The California Cannabis Equity Act of 2018 established by Senate Bill (SB) 1294, Chapter 794, Statutes of 2018 and provision 8(a) of Item 1111-490 of section 2 of the Budget Act of 2019 require the Bureau of Cannabis Control (Bureau) to submit a report to the Legislature on the progress of local equity programs that have received funding pursuant to these provisions. To summarize, this report addresses the $40 million of equity grant funding awarded by the Bureau and the Governor’s Office of Business and Economic Development (GO-Biz) to date.

In October 2019, the Bureau awarded $10 million in equity grant funding. The first part of this report summarizes the information received from the 10 local jurisdictions receiving funding from the Bureau’s $10 million in 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. The Bureau also received demographic data from six of the local jurisdictions that received this equity grant funding. This information is included in Appendix A.

The second part of this report provides the amount and type of funding awarded in April 2020 to each local jurisdiction from the $30 million appropriated to the Bureau and GO-Biz combined. 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. Appendix B contains copies of the equity assessments and equity program descriptions 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 www.bcc.ca.gov and a hard copy of the report can be obtained by emailing bcc@dca.ca.gov or calling (916) 465-9025.
This report is submitted pursuant to the California Cannabis Equity Act of 2018 established by SB 1294, Chapter 794, Statutes of 2018 (Equity Act) and provision 8(a) of Item 1111-490 of section 2 of the Budget Act of 2019 (Budget Act of 2019). Both the Budget Act of 2019 and the Equity Act require the Bureau of Cannabis Control (Bureau) to submit a report to the Legislature on the progress of local equity programs that have received funding pursuant to these provisions. The Bureau submits this combined report that addresses all of the equity grant funding awarded by the Bureau and the Governor’s Office of Business and Economic Development (GO-Biz) for equity grant funding.

To date, the state has awarded $40 million to local jurisdictions in equity 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. As allowed by the Equity Act and subsequent legislation, 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 on behalf of GO-Biz and the Bureau.

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 assist applicants and licensees to gain entry into, and to successfully operate in, the state’s regulated cannabis market. (Business and Professions Code § 26244(b); Budget Act of 2019.) 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.

In regard to the initial $10 million in equity grants, seven of the 10 jurisdictions provided the Bureau the number of local equity applicants and licensees in their jurisdiction. Combined, these jurisdictions have identified 1,391 equity applicants. In the following pages, specific information is provided about each local jurisdiction that received these equity grant funds. 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. The Bureau received demographic data from six of the local jurisdictions that received equity grant funding. This information is included in Appendix A.
In regard to the $30 million in equity grants, funding was awarded in two types. Type 1 — Assistance for Cannabis Equity Assessment/Program Development, which provides assistance to conduct a cannabis equity assessment and assistance to develop an equity program; this type of assistance was awarded to nine local jurisdictions. Type 2 — Assistance of Cannabis Equity Program Applicants and Licensees, which provides assistance for cannabis equity program applicants and licensees to gain entry to, and to successfully operate in, the regulated cannabis industry; this type of assistance was awarded to seven local jurisdictions. The local jurisdictions are currently in the final stages of the state contracting process for the $30 million in equity grant funding awarded in April 2020. Thus, detailed information contemplated by this report has not yet been provided by the local jurisdictions that were awarded this equity grant funding.

Additionally, Appendix B contains copies of the equity assessments and equity program descriptions submitted by the local jurisdictions awarded equity grant funding and applicants who applied for grant funding pursuant to Business and Professions Code section 26244 that did not receive funding.

It is important to note that local jurisdictions are required to report the information to be contained in this report to the Bureau on or before January 1 of the year following the receipt of the equity grant funds. As that date has not yet passed, this report includes information that the Bureau was able to gather from the equity grant fund recipients that is available at this time.
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:

<table>
<thead>
<tr>
<th>LOCAL JURISDICTION GRANT FUNDING AWARDED FOR CANNABIS EQUITY PROGRAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Coachella</td>
</tr>
<tr>
<td>County of Humboldt</td>
</tr>
<tr>
<td>City of Long Beach</td>
</tr>
<tr>
<td>City of Los Angeles</td>
</tr>
<tr>
<td>City of Oakland</td>
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<tr>
<td>City of Palm Springs</td>
</tr>
<tr>
<td>City of Sacramento</td>
</tr>
<tr>
<td>City and County of San Francisco</td>
</tr>
<tr>
<td>City of San Jose</td>
</tr>
<tr>
<td>County of Santa Cruz</td>
</tr>
</tbody>
</table>

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, the Bureau provides demographic tables for the six jurisdictions that provided demographic data in response to the Bureau’s request.

**CITY OF COACHELLA**

The City of Coachella adopted a cannabis equity program in March of 2019. The city has identified local equity applicants and licensees by providing information about its cannabis program on its website, through public hearings, and by maintaining a stakeholder list.
To qualify as an individual equity applicant under the city’s program, individual applicants must be lawfully able to work in the United States, at least 21 years of age, and meet one of the following two classifications:

1. Classification 1: A current or former resident of the City of Coachella who previously resided or currently resides in a low-income household and either:
   a. Was arrested or convicted for a cannabis related crime in the City of Coachella between the years of 1980-2011; or
   b. Has an immediate family member who was arrested or convicted for a cannabis related crime in the City of Coachella between the years of 1980-2011.

2. Classification 2: A current or former resident of the City of Coachella who has lived in a low-income household for at least five years between the years of 1908-2018, with an annual family income at or below 80 percent of the Area Median Income (AMI) and a net worth below $250,000.

A cannabis business that wishes to qualify as an equity applicant or licensee under the city’s program must provide a description of the statutory entity or provide a business form that will serve as the legal structure for the applicant and meet one of the following two classifications:

1. Classification 3: A cannabis business with no less than 51 percent ownership by Classification 1 or Classification 2 equity applicants or licensees who reside within the City of Coachella. If no such individuals exist, Classification 1 or Classification 2 equity applicants or licensees from other applicable areas may be utilized; or

2. Classification 4: A Cannabis Incubator Business or a Cannabis Social Enterprise with no less than 51 percent ownership by Classification 1 or Classification 2 equity applicants or licensees.

As of June 8, 2020, the city states they are currently working with four to six local equity applicants and three non-equity applicants.

The city has not disbursed any funds yet but plans to use the funds to provide assistance to local equity applicants and licensees by providing assistance with the costs associated with start-up; rent or leases; local and state application, licensing, and regulatory fees; regulatory compliance; and cannabis testing laboratory fees. In addition, the city intends to provide applicants and licensees technical or legal assistance in establishing a business, as well as aid applicants and licensees with the implementation of capital improvements, and acquisition of furniture and/or fixtures and equipment.

The city projects the total number of applicants and licensees that will be served by grant funds is approximately 50 to 75.
COUNTY OF HUMBOLDT

The County of Humboldt adopted the Humboldt County Local Equity Program (LEP) in March of 2019. The cannabis equity study published by the county in August 2019 found that small, rural counties in California, such as Humboldt, had higher rates of cannabis arrests than other counties, as well as the state of California as a whole.

To qualify as an equity applicant, an individual or entity must meet at least one of the following criteria:

1. Obtained or applied for a permit (either temporary or permanent), for a business located in an area in Humboldt County with a poverty rate of 17 percent or above.

2. Currently engages in, or has engaged in, small-scale cultivation of cannabis on property in Humboldt County, owned, leased, or cultivated on the property with the express permission of the owner, with a cultivation area less than 10,000 square feet.

3. Be a woman, person of color, or lesbian, gay, bisexual, transgender or queer (LGBTQ) individual who has worked in, or currently works in, the cannabis industry in Humboldt County.

4. Be an individual who has obtained or applied for a cannabis permit in Humboldt 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 event.

5. Be a person who has experienced sexual assault, exploitation, domestic violence, and/or human trafficking while participating in the cannabis industry.

6. Be a person who has become homeless or suffered a loss of housing as a result of cannabis enforcement.

Alternatively, if an individual or entity does not meet any of the above criteria, they may still qualify as a local equity applicant or licensee if they meet at least three of the following criteria:

1. Is an individual permitted, seeking a permit for, or employed in a Humboldt County permitted cannabis business; a board member of a non-profit cannabis business; or has a membership interest in a cannabis business formed as a cooperative per Business and Professions Code section 26220 – 26231.2.

2. Has resided in Humboldt County for at least five years during the period 1971 – 2016.

3. Has obtained, applied for, or intends to apply for a permit or zoning clearance for commercial cannabis activities in Humboldt County.

4. Has lived within a five-mile radius of the location of raids conducted by the Campaign Against Marijuana Planting (CAMP) program.
5. Has a household income below the California poverty level.

6. 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.

7. 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).

As of June 8, 2020, the county had 1,531 applicants and 480 licensees.

The county has not disbursed any grant funds yet, but plans to use funds to provide direct financial assistance to equity applicants and licensees through fee waivers for local permits, costs associated with training and certification, and loans and grants to assist with assuring compliance with regulatory requirements such as costs associated with irrigation requirements, remediation or relocation of cannabis facilities, or installation of power systems at cannabis facilities in remote areas.

In addition to the above financial assistance, local equity applicants and licensees will also receive the following benefits under the LEP: cannabis and small business development assistance from the county’s Economic Development Division, fee deferrals, assistance with forming cannabis cooperative associations, and employment skill training.

The county is assessing their current applicant and licensee pools to determine the number that may qualify as equity applicants and licensees under the LEP.

CITY OF LONG BEACH

The City of Long Beach adopted the Equity Assistance Program in July of 2018 based on the findings of a cannabis study. The study provided recommendations on the services to be provided under the program, the communities most impacted by the criminalization of cannabis in Long Beach, and the requirements needed to qualify as an equity applicant or licensee under the city’s program.

To qualify as an equity applicant under the Equity Assistance Program, an individual must be a natural person; have had an annual family income at or below 80 percent Los Angeles - Long Beach - Glendale (Los Angeles County) Area Median Income (AMI) adjusted for family size and a net worth below $250,000 in the last year; and meet one of the following criteria:

1. Has 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 Area Median Income;

2. Was arrested or convicted for a crime relating to the sale, possession, use, or cultivation of cannabis in the City of Long Beach prior to November 8, 2016 that could have been prosecuted as a misdemeanor or citation under current California law; or
3. Currently is a Long Beach resident currently receiving unemployment benefits.

To qualify as an equity licensee under the Equity Assistance Program, an individual must:

1. Meet the same qualifying criteria as equity applicants under the Equity Assistance Program; and

2. Have a minimum of 51 percent ownership of the entity applying for an Adult-Use Cannabis Business Permit.

As of June 8, 2020, the city had 340 non-equity applicants, 64 non-equity licensees, two equity applicants, and one equity licensee.

The city has not disbursed grant funds yet but plans to provide fee waivers that will cover all city costs incurred by equity owned businesses throughout the cannabis business license and application and permitting process, including, but not limited to zoning permit fees, application fees, and facility plan check and inspection fees. Moreover, the city intends to provide direct grants to assist equity owned businesses with non-city costs associated with opening and operating a cannabis business in the City of Long Beach, including but not limited to: rent or lease payments; legal assistance; fixtures and equipment; capital improvements; and other state and local regulatory fees.

The city estimates that an additional three equity-owned businesses will successfully complete the licensing process and be eligible to receive grant funds and a total of 15 equity owned businesses will be served by the grant funds within the grant term.

**CITY OF LOS ANGELES**

The City of Los Angeles adopted a cannabis social equity program in December of 2017. The city used an equity analysis conducted in early 2017 to identify certain qualifying criteria for social equity applicants in the program. The applicants are divided into three tiers – Tier 1, Tier 2, and Tier 3.

To qualify as a Tier 1 equity applicant, equity applicants must own at least 51 percent of the business applying for the license, earn less than 80 percent the area median income for Los Angeles as determined by the American Community Survey; and have either:

1. A qualifying California cannabis arrest or conviction; or
2. Five years of residency in a “Disproportionately Impacted Area” as identified in the equity analysis.

To qualify as a Tier 2 equity applicant, equity applicants must own at least 33.33 percent of the business applying for the license and must either:
1. Be low income, which is defined as earning less than 80 percent the area median income for Los Angeles as determined by the American Community Survey and have five years of residency in a “Disproportionately Impacted Area” as identified in the equity analysis; or

2. Have 10 years of residency in a “Disproportionately Impacted Area” as identified in the equity analysis.

To qualify as a Tier 3 equity applicant, equity applicants must provide Tier 1 and Tier 2 equity applicants business, licensing, and compliance support. In addition, Tier 3 equity applicants must either:

1. Provide Tier 1 equity applicant access to property and conduct commercial cannabis business; or

2. Provide a percentage of their business premises to a Tier 1 equity applicant or can provide a different property as long as it meets the space requirements for the Tier 1 equity applicant’s commercial cannabis business.

The city has not disbursed grant funds yet but plans to use grant funds to aid applicants and licensees with the application process. Specifically, the city intends on using the grant funds to provide direct technical assistance to equity applicants and licensees; aid in the priority processing of license applications; provide expedited processing of license renewal applications; provide assistance for business and license compliance; and fee deferrals.

As of May 22, 2020, the city had 188 non-equity licensees, 389 local equity applicants, and 177 local equity licensees. The city estimates 1,682 verified social equity applicants and licensees, including those listed above, will be served by the grant funds awarded.

CITY OF OAKLAND

The City of Oakland has the earliest established local equity program of the local jurisdictions that received equity grant funding. Oakland adopted its equity program in March of 2017. A study published by the city in February of 2017 identified several communities that were negatively impacted by the criminalization of cannabis.

To qualify as an equity applicant the applicant must be an owner, or have an ownership interest in the cannabis business seeking the license, that is a City of Oakland resident that has an annual income at or less than 80 percent the Oakland Average Median Income (AMI) adjusted for household size and either:

1. Lives or has 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, 5X, 8X and 35X for at least 10 of the last 20 years; or

2. Has been arrested after November 5, 1996 and convicted of a cannabis crime committed in Oakland, California.
As of June 2, 2020, the city had a total of 351 equity applicants and 151 equity licensees.

The city has not disbursed any grant funds yet but plans to use funds to provide financial assistance in the form of grants to operators for all eligible expenses or grants to support shared commercial kitchens for equity manufacturers. The city also plans to use the grant funds for events featuring equity businesses and workforce development programs.

**CITY OF PALM SPRINGS**

The City of Palm Springs adopted a social equity program in March of 2019. 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 June 8, 2020, the city had 57 non-equity licensees, 100 non-equity applicants, and one equity applicant.

The city has not disbursed any grant funds. However, the city plans for Classification 1 and 2 equity applicants will have their local permit fees waived and receive educational workshops for completing and processing city permit applications under the city’s program.

**CITY OF SACRAMENTO**

The City of Sacramento adopted the Cannabis Opportunity Reinvestment Equity (CORE) program in August 2018. A cannabis equity study completed in May 2018 identified the communities and individuals most impacted by the criminalization of cannabis in Sacramento. The study helped establish the criteria required to qualify as an equity applicant or licensee under the CORE program. The program identifies five classifications that an applicant or licensee can fall under. Classifications 1 and 2 are for individual equity applicants and licensees while Classifications 3 – 5 are for equity applicants or licensees that are business entities.

To qualify as an equity applicant or licensee under Classification 1, an individual must live or have lived in a low-income household in Sacramento and either:
1. Have been arrested in Sacramento for cannabis–related crime between 1980-2011; or

2. Have an immediate family member who has been arrested in Sacramento for cannabis-related crime between 1980-2011.

To qualify as an equity applicant or licensee under Classification 2, an individual must have lived in a low-income household in the Sacramento zip codes 95811, 95815, 95817, 95820, 95823, 95824, 95826, 95828, 95818, 95838 and 95832 for five consecutive years between 1980 - 2011.

To qualify as an equity applicant or licensee under Classification 3, a business entity must have no less than 51 percent ownership by Classification 1 or Classification 2 equity applicants.

To qualify as an equity applicant or licensee under Classification 4, a business entity must be a CORE Program Incubator. To be a CORE Program Incubator, a cannabis business must meet at least one of the following criteria:

1. The incubator is a cannabis business that 30 percent of the incubator’s workforce is comprised of Classification 1 or 2 equity applicants, measured by hours worked. In addition, the incubator contracts no less than 51 percent of its cannabis products, services, and ancillary business support with eligible equity licensees.

2. The incubator is a cannabis business that is a shared manufacturing cannabis business and donates at least 10 percent of its hours of operation to allowing equity licensees to utilize 100 percent of the incubator’s business floor space and equipment; or

3. The incubator is a cannabis business that sells, gives, or otherwise transfers no less than 33 percent of equity share in the incubator’s cannabis business to qualified Classification 1 and 2 equity applicants and licensees; has at least 30 percent of its workforce comprised of Classification 1 or 2 equity applicants; and contracts no less than 30 percent of its cannabis and ancillary business with Classification 1 or 2 equity licensees.

To qualify as an equity applicant or licensee under Classification 5, a cannabis business must be a Social Enterprise that have no less than 51 percent ownership by Classifications 1 or 2 equity applicants or licensees.

As of June 3, 2020, the city had 488 non-equity applicants, 190 non-equity licensees, 12 equity applicants, and eight equity licensees.

The CORE program uses grant funds to reimburse equity business operating permit (BOP) holders and equity applicants for cannabis business expenses up to $25,000 per BOP. Qualifying expenses for reimbursement can include, but are not limited to, regulatory compliance costs and fees; state license fees; tenant improvements; rent; security upgrades; equipment expenses; and business consulting and legal services.
Since the CORE program began, there have been 14 requests for cannabis business expense reimbursements: four from equity licensees and 10 from equity applicants with BOP applications in progress.

CITY AND COUNTY OF SAN FRANCISCO

The City and County of San Francisco (“city”) established a cannabis local equity program in December of 2017. Information and data collected from a cannabis equity study was used to develop qualifying criteria for city’s program. Equity applicants must meet three of the following criteria:

1. A household income below 80 percent of the AMI in San Francisco in the previous year.
2. Been arrested, convicted, or adjudged to be a ward of the state for a cannabis-related crime between 1971-2016.
3. Has a close relative, either a parent, sibling, or child that, arrested convicted, or adjudged to be a ward of the state for a cannabis related crime between 1971-2016.
5. Lived in San Francisco census tracts for five years, where at least 17 percent of households were at or below the federal poverty level.
6. Experienced housing insecurity evidenced by eviction, foreclosure, or revocation of housing subsidy since 1995.

As of June 8, 2020, the city had 268 non-equity applicants, 290 equity applicants, and four equity licensees.

San Francisco has not disbursed any grant funds but plans to use funds to provide financial assistance to equity applicants and licensees for activities such as finding and securing leased properties for equity applicants and licensees; aiding with the costs associated with bringing existing properties into compliance; and aiding with local and state licensing fees.

CITY OF SAN JOSE

The City of San Jose adopted a social equity program in March of 2019. To qualify as an equity applicant or licensee, an individual must have an annual family income at or below 80 percent of the Area Median Income (AMI) for Santa Clara County; hold a minimum of 51 percent ownership in the entity applying for registration as a cannabis business in San Jose; and meet one of the following:
1. 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

2. 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 the current residents have a household income at or below 80 percent of the AMI for Santa Clara County; or

3. 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

4. Has a parent, guardian, child, or sibling that was 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.

San Jose has not disbursed any grant funds but plans on using funds for enabling key partners to provide small business support and technical assistance to equity applicants and licensees with developing business plans; accessing capital and small business loans; mentoring and procurement assistance; legal advice and counseling; and market planning. The city also intends on using grant funds to underwrite permit and registration costs for cannabis equity licensees and hold cannabis industry job fairs and employment workshops.

At this time, the city states that there are no equity applicants or licensees.

**COUNTY OF SANTA CRUZ**

The County of Santa Cruz adopted a social equity program in March of 2019. To qualify as an equity applicant under the county’s program, equity applicants or licensees must be owners of commercial cannabis businesses who can demonstrate that they, their employees, or their customers have been negatively impacted in a disproportionate way by cannabis criminalization. In addition, equity applicants must further demonstrate what they have done and will do to address those negative impacts, including but not limited to, supporting compassionate care programs within the community.

As of June 12, 2020, the county had 89 applicants and licensees, but does not know how many of those qualify as a local equity applicant or licensee.

The county has not disbursed any grant funds yet but plans to use grant funding for financial assistance in the form of fee waivers for county licensees, direct financial assistance with regulatory fees or state license and application fees, and reimbursements on building costs associated with compliance.

The county projects between 20 and 35 equity applicants and licensees will be served by the grant funds.
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 on behalf of GO-Biz and the Bureau. 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 of 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:

<table>
<thead>
<tr>
<th>LOCAL JURISDICTION GRANT FUNDING AWARDED FOR TYPE 1 - CANNABIS EQUITY ASSESSMENT/PROGRAM DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Clearlake                                              $98,890.43</td>
</tr>
<tr>
<td>City of Coachella                                             $93,783.26</td>
</tr>
<tr>
<td>County of Lake                                                $150,000.00</td>
</tr>
<tr>
<td>County of Monterey                                            $150,000.00</td>
</tr>
<tr>
<td>County of Nevada                                               $149,999.95</td>
</tr>
<tr>
<td>City of Palm Springs                                          $149,397.90</td>
</tr>
<tr>
<td>City of San Jose                                               $149,300.37</td>
</tr>
<tr>
<td>City of Santa Cruz                                            $147,666.75</td>
</tr>
<tr>
<td>City of Stockton                                               $60,000.00</td>
</tr>
</tbody>
</table>
Seven local jurisdictions were awarded Type 2 equity grant funding in the following amounts:

<table>
<thead>
<tr>
<th>LOCAL JURISDICTION</th>
<th>GRANT FUNDING AWARDED FOR TYPE 2: CANNABIS EQUITY APPLICANTS/LICENSEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>County of Humboldt</td>
<td>$2,459,581.02</td>
</tr>
<tr>
<td>City of Los Angeles</td>
<td>$6,042,014.23</td>
</tr>
<tr>
<td>City of Long Beach</td>
<td>$2,700,000.00</td>
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<tr>
<td>County of Mendocino</td>
<td>$2,245,704.40</td>
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<tr>
<td>City of Oakland</td>
<td>$6,576,705.76</td>
</tr>
<tr>
<td>City of Sacramento</td>
<td>$3,831,955.93</td>
</tr>
<tr>
<td>City and County of San Francisco</td>
<td>$4,995,000.00</td>
</tr>
</tbody>
</table>

For the $30 million in equity grant funds awarded on April 2020, the local jurisdictions are currently in the process of completing the state contracting process. Thus, the local jurisdictions do not have the demographic or other detailed information about their programs contemplated by this report. The first reports due from the local jurisdictions are not due until January 1, 2021.
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 and Budget Act of 2019. Responses by applicants and licensees were voluntary and thus may not represent the total number of applicants and licensees within the jurisdiction. The City of Palm Springs, City of Long Beach, City of San Jose, and County of Santa Cruz did not provide demographic information.
## APPENDIX A - DEMOGRAPHIC TABLES

### CITY OF COACHELLA RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

| RACE / ETHNICITY |  
|------------------|---
| White / Caucasian | 1 |
| Hispanic / Latino | 1 |
| Other / Multiple Responses | 1 |

| GENDER |  
|--------|---
| Men | 1 |
| Women | 1 |
| Other / Multiple Responses | 1 |

| AGE |  
|-----|---
| 40 - 69 Years | 1 |
| Other / Multiple Responses | 2 |

| SEXUAL ORIENTATION |  
|--------------------|---
| Heterosexual / Straight | 2 |
| Other / Multiple Responses | 1 |

| DISABILITY STATUS |  
|-------------------|---
| Has a Disability / Owner or Owners has Disability | 1 |
| Does Not Have Disability | 2 |

| ANNUAL INCOME |  
|---------------|---
| $80,000 to $100,000 / year | 1 |
| More than $100,000 / year | 2 |

| PRIOR INCARCERATIONS |  
|----------------------|---
| Previously Incarcerated / Immediate Family Member Incarcerated for Cannabis Related Charges | 1 |
| Never Incarcerated / No Immediate Family Incarcerated for Cannabis Related Charges | 2 |

| PRIOR CONVICTIONS |  
|-------------------|---
| Convicted / Immediate Family Member Convicted of Cannabis Related Charges | 1 |
| Never Convicted / No Immediate Family Convicted of Cannabis Related Charges | 2 |

| MILITARY STATUS |  
|----------------|---
| Currently Serve or Has Served in U.S. Military | 1 |
| Never Served in the U.S. Military | 2 |
**COUNTY OF HUMBOLDT RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY**

