 29, 2017. <http://sfcontroller.org/sites/default/files/Documents/Budget/FY17%20%26%20FY18%20AAO%20FINAL%20Budget%20with%20tails.pdf>.

on data provided by San Francisco Police (SFPD) and Sheriff's Department (SFSO), and features comparable statewide statistics, published by the California Criminal Justice Statistics Center and posted on the Attorney General's Open Justice site (DOJ, 2017).

A broader analysis of all drug arrests was conducted largely by the Center on Juvenile and Criminal Justice (CJCJ), which has issued a series of reports detailing a pattern of racially discriminatory arrest practices in San Francisco, particularly for drug offenses.<sup>70</sup> The analysis begins with CJCJ's review of all drug arrests in San Francisco from 1977 to 2016, with a strong focus on felony arrests, (which include manufacture, sale, and large-quantity drug possession). This report then analyzes San Francisco's cannabis arrests from 1990-2016. The cannabis arrests captured in the data set include felony charges and custodial misdemeanors and infractions.<sup>71</sup> Misdemeanors primarily involve low-quantity possession, though possession of less than an ounce was downgraded to an infraction in 2011.

SFPD and SFSO data have several deficiencies in how race and ethnicity are treated. Most crucially, Hispanic/Latino ethnicity is posited as a type of racial identity in the data, erasing the nuance of race/ethnicity within the Latino community. Hispanic coded arrests also only represented less than 1% of arrests from 1990-2016, a level that is highly inconsistent with available conviction data for that time period. In other words, it is likely Latino arrests are distributed amongst "White" and other racial categories, which may undermine the validity of arrest rates across racial categories.

In response to the lack of data on adult Hispanic/Latino cannabis arrests, CJCJ supplemented their analysis with statistics from the San Francisco Juvenile Probation Department (SFJPD) (2017) which more accurately reflect how drug arrests differ by race and ethnicity amongst juveniles. Furthermore, the analysis of cannabis arrests is confined to examining African American cannabis arrests percentages relative to their percentage of the population, rather than in comparison to the arrest rates of other racial groups. To compare drug arrests across populations, CJCJ calculated arrest rates by dividing totals by state Department of Finance populations for each age group, gender, and race.

#### *Drug Arrests Analysis, 1977-2016*

CJCJ's study of drug arrest data for felony charges found significant fluctuations in the City's drug law enforcement, primarily involving African American arrest rates. Their key findings included:

- From 1980 to the mid-1990s, San Francisco's racial patterns in enforcement of drug laws roughly resembled those statewide. Still, African Americans in San Francisco were 4 to 5 times more likely to be arrested for drug felonies prior to the mid-1990s than their proportion of the total population would predict.
- From 1995-2009, San Francisco experienced an explosion in drug felony arrests of African Americans that did not occur elsewhere in the state, nor for other racial categories in San Francisco.
- From 2008 - 2016, the City's decline in drug arrests for all races was larger than occurred statewide.
- From 2010 - 2016, drug arrests fell sharply for all races in San Francisco from 2010 through 2016. In 2008, a number equal to 8.7% of San Francisco's African American population was arrested for drug felonies. In 2016, the number had dropped to 0.7%.

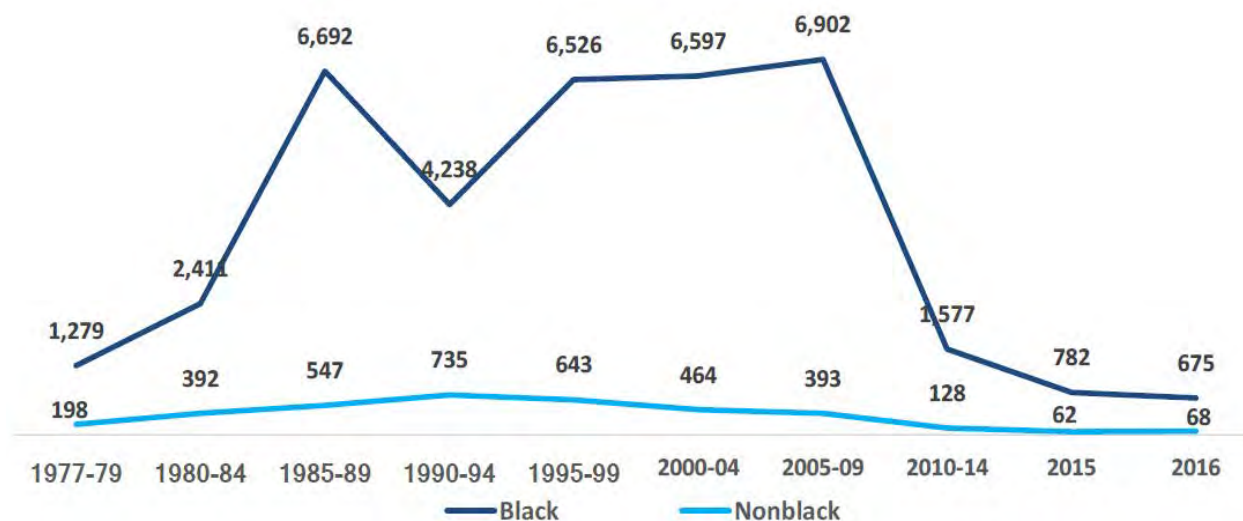
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70 See Appendix A. Center on Juvenile and Criminal Justice Drug Arrests Report, 2017.

71 See Appendix B. Full List of Cannabis Specific Statutes Reviewed.

- From their 2008 peak, drug felony rates fell 92% among African Americans and by 84% among non-black races in the City (DOJ, 2017). These declines were much larger than occurred elsewhere in California (79% for African Americans, 68% for other races).

**Figure 3. San Francisco felony drug arrests by race, per 100,000 population, annual averages (1977-2016)**



Source: CJJ (2017)

- While some of the decline in felony arrests is due to recent state reforms to reclassify many felony drug offenses as misdemeanors, misdemeanor drug arrests also fell by 90% in San Francisco from 2008 to 2015, also a much larger decline than statewide.
- Racial disparities in 2016 have narrowed from the peak year, 2008, when African Americans in San Francisco were 19.2 times more likely than non-black San Franciscans, and 4.5 times more likely than African Americans elsewhere in California, to be arrested for a drug felony.
- Even at today's much lower levels, however, large racial disparities persist. In 2016, African Americans in San Francisco experienced felony drug arrest rates 10 times higher than San Franciscans of other races, and 2.4 times higher than African Americans elsewhere in California.
- Among youth (a very small sample), Latinos are now twice as likely as African Americans, five times more likely than whites, and nearly 10 times more likely than Asians to be arrested for a drug felony.

**Figure 4. Juvenile felony drug arrests per 100,000 population age 10-17, San Francisco vs. rest of California, 2009 vs. 2016**

	MALE				FEMALE			
	African American	White	Hispanic	Asian	African American	White	Hispanic	Asian
<b>2009</b>								
Felony Drug Arrest Rate								
San Francisco	2,531.6	237.9	915.1	92.7	2,419.4	69.3	20.8	38.4
California (excluding SF)	486.6	200.6	211.0	120.8	48.1	61.9	29.9	19.4
Ratio, SF drug felony rate vs. CA	5.2	1.2	4.3	0.8	50.3	1.1	0.7	2.0
<b>2016</b>								
Felony Drug Arrest Rate								
San Francisco	76.8	19.4	63.4	25.6	-	-	62.3	-
California (excluding SF)	90.4	38.1	66.9	29.5	11.2	12.2	10.9	4.2
Ratio, SF drug felony rate vs. CA	0.8	0.5	0.9	0.9	-	-	5.7	-

Source: CJ CJ (2017)

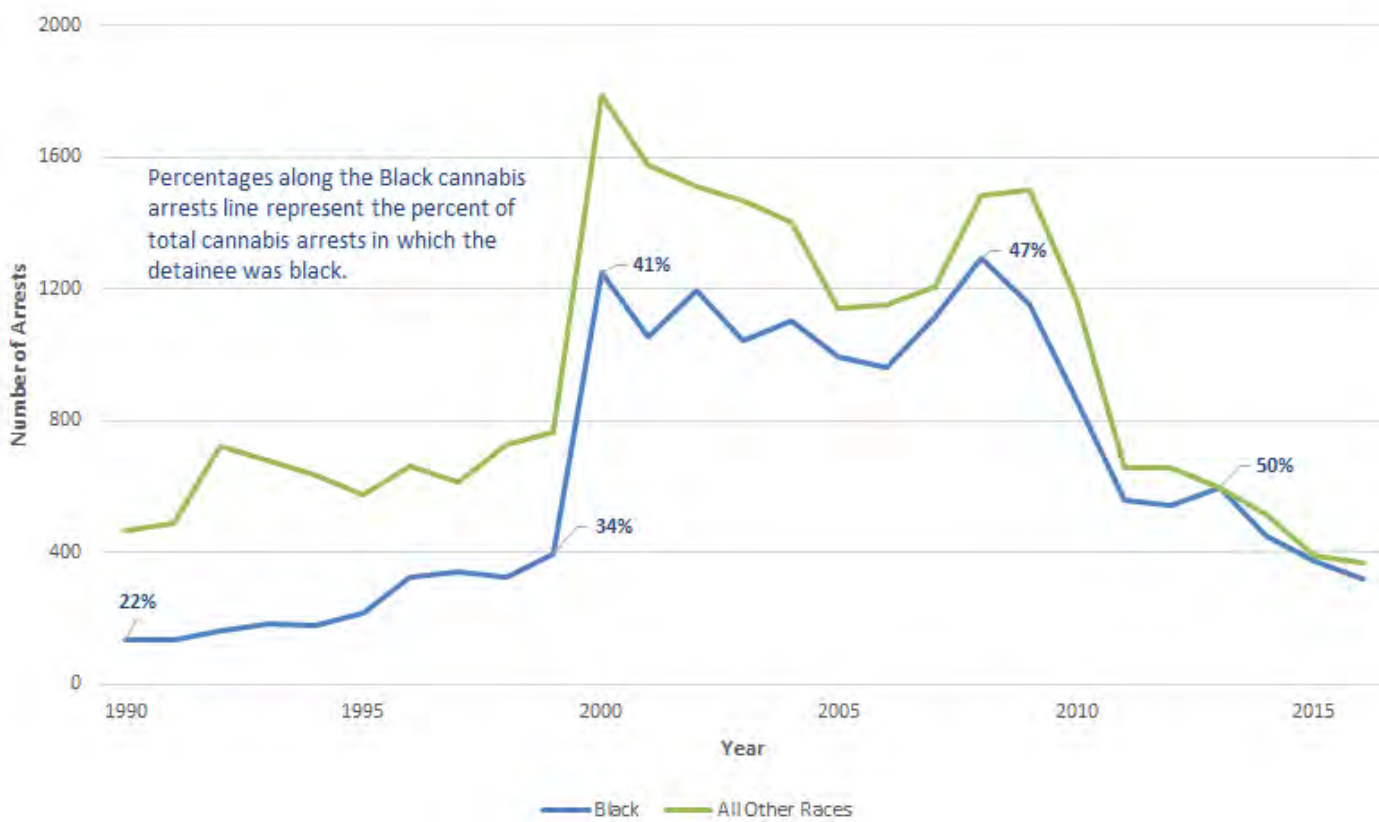
- African American girls and young women were until recently targeted for criminal law enforcement at much higher rates in San Francisco in comparison to all other demographic groups in the City. In 2007 (the peak year for youth drug arrests), San Francisco's African American female youth accounted for 40% of the felony drug arrests of African American female youths in California and had arrest rates 50 times higher than their counterparts in other counties. In 2014-2016, only one African American female youth was arrested in San Francisco for a drug felony.
- In 2007, 125 of the City's 265 youth drug felony arrestees were Latinos, 112 were African Americans, and 12 were Asians. In 2016, seven were Latinos, one was African American, two were Asians, and none were White.
- Racial patterns in drug arrests do not match racial patterns in drug abuse. Of the 816 people who died from abusing illicit drugs in San Francisco during the five-year, 2011-2015 period, 55% were non-Latino Whites, 22% were African Americans, 10% were Latinos, and 9% were Asians. In contrast, 43% of the city's 6,587 drug felony arrests during

#### *Cannabis Arrests, 1990-2016*

Patterns similar to those found in CJ CJ's analysis are apparent when specifically examining cannabis-related felony and custodial misdemeanor arrests. As demonstrated in Figure 5 below, from 1990-2016, Black<sup>72</sup> individuals represent an increasingly larger percentage of total cannabis-related arrests in San Francisco. Though Latino arrests were not discernible from the data set, Asian cannabis arrests reflected only 1% of the total arrests from 1990 to 2016.

**Figure 5. San Francisco Cannabis Arrests for Black Individuals vs. All Other Races (1990-2016)**

<sup>72</sup> Arrests are racially coded in the data as "B" for Black or African American in the SFSO cannabis arrests data set, meaning individuals from the African diaspora may also be reflected in the data. This section of the analysis addresses the Black population in San Francisco with an understanding that an overwhelming majority of Black arrests likely involve African Americans.

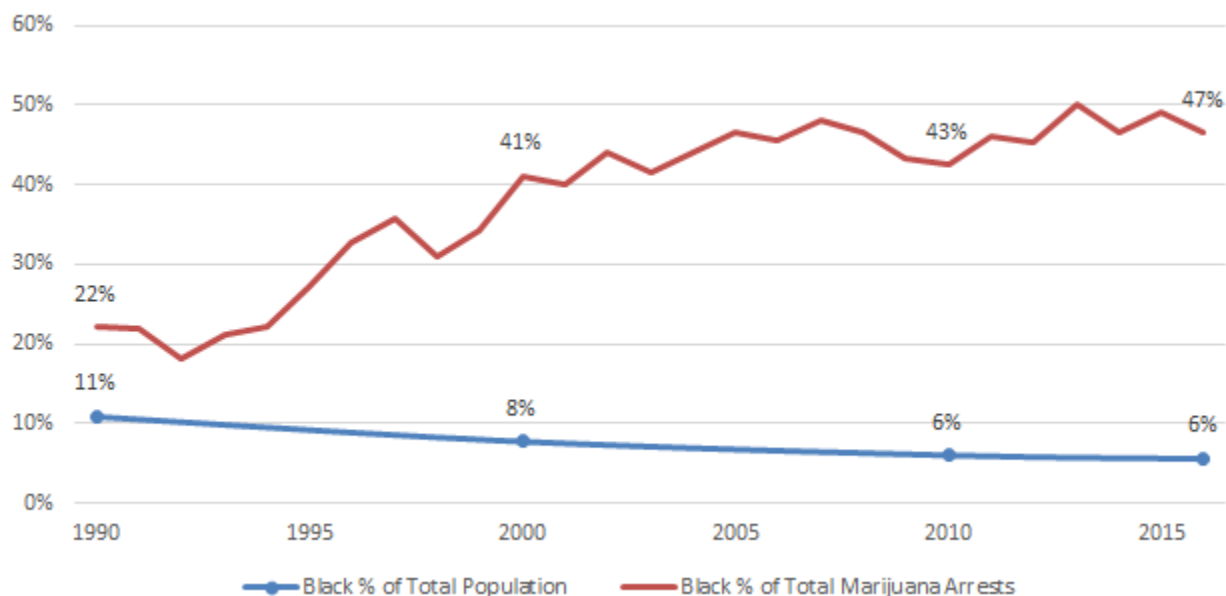


Source: SFSO arrest data (1990-2016)



The jump in total arrests in 2000 was accompanied by a jump in the disproportionality of Black arrests. Arrests increased by 160% between 1999 and 2000, from 1164 to 3042. The percent of arrests featuring Black detainees went up from 34% to 41% of all arrests, a 20% increase. Despite the high percentage of Black cannabis arrests, Black San Franciscans comprised 7.8% of San Francisco's population in 2000. Even as the number of total arrests drastically falls around 2011, after the downgrading of misdemeanor cannabis possession to an infraction, Black cannabis arrests as a percentage of total arrests hovers around 50%. As Figure 6 shows, Black people only represented 6% of San Francisco's population in 2010.

**Figure 6. Percent of Black Cannabis Arrests Compared to Black Population in San Francisco (1990-2016)**

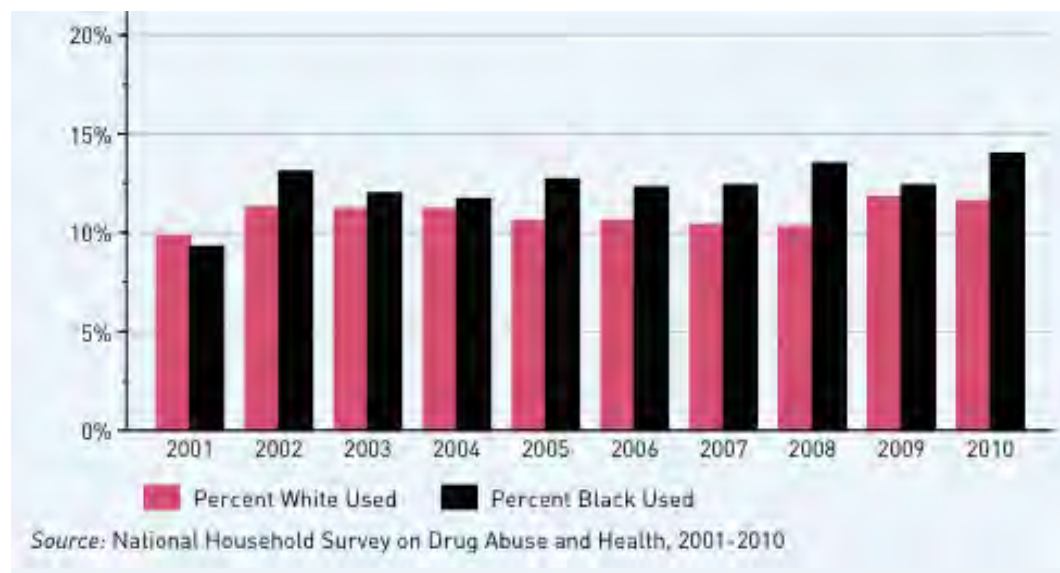


SOURCE: SFSO Arrests Data (1990-2016), U.S. Census (1990,2000,2010), American Community Survey (2016)

## Identifying Disadvantaged Communities

As indicated by the racial disparities in San Francisco arrest and booking rates, the War on Drugs has produced disparate arrest rates across racial groups. And while rates of drug use and sale are commensurate across racial lines (see Figure 7), Black and Latino communities interact with the criminal justice system, including via arrests, bookings, and incarceration, at a rate far higher than their White counterparts.

**Figure 7. Cannabis Use by Race (2001-2010)**



There is a clear relationship between race, the criminal justice system, and economic opportunity, both in San Francisco and nationally. An Obama White House Report, *Economic Perspectives on Incarceration and the Criminal Justice System*,<sup>73</sup> uses economic analysis to understand the costs, benefits, and consequences of criminal justice policies. Notably, the report points out that having a criminal record in the U.S. makes it more difficult to find employment and those who have been incarcerated earn 10 to 40 percent less than similar workers without a history of incarceration.<sup>74</sup> The report also estimates that rates of parental incarceration are 2 to 7 times higher for Black and Hispanic children than White children, and parental incarceration is a strong risk factor for a number of adverse outcomes, including but not limited to mental health problems, school dropout, and unemployment. Finally, the report concludes that consequences of interactions with the criminal justice system can include not only negative impacts on employment, but also health, debt, transportation, housing, and food security, and

<sup>73</sup>[https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160423\\_cea\\_incarceration\\_criminal\\_justice.pdf](https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160423_cea_incarceration_criminal_justice.pdf)

<sup>74</sup> Executive Summary, page 5: "Recent job application experiments find that applicants with criminal records were 50 percent less likely to receive an interview request or job offer, relative to identical applicants with no criminal record, and these disparities were larger for Black applicants."

on a national level, these impacts are “disproportionately borne by Black and Hispanic men, poor individuals, and individuals with high rates of mental illness and substance abuse.”<sup>75</sup>

Overall, the White House report makes clear that interactions with the criminal justice system, including through enforcement of cannabis-related activity, can have negative and consequential economic impacts on the arrestee and their immediate family.

