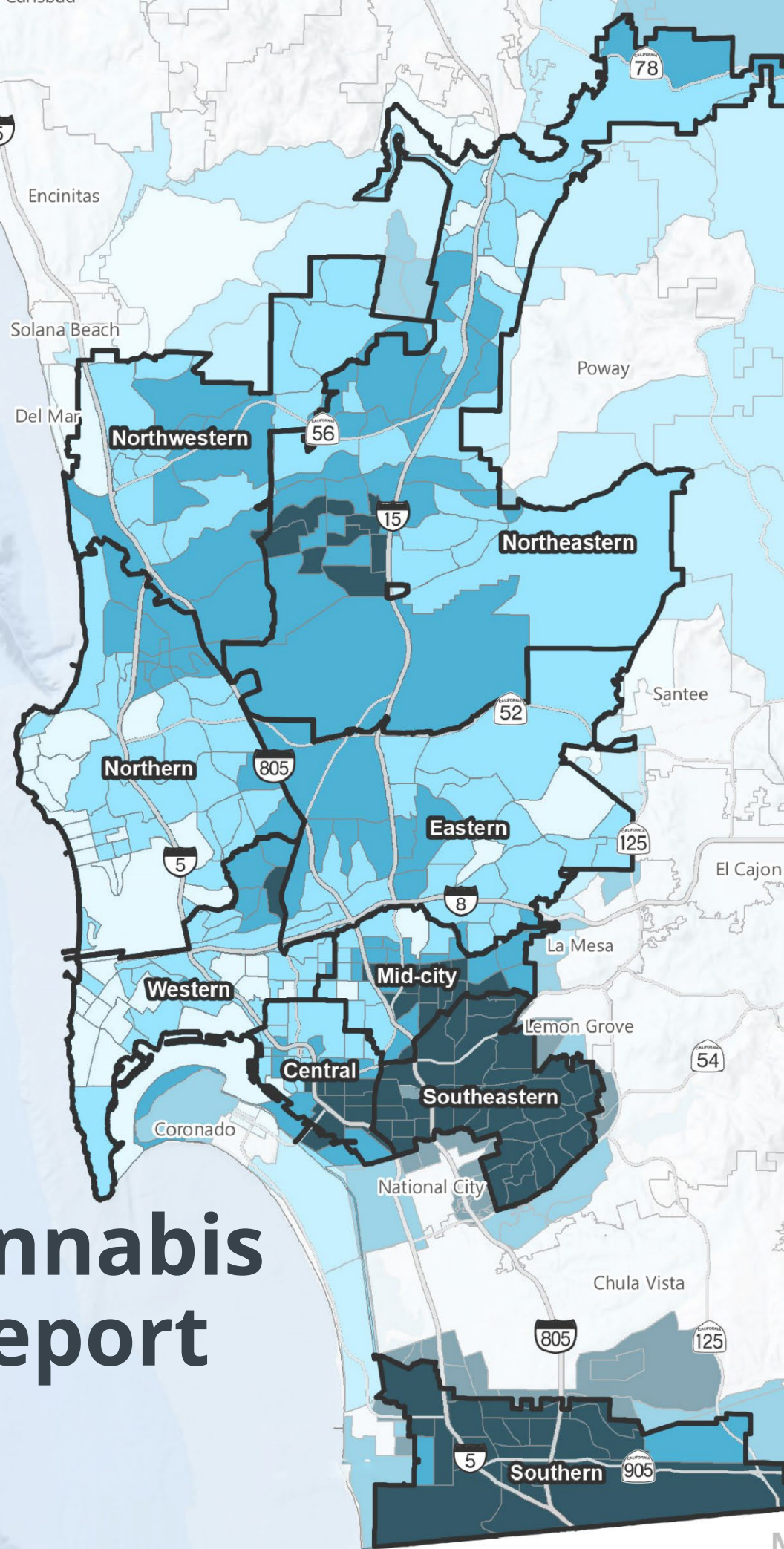


ATTACHMENT 1

DRAFT CANNABIS EQUITY ASSESSMENT – REPORT ONLY

TO ACCESS THE FULL REPORT WITH ALL APPENDICES PLEASE GO TO

<https://www.sandiego.gov/development-services/cannabis>



JULY 2022

Draft Cannabis Equity Report

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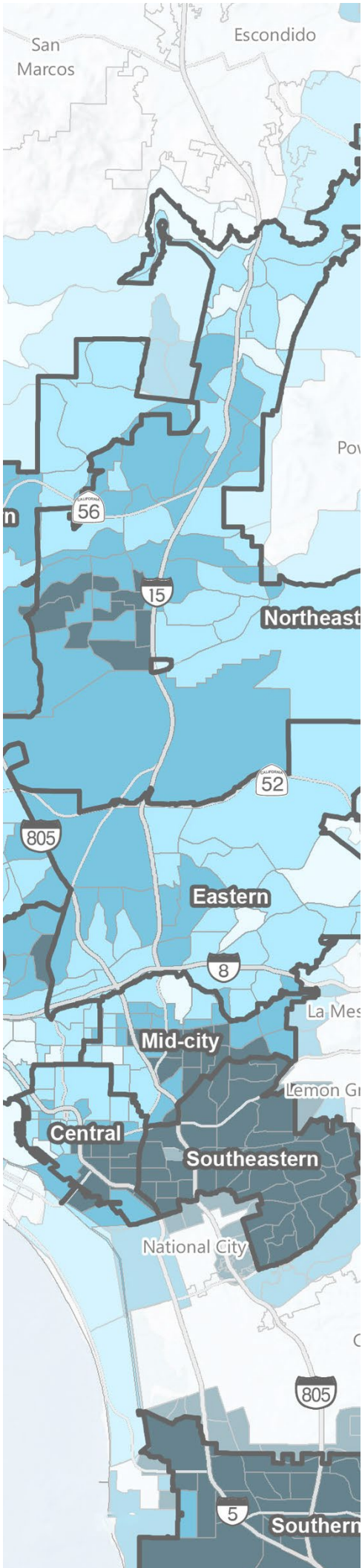
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Executive Summary

Recognizing the need to consolidate cannabis business operations and develop a proactive compliance/enforcement component specific to licensed cannabis businesses, the Development Services Department established the Cannabis Business Division (CBD) in November 2020. The CBD is responsible for permitting cannabis land use entitlements, equity policy development, and code compliance activities and providing related business support to authorized cannabis businesses within the City of San Diego (City) limits. With the goal to regulate, enforce, and support through a collaborative process with fellow City departments and county and State of California (State) agencies, CBD staff work to ensure public health and safety for San Diego's citizens and visitors, while also providing support to cannabis businesses so they are able to thrive.