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<tr>
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<tr>
<td>Hispanic / Latino</td>
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<tr>
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<tbody>
<tr>
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<tr>
<td>Homosexual / Gay</td>
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## ANNUAL INCOME

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## PRIOR INCARCERATIONS

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<tbody>
<tr>
<td>Previously Incarcerated / Immediate Family Incarcerated</td>
<td>12</td>
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<tr>
<td>Never Incarcerated / No Immediate Family Incarcerated</td>
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## PRIOR CONVICTIONS

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## MILITARY STATUS

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### CITY OF LOS ANGELES RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

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<tbody>
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<td>Asian</td>
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<td>Black / African American</td>
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<td>Native Hawaiian or Other Pacific Islander</td>
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<tr>
<td>White / Caucasian</td>
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<td>Multiple</td>
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<td>Other / Not Listed on Survey</td>
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<td>Declined to State</td>
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<tr>
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<table>
<thead>
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<th><strong>AGE</strong></th>
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<tr>
<td>21 - 39 Years</td>
<td>131</td>
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<tr>
<td>40 - 69 Years</td>
<td>163</td>
</tr>
<tr>
<td>70 Years and Over</td>
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<td>Bisexual</td>
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<tr>
<td>Heterosexual / Straight</td>
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<tr>
<td>Homosexual / Gay</td>
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<tr>
<td>Pansexual</td>
<td>2</td>
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<td>Other / Not Listed on Survey</td>
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<tr>
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<tr>
<td>Does Not Have Disability</td>
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## ANNUAL INCOME

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<tr>
<td>$40,000 to $59,999 / year</td>
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</tr>
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<td>$60,000 to $79,999 / year</td>
<td>6</td>
</tr>
<tr>
<td>$80,000 to $100,000 / year</td>
<td>4</td>
</tr>
<tr>
<td>More than $100,000 / year</td>
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## PRIOR INCARCERATIONS

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<tbody>
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<td>Never Incarcerated / No Immediate Family Incarcerated for Cannabis Related Charges</td>
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## PRIOR CONVICTIONS

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<tbody>
<tr>
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## MILITARY STATUS

<table>
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<tr>
<th>Military Status</th>
<th>Count</th>
</tr>
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<tbody>
<tr>
<td>Currently Serve or Has Served in U.S. Military</td>
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<tr>
<td>Never Served in the U.S. Military</td>
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## CITY OF OAKLAND RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

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<tr>
<td>Black / African American</td>
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<td>White / Caucasian</td>
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<tr>
<td>Hispanic / Latino</td>
<td>2</td>
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<tr>
<td>Multiple</td>
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<tr>
<td>Declined to State</td>
<td>2</td>
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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Men</td>
<td>38</td>
</tr>
<tr>
<td>Women</td>
<td>14</td>
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### CITY OF SACRAMENTO RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

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<tr>
<th>RACE / ETHNICITY</th>
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<tbody>
<tr>
<td>Asian / Asian American</td>
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<tr>
<td>Black / African American</td>
<td>4</td>
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<td>White / Caucasian</td>
<td>1</td>
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<tr>
<td>Hispanic / Latino</td>
<td>4</td>
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<table>
<thead>
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<tbody>
<tr>
<td>Men</td>
<td>9</td>
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<tr>
<td>Women</td>
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<tbody>
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<tr>
<td>Convicted / Immediate Family Member Convicted of Cannabis Related Charges</td>
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<tr>
<td>Never Convicted / No Immediate Family Convicted of Cannabis Related Charges</td>
<td>11</td>
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<td>Never Served in the U.S. Military</td>
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### CITY AND COUNTY OF SAN FRANCISCO RESPONSES TO EQUITY GRANT FUNDING DEMOGRAPHIC SURVEY

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<tr>
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<td>White / Caucasian</td>
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#### GENDER

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#### EDUCATION

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<td>Bachelor’s Degree</td>
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<td>Postgraduate or Above</td>
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#### ANNUAL INCOME

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<tr>
<td>$20,000 to $29,999 / year</td>
<td>23</td>
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<tr>
<td>$30,000 to $39,999 / year</td>
<td>12</td>
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<td>$40,000 to $49,999 / year</td>
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<td>$50,000 to $59,999 / year</td>
<td>6</td>
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<tr>
<td>$60,000 to $69,999 / year</td>
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<tr>
<td>$70,000 to $79,999 / year</td>
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<td>$120,000 to $129,999 / year</td>
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### ANNUAL INCOME

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<td>$200,000 to $249,999 / year</td>
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<td>$250,000 to $299,999 / year</td>
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<tr>
<td>$300,000 to $350,000 / year</td>
<td>6</td>
</tr>
<tr>
<td>$350,000 to $399,999 / year</td>
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<tr>
<td>$500,000 or more / year</td>
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APPENDIX B

EQUITY ASSESSMENTS AND EQUITY PROGRAM DESCRIPTIONS

The following pages include the equity assessments and program descriptions submitted by the local jurisdictions receiving grant funding and equity applicants who applied for but did not receive Equity Act funding.
The City of Coachella will establish a pilot social equity program dedicated to aiding individuals and businesses that were negatively or disproportionately impacted by cannabis criminalization within the City of Coachella. The goal of the program will be to allow participants to gain entry and successfully operate in the State of California’s regulated cannabis marketplace and economy.
1. PROGRAM PURPOSE:

The Cannabis Social Equity Program ("Program") will reduce the barriers of entry and participation for applicants and businesses that have been negatively impacted by the disproportionate law enforcement of cannabis related criminalization by providing them access to cannabis business development resources and small business support services. This program will make a cognizant effort to provide technical assistance and services to those persons from economically disadvantaged communities that experienced high rates of poverty or communities most harmed by cannabis prohibition, regardless of economic status, gender, racial, cultural background and criminal history. Although City of Coachella funding for the Program shall expire in two years from the date of adoption, the Program’s definition, eligibility, processing, benefits, features and functions shall remain intact as policy.

2. REVIEW PROCESS:

The City Manager or their designee shall review and approve all Program applications that meet the eligibility requirements described in Section 3 below. If an application is denied, that applicant may appeal to the City for further evaluation and a final determination.

3. PROGRAM ELIGIBILITY:

An applicant must provide documentation, as described in Section 4 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 must be lawfully able to work in the United States and be Twenty-One (21) years of age or older. They must satisfy a Classification below as well:

   i. **Classification 1.** A current or former resident of the City of Coachella who previously resided or currently resides in a low-income household and was either: a) arrested or convicted for a cannabis related crime in the City of Coachella between the years of 1980 and 2011; or is b) an immediate family member of an individual in subsection a of Classification 1 or Classification 2.

   ii. **Classification 2.** A current or former resident of the City of Coachella who has lived in a low-income household for at least five (5) years, between the years of 1908 and 2018. Annual family income must be at or below 80 percent of the Area Median Income (AMI) and net worth below $250,000.
b. **Businesses:** A cannabis business that is eligible to participate must provide a description of a 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. They must satisfy a Classification below as well:

i. **Classification 3.** A cannabis business with not less than 51% ownership by individuals meeting Classification 1 or 2 criteria that their business resides within the City of Coachella. If no such individual exists, individuals meeting Classification 1 or 2 criteria from other applicable areas may be utilized.

ii. **Classification 4.** A Cannabis Incubator Business or a Cannabis Social Enterprise with not less than 51% ownership by individuals meeting Classification 1 or 2 criteria.

### 4. DOCUMENTATION AND REVIEW:

An applicant shall provide the following with its application for the Program, in addition to any other documentation that the City of Coachella 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 Coachella, school records, medical records, banking records, Coachella 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.
5. PARTICIPANT BENEFITS:

General program benefits may include but are not limited to: business plan development, business mentoring, assistance securing 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. The City will also work with local partners and stakeholders to develop a workforce development educational program to assist with a creation of a well-trained, qualified and diverse workforce, including transitional workers. A program participant shall be entitled to receive the following benefits based on eligibility:

i. All business support services offered under the program;

ii. The City will provide priority processing of the participant’s cannabis related business and conditional use permit;

iii. The City will waive all fees associated with participants cannabis related business permit;

iv. The City shall provide assistance with State and City regulatory compliance.

6. CONDITION ON CANNABIS BUSINESS OPERATION PERMIT:

Program 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 6 shall be a condition of participants respective cannabis business operations permit, such that failure to comply with this section 6 shall be grounds to deny, suspend, or revoke such cannabis business operations permit pursuant to City of Coachella Municipal Code.

7. PROGRAM MONITORING AND REPORTING:

The Office of the City Manager shall provide bi-annually updates to the City Council on the status of the 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 the Program 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 Program, and recommend solutions as needed to advance equity and accomplish the City of Coachella’s goals, which, includes achieving 50 percent of all cannabis business permits awarded to Program participants.
8. DEFINITIONS:

a) “Eligible local jurisdiction” means a local jurisdiction that has adopted or operates a local equity program.

b) “Local equity applicant” means an applicant who has submitted, or will submit, an application to a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction’s local equity program.

c) “Local equity licensee” means a person who has obtained a license from a local jurisdiction to engage in commercial cannabis activity within the jurisdictional boundaries of that jurisdiction and who meets the requirements of that jurisdiction’s local equity program.

d) “Local equity program” means a program adopted or operated by a local jurisdiction that focuses on inclusion and support of individuals and communities in California’s cannabis industry who are linked to populations or neighborhoods that were negatively or disproportionately impacted by cannabis criminalization.

e) “Local jurisdiction” means a city, county, or city and county.

f) “State commercial cannabis license” means a license issued pursuant to the Medicinal and Adult-Use Cannabis Regulation and Safety Act by the Bureau, the California Department of Public Health, or the California Department of Food and Agriculture.

g) “Transitional worker” means a person who, at the time of starting employment at the business premises, resides in a ZIP Code or census track area with higher than average unemployment, crime, or child death rates, and faces at least one of the following barriers to employment: (1) is homeless; (2) is a custodial single parent; (3) is receiving public assistance; (4) lacks a GED or high school diploma; (5) has a criminal record or other involvement with the criminal justice system; (6) suffers from chronic unemployment; (7) is emancipated from the foster care system; (8) is a veteran; or (9) is over 65 years of age and is financially compromised.
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.¹
- 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.

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. 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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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\(^3\). 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.

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

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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The California Department of Justice lost its CAMP report records between 1997-2003\(^4\), 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'etre* 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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake</td>
<td>333505</td>
<td>15%</td>
</tr>
<tr>
<td>Shasta</td>
<td>286151</td>
<td>12.90%</td>
</tr>
<tr>
<td>Mendocino</td>
<td>184192</td>
<td>8.30%</td>
</tr>
<tr>
<td>Tulare</td>
<td>153648</td>
<td>6.90%</td>
</tr>
<tr>
<td>Fresno</td>
<td>144882</td>
<td>6.50%</td>
</tr>
<tr>
<td>Humboldt</td>
<td>109646</td>
<td>4.90%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>91113</td>
<td>4.10%</td>
</tr>
<tr>
<td>Riverside</td>
<td>89195</td>
<td>4%</td>
</tr>
<tr>
<td>Trinity</td>
<td>73294</td>
<td>3.30%</td>
</tr>
<tr>
<td>Napa</td>
<td>67719</td>
<td>3%</td>
</tr>
<tr>
<td>Kern</td>
<td>66957</td>
<td>3%</td>
</tr>
</tbody>
</table>

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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\(^4\) 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\(^5\) (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\(^6\).”

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\(^7\).

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”\(^8\) 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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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 buck⁹.

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”¹⁰.

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

⁹ Corva interview with Tasha McKee. September, 2011. Whitethorn, California.
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.\textsuperscript{11}

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\textsuperscript{12}.

\textit{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\textsuperscript{13}. Bourne resigned and the Carter administration stepped back from reforming

\textsuperscript{12} Anders 1990.
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.\(^\text{14}\)

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.

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 programing 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."15

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.16

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 lands17.

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”18.

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\textsuperscript{19}.

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\textsuperscript{20}, 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


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\(^{21}\).

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


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.

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.

**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 Age, 1980-2018

- 70 & over: 0.1%
- 40-69: 26.3%
- 30-39: 30.0%
- 20-29: 35.1%
- 18-19: 5.4%
- Under 18: 3.0%
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 (CJCJ), “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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Cannabis Arrests</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>350</td>
</tr>
<tr>
<td>1999</td>
<td>300</td>
</tr>
<tr>
<td>2000</td>
<td>400</td>
</tr>
<tr>
<td>2001</td>
<td>450</td>
</tr>
<tr>
<td>2002</td>
<td>550</td>
</tr>
</tbody>
</table>
California Cannabis Arrest Rates Ranked by County, 1998-2002

<table>
<thead>
<tr>
<th>Ranking</th>
<th>County</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Alpine</td>
</tr>
<tr>
<td>2</td>
<td>Sierra</td>
</tr>
<tr>
<td>3</td>
<td>Humboldt</td>
</tr>
<tr>
<td>4</td>
<td>Plumas</td>
</tr>
<tr>
<td>5</td>
<td>Trinity</td>
</tr>
</tbody>
</table>


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

<table>
<thead>
<tr>
<th>Local Business Owners Applying for Cannabis Permits</th>
<th>Non-Local Business Owners Applying for Cannabis Permits in CA</th>
<th>Non-Local Business Owners Applying for Cannabis Permits out of state</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=400</td>
<td>N=50</td>
<td>N=28</td>
</tr>
</tbody>
</table>

Permit Types

- Cultivation: 79.80%
- Manufacturer: 2.50%
- Dispensary/Retail: 3.90%
- Distribution: 2.50%
- Transporter: 0.0%
The majority (79.80%) of applicants are seeking cannabis cultivation permits. (Please note that several applicants applied for more than one type of permit).

<table>
<thead>
<tr>
<th>Permit Type</th>
<th>Applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultivation</td>
<td>N =387 (79.8%)</td>
</tr>
<tr>
<td>Manufacturer</td>
<td>N =19 (3.9%)</td>
</tr>
<tr>
<td>Dispensary/Retail</td>
<td>N =12 (2.5%)</td>
</tr>
<tr>
<td>Distribution</td>
<td>N =12 (2.5%)</td>
</tr>
<tr>
<td>Transporter</td>
<td>N = 2 (0.4%)</td>
</tr>
<tr>
<td>Testing</td>
<td>N = 0</td>
</tr>
</tbody>
</table>
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 Bustic 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 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. 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
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conviction history</td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>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</td>
</tr>
<tr>
<td>Low income status</td>
<td>Household income at or below 80% of Humboldt area’s median income</td>
</tr>
<tr>
<td>Residency consideration</td>
<td>Give additional consideration to those who have resided in Humboldt County for at least five years between 1971-2016</td>
</tr>
<tr>
<td>Ownership consideration</td>
<td>Give additional consideration to those who own at least 40-51% of the business</td>
</tr>
<tr>
<td>Geographic location</td>
<td>Have lived within a five mile radius of the location of raids conducted by CAMP during 1971-2016</td>
</tr>
<tr>
<td>Size of operation</td>
<td>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</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>1. Waive fees for application assistance trainings</td>
</tr>
<tr>
<td></td>
<td>2. Deferral of payment of application fees for zoning and special use permits</td>
</tr>
<tr>
<td></td>
<td>3. Waive or defer fees for trainings and certifications required by law</td>
</tr>
<tr>
<td></td>
<td>4. Loans or grants to incentivize businesses that mitigate adverse environmental effects of cannabis cultivation</td>
</tr>
<tr>
<td>Administrative/Technical</td>
<td>1. Technical assistance for formation of cannabis cooperative associations</td>
</tr>
<tr>
<td></td>
<td>2. Technical assistance to ensure public and private road access to cannabis operations</td>
</tr>
</tbody>
</table>
3. Provide training and/or technical assistance to assist those with past cannabis convictions get their records expunged
4. Work with banking institutions and provide technical assistance to support equity applicants in accessing banking services

Business Acumen
1. Employment skill training for equity participants employed or seeking employment in licensed cannabis operations
2. Training/support for business owners to understanding workforce rules and regulations. See recommendations below*

Distrust of Government
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
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.

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.
Humboldt County
Cannabis Local Equity Program Manual

The purpose of this manual is to describe the requirements for licensees of, or those seeking to apply to the Humboldt County Cannabis Local Equity Program (CLEP). This manual also describes the types of services to be provided by the CLEP, and program administration.

A. Qualifications

Those applying for, or who are licensee of, the Humboldt County Cannabis Local Equity Program shall:

1. Apply as a person, not an entity
2. Be one of the following:
   a. An individual licensed for, seeking a license for, or employment in a Humboldt County licensed cannabis business
   b. The business owner
   c. Own at least 40% of the business and be the CEO
   d. Own at least 51% of the business
   e. A board member of a non-profit cannabis business where most of the board also qualify as equity applicants
   f. Have a membership interest in a cannabis business formed as a cooperative per B&P Code section 26220 - 26231.2.
   g. An employee of, or seeking employment with, a Humboldt County licensed cannabis business.
3. Have resided in Humboldt County at least five years during the period 1971 – 2016.
4. Have obtained or applied for a permit or zoning clearance for, be employed in or seeking employment in commercial cannabis activities in Humboldt County, or shall apply for a permit or zoning clearance for commercial cannabis activities from Humboldt County, or shall seek employment in connection with the services and assistance to be provided by the Humboldt County Cannabis Equity Program.
5. Meet at least one of the following equity conditions:
   a. Household income below 80% of median for Humboldt County in year submitting CLEP application.
   b. 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 from 1971 to 2015;
   c. 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) from 1971 to 2015;
   d. Have lived within a five mile radius of the location of raids conducted by the Campaign Against Marijuana Planting (CAMP) program during the period from 1971 to 2015;
   e. 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 for a period of at least 2 years during the period from 1971 - 2015.
   f. Be a member of an ethnic, racial or other disadvantaged community, including but not limited to LGBTQ persons.
   g. Have become homeless or suffered a loss of housing as a result of marijuana enforcement during the period from 1971 – 2015.

Adopted 3/19/19
B. Services

Services to be provided by the Humboldt County Cannabis Equity Program may include, depending on need and the availability of funds from grants or other sources:

1. Waiver of fees for Application Assistance Meetings of up to four hours, with the Cannabis Services Division of the Department of Planning and Building;
2. Cannabis Business Development Assistance from the Office of Economic Development, including business planning, loan application preparation, human resource management, bookkeeping and accounting practices and systems, etc.;
3. Deferral of payment of Application Fees for Cannabis Activity Zoning Clearance Certificates or Special Permit or Use Permit for a period not to exceed three (3) years;
4. Technical Assistance for the formation and administration of Road Maintenance Associations for public and private road networks providing access to cannabis activity operations by eligible cannabis equity program applicants or licensees, where such road networks may adversely impact watersheds providing habitat for threatened or endangered species;
5. Waiver or deferral of fees for training and certification by the Agricultural Commissioner’s office for Weights and Measures and Pesticide Applicators requirements or certification of scales used in cannabis licensed businesses in Humboldt County;
6. Technical Assistance for the formation of cannabis cooperative associations pursuant to Business and Professions Code sections 26220 -26231.2 the majority membership of which is comprised of cannabis equity program applicants or licensees.
7. Loans or Grants for purposes of assuring compliance with regulatory requirements of local or state permits or licenses that mitigate adverse environmental effects of cannabis cultivation or other activities including, but not limited to:
   a. Water storage for irrigation during forbearance periods of surface water diversion required by state or local regulations;
   b. Remediation and relocation of cannabis facilities located within streamside setbacks required by state or local regulation;
   c. Installation of solar electrical systems to replace diesel or gasoline generator power for off-grid cannabis facilities where connecting to the grid is economically infeasible.
8. Employment skill training for eligible equity participants employed or seeking employment in licensed cannabis operations in Humboldt County

Adopted 3/19/19
C. Program Administration:

1. No more than ten percent (10%) of Bureau of Cannabis Control Local Equity Program Grant Funds may be utilized for program administration;
2. Principal Administration and Coordination of Services shall be administered by the County Administrative Office - Economic Development Team (Economic Development) for determination of eligibility;
3. Economic Development shall promulgate any policies, procedures, and forms necessary for program administration and submit them to the Board of Supervisors for review and approval.
4. To the maximum extent feasible, county staff will provide existing services to CLEP applicants and licensees, with the intent to have Equity Program funding pay for the cost of those services. Such funding will be provided either through the administration portion of the CLEP or eligible services described in Section B above;
5. Economic Development shall monitor and report on all program services provided through the CLEP, at least annually and more frequently as directed by the Board of Supervisors, state law or regulation;
6. Economic Development shall receive and process all applications to determine eligibility of equity program participants;

D. Budget Allocation

Available Program funds shall be allocated for Program Services specified in Section B., above, as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and Grants</td>
<td>60%</td>
</tr>
<tr>
<td>Technical Assistance, Training, waivers and fee reductions</td>
<td>30%</td>
</tr>
<tr>
<td>Administration (not to exceed)</td>
<td>10%</td>
</tr>
</tbody>
</table>
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.
<table>
<thead>
<tr>
<th>POLICY AREA</th>
<th>OAKLAND</th>
<th>SAN FRANCISCO</th>
<th>LOS ANGELES</th>
<th>SACRAMENTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria for Equity Applicants</td>
<td>-City Residency</td>
<td>-Natural person</td>
<td>-City residency</td>
<td>-Minimum ownership percentage</td>
</tr>
<tr>
<td></td>
<td>-Annual income less than 80% AMI</td>
<td>-Asset total that does not exceed asset limit established by Director</td>
<td>-Low income and prior cannabis conviction in the State of California or low income and lives or lived in a disproportionate impact area for 5 years or lives or lived in a disproportionate impact area for 10 years</td>
<td>-Minimum ownership percentage</td>
</tr>
<tr>
<td></td>
<td>-Lives or lived in a police beat with high rates of arrests/convictions or arrested after November 5, 1996 for a cannabis offense committed in the city</td>
<td>-Meets three or more of the following: 1. Member of a household with annual income below 80% SF Median Income; 2. Arrested or convicted between 1971-2016 for a cannabis-related offense; 3. Experienced an eviction, foreclosure, or revocation of housing subsidy in SF; 4. Has a parent, sibling or child arrested or convicted between 1971-2016 for a cannabis-related offense; 5. Attended SF Unified School District for 5 years; 6. Lived for at least 5 years in SF census tracts where at least 17% of households had incomes below FPL</td>
<td>-Resides in a zip code of a priority neighborhood for at least 7 years, between 1994 and the date of application or from the most negatively impacted zip code subject to disproportionate marijuana arrest rates</td>
<td>-Residents in a zip code of a priority neighborhood for at least 7 years, between 1994 and the date of application or from the most negatively impacted zip code subject to disproportionate marijuana arrest rates</td>
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<tr>
<td></td>
<td>-No interest business start-up loans</td>
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<td>-Exempted renewal processing</td>
<td>-Fee waiver/deferment</td>
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<tr>
<td></td>
<td>-Fee waivers</td>
<td></td>
<td>-Program specific site conditions</td>
<td>-Access to third party consultant providing business, technical, legal, regulatory, and other direct assistance</td>
</tr>
<tr>
<td>Licensing Phases/Ratios</td>
<td>-Phase I: 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.</td>
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City of Long Beach, California

Census Tracts Eligible for Cannabis Social Equity Program

based on 2010 Census Tracts

* 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)
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.
<table>
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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)
DATE: October 18, 2017

TO: Honorable Members of the Los Angeles City Council

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:

Amec Foster Wheeler Environment & Infrastructure, Inc.
104 West Anapamu Street, Suite 204-A
Santa Barbara, California 93101

For:

City of Los Angeles
Sharon M. Tso
Chief Legislative Analyst
200 North Spring Street
Los Angeles, California 90012
# CANNABIS SOCIAL EQUITY ANALYSIS

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<td>American Community Survey</td>
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<td>AUMA</td>
<td>Adult Use of Marijuana Act</td>
</tr>
<tr>
<td>BNDD</td>
<td>Bureau of Narcotics and Dangerous Drugs</td>
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<td>BPBC</td>
<td>Business Promotion Bill Credit</td>
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<tr>
<td>Cal OSHA</td>
<td>California Occupational Safety and Health Act</td>
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<td>CCE</td>
<td>Continuing Criminal Enterprise</td>
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<td>CDCR</td>
<td>California Department of Corrections and Rehabilitation</td>
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<td>CETRA</td>
<td>Los Angeles Cannabis Enforcement, Taxation, and Regulation Act</td>
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<td>Los Angeles County</td>
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<td>Community Resources Against Street Hoodlums</td>
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<td>Controlled Substances Act</td>
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<td>DEA</td>
<td>Drug Enforcement Administration</td>
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<td>EWDD</td>
<td>Department of Economic and Workforce Development</td>
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<td>FIT</td>
<td>Feed-In-Tariff Program</td>
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<td>GAO</td>
<td>U.S. Government Accountability Office</td>
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<td>GREAT</td>
<td>Gang Reporting Evaluation and Tracking System</td>
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<td>HCD</td>
<td>California Department of Housing and Community Development</td>
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<td>IRS</td>
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<td>Los Angeles Department of Water and Power</td>
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<td>LASD</td>
<td>Los Angeles County Sheriff Department</td>
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<td>MAUCRSA</td>
<td>Medical and Adult-Use Cannabis Regulation and Safety Act</td>
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<td>MBC-LA</td>
<td>Minority Business Development Agency Business Center = Los Angeles</td>
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<td>Office of National Drug Control Policy</td>
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<td>Operation Safe Streets</td>
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<td>Program</td>
<td>City of Los Angeles Cannabis Social Equity Program</td>
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<td>RICO</td>
<td>Racketeer-Influenced and Corrupt Organizations</td>
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<td>SAODAP</td>
<td>Special Action Office of Drug Abuse Prevention</td>
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<tr>
<td>SB</td>
<td>Senate Bill</td>
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<td>SBA</td>
<td>U.S. Small Business Administration</td>
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<td>sf</td>
<td>Square feet</td>
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<td>SIP</td>
<td>Solar Incentive Program</td>
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<td>California Senate Office of Research</td>
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<td>California</td>
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<td>Street Terrorism Enforcement and Prevention Act</td>
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<td>Special Weapons and Tactics</td>
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<td>Utility Infrastructure Program</td>
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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.