#### *Identifying San Francisco’s Disadvantaged Community*

San Francisco’s data on arrest rates by location is inadequate for the purposes of mapping arrest rates by geographic locations over an extensive period of time, and therefore understanding long-term impacts of over-policing in certain communities (i.e. prior to 2010). However, this analysis utilizes available location data of cannabis arrest (occurring between January 2010 - October 2017), for the purposes of understanding where high arrest rates overlap with economically disadvantaged communities (see Figure 9 on the following page).

For 2017, California Department of Housing and Community Development defines San Francisco’s extremely low-, very low- and low-income levels as a household annual income at or below 80% of the Area Median Income for a 4-person household, \$115,300.<sup>76</sup> AMI may be broken down into more exact figures by household size (see Figure 8). However, this analysis considers a low-income household to be any household with a total income less than 80% of San Francisco’s AMI, which is \$92,240. Figure 8 below shows the current areas of the City with the highest percentage of low income populations.

**Figure 8. 2017 San Francisco Income Thresholds by Area Median Income (AMI)**

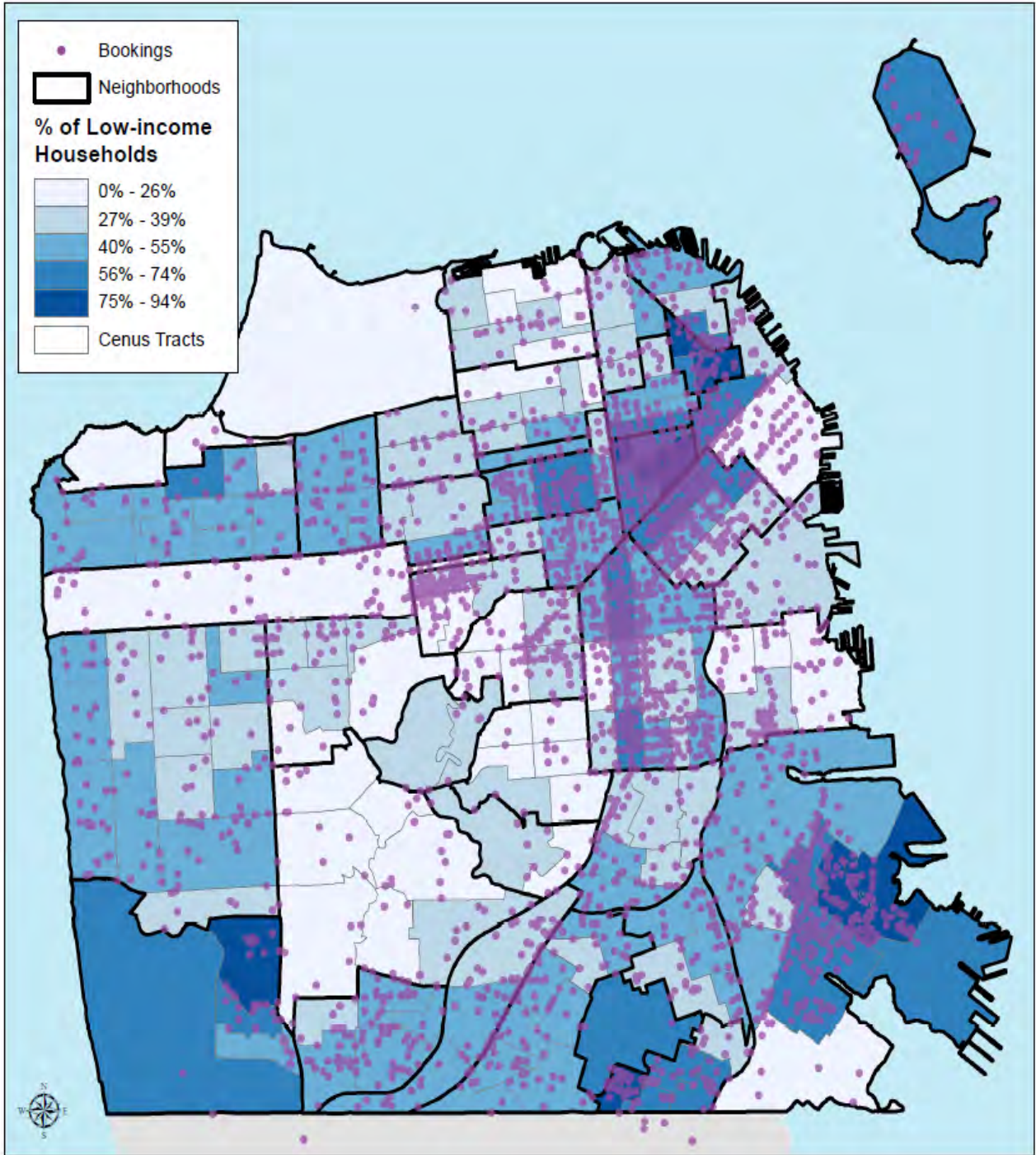
Number of Persons in Household		1	2	3	4	5	6	7	8
San Francisco 4-Person AMI: \$115,300	Extremely Low	\$27,650	\$31,600	\$35,550	\$39,500	\$42,700	\$45,850	\$49,000	\$52,150
	Very Low Income	\$46,100	\$52,650	\$59,250	\$65,800	\$71,100	\$76,350	\$81,600	\$86,900
	Low Income	\$73,750	\$84,300	\$94,850	\$105,350	\$113,800	\$122,250	\$130,650	\$139,100

**Figure 9. Concentration of Low-Income Households at or Below 80% of Median Income by San Francisco Census Tract with Cannabis Bookings by Arrest Location (2010-2017)**

<sup>75</sup> Conclusion,

[https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160423\\_cea\\_incarceration\\_criminal\\_justice.pdf](https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160423_cea_incarceration_criminal_justice.pdf)

<sup>76</sup> CA HCD Income Limits for 2017, <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/inc2k17.pdf>



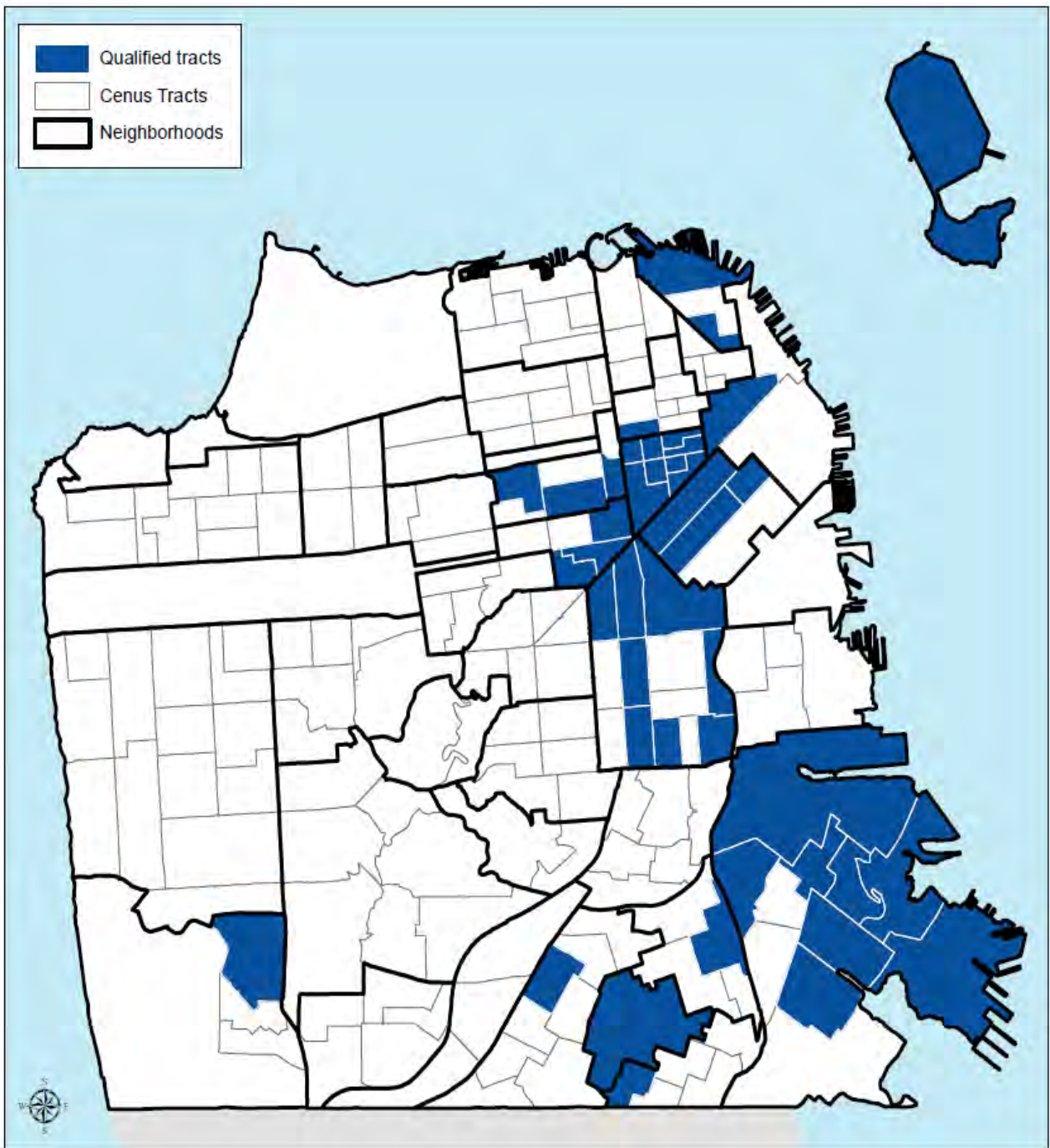
Source: Mayor's Office of Housing and Community Development (2017)

To further understand which communities within the City have experienced a disproportionately high number of arrests and potential economic disadvantage as a result, the map in Figure 10 is further refined to show census tracts with both a high number of low income households (defined as <80% AMI) and a significant number of cannabis related arrests. The median percentage of low-income households across San Francisco census tracts is 40.2% according to census data. Additionally, the median number of bookings per 100 people across census tracts for 2010-2016 was 0.43. Therefore, the map in Figure 10 highlights all census tracts that meet the following two criteria:

- A percentage of low-income households higher than the median value of 40.2%
- Bookings per 100 persons in the 70th percentile, or rather greater than 0.83

Of 197 possible census tracts, 43 met both criteria and are represented in blue in Figure 10 below.

Figure 10. Tracts with low income population (<80% AMI) above median percentage and bookings per 100 persons above 70th percentile



Source: Mayor's Office of Community Housing and Development (2017)

**Figure 11. Qualified Tracts by Neighborhood, Unemployment Rate, Race Composition, and Cannabis Arrests**

Neighborhood	Census Tract	Low-income Households (%)	Unemployment Rate (%)	Racial/ Ethnic Minority (%)	Cannabis Arrests per 100 Persons (2010-2017)
Bayview Hunters Point	9809	42.6%	15.8%	56.8%	39.11
	612	62.2%	15.3%	90.0%	7.29
	232	64.0%	14.8%	92.9%	4.75
	231.03	90.7%	17.7%	96.9%	3.35
	234	68.5%	14.9%	97.4%	2.18
	9806	58.3%	20.5%	88.9%	1.85
	231.02	76.0%	18.5%	94.7%	1.44
	230.01	53.6%	10.8%	93.1%	1.02
Excelsior	260.01	53.9%	7.2%	89.6%	1.01
South Beach	117	68.5%	9.9%	67.6%	5.87
Hayes Valley	162	47.7%	3.0%	38.2%	1.57
	168.02	42.8%	6.0%	43.3%	1.13
	168.01	40.6%	6.9%	38.6%	1.07
Lakeshore	332.01	75.5%	24.5%	56.8%	1.64
McLaren Park	9805.01	70.0%	23.6%	93.0%	1.14
Mission	177	41.1%	9.4%	58.8%	9.30
	201	66.2%	11.3%	71.6%	8.51
	209	59.6%	6.1%	64.1%	2.41
	228.02	54.7%	2.8%	66.0%	2.25
	208	48.5%	7.2%	67.5%	2.05
	229.03	41.3%	5.0%	67.2%	1.35

Neighborhood	Census Tract	Low-income Households (%)	Unemployment Rate (%)	Racial/ Ethnic Minority (%)	Cannabis Arrests per 100 Persons (2010-2017)
Nob Hill	229.01	47.5%	12.7%	74.2%	0.99
	202	49.2%	9.8%	46.6%	0.88
	120	70.4%	5.6%	56.9%	3.20
North Beach	106	64.3%	7.8%	66.3%	2.30
	101	51.1%	5.1%	52.9%	0.97
Portola	257.02	51.8%	5.8%	93.1%	0.94
South of Market	176.01	69.6%	4.6%	72.4%	19.41
	178.02	48.6%	7.3%	59.7%	2.71
	178.01	73.9%	6.7%	72.3%	1.67
	125.01	92.2%	7.1%	73.6%	29.18
	124.02	64.0%	5.3%	60.9%	10.97
	123.01	94.4%	5.0%	69.2%	7.41
	124.01	86.1%	9.1%	72.1%	7.21
Tenderloin	125.02	92.1%	14.1%	85.0%	6.17
	122.02	78.4%	11.8%	64.6%	3.10
	122.01	71.0%	6.5%	63.3%	2.35
	123.02	66.7%	7.2%	61.1%	2.31
	179.02	68.1%	13.3%	71.9%	1.16
Treasure Island	179.02	68.1%	13.3%	71.9%	1.16
Visitacion Valley	605.02	82.2%	22.2%	96.6%	2.31
Western Addition	161	71.7%	10.1%	79.6%	1.71
	158.01	46.6%	12.8%	65.0%	1.35
	160	54.5%	4.9%	51.8%	0.98

Source: American Community Survey (2016), SFSO Arrest Data (2010-2017), DataSF (2017)



As Figures 10 and 11 show, more than half of the qualified census tracts fall in Bayview Hunters Point, the Mission, and the Tenderloin combined. These neighborhoods also all feature census tracts with significant rates of unemployment and some of the highest rates of cannabis arrests. It should be noted that this analysis does not establish direct correlation between cannabis arrest and low-income households. For instance, the high number of students residing in Lakeshore may be a driving factor behind the lower income levels present in census tract 332.01, rather than the high cannabis arrest rates. However, given the existing literature on the relationship between economic opportunity and the War on Drugs, the tracts identified above are the places where that relationship is most likely to have had an adverse economic impact.

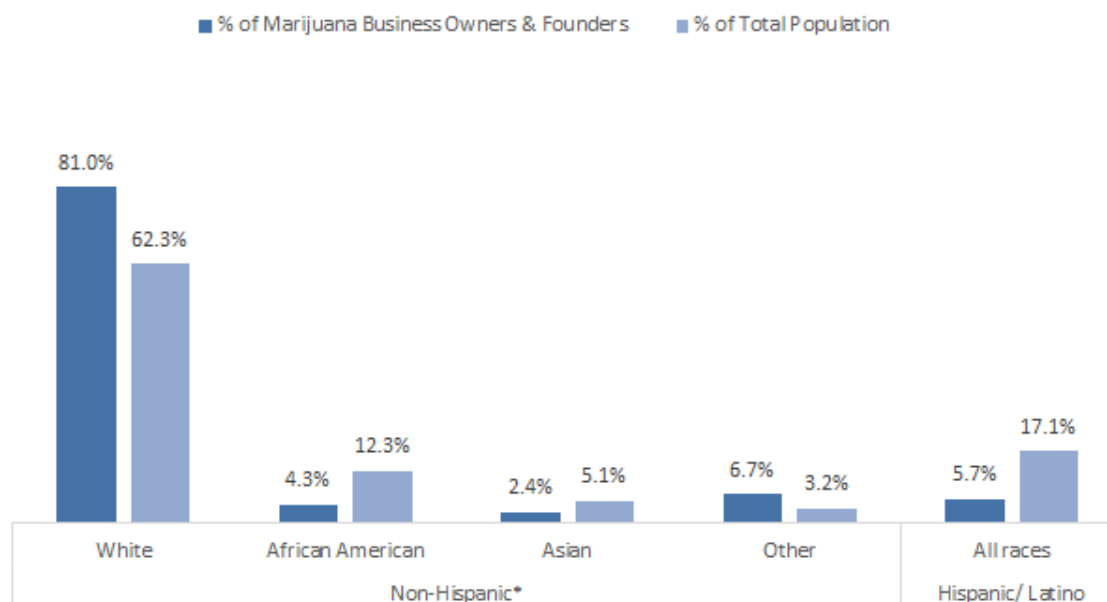
## Existing Cannabis Industry Data

Given the infancy of the legal cannabis market and the continued illicit nature of the industry in a federal context, there is a dearth of quality demographic data on cannabis industry professionals. The existing industry, as discussed in this section, relies on small sample surveys, which limits confidence in how these numbers can be applied to larger populations. However, these surveys are our best look into this emerging industry.

### National Industry

Marijuana Business Daily conducted an anonymous online poll of 567 self-identified cannabis industry business owners and executives, shedding some light on the composition of the national market.<sup>77</sup> Ethnicity was not treated distinct from race in the Marijuana Business Daily survey, instead requiring Latino respondents to choose between responding to the survey with their race or their ethnicity, not both. It should be noted that this has implications for the data's accuracy. Still, according to the survey, 19% of respondents were racial/ethnic minorities, though racial/ethnic minorities comprise 38.7% of the national population. Under representation affects non-Hispanic African Americans and Asians as well as Hispanic/Latino communities. Non-Hispanic African Americans and Latinos face the highest level of disproportionality, each owning only a third of the market that their share of the national population would imply.

**Figure 12. Survey of Race & Ethnicity in the National Cannabis Industry**



*\*Note: The chart above assumes all survey respondents that did not identify as Hispanic/Latino are non-Hispanic, however this may not be the case given respondents were not given the option to identify both their race and ethnicity.*

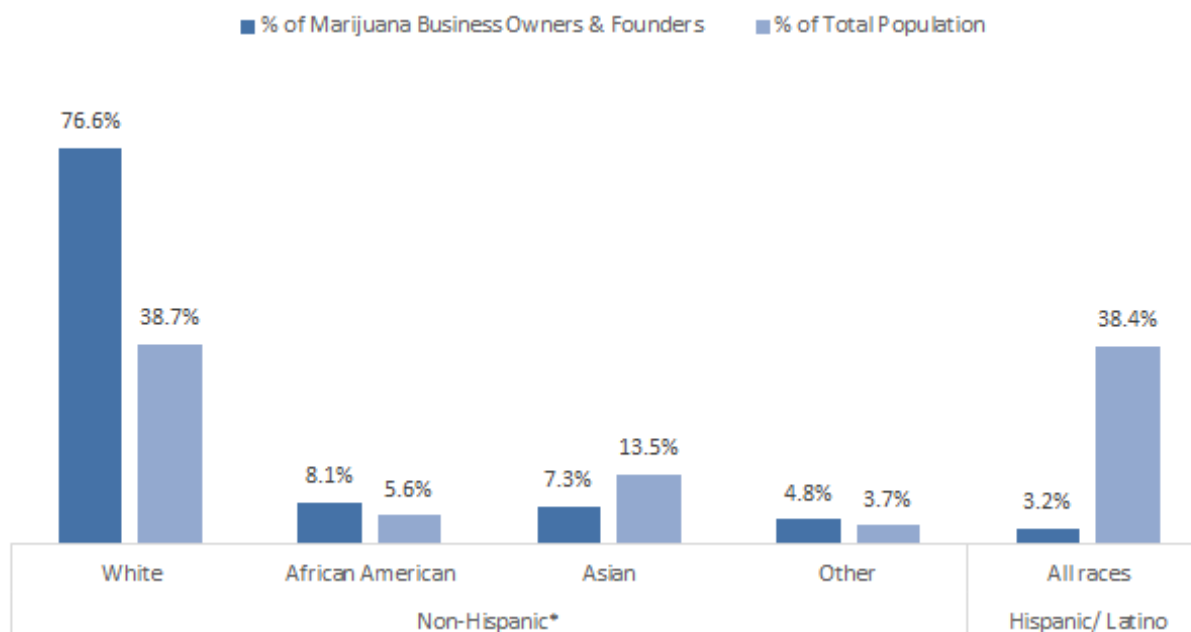
Source: Marijuana Business Daily (2017), American Community Survey (2016)

<sup>77</sup> Marijuana Business Daily (<https://mjbizdaily.com/women-minorities-marijuana-industry/>)

### California Industry

Almost a third of respondents to the Marijuana Business Daily survey reported that their business headquarters were in California. This is reflective of California's share of the national market, in which California accounted for 27% of 2016 legal market sales.<sup>78</sup> The state also boasts the highest percentage of minority-owned cannabis businesses, according to the survey. Over 23% of California respondents were racial minorities. In comparison to the state's total population, which is 61% comprised of racial/ethnic minorities, there is still significant under representation in the industry.