What Is Equity?

As we approached the development of the cannabis equity assessment, we wanted to provide some context around key terms to frame how the City of San Diego contextualizes equity work to eliminate institutional racism and systemic disparities.

Equity occurs when we eliminate institutional racism and systemic disparities, providing everyone access to opportunity and resources to thrive, no matter where they live or how they identify.

Equality means each individual, family, neighborhood, or community is given the same resources and opportunities without recognition that each person has different circumstances.

An **Equity Lens** is a set of specific questions we ask to critically and thoughtfully analyze policies, programs, practices, and budget decisions to achieve equitable outcomes.

Equity Opportunity: When we identify a disparity in a policy, program, practice, or budget decision, an equity opportunity emerges to promote equitable outcomes and inclusive access.

The CBD conducted this cannabis equity assessment to create the foundation for the development of a future cannabis equity program for San Diego, identifying tools such as offering technical support, regulatory compliance assistance, and help with securing the capital necessary to begin a business. Such tools could remedy barriers to licensure and employment in the regulated cannabis industry and aid the State in its goal to eliminate or reduce the illicit cannabis market by bringing more people into the legal marketplace.

The cannabis equity assessment provides short-, medium-, and long-term recommendations to attempt to address these issues as part of the City's first cannabis equity program—the future Cannabis Social Equity and Economic Development (SEED) program.

Purpose of the Program

The SEED program will focus on inclusion and support of individuals and communities negatively impacted by cannabis criminalization. The primary purpose of the program includes:

- Providing a path to clearing criminal records for the different communities of color impacted by discriminatory enforcement of drug laws, which include racial/ethnic disparities that are more pronounced for African American/Black and Latinx people;
- Prioritizing for cannabis permits to address racial/ethnic disparities for individuals who have been previously arrested or convicted for cannabis-related offenses;
- Fostering equitable access to participation in the cannabis industry, including by promoting ownership and stable employment opportunities in the industry;
- Providing training and education to residents who are seeking to understand systemic racism to create opportunities to produce more equitable outcomes and remove racial/ethnic disparities negatively affected by the war on drugs; and
- Investing a portion of the City's annual cannabis tax revenues for economic and community infrastructure in communities that have historically lacked equitable and inclusive access to the cannabis industry.

This section of the report provides key findings informed by this report's "Equity Analysis," "Primary Barriers," and "Preliminary Recommendations" chapters. The short-, medium-, and long-term recommendations incorporated will inform policy makers as the City embarks on developing its first cannabis equity program.

Background

To inform the development of a strategy for the City of San Diego's first cannabis equity program and to implement Proposition 64, the City's Cannabis Business Division and Department of Race and Equity held nine community listening sessions and created a community survey to identify the existing impediments to creating equitable cannabis regulations in the City of San Diego. Feedback received in these listening sessions and survey results, combined with the quantitative analysis described in Chapter 2 of this report, create a comprehensive picture of the cannabis industry landscape for residents who have been disproportionately affected by the war on drugs over the past 50 years.

Other communities faced with similar challenges have successfully created cannabis equity programs. Chapter 4 provides an overview of best practices from other cities in California, and nationwide, that have created equity programs. Some of the recommendations in this report are crafted based on other jurisdictions' programs. For example, the City of Oakland and the City of Los Angeles have been models for cannabis equity; therefore, some of the recommendations

The recommendations incorporated are meant to inform policy makers as the City embarks on developing a cannabis equity program.

have been adapted from their best practices and incorporated into this report.

Key Findings

The following key findings take into consideration the context of the City of San Diego and are based on the feedback provided at the City's nine cannabis equity listening sessions, survey results, and best practices from other California jurisdictions.

The prioritization for the preliminary recommendations is not final as we build a structure for future prioritization and a feasibility analysis to guide an implementation plan. The adoption of the final recommendations will be informed by budgetary allocations, policy implications, stakeholder feedback, and producing equitable outcomes associated with each action step. The analysis of the qualitative and quantitative data is an ongoing process, which will continue to inform the curation of edits and additional recommendations.

These findings inform the SEED strategic framework and recommendations included in this report:

- 1. Identifying Capital Resources:** High startup costs associated with permits, leases, and consultants and any additional fees can prevent many residents from participating in the legal cannabis marketplace. Cities that are proactively expanding their cannabis equity program have explicitly dedicated capital resources to these programs. Possible dedicated sources of funding for investment include a revolving loan fund and other forms of financial assistance.
- 2. Creating Equity Policies and Updating Municipal Code Regulations:** Other communities faced with cannabis equity program challenges like those facing San Diego have adopted proven policies and regulations to address their needs. Understanding that no two communities are the same and therefore necessitate unique approaches, these recommendations shall guide the City of San Diego in developing an equity strategy of its own that will occur through the adoption of policies and regulations, such as zoning code amendments, and other City programs.
- 3. Addressing Drug Convictions:** Under Proposition 64, persons who have been convicted of a cannabis-related offense that is no longer illicit under State law are not automatically disqualified from applying for or receiving a license to operate a cannabis business. Therefore, the City, in coordination with the County of San Diego, should provide a pathway for cannabis criminal record expungement. The City also should evaluate the background check process and requirements to see if they are adversely affecting residents previously convicted of a cannabis-related offense.
- 4. Ensuring Capacity Building:** Complicated City and State regulations and licensing requirements have hampered many smaller-scale local cannabis operators. These operators have

found it difficult to navigate and comply with complex cannabis regulations and licensing requirements. Working with the State of California’s Department of Cannabis Control, the City should identify ways to make the permit process easier to navigate and eliminate regulatory discretion where possible.

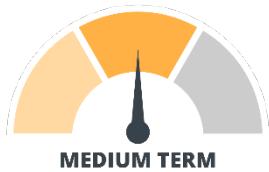
Summary of Preliminary Recommendations

This strategic framework provides a series of 17 recommendations based on short-, medium-, and long-term initiatives to create an equity program that fulfills the needs of locally impacted communities and residents seeking entry into the legal cannabis market. The success of these recommendations rests on the ability of the City to implement them over time, with feedback from community members throughout the process, as well as the support of State and local stakeholders and legislators. The 17 recommendations are summarized below and discussed in more detail in Chapter 6.