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 in 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 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
Cannabis Social Equity Analysis

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 30th 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.

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.

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.](image)

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
Cannabis Social Equity Analysis

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 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

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
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 Reagan 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 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 Sheriffs 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 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).

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
Cannabis Social Equity Analysis

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).

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

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
Cannabis Social Equity Analysis

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.

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%).
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.
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
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)

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

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

<table>
<thead>
<tr>
<th>Police Reporting District</th>
<th>Cannabis-Related Arrests</th>
<th>Area Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council District 13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>646*</td>
<td>1,395</td>
<td>Hollywood</td>
</tr>
<tr>
<td>636</td>
<td>885</td>
<td>Hollywood</td>
</tr>
<tr>
<td>645*</td>
<td>784</td>
<td>Hollywood</td>
</tr>
<tr>
<td>666*</td>
<td>637</td>
<td>Hollywood</td>
</tr>
<tr>
<td>647</td>
<td>391</td>
<td>Hollywood</td>
</tr>
<tr>
<td>649</td>
<td>242</td>
<td>East Hollywood</td>
</tr>
<tr>
<td>Council District 14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>156</td>
<td>1,426</td>
<td>Downtown (San Julian Park)</td>
</tr>
<tr>
<td>155</td>
<td>595</td>
<td>Downtown (Skid Row)</td>
</tr>
<tr>
<td>166</td>
<td>521</td>
<td>Downtown (Skid Row)</td>
</tr>
<tr>
<td>157</td>
<td>370</td>
<td>Downtown (Skid Row)</td>
</tr>
<tr>
<td>147</td>
<td>351</td>
<td>Downtown</td>
</tr>
<tr>
<td>467</td>
<td>272</td>
<td>Boyle Heights</td>
</tr>
<tr>
<td>Council District 15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1844*</td>
<td>444</td>
<td>Green Meadows</td>
</tr>
<tr>
<td>1846</td>
<td>431</td>
<td>Watts</td>
</tr>
<tr>
<td>1849</td>
<td>386</td>
<td>Watts</td>
</tr>
<tr>
<td>1837</td>
<td>298</td>
<td>Watts</td>
</tr>
</tbody>
</table>

*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.
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 as 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). 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

<table>
<thead>
<tr>
<th>Sample</th>
<th>Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>3,900,794</td>
<td>100.0</td>
</tr>
<tr>
<td>Percent Below Poverty Level</td>
<td>862,075</td>
<td>22.1</td>
</tr>
</tbody>
</table>

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

LEGEND
- City of Los Angeles
- City Council District Boundary with Number and Councilmember Indicated
- Other Incorporated City
- Los Angeles County
- Ventura County

LOW INCOME PERCENTAGE BY REPORTING DISTRICT
- 0-10
- 10-20
- 20-30
- 30-40
- 40-50
- 50-60
- 60-70
- 70-80
- 80-90
- 90-100

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%).

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

<table>
<thead>
<tr>
<th>Race and Ethnicity</th>
<th>Population</th>
<th>Percentage of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>White alone</td>
<td>1,888,158</td>
<td>49.8</td>
</tr>
<tr>
<td>Black or African American alone</td>
<td>365,118</td>
<td>9.6</td>
</tr>
<tr>
<td>American Indian and Alaska Native alone</td>
<td>28,215</td>
<td>0.7</td>
</tr>
<tr>
<td>Asian alone</td>
<td>426,959</td>
<td>11.3</td>
</tr>
<tr>
<td>Native Hawaiian and other Pacific Islander</td>
<td>5,577</td>
<td>0.1</td>
</tr>
<tr>
<td>Other alone</td>
<td>902,959</td>
<td>23.8</td>
</tr>
<tr>
<td><strong>Total One Race</strong></td>
<td><strong>3,616,986</strong></td>
<td><strong>95.4</strong></td>
</tr>
<tr>
<td>Total two or more races</td>
<td>175,635</td>
<td>4.6</td>
</tr>
<tr>
<td>Hispanic or Latino (of any race)</td>
<td>1,838,822</td>
<td>48.5</td>
</tr>
<tr>
<td>Not Hispanic or Latino</td>
<td>1,953,799</td>
<td>51.5</td>
</tr>
<tr>
<td>White alone, not Hispanic or Latino¹</td>
<td>1,088,482</td>
<td>28.7</td>
</tr>
<tr>
<td><strong>Total Population</strong></td>
<td><strong>3,792,621</strong></td>
<td><strong>--</strong></td>
</tr>
</tbody>
</table>

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% certainly 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.

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).

<table>
<thead>
<tr>
<th>Police Reporting District</th>
<th>Area Description</th>
<th>Individual Cannabis Related Arrests</th>
<th>Percent Low Income Households</th>
<th>Percent People of Color</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citywide Mean Reporting District Values †</td>
<td>72</td>
<td>43</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Council District 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>245</td>
<td>MacArthur Park</td>
<td>427</td>
<td>73</td>
<td>93</td>
</tr>
<tr>
<td>Council District 8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>397*</td>
<td>Vermont Square</td>
<td>525</td>
<td>74</td>
<td>98</td>
</tr>
<tr>
<td>1822</td>
<td>Broadway-Manchester</td>
<td>470</td>
<td>73</td>
<td>99</td>
</tr>
<tr>
<td>1842</td>
<td>Broadway-Manchester</td>
<td>468</td>
<td>73</td>
<td>99</td>
</tr>
<tr>
<td>1844*</td>
<td>Green Meadows</td>
<td>444</td>
<td>77</td>
<td>99</td>
</tr>
<tr>
<td>Council District 9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1258</td>
<td>Florence</td>
<td>632</td>
<td>79</td>
<td>99</td>
</tr>
<tr>
<td>397*</td>
<td>Vermont Square</td>
<td>525</td>
<td>74</td>
<td>98</td>
</tr>
<tr>
<td>1269</td>
<td>Florence</td>
<td>424</td>
<td>81</td>
<td>99</td>
</tr>
<tr>
<td>1259</td>
<td>Florence</td>
<td>367</td>
<td>68</td>
<td>99</td>
</tr>
<tr>
<td>1345</td>
<td>Central-Alameda</td>
<td>366</td>
<td>70</td>
<td>99</td>
</tr>
<tr>
<td>Council District 10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>363</td>
<td>Baldwin Hills/Crenshaw</td>
<td>421</td>
<td>51</td>
<td>97</td>
</tr>
<tr>
<td>Council District 14</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>156</td>
<td>Downton (San Julian Park)</td>
<td>1,426</td>
<td>90</td>
<td>81</td>
</tr>
<tr>
<td>155</td>
<td>Downtown (Skid Row)</td>
<td>595</td>
<td>93</td>
<td>75</td>
</tr>
<tr>
<td>166</td>
<td>Downtown (Skid Row)</td>
<td>521</td>
<td>90</td>
<td>81</td>
</tr>
<tr>
<td>157</td>
<td>Downtown (Skid Row)</td>
<td>370</td>
<td>88</td>
<td>82</td>
</tr>
<tr>
<td>Council District 15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1844*</td>
<td>Green Meadows</td>
<td>444</td>
<td>77</td>
<td>99</td>
</tr>
<tr>
<td>1846</td>
<td>Watts</td>
<td>431</td>
<td>77</td>
<td>99</td>
</tr>
<tr>
<td>1849</td>
<td>Watts</td>
<td>386</td>
<td>71</td>
<td>98</td>
</tr>
</tbody>
</table>

† 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).

<table>
<thead>
<tr>
<th>Police Reporting District</th>
<th>Area Description</th>
<th>Individual Cannabis-Related Arrests</th>
<th>Percent Low Income Households</th>
<th>Percent People of Color</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citywide Mean Reporting District Values †</td>
<td>72</td>
<td>43</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Council District 8</td>
<td>Vermont Knolls</td>
<td>346</td>
<td>78</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Hyde Park</td>
<td>286</td>
<td>68</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Hyde Park/Crenshaw</td>
<td>283</td>
<td>71</td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>Vermont Knolls</td>
<td>269</td>
<td>70</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Vermont-Slauson</td>
<td>266</td>
<td>68</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Vermont Square</td>
<td>259</td>
<td>70</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>Broadway-Manchester</td>
<td>253</td>
<td>67</td>
<td>99</td>
</tr>
<tr>
<td>Council District 9</td>
<td>Vermont Knolls</td>
<td>346</td>
<td>78</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Vermont Square</td>
<td>325</td>
<td>72</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>Florence</td>
<td>282</td>
<td>78</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Vermont Knolls</td>
<td>269</td>
<td>70</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Vermont-Slauson</td>
<td>266</td>
<td>68</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Central Alameda</td>
<td>244</td>
<td>80</td>
<td>99</td>
</tr>
<tr>
<td>Council District 10</td>
<td>Baldwin Hills/Crenshaw</td>
<td>339</td>
<td>68</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Baldwin Hills/Crenshaw</td>
<td>270</td>
<td>72</td>
<td>99</td>
</tr>
<tr>
<td>Council District 14</td>
<td>Downtown</td>
<td>351</td>
<td>95</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>Boyle Heights</td>
<td>272</td>
<td>74</td>
<td>98</td>
</tr>
<tr>
<td>Council District 15</td>
<td>Watts</td>
<td>298</td>
<td>82</td>
<td>99</td>
</tr>
</tbody>
</table>

† 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.

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.
Cannabis Social Equity Analysis

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

<table>
<thead>
<tr>
<th>Council District</th>
<th>Retail (ac)</th>
<th>Microbusiness (ac)</th>
<th>Indoor Cultivation (ac)</th>
<th>Mixed Light Cultivation (ac)</th>
<th>Level 1 Manufacturing (ac)</th>
<th>Level 2 Manufacturing (ac)</th>
<th>Testing/Distribution (ac)</th>
<th>Total (ac)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Average</td>
<td>972</td>
<td>1,159</td>
<td>1,320</td>
<td>1,202</td>
<td>1,320</td>
<td>1,320</td>
<td>1,382</td>
<td>3,382</td>
</tr>
<tr>
<td>1</td>
<td>1,043</td>
<td>292</td>
<td>325</td>
<td>401</td>
<td>325</td>
<td>306</td>
<td>462</td>
<td>1,476</td>
</tr>
<tr>
<td>2</td>
<td>1,805</td>
<td>972</td>
<td>1,056</td>
<td>268</td>
<td>1,056</td>
<td>1,016</td>
<td>1,152</td>
<td>2,158</td>
</tr>
<tr>
<td>3</td>
<td>1,004</td>
<td>120</td>
<td>392</td>
<td>1,253</td>
<td>392</td>
<td>256</td>
<td>400</td>
<td>2,267</td>
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<tr>
<td>4</td>
<td>903</td>
<td>130</td>
<td>186</td>
<td>1,077</td>
<td>186</td>
<td>130</td>
<td>205</td>
<td>2,165</td>
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<tr>
<td>5</td>
<td>883</td>
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<td>113</td>
<td>1,232</td>
<td>113</td>
<td>106</td>
<td>113</td>
<td>2,227</td>
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<tr>
<td>6</td>
<td>1,805</td>
<td>946</td>
<td>1,080</td>
<td>6,037</td>
<td>1,080</td>
<td>991</td>
<td>1,114</td>
<td>7,708</td>
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<td>209</td>
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<td>175</td>
<td>241</td>
<td>1,112</td>
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<tr>
<td>8</td>
<td>903</td>
<td>908</td>
<td>1,133</td>
<td>0</td>
<td>1,133</td>
<td>960</td>
<td>1,221</td>
<td>1,922</td>
</tr>
<tr>
<td>9</td>
<td>789</td>
<td>175</td>
<td>209</td>
<td>0</td>
<td>209</td>
<td>175</td>
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</tr>
<tr>
<td>10</td>
<td>1,115</td>
<td>108</td>
<td>1,133</td>
<td>0</td>
<td>1,133</td>
<td>960</td>
<td>1,221</td>
<td>1,922</td>
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<tr>
<td>11</td>
<td>948</td>
<td>695</td>
<td>960</td>
<td>1,695</td>
<td>965</td>
<td>695</td>
<td>777</td>
<td>5,302</td>
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<tr>
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<td>965</td>
<td>695</td>
<td>1,695</td>
<td>3,916</td>
<td>1,695</td>
<td>1,538</td>
<td>1,766</td>
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<tr>
<td>13</td>
<td>996</td>
<td>281</td>
<td>456</td>
<td>281</td>
<td>456</td>
<td>380</td>
<td>550</td>
<td>1,734</td>
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<tr>
<td>14</td>
<td>1,182</td>
<td>2,296</td>
<td>2,472</td>
<td>2,472</td>
<td>2,472</td>
<td>2,333</td>
<td>2,478</td>
<td>3,883</td>
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<tr>
<td>15</td>
<td>746</td>
<td>6,660</td>
<td>7,076</td>
<td>119</td>
<td>7,076</td>
<td>6,820</td>
<td>7,158</td>
<td>7,950</td>
</tr>
</tbody>
</table>

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

Retailer - CM, C1, C1.5, C2, C4, C5, M1, M2, M3
Level 1 Manufacturing - M1, M2, M3, M1R, M2R
Microbusiness - M1, M2, M3
Level 2 Manufacturing - M1, M2, M3, M1R, M2R
Indoor Cultivation - M1, M2, M3, M1R, M2R
Testing - CM, M1, M2, M3, M1R, M2R
Mixed Light Cultivation - A1, and A2
Distribution - CM, M1, M2, M3, M1R, M2R

City of Los Angeles 31 October 2017
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
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 potentially 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...
Cannabis Social Equity Analysis

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.

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 obtaining a loan could appear complex and daunting.

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 businesses, for disadvantaged individuals with no prior business experience, the process of obtaining 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 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 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...
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).
Cannabis Social Equity Analysis

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 expungeable 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

4.3 Existing Cannabis Social Equity Programs

Local governments striving to improve their communities often actively promote 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.
Cannabis Social Equity Analysis

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.
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.

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,
Cannabis Social Equity Analysis

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.

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
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.

*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,
how to open a business 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.

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**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.

**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:

- 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 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\(^1\) 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.

\(^1\) The County of Santa Barbara expects 1,900 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.

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 Program 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.

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
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 receiver 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.

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.
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.

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
  o 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.

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

<table>
<thead>
<tr>
<th>Recommendation Title</th>
<th>Description</th>
<th>Social Equity Benefit</th>
<th>Implementation/Timing</th>
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<tbody>
<tr>
<td><strong>Licensing Structure</strong></td>
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<tr>
<td>Streamlining Development Standards</td>
<td>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.</td>
<td>Limits discretionary review, which can be time consuming and expensive for social equity applicants.</td>
<td>Streamlining development standards should be implemented at the start of cannabis licensing.</td>
</tr>
<tr>
<td>Individual Business License Limit</td>
<td>City should determine the appropriate limit for the number of cannabis activity licenses per business.</td>
<td>Limit monopolization.</td>
<td>Begin in Window 1</td>
</tr>
<tr>
<td>Provisional Licensing</td>
<td>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.</td>
<td>Maintain cannabis supply chain to Proposition M Priority Processing retailers while implementing the Program as quickly as possible, preventing widening equity gaps.</td>
<td>Begin in Window 2. To 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.</td>
</tr>
<tr>
<td>Equity Applicant Participation Ratio</td>
<td>Once Window 2 opens, licenses should be given to 1 social equity applicant for every 1 general applicant who receives a license.</td>
<td>Ensure equitable participation in the cannabis industry.</td>
<td>When Window 2 opens through the life of the program.</td>
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<tr>
<td><strong>Department of Cannabis Regulation Expansion</strong></td>
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<tr>
<td>Executive Director</td>
<td>Oversees creation and implementation of Cannabis Social Equity Program</td>
<td>Ensure Program is created to provide its planned benefit</td>
<td>Begin prior to Window 1</td>
</tr>
<tr>
<td>Cannabis Social Equity Program Coordinator</td>
<td>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.</td>
<td>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.</td>
<td>Begin in Window 1 and continue through the life of the Program.</td>
</tr>
<tr>
<td>Licensing and Compliance</td>
<td>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.</td>
<td>Ensure social equity applicants are in compliance with City regulations and make applicants feel more comfortable during inspections.</td>
<td>Begin in Window 1 and continue through the life of the Program.</td>
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Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

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<tr>
<td><strong>Education and Outreach</strong></td>
<td>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.</td>
<td>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.</td>
<td>Begin in Window 1 and continue through the life of the Program.</td>
</tr>
<tr>
<td><strong>Monitoring and Adaptive Management</strong></td>
<td>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.</td>
<td>Ensure the Program's goals are met.</td>
<td>Begin in Window 1 and continue through the life of the Program.</td>
</tr>
<tr>
<td><strong>Third Party Consultants</strong></td>
<td>Assist Department of Cannabis Regulation staff with Program implementation and licensure when needed.</td>
<td>Ensure the Department of Cannabis Regulation has adequate staff to provide support when permanent staff is not required to complete the task.</td>
<td>Begin in Window 1 and continue through the life of the Program.</td>
</tr>
<tr>
<td><strong>Additional Staffing Needs</strong></td>
<td>Perform taxation/financial analysis to ensure that cannabis taxes are properly allocated and Program funds are properly managed.</td>
<td>Ensure proper management of cannabis activity tax revenue and Program funds.</td>
<td>Begin in Window 1 and continue through the life of the Program.</td>
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**Definition of Social Equity Applicant**

**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. |
<p>| <strong>Definition of Low Income</strong> | 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. |
| <strong>Definition of Disproportionately Impacted Districts</strong> | Eligible police reporting districts that had a disproportionate number of cannabis-related arrests and high percentage of low income. | Ensures that communities that were disproportionately harmed by cannabis | Begin in Window 2 and continue through the life of the Program. |</p>
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<tr>
<td>Residency Requirement</td>
<td>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.</td>
<td>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.</td>
<td>Begin in Window 2 and continue through the life of the Program.</td>
</tr>
<tr>
<td>Ownership Requirement</td>
<td>Social equity applicants must have at least 51% ownership in the business or the majority of the board of directors.</td>
<td>Ensures that social equity applicants will receive the benefits of the Program and that applicants do not simply have a &quot;token&quot; equity member on their board of directors.</td>
<td>Begin in Window 2 and continue through the life of the Program.</td>
</tr>
<tr>
<td>Criminal Record</td>
<td>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.</td>
<td>Ensures that prior cannabis-related conviction does not exclude individuals from participating in the Program.</td>
<td>Begin in Window 2 and continue through the life of the Program.</td>
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<tr>
<td>Waived Fees for Social Equity Applicants</td>
<td>Permitting and inspection fees required by various City agencies to set up and begin a cannabis-related business should be waived (Tier 1 &amp; Tier 2) or deferred (Tier 3) for social equity applicants</td>
<td>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.</td>
<td>Begin Window 2, continue through life of Program</td>
</tr>
<tr>
<td>Workforce Requirement</td>
<td>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</td>
<td>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</td>
<td>Begin Window 2, continue through life of Program</td>
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### Table 7. Summary of Recommended Cannabis Social Equity Program Components (Continued)

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<tr>
<td><strong>Incubator/Pilot or Industry Partner Program</strong></td>
<td>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. Incentive: both parties are eligible for tax rebate program from City at conclusion of initial partnership period (3 years). If social equity partner goes out of business, the incubator must identify new social equity partner in order to receive the tax rebate. 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.</td>
<td>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.</td>
<td>Begin in Window 2 and continue through the life of the Program.</td>
</tr>
<tr>
<td><strong>Applicable City Property Available for Social Equity Cannabis Businesses</strong></td>
<td>Make City-owned property within eligible cannabis activity areas, that is ineligible for affordable housing, available for social equity cannabis businesses</td>
<td>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</td>
<td>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</td>
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<tr>
<td><strong>Technical Assistance Program</strong></td>
<td>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.</td>
<td>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.</td>
<td>Funded with cannabis tax revenue beginning in 2018. Implemented by Department of Cannabis Regulation staff.</td>
</tr>
<tr>
<td><strong>Community Reinvestment Program</strong></td>
<td>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.</td>
<td>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.</td>
<td>Funded with cannabis tax revenue beginning in 2018. Implemented by Department of Cannabis Regulation.</td>
</tr>
<tr>
<td><strong>Expungement of Cannabis-Related Criminal Records</strong></td>
<td>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.</td>
<td>Expungement of cannabis-related convictions, namely offenses that are no longer illegal under revised legal code, lifts employment barriers and stigma.</td>
<td>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</td>
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<tbody>
<tr>
<td>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.</td>
<td>Will reduce startup costs, which represent one of the principal economic barriers to social equity applicants entering the cannabis industry.</td>
<td>A 1% service fee paid by licensees beginning in 2018</td>
<td>acquired from cannabis tax revenue.</td>
</tr>
</tbody>
</table>

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8.0 REFERENCES


Cannabis Social Equity Analysis


Kim, E. 2016. As Downtown’s retail scene booms, some worry about the future. Los Angeles Downtown News.


Cannabis Social Equity Analysis

measures.html


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

Revised – September 22, 2017
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Revised - September 22, 2017
DEFINITIONS

1. “BTRC” means a Business Tax Registration Certificate issued by the City of Los Angeles Office of Finance.


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.

Revised – September 22, 2017
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 passageways, 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.
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 agenized 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 application 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 application 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

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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 $1280 \times 1024$ 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
fide 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

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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)

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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)

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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 unlabeled 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

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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

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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.