**Figure 13. Survey of Race & Ethnicity in the California Cannabis Industry**



*\*Note: The chart above assumes all survey respondents that did not identify as Hispanic/Latino are non-Hispanic, however this may not be the case given respondents were not given the option to identify both their race and ethnicity.*

Source: Marijuana Business Daily (2017), American Community Survey (2016)

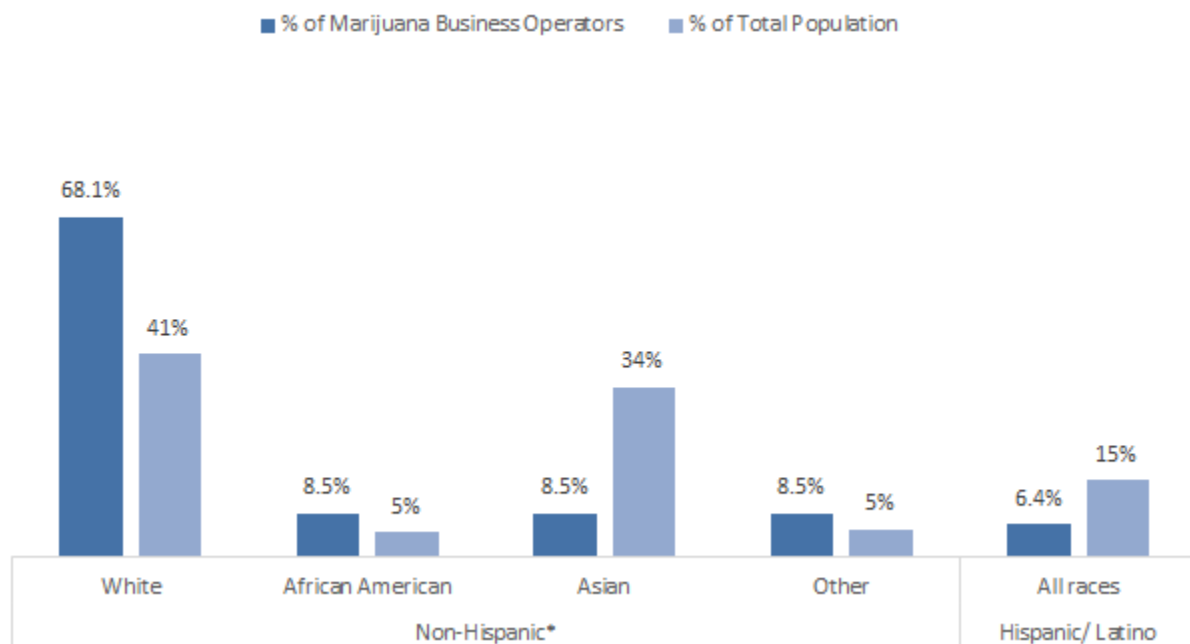
### San Francisco Industry

A small 77-person survey conducted by the San Francisco chapter of the California Growers Association found more diversity in the cannabis industry on a local level than within the nation and the state. Respondents were able to self-identify their race/ethnicity in a free form field. Figure 14 shows that 66% of respondents currently operate a cannabis business in the City, and of them, 32% identified as a racial or ethnic minority. This is a higher percentage than the state's industry as reflected by the Marijuana Business Daily Survey, meaning the San Francisco market may be a heavy influence on the level of diversity in California's cannabis industry. Still, racial and ethnic minorities are 58% of San Francisco's total population (ACS 2016), 26 percentage points higher than the percentage of racial and ethnic minority business operators in the survey. The Asian community is especially underrepresented in the local market, representing 34% of the San Francisco population but only 8.5% of cannabis business

<sup>78</sup> SF Weekly -- <http://www.sfweekly.com/news/california-leads-nation-in-legal-marijuana-sales/>

operators. Additionally, 31% of marijuana business operators responding to the survey were female, a figure well below parity.

**Figure 14. Survey of Race & Ethnicity in the San Francisco Cannabis Industry**



*\*Note: The chart above assumes all survey respondents that did not identify as Hispanic/Latino are non-Hispanic, however this may not be the case. Source: CA Growers Association - San Francisco Chapter (2017), American Community Survey (2016)*



## IV. Barriers to Entry

### Key Barriers to Entry into the Adult-Use Cannabis Market

This section provides an overview of factors or barriers that can make entry into the adult-use cannabis market difficult. The barriers to entry identified in Figure 15 are not an exhaustive list, but rather a list of key factors that may be particularly difficult to overcome for communities that have been disproportionately impacted by cannabis drug enforcement. Equity program components should be designed to mitigate these barriers.

Category	Barrier
Financial	Access to Capital or Financing
	Access to Real Estate
	Licensing and Regulatory Fees
Technical	Business Ownership
	Legal and Regulatory
	Tax
	Awareness of Equity Programs
Criminal	Background Checks
Other	Geography
	Distrust in Government

#### Financial Barriers

All new businesses face financial requisites to enter a new market. Access to capital or business financing is necessary to purchase the equipment and labor to get any business up and running. For individuals disproportionately targeted for drug enforcement and consequently, disadvantaged socio-economically during the last decades of cannabis prohibition, these financial barriers can be particularly difficult to overcome.

##### *Access to Capital or Financing*

Even post-decriminalization of marijuana offenses in California, the Drug Policy Alliance and the ACLU found that the cost of marijuana-related infractions “can be a substantial burden for young and low-income people” and was “particularly acute for black people and young men and boys.” The cumulative effect of economically-disadvantaged neighborhoods that have been disproportionately targeted with enforcement (often with punitive monetary fines) means that many individuals do not have the personal capital to invest in a new business.

Additionally, these individuals are less likely to be able to secure traditional business financing or even open traditional checking accounts associated with their business. As major banks are federally regulated and cannabis remains illegal at the federal level, most banks refuse to offer services to cannabis businesses. Without the initial capital to launch a business venture or to sustain operating costs until profits are realized, these individuals are rendered unable to enter the adult-use cannabis market.

#### *Access to Real Estate*

Closely related to financing, but of acute concern in San Francisco, is access to real estate. New businesses need a location from which to operate, and San Francisco has an extremely competitive real estate market with some of the highest rents and lowest vacancy rates for commercial and retail properties. Economically-disadvantaged individuals may find San Francisco real estate to be prohibitively expensive, and cannabis entrepreneurs may find banks unwilling to extend loans.

#### *Licensing and Regulatory Fees*

Cannabis businesses intending to operate in San Francisco will be required to obtain a license and pay any applicable fees to legally operate a business. In addition to fees for the license itself, these fees may include regulatory costs (e.g., building inspection, security requirements) as well as license renewal fees to continue operations. Costly licenses combined with complex regulatory requirements disproportionately disadvantage lower-income individuals.

#### **Technical Barriers**

Technical barriers to entry include aspects of business planning, ownership expertise, and operational practices that are typically knowledge-based barriers.

#### *Business Ownership*

Individuals starting a new business may lack the technical knowledge related to business plan creation, accounting, or sales forecasting that are beneficial to any new venture. While these business practices are not unique to cannabis, disadvantaged individuals will have a harder time paying for business classes, technical consultants, and/or contracting out specialized work.

Cannabis-based businesses face an additional technical knowledge gap of learning industry-specific best practices in an industry that has been historically secretive and underground, including cultivation techniques and manufacturing processes used in specialized products that are compliant with San Francisco regulations.

#### *Legal and Regulatory*

Compliance with the legal and regulatory requirements surrounding an adult-use cannabis business is an unpredictable barrier to entry given the current unestablished regulatory framework. Cannabis businesses will require a license to operate from both the State of California and the City and County of San Francisco. San Francisco's licensing process and conditions for operation are not yet established and could be relatively complex to navigate, especially for first-time entrepreneurs. These barriers are more difficult to navigate for lower-income individuals who may not be used to working in this environment and/or unable to afford specialized consulting or legal assistance.

### *Tax*

Cannabis businesses will be subject to traditional state and local business taxes that often require some amount of expertise to ensure proper compliance. Further complicating matters is that cannabis businesses will be subject to a state and local tax system that has not yet been fully established. Without a clear picture of the tax regime, entrepreneurs are unable to estimate their tax burden even if they could accurately forecast all other costs. In this atmosphere, well-funded businesses that can build in a financial contingency for unforeseen tax liability will have an advantage over less economically-advantaged ventures.

### *Awareness of Equity Programs*

If established, an equity program can help mitigate the other barriers to entry presented in this section. A program is only helpful, however, if cities and states conduct the necessary stakeholder outreach such that potentially eligible persons are aware of the program and its benefits as early as possible.

The equity component of licensing becomes particularly important when the total number of cannabis businesses are capped at a certain number, given that well-resourced operators will be able to move toward licensing faster. In a capped licensing framework, there is increased urgency to ensure that potentially-eligible applicants are educated on the equity program before applications are accepted, so that they are not crowded out of a finite number of licenses.

### **Criminal Barriers**

California's Proposition 64 states that applicants cannot be denied a cannabis business license solely because of a prior drug conviction. It is important to recognize, however, that a state license is not the only barrier to entry that can be related to a drug conviction. A criminal record can limit an individual's ability to gain employment, apply for government assistance, or even obtain a loan. In the case of individuals convicted of a drug offense, these cumulative effects coupled with fines, court costs, incarceration, and other subsequent disadvantages can be insurmountable.

### *Background Checks*

While Proposition 64 states that drug offenses will not bar an individual from licensure, other entities that an entrepreneur may encounter can still utilize background checks. For example, a bank can utilize a background check as part of evaluating a loan application. Proposition 64 does not require expungement of previous cannabis convictions from individual's criminal records, meaning that a criminal record can still pose a barrier to entry for many applicants.

### **Other Barriers**

#### *Geography*

Geography can pose as a barrier to entry when allowable zones for cannabis businesses are too far from potential entrepreneurs. While San Francisco's recreational cannabis regulations are not yet established, many cities restrict where these businesses can exist through zoning. Geography will be an important consideration to balance in eventual regulation: on one hand, neighborhoods that have been disproportionately impacted by the War on Drugs should have access to the business opportunities provided by this new market; on the other, there are unknown and potentially negative impacts (such as health impacts) of these businesses on the surrounding neighborhood, and they should not be concentrated in areas already reeling from disproportionate drug enforcement.



### *Distrust in Government*

An important barrier to entry to address is the perception of the current climate surrounding cannabis and legalization. While some individuals may feel encouraged that legalization of commercial and recreational marijuana may mitigate historically racist drug enforcement, others may wonder why a cannabis conviction will stay on an individual's criminal record or how the state will handle federal requests for information about cannabis business operators. The current ambiguity around what is legal at the local, state, and federal levels may create a barrier to entry among populations that do not trust the government to act in their best interest.

As discussed in the *Equity Analysis* section of this report, arrest and conviction of cannabis offenses have disproportionately affected communities of color, despite studies showing relatively similar rates of use of cannabis between racial groups. In this context, trust between these communities and the police or government has been low. These communities may be particularly wary of establishing a registered business in an industry in which they have been historically targeted for criminal enforcement.

## V. Cannabis Equity Program Benchmarking

### Overview of Peer Jurisdictions' Efforts in Equity in Adult-Use Cannabis Implementation

Since the legalization of medical and adult-use cannabis in several states across the country, many cities and states have recognized the inequities imposed by the War on Drugs and implemented programs to achieve equity goals and mitigate barriers to entry into this emerging market.

This section provides a broad overview of equity frameworks in other jurisdictions that are already experimenting with or implementing equity programming in adult-use cannabis. For a summary overview of equity program components and associated mitigated barriers to entry discussed in the previous section, see Appendix C.

To synthesize various possible equity programmatic elements as well as key considerations and lessons learned, the Controller's Officer researched local and state adult-use cannabis programs and conducted telephone interviews with the following peer jurisdictions:

- Oakland, CA
- Los Angeles, CA
- Denver, CO
- Massachusetts

California state law regarding cannabis delegates much autonomy to localities over licensure and regulation of cannabis operations. Oakland is the only city in the country to currently have an implemented cannabis equity program. Los Angeles presented a Cannabis Social Equity Analysis to its City Council in October 2017, detailing recommended criteria for equity programming. As the only California peers experimenting with equity frameworks, both are profiled in detail in the figures below.

Massachusetts is also considering equity concepts, but operates on a very different licensing system than California as the state retains more control over licensure and regulation. Denver does not have an established equity program, but has been licensing adult-use cannabis since 2014<sup>79</sup> and is an important comparison as it was the first major city to legalize adult-use of cannabis. Finally, a number of states have recently experimented with equity concepts for either medical or adult-use cannabis, which are also summarized at the end of this section.

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<sup>79</sup> The Denver Collaborative Approach: Leading the way in municipal marijuana management (2017 Annual Report).

## Oakland

The City of Oakland’s Equity Assistance Program was established by city ordinance and is among the most well-developed programs focused on cannabis equity in the nation. Although it currently only applies to medical dispensary permits, Oakland intends to open the program to adult-use applicants as the state begins to issue adult-use permits in 2018. The program utilizes residency, geographical area, and income conditions to qualify for eligibility in the program as shown in Figure 16 below.

Figure 16. Eligibility Requirements for Oakland’s Cannabis Equity Program	
Must be:	
(1) an Oakland resident,	
<b>AND</b>	
(2) earn 80% or less of Oakland average median income (<\$52,650),	
<b>AND</b>	
(a) have lived within 21 high-enforcement police beats for 10 of last 20 years.	<b>OR</b>
(b) have been arrested and convicted of a cannabis crime in Oakland after 1996.	

Oakland’s equity program intends to address financial barriers to entry through a no-interest loan program offered to qualified equity applicants. The funding for this loan program will be made up of local tax revenue from cannabis businesses, but loans will not begin to be distributed until the loan fund reaches a threshold amount of \$3.4 million. Until that time, the permitting of cannabis businesses has been restricted such that permits must be issued to equity and general applicants at a 1:1 ratio – if one equity applicant is permitted, one general applicant can be permitted. After this initial phase, permits will be issued on a first-come, first-served basis, but equity applicants will be eligible for additional benefits (see Figure 17), including technical assistance and fee waivers.

Figure 17. Oakland Cannabis Equity Assistance Program Benefits	
Benefit	Details
Incubator Program	During the initial (restricted) permitting phase, non-equity applicants can receive priority permit issuance for providing an equity applicant with real estate or free rent for three years.
Business Technical Assistance	Oakland has partnered with local consultants and nonprofits to provide both business technical assistance, such as business plan workshops.
Industry Technical Assistance	Oakland has also partnered with local organizations to provide cannabis-specific assistance, such as cultivator permit compliance classes.
Zero-Interest Loans	Equity applicants can receive zero-interest startup loans to cover the costs of establishing a cannabis business.
Fee Waivers	Equity applicants are not assessed a fee for Oakland City permitting.

Oakland has been accepting applications under this equity framework since the end of May 2017 (see Figure 18). It has been tracking data regarding general and equity applicants, and currently have 216 completed applications with a ratio of 106 general applicants to 110 equity applicants. In addition, 27 applicants applied as an incubator with 17 more expressing interest in becoming an incubator.<sup>80</sup>

<b>Figure 18. Oakland Applicant Data (May 2017 – Sept 2017)</b>	
<b>Applicant Category</b>	<b>Completed Applications</b>
General Applications (non-equity)	106
Equity Applications (based on residency)	85
Equity Applications (based on conviction)	25
<b>Total Complete Applications</b>	<b>216</b>

As the only major city to have an implemented equity program, Oakland is instructive in what it implemented in its equity program and what it is seeing during the early stages of permitting. Figure 19 below is a summary of Oakland's key components of its equity programming and a brief discussion of key considerations and lessons learned. Green bullets represent potentially advantageous factors, while red bullets indicate potential challenges.

<b>Figure 19. Oakland Equity Assistance Program Considerations</b>	
<b>Equity Component</b>	<b>Key Considerations</b>
Eligibility Criteria	<ul style="list-style-type: none"> <li>● The program is targeted to high-cannabis-enforcement zones or cannabis convictions, which clearly defines the eligible population.</li> <li>● Only Oakland residents are eligible, which does not account for recent years of displacement of low-income individuals.</li> <li>● Convictions only include those within Oakland, which does not include Oakland residents convicted anywhere outside the city.</li> </ul>
One-for-One Permitting Framework	<ul style="list-style-type: none"> <li>● Ensures a mandatory level of participation by eligible applicants while other program components are established.</li> <li>● Guards against equity applicants being crowded out of limited number of permits by more well-resourced competitors.</li> <li>● Potential for artificial bottleneck if there are insufficient equity applicants (current data from Oakland does not show this to be the case).</li> <li>● Oakland caps dispensary permits at eight annually. This means that while half of new dispensaries will be from equity applicants, the discrete number of permits is low (four).</li> <li>● There is potential for market distortion given the cap on distribution points (dispensaries) with no cap on cultivation or manufacture facilities.</li> </ul>
Incubator Program	<ul style="list-style-type: none"> <li>● Allows general applicants to receive a benefit for providing benefits to equity applicants, which supports Oakland's equity goals at no cost to the city.</li> <li>● Only applies to real estate; other potential benefits, like money, technical assistance, or equipment are not included.</li> <li>● The program provides a benefit to well-resourced applicants who have the space and/or</li> </ul>

<sup>80</sup> Per interview with City of Oakland.