Short Term (1 to 6 months):

1. Establish a Cannabis SEED Program Task Force
2. Develop Meaningful Definitions of Equity “Owner” and “Applicant” and Establish SEED Program Eligibility Criteria
3. Create a Revolving Loan Fund and Financial Assistance Program
4. Develop a Cannabis Delivery Amnesty Program
5. Restrict Background Checks



Medium Term (6 to 18 months):

1. Adopt Phased Licensing
2. Allow Conditional Approval with No Real Estate Requirements
3. Identify Real Estate Opportunities
4. Create Business Support Services
5. Expand Local Delivery Services
6. Create Legal Business Identification
7. Reduce/Waive Permit and Business Operation Fees
8. Create a Mentorship Program



Long Term (18 months +):

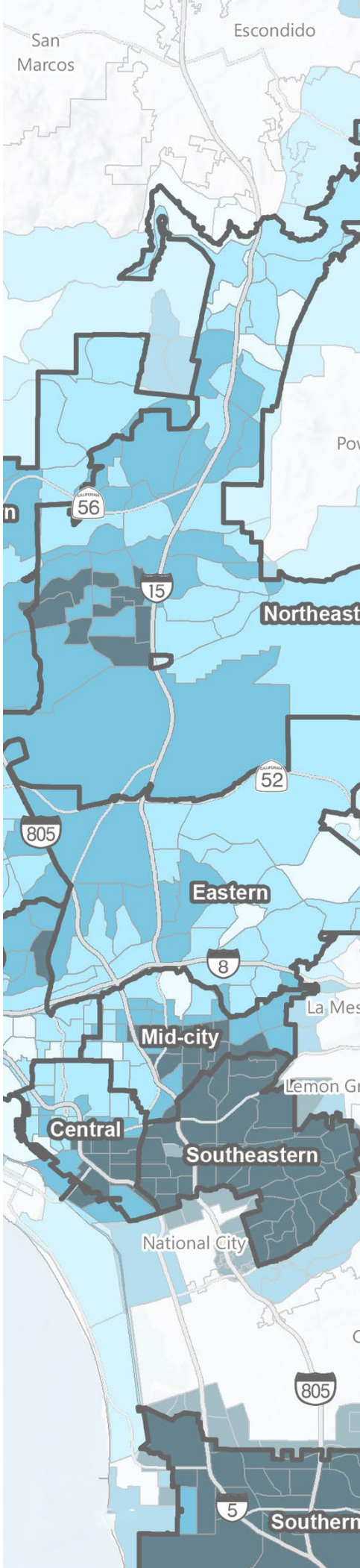
1. Prepare Cannabis Consumption Lounge Permitting Process
2. Support Social Media Outreach
3. Develop Cannabis Tourism
4. Collect Industry Data

Defining Cannabis Equity Applicant Criteria

This assessment focuses primarily on the information obtained through the City’s nine listening sessions and survey. However, staff evaluated what other cities’ equity programs include to determine which best practices the City of San Diego may want to focus on. Each jurisdiction’s equity assessment serves to evaluate the effects that the war on drugs has had on its citizens, to create an equity program that will best serve its citizens, and to assist a jurisdiction with the establishment of criteria by which individual and business entity equity applicants are evaluated. The table on the following page compares each jurisdiction’s eligibility criteria in effect as of June 2022.

Table 1: Cannabis Equity Applicant Criteria in Other California Cities

	City of Oakland	City of Long Beach	City of Los Angeles (Two of three criteria must be met)	City of Sacramento	City/County of San Francisco (Three of six criteria must be met, in addition to asset)
Criminal History	Either lived within a police beat with high rates of arrests and convictions for at least 10 of the last 20 years or was arrested after November 5, 1996 for a cannabis offense in the City	Prior cannabis arrest or conviction	California cannabis arrest or conviction that occurred prior to November 8, 2016	Individuals, or their immediate family members, who previously or currently reside in a low-income household and who were arrested or convicted for a cannabis-related crime in Sacramento between 1980 and 2011	Arrest or conviction for a cannabis offense between 1971 and 2016 or parent, sibling, or child arrest or conviction for a cannabis offense between 1971 and 2016
Residency Requirements	Be an Oakland resident	Lived in a low- or moderate-income area of Long Beach for a minimum of 3 years or is currently receiving unemployment benefits	Ten years' cumulative residency in a Disproportionately Impacted Area of Los Angeles	A current or former resident of the City of Sacramento who has lived in a low-income household for at least 5 years, between 1980 and 2011 in specific zip codes	Lived in an eligible census tract in San Francisco for 5 years where at least 17% of households were at or below the federal poverty level
Low-Income Status	In the last year, had an annual income at or less than 80% of the Oakland average median income adjusted for household size	Family income and net worth limits	Low-income per average median income	Individuals, or their immediate family members, who previously or currently reside in a low-income household	Have a household income below 80% of the Area Median Income in either the preceding year or current year of submitting an equity verification application
Housing Status	N/A	N/A	N/A	N/A	Lost housing in San Francisco through eviction, foreclosure, or subsidy cancellation after 1995
Attendance of Local Schools	N/A	N/A	N/A	N/A	Attended school in the San Francisco Unified School District for at least 5 years between 1971 and 2016



CHAPTER 1 | Introduction

The qualitative analysis of this equity assessment report is the result of information gathered from nine cannabis equity listening sessions held in May/June 2022. The overwhelming message expressed during these sessions was that access to capital was the primary barrier to entering the legal cannabis market as a business owner. Additional barriers include lack of technical and educational knowledge; challenges identifying land and buildings available for use; competition with the legacy market, which makes up approximately 80% of the cannabis landscape in San Diego; competition with well-funded out-of-city delivery companies that are not hiring local drivers, selling locally sourced products, or paying the appropriate amount of taxes; and the cost of professional consultants and legal assistance, taxes, and licenses.



City Heights Performance Annex Cannabis Equity Listening Session

Based on community input, this assessment has set out to answer the following two questions:

1. How does the City of San Diego create an equity-driven program that addresses the racial/ethnic disparities that cannabis criminalization has caused and that prevent equitable and inclusive access to the cannabis industry?
2. How can the City of San Diego create forward-thinking programs and initiatives to reduce the amount of cannabis products sold through the legacy market, which makes up more than 80 percent of cannabis sales in the City of San Diego?