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CANCELATIONS

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

100-foot buffer from: Schools, Parks, Libraries, Drug-Free Zones, Crime & Recovery Facilities, EMMBs

Zoning
Commercial zones that are eligible
Industrial zones that are eligible

Administrative Boundary
City of Los Angeles
Council Districts

*Other eligible Medical Marijuana Businesses (EMMBs) are included where applicable

Los Angeles Department of City Planning, Information Technology
March 2, 2023
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
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
Level 2 Manufacturing
Businesses that produce cannabis products using volatile solvents

Zoning:
- Red: Commercial zones that are eligible
- Blue: Industrial zones that are eligible
- Administrative Boundary
  - City of Los Angeles
  - Council Districts
Mixed Light Cultivation

Businesses that grow cannabis

Zoning:
- Orange: Agricultural zones that are eligible

Administrative Boundary:
- City of Los Angeles
- Council Districts

DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations

City of Los Angeles Council Districts
DRAFT COMMERCIAL CANNABIS LOCATION RESTRICTION ORDINANCE

Proposed Eligible Locations

Testing Businesses that evaluate the quality and safety of cannabis and/or cannabis products

- Commercial zones that are eligible
- Industrial zones that are eligible
- Administrative Boundary
- City of Los Angeles
- Council Districts
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

Legend:
- Commercial zon
- Industrial zone
- Administrative boundary
- City of Los Angeles
- Council Districts

Scale: 1 inch = 1 mile

Los Angeles Department of City Planning - Geographic Information Systems

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Cannabis criminalization and its disparate enforcement has had long-term, adverse impacts to the City of Los Angeles, particularly for low-income and minority community members.

The City of Los Angeles is engaged in ongoing efforts to acknowledge and address the impacts of past cannabis policies and their inequities by developing and implementing cannabis policies that seek to center equity in cannabis policy reform.

The Social Equity Program (SEP) is one tool the City of Los Angeles is using to begin to acknowledge and repair the harm caused by the War on Drugs and the disparate enforcement of cannabis prohibition. The goal of the Social Equity Program is, “to promote 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.”

After conducting a Social Equity Analysis to both review the impacts associated with cannabis criminalization and to identify ways to eliminate barriers to entering the legal cannabis market by those individuals and communities disproportionately impacted by the War on Drugs, the City identified that individuals with past cannabis arrests and/or convictions, and those that were low income and lived in high arrest communities or “Disproportionately Impacted Areas” experienced the brunt of societal harms associated with cannabis criminalization.

As such, individuals who are low income, have past cannabis arrests and/or convictions and those that live in Disproportionately Impacted Areas may qualify to participate in the City’s Social Equity Program. This Program aims to support people impacted by the War on Drugs and seeks to reduce barriers to entering the legal cannabis industry by providing a number of programs to support business ownership and employment opportunities.

For those interested in owning and operating a licensed cannabis business, priority application processing is available, which seeks to afford eligible SEP applicants an opportunity to be first-to-market, which is critically important given the City’s limited number of available licenses. Furthermore, the SEP provides applicants technical and business assistance to assist in navigating the City’s cannabis licensing process. Similarly, SEP applicants may qualify for fee waivers and/or deferrals and have the opportunity to participate in programming designed for new or first-time business owners to help them learn the “ins and outs” of operating a licensed and compliant cannabis business in Los Angeles.

The Social Equity Program will also support workforce development and job placement for those who are interested in employment opportunities rather than business licensing.

Established in 2017, the SEP has continued to evolve and expand as the City of Los Angeles has continued to explore ways to increase licensing equity and as resources for our program have become available.

To date, the City of Los Angeles has committed a total of $4.75 Million for programming related to the Social Equity Program. In Fiscal Year (FY) 2018-2019, the City of Los Angeles invested...
$250,000 into the Social Equity Program to be used for the SEP’s Fee Deferral Program. In FY 2019-2020, the City of Los Angeles invested $4.5 Million into the Social Equity Program to be used for the following: Education and Outreach, Analysis, Fee Deferrals, and Business Licensing and Compliance Assistance.

In order to manage the multifarious components of the City’s Social Equity Program the Department of Cannabis Regulation has hired a Social Equity Program Manager and is currently filling a number of positions specifically dedicated to supporting the Social Equity Program and its mission. The Social Equity Program Manager and support staff are also responsible for managing related partnerships and programming as well as the day-to-day engagement with SEP stakeholders and Social Equity Applicants.

In FY 2018 - 2019, DCR facilitated four citywide workshops with more than 3,000 collective attendees; met with and hosted multiple stakeholders meetings; and held approximately 250 one-on-one clinics to guide folks through the eligibility verification process in order to provide direct technical assistance to Social Equity Applicants.

In FY 2019 - 2020, the Department will continue to provide direct technical assistance to Social Equity Applicants and shall also contract with qualified vendors to co-develop and co-administer educational materials and services in order to provide and facilitate small business support services, assistance securing business locations, assistance securing capital investments, assistance with regulatory compliance and assistance in recruitment, training and retention of qualified and diverse workforce, including transitional workers.

With dedicated staffing, resources and programming, the Department of Cannabis Regulation plans to provide and facilitate services outlined in the Budget Act of 2019 – 1111-490 Reappropriation in support of the City’s Social Equity Program for hundreds of new cannabis businesses to be owned by Social Equity Applicants. To date, DCR has verified over 1,500 individuals as Social Equity Applicants and with current and anticipated new resources available through the California Equity Grant, the City of Los Angeles is poised to implement the nation’s largest municipal cannabis licensing equity program.
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 County. 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 currently disenfranchised community members successfully enter the legal cannabis industry.
- 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 the 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 medical and adult-use cannabis regulations 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\(^1\). Approximately 55% of the population resides in urban areas of the county and the other 45% live in rural communities including farms and ranches\(^2\).

In 2018, Mendocino’s population was 76% White, 22% Hispanic, 4% Native American, 1% Asian, .7% African American, and .6% Pacific Islander. 15% reported as two or more races\(^3\).

According to the 2018 U.S. Census Bureau, the median household income in Mendocino County was $47,656, 36% lower that the state’s median household income ($74,605). In Mendocino County, 19.1% of the total population lives below the federal poverty level (FPL).

Mendocino County’s economy has historically been resource based, with fishing, forestry, ranching, livestock and other agricultural production, along with related industries that serve them, being the mainstay of the economy. With the collapse of west coast fisheries stocks, decline in livestock production due to predation and offshore imports, and a decline in forestry due to severe over harvesting followed by increased regulation, the traditional job base has steadily eroded with increased job opportunities in visitor serving providing a partial replacement at reduced wages and with different skill sets than those called for in the resource based economy.

The decline in forestry led to significant closures of lumber mills and manufacturing plants, including but not limited to Round Valley/Covelo, Branscomb/Laytonville, Fort Bragg, Anderson Valley and Ukiah with the cumulative loss of thousands of jobs. This decline in traditional employment opportunities coincided with the increased cannabis cultivation that took place throughout the 1980’s until the present with significant numbers of displaced workers turning to cannabis as a means of supporting themselves and their families.

The past criminalization of cannabis adversely impacted communities in Mendocino 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\(^4\). 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

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1 2018 US Census Bureau.
3 ibid, p. 20.
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.

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 seasonal Federal, State and local task forces dedicated to eradicating cannabis known as 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 legal and quasi legal 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, a “zip tie” program initiated by the Mendocino County Sheriff’s Office and a permit program for cultivation of up to 99 cannabis plants subject to payment of fees, inspection by the Sheriff’s Office and compliance with a long list of conditions.

This process culminated as State regulatory frameworks (including enforcement aspects) whiplashed from 2016’s reformist medical cannabis statute, the Medical Marijuana Regulation and Safety Act (MMRSA, amended in 2017 and renamed the Medical Cannabis Regulation and Safety Act, or MCRSA), to the Medical and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), which initiated a radical new direction by authorizing California’s first regulatory framework for commercial medical and adult use 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 includes the proliferation of significant damage to the natural environment done by industrial-scale “green rush” and organized crime activity that was incompatible with the environmental and community values embedded in Mendocino’s multi-generational, smallholder cannabis market culture. While many law enforcement members and the general public supported efforts to draw a bright line to distinguish between communitarian cannabis stakeholders and “green rush” profiteers, many of the former kept getting caught up in the crossfire due to the continuation of Federal prohibition and the ambiguous nature of State legal medical marijuana.

Between 2000 and 2012 County authorities and local cannabis communities tried to manage the increasing dissonance between small scale, 215-compliant and large scale commercially oriented cannabis market participants. 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 militarized modes of regulation. This resulted in the renewal of widespread mistrust of public authorities and experiences of traumatization continuous in accounts of Mendocino’s cannabis eradication efforts 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 the communitarian or commercial scale. California’s war on some cannabis market participants, ostensibly legal and otherwise, remains intact. The primary 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 is available to the small scale multi-generational legacy cultivators of Mendocino County. At the same time, Mendocino 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 veterans in Mendocino 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 successful members of a sustainable, long-term industry.

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 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 currently disenfranchised community members successfully enter the legal cannabis industry.
- 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 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” state-wide 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.

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

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.

During this same time period, to avoid detection, 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. This in turn led to increased indoor production in urban centers south of Mendocino County with the ironic result that a shift towards indoor production, intended to preserve a rural way of life, fostered the growth of competition from urban production. Mendocino legacy growers Nikki Lastretto and Swami Chaitanya have described this phenomenon:
To escape police persecution, some farmers began to rent or build houses in the mountains to grow marijuana indoors under lights. They would put children’s toys out in the yard as camouflage decoys and move them every day or so to make it look like a family lived there. Others bought shipping containers for growing, which were sometimes buried underground. Of course, this necessitated the use of generators, whose heat, noise, and fuel needs made them detectable. It wasn’t long before farmers realized that they could grow indoors in the city and be more hidden in industrial zone warehouses\(^5\).

The California Department of Justice lost its CAMP report records between 1997-2003\(^6\), 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 \textit{raison d’etre} 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:

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|}
\hline
Top 10 CA counties by CAMP eradication & Average plants eradicated 2004-2009 & Share of CAMP plants eradicated 2004-2009 \\
\hline
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\% \\
\hline
\end{tabular}
\end{table}


\(^{6}\) 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).
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 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.

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 counter culture 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 northern Mendocino, southern Humboldt, and the adjacent southwestern corner of Trinity County (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

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<table>
<thead>
<tr>
<th>County</th>
<th>Code</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trinity</td>
<td>73294</td>
<td>3.30%</td>
</tr>
<tr>
<td>Napa</td>
<td>67719</td>
<td>3%</td>
</tr>
<tr>
<td>Kern</td>
<td>66957</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Camp Reports

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have been extensively documented by Mendocino cannabis community archivist Beth Bosk in a project called “The New Settler Interviews.”

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 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.

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 but also along the Highway 101 corridor as large ranches like McNab and Greenfield were sold off in parcels. By 1985, the area formerly known to its hippie communities as the Mateel was dubbed the “Emerald Triangle,” a name that may have originated with CAMP, which launched “Operation Emerald Triangle that same year.

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.”

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. For their part, the cannabis growers viewed law enforcement

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as armed invaders attempting to destroy a benign plant and drive them from the land. The polarization is starkly illustrated by Lestretto and Chaitanya:

Come harvest time in October, the level of paranoia would increase exponentially. The approaching sound of helicopters was a constant threat. Nothing was more sickening than looking up to see large cargo nets full of freshly cut pot plants—the result of a raid by CAMP or the DEA. There were marijuana rustlers as well, and many grow camps were armed and loaded, with booby traps rigged. It was a New Age Wild West.

Everything was on a need-to-know basis; no one talked about weed or growing in public. Deals were done on trust, sealed by eye contact and a handshake. The community dealt with those who broke that trust on its own, without government intervention.

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.

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 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.\footnote{Baum, Dan. April 2016. “Legalize it All.” Harper’s Magazine.}

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\footnote{Scott, John, ed. (2014), “M: Moral panic.” A Dictionary of Sociology, Oxford New York: Oxford University Press, p. 492.} 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 tactics against communities characterized by
extreme poverty\textsuperscript{13}. 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\textsuperscript{14}.

\textit{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 watersheds, 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 Post article\textsuperscript{15}. 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. But it was rural Northern California, especially 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 Federal funding once CAMP was created.

CAMP was created as a joint task force 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 cultivation and was initially focused on the three Northern California counties of Humboldt, Mendocino, and Trinity 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 Emerald Triangle cannabis communities, in northern Mendocino County. 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 migrated 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 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 programing 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.”

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.” 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. Green Sweep marked the first time active-duty military units were used to police drug crimes, let alone cannabis, inside the United States.

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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.  

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.

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, 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.

Although Proposition 215 gave legal protections to medical marijuana it did very little to describe or define the parameters of what fit within those protections. Given the ambiguity of Proposition 215, and in the absence of statewide regulation, local law enforcement and the cannabis community struggled to distinguish legal from illegal medical marijuana activity. Cannabis advocates were adept at pushing the envelope of legality while opportunists attempted, and often succeeded, at using medical marijuana as a cover for illegality.

Mendocino resident and lifelong civil rights activist \(^{24}\) Pebbles Trippet won a landmark case in 1997, *People v Trippet*, establishing an inherent right to transportation as well as “patient’s current medical needs” defense for possession-related arrests in California. The landmark case weakened California criminal enforcement cases related to possession and transportation. At the same time, as the numbers of cannabis industry participants in the County increased, some adopted “jury nullification” as a tactic, refusing to vote for a conviction no matter what the evidence showed. As a result, law enforcement found it increasingly difficult to obtain convictions for cannabis trafficked through the county.

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. With post-election headlines in *High Times* magazine proclaiming “Marijuana Legal in Mendocino County,” the floodgates were open for another green rush of outside actors, many of whom did not embrace the environmental and community ethics of the small scale legacy growers.

Although the provisions of Measure G were later ruled to be unconstitutional it was not challenged at the time. Also, from 2000 to 2008 both the Sheriff and District Attorney in Mendocino County, perhaps in deference to Measure G and later SB 420, were less inclined than their predecessors to arrest or prosecute cannabis cases.

Cannabis cultivation, both small and 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. In 2004 Senate Bill 420 authorized a medical cannabis identity card system and expanded protections for patients and primary caregivers that organize to cultivate cannabis in a “collective or cooperative” manner (hereafter referred to as “collective”).

SB 420 effectively opened the floodgates once again 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. With the advent of “card stacking” (the combining of multiple physician recommendations for medical cannabis to legally justify large scale grow operations) Measure G went from being a uniquely progressive voter mandated policy for accommodating what was by then a multigenerational, communitarian, small-scale cannabis cultivation model to a springboard for dramatically increased production overnight.

Cannabis cultivation, distribution, and dispensing became increasingly ubiquitous 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. Even urban

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\(^{24}\) Trippet began her activist career in 1960, helping desegregate public lunch counters in Tulsa, Oklahoma.
residential backyards were suddenly filled with cannabis grow operations which 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 didn’t do anything about gardens assumed to be in compliance with Measure G and/or SB 420, including large scale 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 sometimes involved otherwise upstanding members of the community on the other. But the lax legal conditions set by Proposition 215 and Measure G created a gray area in which who counted as upstanding community members and what police actions counted as legal and/or just were subject to political and personal 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. 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 whom were Mexican immigrants 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 defense as a Proposition 215 compliant 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 County’s small scale, locally embedded, communitarian actors that had consistently operated within the spirit of the Compassionate Use Act were caught in the crossfire of the 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 in the wake of 2011’s “Operation Full Court Press” that may have led to the demise of the County’s innovative 9.31 permit program and substantially eroded public trust in the County’s commitment to move away from criminal enforcement against legally compliant communitarian market actors.

The Board of Supervisors efforts at cannabis regulation were codified in the 2008 establishment of, and subsequent near-annual revision of Chapter 9.31 in title 9 of the Mendocino County Code. Chapter 9.31 was added to the Code by Ordinance 4197. Chapter 9.31 may be seen as an effort at supporting small scale cultivators but was primarily intended as push back against the successive waves of green rush unleashed by the passage of Measure G and SB 420. Chapter 9.31 set the maximum garden size for any one property at 25 plants regardless of the number of qualified patients residing thereon and established setback requirements from sensitive receptors, including youth oriented facilities, schools, parks, any school bus stop or a church as defined. Thus, for the first time, the Board of Supervisors sought to dramatically limit existing forms and locations for cannabis market activities.

Ordinance 4197 also recognized the existing “zip-tie program”, established independently by Sheriff Allman as a means of distinguishing legal from illegal cannabis. Upon presentation of a State identification card or a physician’s recommendation, and with payment of a fee to the Sheriff’s Office, cannabis cultivators could obtain up to 25 uniquely numbered zip ties to be affixed to the base of individual flowering cannabis plants.

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 was focused more on establishing civil limits to cannabis activity as a public nuisance than controlling it as criminal activity, but for the first time in 14 years local law enforcement was being legally tasked with more enforcement.
Although Measure G was enacted as a citizen initiative in 2000, it was belatedly codified in County code in 2007 in response to advocacy from cannabis advocates. In addition to recognizing the standard of 25 plants per parcel the Board of Supervisors also recognized a possession limit of two pounds of dried cannabis. Cannabis advocates were dissatisfied with the possession limit, which is considerably less than the yield from 25 plants, while those concerned with the proliferation of illegal cannabis related activity were concerned that it facilitated commercial transportation and sales.

In direct response to the codification of Measure G a group of citizens lobbied the Board of Supervisors to place Measure B on the ballot to repeal Measure G and adopt the State limits of six mature plants and 8 ounces of dried cannabis. Measure B was controversial. Cannabis market participants faced a sudden reduction in the scope of their allowable activities and campaigned hard against it, although a caregiver would have been able to cultivate up to six plants for multiple medical patients but with the total capped at 25 per parcel. For much of the campaign Sheriff Tom Allman remained neutral, deciding to come out in favor of the measure when its opponents used a photo of him in uniform and 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.  

Just what constituted small grows and public nuisance was precisely what Measure B re-codified: the quote was neutral with respect to that change.

In January 2010, the State Supreme Court, in deciding People v Kelley, and partly relying on People v Trippett as precedent, ruled that California’s default medical cultivation and possession limits that formed the basis of Measure B’s guidelines were an impermissible amendment to the Compassionate Use Act. Measure B achieved its goal of aligning local plant and possession limits with State law, however the precise limits in place when Measure B was approved by local voters had been replaced with the much more ambiguous “Trippett standard” that a medical patient may possess the amount of medical cannabis reasonably related to their current medical

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need. However, the voter approved repeal of Measure G, the provisions of which were ruled to be unconstitutional, was upheld.

While Measure B was making its way through the court system, efforts were underway to revise Chapter 9.31. A 2016 ordinance revision described the 2010 situation succinctly:

\[
\text{[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.}^{27} \\
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In addition to the 25 plant limit per parcel, advocates were concerned about the setbacks from sensitive receptors, particularly school bus stops, which were not clearly defined and were subject to change without notice so that a garden that was considered legal one day could be illegal the next. At the same time, there were no setbacks from residential dwellings which brought no relief to neighbors of backyard garden sites.

The Board of Supervisors amended 9.31 through Ordinance 4235, which retained the individual and collective garden plant limits of 6 and 25 mature plants but created an exemption to allow for the cultivation of up to 99 plants subject to applying for, obtaining, and complying with the conditions of a permit from the Sheriff’s Office. The numerous conditions were intended to protect public safety and the environment and included a requirement that an application for exemption would only be granted on parcels of at least 5 acres. These conditions also mandated participation in the otherwise voluntary zip tie program which was established in 2008.

Ordinance 4235 also established stringent guidelines for growing indoors in an effort to discourage indoor growing. As mentioned above, illegal cannabis cultivation moved mostly indoors in the 1990s in response to increased enforcement against outdoor production by CAMP and the County of Mendocino Marijuana Eradication Team (COMMET), Mendocino’s year-round county eradication task force. The regulatory framework grew much more complex, but instead of administration being assigned to civil authority Ordinance 4235 charged the Sheriff’s Office with a large laundry list of regulations to check to achieve and investigate compliance with public safety and environmental protection policies. Although Sheriff Allman opposed the 9.31 permit program prior to its adoption, his department administered it with flexibility while achieving the goals of regulation and protection of public safety and the environment.

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27 Mendocino County Ordinance 4356, Section 9.31.030, Finding L.
Again, 2016’s Ordinance language provides a clear perspective on the 9.31 permit program, in Finding M:

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 legally compliant members of communities, and people who could not. In the absence of meaningful State regulation and continued Federal prohibition 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 legally compliant “good” cultivation and more questionable “bad” cultivation that was subject to eradication and prosecution.

During 2010 and 2011 approved medical cannabis cooperatives with an exemption 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 2008/09 financial crisis. The 9.31 permit program was featured on National Public Radio’s (NPR) This American Life program 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 eradication effort focused mostly in the Mendocino National Forest.

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 Matt Cohen, a strong advocate for regulation and one of the first farmers who had signed up for the permit program.

In the NPR piece, Mendocino County Supervisor John McCowen 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. McCowen 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?’”

In 2011 the permit program had grown to approximately 95 applicants, a significant increase from the 18 who participated in the first year. The program appeared to be meeting multiple objectives of drawing a bright line for local law enforcement and creating a pathway for cultivators to be recognized as State and local legally compliant while simultaneously protecting public safety and the environment. In contrast, no one was inspecting the environmentally damaging trespass grows operated by organized criminal actors since estimates (that some say are optimistic) are that only 5 or 10% of illegal grow sites are eradicated by law enforcement on an annual basis.

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.

29 For several years at the beginning of the 2010s, CAMP was rebranded as CERT, Cannabis Eradication and Reclamation Teams, operating mainly in national forests and remote timberlands.
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.

In a separate interview, when asked by journalist Michael Montgomery “Do you trust the federal government at this point?” Supervisor McCowen responded:

It’s not a question of trust, I’m just wondering what the intention was? Because if the intention was to go after people that are out of bounds creating problems, I’m concerned that the raid on someone like Matt Cohen, who is legally as compliant as he can be, sends the opposite message, and will have the impact of driving legitimate medical marijuana underground, further endangering public safety and the environment. I can’t believe that’s what we want to do.\(^{30}\)

Following completion of the 2011 cultivation season, Melinda Haag, U. S. Attorney for the Northern District of California delivered an ultimatum to the Mendocino County Counsel that unless the County shut down the 9.31 permit program she would initiate action in Federal Court to do so. In the face of a direct threat, and in light of Federal prohibition, the County adopted Ordinance 4291 in February 2012 which eliminated the 99 plant exemption from the 25 plant per parcel limit. Medical marijuana patients and collectives were once again limited to 25 plants per parcel and were still subject to the setback requirements from sensitive receptors. They could also continue to purchase zip ties but were no longer governed by a formal regulatory system.

Not content at shutting down the 9.31 permit program, in October of 2012 DOJ issued a Federal Grand Jury Subpoena to the Mendocino County Sheriff’s Office for any and all records related to the 9.31 permit program and the zip tie program including those related to permit applicants, permit holders and inspectors and all financial institution account numbers utilized by Mendocino County and the Mendocino County Sheriff’s Office and District Attorney’s Office. The County initially filed suit to quash the subpoena and the following year adopted Ordinance 4302 which amended to Chapter 9.31 to add section 9.31.015 which declared that all medical

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\(^{30}\) McCowen, personal communication, February
cannabis information collected by the county was intended to be confidential, retroactive to 2008.

The County eventually struck a deal to provide information for specific cultivation locations identified by the DOJ. Despite the best intentions of Mendocino County, Federal criminalization of cannabis eventually subverted Mendocino County’s effort to create a State legal regulatory framework and reduce impacts to the community and the environment, into an unwilling informant on the community it was trying to protect.

It would be three years later, in 2016, when the County again took to the task of constructing new medical cannabis regulations.

2016-present: transition to legal frameworks

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 It was re-worked in 2016 as the Medical Cannabis Regulation and Safety Act (MCRSA), and it created a short-lived Bureau of Medical Cannabis Regulation (BMCR). Mendocino County’s 9.31 permit program finally had a state-level counterpart, although as we have seen the 9.31 program had been gutted due to Federal intervention four years earlier.