Figure 19. Oakland Equity Assistance Program Considerations	
Equity Component	Key Considerations
	capital to provide benefits to equity applicants. Small- and medium-sized operators are relatively disadvantaged against larger competitors who can afford this benefit.
Business Technical Assistance	<ul style="list-style-type: none"> <li>● Use of contracted organizations allows Oakland to minimize city staff while leveraging local industry expertise.</li> <li>● Contracting requires up-front funding before adult use tax revenue is collected.</li> </ul>
Zero-Interest Loans	<ul style="list-style-type: none"> <li>● Provides significant benefit to equity applicants who would otherwise be unable to afford – or even obtain – a private business loan.</li> <li>● The program is dependent upon tax revenue generated by permits to build up enough initial capital to begin issuing funds, but funding streams are potentially limited by the dispensary cap and the one-for-one permitting framework.</li> </ul>

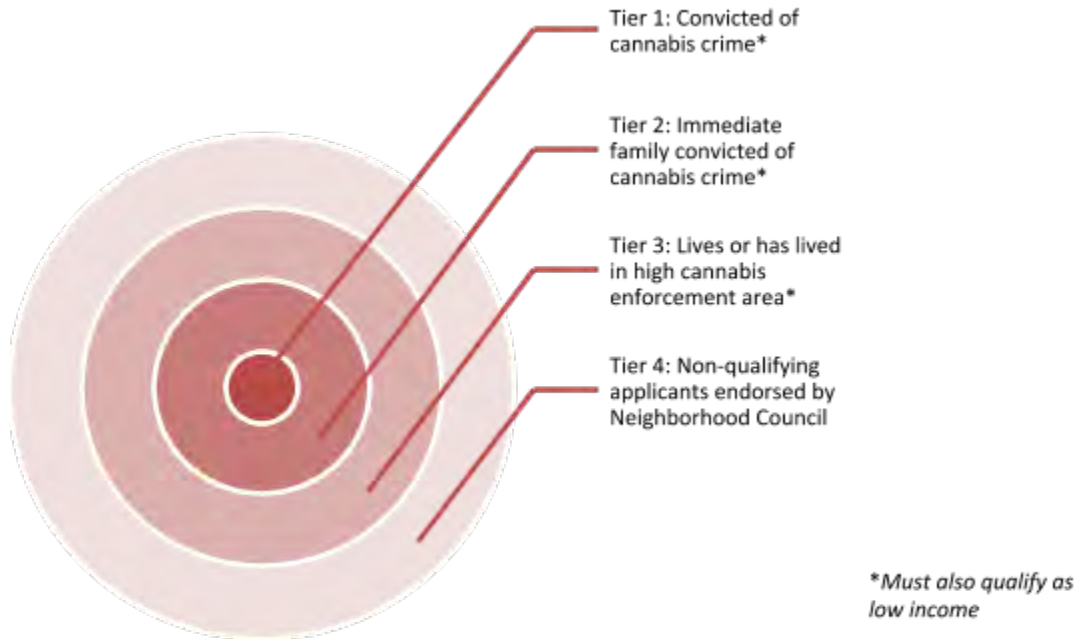
### Los Angeles

Los Angeles' equity program has not yet been established in city ordinance, but an in-depth equity report was delivered to the City Council in October with recommendations that provide guidance on a potential program framework. The report provided options for both program eligibility and services that will be offered to qualifying applicants. While many options were presented, the city ordinance has not yet been passed, so it is currently unknown what exact components will be implemented. As commercial permit applications will be available starting in December 2017, Los Angeles anticipates that its equity program will be implemented as early as spring 2018.

Los Angeles has proposed having two windows for applicants. The first window will permit already-established medical cannabis dispensaries that have been compliant with city regulations. The second window will permit operations on a one-for-one basis: one permit for a general applicant for every permit for a qualified equity applicant (50% general and 50% equity permits). This one-for-one framework is recommended to continue for the life of the equity program, which is currently undetermined.

Los Angeles' Cannabis Social Equity Analysis also proposes a tiered framework (see Figure 20) of eligibility based on the direct and indirect impacts of cannabis law enforcement in an effort to make its equity program as inclusive as possible. Individuals who have been arrested for a cannabis crime (in California) are prioritized, followed by immediate family, then neighborhoods impacted by high enforcement levels, and finally neighborhood-endorsed applicants who are not otherwise qualified but provide a benefit (space, or assistance and capital) to a qualified applicant.

Figure 20. Los Angeles Equity Program Recommended Eligibility Tiers



Each tier of eligibility comes with a different suite of benefits or programming offered to the applicant as detailed in Figure 21 below. A Tier 1 applicant is offered access to all programming, including two benefits not offered to any other group: (i) a City-operated no-interest or low-interest loan program and (ii) an incubator/industry partnership program. Tiers 2 through 4 offer a proportionally reduced set of benefits.

Figure 21. Los Angeles Equity Program Recommended Benefits by Tier							
		Recommended Benefits					
Tier	Eligibility Criteria	Priority Processing	Permitting Assistance	Business Training	Fee Waivers	Loan Program	Incubator/ Partnership Program
Tier 1	Low-income resident of LA with a prior cannabis conviction in CA.	✓	✓	✓	✓	✓	✓
Tier 2	Low-income resident of LA with immediate family member convicted of a cannabis-related crime in CA.	✓	✓	✓	✓		
Tier 3	Low-income resident of LA who lives or has lived in eligible districts.	✓	✓	✓	*		
Tier 4	Non-qualifying applicants who are endorsed by a Neighborhood Council.	✓	✓	✓			

*\*Eligible for fee deferral*

Figure 22 provides details regarding proposed benefits offered to equity applicants.

<b>Figure 22. Los Angeles Recommended Cannabis Equity Program Benefits</b>	
<b>Benefit</b>	<b>Details</b>
Waived Fees	Permitting and inspection fees for qualifying applicants are waived.
No- or Low-Interest Loans	City-managed loan fund offering no or low-interest loans to eligible applicants.
Incubator/Industry Partnership (Type 1)	General applicants can provide space or capital to eligible applicant to be eligible for a tax rebate and potential qualification as Tier 4 equity applicant. Equity permittees would also receive tax rebate.
Incubator/Industry Partnership (Type 2)	Landlords with currently unpermitted cannabis operations (which is punishable by punitive fines) can receive fine waivers if they provide space to equity applicants.
Technical Assistance	Assistance with navigation of City permitting requirements and compliance.
City Property	City-owned property not eligible for affordable housing may be made available for free or reduced rent to equity applicants.
Conditional Approval	Equity applicants may be eligible for conditional approval of a permit without securing real estate for their operation.

In addition to equity program components for which only eligible permittees qualify, the Los Angeles report also recommends several general conditions or programs, such as workforce commitments and diversity plans from new permittees, community reinvestment, education programs, and expungement events in highly-impacted communities, which are further detailed in Figure 23 below.

<b>Figure 23. Los Angeles Recommended General Equity Components</b>	
<b>Benefit</b>	<b>Details</b>
Streamlining	A streamlined permitting structure and a suite of development standards will reduce operational downtime spent in application review, which disproportionately impacts low-income applicants.
Phased Permitting	After already-existing medical businesses are permitted (grandfathered), equity and general applicants will be permitted on a 1-for-1 basis (50% permits to equity applicants).
Education & Outreach	Outreach and educational programs targeted to potential applicants to spread awareness of the equity program.
Community Reinvestment	Reinvestment fund and programming earmarked for communities disproportionately affected by cannabis enforcement.
Expungement	Expungement events held in disproportionately affected communities to help with criminal expungement.
Workforce	All businesses (not just equity) must commit to 50% eligible workforce (low-income or impacted) and submit a diversity plan.



While the Cannabis Social Equity Analysis made the above equity programming recommendations, there has been no establishment of this program in legislation yet. As such, which combination of components are included the final program remains to be seen, and there is no programmatic data currently available. Nonetheless, for the purpose of this report, Figure 24 includes a summary of these recommended equity programming components and a brief discussion of its key implementation considerations.

Figure 24. Los Angeles Equity Program Considerations	
Equity Component	Key Consideration
Eligibility Tiers	<ul style="list-style-type: none"> <li>● LA's eligibility framework provides a progressive level of benefits depending on an applicant's direct or indirect impacts from cannabis enforcement.</li> <li>● Conviction-based eligibility includes a conviction anywhere in California, in recognition that disproportionate arrests and convictions happen in many places throughout the state and should not be limited to Los Angeles.</li> <li>● As the program is not yet established, which benefits are approved in the final program are unknown. If certain program elements are not approved, it may arbitrarily impact what each eligibility tier qualifies for.</li> </ul>
Community Reinvestment	<ul style="list-style-type: none"> <li>● Recommendations include the use of adult use revenue for community reinvestment programs. These programs have the potential to improve opportunity in neighborhoods most disproportionately impacted by the War on Drugs.</li> </ul>
Conditional Approval	<ul style="list-style-type: none"> <li>● This allows applicants who have not yet secured real estate to avoid non-operational downtime while their permit application is under review. This offers flexibility to applicants who do not have the resources to carry the cost of commercial rents while they are not operating business.</li> </ul>
Community Outreach & Education	<ul style="list-style-type: none"> <li>● These programs can educate potentially eligible individuals about equity programming. These can be targeted to neighborhoods and communities that were highly impacted by the War on Drugs.</li> </ul>
Expungement Events	<ul style="list-style-type: none"> <li>● Criminal records expungement can be held in communities that were highly impacted by the War on Drugs. Expungement can mitigate other financial barriers such as denial of business loans based on conviction history.</li> </ul>
Type-2 Incubators	<ul style="list-style-type: none"> <li>● To incentivize unpermitted operators to enter the legal market, landlords can receive waivers from significant punitive fines for illegal operations on their property if they offer free space or rent to eligible equity applicants.</li> </ul>
City Property	<ul style="list-style-type: none"> <li>● It is recommended that LA consider city-owned property that is not eligible for affordable housing as potential space for eligible applicants to operate for free or reduced rent.</li> <li>● This may not be feasible in San Francisco, which faces a similar affordable real estate crunch in a much smaller geographical footprint than LA. There are also legal implications to this policy that must be considered.</li> </ul>

## Massachusetts

Massachusetts approved adult-use cannabis on the November 2016 ballot and has not yet finalized its state licensing framework; although it anticipates issuing licenses in the summer of 2018. In contrast to California, local jurisdictions in Massachusetts are limited to zoning control over cannabis businesses while the state retains control over almost all licensing conditions and regulations. The primary equity provisions are currently comprised of language that was inserted into state legislation, requiring that certain equity provisions be included in the eventual state regulation. These are summarized in Figure 25 below.

**Figure 25. Required Equity Provisions in Massachusetts State Law**

Provision	Details
Agency Representation and Legislative Mandates	<ul style="list-style-type: none"> <li>● The Cannabis Control Commission must include a certain number of commissioners and advisory board members with backgrounds or experience in social justice and minority business ownership.</li> <li>● The Commission must adopt rules to promote participation in the cannabis industry by people from communities that have been disproportionately harmed by cannabis prohibition and enforcement.</li> <li>● A subcommittee of the Advisory Board will develop recommendations on women, minority, and veteran-owned businesses, and local agriculture and growing cooperatives.</li> </ul>
Criminal Record	<ul style="list-style-type: none"> <li>● People with past cannabis possession charges are eligible to have their records sealed and there will be an awareness campaign to inform the public.</li> <li>● Past cannabis offenses will not disqualify an individual from working or owning a cannabis business (except sale to a minor).</li> </ul>
Priority Licensing	Priority licensing for applicants that promote economic empowerment in communities disproportionately impacted by cannabis arrest and incarceration.
Spending Priorities	Fees and revenue will go to a fund used for restorative justice, jail diversion, workforce development, industry technical assistance, and mentoring services.
Variable Co-op Fees	Cultivator license fees for cooperatives (co-ops) will be commensurate with cultivation size to ensure small farmers' access to licenses.
Data Collection and Study	<ul style="list-style-type: none"> <li>● Data collection that tracks diversity in the industry is required.</li> <li>● The Cannabis Control Commission must report annually on data collected and research any evidence of discrimination or barriers to entry.</li> <li>● Additional licensing rules will be promulgated if evidence of discrimination or barriers to entry is found.</li> </ul>

The Massachusetts Cannabis Control Commission is also doing statewide listening sessions with the public to solicit comments and concerns about the eventual regulatory framework. Equity-focused organizations and interested lawmakers have spoken at these sessions to encourage the Commission to implement equity programming and frameworks.

## Denver

The first retail sales of adult-use cannabis in the United States began in Denver on January 1, 2014. Denver accounts for 40% of the state of Colorado's cannabis retailers and reached \$288.3 million in sales in 2016.<sup>81</sup> Although Denver does not have an equity program that explicitly promotes equitable ownership and employment in the cannabis industry, it nevertheless can provide important insights as a city that is much farther ahead in the permitting framework than San Francisco.

Denver regulates the number of permits, manner (i.e., the sales conditions), zoning, and hours of adult-use cannabis. When adult-use cannabis became legal, Denver allowed all existing medical cannabis businesses to apply for a permit if they were permitted by July 2014. In 2016, Denver capped the number of adult use permits to existing and pending applications. As of January 1, 2017, the City of Denver has issued 429 adult-use permits and 684 medical permits across 484 unique locations.<sup>82</sup>

Denver requires that permit applicants submit a Community Engagement Plan, which details commitments from the business to provide a positive impact in the community. The engagement plan is not specific to equity, but could include an equity component if the business owner so chose. Plans often focus on charitable efforts like food drives, street clean up, or community gardens. The permitting authority in Denver has no enforcement authority to compel accountability to its community engagement plan.

As Denver is multiple years into permitting, they are experiencing secondary impacts of permitting that should be considered by other cities who are just beginning. Figure 26 below summarizes Denver's key lessons learned in permitting cannabis businesses for the past three years that should be considered in San Francisco's implementation of adult-use cannabis and its equity program.

<b>Type</b>	<b>Lesson Learned</b>
Accountability	While Denver requires community engagement plans, it has no enforcement authority to hold permittees accountable to execute the plans.
Financial	It is important to understand how much revenue a city will expect to see and how it can be used, if restricted. Cities must plan for how funds can and cannot be used.
Data	Data collection should be built into the system from the beginning, baselines established early, and efforts should be made to collect data along the entire permitting process. Before and after data is critical to understand the economic impact of the cannabis industry.
Education and Awareness	The public should be educated about what is allowed and what is not in the cannabis industry. Youth and public education should be built into the program from the start and be robust.  Cities should try to understand who is not participating in the legal market and make

<sup>81</sup> The Denver Collaborative Approach: Leading the way in municipal marijuana management (2017 Annual Report).

<sup>82</sup> Ibid.

	robust efforts to engage this community.
Social Use	Consumption in private and members-only lounges, which do not sell cannabis but allow its use, is an issue that surfaces with legal cannabis, and how a city wants to permit these establishments should be considered.

### Other State Equity Programs

Other states that have licensed medical cannabis have considered or implemented provisions to promote equitable participation in the industry. These equity components are summarized in Figure 27 below.

Figure 27. Summary of Equity Components for Medical Cannabis in Other States	
State	Equity Component
Florida	Once the state's medical cannabis patient registry reaches 250,000, three more cultivation licenses will be issued, one of which will be designated for the Florida Black Farmers and Agriculturists Association.
Maryland	Maryland initially issued 15 cultivation licenses but was sued when none were issued to minority-owned applicants. The State Assembly considered but did not act upon a bill that would have allowed seven additional cultivation licenses in the state, all designated for minority-owned companies.
Ohio	State law requires that 15% of licenses go to businesses owned by four identified minority groups.
Pennsylvania	Cultivation and dispensary applicants must submit diversity plans that include how they promote racial equity through ownership, employment, and contracting. The state must also help minority groups learn how to apply for licenses.
West Virginia	State law requires that regulators encourage minority-owned businesses to apply for growing licenses.

## VI. Findings and Recommendations

The following section seeks to provide recommendations<sup>83</sup> regarding policy options that could (A) foster equitable access to participation in the industry, including promotion of ownership and stable employment opportunities in the industry (B) invest City tax revenues in economic infrastructure for communities that have historically been disenfranchised, (C) mitigate the adverse effects of drug enforcement policies that have disproportionately impacted those communities, and (D) prioritize individuals who have been previously arrested or convicted for marijuana-related offense. Specifically, this section provides key findings informed by this report's *Equity Analysis, Barriers to Entry, and Equity Program Benchmarking* sections. The recommendations incorporated are meant to inform policymakers as the City embarks on developing an Equity Program.

Green bullets represent potentially advantageous factors, red bullets indicate potential challenges, and black bullets represent neutral considerations.

Finding 1: Eligibility factors should be focused on specific populations, namely, those that have been disproportionately impacted by cannabis prohibition during the War on Drugs, and criteria should be supported by data.	
ELIGIBILITY	<p><b><u>Recommendation:</u></b></p> <p>The City's Equity Program should set specific criteria that define the population served. Criteria should be data driven to ensure the City meets its goal to prioritize individuals who have been previously arrested and convicted of cannabis-related offenses, or disproportionately impacted by the War on Drugs.</p> <p>Based on data analysis in this report, the City should consider including the following eligibility criteria:</p> <ol style="list-style-type: none"> <li>1) Conviction history associated with cannabis related offense(s);<sup>84</sup></li> <li>2) Immediate family member with a conviction history associated with cannabis related offense(s);</li> <li>3) Low Income Status;<sup>85</sup></li> </ol>
	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Limiting the eligible group allows an affected group to receive higher-value benefits.</li> <li>● Rationale for eligibility criteria must be clear and justifiable, preferably with data, to minimize confusion among groups not included.</li> <li>● Eligibility should, at a minimum, require a cannabis-related arrest and conviction, and should be consistent with the State's conviction history guidelines.</li> <li>● The City will have to decide on whether it should limit convictions to within the City, the Bay Area, the state of California, or anywhere in the United States.</li> </ul>

<sup>83</sup> These recommendations should be subject to City Attorney review prior to implementation.

<sup>84</sup> The City should consider making the following serious criminal convictions not eligible: offenses that include violent felony conviction(s); serious felony conviction(s); felony conviction(s) with drug trafficking enhancements; felony conviction(s) for hiring; employing or using a minor to transport, carry, sell, give away, prepare for sale, or peddle any controlled substance to a minor; or sell, offer to sell, furnish, offer to furnish, administer, or give away a controlled substance to a minor.

<sup>85</sup> Low income is defined as at or below 80% San Francisco's area median income as defined by California Department of Housing and Community Development.

<p>4) Residency Requirement; 5) Ownership Requirements; and if appropriate 6) Geographic Location<sup>86</sup></p>	
<p><b><u>Recommendation:</u></b> <i>Eligibility Tiers</i></p> <p>The City should create a tiered structure to provide proportional benefits necessary for each tier's success.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Tiered eligibility can offer progressively more valuable services to the most-impacted (directly and indirectly) individuals and mitigate bottlenecks in one-to-one licensing frameworks.</li> <li>● Ensures that applicants with a cannabis conviction history directly benefit from the program.</li> <li>● Ensures limited resources can be targeted most effectively.</li> <li>● Conviction-based eligibility could include convictions within the state, recognizing the impacts of convictions on an individual, regardless of location of arrest/conviction.</li> <li>● More complex eligibility criteria require increased program administration resources.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Ownership</i></p> <p>The City should consider requiring ownership structures of equity applicant operators to reflect a certain percentage. This structure should set a baseline that ensures applicants realize benefits from ownership, including decision making power, but be flexible enough to allow for a variety of ownership structures.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Requiring a percentage of ownership and/or control ensures equity operators are realizing the financial benefits of their operations.</li> <li>● Los Angeles suggested 51%+, however, requiring 51%+ ownership may have an unintended impact of lessening outside investor interest and, therefore, may prove to be a capital barrier for equity applicants.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Residency</i></p> <p>The City should consider creating a residency requirement to ensure that current and</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Because of the size of San Francisco's market, and in the interest of ensuring a</li> </ul>

<sup>86</sup> The disadvantaged populations identified in the *III. Equity Analysis* section of this report may serve as an appropriate metric for identifying workforce populations, however, if there is an interest in determining which communities have been disproportionately impacted by the War on Drugs over a sustained period of time, we would recommend further analysis.