Many major California cities have completed cannabis equity studies that identified common themes related to barriers to entry for individuals and communities impacted by cannabis enforcement. Like other jurisdictions across the State, San Diego has identified barriers to entry related to the nature of the relatively new legal cannabis industry. Like other jurisdictions across the State, San Diego has identified barriers to entry related to the nature of the relatively new legal cannabis industry. These issues include:

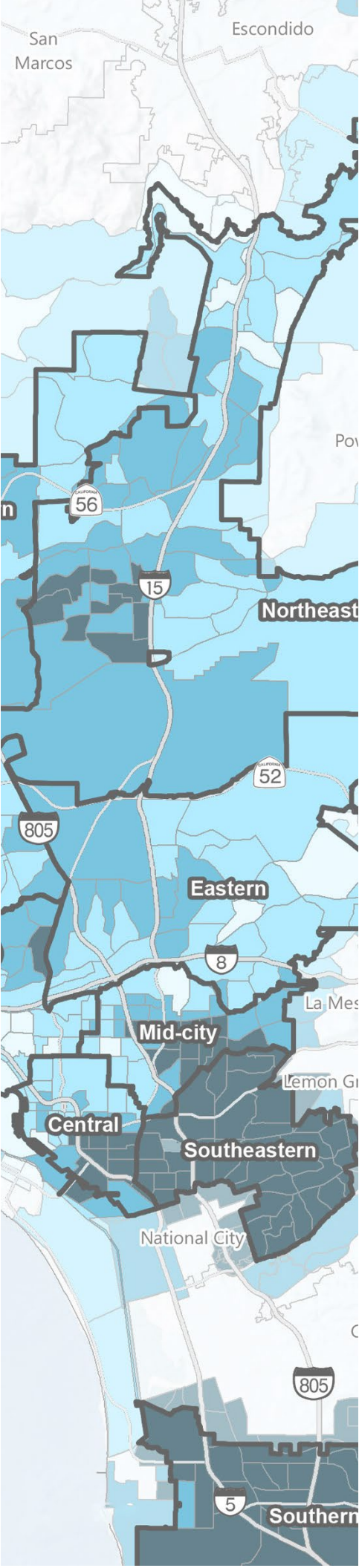
- Lack of access to capital;
- Uncertain federal prohibitions;
- Complicated local and State permit regulations;
- Limits on banking related to federal regulations;
- Real estate challenges;
- Lack of training and networking opportunities; and
- High cost of utilities, taxes, and other capital requirements for starting a business.

These are significant challenges for any person attempting to obtain a license, but they are even more pronounced for low-income individuals who have a personal or family history with the criminal justice system. A primary short-term goal of developing an equity program will be to develop a robust legal assistance program in partnership with the County of San Diego to provide residents with criminal records the ability to have their records expunged and sealed. This type of work is critical to help uplift residents—not only to help them enter the cannabis business landscape but also to help them more effectively access non-cannabis-related job and educational opportunities. Expungement can also assist with securing housing and other opportunities that are not available to residents with a cannabis-related criminal record.

A primary goal of developing an equity program will be to develop a robust legal assistance program to provide residents with criminal records the ability to have their records expunged and sealed.



Cannabis Grow Room



CHAPTER 2 | Equity Analysis

2.1 Introduction

During the State’s cannabis prohibition period, the number of arrests, convictions, and long-term collateral consequences fell disproportionately on African American/Black and Latinx people. The consequences associated with cannabis law violations have created barriers for persons with prior convictions to enter the newly regulated cannabis industry.

In order to promote equitable ownership and employment opportunities in the cannabis industry, as well as decrease disparities in life outcomes for marginalized communities, the State established the Cannabis Equity Act (Equity Act), as amended by Assembly Bill (AB) 97. The Equity Act was signed into law in 2018 and aimed to repair some of the decades of harm done by the war on drugs. The Bureau of Cannabis Control, now known as the Department of Cannabis Control (DCC), entered into an interagency agreement with the State Governor’s Office of Business and Economic Development (GO-Biz) to administer the Cannabis Equity Grants Program (Grants Program) to aid local jurisdictions in their program efforts to support equity applicants and licensees.

The purpose of the Grants Program is to advance economic justice for populations and communities adversely impacted by cannabis prohibition. Local jurisdictions are encouraged to develop and operate cannabis equity programs that focus on the inclusion and support of individuals and foster equitable access to licensure and business ownership in the regulated cannabis industry. Since the passage of the Equity Act, many cities around the State have received grant funding and established local equity programs for their licensing and permitting processes.

The City defines equity as occurring when institutional racism and systemic disparities are eliminated and everyone is provided with equitable access to opportunity and resources to thrive, no matter where they live or how they identify. In August 2019, City Council Districts 3 and 4 completed a Cannabis Equity Study for the purpose of assessing the impact of the criminalization of cannabis within the City. The 2019 Cannabis Equity Study concluded that youth and people of color were arrested at disproportionately higher rates for cannabis-related charges. In January 2022, Mayor Todd Gloria (Mayor) launched an updated City Strategic Plan with a focus on Customer Service, Empowerment & Engagement, Equity & Inclusion, and Accountability & Transparency. In alignment with the City’s goal to create more equitable municipal services, the City applied for, and was awarded, a State grant to establish a local cannabis equity program. The City is currently developing a blueprint

for the program. In support of the development of this proposed equity program blueprint, the City engaged Keyser Marston Associates, Inc. (KMA) to prepare a cannabis equity assessment and market analysis (Report).

This equity assessment seeks to identify communities and demographic groups, if any, within the City that have been adversely impacted by law enforcement as a result of cannabis prohibition. Correspondingly, the market analysis component seeks to relay information on market drivers, barriers, and opportunities.

2.2 Methodology

As stated above, the equity assessment seeks to identify communities and demographic groups that have been adversely impacted by law enforcement because of cannabis prohibition. The City's Police Department provided to KMA cannabis-related arrest data from 2015 to the present. It should be noted that the San Diego Association of Governments and the Automated Regional Justice Information System have a current policy to maintain member agency data, including crime-related data, for 7 years. Accordingly, the City's Police Department cannot provide data prior to the 7-year retention date.

KMA used census tract data to measure various demographic categories within each of the City's nine geographic law enforcement divisions. These categories include percentage of total population, percentage of non-White residents, percentage of low- and moderate-income residents, and percentage of residents who have earned a bachelor's degree or higher.

The KMA methodology used to perform the Report is as follows:

- (a) Analyze cannabis-related arrest data and corresponding City police beats to identify disparities in race/ethnicity and age
- (b) Map and evaluate relevant demographic factors, including low-income households as a percentage of population, minorities as a percentage of population, disadvantaged communities, and educational attainment
- (c) Analyze cannabis business license and land use permit data
- (d) Address current status of altered and dismissed cannabis-related convictions
- (e) Identify areas within the City and profile the demographics of individuals adversely impacted by prior cannabis prohibition

2.3 Key Findings

The data contained within this Report finds that racial and ethnic diversity within the cannabis industry remains an issue at State and local levels. Economic and social challenges, combined with the inability to secure financing to pay for start-up and other processing fees, limit the potential pool of applicants for new cannabis businesses, specifically minority populations. A cannabis equity program would provide equitable access to the cannabis industry

The Equity Assessment seeks to identify communities and demographic groups that have been adversely impacted by law enforcement as a result of cannabis prohibition.

work force and encourage entrepreneurship in a variety of businesses that not only produce cannabis products but also support the industry. This includes the areas of finance, marketing/advertising, hydroponic sales and infrastructure, and legal services that provide support to cannabis businesses.