At the same time, California voters passed a legalization initiative, the Adult Use of Marijuana Act (AUMA), that overlapped considerably with MMRSA 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. MMRSA, 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”. 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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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 specifically to any services related to the civil regulation of new legal frameworks. Although funds from Measure AI have not been specifically allocated to support cannabis development, the Mendocino County cannabis program has been heavily supported by the General Fund with allocations for additional personnel, vehicles and equipment.

Additionally, significant amounts of time have been contributed to the program on the part of the Executive Office, Clerk of the Board staff, the Board of Supervisors and County Counsel. Significant funds have been expended on outside consultants to conduct environmental review of ordinance amendments and to create specialized “opt-in” and “opt-out” zones in response to neighborhood preferences. Implementation of the cannabis program has been hindered by inefficient and frequent turnover in administration of the program. Meanwhile, using existing funds and programs, the Sheriff’s Office has continued enforcement against unpermitted (including an increasingly nervous demographic of “yet to be permitted”) cannabis operations.

Delays in processing cannabis business applications at the State and local levels 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 2009. 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 now that legalization is within reach, it is too late for the vast majority of small businesses and communitarian individuals historically involved in cannabis markets, because they have not accumulated capital during that time period. Instead, larger commercial enterprises that were more likely to have been associated with organized crime and environmentally impactful business practices are in a much better position financially to transition to the legal market.

The following section reviews how the enforcement of cannabis criminalization structurally creates boom and bust cycles that 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 declined 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 increased dramatically. 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 in Mendocino County after 2000 with the passage of Measure G and 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. 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 signaled an end to a 30-year boom sustained entirely by prohibition’s function as a price support mechanism which added artificial value based on risk.

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 business model. 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, 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 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, ostensibly 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, 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 Mendocino County’s forward-looking experiments in California local governance, the commodity boom went bust and the livelihoods that had developed during the preceding 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 arguably 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. 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.

In a recent prohibition impact survey administered by the Mendocino Cannabis Alliance, populations impacted within Mendocino included: Covelo, Redwood Valley, Cave Creek, Laytonville, Spyrock, Covelo, Round Valley, Anderson Valley, Comptche, Willits, Greenville Ranch, Potter Valley, Ukiah, Redwood Valley, Mendocino Village, and the Coastal Community. Reported personal impacts ranged from arrests, loss of income, asset forfeiture, loss of employment, police harassment, and trauma associated with enforcement. Reported incidents ranged in time from more than 40 years ago to 2016. And they all report that personal impacts damaged their ability to take care of their families, participate in community organizations such as nonprofits and volunteer fire departments, and trust in government. This latter impact is one the top two reported obstacles to legal industry transition, along with access to safe banking.

On July 1, 2019, permitted cultivator, Mendocino Cannabis Alliance Policy Chair, and second generation cannabis cultivator Casey O’Neill wrote a letter published in the Mendocino Voice in response to National Guard enforcement. 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.
The Compassionate Use Act made it possible for patients and qualified caregivers to cultivate and possess cannabis for personal medical 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.
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 and made marijuana enforcement the lowest law enforcement priority. 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 repealed Measure G and reduced the limit of 25 plants to a limit of 6 plants, in line with State guidelines. Measure B was approved but was tied up in court and the State guidelines were eventually ruled unconstitutional.

**Date:** 2008  
**Title:** Chapter 9.31  
**Summary:** Chapter 9.31 limited marijuana cultivation to a maximum of 25 plants per parcel and adopted setbacks from sensitive receptors including youth oriented facilities, parks, schools and churches.

**Date:** 2010-2011  
**Title:** 9.31 Permit Program  
**Summary:** The 9.31 Permit 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:** May 17, 2016  
**Title:** Urgency Ordinance  
**Summary:** The Urgency Ordinance was adopted as a stopgap measure to put a regulatory system in place for the 2016 cultivation season while a permanent ordinance was developed, including environmental review. The Urgency Ordinance was terminated as settlement of a lawsuit but (need to research number) applicants were allowed to complete the permit process.

**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.
The below figures show the drug arrest data for Mendocino County by race, gender and age group from 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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Cannabis Arrests</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>300</td>
</tr>
<tr>
<td>1999</td>
<td>300</td>
</tr>
<tr>
<td>2000</td>
<td>350</td>
</tr>
<tr>
<td>2001</td>
<td>350</td>
</tr>
<tr>
<td>2002</td>
<td>250</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Ranking</th>
<th>County</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Alpine</td>
</tr>
<tr>
<td>2</td>
<td>Sierra</td>
</tr>
<tr>
<td>3</td>
<td>Humboldt</td>
</tr>
<tr>
<td>4</td>
<td>Plumas</td>
</tr>
<tr>
<td>5</td>
<td>Trinity</td>
</tr>
<tr>
<td>6</td>
<td>Calaveras</td>
</tr>
<tr>
<td>7</td>
<td>Nevada</td>
</tr>
<tr>
<td>8</td>
<td>Imperial</td>
</tr>
</tbody>
</table>
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 (CJCJ) 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 starts earlier in Mendocino County than in other parts of the state and is easier to obtain than alcohol. 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.
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.
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.
<table>
<thead>
<tr>
<th>School District</th>
<th>Total Student Population</th>
<th>Percentage of Students in FRPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anderson Valley Unified</td>
<td>490</td>
<td>86.21%</td>
</tr>
<tr>
<td>Arena Union Elementary</td>
<td>313</td>
<td>71.0%</td>
</tr>
<tr>
<td>Fort Bragg Unified</td>
<td>1883</td>
<td>73.23%</td>
</tr>
<tr>
<td>Laytonville Unified</td>
<td>360</td>
<td>70.0%</td>
</tr>
<tr>
<td>Legget Valley Unified</td>
<td>128</td>
<td>60.16%</td>
</tr>
<tr>
<td>Manchester Union Elementary</td>
<td>36</td>
<td>69.44%</td>
</tr>
<tr>
<td>Mendocino County of Office of Education</td>
<td>74</td>
<td>92.4%</td>
</tr>
<tr>
<td>Mendocino Unified</td>
<td>536</td>
<td>46.27%</td>
</tr>
<tr>
<td>Point Arena Joint Union High</td>
<td>133</td>
<td>63.2%</td>
</tr>
<tr>
<td>Potter Valley Community Unified</td>
<td>264</td>
<td>64.39%</td>
</tr>
<tr>
<td>Round Valley Unified</td>
<td>461</td>
<td>97.17%</td>
</tr>
<tr>
<td>Ukiah Unified</td>
<td>6606</td>
<td>78.3%</td>
</tr>
<tr>
<td>Willits Unified</td>
<td>1847</td>
<td>74%</td>
</tr>
</tbody>
</table>
The first map illustrates the poverty levels in Mendocino County by zip code.
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).

<table>
<thead>
<tr>
<th>Permit Type</th>
<th>Applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution Transport</td>
<td>N=173 (64%)</td>
</tr>
<tr>
<td>Only-Cultivation</td>
<td></td>
</tr>
<tr>
<td>Self Distribution</td>
<td>N=32 (12%)</td>
</tr>
<tr>
<td>Retailer</td>
<td>N=20 (7%)</td>
</tr>
<tr>
<td>Distribution-Facility</td>
<td>N=16 (6%)</td>
</tr>
<tr>
<td>Processing</td>
<td>N=13 (5%)</td>
</tr>
</tbody>
</table>
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—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, state and local taxes 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

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conviction history</td>
<td>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</td>
</tr>
<tr>
<td>Low income status</td>
<td>Household income at or below 80% of Mendocino area’s median income</td>
</tr>
<tr>
<td>Residency consideration</td>
<td>Give additional consideration to those who have resided in Mendocino County for at least five years between 1971-2016</td>
</tr>
<tr>
<td>Ownership consideration</td>
<td>Give additional consideration to those who own at least 40-51% of the business</td>
</tr>
<tr>
<td>Geographic location</td>
<td>Have lived within a five mile radius of the location of raids conducted by CAMP during 1971-2016</td>
</tr>
<tr>
<td>Size of operation</td>
<td>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</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>1. Waive fees for application assistance trainings</td>
</tr>
<tr>
<td></td>
<td>2. Deferral of payment of application fees for zoning and special use permits</td>
</tr>
<tr>
<td></td>
<td>3. Waive or defer fees for trainings and certifications required by law</td>
</tr>
<tr>
<td></td>
<td>4. Loans or grants to incentivize businesses that mitigate adverse environmental effects of cannabis cultivation</td>
</tr>
<tr>
<td>Administrative/Technical</td>
<td>1. Technical assistance for formation of cannabis cooperative associations</td>
</tr>
<tr>
<td></td>
<td>2. Technical assistance to ensure public and private road access to cannabis operations</td>
</tr>
<tr>
<td></td>
<td>3. Provide training and/or technical assistance to assist those with past cannabis convictions get their records expunged</td>
</tr>
<tr>
<td></td>
<td>4. Work with banking institutions and provide technical assistance to support equity applicants in accessing banking services</td>
</tr>
<tr>
<td>Business Acumen</td>
<td>1. Employment skill training for equity participants employed or seeking employment in licensed cannabis operations</td>
</tr>
<tr>
<td></td>
<td>2. Training/support for business owners to understand workforce rules and regulations. See recommendations below*</td>
</tr>
<tr>
<td>Distrust of Government</td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>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.</td>
</tr>
</tbody>
</table>

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.
The Mendocino County Cannabis Equity Assessment (2020) established that Mendocino has been hit hard by the criminalization of cannabis, and a targeted, data-driven and well-funded equity program can help certain populations and neighborhoods, particularly small growers and those impacted from past policies that may be left behind, into a legal, sustainable economic future.

The purpose of this manual is to describe the qualifications for, and services to be provided by, the Mendocino County Cannabis Local Equity Program (LEP).

A. Qualifications

1. Program Eligibility: Those who meet any of the following qualifications shall therefore meet the qualifications for Mendocino County’s LEP and become eligible for consideration for funding and services provided therefrom:
   a. Any individual and/or entity that has obtained or applied for a permit (either temporary or permanent), and the permit is for a business located in an area in Mendocino County with a poverty rate of 20% or above.
   b. Any individual engaged in small-scale 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;
   c. Any individual that can demonstrate disadvantage for reasons including but not limited to race, ethnicity, gender, sexual orientation, income level, education level, conviction history, and veteran status
   d. 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;
   e. Are a person who experienced sexual assault, exploitation, domestic violence, and/or human trafficking while participating in the cannabis industry.
   f. Have become homeless or suffered a loss of housing as a result of cannabis enforcement.

2. Alternate qualifications: For those who do not meet qualifications set forth above in Section A.1, individuals and/or entities can become eligible for the Mendocino County LEP if they meet three (3) of the following conditions:
   a. Be one of the following:
      i. An individual permitted for, seeking a permit for or employment in a Mendocino County permitted cannabis business;
      ii. A board member of a non-profit cannabis business;
      iii. Have a membership interest in a cannabis business formed as a cooperative per B&P Code section 26220 - 26231.2.
   b. Have resided in Mendocino County for at least five years during the period 1971 – 2016;
   c. Have obtained or applied for, or intend to apply for, a permit or zoning clearance for commercial cannabis activities in Mendocino County;
d. Have lived within a 5-mile radius of the location of raids conducted by the Campaign Against Marijuana Planting (CAMP) program;

e. Household income below the California poverty level;

f. 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);

g. Can reasonably demonstrate that, on the basis of equity, applicant was adversely impacted as a result of the criminalization of cannabis (i.e. the War on Drugs).

B. Services

Services to be provided by the Mendocino County Cannabis Equity Program may include, depending on need and the availability of funds from grants or other sources:

1. Tiered fees and/or waiver of fees for cannabis-related permits, including fees for Application Assistance Meetings of up to four hours, with the Cannabis Program of the Department of Planning & Building Services;

2. Cannabis and Small Business Development Assistance from the Economic Development Division, including business planning, loan application preparation, site location services, human resource management, capital procurement services, bookkeeping and accounting practices and systems, etc.;

3. Deferral of payment of Application Fees for Administrative Permit or Use Permit for a period not to exceed three (3) years;

4. Technical Assistance for the formation and administration of Road Maintenance Associations for public and private road networks providing access to cannabis activity operations by eligible cannabis equity program applicants or licensees, where such road networks may adversely impact watersheds providing habitat for threatened or endangered species;

5. Waiver or deferral of fees for training and certification by the Agricultural Commissioner’s office for Weights and Measures and Pesticide Applicators requirements or certification of scales used in cannabis licensed businesses in Mendocino County;

6. Technical Assistance for the formation of cannabis cooperative associations pursuant to Business and Professions Code sections 26220 -26231.2 the majority membership of which is comprised of cannabis equity program applicants or licensees.

7. Loans or Grants for purposes of assuring compliance with regulatory requirements of local or state permits or licenses that mitigate adverse environmental effects of cannabis cultivation or other activities including, but not limited to:
   a. Water storage for irrigation during forbearance periods of surface water diversion required by state or local regulations;
   b. Remediation and relocation of cannabis facilities located within streamside setbacks required by state or local regulation;
   c. Installation of solar electrical systems to replace diesel or gasoline generator power for off-grid cannabis facilities where connecting to the grid is economically infeasible;
   d. Road remediation, watershed mitigation, culverts or infrastructure needed to meet state or local regulations.

8. Employment skill training for eligible equity participants employed or seeking employment in licensed cannabis operations in Mendocino County.
C. Program Administration

1. No more than ten percent (10%) of any funding from the Governor’s Office of Business and Economic Development Cannabis Local Equity Program Grant Funds may be utilized for program administration;

2. Principal Administration and Coordination of Services shall be performed by the Mendocino County Department of Planning & Building Services- Cannabis Program, or such other agency as may be designated by the Board of Supervisors;

3. The Department of Planning and Building Services shall promulgate any policies, procedures, and forms necessary for program administration and submit them to the Board of Supervisors for review and approval.

4. Where possible, county staff will provide existing services to LEP applicants and licensees, with the intent to have Equity Program funding pay for the cost of those services. Where county staff is unable to provide services, defer to Section D. Such funding will be provided either through the administration portion of the LEP or eligible services described in Section B above;

5. The Department of Planning & Building Services shall monitor and report on all program services provided through the LEP, at least annually and more frequently as directed by the Board of Supervisors, state law or regulation;

6. The Department of Planning and Building Services, or such other agency as may be designated by the Board of Supervisors shall receive and process all applications to determine eligibility of equity program participants;

D. Provision of Services

a. Staff in the Mendocino County Department of Planning & Building Services- Cannabis Program serves as the liaison between equity licensees who receive grant funding and the selected agency(ies) that provides an eligible service. Agencies include, but are not limited to:
   i. Small business development organizations
   ii. Department of Planning & Building Services- Planning and Building Division
   iii. Department of Health & Human Services
   iv. Workforce development agencies
   v. Banking and financial institutions
   vi. Commercial real estate brokerages and associations

b. The Department of Planning & Building Services may enter into an interagency agreement, on behalf of the county, with qualifying internal or external agencies capable of providing the services described in SB 1294, business and professional codes and Mendocino County Local Equity Program Manual. These services include:
   i. Small business support services, such as technical assistance, professional mentorship services.
   ii. Tiered fees or fee waivers of cannabis-related permits and licenses.
   iii. Assistance in paying state and regulatory and licensing fees
E. Budget Allocation
Available program funds shall be allocated for Program Services specified in Section B., above, as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and Grants</td>
<td>80%</td>
</tr>
<tr>
<td>Direct Technical Assistance Costs</td>
<td>10%</td>
</tr>
<tr>
<td>Administration (not to exceed)</td>
<td>10%</td>
</tr>
</tbody>
</table>
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

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

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.
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-McElhaney 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.
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

<table>
<thead>
<tr>
<th>Racial Group</th>
<th>Population</th>
<th>Unemployment Rates</th>
<th>Poverty Rates</th>
<th>2015 Cannabis Arrest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>31%</td>
<td>4.2%</td>
<td>3.2%</td>
<td>4%</td>
</tr>
<tr>
<td>Black/African American</td>
<td>30%</td>
<td>9.2%</td>
<td>22.9%</td>
<td>77%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>30%</td>
<td>6.7%</td>
<td>24.6%</td>
<td>15%</td>
</tr>
<tr>
<td>Asian</td>
<td>7%</td>
<td>8.4%</td>
<td>17.6%</td>
<td>2%</td>
</tr>
<tr>
<td>Native HI/Pacific Islander</td>
<td>&gt; 1%</td>
<td>10% (County)</td>
<td>23.1%</td>
<td>-</td>
</tr>
<tr>
<td>American Indian/AK Native</td>
<td>&gt; 1%</td>
<td>10.4% (County)</td>
<td>8.7%</td>
<td>-</td>
</tr>
</tbody>
</table>

(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.1

1 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.”

Item: City Council
February 24, 2017
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.

Item: City Council
February 24, 2017
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 to 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. 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.

2 “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.
• 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.
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.\(^3\)

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 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 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,

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 $3.4 million 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.
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

<table>
<thead>
<tr>
<th>Equity Barriers</th>
<th>Equity Strategy</th>
</tr>
</thead>
</table>
| Access to affordable sites for business operations                           | Encourage Equity Incubators by giving permitting priority to General Applicants that provide Equity Applicants with free rent or real estate  
|                                                                                | Allow conditional approval with no real estate requirement  
|                                                                                | Allow small cottage operations  
|                                                                                | Explore developing co-location facilities                                                                                                                                                                 |
| Head start for established cannabis operations locking out business opportunity for members of marginalized communities | Phased Licensing - ensure at least half of initial licenses go to Equity Program qualified individuals, until Equity Assistance Program is operational  
|                                                                                | Require at least half of dispensary permits be issued to Equity qualified applicants                                                                                                                                 |
| 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 a majority of the board of directors or a person who possesses a majority ownership interest.                                                                                                 |
| Equity Program eligibility so broad that it does not maximize impact on equity for marginalized groups | Revise eligibility criteria for Program as follows:  
|                                                                                | • Ownership must have an annual income at or less than 80% AMI adjusted for household size; **AND**  
|                                                                                | • 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; **OR**  
<p>|                                                                                | • Ownership arrested in Oakland and convicted of a drug crime after November 5, 1996                                                                                                                             |</p>
<table>
<thead>
<tr>
<th>Equity Barriers</th>
<th>Equity Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of familiarity with government &quot;red tape,&quot; processes and relationships</td>
<td>City staff work with contractor to provide accurate and timely information and assistance with City processes</td>
</tr>
<tr>
<td>Access to technical &quot;industry resources&quot; for starting and maintaining a legal business; legal, regulatory, grow technology</td>
<td>City pursue RFP for cannabis technical assistance provided in the community by trusted community experts</td>
</tr>
</tbody>
</table>
ATTACHMENT B

REVISED OAKLAND

MUNICIPAL CODE 5.80
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 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 dispensarys 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 has 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, 31X, 31Y, 34Z, 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 a cannabis crime marijuana-related offense as a result of a conviction arising out of 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 5.80.045(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 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
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INTRODUCED BY COUNCILMEMBER

CITY ATTORNEY'S OFFICE

OAKLAND CITY COUNCIL

ORDINANCE NO. C.M.S.

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, 31X, 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.
"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.

"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.

"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.

"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.

"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.

"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.

"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.

"Testing" as used only in this chapter shall mean the conducting of analytical testing of cannabis, cannabis-derived products, hemp, or hemp-derived products.

"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.

"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.

"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.

"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.
"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 or 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 annual, 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 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.
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

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August 23, 2019

Bureau of Cannabis Control
Lori Ajax, Chief
2920 Kilgore Rd.
Rancho Cordova, CA 95670

RE: Plan to Produce Services Outlined in Budget Act of 2019, Item 1111-490 Reappropriation

Dear Chief Ajax,

The Bureau of Cannabis Control’s Local Equity Grant Program offers an opportunity to build upon the equitable foundation the City of Oakland (Oakland) established in 2017 when it launched the nation’s first cannabis equity program, and raise Oakland’s program to new heights. While the range and scope of programming will depend on how much funding Oakland receives, the below summary offers an overview of Oakland’s plan for utilizing grant funds.

Firstly, state funding will enable critical expansions to Oakland’s existing programs for equity operators. These include expanded technical assistance regarding how to operate a compliant cannabis business, legal support, and no-interest loans to assist with business operations.

Secondly, state funding will facilitate new programming, including grants to equity applicants and licensees to cover business start-up and ongoing costs, the buildout of capital-intensive projects such as commercial kitchens, and temporary cannabis events featuring equity owned businesses and equity made products. Likewise, state funding can support the creation of workforce development programs for those seeking employment opportunities within the cannabis industry.

In sum, state funding will assist Oakland in ensuring that those most impacted by the war on drugs benefit from the legalization of cannabis by taking part in the state’s regulated cannabis marketplace. Thank you in advance for your consideration, and feel free to contact our office at (510) 238-6370 or gminor@oaklandca.gov if you have any questions.

Sincerely,

Greg Minor
Assistant to the City Administrator
CITY OF PALM SPRINGS CANNABIS EQUITY PROGRAM

The City of Palm Springs has determined, that a two-year pilot program dedicated to aiding individuals who were subject to criminal law enforcement of cannabis related crimes at a disproportionate rate to their population within the County of Riverside and, as a result, were negatively impacted is in the best interests of the City. As such, the City has adopted the Cannabis Equity Program (“Program”) described herein.

The Program will be contingent on grant funding authorized by The California Equity Act of 2018.

1. **Program Purpose.** Program seeks to reduce the barriers of entry and participation for individuals that have been negatively impacted by the disproportionate law enforcement of cannabis related crimes by providing them access to cannabis business application. The Program is a conscious effort to provide 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 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 Program, the words and phrases defined in chapters 5.45 and 5.55 of the Palm Springs Municipal 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. “Applicant” means an individual or business who makes a formal application to be admitted in the Program.

   b. “Business” means a firm, organization, association, partnership, business trust, corporation, company, or like entity.

   c. “Cannabis Equity Program” or “the program” means the City’s Cannabis Equity Program.

   d. “Program participant” or “participant” means an individual or a business that has been admitted to participate in the Program.

   e. “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.

   f. “Individual” means a person.
g. “Low income individual” means an individual who currently (at the time of licensing) lives in a household with a household income that is at or below 80 percent of the Area Median Income (AMI) for the county of residence, as determined by the United States Department of Housing and Urban Development or its successor agency, and net worth below $250,000.

h. “Member of an Impacted Family” means an individual who, in the previous tax year, had a parent, legal guardian, child, spouse, or dependent, or was a dependent of an individual who, prior to July 26, 2017, was arrested for, convicted of, or adjudged to be a ward of the juvenile court for any non-violent crime under the laws of California or any jurisdiction relating to the sale, possession, use, cultivation, manufacture, or transport of cannabis.

5. **Review Process.** The City Manager or their designee shall review and approve all 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 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 Riverside County who previously resided or currently resides in a low income household and was either:

         (a) Arrested or convicted for a cannabis related crime in Riverside County 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 Riverside County 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: 92262, 92263, 92264.

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 Palm Springs, school records, medical records, banking records, Riverside
County 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.** A Program participant shall be entitled to receive the following benefits based on the applicable Classification: a. Classifications 1, and 2 Participants shall receive the following:

   i. The fee for a participant's cannabis related business permit is waived by the City.

   ii. Educational workshops for application completion and processing.

9. **Condition on Cannabis Permit.** Program participants are required to continue, maintain, and carry out the City's respective cannabis related and business requirements through the term of their respective cannabis business operations permit. Compliance with this section 9 shall be a condition of 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 Palm Springs Municipal Code sections 5.45.410 and 5.55.410.

10. **Program Monitoring and Reporting.** The Office of Special Programs shall provide quarterly updates to the City Council on the status of the 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 conduct an Equity Study and may expand the eligibility and benefits of the program. Additionally, the report should include an evaluation of any ongoing barriers to entry and participation, evaluations of the Equity Study, and recommend solutions as needed to advance equity.
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
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.\(^1\) 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.\(^2\) Similarly, enforcement of cannabis criminal laws ("cannabis enforcement" for our purposes) affects the life outcomes of family members of individuals arrested. \(^3\) 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.\(^4\) 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.\(^5\)

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


\(^5\) 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.
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. 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. 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.