	<p>former San Francisco residents who have experienced over policing and have difficulty accessing living wage jobs are the first to benefit from this program.</p>	<p>tempered rollout of new activity, prioritizing residency will allow current and former residents to benefit first from this opportunity.</p> <ul style="list-style-type: none"> <li>• Los Angeles requires residency for no less than 5 accumulative years, with no less than 70% meeting this requirements, and Oakland requires residency for no less than 10 years.</li> </ul>
<b>PERMITTING</b>	<p><b>Finding 2: Adult-use cannabis permitting should ensure that equity applicants have sufficient opportunity to take advantage of the program and are not crowded out by more well-resourced applicants. It should incentivize ongoing support for Equity applicants, if necessary.</b></p>	
	<p><b><u>Recommendation:</u> <i>Prioritization</i></b></p> <p>The City should consider a prioritized permit process to assist Equity Applicants.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• A faster approval process ensures applicants are not crowded out by more well-resourced applicants.</li> <li>• Permitting conditions could prevent well-resourced competitors from crowding out potential equity applicants.</li> <li>• Prioritization approaches need to be considered in the context of overall tiering and phasing strategies to ensure desired outcomes for equity applicants.</li> </ul>
	<p><b><u>Recommendation:</u> <i>Phasing</i></b></p> <p>The City should consider permitting phases that layer frameworks in succession. The City should complete an analysis on each phase and this analysis should advise policy adjustments to the Equity Program framework, permitting process, and geographic distribution for the next phase.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• As currently proposed, in 2018, only 1) Equity Applicants, 2) existing operators, and 3) operators who were operating in compliance with the Compassionate Use Act but were forced to cease activities due to federal enforcement, are eligible to apply for permits.</li> <li>• Existing medical businesses should be permitted in initial permitting phase(s) to ensure continued access to medicinal cannabis for patients.</li> <li>• An overly complex program could delay permit issuance.</li> <li>• In a one-for-one model, there is potential for a bottleneck in licensing if insufficient numbers of equity-eligible individuals apply.</li> </ul>
	<p><b><u>Recommendation:</u> <i>Ratios</i></b></p> <p>The City should, at a minimum, mandate a</p>	<p><b><u>Considerations:</u></b></p>

<p>requisite number/percentage of equity applicants to new applicants during permitting phases.</p>	<ul style="list-style-type: none"> <li>• As currently proposed, new general applicants are not eligible for permits in 2018, with the exception of businesses that were previously shut down through federal enforcement. As such, only Equity Applicants will be eligible for new permits in year one.</li> <li>• Both Oakland and Los Angeles have implemented or proposed a one-for-one licensing framework during the initial permitting phase that ensures 50% equity applicant participation to every new business.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Provisional Approval</i></p> <p>For Equity Applicants, the City should allow for provisional approval of a permit prior to the applicant securing real estate for their operation.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• Provisional approval of a permittee could help the applicant overcome potential financial barriers to entry by providing investors with more certainty to back that applicant and incentivize investors to provide adequate capital for a physical location.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>CB3P for Retail Applicants</i></p> <p>The City should consider extending the Community Business Priority Processing Program to Equity Applicants, specifically retail applicants, to allow for a fast tracked and streamlined Conditional Use review process.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• The CB3P program would provide applicants with time savings and more clear timelines.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Amnesty Program</i></p> <p>The City should consider developing pathways, such as an amnesty program, to encourage existing nonconforming businesses - many of which are small operators who may qualify as Equity Applicants - to transition to the legal market in 2018.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• Ensuring continued operation could mean the operator faces fewer barriers to enter the regulated market.</li> </ul>
<p><b>Finding 3: Incubator programs are designed to incentivize partnerships between entrepreneurs or established cannabis operators and equity applicants, helping to achieve equity goals at no cost to the City.</b></p>	
<p><b><u>Recommendation:</u></b> <i>Incubator Programs</i></p>	<p><b><u>Considerations:</u></b></p>



	<p>The City should considering including a flexible incubator program that allows Equity Applicants to partners with operators who wish to further the City’s equity goals. Such partnerships could include combinations of workforce, financial, capital, real estate, and technical assistance provided by non-equity applicants.</p>	<ul style="list-style-type: none"> <li>● Incubator options that allow employers and cannabis operators flexibility to determine appropriate program offering(s) can incentivize private sector investment in equity goals.(e.g., real estate and/or mentoring; landlords allowing cannabis businesses on their property)</li> <li>● Accountability measures must be taken to ensure parties conform to agreements and equity outcomes are achieved.</li> <li>● Equity incubators incentivize knowledge and resource sharing with Equity Applicants at no cost to the City.</li> <li>● Oakland has faced criticism that requiring existing businesses to form incubators runs the risk of “hollowing out the middle,” where the market shifts toward one that consists only of large, well-funded businesses and equity businesses, a model that could ultimately crowd out equity businesses.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Incubator Program Priority Processing</i></p> <p>The City should consider extending priority processing to Incubator Program applicants.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Priority processing will allow the City and the incubated operator to realize the equity benefits faster.</li> <li>● Non-equity existing operators that serve as “incubators” could be eligible to receive priority permit review and issuance.</li> <li>● Prioritization approaches need to be considered in the context of overall tiering and phasing strategies to ensure desired outcomes for equity applicants.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Success Metrics</i></p> <p>Metrics should be incorporated into the Equity Program to ensure that operators are helping move Equity incubator operators towards success.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Operators could use Equity Applicants to enter the market in 2018, and provide them with no meaningful benefits.</li> </ul>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>UNITY REINVESTS</b></p>	<p><b>Finding 4: Adult-use cannabis revenues can be dedicated to community reinvestment programming that can help to addresses inequities in cannabis enforcement and lasting impacts to communities of the War on Drugs.</b></p>	

<p><b><u>Recommendation:</u></b> <i>Creation of a Community Reinvestment Fund</i></p> <p>The City should consider creating a Community Reinvestment Fund to allocate cannabis tax revenue and focusing investments on those communities disproportionately affected by cannabis enforcement. Programming may include restorative justice, jail diversion, and improving the health and wellbeing of communities that have been affected by the War on Drugs.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Community reinvestment offers neighborhood-wide and neighbor-directed benefits to those who were most disproportionately impacted by cannabis enforcement but are not participating directly in the cannabis economy.</li> <li>● A cannabis tax has not yet been approved by San Francisco voters, and there is little information available on revenues and spending priorities.</li> <li>● Cannabis tax revenues may be an inconsistent source of revenue until the market stabilizes, which could take a few years.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Anti-Stigma Campaign</i></p> <p>The City should consider committing a portion of funding to build on the Department of Health’s awareness campaign to further acknowledge the impact of the War on Drugs and the stigma that remains in certain communities.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Reducing stigma could help operators better access capital, real estate, and technical assistance.</li> <li>● Community awareness through this campaign can help calm fears that have been developed over decades of misinformation and scare tactics used during the War on Drugs.</li> <li>● In developing a more regular lexicon to use for the regulated activity, City should avoid Drug War language including “crackdown,” and “Black market.”</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Funding for Community Reinvestment</i></p> <p>The Office of Cannabis should continue to coordinate with City partners, including the Office of Economic and Workforce Development and the Mayor’s Office, to continue advocacy for funding through the Governor’s Office of Business and Economic Development community reinvestment grants program.</p>	<p><b><u>Considerations</u></b></p> <ul style="list-style-type: none"> <li>● State funding can enhance and supplement the City’s ability to meet local equity goals.</li> </ul>

	<p><b><u>Recommendation:</u> <i>Equity Plan</i></b></p> <p>The City should consider requiring applicants to submit, as part of their Community Benefit Agreement, an Equity Plan that describes how the applicant’s business supports the Equity goals of the City.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• This encourages business to think about Equity in the context of it being a community benefit in their surrounding neighborhood, and allows them to consider equity more broadly in the context of their business model.</li> </ul>
	<p><b><u>Recommendation:</u> <i>Streamline Expungement Opportunities</i></b></p> <p>Community reinvestment programming should include streamlined expungement events held in neighborhoods that have been disproportionately-impacted by the War on Drugs.</p>	<p><b><u>Considerations</u></b></p> <ul style="list-style-type: none"> <li>• Bringing events to communities enhances overall outreach for the equity program and reduces barriers to navigating the expungement process.</li> <li>• Such events should be done in coordination with the Public Defender’s Office, the Courts, and other relevant partners, and they should provide clients with an expedient expungement process.</li> </ul>
<b>WORKFORCE DEVELOPMENT</b>	<p><b>Finding 5: All cannabis operators should promote equitable employment opportunities for those communities harmed by the War on Drugs. These opportunities should include hiring formerly-incarcerated individuals, hiring in targeted neighborhoods, and paying living wages.</b></p>	
	<p><b><u>Recommendations:</u> <i>Leverage Existing Programs</i></b></p> <p>The City should leverage eligible<sup>87</sup> existing workforce programs to provide pathways to employment in the legal cannabis industry for individuals engaged in street-level drug commerce.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• Length of program would need to be balanced, making sure participants are job ready while meeting their need to enter the workforce quickly.</li> <li>• Accelerated training programs, similar to the models that allow for flexible approaches to certification should be leveraged to expedite and prioritize employment opportunities for persons who meet the equity permit criteria.</li> <li>• Cannabis industry workforce program could be modeled after existing OEWD Reentry Services Program.</li> <li>• Leveraging existing programs offers people opportunities to build skills for other industries as well.</li> </ul>

<sup>87</sup> The City should recognize that there are some community based organizations that rely on federal funding and may therefore be unable to provide services due to threat of federal enforcement.

<p><b><u>Recommendations:</u></b> <i>Expand Workforce Curriculum</i></p> <p>The City should consider expanding curriculum to support new workforce and/or entrepreneurship services for street level cannabis participants across industries.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● The City’s approach to curriculum development through GoSolarSF could be used as a model.</li> <li>● This would require engagement and training of new CBOs, in basic workforce knowledge.</li> <li>● There may be limited potential for program growth due to considerations and restrictions around co-mingling cannabis workforce funding with other sources.</li> <li>● This approach would also take time and creating new programming can be costly.</li> <li>● There is a potential lack of data related to industry workforce projections, making it difficult to scope program size and funding.</li> </ul>
<p><b><u>Recommendations:</u></b> <i>Workforce Fairs</i></p> <p>The City should support a series of workforce fairs with partners including Invest in Neighborhoods, Small Business Commission and others to provide outreach, education, and ownership support.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Bringing events to the community can assist with outreach and help build trust with City agencies.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Training Personnel with Industry Experience</i></p> <p>The City should consider hiring training personnel who are experienced in the industry transitioned from the unregulated market to regulated cannabis industry to ensure curriculum relevance and applicability.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Persons with experience in the unregulated and regulated cannabis market may be well positioned to advise individuals looking to join the regulated market.</li> <li>● These positions could create additional workforce opportunities for persons impacted by the War on Drugs.</li> <li>● Much of the City’s workforce training partners make independent personnel decisions.</li> <li>● The need for official industry knowledge could be addressed via future RFP’s</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Incorporate Local Hire &amp; Refine Requirements</i></p> <p>The City should incorporate local hire requirements, and should consider requiring or incentivizing employers to prioritize</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Given that not all persons who were disproportionately impacted by the War on Drugs are ready to start their own cannabis business, ensuring they have</li> </ul>

<p>applicants from then disadvantaged communities.<sup>88</sup></p>	<p>meaningful access to workforce opportunities in the Cannabis Industry is critical.</p> <ul style="list-style-type: none"> <li>● Refining Local Hire requirements to target specific areas of the City could allow us to see more persons from disenfranchised communities enter the workforce pipeline.</li> <li>● The City would need to ensure people are hired for full time, fair wage jobs and not just used to obtain the permit.</li> <li>● Cannabis businesses could be required through their CBA's to participate in First Source beyond entry-level positions, providing upwardly mobile career pathways in addition to incorporating mid-level placements.</li> <li>● A large amount of resources and infrastructure is required by the City for enforcement/reporting, therefore, this would require a funding source as well as time to build the internal capacity.</li> <li>● Local Hire and any requirements related to hiring from specific location may add technical human resource burdens to operators when the City should seek to reduce technical burdens.</li> </ul>
<p><b>Finding 6: Existing City legislation can be leveraged to expand equitable employment opportunities.</b></p>	
<p><b><u>Recommendations:</u></b> <i>Education on Fair Chance Ordinance</i></p> <p>The City should proactively educate all cannabis businesses on the provisions of San Francisco's Fair Chance Ordinance (FCO) that regulates the use of arrest and conviction records in employment decisions.<sup>89</sup></p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Since the City has determined Prop 47 convictions are "low priority" this would help to ensure those convictions are not used to deny individuals meaningful employment.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Remove Cannabis Conviction Workforce Barriers</i></p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Adding this language to Article 49 of the</li> </ul>

<sup>88</sup> As described in Section III, Subsection E. Disadvantaged Communities.

<sup>89</sup> See Appendix D. Existing Resources.

	<p>The City should look at legislating the removal of employment barriers based on cannabis-related convictions across all sectors.</p>	<p>Police Code (the Fair Chance Ordinance) would help ensure that conduct which is now legal under Proposition 64 does not continue to be a barrier to employment.</p>
<b>FINANCIAL &amp; CAPITAL ACCESS</b>	<b>Finding 7: Individuals and neighborhoods that have been disproportionately targeted for drug enforcement and consequently disadvantaged socio-economically may have a particularly difficult time overcoming financial barriers.</b>	
	<p><b><u>Recommendation:</u></b> <i>Existing Operator Participation</i></p> <p>The City should incentivize operators that may receive a temporary permit to operate an adult-use business to contribute to the City’s equity goals. Any commitments made by operators should remain in place until the operator’s Article 16 Community Benefits Agreement is approved.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Proactive participation by existing operators will help the City move towards equity goals before mandates meant to further equity are implemented.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Access to Banking</i></p> <p>The San Francisco Treasurer and Tax Collector should continue to work closely with the State Treasurer to provide more opportunities for applicants to access banking services, and should play a brokering role with California credit unions to teach/partner with San Francisco based credit unions so that they may serve as a resource to San Francisco based operators.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Mitigates financial barriers</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Consideration for Municipal Bank</i></p> <p>In line with File No. 170448, <i>Urging the Office of the Treasurer and Tax Collector to convene a Municipal Public Bank Task Force</i>, the City should continue to move forward expeditiously with the review of a municipal banking policy to ensure applicants have the opportunity to be provided equitable and transparent access to capital in the absence of federally regulated banks participation.</p>	<p><b><u>Considerations</u></b></p> <ul style="list-style-type: none"> <li>● Would create access to banking for the industry as a whole.</li> <li>● Money generated from fees and interest could be used to subsidize loans to equity applicants.</li> </ul>

<p><b><u>Recommendation:</u> <i>Fee Waivers</i></b></p> <p>The City should consider waiving application, permit, and inspection fees for some or all equity applicants in their first year to lower financial barriers of entry.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● There would be substantial cost associated with this on behalf of departments.</li> <li>● “Fairness” for entrepreneurs from disenfranchised communities starting non- cannabis businesses and not receiving such a waiver may become a concern in the business community.</li> </ul>
<p><b><u>Recommendation:</u> <i>Reducing Social Stigma</i></b></p> <p>Recognizing that equity permit holders might have limited access to social and financial capital, which could further be impacted by the social stigma associated with cannabis use and sales, the City should invest in a campaign to acknowledge the impact of the War on Drugs and the stigma and bias associated with both users and businesses.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● The City’s public information campaign could be used to address multiple issues, including facts about the health impacts of cannabis use as well as the racialized history of prohibition and enforcement.</li> </ul>
<p><b><u>Recommendation:</u> <i>Loans</i></b></p> <p>The City should create a fund that could receive funds from Equity Incubator applicants, and use this fund to support Equity Operators.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● This fund can provide a source of revenue prior to the implementation of a cannabis specific tax.</li> <li>● If needed, it could take time to find a qualified CBO that has no other federal conflicts to administer such a program or internal capacity and staffing would need to be developed.</li> </ul>
<p><b><u>Recommendation:</u> <i>Setting Tax Rate</i><sup>90</sup></b></p> <p>In order to address the barrier that well-funded businesses may be more capable of building in financial contingencies for things such as unforeseen tax liabilities, the City should consider tax policies that mitigate the tax burden on equity applicants.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Contemplating a tax rate that mitigates the tax burden on equity applicants ensures they remain competitive in a market that has better resourced operators.</li> <li>● Higher tax rates can increase the effective price of cannabis causing some consumers to shift spending to other goods or buy their cannabis outside of the regulated market.</li> </ul>

<sup>90</sup> See Appendix E Taxation: State Structure & Review of Other Jurisdictions’ Tax Structures

<b>TECHNICAL ASSISTANCE</b>	<b>Finding 8: New cannabis businesses may face technical knowledge-based gaps around an industry that has been historically underground. Technical barriers can include aspects of cannabis development as well as business planning and operations. These barriers are more difficult to navigate for lower-income individuals who may not be used to working in regulated environments and/or unable to afford specialized consulting or technical assistance.</b>	
	<p><b><u>Recommendation:</u></b> <i>Create a Simple &amp; Transparent Application Process</i></p> <p>The City should create a permitting process that is simple, transparent, and employs technological solutions to help speed and make applicants aware of process from day one.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● A simple intake and application process will make it easier for the applicant to know if they are eligible for a permit, as well as be better informed of what the path towards becoming a permitted business may entail.</li> <li>● To support this, a section for cannabis businesses can be added under Businesses Type in the Permit Locator of the San Francisco Business Portal.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Leverage Existing Resources</i></p> <p>The City should steer Equity Program participants in need of business, compliance, and industry-specific technical assistance and mentorship to the various eligible City entrepreneurship and workforce programs currently available, many of which are referred to in the “Existing Resources” section.<sup>91</sup></p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Leveraging of existing entrepreneurship and workforce programs minimizes up front cost and resource needs for the Office of Cannabis.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Matching Opportunities</i></p> <p>The City should create a program to match small operators, equity applicants, and interested landlords.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Leveraging existing relationships with the landlord community, educating them on the regulatory structure could create more real estate opportunities.</li> <li>● Matching small operators, including equity applicants, creates potential incubator partnership opportunities, and where/when allowed, co-op partnership opportunities.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Partner with Local Non-</i></p>	<p><b><u>Considerations:</u></b></p>	

<sup>91</sup> See Appendix D, Existing Resources



	<p><i>Profits</i></p> <p>The City should also consider partnering with local consultants and non-profit organizations to provide cannabis specific business consulting, such as business plan workshops, and regulatory compliance assistance.</p>	<ul style="list-style-type: none"> <li>● Use of contracted organizations minimizes the need to hire additional city staff resources while leveraging local industry expertise.</li> <li>● Contracting for technical expertise will require up-front funding before adult use tax revenue is available</li> <li>● Many business-service-providing nonprofits are funded and/or chartered by the Federal government and will be unable to provide services - substantial time may be needed to develop new CBO partners to create programming in this space.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Staffing in the Office of Cannabis</i></p> <p>The Office of Cannabis should assign a staff member to serve as the primary program coordinator for the program.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● This staff member will coordinate with City departments, including the Human Rights Commission and the Office of Economic and Workforce Development.</li> <li>● Applicants who meet Equity criteria will receive assistance from this person in completing their application and navigating City processes through coordinated efforts of this program coordinator and staff in the Office of Small Business.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Creation of Curriculum</i></p> <p>The City should encourage local academic institutions such as City College to expeditiously create cannabis specific workforce and entrepreneur training opportunities for San Francisco residents, particularly Equity Applicants, at free or reduced costs.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● The existing partnership between the City and City College is one that should ensure that San Francisco’s residents have access to impactful and meaningful curriculum.</li> </ul>
<p><b>CRI</b> <b>MI</b></p>	<p><b>Finding 9: The War on Drugs has disproportionately affected communities of color. Despite Proposition 64, which allows applicants who have been convicted of drug offenses to be</b></p>	

	<p>eligible for a cannabis business license in California, a criminal history can limit an individual's ability to gain employment, apply for government assistance, and/or obtain a loan, thereby creating barriers to entry into the adult-use cannabis market.</p>	
	<p><b><u>Recommendation:</u></b> <i>Streamline Expungement Opportunities</i></p> <p>The City should ensure community reinvestment programming includes expungement events held in disproportionately-impacted neighborhoods.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Bringing events to communities enhances overall outreach for the equity program and reduces barriers to navigating the expungement process.</li> <li>● Such events should be done in coordination with the Public Defender's Office, the Courts, and other relevant partners, and they should provide clients with an expedient expungement process.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Navigation to Clean Slate Program</i></p> <p>The application process within the Once the Office of Cannabis should serve as an additional entry point into the San Francisco Public Defender's Clean Slate Program.<sup>92</sup></p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Expungement can mitigate some financial barriers to entry into adult-use cannabis.</li> </ul>
<p>ST AK</p>	<p><b>Finding 10: Arrest and conviction of cannabis offenses has disproportionately affected communities of color, eroding trust between these communities and law</b></p>	

<sup>92</sup> See Appendix D, Existing Resources.