KMA identified the following key findings that support this conclusion:

- Relative to their share of the work force, minorities and women are underrepresented in cannabis-related executive positions. A Countywide survey found that racial and ethnic diversity within the cannabis industry is currently an issue in both the City and County. The survey found that 68% of cannabis business license holders are White; 14% are of Hispanic, Latino, or Spanish origin; and 7% are Black/African American. It is estimated that 87% of cannabis business license holders in the County are male and only 13% are female.
- From 2015 through 2022, Black/African American and Hispanic, Latino, or Spanish origin individuals experienced a disproportionate number of cannabis-related arrests in the City when compared to Asian, Pacific Islander, White, and persons of another race.
- In accordance with a February 2021 court order, a San Diego Superior Court judge reduced felony cannabis convictions to misdemeanor convictions for approximately 26,000 people in San Diego County. In addition, about 1,000 people with misdemeanor cannabis convictions had their cases completely dismissed. Although convictions have been reclassified, the court system has been slow in updating individual records, and it is the responsibility of the offenders to ensure that their individual record is addressed.
- From 2015 to 2022, youth under the age of 19 were disproportionately arrested for cannabis-related crimes compared to all other age groups. Hispanic, Latino, or Spanish origin youth accounted for 47% of the arrests.
- Since 2014, nearly 50% of cannabis business applications have been approved by the City. Due to the lack of geographic restrictions on cannabis production facilities, most approved applications were in Council District 6, which includes the communities of Clairemont, Kearny Mesa, Mira Mesa, Rancho Peñasquitos, and Sorrento Valley. These communities tend to have higher rates of individuals who hold bachelor's degrees or higher.
- The most disadvantaged communities, as defined by the State, are located within the Southeastern, Central, and Southern police divisions. These police divisions overlap Council Districts 3, 4, 8, and 9. Disadvantaged communities are the areas throughout California that most suffer from a combination of economic, health, and environmental burdens. These burdens include poverty, high unemployment, air and water pollution, and the

presence of hazardous wastes, as well as high incidence of asthma and heart disease.

- Based on a series of indicators, neighborhoods in the Mid-City, Southeastern, and Southern police divisions are the most disadvantaged neighborhoods in the City. These police divisions overlap Council Districts 3, 4, 8, and 9. These areas yield the highest rates of non-White residents, highest rates of low-income residents, and the lowest rates of individuals holding bachelor's degrees. However, these areas do not have the highest arrests when compared to other neighborhoods in the City.
- The neighborhoods with the most cannabis-related arrests were East Village (4.5%) and North Park (4.0%). East Village is in the Central police division, and North Park is in the Mid-City police division. Both neighborhoods are located within Council District 3. Arrests are based on the location of the violation and not the person's residence.

The City acknowledges and recognizes racial and social disparities in providing municipal services.

The City acknowledges and recognizes racial and social disparities in providing municipal services. In recent years, the City has initiated several efforts to address disparities in the City's programs, services, and budget decisions. These policies and programs will ensure that there is greater diversity, inclusion, and equity in San Diego for minority populations.

2.4 Cannabis Market Analysis

2.4.1 Cannabis Industry in the U.S.

Although 36 U.S. states allow the use of cannabis for medicinal purposes, and 18 states permit the use of cannabis for recreational purposes, the federal government still considers cannabis illicit. According to Marijuana Business Daily (MJBizDaily), a Colorado-based business news outlet for professionals in the recreational and medical cannabis industry, total U.S. economic impact from marijuana sales in 2022 is expected to reach \$99 billion—up more than 20% from the prior year—and upwards of \$155 billion in 2026. Despite this anticipated growth, it is clear that racial and gender diversity in the cannabis industry is still lacking. MJBizDaily's 2019 Women and Minorities in the Cannabis Industry report found that women and minorities are disadvantaged when trying to enter the cannabis industry due to high barriers to entry and lack of access to funding sources. Under federal policy, traditional bank loans and/or tax breaks are unavailable to those looking to enter the cannabis industry. In addition to the high cost of start-up and permit processing fees, these challenges further impact minority and low-income populations.

2.4.2 Cannabis Industry in California

In 1996, California became the first state in the U.S. to allow medicinal cannabis use. Voters passed the Cannabis Use Act of 1996, making it legal for patients with certain illnesses, under approval from a licensed physician, to use cannabis for medicinal purposes. It took another 20 years for the State to allow the recreational use of

cannabis for adults over the age of 21. In 2016, State voters approved Proposition 64, known as the Adult Use of Marijuana Act (AUMA). AUMA allowed adults over the age of 21 to use cannabis recreationally and reduced barriers to entry into the legal, regulated cannabis industry. However, businesses were not allowed to grow, distribute, or sell non-medical or recreational cannabis until they received a State license. Under AUMA, the State was not required to issue any licenses until January 1, 2018. Since the passage of AUMA, numerous cannabis-related laws have been proposed/approved, including a proposal to reduce cannabis taxes (AB 286), a proposal for cannabis consumption café/lounge licenses (AB 1465), and an approved deferral or waiver of a cannabis application fee for needs-based cannabis applicants and licensees (Senate Bill 595).

In July 2019, in accordance with the State's Equity Act, the DCC administered funds under the Grants Program to aid local jurisdictions in supporting equity applicants and licensees. The DCC awarded \$10 million in equity grant funding to 10 jurisdictions in October 2019 and another \$30 million to 16 jurisdictions in April 2020. Of the 16 jurisdictions, nine received funding to conduct cannabis equity assessments and develop an equity program. Seven jurisdictions received funding to provide assistance to cannabis equity program applicants and licensees to gain entry to, and to successfully operate in, the regulated cannabis industry.

Since the passage of the Equity Act, many public agencies have established a variety of local equity programs.

Subsequently, in March 2021, the DCC awarded an additional 18 jurisdictions with \$15 million. Since the passage of the Equity Act, many public agencies have established a variety of local equity programs, including the cities of Fresno, Long Beach, Los Angeles, Oakland, Palm Springs, Sacramento, and San Francisco. The counties of Humboldt, Lake, and Mendocino have also formed local equity programs. Funds from the equity programs may be used to pay for 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. A list of the jurisdictions awarded cannabis-related funding from the DCC is presented in Table 2, below. Moreover, a number of these jurisdictions have implemented a Cannabis Equity Applicant program, including the County of Humboldt, City of Coachella, City of Rio Dell, City of Long Beach, City of Los Angeles, City of Oakland, City of Sacramento, City and County of San Francisco, and City of San Jose.