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. 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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6 PBS Frontline. Marijuana Timeline.
7 Institute of Medicine Committee for the Substance Abuse Coverage Study, 1992.
9 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

<table>
<thead>
<tr>
<th>Total population</th>
<th>Hispanic or Latino (of any race)</th>
<th>White alone</th>
<th>Black or African American alone</th>
<th>American Indian and Alaska Native alone</th>
<th>Asian alone</th>
<th>Native Hawaiian and Other Pacific Islander alone</th>
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<td>466,488</td>
<td>125,276</td>
<td>210,006</td>
<td>68,335</td>
<td>5,291</td>
<td>85,503</td>
<td>6,655</td>
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</table>

Source: US Census Bureau 2010

Figure 2: City of Sacramento Zip Code Population, 2010

<table>
<thead>
<tr>
<th>Location</th>
<th>Zip Code</th>
<th>Percent of City population within Zip Code</th>
<th>Population</th>
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<td>Parkway Meadowview</td>
<td>95823</td>
<td>10.82%</td>
<td>50,451</td>
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<td>Greenhaven</td>
<td>95831</td>
<td>8.81%</td>
<td>41,078</td>
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<td>South Land Park/Hollywood Park</td>
<td>95822</td>
<td>8.05%</td>
<td>37,570</td>
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<td>Natomas North</td>
<td>95835</td>
<td>7.72%</td>
<td>35,992</td>
</tr>
<tr>
<td>Natomas South</td>
<td>95833</td>
<td>7.51%</td>
<td>35,040</td>
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<tr>
<td>Del Paso South</td>
<td>95815</td>
<td>7.44%</td>
<td>34,693</td>
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<td>95838</td>
<td>7.05%</td>
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<td>Fruitridge North</td>
<td>95820</td>
<td>6.92%</td>
<td>32,259</td>
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<tr>
<td>Elder Creek</td>
<td>95824 95828</td>
<td>4.20%</td>
<td>19,607</td>
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<tr>
<td>East Sacramento</td>
<td>95816</td>
<td>4.15%</td>
<td>19,341</td>
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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).10 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.11 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.12 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.13

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.14 Subsequent research in Seattle suggests that arrests are largely

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driven by deployment of police officers and resident’s calls for service.\textsuperscript{15} 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.

\textit{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.

\textbf{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.

\textsuperscript{15} Race, Place and Drug Enforcement. Engel, Smith, Cullen. 2012.
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. 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Arrests</th>
</tr>
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<tbody>
<tr>
<td>2004</td>
<td>913</td>
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<tr>
<td>2005</td>
<td>1282</td>
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<td>2006</td>
<td>1590</td>
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<tr>
<td>2007</td>
<td>1562</td>
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<td>2008</td>
<td>1498</td>
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<td>2009</td>
<td>1500</td>
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<tr>
<td>2010</td>
<td>1360</td>
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<tr>
<td>2011*</td>
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<td>2014</td>
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<td>2015</td>
<td>600</td>
</tr>
<tr>
<td>2016</td>
<td>552</td>
</tr>
<tr>
<td>2017</td>
<td>195</td>
</tr>
</tbody>
</table>

Source: City of Sacramento Police Department

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2) 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.

3) 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
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

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of Arrests</th>
<th>Percent of Arrests 2004--2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>12211</td>
<td>88.19%</td>
</tr>
<tr>
<td>Female</td>
<td>1636</td>
<td>11.81%</td>
</tr>
<tr>
<td>Total</td>
<td>13847</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: City of Sacramento Police Department

4) 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

<table>
<thead>
<tr>
<th>Location</th>
<th>Zip Code</th>
<th>2010 Arrests</th>
<th>Percent of Population, 2010</th>
<th>% of Cannabis related Citywide Arrests, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surrounding City</td>
<td>95811</td>
<td>34</td>
<td>2.00%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Center City</td>
<td>95814</td>
<td>154</td>
<td>2.98%</td>
<td>11.32%</td>
</tr>
<tr>
<td>Land Park</td>
<td>95818</td>
<td>100</td>
<td>3.35%</td>
<td>7.35%</td>
</tr>
<tr>
<td>Oak Park</td>
<td>95817</td>
<td>75</td>
<td>3.46%</td>
<td>5.51%</td>
</tr>
<tr>
<td>Florin Perkins</td>
<td>95826</td>
<td>28</td>
<td>1.36%</td>
<td>2.06%</td>
</tr>
<tr>
<td>Fruitridge North</td>
<td>95820</td>
<td>118</td>
<td>6.92%</td>
<td>8.68%</td>
</tr>
<tr>
<td>Elder Creek</td>
<td>95824 95828</td>
<td>85</td>
<td>4.20%</td>
<td>6.25%</td>
</tr>
</tbody>
</table>
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 7th and 9th 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.18

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.19

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.20 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.21 Research also suggests that, since many jobs are found through personal connections that match potential

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17 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.
18 “Low income households” as defined by Sacramento City Code section 17.712.020.
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.\textsuperscript{22} 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.\textsuperscript{23}

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.\textsuperscript{24} According to the US Census Bureau the Median Household Income for Sacramento was $57,509 in 2016.\textsuperscript{25} Meanwhile, 21.4% of the population of Sacramento was in poverty.

\textbf{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:

\begin{itemize}
  \item \textbf{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, \textsuperscript{26} and who resides in a Low-Income Household. \textsuperscript{27}

  These zip codes are:

  \begin{itemize}
    \item 95811
    \item 95820
    \item 95823
    \item 95824
    \item 95818
    \item 95828
    \item 95817
    \item 95815
    \item 95826
  \end{itemize}

  \item \textbf{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

\end{itemize}

\footnotesize
\textsuperscript{22} The Labor Market Consequences of Incarceration. Western, Kling and Weiman. 2001.
\textsuperscript{23} The Labor Market Consequences of Incarceration. Western, Kling and Weiman. 2001.
\textsuperscript{25} United State Census Bureau. QuickFacts. Sacramento county, California.
\textsuperscript{26} The 2011 year has been selected because from 2011 forward, cannabis related arrests dropped significantly citywide.
\textsuperscript{27} 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.\textsuperscript{28}

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.

\textsuperscript{28} 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. 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. 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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legal requirements. Beginning a cannabis business, meanwhile requires specialized agriculture, chemicals or manufacturing knowledge.\textsuperscript{31}

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.\textsuperscript{32}

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.
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 those who 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.1 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 20th century.2 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.3 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.4

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...”.5 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.6 In Marijuana: A Short History, John Hudak connects the racialization of cannabis policy to wider geopolitical events at the

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2 Ibid., 34.
3 Ibid., 35.
4 Ibid., 35-36.
5 Ibid., 36.
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...”.  

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. 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.

Despite facing some objections against implementing harsh punishments for cannabis offenses, Anslinger and Congress continued to criminalize cannabis in stricter terms. 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.

The counterculture movements of the 1960s pushed back against social norms and government actions and policies that were perceived as unjust. 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.

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. 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. 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.

After Congress passed the Controlled Substances Act in 1970, President Nixon formally declared a “War
on Drugs”. 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. 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.

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.

The 1970 Controlled Substances Act is crucial because it formalized drug schedules, which categorized drugs into legal groups for sentencing and other purposes. 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. The law expanded the government’s powers for regulating drugs and gave Nixon the foundation for his upcoming War on Drugs. 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”. 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.

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,

23 Ibid., 55.
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.\textsuperscript{26}

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.\textsuperscript{27} 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.\textsuperscript{28} 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.\textsuperscript{29} 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.\textsuperscript{30} 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.\textsuperscript{31}

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.\textsuperscript{32}

President Bill Clinton incorporated kinder rhetoric when speaking about drug use, although his policies continued to intensify criminal punishments for cannabis.\textsuperscript{33} 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.\textsuperscript{34} 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.\textsuperscript{35} Meanwhile, states began legalizing medical cannabis; some states authorized medical cannabis on the day Clinton was reelected to office.\textsuperscript{36}

Public opinion about cannabis reversed became increasingly positive in the 1990s and 2000s,\textsuperscript{37} a trend that has continued to the present. In 2000, 31\% of Americans supported the legalization of cannabis. By

\textsuperscript{27} Hudak, John. Marijuana: A Short History, 73.
\textsuperscript{29} Hudak, John. Marijuana: A Short History, 76.
\textsuperscript{30} Ibid.
\textsuperscript{31} Ibid.
\textsuperscript{33} Hudak, John. Marijuana: A Short History, 81-82.
\textsuperscript{34} Ibid., 82-83.
\textsuperscript{36} Hudak, John. Marijuana: A Short History, 83.

2013, nearly 58% of those polled supported legalization. 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.

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”. Despite this initial stance, President Bush’s drug policies closely resembled those of his predecessors, focusing on international trafficking, law enforcement and treatment. What’s more, the Bush Administration frequently conducted raids on medical cannabis dispensaries, including dispensaries that functioned legally under state law.

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.” 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

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”. 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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44 Ibid., 21.
Attorney General of the United States, 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.

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. IToclarify 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.

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

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47 Ibid.


Prevention Act, directing the state to offer eligible offenders treatment rather than jail-time for drug possession and drug use.50

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.51 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.52

On November 8, 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act, legalizing the distribution, sale, and possession of cannabis.53 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.54

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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. 55 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. 56 Voters approved the proposition with nearly 80% of the vote. 57

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.” 58 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. 59

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. 60 Proposition S passed with approximately 62% of the vote. 61

In March 2005, the Board of Supervisors passed Ordinance No. 64-05, “Zoning – Interim Moratorium on Medical Cannabis Dispensaries”. 62 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”. 63 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 Francisco Health Code, which established the structure of the city’s medical cannabis program.

56 Ibid., 146.
59 Ibid.
61 “San Francisco Ballot Propositions Database.” The San Francisco Public Library.
63 Ibid.
Francisco Health Code, which provided codes, rules, regulations, and operating procedures for medical cannabis dispensaries.\(^{64}\)

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.”\(^{65}\) 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.\(^{66}\) Melinda Haag, the U.S. Attorney General for Northern California at the time, threatened landlords of cannabis dispensaries located near schools with property seizure.\(^{67}\)

Anticipating the decriminalization of adult-use cannabis for adults, the San Francisco Board of Supervisors created the Cannabis State Legalization Task Force in 2015.\(^{68}\) 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.\(^{69}\)

**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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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. 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. 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%.

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 (DOI, 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: CJCJ (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

<table>
<thead>
<tr>
<th></th>
<th>MALE</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Felony Drug Arrest Rate</td>
<td>African American</td>
<td>White</td>
</tr>
<tr>
<td>2009</td>
<td>San Francisco</td>
<td>2,531.6</td>
<td>237.9</td>
</tr>
<tr>
<td></td>
<td>California (excluding SF)</td>
<td>486.6</td>
<td>200.5</td>
</tr>
<tr>
<td>Ratio, SF drug felony rate vs. CA</td>
<td>5.7</td>
<td>1.2</td>
<td>4.3</td>
</tr>
<tr>
<td>2016</td>
<td>San Francisco</td>
<td>76.8</td>
<td>19.4</td>
</tr>
<tr>
<td></td>
<td>California (excluding SF)</td>
<td>90.4</td>
<td>58.1</td>
</tr>
<tr>
<td>Ratio, SF drug felony rate vs. CA</td>
<td>0.8</td>
<td>0.5</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Source: CJCJ (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 CJCJ’s analysis are apparent when specifically examining cannabis-related felony and custodial misdemeanor arrests. As demonstrated in Figure 5 below, from 1990-2016, Black 72 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)

72 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.
Percentages along the Black cannabis arrests line represent the percent of total cannabis arrests in which the detainee was black.

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)

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*, 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. 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

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74 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.”75

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, $115,300.76 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)

<table>
<thead>
<tr>
<th>Number of Persons in Household</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
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<tbody>
<tr>
<td>San Francisco 4-Person AMI:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely Low</td>
<td>$27,650</td>
<td>$31,600</td>
<td>$35,550</td>
<td>$39,500</td>
<td>$42,700</td>
<td>$45,850</td>
<td>$49,000</td>
<td>$52,150</td>
</tr>
<tr>
<td>Very Low Income</td>
<td>$46,100</td>
<td>$52,650</td>
<td>$59,250</td>
<td>$65,800</td>
<td>$71,100</td>
<td>$76,350</td>
<td>$81,600</td>
<td>$86,900</td>
</tr>
<tr>
<td>Low Income</td>
<td>$73,750</td>
<td>$84,300</td>
<td>$94,850</td>
<td>$105,350</td>
<td>$113,800</td>
<td>$122,250</td>
<td>$130,650</td>
<td>$139,100</td>
</tr>
</tbody>
</table>

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)

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

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>Census Tract</th>
<th>Low income Households (%)</th>
<th>Unemployment Rate (%)</th>
<th>Racial/ Ethnic Minority (%)</th>
<th>Cannabis Arrests per 100 Persons (2010-2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bayview Hunters Point</td>
<td>9809</td>
<td>42.6%</td>
<td>15.8%</td>
<td>56.8%</td>
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<td></td>
<td>612</td>
<td>62.2%</td>
<td>15.3%</td>
<td>90.0%</td>
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<td>232</td>
<td>64.0%</td>
<td>14.8%</td>
<td>92.9%</td>
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<tr>
<td></td>
<td>231.03</td>
<td>90.7%</td>
<td>17.7%</td>
<td>96.9%</td>
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</tr>
<tr>
<td></td>
<td>234</td>
<td>68.5%</td>
<td>14.9%</td>
<td>97.4%</td>
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<tr>
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<td>9806</td>
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<td>20.5%</td>
<td>88.9%</td>
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<td>76.0%</td>
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<td>94.7%</td>
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<td>93.1%</td>
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<td>Excelsior</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>South Beach</td>
<td>117</td>
<td>68.5%</td>
<td>9.9%</td>
<td>67.6%</td>
<td>5.87</td>
</tr>
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<td></td>
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<td>38.6%</td>
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<tr>
<td></td>
<td>332.01</td>
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<td>1.64</td>
</tr>
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<td>Lakeshore</td>
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<tr>
<td>Neighborhood</td>
<td>Census Tract</td>
<td>Low income Households (%)</td>
<td>Unemployment Rate (%)</td>
<td>Racial/ Ethnic Minority (%)</td>
<td>Cannabis Arrests per 100 Persons (2010-2017)</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
<td>---------------------------</td>
<td>-----------------------</td>
<td>-----------------------------</td>
<td>---------------------------------</td>
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<td>Western Addition</td>
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<td>79.6%</td>
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</tr>
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<td>158.01</td>
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<td>12.8%</td>
<td>65.0%</td>
<td>1.35</td>
</tr>
<tr>
<td></td>
<td>160</td>
<td>54.5%</td>
<td>4.9%</td>
<td>51.8%</td>
<td>0.98</td>
</tr>
</tbody>
</table>

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.\(^77\) 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**

![Bar chart showing race and ethnicity distribution among cannabis industry professionals and the general population.]

*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.*


\(^77\) 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.78 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.


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

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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Barrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Access to Capital or Financing</td>
</tr>
<tr>
<td></td>
<td>Access to Real Estate</td>
</tr>
<tr>
<td></td>
<td>Licensing and Regulatory Fees</td>
</tr>
<tr>
<td>Technical</td>
<td>Business Ownership</td>
</tr>
<tr>
<td></td>
<td>Legal and Regulatory</td>
</tr>
<tr>
<td></td>
<td>Tax</td>
</tr>
<tr>
<td></td>
<td>Awareness of Equity Programs</td>
</tr>
<tr>
<td>Criminal</td>
<td>Background Checks</td>
</tr>
<tr>
<td>Other</td>
<td>Geography</td>
</tr>
<tr>
<td></td>
<td>Distrust in Government</td>
</tr>
</tbody>
</table>

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.
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 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.

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.

<table>
<thead>
<tr>
<th>Figure 16. Eligibility Requirements for Oakland’s Cannabis Equity Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Must be:</td>
</tr>
<tr>
<td>(1) an Oakland resident,</td>
</tr>
<tr>
<td>AND</td>
</tr>
<tr>
<td>(2) earn 80% or less of Oakland average median income (&lt;$52,650),</td>
</tr>
<tr>
<td>AND</td>
</tr>
<tr>
<td>(a) have lived within 21 high-enforcement police beats for 10 of last 20 years. OR (b) have been arrested and convicted of a cannabis crime in Oakland after 1996.</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Figure 17. Oakland Cannabis Equity Assistance Program Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefit</strong></td>
</tr>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>Incubator Program</td>
</tr>
<tr>
<td>Business Technical Assistance</td>
</tr>
<tr>
<td>Industry Technical Assistance</td>
</tr>
<tr>
<td>Zero-Interest Loans</td>
</tr>
<tr>
<td>Fee Waivers</td>
</tr>
</tbody>
</table>
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.80

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.

<table>
<thead>
<tr>
<th>Applicant Category</th>
<th>Completed Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Applications (non-equity)</td>
<td>106</td>
</tr>
<tr>
<td>Equity Applications (based on residency)</td>
<td>85</td>
</tr>
<tr>
<td>Equity Applications (based on conviction)</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Complete Applications</strong></td>
<td><strong>216</strong></td>
</tr>
</tbody>
</table>

---

80 Per interview with City of Oakland.
Figure 19. Oakland Equity Assistance Program Considerations

<table>
<thead>
<tr>
<th>Equity Component</th>
<th>Key Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>capital to provide benefits to equity applicants. Small- and medium-sized operators are relatively disadvantaged against larger competitors who can afford this benefit.</td>
</tr>
<tr>
<td>Business Technical Assistance</td>
<td>- Use of contracted organizations allows Oakland to minimize city staff while leveraging local industry expertise.</td>
</tr>
<tr>
<td></td>
<td>- Contracting requires up-front funding before adult use tax revenue is collected.</td>
</tr>
<tr>
<td>Zero-Interest Loans</td>
<td>- Provides significant benefit to equity applicants who would otherwise be unable to afford – or even obtain – a private business loan.</td>
</tr>
<tr>
<td></td>
<td>- 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.</td>
</tr>
</tbody>
</table>

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

Tier 1: Convicted of cannabis crime*

Tier 2: Immediate family convicted of cannabis crime*

Tier 3: Lives or has lived in high cannabis enforcement area*

Tier 4: Non-qualifying applicants endorsed by Neighborhood Council

*Must also qualify as low income
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.

<table>
<thead>
<tr>
<th>Tier</th>
<th>Eligibility Criteria</th>
<th>Priority Processing</th>
<th>Permitting Assistance</th>
<th>Business Training</th>
<th>Fee Waivers</th>
<th>Loan Program</th>
<th>Incubator/Partnership Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>Low-income resident of LA with a prior cannabis conviction in CA.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tier 2</td>
<td>Low-income resident of LA with immediate family member convicted of a cannabis-related crime in CA.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tier 3</td>
<td>Low-income resident of LA who lives or has lived in eligible districts.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>* Eligible for fee deferral</td>
</tr>
<tr>
<td>Tier 4</td>
<td>Non-qualifying applicants who are endorsed by a Neighborhood Council.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Eligible for fee deferral
Figure 22 provides details regarding proposed benefits offered to equity applicants.

**Figure 22. Los Angeles Recommended Cannabis Equity Program Benefits**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waived Fees</td>
<td>Permitting and inspection fees for qualifying applicants are waived.</td>
</tr>
<tr>
<td>No- or Low-Interest Loans</td>
<td>City-managed loan fund offering no or low-interest loans to eligible applicants.</td>
</tr>
<tr>
<td>Incubator/Industry Partnership (Type 1)</td>
<td>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.</td>
</tr>
<tr>
<td>Incubator/Industry Partnership (Type 2)</td>
<td>Landlords with currently unpermitted cannabis operations (which is punishable by punitive fines) can receive fine waivers if they provide space to equity applicants.</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>Assistance with navigation of City permitting requirements and compliance.</td>
</tr>
<tr>
<td>City Property</td>
<td>City-owned property not eligible for affordable housing may be made available for free or reduced rent to equity applicants.</td>
</tr>
<tr>
<td>Conditional Approval</td>
<td>Equity applicants may be eligible for conditional approval of a permit without securing real estate for their operation.</td>
</tr>
</tbody>
</table>

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.

**Figure 23. Los Angeles Recommended General Equity Components**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streamlining</td>
<td>A streamlined permitting structure and a suite of development standards will reduce operational downtime spent in application review, which disproportionately impacts low-income applicants.</td>
</tr>
<tr>
<td>Phased Permitting</td>
<td>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).</td>
</tr>
<tr>
<td>Education &amp; Outreach</td>
<td>Outreach and educational programs targeted to potential applicants to spread awareness of the equity program.</td>
</tr>
<tr>
<td>Community Reinvestment</td>
<td>Reinvestment fund and programming earmarked for communities disproportionately affected by cannabis enforcement.</td>
</tr>
<tr>
<td>Expungement</td>
<td>Expungement events held in disproportionately affected communities to help with criminal expungement.</td>
</tr>
<tr>
<td>Workforce</td>
<td>All businesses (not just equity) must commit to 50% eligible workforce (low-income or impacted) and submit a diversity plan.</td>
</tr>
</tbody>
</table>
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**

<table>
<thead>
<tr>
<th>Equity Component</th>
<th>Key Consideration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility Tiers</strong></td>
<td>- LA’s eligibility framework provides a progressive level of benefits depending on an applicant’s direct or indirect impacts from cannabis enforcement.</td>
</tr>
<tr>
<td></td>
<td>- 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.</td>
</tr>
<tr>
<td></td>
<td>- 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.</td>
</tr>
<tr>
<td><strong>Community Reinvestment</strong></td>
<td>- 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.</td>
</tr>
<tr>
<td><strong>Conditional Approval</strong></td>
<td>- 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.</td>
</tr>
<tr>
<td><strong>Community Outreach &amp; Education</strong></td>
<td>- 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.</td>
</tr>
<tr>
<td><strong>Expungement Events</strong></td>
<td>- 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.</td>
</tr>
<tr>
<td><strong>Type-2 Incubators</strong></td>
<td>- 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.</td>
</tr>
<tr>
<td><strong>City Property</strong></td>
<td>- 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.</td>
</tr>
<tr>
<td></td>
<td>- 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.</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Provision</th>
<th>Details</th>
</tr>
</thead>
</table>
| Agency Representation and Legislative Mandates | ● 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.  
● 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.  
● A subcommittee of the Advisory Board will develop recommendations on women, minority, and veteran-owned businesses, and local agriculture and growing cooperatives. |
| Criminal Record                  | ● People with past cannabis possession charges are eligible to have their records sealed and there will be an awareness campaign to inform the public.  
● Past cannabis offenses will not disqualify an individual from working or owning a cannabis business (except sale to a minor). |
| 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        | ● Data collection that tracks diversity in the industry is required.  
● The Cannabis Control Commission must report annually on data collected and research any evidence of discrimination or barriers to entry.  
● Additional licensing rules will be promulgated if evidence of discrimination or barriers to entry is found. |

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 2016.81 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.82

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.

<table>
<thead>
<tr>
<th>Type</th>
<th>Lesson Learned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability</td>
<td>While Denver requires community engagement plans, it has no enforcement authority to hold permittees accountable to execute the plans.</td>
</tr>
<tr>
<td>Financial</td>
<td>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.</td>
</tr>
<tr>
<td>Data</td>
<td>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.</td>
</tr>
<tr>
<td>Education and Awareness</td>
<td>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.</td>
</tr>
</tbody>
</table>


82 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.

<table>
<thead>
<tr>
<th>State</th>
<th>Equity Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>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.</td>
</tr>
<tr>
<td>Maryland</td>
<td>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.</td>
</tr>
<tr>
<td>Ohio</td>
<td>State law requires that 15% of licenses go to businesses owned by four identified minority groups.</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>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.</td>
</tr>
<tr>
<td>West Virginia</td>
<td>State law requires that regulators encourage minority-owned businesses to apply for growing licenses.</td>
</tr>
</tbody>
</table>

VI. Findings and Recommendations
The following section seeks to provide 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. 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.