<p><b>enforcement/government. These communities may be wary of formally entering an industry in which they have been historically targeted for criminal enforcement.</b></p>	
<p><b><u>Recommendation:</u></b> <i>Creation of Culturally Sensitive + District Specific Outreach</i></p> <p>The City, in consultation with each Supervisor, by creating district specific, culturally sensitive outreach.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Rebuilds trusts between equity communities and the government.</li> <li>● Surfaces opinions regarding what is effective and not effective from various stakeholders.</li> <li>● Inform regulators’ understanding about the unique operating environment for San Francisco cannabis entrepreneurs.</li> <li>● This outreach increases the chances of program success by recognizing opportunities to proactively engage stakeholders in a familiar environment.</li> <li>● Advisory boards or commission can add additional layers of bureaucracy.</li> <li>● Upfront need of program resources to perform outreach and respond to questions from the public.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Create Informal Relationships</i></p> <p>The City should create informal relationships (e.g., listening sessions) between regulating entities and a large stakeholder group that includes equity-eligible community members.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● The relationships may help to build trust in government.</li> <li>● Creating relationships built on trust between regulatory authorities and the community is necessary for the success of the program and for effective regulation.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Create Formal Relationships: Task Force Membership</i></p> <p>The City should create formal relationship between regulating entities and stakeholders that represent equity eligible communities. To that end, the City should consider amending the San Francisco Cannabis State Legalization Task Force membership to provide membership to representatives from neighborhoods and communities with high concentrations of eligible individuals. These representatives should have a cannabis related conviction history and/or should work with populations that have cannabis related conviction histories.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● The relationships may help to build trust in government.</li> <li>● Creating relationship built on trust between regulatory authorities and the community is necessary for the success of the program and for effective regulation.</li> <li>● Advisory boards or commission can add additional layers of bureaucracy and the more formal nature doesn’t always lend itself to relationship/trust building.</li> </ul>

PUBLIC AWARENESS & EDUCATION	<p><b>Finding 11: An Equity Program is effective if cities and states conduct the necessary public outreach such that potentially eligible persons are aware of the program and its benefits as early as possible.</b></p>	
	<p><b><u>Recommendation:</u> <i>Program Education &amp; Outreach</i></b></p> <p>The City should deploy outreach and educational campaigns that spread awareness of the Equity Program across the city but also target neighborhoods and communities with high concentrations of eligible individuals.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Mitigation of ambiguity around what is legal at the local, state, and federal levels.</li> <li>● Allows for mitigation of not knowing what opportunities are available.</li> <li>● Allows for mitigation of distrust between law enforcement and those communities disproportionately affected by cannabis arrests and convictions.</li> <li>● This effort would require upfront resources to perform outreach and respond to questions from the public.</li> <li>● The outreach should contemplate concern from the community about oversaturation of cannabis related information exposure to youth.</li> </ul>
	<p><b><u>Recommendation:</u> <i>Culturally Sensitive Outreach</i></b></p> <p>Supervisors should participate in creating district specific community and culturally sensitive outreach strategies, to ensure robust, thorough and multicultural outreach and engagement throughout San Francisco.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Rebuilds trusts between equity communities and the government.</li> <li>● Surfaces opinions regarding what is effective and not effective from various stakeholders.</li> <li>● This outreach increases the chances of program success by recognizing opportunities to proactively engage stakeholders in a familiar environment.</li> <li>● Upfront need of program resources to perform outreach and respond to questions from the public.</li> </ul>
<p><b><u>Recommendation:</u> <i>Immediate Outreach</i></b></p> <p>Outreach to potential applicants should begin as soon as a program is established and prior to when Article 16 applications are accepted.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Immediate outreach ensures equity-eligible applicants are not crowded out.</li> </ul>	
DATA COLLE	<p><b>Finding 12: All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry. Oakland and Los Angeles propose tracking data on general and equity applicants on a regular basis to measure the success of its</b></p>	

Equity Program.	
<p><b><u>Recommendation:</u></b></p> <p>The City should incorporate data collection requirements into the application and reporting processes to track that all components of an Equity Program and to measure its impact on the community.</p> <p>The City should consider incorporating the following data metrics into the application, permitting and permit renewal process:</p> <ul style="list-style-type: none"> <li>● Number of equity applicants to apply <ul style="list-style-type: none"> <li>▪ Types of drug related offenses (aggregate)</li> <li>▪ Income status (aggregate)</li> <li>▪ Race (aggregate)</li> <li>▪ Ethnicity (aggregate)</li> <li>▪ Gender (aggregate)</li> <li>▪ Sexual identity (aggregate)</li> <li>▪ San Francisco residency status</li> <li>▪ Ownership structure</li> </ul> </li> <li>● Total percentage of ownership by and employment of San Francisco residents</li> <li>● Workforce characteristics <ul style="list-style-type: none"> <li>▪ Total number of employees</li> <li>▪ Number of local employees</li> <li>▪ Percent of hours of local employees <ul style="list-style-type: none"> <li>○ Full time</li> <li>○ Part time</li> </ul> </li> <li>▪ Percent of hours from employees placed through First Source</li> <li>▪ Other factors that align with mandated or recommended workforce guidelines.</li> </ul> </li> </ul> <p>Further, to ensure we closely track policing associated with legalization, the City should track and report out on arrest rates, locations of arrests, gender, ethnicity, race, etc.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Data gathering components should be built into the Equity Program from the outset and baselines should be established early.</li> <li>● Data should be collected along the entire licensing and monitoring process.</li> <li>● Quality data (e.g., demographic data) is critical for establishing the case for pre- and post-adult use analyses.</li> <li>● The source of data, particularly law enforcement data, could span various systems and agencies across the City, potentially adding risk to data reliability and accuracy and requiring coordination.</li> </ul>
<p><b><u>Recommendation:</u></b> <i>Require Regular Reporting</i></p> <p>The City should require a follow-up report from appropriate agencies including the Office of</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>● Status and outcome reports will be</li> </ul>

	<p>Cannabis and Human Rights Commission. These reports should analyze the implementation and outcomes of the Equity Program, permitting, and geographic distribution and make programmatic recommendations for 2019.</p>	<p>critical for course correction and adjusting the Equity Program to meet community needs.</p>
<p><b>Finding 13: Without accountability mechanisms in place in an Equity Program, any equity commitments made by permit holders are unenforceable.</b></p>		
	<p><b>Recommendation:</b> <i>Enforcement of CBAs</i></p> <p>The City should ensure that commitments (e.g., real estate by incubator applicants) made by permittees must be enforceable by making compliance with community benefits agreements a permit condition that when not followed, leads to a fine, permit suspension or ultimate revocation. The City should regularly audit community benefit agreements to ensure compliance.</p>	<p><b>Considerations:</b></p> <ul style="list-style-type: none"> <li>● Accountability mechanisms should be clearly identified during the licensing application phase.</li> <li>● Equity outcomes could be tied to community benefit commitments.</li> <li>● The auditing of CBA's will require significant staff time and resources.</li> </ul>
<p><b>Finding 14: Course correction mechanisms in an Equity Program can mitigate unintended consequences and allow cities to remain flexible in an emerging adult-use cannabis industry.</b></p>		
<p><b>MODIFICATION &amp; COURSE CORRECTION</b></p>	<p><b>Recommendation:</b> <i>Course Correction</i></p> <p>The City should plan to mitigate unintended consequences (e.g., worsening of racial disparities in cannabis offenses) through policy implementation changes over time and course-correction mechanisms needed to further equity goals.</p> <p>Examples of course-correction mechanisms include but are not limited to the following:</p> <ul style="list-style-type: none"> <li>● Licensing in phases (e.g., equity balance initial phases before unrestricting licensing)</li> <li>● Implementation of eligibility requirements in phases to ensure equity outcomes are being met</li> <li>● The creation of formal relationships between regulatory agencies and a large stakeholder group</li> <li>● Flexible incubator options or other incentives to allow for more established</li> </ul>	<p><b>Considerations:</b></p> <ul style="list-style-type: none"> <li>● Licensing in phases allows for time to learn and adjust before larger-scaled implementation.</li> <li>● Formal relationships between regulatory agencies and a large stakeholder group can uncover key challenges and needed adjustments as well as build trust in an evolving regulatory environment.</li> <li>● An evolving licensing and regulatory framework could cause confusion and/or mistrust amongst stakeholders.</li> <li>● A formal stakeholder group can add bureaucracy and drown out smaller voices.</li> </ul>

	<p>retailers to maximize their opportunities for participation in the Equity Program.</p> <ul style="list-style-type: none"> <li>• The automatic expiration or reduction of provisions and the long-term direction for both governing bodies and revenues.</li> </ul>	
LANDUSE & ZONING	<b>Finding 15: Geographic barriers for low income or disadvantaged individuals can exist if there is a restricted area of opportunity, and scarcity of available land can drive up real estate value.</b>	
	<p><b><u>Recommendation:</u></b> <i>Equitable Distribution</i></p> <p>The City should consider land use controls that provide for more equitable distribution of cannabis storefront retail to mitigate overconcentration in disenfranchised neighborhoods</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• By reducing the eligible locations for businesses, scarcity creates further challenges for equity applicants.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Thoughtful Placement</i></p> <p>The City should consider the concentration of cannabis, tobacco and alcohol retailers when issuing land use approvals.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• Considering alcohol and tobacco outlet density is important to ensure any one neighborhood is not oversaturated with activity associated with potential health harms.</li> </ul>
	<p><b><u>Recommendation:</u></b> <i>Task Force Membership</i></p> <p>The City should amend the San Francisco Cannabis State Legalization Task Force membership to provide membership to representatives from disadvantaged communities<sup>93</sup> to ensure that issues related to overconcentration are addressed at the Task Force.</p>	<p><b><u>Considerations:</u></b></p> <ul style="list-style-type: none"> <li>• Formal relationships between regulatory agencies and a large stakeholder group can uncover key challenges and needed adjustments as well as build trust in an evolving regulatory environment.</li> <li>• A formal stakeholder group can add bureaucracy and drown out smaller voices.</li> </ul>

<sup>93</sup> As defined in Section III, Subsection E. Disadvantaged Communities.

# City of Woodlake Cannabis Equity Assessment





## **CITY OF WOODLAKE CANNABIS EQUITY PLAN AND ANALYSIS**

The City of Woodlake Cannabis Local Equity Plan is meant to aid commercial cannabis businesses that were negatively or disproportionately impacted by cannabis criminalization. Woodlake's low-income and minority residents were disproportionately impacted by cannabis criminalization. A comprehensive study conducted by the American Civil Liberties Union of California shows that Latinos and low-income people were disproportionately more likely to be arrested for cannabis-related offenses in California. SB 1294 further indicates that Hispanic Californians were 35% more likely to be arrested for cannabis crimes.<sup>1</sup> The impacts of cannabis criminalization disproportionately impacted these two groups and the Woodlake community. The analysis provided is meant to show that Woodlake's residents were disproportionately impacted by cannabis criminalization due to the high numbers of Hispanic and low-income residents.

## **SECTION I: WOODLAKE DEMOGRAPHIC BACKGROUND**

Woodlake is located in a rural portion of Tulare County. Woodlake has continued to experience a relatively slow growth rate and has reached an estimated population of 7,891 as of January 1, 2019. Woodlake is the smallest of the eight cities in the County and the percentage population growth of Woodlake from 2010 to 2019 was the sixth highest in the County at 7.8 percent (California DOF).

Woodlake's ethnic composition in 2017 was 92.8 percent Hispanic, 6.9 percent White, and .3 percent Other (American Indian, Asian, and Black). The Hispanic population in Woodlake has steadily risen since 1980 when it was 73 percent of the population (U.S. Census Bureau, 2017 American Community Survey).

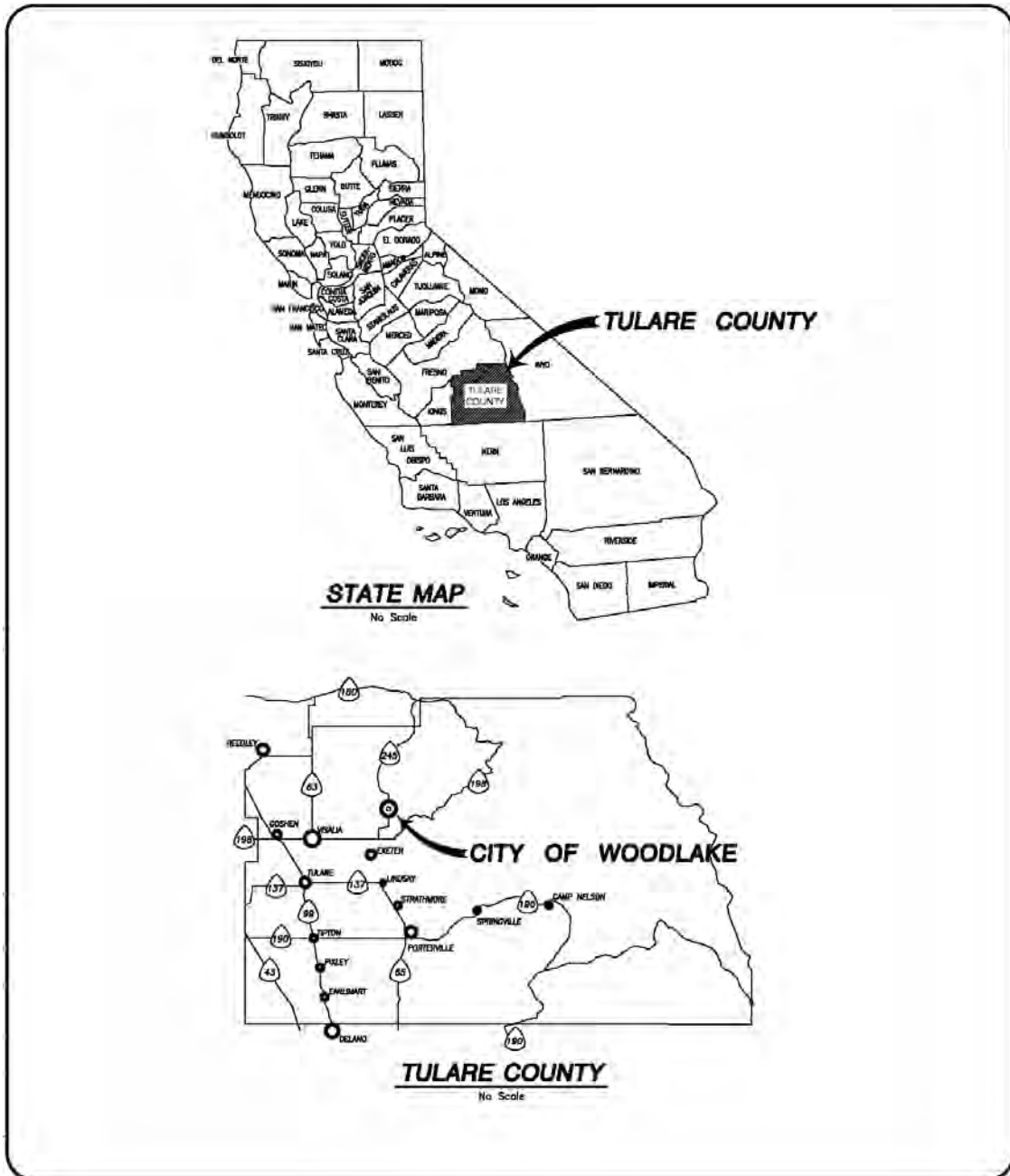
From 2000 to 2017 the median age of the total population in Woodlake has risen from 25.3 to 28.4 (years). Overall, the population has risen from 6,651 in 2000 to 7,891 in 2019.

However, from 2000 to 2017 the most significant change among age groups is from ages 30-49 (30-34, 35-39, 40-44, 45-49), each group declining in population over the last 10 years. This decline is a significant trend as this population is typically the age range for higher wage earners.

Historically, agriculture has been the dominant industry in Woodlake. In 1990, agriculture was the dominant employer in Woodlake, employing 39 percent of Woodlake's labor force. By 2000, this figure had dropped to 26 percent and down to 20.8 percent in 2010, then 20.3 percent in 2017.

The 2017 area median income in Tulare County was \$44,871. Median household income in Woodlake in 2017 was \$32,375. In 2017, approximately 2,810 individuals in Woodlake were below the poverty level, representing 36.9 percent of the total population of Woodlake. Woodlake's low incomes and high levels of poverty far exceed California's averages and are higher than most cities in the Central Valley.

## Woodlake Regional Map



## **SECTION II: ANALYSIS**

Tulare County and Woodlake has consistently been targeted for marijuana eradication and criminalization. Available Campaign Against Marijuana Planting data shows that Tulare County, on average, is one of the top five counties targeted for marijuana plant eradication and arrests. Woodlake and Tulare County's favorable weather, available land, and agricultural setting has made it an ideal location for cannabis cultivation and also an ideal target for CAMP's efforts to criminalize and eradicate marijuana.

With the passage of the Compassionate Use Act (Prop 215) it made it possible for Tulare County and Woodlake residents to possess cannabis for medical use. The proposition was overwhelmingly rejected in Tulare County with only 36% voting in favor of the proposition versus 55% who voted in favor of the proposition at the statewide level. Although medical cannabis was legally available, local restriction made it difficult for patients to receive care due to zoning regulations and local bans. As recently as 2012, the City of Woodlake passed a ban on medical marijuana dispensaries and required any non-conforming dispensaries to be closed within six months. In 2014, Tulare County voted to ban all forms of marijuana, including medical marijuana.

The passage of Proposition 64 in 2016 and the legalization of recreational cannabis consumption allowed for Woodlake to update their cannabis ordinances. Woodlake was the first city to approve a recreational cannabis dispensary in Tulare County and was one of the only cities in the entire Central Valley to have an operating recreational dispensary. Currently, the City is the only municipality in Tulare County to have an approved cannabis cultivator and manufacturer. Tulare County continues to ban new cannabis businesses and even extended a ban on hemp in 2019.

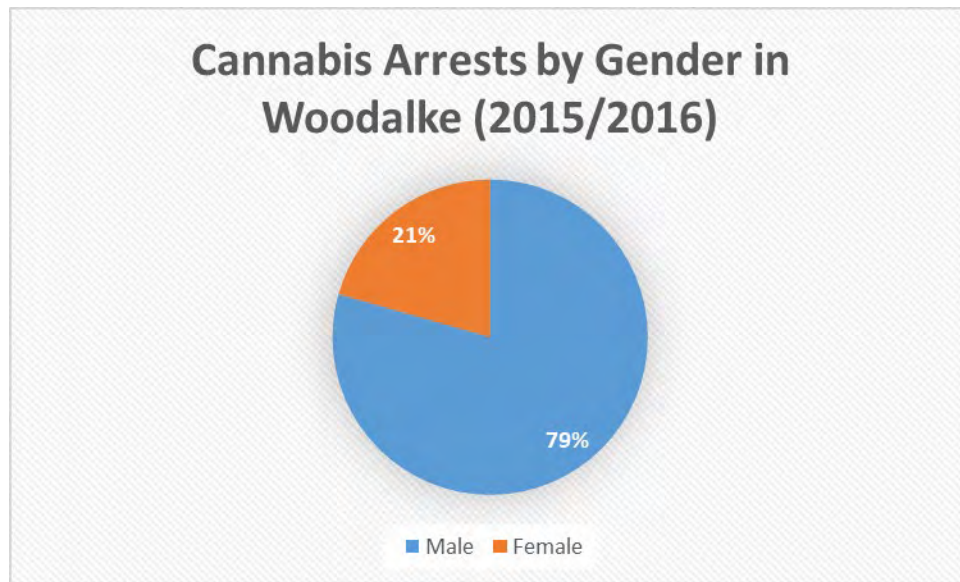
Cannabis legalization in Woodlake has also allowed for dozens of skilled agricultural employees to find employment within the cannabis industry. However, many who have significant experience and wish to work in the industry have barriers including inadequate funding or are ill equipped to navigate the complex application system.