Table 2: List of Jurisdictions Awarded Cannabis-Related Funding from the DCC by Year			
2019	2020	2021	2022
<ul style="list-style-type: none"> • City of Los Angeles • City of Oakland • County of Humboldt • City and County of San Francisco • City of Sacramento • City of Long Beach • City of San Jose • County of Santa Cruz • City of Coachella • City of Palm Springs 	<ul style="list-style-type: none"> • City of Oakland • City of Los Angeles • City and County of San Francisco • City of Sacramento • City of Long Beach • County of Humboldt • County of Mendocino • County of Lake • County of Monterey • County of Nevada • City of Palm Springs • City of San Jose • City of Santa Cruz • City of Clearlake • City of Coachella • City of Stockton 	<ul style="list-style-type: none"> • City of Oakland • City and County of San Francisco • City of Los Angeles • City of Sacramento • City of Long Beach • City of Fresno • County of Humboldt • County of Lake • City of Palm Springs • County of Mendocino • County of San Diego • County of Sonoma • County of Trinity • City of Escondido • City of Isleton • City of Modesto • City of Richmond • City of San Diego 	<ul style="list-style-type: none"> • City of Adelanto • City of Commerce • City of Desert Hot Springs • County of Humboldt • County of Lake • City of Long Beach • City of Los Angeles • County of Mendocino • County of Monterey • City of Oakland • County of Nevada • City of Sacramento • City of San Diego • City and County of San Francisco • City of Santa Rosa • County of Sonoma • County of Trinity

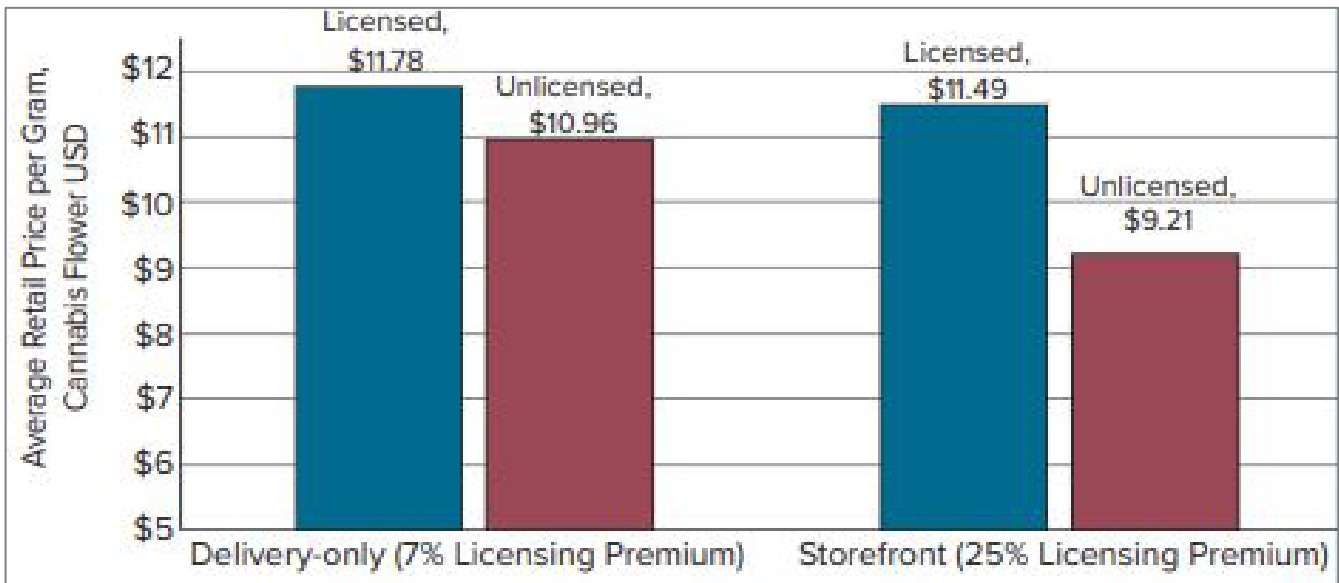
The cannabis industry is a thriving market in California. Forbes, a global media company, indicates that there has been an oversupply of cannabis in the State market, with legal cultivators growing more than three times as much as the market can consume. According to Eaze, a cannabis marketplace company, California cities that experienced the highest increase in social equity product sales in 2021 include San Diego (up 361%), Tracy (up 163%), and Manteca (78%). Social equity sales are sales from businesses that possess a social equity license—a business license for members of communities that have been harmed, targeted, or otherwise adversely affected by cannabis prohibition.

It is also estimated that in 2021, cannabis storefronts in the State sold over \$5.2 billion worth of cannabis products, representing a 20% increase over 2020. Currently, eight cities across the State are in the process of opening new recreational cannabis licensing opportunities in 2022, either by endorsing the cannabis industry for the first time or by boosting the number of available business permits.

According to research conducted by Getting it Right from the Start Project, a public health institute, a total of 281 cities and counties in the State allow retail cannabis sales by storefront and/or delivery. Data provided by the State’s DCC found that, as of February 2021, there are a total of 1,485 licensed cannabis retailers. This figure is broken out as follows: 897 active licensed storefronts, 385 active licensed non-storefront (delivery), 105 active microbusinesses with storefronts, and 98 active non-storefront microbusinesses

(delivery). The number of retailers has increased by 64% since December 2019. It is important to note that cannabis producers, distributors, and retailers must obtain State licenses to sell legally. However, it is not unlawful for consumers to buy from unlicensed sellers or possess unlicensed products. According to a January 2020 Agricultural and Resource Economics Update from the Giannini Foundation of Agricultural Economics at the University of California, prices are 25% higher at licensed compared to unlicensed storefronts, and 7% higher at licensed compared to unlicensed delivery services, as shown in Exhibit 1, below.