<table>
<thead>
<tr>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation:</strong> 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. Based on data analysis in this report, the City should consider including the following eligibility criteria: 1) Conviction history associated with cannabis related offense(s); 84 2) Immediate family member with a conviction history associated with cannabis related offense(s); 3) Low Income Status; 85</td>
</tr>
<tr>
<td><strong>Considerations:</strong> • Limiting the eligible group allows an affected group to receive higher-value benefits. • Rationale for eligibility criteria must be clear and justifiable, preferably with data, to minimize confusion among groups not included. • Eligibility should, at a minimum, require a cannabis-related arrest and conviction, and should be consistent with the State’s conviction history guidelines. • 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.</td>
</tr>
</tbody>
</table>

83 These recommendations should be subject to City Attorney review prior to implementation.

84 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.

85 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.
| 4) Residency Requirement;  
5) Ownership Requirements; and if appropriate  
6) Geographic Location86 |

<table>
<thead>
<tr>
<th><strong>Recommendation:</strong> Eligibility Tiers</th>
</tr>
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<tbody>
<tr>
<td>The City should create a tiered structure to provide proportional benefits necessary for each tier’s success.</td>
</tr>
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<table>
<thead>
<tr>
<th><strong>Considerations:</strong></th>
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<tbody>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• Ensures that applicants with a cannabis conviction history directly benefit from the program.</td>
</tr>
<tr>
<td>• Ensures limited resources can be targeted most effectively.</td>
</tr>
<tr>
<td>• Conviction-based eligibility could include convictions within the state, recognizing the impacts of convictions on an individual, regardless of location of arrest/conviction.</td>
</tr>
<tr>
<td>• More complex eligibility criteria require increased program administration resources.</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th><strong>Recommendation:</strong> Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
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<thead>
<tr>
<th><strong>Considerations:</strong></th>
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<tbody>
<tr>
<td>• Requiring a percentage of ownership and/or control ensures equity operators are realizing the financial benefits of their operations.</td>
</tr>
<tr>
<td>• 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.</td>
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</table>

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<thead>
<tr>
<th><strong>Recommendation:</strong> Residency</th>
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<tr>
<td>The City should consider creating a residency requirement to ensure that current and</td>
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<table>
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<tr>
<th><strong>Considerations:</strong></th>
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<tbody>
<tr>
<td>• Because of the size of San Francisco’s market, and in the interest of ensuring a</td>
</tr>
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86 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.
<table>
<thead>
<tr>
<th>PERMITTING</th>
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<tr>
<td><strong>Finding 2:</strong> 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.</td>
<td></td>
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<tr>
<td><strong>Recommendation: Prioritization</strong></td>
<td><strong>Considerations:</strong></td>
<td></td>
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</tbody>
</table>
| The City should consider a prioritized permit process to assist Equity Applicants. | - A faster approval process ensures applicants are not crowded out by more well-resourced applicants.  
- Permitting conditions could prevent well-resourced competitors from crowding out potential equity applicants.  
- Prioritization approaches need to be considered in the context of overall tiering and phasing strategies to ensure desired outcomes for equity applicants. |                                                                                                                                                                                                 |
| **Recommendation: Phasing**                                               | **Considerations:**                                                                                                                                                                                                                                           |                                                                                                                                                                                                 |
| 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. | - 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.  
- Existing medical businesses should be permitted in initial permitting phase(s) to ensure continued access to medicinal cannabis for patients.  
- An overly complex program could delay permit issuance.  
- In a one-for-one model, there is potential for a bottleneck in licensing if insufficient numbers of equity-eligible individuals apply. |                                                                                                                                                                                                 |
<p>| <strong>Recommendation: Ratios</strong>                                               | <strong>Considerations:</strong>                                                                                                                                                                                                                                           |                                                                                                                                                                                                 |
| The City should, at a minimum, mandate a                                  |                                                                                                                                                                                                 |                                                                                                                                                                                                 |</p>
<table>
<thead>
<tr>
<th>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.</th>
</tr>
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<table>
<thead>
<tr>
<th>Recommendation: Provisional Approval</th>
<th>Considerations:</th>
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<tbody>
<tr>
<td>For Equity Applicants, the City should allow for provisional approval of a permit prior to the applicant securing real estate for their operation.</td>
<td>• 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.</td>
</tr>
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<tr>
<th>Recommendation: CB3P for Retail Applicants</th>
<th>Considerations:</th>
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<tbody>
<tr>
<td>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.</td>
<td>• The CB3P program would provide applicants with time savings and more clear timelines.</td>
</tr>
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<table>
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<tr>
<th>Recommendation: Amnesty Program</th>
<th>Considerations:</th>
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</thead>
<tbody>
<tr>
<td>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.</td>
<td>• Ensuring continued operation could mean the operator faces fewer barriers to enter the regulated market.</td>
</tr>
</tbody>
</table>

| requisite number/percentage of equity applicants to new applicants during permitting phases. | • 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. • 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. |
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.

- 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)

- Accountability measures must be taken to ensure parties conform to agreements and equity outcomes are achieved.

- Equity incubators incentivize knowledge and resource sharing with Equity Applicants at no cost to the City.

- 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.

**Recommendation:** Incubator Program Priority Processing

The City should consider extending priority processing to Incubator Program applicants.

- Priority processing will allow the City and the incubated operator to realize the equity benefits faster.

- Non-equity existing operators that serve as “incubators” could be eligible to receive priority permit review and issuance.

- Prioritization approaches need to be considered in the context of overall tiering and phasing strategies to ensure desired outcomes for equity applicants.

**Recommendation:** Success Metrics

Metrics should be incorporated into the Equity Program to ensure that operators are helping move Equity incubator operators towards success.

- Operators could use Equity Applicants to enter the market in 2018, and provide them with no meaningful benefits.

**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.
<table>
<thead>
<tr>
<th><strong>Recommendation:</strong> Creation of a Community Reinvestment Fund</th>
<th><strong>Considerations:</strong></th>
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</table>
| 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. | • 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.  
• A cannabis tax has not yet been approved by San Francisco voters, and there is little information available on revenues and spending priorities.  
• Cannabis tax revenues may be an inconsistent source of revenue until the market stabilizes, which could take a few years. |

<table>
<thead>
<tr>
<th><strong>Recommendation:</strong> Anti-Stigma Campaign</th>
<th><strong>Considerations:</strong></th>
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</table>
| 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. | • Reducing stigma could help operators better access capital, real estate, and technical assistance.  
• 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.  
• In developing a more regular lexicon to use for the regulated activity, City should avoid Drug War language including “crackdown,” and “Black market.” |

<table>
<thead>
<tr>
<th><strong>Recommendation:</strong> Funding for Community Reinvestment</th>
<th><strong>Considerations:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>• State funding can enhance and supplement the City’s ability to meet local equity goals.</td>
</tr>
</tbody>
</table>
Recommendation: Equity Plan

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.

Considerations:
• 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.

Recommendation: Streamline Expungement Opportunities

Community reinvestment programming should include streamlined expungement events held in neighborhoods that have been disproportionately-impacted by the War on Drugs.

Considerations
• Bringing events to communities enhances overall outreach for the equity program and reduces barriers to navigating the expungement process.
• 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.

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.

Recommendations: Leverage Existing Programs

The City should leverage eligible existing workforce programs to provide pathways to employment in the legal cannabis industry for individuals engaged in street-level drug commerce.

Considerations:
• Length of program would need to be balanced, making sure participants are job ready while meeting their need to enter the workforce quickly.
• 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.
• Cannabis industry workforce program could be modeled after existing OEWD Reentry Services Program.
• Leveraging existing programs offers people opportunities to build skills for other industries as well.

87 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.
<table>
<thead>
<tr>
<th><strong>Recommendations: Expand Workforce Curriculum</strong></th>
<th><strong>Considerations:</strong></th>
</tr>
</thead>
</table>
| The City should consider expanding curriculum to support new workforce and/or entrepreneurship services for street level cannabis participants across industries. | • The City’s approach to curriculum development through GoSolarSF could be used as a model.  
• This would require engagement and training of new CBOs, in basic workforce knowledge.  
• There may be limited potential for program growth due to considerations and restrictions around co-mingling cannabis workforce funding with other sources.  
• This approach would also take time and creating new programming can be costly.  
• There is a potential lack of data related to industry workforce projections, making it difficult to scope program size and funding. |

<table>
<thead>
<tr>
<th><strong>Recommendations: Workforce Fairs</strong></th>
<th><strong>Considerations:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>• Bringing events to the community can assist with outreach and help build trust with City agencies.</td>
</tr>
</tbody>
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<thead>
<tr>
<th><strong>Recommendation: Training Personnel with Industry Experience</strong></th>
<th><strong>Considerations:</strong></th>
</tr>
</thead>
</table>
| 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. | • Persons with experience in the unregulated and regulated cannabis market may be well positioned to advise individuals looking to join the regulated market.  
• These positions could create additional workforce opportunities for persons impacted by the War on Drugs.  
• Much of the City’s workforce training partners make independent personnel decisions.  
• The need for official industry knowledge could be addressed via future RFP’s |

<table>
<thead>
<tr>
<th><strong>Recommendation: Incorporate Local Hire &amp; Refine Requirements</strong></th>
<th><strong>Considerations:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The City should incorporate local hire requirements, and should consider requiring or incentivizing employers to prioritize</td>
<td>• 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</td>
</tr>
</tbody>
</table>
applicants from then disadvantaged communities.\textsuperscript{88} meaningful access to workforce opportunities in the Cannabis Industry is critical.

- 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.
- The City would need to ensure people are hired for full time, fair wage jobs and not just used to obtain the permit.
- 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.
- 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.
- 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.

Finding 6: Existing City legislation can be leveraged to expand equitable employment opportunities.

**Recommendations:** \textit{Education on Fair Chance Ordinance}

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.\textsuperscript{89}

**Considerations:**

- 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.

**Recommendation:** \textit{Remove Cannabis Conviction Workforce Barriers}

**Considerations:**

- Adding this language to Article 49 of the

\textsuperscript{88} As described in Section III, Subsection E. Disadvantaged Communities.

\textsuperscript{89} See Appendix D. Existing Resources.
The City should look at legislating the removal of employment barriers based on cannabis-related convictions across all sectors. 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.

**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.

<table>
<thead>
<tr>
<th><strong>Recommendation:</strong> Existing Operator Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
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<tr>
<th><strong>Considerations:</strong></th>
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<tr>
<td>- Proactive participation by existing operators will help the City move towards equity goals before mandates meant to further equity are implemented.</td>
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<thead>
<tr>
<th><strong>Recommendation:</strong> Access to Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
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<tr>
<th><strong>Considerations:</strong></th>
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<tr>
<td>- Mitigates financial barriers</td>
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</tbody>
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<thead>
<tr>
<th><strong>Recommendation:</strong> Consideration for Municipal Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>In line with File No. 170448, <em>Urging the Office of the Treasurer and Tax Collector to convene a Municipal Public Bank Task Force</em>, 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.</td>
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<tr>
<th><strong>Considerations:</strong></th>
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<tbody>
<tr>
<td>- Would create access to banking for the industry as a whole.</td>
</tr>
<tr>
<td>- Money generated from fees and interest could be used to subsidize loans to equity applicants.</td>
</tr>
<tr>
<td><strong>Recommendation: Fee Waivers</strong></td>
</tr>
<tr>
<td>--------------------------------</td>
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</tbody>
</table>
| 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. | - There would be substantial cost associated with this on behalf of departments.  
- “Fairness” for entrepreneurs from disenfranchised communities starting non-cannabis businesses and not receiving such a waiver may become a concern in the business community. |

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<tr>
<th><strong>Recommendation: Reducing Social Stigma</strong></th>
<th><strong>Considerations:</strong></th>
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<tr>
<td>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.</td>
<td>- 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.</td>
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<tr>
<th><strong>Recommendation: Loans</strong></th>
<th><strong>Considerations:</strong></th>
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</table>
| The City should create a fund that could receive funds from Equity Incubator applicants, and use this fund to support Equity Operators. | - This fund can provide a source of revenue prior to the implementation of a cannabis specific tax.  
- 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. |

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<tr>
<th><strong>Recommendation: Setting Tax Rate</strong>&lt;sup&gt;90&lt;/sup&gt;</th>
<th><strong>Considerations:</strong></th>
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</thead>
</table>
| 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. | - Contemplating a tax rate that mitigates the tax burden on equity applicants ensures they remain competitive in a market that has better resourced operators.  
- 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. |

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<sup>90</sup> See Appendix E Taxation: State Structure & Review of Other Jurisdictions’ Tax Structures
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.

<table>
<thead>
<tr>
<th>Recommendation: <strong>Create a Simple &amp; Transparent Application Process</strong></th>
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<tbody>
<tr>
<td>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.</td>
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<tr>
<th>Considerations:</th>
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<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• To support this, a section for cannabis businesses can be added under Businesses Type in the Permit Locator of the San Francisco Business Portal.</td>
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<tr>
<th>Recommendation: <strong>Leverage Existing Resources</strong></th>
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<tbody>
<tr>
<td>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. 91</td>
</tr>
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<tr>
<th>Considerations:</th>
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<tr>
<td>• Leveraging of existing entrepreneurship and workforce programs minimizes up front cost and resource needs for the Office of Cannabis.</td>
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<thead>
<tr>
<th>Recommendation: <strong>Matching Opportunities</strong></th>
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</thead>
<tbody>
<tr>
<td>The City should create a program to match small operators, equity applicants, and interested landlords.</td>
</tr>
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<thead>
<tr>
<th>Considerations:</th>
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</thead>
<tbody>
<tr>
<td>• Leveraging existing relationships with the landlord community, educating them on the regulatory structure could create more real estate opportunities.</td>
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<tr>
<td>• Matching small operators, including equity applicants, creates potential incubator partnership opportunities, and where/when allowed, co-op partnership opportunities.</td>
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<thead>
<tr>
<th>Recommendation: <strong>Partner with Local Non-</strong></th>
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91 See Appendix D, Existing Resources
**Profits**

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.

- Use of contracted organizations minimizes the need to hire additional city staff resources while leveraging local industry expertise.
- Contracting for technical expertise will require up-front funding before adult use tax revenue is available.
- 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.

**Recommendation: Staffing in the Office of Cannabis**

The Office of Cannabis should assign a staff member to serve as the primary program coordinator for the program.

**Considerations:**
- This staff member will coordinate with City departments, including the Human Rights Commission and the Office of Economic and Workforce Development.
- 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.

**Recommendation: Creation of Curriculum**

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.

**Considerations:**
- 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.

**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
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.

### Recommendation: Streamline Expungement Opportunities

The City should ensure community reinvestment programming includes expungement events held in disproportionately-impacted neighborhoods.

### Considerations:
- Bringing events to communities enhances overall outreach for the equity program and reduces barriers to navigating the expungement process.
- 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.

### Recommendation: Navigation to Clean Slate Program

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.

### Considerations:
- Expungement can mitigate some financial barriers to entry into adult-use cannabis.

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92 See Appendix D, Existing Resources.

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Finding 10: Arrest and conviction of cannabis offenses has disproportionately affected communities of color, eroding trust between these communities and law.
enforcement/government. These communities may be wary of formally entering an industry in which they have been historically targeted for criminal enforcement.

<table>
<thead>
<tr>
<th>Recommendation: Creation of Culturally Sensitive + District Specific Outreach</th>
<th>Considerations:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The City, in consultation with each Supervisor, by creating district specific, culturally sensitive outreach.</td>
<td>• Rebuilds trusts between equity communities and the government.</td>
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<tr>
<td>• Surfaces opinions regarding what is effective and not effective from various stakeholders.</td>
<td></td>
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<tr>
<td>• Inform regulators’ understanding about the unique operating environment for San Francisco cannabis entrepreneurs.</td>
<td></td>
</tr>
<tr>
<td>• This outreach increases the chances of program success by recognizing opportunities to proactively engage stakeholders in a familiar environment.</td>
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<tr>
<td>• Advisory boards or commission can add additional layers of bureaucracy.</td>
<td></td>
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<tr>
<td>• Upfront need of program resources to perform outreach and respond to questions from the public.</td>
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<thead>
<tr>
<th>Recommendation: Create Informal Relationships</th>
<th>Considerations:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The City should create informal relationships (e.g., listening sessions) between regulating entities and a large stakeholder group that includes equity-eligible community members.</td>
<td>• The relationships may help to build trust in government.</td>
</tr>
<tr>
<td>• Creating relationships built on trust between regulatory authorities and the community is necessary for the success of the program and for effective regulation.</td>
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<thead>
<tr>
<th>Recommendation: Create Formal Relationships: Task Force Membership</th>
<th>Considerations:</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>• The relationships may help to build trust in government.</td>
</tr>
<tr>
<td>• Creating relationship built on trust between regulatory authorities and the community is necessary for the success of the program and for effective regulation.</td>
<td></td>
</tr>
<tr>
<td>• Advisory boards or commission can add additional layers of bureaucracy and the more formal nature doesn’t always lend itself to relationship/trust building.</td>
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</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Recommendation: Program Education &amp; Outreach</th>
<th>Considerations:</th>
</tr>
</thead>
</table>
| 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. | • Mitigation of ambiguity around what is legal at the local, state, and federal levels.  
• Allows for mitigation of not knowing what opportunities are available.  
• Allows for mitigation of distrust between law enforcement and those communities disproportionately affected by cannabis arrests and convictions.  
• This effort would require upfront resources to perform outreach and respond to questions from the public.  
• The outreach should contemplate concern from the community about oversaturation of cannabis related information exposure to youth. |

<table>
<thead>
<tr>
<th>Recommendation: Culturally Sensitive Outreach</th>
<th>Considerations:</th>
</tr>
</thead>
</table>
| 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. | • Rebuilds trusts between equity communities and the government.  
• Surfaces opinions regarding what is effective and not effective from various stakeholders.  
• This outreach increases the chances of program success by recognizing opportunities to proactively engage stakeholders in a familiar environment.  
• Upfront need of program resources to perform outreach and respond to questions from the public. |

<table>
<thead>
<tr>
<th>Recommendation: Immediate Outreach</th>
<th>Considerations:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outreach to potential applicants should begin as soon as a program is established and prior to when Article 16 applications are accepted.</td>
<td>• Immediate outreach ensures equity-eligible applicants are not crowded out.</td>
</tr>
</tbody>
</table>

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
### Equity Program.

**Recommendation:**

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.

The City should consider incorporating the following data metrics into the application, permitting and permit renewal process:

- Number of equity applicants to apply
  - Types of drug related offenses (aggregate)
  - Income status (aggregate)
  - Race (aggregate)
  - Ethnicity (aggregate)
  - Gender (aggregate)
  - Sexual identity (aggregate)
  - San Francisco residency status
  - Ownership structure

- Total percentage of ownership by and employment of San Francisco residents

- Workforce characteristics
  - Total number of employees
  - Number of local employees
  - Percent of hours of local employees
    - Full time
    - Part time
  - Percent of hours from employees placed through First Source
  - Other factors that align with mandated or recommended workforce guidelines.

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.

### Considerations:

- Data gathering components should be built into the Equity Program from the outset and baselines should be established early.
- Data should be collected along the entire licensing and monitoring process.
- Quality data (e.g., demographic data) is critical for establishing the case for pre- and post-adult use analyses.
- 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.

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**Recommendation:** Require Regular Reporting

The City should require a follow-up report from appropriate agencies including the Office of

**Considerations:**

- Status and outcome reports will be
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.

**Finding 13: Without accountability mechanisms in place in an Equity Program, any equity commitments made by permit holders are unenforceable.**

**Recommendation: Enforcement of CBAs**

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.

**Considerations:**
- Accountability mechanisms should be clearly identified during the licensing application phase.
- Equity outcomes could be tied to community benefit commitments.
- The auditing of CBA’s will require significant staff time and resources.

**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.**

**Recommendation: Course Correction**

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.

Examples of course-correction mechanisms include but are not limited to the following:
- Licensing in phases (e.g., equity balance initial phases before unrestricted licensing)
- Implementation of eligibility requirements in phases to ensure equity outcomes are being met
- The creation of formal relationships between regulatory agencies and a large stakeholder group
- Flexible incubator options or other incentives to allow for more established

**Considerations:**
- Licensing in phases allows for time to learn and adjust before larger-scaled implementation.
- 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.
- An evolving licensing and regulatory framework could cause confusion and/or mistrust amongst stakeholders.
- A formal stakeholder group can add bureaucracy and drown out smaller voices.
| LANDUSE & ZONING | retailers to maximize their opportunities for participation in the Equity Program.  
| | • The automatic expiration or reduction of provisions and the long-term direction for both governing bodies and revenues. |

| 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. |
| **Recommendation:** Equitable Distribution  
| The City should consider land use controls that provide for more equitable distribution of cannabis storefront retail to mitigate overconcentration in disenfranchised neighborhoods |
| **Considerations:**  
| • By reducing the eligible locations for businesses, scarcity creates further challenges for equity applicants. |

| **Recommendation:** Thoughtful Placement  
| The City should consider the concentration of cannabis, tobacco and alcohol retailers when issuing land use approvals. |
| **Considerations:**  
| • Considering alcohol and tobacco outlet density is important to ensure any one neighborhood is not oversaturated with activity associated with potential health harms. |

| **Recommendation:** Task Force Membership  
| The City should amend the San Francisco Cannabis State Legalization Task Force membership to provide membership to representatives from disadvantaged communities to ensure that issues related to overconcentration are addressed at the Task Force. |
| **Considerations:**  
| • 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.  
| • A formal stakeholder group can add bureaucracy and drown out smaller voices. |

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93 As defined in Section III, Subsection E. Disadvantaged Communities.
Article 16 of the Police Code regulates cannabis in the City and County of San Francisco. The parameters of the equity program are described in Section 1604.

SEC. 1604. EQUITY PROGRAM.

(a) The Director, in consultation with the Human Rights Commission, shall implement an Equity Program designed to foster equitable access to participation in the cannabis industry, including equitable access to promotional and ownership opportunities in the industry. The Equity Program shall provide assistance to communities unfairly burdened by the War on Drugs, and shall be designed to ensure full and equal access to resources and opportunities made available as a result of Proposition 64. In particular, the Cannabis Equity Program shall provide support to individuals who have experienced social indicators that exacerbate inequities, and shall create strategies to uplift communities where those inequities have been concentrated.

(b) Equity Applicants. The Equity Program shall offer priority permit processing, as provided in Section 1606, to an individual who meets the following Equity Criteria (“Equity Applicant”):

   (1) Is a natural person;
   (2) At the time of application, has assets, excluding non-liquid assets and retirement accounts, that do not exceed asset limits established by the Director;
   (3) Submits an application for a Cannabis Business Permit in any of the following capacities:
      (A) As the sole owner/operator of the Applicant;
      (B) As an individual with an ownership interest of at least 40% in the corporate Applicant, and who is also the Chief Executive Officer of the corporate Applicant;
      (C) As an individual with an ownership interest of at least 51% in the corporate Applicant;
      (D) As the Executive Director or member of the board of directors of a not-for-profit Applicant where a majority of the members of the board of directors satisfy the requirements of subsections (b)(2) and (4) of this Section 1604; or
      (E) As an individual with a membership interest in an Applicant formed as a cooperative; and
   (4) Meets three or more of the following additional criteria:
      (A) At the time of application, is a member of a household that earns no more than 80% of the San Francisco Area Median Income, adjusted for household size;
      (B) During the period 1971-2016, was arrested for, convicted of, or adjudged to be a ward of the juvenile court for any crime under the laws of California or any other jurisdiction relating to the sale, possession, use, manufacture, or cultivation of Cannabis;
      (C) After 1995, either lost housing in San Francisco, as evidenced by eviction, foreclosure, or revocation of housing subsidy; resided in permanent supportive housing, as defined in Administrative Code Section 20.54.2, in San Francisco; stayed overnight at a Navigation Center, as described in Administrative Code Chapter 106, in San Francisco, for 90 non-consecutive days; stayed overnight at a Shelter, as defined in Administrative Code Section 20.41, in San Francisco, for 90 non-consecutive days; or resided in a City-funded Single Room Occupancy building;
      (D) Has a parent, sibling, or child who, during the period 1971-2016, was arrested for, convicted of, or adjudged to be a ward of the juvenile court for any crime under the laws of California or any other jurisdiction relating to the sale, possession, use, manufacture, or cultivation of Cannabis;
(E) Attended a school under the jurisdiction of the San Francisco Unified School District for five years, either consecutively or in total, during the period 1971-2016; or

(F) During the period 1971-2016, lived for at least five years, either consecutively or in total, in San Francisco census tracts where at least 17% of the households had incomes at or below the federal poverty level, as determined by the Director.