The City's equity program would significantly help those impacted by the criminalization of cannabis to participate in the growing cannabis economy in a way that would benefit Woodlake, which is in need of employment opportunities. The financial and technical assistance made available through the equity program will help create long-term, sustainable jobs for the community. Currently, Woodlake has one of the highest unemployment rates in the Central Valley and many people who live in Woodlake only have seasonal work due to the nature of the agricultural industry.

Woodlake staff was given access to Woodlake Police Department records and was able to review data related to the impacts that the criminalization of cannabis had on the community to determine which groups were disproportionately impacted.

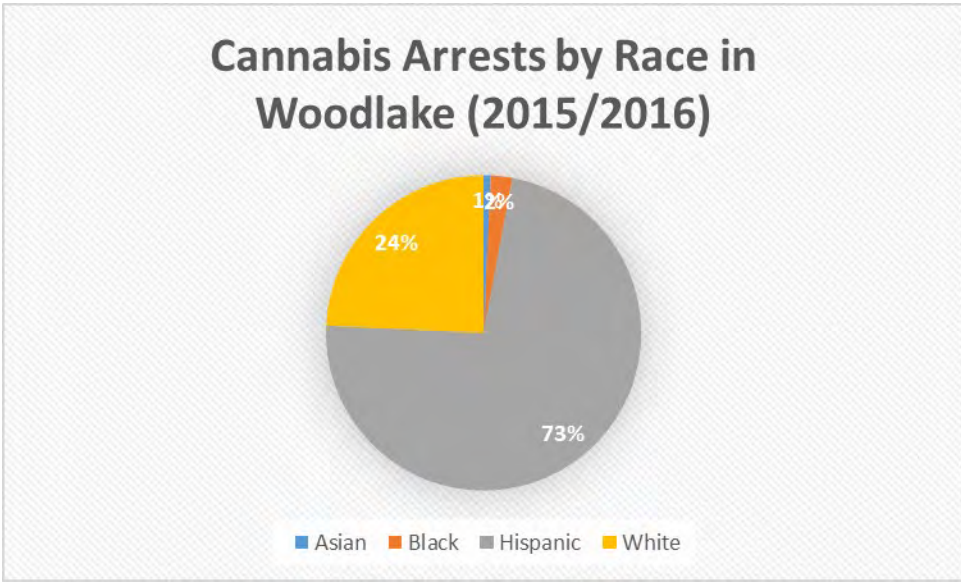
In order to measure these impacts, the City analyzed several years of Woodlake Police Department data prior to the passage of Proposition 64. The Woodlake Police Department began collecting searchable data in 2015. Based on the data available the City made 137 cannabis related arrests. The data from 2015 and 2016 can be found below:

### **Cannabis Arrests by Gender in Woodlake**

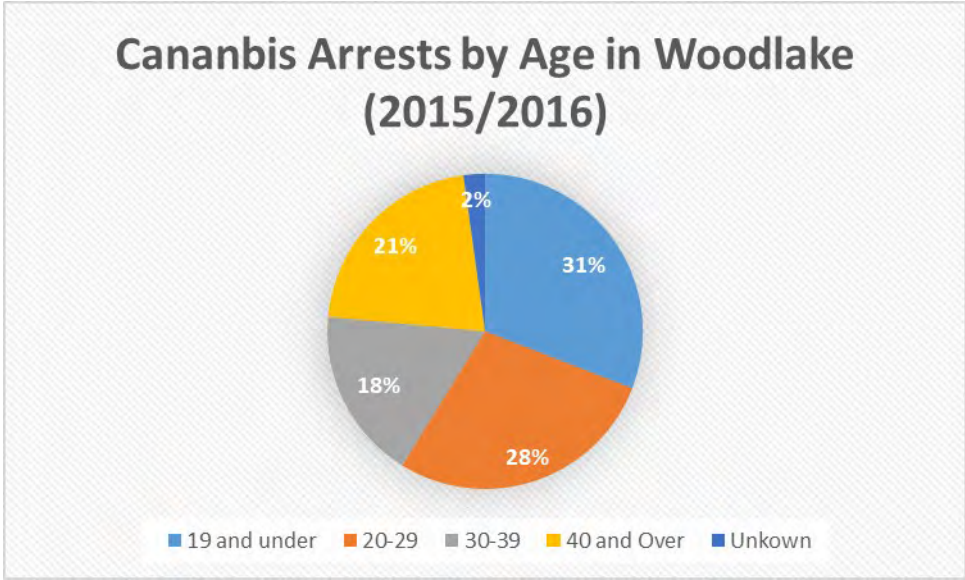


(Woodlake Police Records)

### Cannabis Arrests by Race in Woodlake



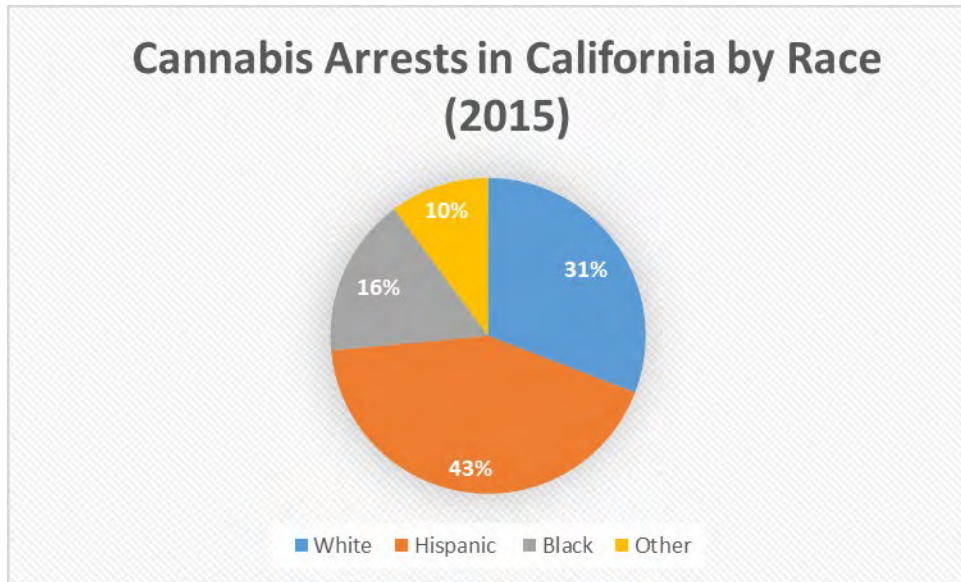
### Cannabis Arrests by Age in Woodlake



(Woodlake Police Records)

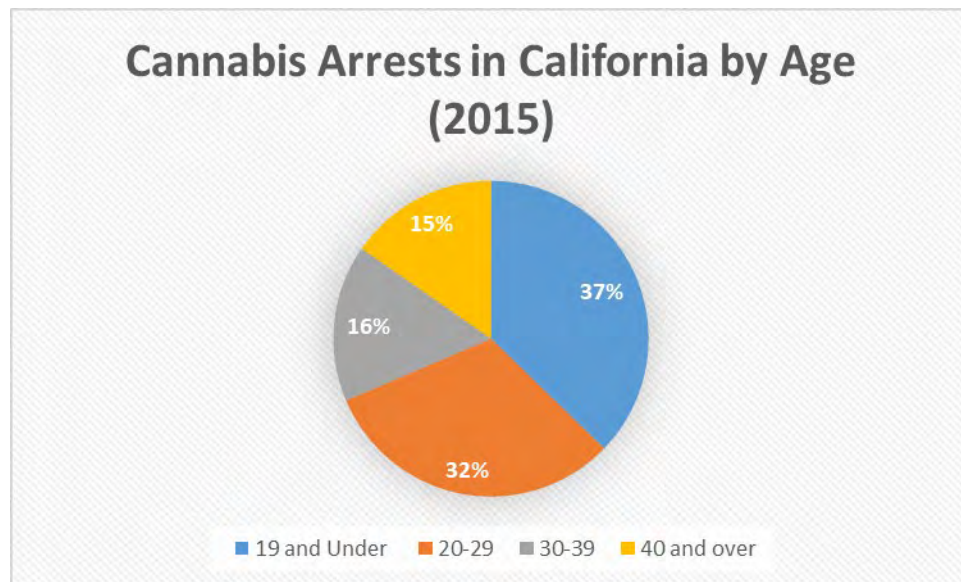
When compared with the State Data found in “Crime in California 2015”. The City of Woodlake was arresting Hispanics at a higher percentage than what was seen at the State level. The State’s data can be found below.

### **Cannabis Arrests by Race in California**



(Crime in California, 2015)

### **Cannabis Arrests by Age in California**



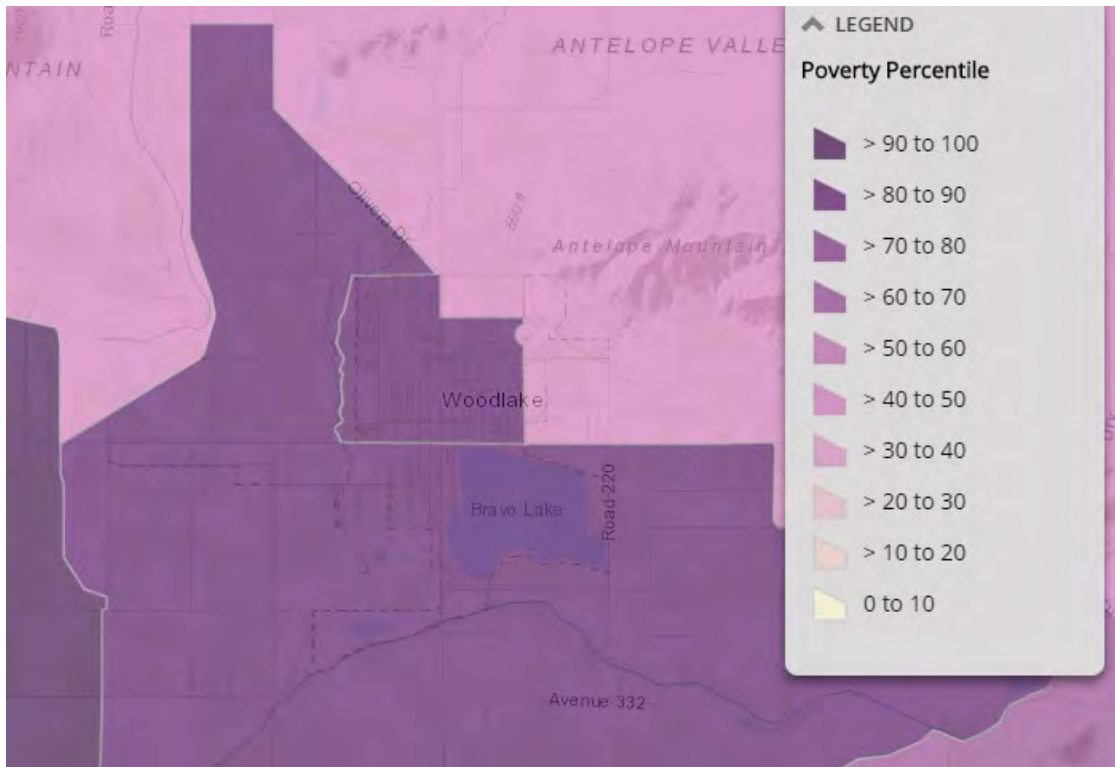
(Crime in California, 2015)

73% of those arrested for cannabis related crimes in Woodlake were Hispanic, which exceeds the 32% arrest rate seen statewide. When comparing arrest data as it relates to age, Woodlake's relates closely mirrored that State's, with only a few small exceptions (Woodlake had higher arrest rates for individuals over the age of 30).

The data shows that Hispanics, which make up a majority of Woodlake's population, where disproportionately impacted by cannabis crimination in California and in Woodlake. The ACLU study cited early in this document has shown that Hispanic residents were more likely to be impacted by cannabis criminalization. Woodlake, as a predominately Hispanic community, was likely negatively impacted at greater rates than cities with smaller minority and Hispanic populations.

In addition to being predominately Hispanic, Woodlake is also one of the poorest cities in the state of California. Data retrieved from CalEnviroScreen provides some context to the poverty and economic disadvantages that Woodlake residents face and how cannabis criminalization impacts those residents.

### CalEnviroScreen Poverty Data





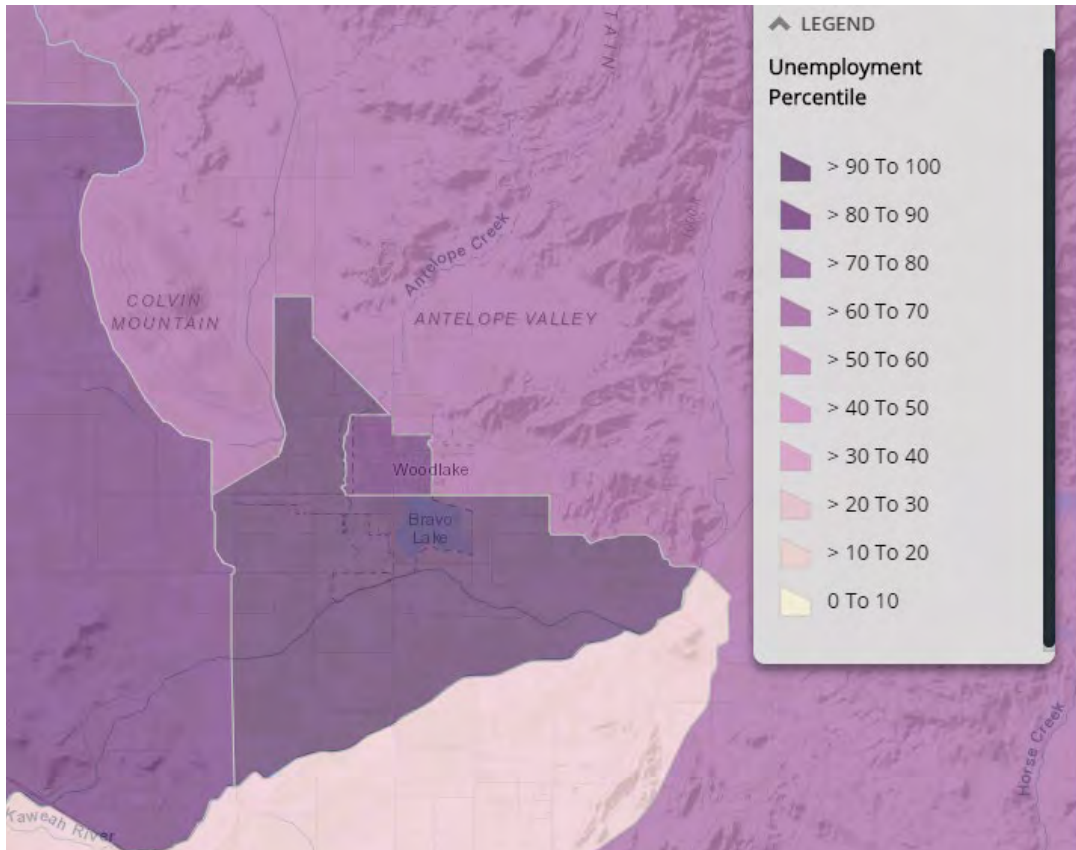
The majority of Woodlake is within two Census Tracts: Census Tract 6107000702 and 6107000701.

CalEnviroScreen provides poverty and unemployment indicators that measure the severity of both. The poverty indicator measures the percentage of people in the census tract living below twice the federal poverty level.

In Census Tract 6107000702, 64 percent of the people in this census tract are living below twice the federal poverty level. The percentile for this census tract is 88, meaning the percent of people living below twice the poverty level is higher than 88% of the census tracts in California. 17 percent of adults in the census tract are unemployed. The percentile for this census tract is 90, meaning the percent of unemployed people is higher than 90% of the census tracts in California.

In Census Tract 6107000701, 57 percent of people in this census tract are living below twice the federal poverty level. The percentile for this census tract is 81, meaning the percent of people living below twice the poverty level is higher than 81% of the census tracts in California. 19 percent of adults in the census tract are unemployed. The percentile for this census tract is 94, meaning the percent of unemployed people is higher than 94% of the census tracts in California.

## CalEnviroScreen Unemployment Data



The entirety of Woodlake is considered to be an area of extremely high poverty according to available Census data. Because of Woodlake’s small size, the entire community is considered to be “disadvantaged” and it becomes difficult to identify specific disadvantaged “areas” that were targeted for cannabis arrests since the entire city falls into that category. Unlike larger cities or counties that may have identifiable areas that are “hot spots” of poverty and police activity, the entirety of the city meets that criteria.

Woodlake’s minority population, poverty rates and unemployment rates far exceed the state averages. All available data indicates that it is likely that a majority of those arrested in Woodlake were more likely to be poor and more likely to be minorities. As a community, Woodlake has struggled due to poverty and high unemployment. The criminalization of cannabis introduced further barriers to this population as they were arrested and likely face prison time or fines that exceeded their ability to pay. The analysis shows that due to Woodlake’s high levels of poverty and due to

Woodlake's population being predominately Hispanic, the negative impacts of cannabis criminalization certainly had negative impacts on the Woodlake community.

## **SECTION III: CURRENT CONDITIONS**

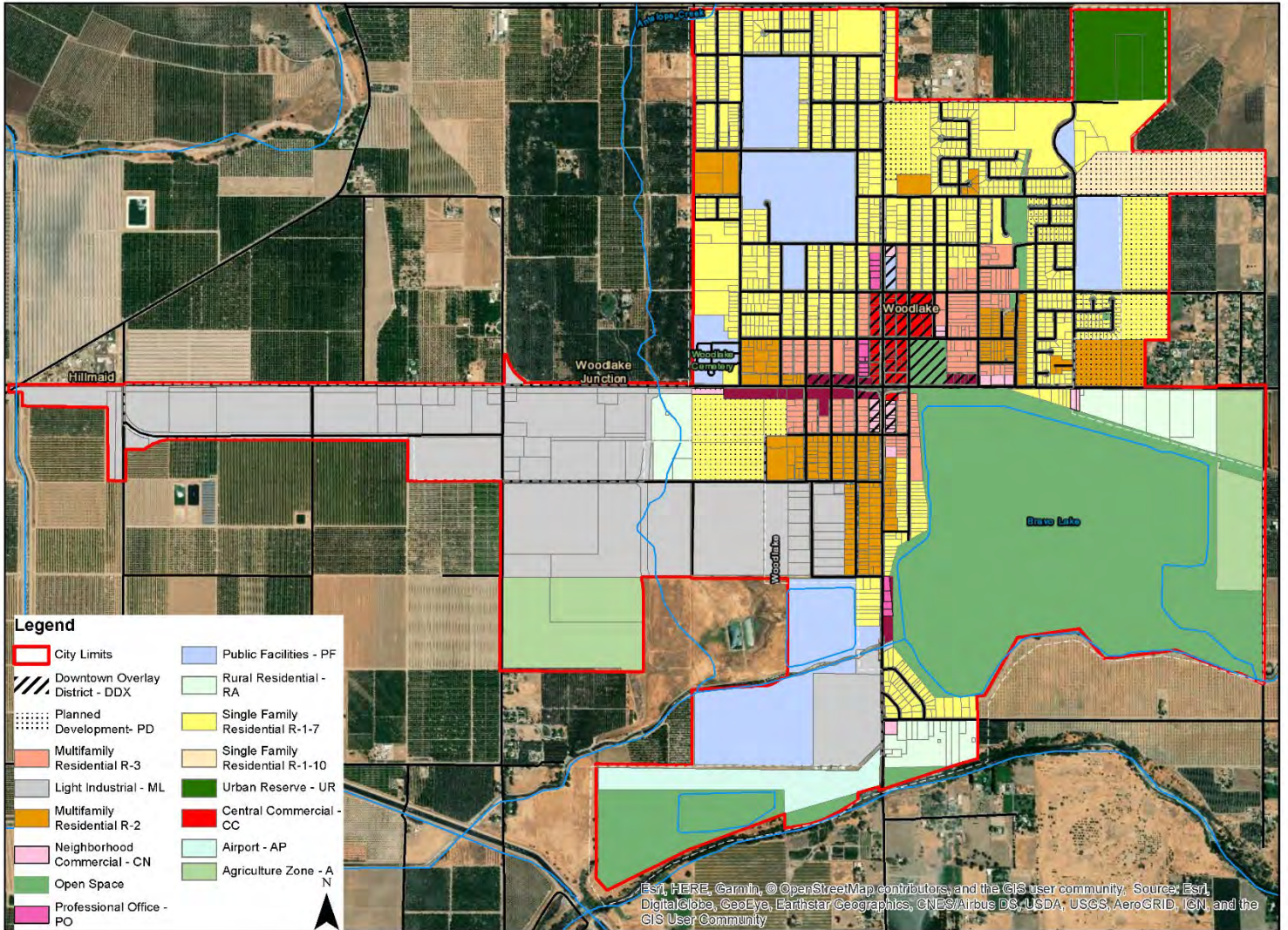
After the passage of Proposition 64 Woodlake became the first city in Tulare County to approve cannabis businesses. In November 2017, the Woodlake City Council passed several ordinances allowing for recreational retail, cultivation, manufacturing and distribution businesses. The City also passed Measure S, a tax on cannabis businesses, that would be used to improve City parks, law enforcement and community facilities in November 2017.