Exhibit 1: Average California Retail Price per Gram of Cannabis Flower by Package Size: Delivery-Only vs. Storefront



Source: Resource Economics Update from the Giannini Foundation of Agricultural Economics at the University of California

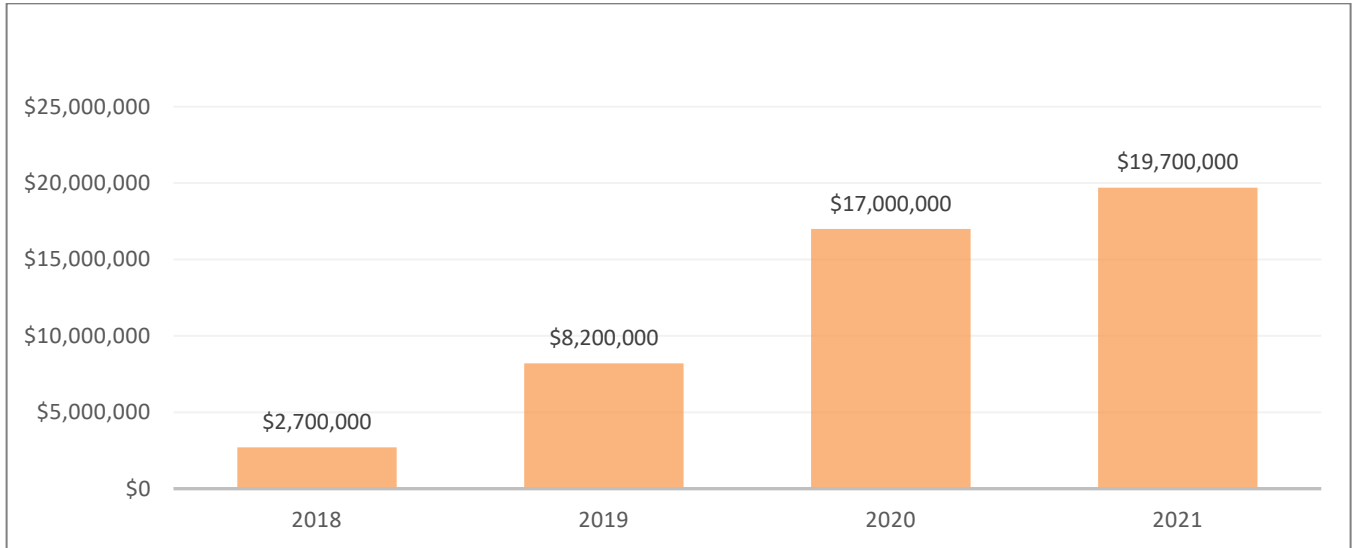
2.4.2.1 Cannabis Industry in San Diego

Sections 141.0504 and 141.1004 of the City’s Municipal Code allow for and regulate Cannabis Outlets (Outlets) and Cannabis Production Facilities (Facilities). The City defines Outlets as establishments (retail, medicinal, or a combination) operating with a Conditional Use Permit (CUP) where cannabis, cannabis products, and cannabis accessories are sold to the public. The number of Outlets is currently limited to 36 Citywide, with a maximum of four establishments per council district. There are currently 26 legally permitted Outlets open in the City.

The City began collecting tax receipts from the Cannabis Business Tax in January 2018, receiving \$2.7 million in gross receipts in Fiscal Year (FY) 2018. The most recent City Adopted Budget (FY 2022) projects that this figure will increase substantially in FY 2021 to \$19.7 million. This is an average annual growth rate of 94%. The growth in Cannabis Business Tax revenue to the City from FY 2018 to FY 2021 (projected) is presented in Exhibit 2, below. It is important to note that in February 2022, the City Council reduced the Cannabis Business Tax from 8% to 2% on local manufacturers and growers to

boost overall production. The 8% tax rate for retailers will remain unchanged.

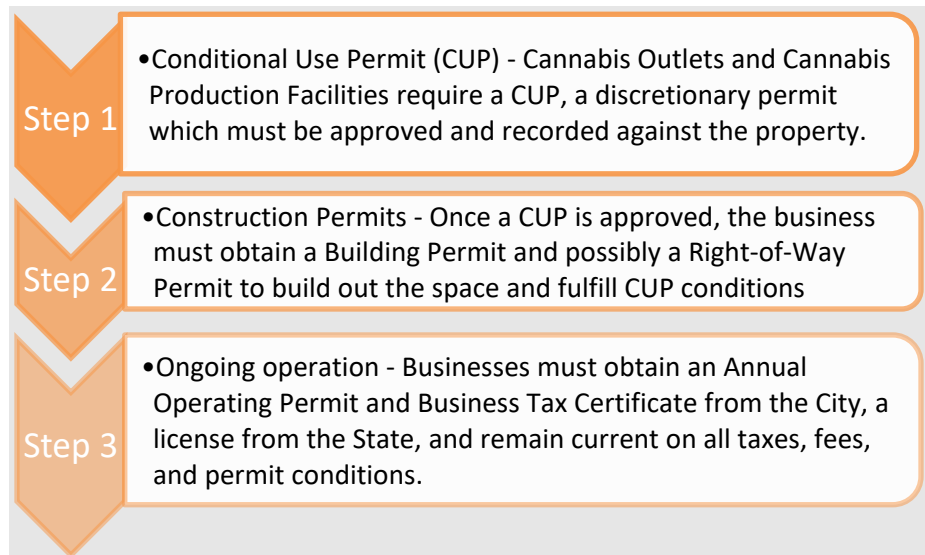
Exhibit 2: Cannabis Business Tax Revenue to City by Fiscal Year



The City defines “Facilities” as operations involving agricultural raising, harvesting, and processing of cannabis; wholesale distribution and storage of cannabis and cannabis-related products; and production of goods from cannabis and cannabis products consistent with the State’s Department of Foods, Agriculture, Consumer Affairs and Public Health. The number of Facilities is currently limited to 40 Citywide.

Outlets and Facilities cannot be located within 1,000 feet of City parks, churches, childcare centers, playgrounds, libraries, minor-oriented facilities, residential care facilities, or schools. They may also not be located within 100 feet of a residential zone. Outlets may also not be located within 1,000 feet of each other.

Applicants for an Outlet or Facility are subject to a three-step application approval process, as follows:



As part of the Annual Operating Permit process, all responsible persons are subject to fingerprinting and a background check. A responsible person is defined as a person responsible for the operation, management, direction, or policy of a Cannabis Outlet or Facility. Individuals convicted of a violent felony or a crime of moral turpitude within the past 7 years cannot act as a responsible person.

2.4.3 Number of Permits Received by the City

In 2011, the City Council approved an ordinance that allows medical dispensaries to operate legally in the City with an approved permit. In 2017, the San Diego Municipal Code (SDMC) was revised in response to AUMA to allow Outlets and Production Facilities, creating the current caps. For example, there were 34 Production Facilities applicants competing for the remaining 10 of the 40 spots allowed by the SDMC. The Development Services Department also created internal procedures for processing Production Facilities applications to ensure a fair and transparent process in accordance with the established City's project review procedures, the California Environmental Quality Act (CEQA), and the SDMC. Each application who completed the review process and obtained either (a) an environmental determination of exemption or (b) a final environmental document was provided an initial process order number based on the date of either of the aforementioned items. Data related to ethnicity was not collected as part of the process.