For purposes of Section 1604(b)(3), an “ownership interest” in the corporate Applicant shall include a right, proportionate to the interest held, to share in the business’s profits, including dividends, distributions, or other payments; a right, proportionate to the interest held, to the proceeds of a sale of the business’s assets, liquidation of the business, merger of the business into another business, or another transaction that would signify the end of the original business; and a right, proportionate to the interest held, to vote on fundamental decisions relating to the business.

(c) **Equity Incubators.** The Equity Program shall offer priority permit processing, as provided in Section 1606, to Equity Incubators. For purposes of this Article 16, an Equity Incubator is an Applicant that does not qualify as an Equity Applicant, but that submits with its Cannabis Business Permit application a Cannabis Equity Incubator Agreement in which it identifies no less than one Equity Operator; agrees to provide any identified Equity Operator commercial space and security resources or, in either or both cases, the fair market value of same; and commits to comply with the following additional operating requirements during its first three years in operation as a Cannabis Business:

1. Ensure that at least 30% of all Business Work Hours are performed by Local Residents. Business Work Hours performed by residents of states other than California shall not be considered in calculation of the number of Business Work Hours to which this requirement applies;

2. Ensure that at least 50% of the Equity Incubator’s employees satisfy the requirements of subsection (b)(4) of this Section 1604;

3. Provide a community investment plan demonstrating engagement with businesses and residents located within 500 feet of the site of the proposed Cannabis Business;

4. Provide the Equity Operator, directly or indirectly, with community outreach services, security services for the Equity Operator’s Premises, and any support necessary for the Equity Operator to comply with the Good Neighbor Policy required in Section 1609(b)(19); and

5. Comply with one of the following additional operating requirements:

   (A) Submit to the Director for review and approval a written, actionable “Equity Incubator Plan” describing how the Equity Incubator will encourage and support the establishment and growth of Equity Applicants who have been awarded Cannabis Business Permits (“Equity Operators”), including but not limited to any Equity Operator identified in the Equity Incubator Plan, by, among other things, providing business plan guidance, operations consulting, personnel, or technical assistance. The services listed in the Equity Incubator Plan must be enumerated, and include an estimated dollar value of those services. The aggregate dollar value of the services must equal or exceed the sum of (i) 10% of the rent for, or, if the Equity Incubator owns the Equity Incubator’s Premises, 10% of the rental market value of, the Equity Incubator’s Premises, and (ii) the annual total costs of security services at the Equity Incubator’s premises. On or before March 1 of each year, the Equity Incubator shall submit to the Director an annual report covering the prior calendar year, signed by both the Equity Incubator and the Equity Operator, describing the services provided under this subsection (c)(5)(A); or
(B) Provide an Equity Operator with rent-free commercial space owned or leased by the Equity Incubator either adjacent to the Equity Incubator’s Premises or off-site, in which the Equity Operator conducts its Cannabis Business. If such rent-free commercial space is provided off-site, the Equity Incubator must provide the greater of 800 square feet or the equivalent of at least 10% of the square footage of the Equity Incubator’s Premises. If such rent-free commercial space is provided adjacent to the Equity Incubator’s Premises, the Equity Incubator must provide either 800 square feet or the equivalent of at least 10% of the square footage of the Equity Incubator’s Premises.

San José’s Cannabis Program

The City of San José first adopted a medical cannabis zoning and regulatory program in the late 1990s, following passage of Proposition 215. The federal government initiated enforcement actions against the City’s earliest dispensaries, and the program was never fully implemented. Provisions were later deleted from the zoning code. With the Obama Administration’s 2009 announcement that it would no longer prosecute in states that allowed medical marijuana, cannabis entrepreneurs quickly moved to open medical marijuana dispensaries, clubs, and delivery businesses in San José despite the land use not being legal within the City.

The City Council and City Administrators worked over the next few years to create a regulatory program that was robust, fair, and considered the needs of medical cannabis patients, neighborhood residents, youth, and the emerging medical cannabis industry. A key challenge at the time was the lack of a State regulatory program or guidance.

In June 2014, the City of San José adopted its medical cannabis program. The program was unique in that it provided a path to legalization for the existing illegal dispensaries and clubs. Furthermore, the City did not consider cannabis convictions to be a barrier to ownership or employment in the industry.

Sixty-five applicants applied, and 16 dispensaries successfully registered by the December 2015 deadline. Following the passage of Proposition 64, the City Council voted to allow registered dispensaries to provide non-medical cannabis to those 21 and older beginning January 1, 2018. In addition, in October 2016, the City Council authorized delivery by registered dispensaries, and eight of the 16 have obtained registration to deliver cannabis. In January 2019, the City Council approved new zoning and registration for cannabis manufacturing, testing, and distribution, and the City is currently accepting applications for businesses in those three categories. In March 2019, the City Council adopted its first cannabis equity ordinance.

San José Cannabis Equity Ordinance

Under the San José 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 José 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 José 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 José (excluding those offenses which would be disqualifying for cannabis licensure under State law).

In addition, an equity business owner holds a minimum of 51 percent ownership of the entity applying for Registration as a cannabis business in San José.

Because San José’s Cannabis Program predates the adoption of the Cannabis Equity Ordinance, none of the current licensees in San José achieved registration or are designated as equity businesses.

**Cannabis Equity Work Plan**

The City of San José’s approach to implementing the Cannabis Equity Ordinance is informed by lessons learned from the 2015-2016 transition from an unpermitted, unregulated industry to the current model; partnership with the San José Cannabis Equity Working Group; and the City’s experience providing small-business support to entrepreneurs in underserved communities.

In 2015-2016, the City found that many dispensary applicants lacked access to start-up capital, were unfamiliar with government processes (such as finding appropriately zoned sites or obtaining building permits) or construction/development processes, and needed assistance with business planning, legal forms and documentation, and other critical steps in opening a small business. These challenges were exacerbated by the low vacancy rate for appropriately zoned properties and high cost of land and construction in San José. Despite providing significant staff time and technical assistance, only 25 percent of the initial applicants successfully completed the registration process.

Many of these challenges are not unique to the cannabis industry. San José has a successful history of serving small businesses through the City’s Small Business Ally program, which provides Spanish- and Vietnamese-speaking staff to assist with navigating the tenant improvement and start-up process, as well as Business Owner Space, which provides a one-stop shop for small business owners. Cannabis staff has consulted with these programs to ensure resources are available to cannabis equity businesses. However, it must be noted that several City partners serving small businesses receive federal funds and are prohibited from assisting cannabis entrepreneurs.

In 2019-2020, San José will focus on two distinct audiences:

1) Serving equity applicants who are looking to open cannabis manufacturing, testing, or distribution businesses in San José. The San José Cannabis Equity Working Group has identified a number of potential entrepreneurs. Given the time and care required and the complexities of these types of businesses, the City is conservatively estimating that it will serve five equity applicants in this space.

2) Increasing the number of equity employees working in the existing registered dispensaries in San José. Recruitment and retention of a dedicated workforce is an ongoing challenge for the City’s registered dispensaries. Staff will work with the San José Cannabis Equity Working Group and local industry to pilot a job fair and workshops on employment opportunities, records expungement, succeeding in the industry, and going through the background-check process.

It is important to note that San José has plans to expand opportunities for equity entrepreneurs in future years. In March 2019, the City Council made updating the cannabis land use and regulatory requirements and further developing the cannabis equity program City Council Policy Priorities for 2019-2020. By year’s end, staff will have completed community outreach around potential updates to the zoning code.
that might result in the City taking applications from new cannabis dispensaries or adding new types of cannabis businesses to its regulatory program, such as delivery-only businesses. The latter is of great interest to the San José Cannabis Equity Working Group due to the lower start-up costs of operating such businesses.

If the City receives State grant funding, San José will provide the following program elements in 2019-2020:

- Small business support and technical assistance;
- Fee subsidies for local permits and licenses;
- Assistance in paying state regulatory and licensing fees;
- Assistance securing business locations;
- Assistance with regulatory compliance; and
- Assistance with recruiting, training, and retention of a qualified/diverse workforce.

San José will use approximately $100,000 in grant funds to enable key partners to provide small business support and technical assistance. Staff has identified five existing partners that are interested in aiding cannabis equity entrepreneurs in the areas of developing business plans, accessing capital and small-business loans, mentoring and procurement assistance, legal advice, counseling, and market planning. This would be in addition to San José’s existing resources through its contract with Manufacture SJ, which supports small manufacturers in getting established and growing in San José. The contract specifically calls on Manufacture SJ to assist in the growth and development of the cannabis equity program.

Additionally, San José has designated staff in the Office of Economic Development to provide support to cannabis equity entrepreneurs, particularly assistance with navigating city processes and finding appropriate locations.

San José staff and partners will also pilot a job fair for the local cannabis industry, including workshops and training encompassing working in the cannabis industry, application and resume skills development, record expungement, backgrounding processes, and on-the-spot interviews and connections. A portion of the grant funds will be used to support and put on this job fair. Additionally, grant funds will be used to pay for fingerprinting costs for job applicants.

The majority of grant funds will be used in direct assistance to entrepreneurs by subsidizing state and local fees and permit costs, as these fees can be a barrier to entry in the legal cannabis market.
Grant Funding Proposed Budget

<table>
<thead>
<tr>
<th>Program Element</th>
<th>Budget</th>
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<tbody>
<tr>
<td><strong>Assistance for Business Equity Applicants</strong></td>
<td></td>
</tr>
<tr>
<td>5 San José Fingerprint Fee Subsidies</td>
<td>$1,450</td>
</tr>
<tr>
<td>5 San José Initial Application Processing Fee Subsidies</td>
<td>$17,915</td>
</tr>
<tr>
<td>5 San José Annual Operating Fee Subsidies</td>
<td>$696,655</td>
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<tr>
<td>5 San José Zoning Certificate Fee Subsidies</td>
<td>$12,380</td>
</tr>
<tr>
<td>5 State of California Application and License Fee Subsidies</td>
<td>$17,500</td>
</tr>
<tr>
<td>Consultant Contract to Provide Technical Assistance to Equity Applicants</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Total Budget for Business Equity Applicants</strong></td>
<td>$845,900</td>
</tr>
<tr>
<td><strong>Assistance for Employee Equity Applicants</strong></td>
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</tr>
<tr>
<td>250 San José Fingerprint Fee Subsidies</td>
<td>$72,500</td>
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<tr>
<td>50 San José Delivery Vehicle Inspection Fee Subsidies</td>
<td>$2,350</td>
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<tr>
<td>2 Employee Equity Applicant Job Fairs</td>
<td>$50,000</td>
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<tr>
<td><strong>Total Budget for Employee Equity Applicants</strong></td>
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<tr>
<td><strong>Program Administration</strong></td>
<td></td>
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<tr>
<td>Staff Costs</td>
<td>$97,075</td>
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<tr>
<td><strong>Total Program Administration</strong></td>
<td>$97,075</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$1,067,825</td>
</tr>
</tbody>
</table>

City Contributions

City staff and in-kind contributions total at least $42,098 as outlined in Question 4. It is important to note that these resources are outside the staffing and investment in the City’s Division of Cannabis Regulation. While the Division takes a supportive and helpful approach in dealing with new applicants, to avoid any appearance of conflicts of interest, business assistance is provided by staff not involved in regulating the industry. It is likely that staff from the Division of Cannabis Regulation will provide trainings and workshops for cannabis equity entrepreneurs and/or cannabis equity employees, however, the City is not accounting for those activities in this grant application to ensure a bright line between programs.

Conclusion

Since its inception in 2014, San José’s cannabis program has been a model in the State of California. While the cannabis equity ordinance is new, there have always been strong equity components in the City’s approach to regulation, including providing technical assistance to applicants, creating a path to legalization for unlicensed entrepreneurs, and not penalizing employees or management for past cannabis convictions in the badging and registration process. The City looks forward to expanding its work to provide opportunity to local residents negatively impacted by past cannabis policies. State funding will enable us to do so in a way that is robust and meaningful.
ORDINANCE NO. _____

ORDINANCE ENACTING CHAPTER 7.136 OF THE SANTA CRUZ COUNTY CODE REGARDING THE CREATION OF A CANNABIS EQUITY PROGRAM

The Board of Supervisors of Santa Cruz County hereby finds and declares the following:

WHEREAS, the California Cannabis Equity Act of 2018 (“Equity Act”) established by Senate Bill 1294 allows for direct assistance to local jurisdictions’ commercial cannabis equity programs that can in turn provide assistance to local equity licensees; and

WHEREAS, the Board has determined that the County has local licensees that could directly benefit from the funding provided by the Equity Act;

NOW THEREFORE the Board of Supervisors of the County of Santa Cruz ordains as follows:

SECTION I

The Santa Cruz County Code is hereby amended by adding new Chapter 7.136 to read as follows:

Chapter 7.136
CANNABIS EQUITY PROGRAM

Sections:

7.136.010 Purpose.
7.136.030 Definitions.
7.136.050 Creation of the Cannabis Equity Program.
7.136.070 Eligibility Criteria.
7.136.090 Equity Program Benefits.
7.136.110 Severability.

7.136.010 Purpose.

The purpose of this chapter is to provide local guidelines for administering a cannabis equity program in the unincorporated area of Santa Cruz County.

It is also the purpose of this chapter to mitigate the barriers to equity within the commercial cannabis market place for populations that were negatively or disproportionally impacted by cannabis criminalization and for pursuing aid from compassionate cannabis care programs.

This chapter is not intended to conflict with Federal or State law. It is the intention of the County that this chapter be interpreted to be compatible with Federal and State enactments and in furtherance of the public purposes that those enactments encompass.
Definitions.

As used in this chapter, the following words and phrases shall have the meanings respectively ascribed to them by this section:

(A) “ Applicant” means the person or entity submitting an application for eligibility to participate in the Equity Program.

(B) “Cannabis” means all parts of the plant Cannabis sativa Linnaeus, Cannabis indica, or Cannabis ruderalis, as defined under Business and Professions Code Section 19300.5(f), as may be amended.

(C) “Commercial Cannabis Business” means a cannabis cultivation, distribution, manufacturing or retail business located in the unincorporated area of Santa Cruz County.

(D) “Equity Program” means the Cannabis Equity Program created by this chapter.

(E) “License” means the written evidence of permission given by the Licensing Official for a licensee to operate a commercial cannabis business. “License” does not mean “permit” within the meaning of the Permit Streamlining Act, and a license does not constitute a permit that runs with the land on which a dispensary sits.

(F) “Licensee” means the person or entity holding a valid license to operate a commercial cannabis business under this chapter.

(G) “Licensing Official” means the official appointed by the County Administrative Officer who is responsible for implementing the provisions of this chapter.

Creation of the Cannabis Equity Program.

(A) There is hereby created the Cannabis Equity Program. The program shall be operated by the Licensing Official.

(B) The Licensing Official shall take the necessary steps to build and manage the program. This includes, but is not limited to, accomplishing the following tasks in compliance with the rules set forth in this chapter:

   (1) Creating application forms for businesses;

   (2) Approving and denying program applications;

   (3) Creating and conducting workshops for applicants on various technical aspects of regulatory compliance;

   (4) Establishing methods to provide direct technical assistance to applicants and licensees;
Creating a system to administer fee waivers for cannabis related use permits and business licenses;

Creating a system to provide direct assistance in paying State regulatory and licensing fees for program participants;

Assisting applicants and licensees securing business locations prior to or during the use permit and cannabis business license process;

Establishing and/or recommending the adoption of any policies, procedures, rules, or regulations, necessary to implement the program; and

Working with other officials in the County to ensure that applicants and licensees comply with all aspects of the County Code.

7.136.070 Eligibility Criteria.

(A) Eligibility for the program is limited to owners of Commercial Cannabis Businesses who can demonstrate that they, their employees, or their customers have been negatively impacted in a disproportionate way by cannabis criminalization and who can further demonstrate what they have done and will do to address those negative impacts, including but not limited to supporting compassionate care programs within the community.

(B) For purposes of this section, “compassionate care programs” include, but are not limited to:

1. Programs which provide free or discounted cannabis to medical cannabis patients and primary caregivers; and/or

2. Programs which provide palliative and/or end of life care for medical cannabis patients.

7.136.090 Equity Program Benefits.

Assistance programs for Equity Program licensees will include:

(A) Workshops to gain a better understanding of various technical aspects of compliance with local and State regulations;

(B) Direct technical assistance with State and Local licensing issues, including but not limited to:

1. Assistance with technical aspects of local permit application drafting;

2. Training on and direct assistance in applying for Air District permits, hazardous materials business permits, State Water Board permits and other permits and programs to be identified by the Licensing Official;
(C) Fee waivers for use permits and cannabis business licenses;
(D) Direct assistance paying for State licensing and regulatory fees; and

(E) Assistance from the County Economic Development Department with securing business locations prior to or during the use permit and cannabis business license process.

7.136.110 Severability.

If any section, subdivision, paragraph, sentence, clause or phrase of the ordinance codified in this chapter is for any reason held to be unconstitutional or invalid, such a decision shall not affect the validity of the remaining portion of the ordinance. The Board of Supervisors hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase of this ordinance irrespective of the unconstitutionality or invalidity of any other section, subdivision, subsection, paragraph, sentence, clause or phrase of the ordinance codified in this chapter.

SECTION II

This ordinance shall take effect on the 31st day after the date of final passage.

PASSED AND ADOPTED this __ day of March 2019, by the Board of Supervisors of the County of Santa Cruz by the following vote:

AYES: SUPERVISORS
NOES: SUPERVISORS
ABSENT: SUPERVISORS
ABSTAIN: SUPERVISORS

__________________________________________
Chairperson of the
Board of Supervisors

Attest: _______________________
Clerk of the Board

APPROVED AS TO FORM:

_______________________________________
Office of the County Counsel

cc: County Administrative Office
    Planning Director
City of Woodlake Cannabis Equity Assessment

THE CITY OF WOODLAKE
Est. 1941
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. 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.
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 overwhelming 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**

![Cannabis Arrests by Gender in Woodlake (2015/2016)](image.png)

(Woodlake Police Records)
Cannabis Arrests by Race in Woodlake

Cannabis Arrests by Race in Woodlake (2015/2016)

- Asian: 73%
- Black: 12%
- Hispanic: 24%
- White: 1%

Cannabis Arrests by Age in Woodlake

Cannabis Arrests by Age in Woodlake (2015/2016)

- 19 and under: 31%
- 20-29: 21%
- 30-39: 18%
- 40 and Over: 28%
- Unknown: 2%

(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**

![Cannabis Arrests by Race](image1)

(Crime in California, 2015)

**Cannabis Arrests by Age in California**

![Cannabis Arrests by Age](image2)

(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, were disproportionately impacted by cannabis criminalization 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.
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.
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

<table>
<thead>
<tr>
<th>License Number</th>
<th>License Type</th>
<th>Business Contact Information</th>
<th>Status</th>
<th>Issue Date</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>C11-0000873-LIC</td>
<td>Cannabis - Distributor License</td>
<td>UNCLE GREEN INC</td>
<td>Active</td>
<td>7/22/2019</td>
<td>7/21/2020</td>
</tr>
<tr>
<td>C10-0000059-LIC</td>
<td>Cannabis - Retailer License</td>
<td>VALLEY PURE,LLC</td>
<td>Active</td>
<td>5/16/2019</td>
<td>5/15/2020</td>
</tr>
<tr>
<td>C11-0000097-LIC</td>
<td>Cannabis - Distributor License</td>
<td>GSFD, LLC</td>
<td>Active</td>
<td>5/16/2019</td>
<td>5/15/2020</td>
</tr>
<tr>
<td>C10-18-0000175-TEMP</td>
<td>Cannabis - Retailer Temporary License</td>
<td>Green Bean Pharm LLC</td>
<td>Canceled</td>
<td>12/18/2018</td>
<td>7/16/2019</td>
</tr>
<tr>
<td>A11-17-0000007-TEMP</td>
<td>Cannabis - Distributor Temporary License</td>
<td>GSFD LLC</td>
<td>Canceled</td>
<td>1/1/2018</td>
<td>7/25/2019</td>
</tr>
<tr>
<td>A10-17-0000031-TEMP</td>
<td>Cannabis - Retailer Temporary License</td>
<td>VALLEY PURE</td>
<td>Canceled</td>
<td>1/1/2018</td>
<td>7/25/2019</td>
</tr>
</tbody>
</table>
### State Cultivation Licenses

<table>
<thead>
<tr>
<th>License Number</th>
<th>License Type</th>
<th>Legal Business Name</th>
<th>Type of License</th>
<th>Date</th>
<th>Expires On</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCL19-0002617</td>
<td>Cannabis Cultivation License</td>
<td>Uncle Green, Inc.</td>
<td>Provisional Adult-Use - Small Indoor</td>
<td>12/18/2019</td>
<td>12/18/2020</td>
<td>Active</td>
</tr>
<tr>
<td>CCL19-0002595</td>
<td>Cannabis Cultivation License</td>
<td>Uncle Green, Inc.</td>
<td>Provisional Adult-Use - Small Indoor</td>
<td>12/17/2019</td>
<td>12/17/2020</td>
<td>Active</td>
</tr>
<tr>
<td>CCL19-0002613</td>
<td>Cannabis Cultivation License</td>
<td>Uncle Green, Inc.</td>
<td>Provisional Adult-Use - Small Indoor</td>
<td>12/17/2019</td>
<td>12/17/2020</td>
<td>Active</td>
</tr>
<tr>
<td>CCL19-0002614</td>
<td>Cannabis Cultivation License</td>
<td>Uncle Green, Inc.</td>
<td>Provisional Adult-Use - Small Indoor</td>
<td>12/17/2019</td>
<td>12/17/2020</td>
<td>Active</td>
</tr>
<tr>
<td>CCL19-0002615</td>
<td>Cannabis Cultivation License</td>
<td>Uncle Green, Inc.</td>
<td>Provisional Adult-Use - Small Indoor</td>
<td>12/17/2019</td>
<td>12/17/2020</td>
<td>Active</td>
</tr>
<tr>
<td>CCL19-0002616</td>
<td>Cannabis Cultivation License</td>
<td>Uncle Green, Inc.</td>
<td>Provisional Adult-Use - Small Indoor</td>
<td>12/17/2019</td>
<td>12/17/2020</td>
<td>Active</td>
</tr>
<tr>
<td>CCL19-0002610</td>
<td>Cannabis Cultivation License</td>
<td>Uncle Green, Inc.</td>
<td>Provisional Adult-Use - Medium Indoor</td>
<td>12/6/2019</td>
<td>12/6/2020</td>
<td>Active</td>
</tr>
<tr>
<td>CCL19-0002381</td>
<td>Cannabis Cultivation License</td>
<td>7 Points</td>
<td>Annual Adult-Use - Medium Indoor</td>
<td>6/6/2019</td>
<td>6/6/2020</td>
<td>Active</td>
</tr>
<tr>
<td>CCL18-0001045</td>
<td>Cannabis Cultivation License</td>
<td>GSFC LLC.</td>
<td>Annual Adult-Use - Medium Indoor</td>
<td>5/6/2019</td>
<td>5/6/2020</td>
<td>Active</td>
</tr>
<tr>
<td>TAL18-0008282</td>
<td>Temporary Cannabis Cultivation License</td>
<td>7 Points</td>
<td>Medium Indoor</td>
<td>12/10/2018</td>
<td>4/9/2019</td>
<td>inactive</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Business</th>
<th>Woodlake</th>
<th>Tulare County</th>
<th>California</th>
<th>Out of State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valley Pure</td>
<td>3</td>
<td>14</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Premium Extracts</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Green Smart</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Green Bean</td>
<td>4</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>7 Points</td>
<td>5</td>
<td>17</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

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 decimalization 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.