Almost immediately after the approval of the ordinances the City began receiving applications for cannabis businesses. The City's regulations allow for cultivation, distribution and manufacturing to be located in the City's industrial zone and there are no limitations on the number of licenses that may be issued. For retail businesses, the City allows for two retail stores and they must be located within one of the City's commercial zones. The City also recently passed an ordinance allowing for non-storefront delivery licenses for businesses that have a cultivation, manufacturing or distribution license.

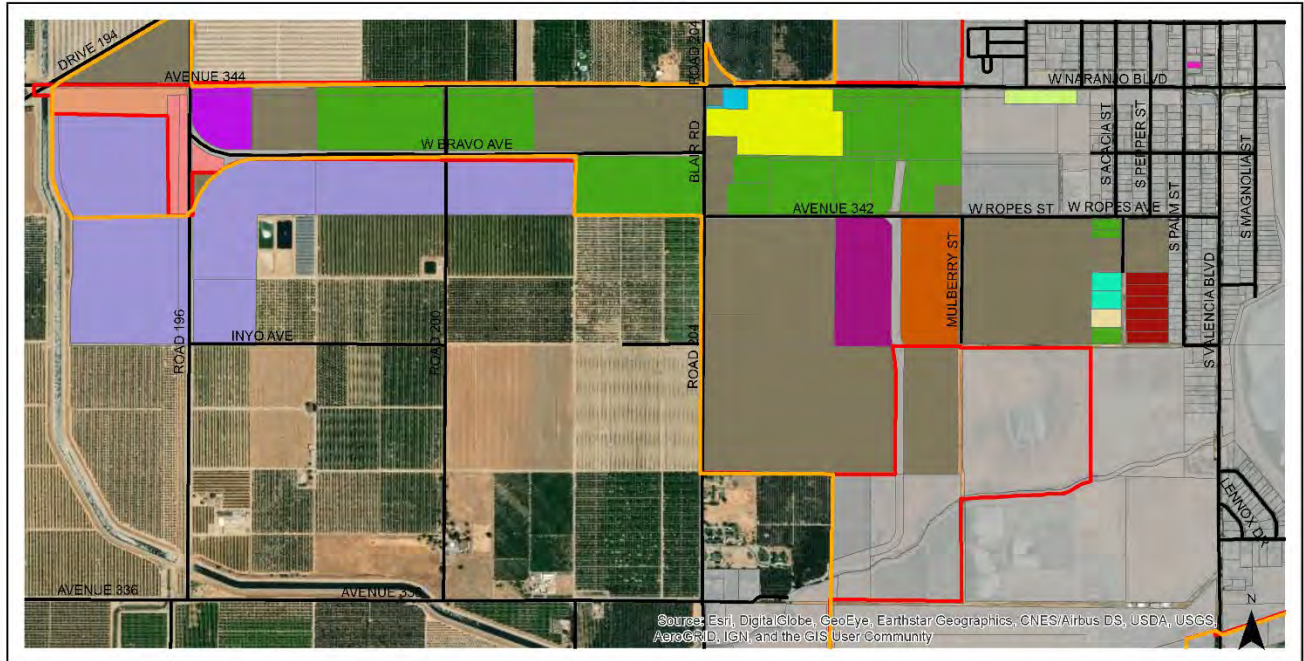
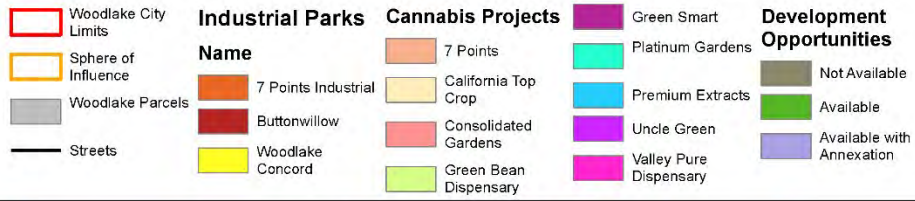
Due to Woodlake's geography, city limit boundaries, and zoning layout, the vast majority of cultivation businesses are not near residential properties. Although this is advantageous because it reduces the number of potential nuisances related to noise and smell, it presents some unique challenges because most of the industrial area lacks amenities such as City sewer services and some areas lack City sewer and water. The areas in grey in the City zoning map (below) are eligible for cannabis related businesses.

The Development Opportunity map (below) shows the areas available for cannabis business and the locations of the existing cannabis businesses.

### City of Woodlake Zoning Map



## City of Woodlake Development Opportunites and Projects December 2019



After the approval of cannabis businesses, the City has issued the following licenses (reflects list as of March 2020):

### **Cultivation**

22,000 Sqft Licenses issued: 3  
 10,000 Sqft Licenses issued: 16  
 5,000 Sqft: 3

### **Distribution**

Distribution Licenses issued: 3

### **Manufacturing**

Manufacturing Licenses issued: 5

### **Retail (Limited to 2)**

Retail Licenses issued: 2

In total, the City has issued 32 cannabis licenses within Woodlake.

Of the licenses issued by the City, a number of the businesses also received licenses from the State of California:

### **State Distribution and Retail Licenses**

License Number	License Type	Business Contact Information	Status	Issue Date	Expiration Date
C11-0000873-LIC	Cannabis - Distributor License	UNCLE GREEN INC	Active	7/22/2019	7/21/2020
C10-0000327-LIC	Cannabis - Retailer License	Green Bean Pharm LLC	Inactive	6/28/2019	6/27/2020
C10-0000059-LIC	Cannabis - Retailer License	VALLEY PURE, LLC	Active	5/16/2019	5/15/2020
C11-0000097-LIC	Cannabis - Distributor License	GSFD, LLC	Active	5/16/2019	5/15/2020
C11-18-0000829-TEMP	Cannabis - Distributor Temporary License	Uncle Green Inc	Canceled	12/28/2018	7/26/2019
C10-18-0000175-TEMP	Cannabis - Retailer Temporary License	Green Bean Pharm LLC	Canceled	12/18/2018	7/16/2019
A11-17-0000007-TEMP	Cannabis - Distributor Temporary License	GSFD LLC	Canceled	1/1/2018	7/25/2019
A10-17-0000031-TEMP	Cannabis - Retailer Temporary License	VALLEY PURE	Canceled	1/1/2018	7/25/2019

## State Cultivation Licenses

License Number	License Type	Legal Business Name	Type of License	Date	Expires On	Status
CCL19-0002617	Cannabis Cultivation License	Uncle Green, Inc.	Provisional Adult-Use - Small Indoor	12/18/2019	12/18/2020	Active
CCL19-0002595	Cannabis Cultivation License	Uncle Green, Inc.	Provisional Adult-Use - Small Indoor	12/17/2019	12/17/2020	Active
CCL19-0002613	Cannabis Cultivation License	Uncle Green, Inc.	Provisional Adult-Use - Small Indoor	12/17/2019	12/17/2020	Active
CCL19-0002614	Cannabis Cultivation License	Uncle Green, Inc.	Provisional Adult-Use - Small Indoor	12/17/2019	12/17/2020	Active
CCL19-0002615	Cannabis Cultivation License	Uncle Green, Inc.	Provisional Adult-Use - Small Indoor	12/17/2019	12/17/2020	Active
CCL19-0002616	Cannabis Cultivation License	Uncle Green, Inc.	Provisional Adult-Use - Small Indoor	12/17/2019	12/17/2020	Active
CCL19-0002610	Cannabis Cultivation License	Uncle Green, Inc.	Provisional Adult-Use - Medium Indoor	12/6/2019	12/6/2020	Active
CCL19-0002381	Cannabis Cultivation License	7 Points	Annual Adult-Use - Medium Indoor	6/6/2019	6/6/2020	Active
CCL18-0001045	Cannabis Cultivation License	GSFC LLC.	Annual Adult-Use - Medium Indoor	5/6/2019	5/6/2020	Active
TAL18-0008282	Temporary Cannabis Cultivation License	7 Points	Medium Indoor	12/10/2018	4/9/2019	Inactive

## State Manufacturing Licenses

BUSINESS LEGAL NAME	LICENSE NUMBER	STATUS	EFFECTIVE DATE	LICENSE T	EXPIRATION DATE	ANNUAL/PROVISIONAL
GSFM, LLC	CDPH-10002787	Active	4/24/2019	Type 7	4/24/2020	Provisional
Premium Extracts Incorporated	CDPH-10002438	Active	4/12/2019	Type 7	4/12/2020	Provisional

Currently, the City has 14 active licenses that have completed the licensing process at the City and State level.

The discrepancy between the number of City issued licenses and State issued licenses is due, in large part, to some businesses not having the financial resources and/or expertise to complete the licensing process.

The legalization of cannabis has been a significant opportunity in Woodlake that has resulted in dozens of new jobs, an increasing tax base and an expansion of the programs available to Woodlake residents.

The number of employees hired at the local cannabis facilities are overwhelmingly from Woodlake or nearby surrounding areas.

## Employee Residency

Business	Woodlake	Tulare County	California	Out of State
Valley Pure	3	14	2	2
Premium Extracts		4	3	1
Green Smart	2	3		1
Green Bean		4		1
7 Points	5	17	3	1

As a small town, the impact of these jobs has been noticeable. It is rare for new



business to open within the City and even rarer that these businesses seek employees from the city or nearby communities. Although some of the businesses are funded via outside investors, the vast majority are from Woodlake or Tulare County.

In addition to job creation, the cannabis industry growth in the city has also resulted in measurable growth in the City's General Fund. Over the last 2 years the cannabis industry has generated approximately \$850,000 in tax revenue.

For the 19-20 Fiscal Year, cannabis taxes will have made up 13-15% of the City's overall General Fund budget. The revenues generated by cannabis in the City aren't insignificant, they make up a significant portion of tax base that can be used for parks, public improvements and public safety.

Some of the projects the City was able to complete due to cannabis revenues can be found below:

**Completed Projects:**

Community Center (Gym Flooring, Wall Padding, Kitchen Equipment)	\$359,895.21
Park Equipment (Slides, Swings, etc.)	\$45,635.45
Police Officer and New Vehicle	\$26,361.06
Cannabis outreach items	\$4,475.01
Street and Trail Improvements	\$247,000.00

**Future Projects:**

Restroom/Storage Facility at Castlerock Park	\$52,000
Police Vehicle	\$65,000
City Park Arbor Improvements	\$100,000

The City has significantly benefited from the decriminalization of cannabis. The goal of the City is to continue to encourage local businesses, especially those who were negatively impacted by the criminalization of cannabis, to continue to grow in Woodlake. The City also hopes to use the Equity Program as a way to attract new businesses to the region that will provide employment and a healthy tax base for Woodlake.

## **SECTION IV: BARRIERS FOR BUSINESS**

Based on interviews with businesses that have been unable to complete the licensing process and businesses that have decided to abandon their attempt to enter the cannabis industry in Woodlake, there are three main barriers that have been mentioned to City staff:

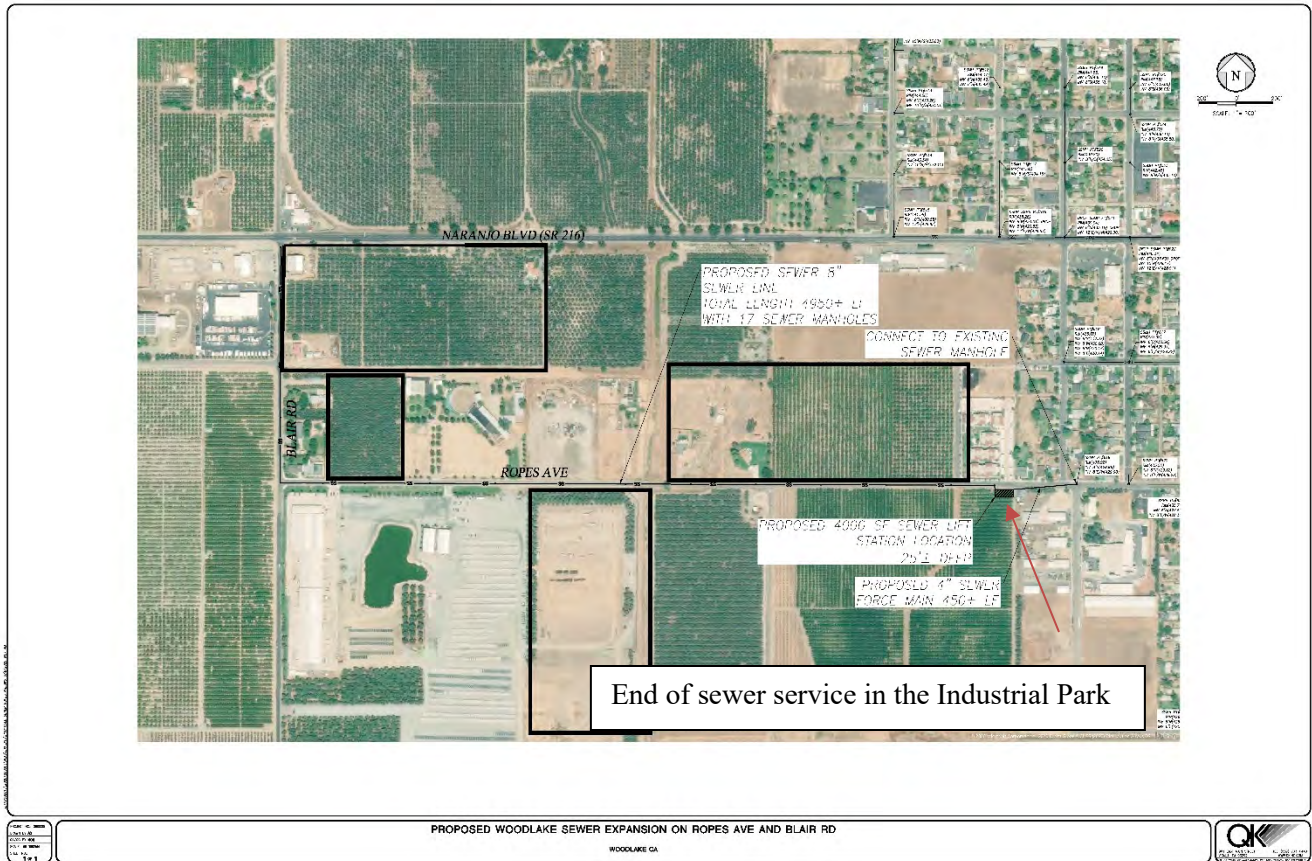
1. Land Suitability
2. Cost of Licensing
3. Lack of Technical Expertise

### **Land Suitability and Availability**

The most repeated barrier for business in Woodlake is the lack of suitable land for cannabis businesses. Although Woodlake has (relatively) affordable and developable land in the Industrial zones, that land lacks access to utilities that are needed to operate a cannabis business including sewer and municipal water. Woodlake's small size also limits the number of locations that could be zoned for Industrial land. Unlike

larger cities that may have several industrial areas throughout multiple sites in the city, Woodlake's industrial area is confined to a single part of the City which significantly constrains land availability.

## Sewer Availability in the Industrial Park



### Cost of Licensing, Permitting and Planning Fees

The annual licensing and cost to obtain permits can be difficult to overcome for new businesses that lack the upfront capital needed to start and maintain a business. Many potential businesses in Woodlake have purchased land but do not have the capital to pay for building permits or pay for engineers, architects, surveyors, etc.

### Lack of Technical Expertise

Some applicants have expressed difficulty with understanding the process to permits with the City and with the State. The process to receive a license takes multiple steps and requires the applicant to work with multiple government agencies. There have been times where projects have stalled or completely stopped because a

potential business failed to take the appropriate steps to obtain a license.  
Woodlake's equity program focuses on alleviating these three primary problems.

## **SECTION V: EQUITY PROGRAM POLICIES**

Woodlake's Equity Program allows for cannabis businesses within Woodlake to be eligible for assistance as identified in SB 1294, including:

- (1) Providing a loan or a grant to a local equity applicant or local equity licensee to assist the applicant or licensee with startup and ongoing costs. For purposes of this paragraph, "startup and ongoing costs" include, but are not limited to, rent, leases, local and state application and licensing fees, regulatory adherence, testing of cannabis, equipment, capital improvements, and training and retention of a qualified and diverse workforce.
- (2) Supporting local equity program efforts to provide sources of capital to local equity applicants and local equity licensees.
- (3) Providing direct technical assistance to local equity applicants and local equity licensees.
- (4) Assisting in the administration of local equity programs.
- (5) Providing small business support services offering technical assistance to those persons from economically disadvantaged communities that experience high rates of poverty or communities most harmed by cannabis prohibition, determined by historically high rates of arrests or convictions for cannabis law violations.
- (6) Tiered fees or fee waivers for cannabis-related permits and licenses.
- (7) Assistance in paying state regulatory and licensing fees.
- (8) Assistance securing business locations prior to or during the application process.
- (9) Assistance securing capital investments.
- (10) Assistance with regulatory compliance.
- (11) Assistance in recruitment, training, and retention of a qualified and diverse workforce, including transitional workers

## **PROGRAM ELIGIBILITY AND PROGRAM APPLICATION**

Eligibility is limited to Cannabis Businesses that are eligible for Woodlake Cannabis

Regulatory permits that can demonstrate that they, their employees, or their customers have been negatively impacted in a disproportionate way by cannabis criminalization.

The criteria by which a Cannabis Business may demonstrate eligibility for the Equity programs are as follows:

1. Have been arrested in Tulare County for a cannabis related crime prior to 2015.
  - a. An immediate family member meets the above description
2. Household income at or below 80% of Tulare County's median income
3. Live within 5 miles of Census Tract 6107000702 or 6107000701.
4. Operate a cannabis business where over 50% of the employees meet criteria 1,2 or 3
5. Operate a cannabis business where over 50% of the ownership meets criteria 1,2 or 3

Applications must be submitted to the Community Development Director and provide evidence of disproportionate impacts and ongoing barriers related to cannabis criminalization. Demographic data and information to support these impacts may be used as part of the application. Applicants will also identify the preferred form of assistance that will mitigate the effect of cannabis criminalization. The City may prioritize certain programs or funding based on the impact it has on meeting the goals of the equity program