The initial processing order date established the application's initial public hearing processing priority. Each application was subject to Environmental Determination Appeals and Process Three Appeals in accordance with SDMC Sections 112.0520 and 112.0506, respectively. These two appeal processes have the potential to affect an applicant's public hearing process. Applicants were made aware of their position in relation to the cap. The Development Services Department then accepted applications on a first-come, first-served basis. Projects were deemed complete in a similar order and taken to hearing based on review completion dates and environmental determination dates. As projects were approved, they claimed available spots, with project appeals occasionally changing the order of approval. This often resulted in multiple projects being presented on the same hearing date with those projects listed later in the agenda being denied because the previous project approval(s) resulted in the cap being reached.

The City's Cannabis Business Division provided KMA with a list of cannabis-related business permit applications submitted to the City between 2014 and 2022. In total, the City received 146 applications, of which 47% were approved, 29% withdrawn, 14% denied, and 10% cancelled, as shown in Table 3 below. The various reasons that applications were not approved include inactivity, as well as proposals being located too close to sensitive uses, such as parks, minor-oriented facilities, and residential zones.

Table 3: Cannabis Business Permit Applications by Status, City of San Diego					
Status of Application	Outlets		Facilities	Total	% of Total
Approved	28	40	68		47%
Withdrawn	24	19	43		29%
Denied	14	7	21		14%
Cancelled	3	11	14		10%
Total	69	77	146		100%

Source: City of San Diego’s Cannabis Business Division, as of March 2022

Because Cannabis Production Facilities are not limited per Council District, most approved applications were located in Council District 6 and Council District 8.

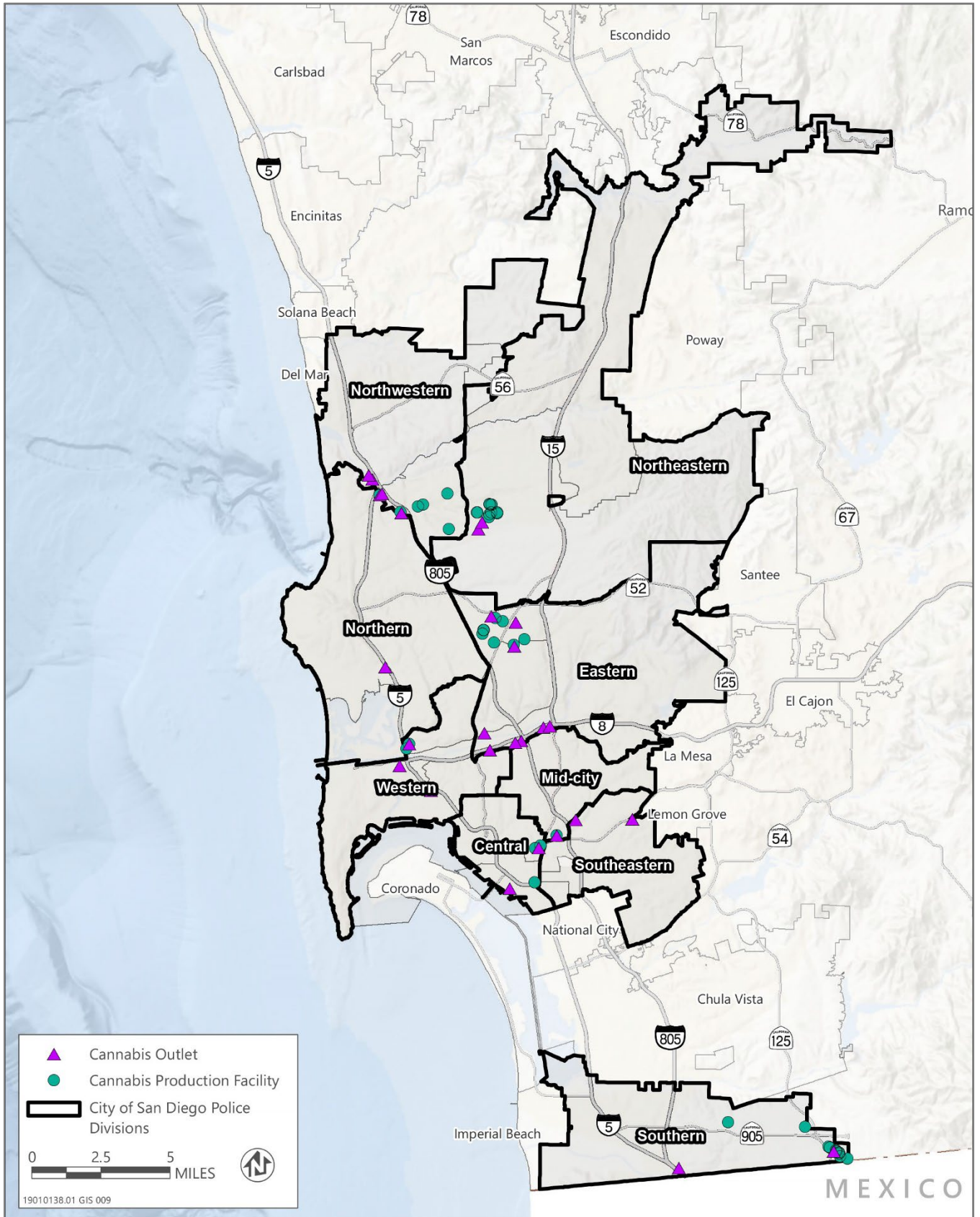
Of the 68 approved permits, 28 were for an Outlet, and 40 were for a Facility. Because Cannabis Production Facilities are not limited per council district, most approved applications were located in Council District 6 (four Outlets and 21 Facilities), which includes the Northern and Northeastern police divisions, and Council District 8 (four Outlets and 11 Facilities), which includes the Southeastern, Central, and Southern police divisions. A map of approved Cannabis Outlets and Cannabis Production Facilities is presented in Exhibit 3.

KMA further examined when the applications were submitted to the City. As shown in Exhibit 4, applications for cannabis business permits appeared to spike prior to and during two significantly historic time periods:

1. AUMA Effective Date – AUMA took effect November 9, 2016 and allowed for the adult possession, consumption, and cultivation of nonmedical, recreational cannabis. The City received 32 applications in 2015.
2. AUMA Licensing Date – AUMA required that the State begin issuing licenses as of January 1, 2018. During 2018 and 2019, the City received a total of 88 applications.

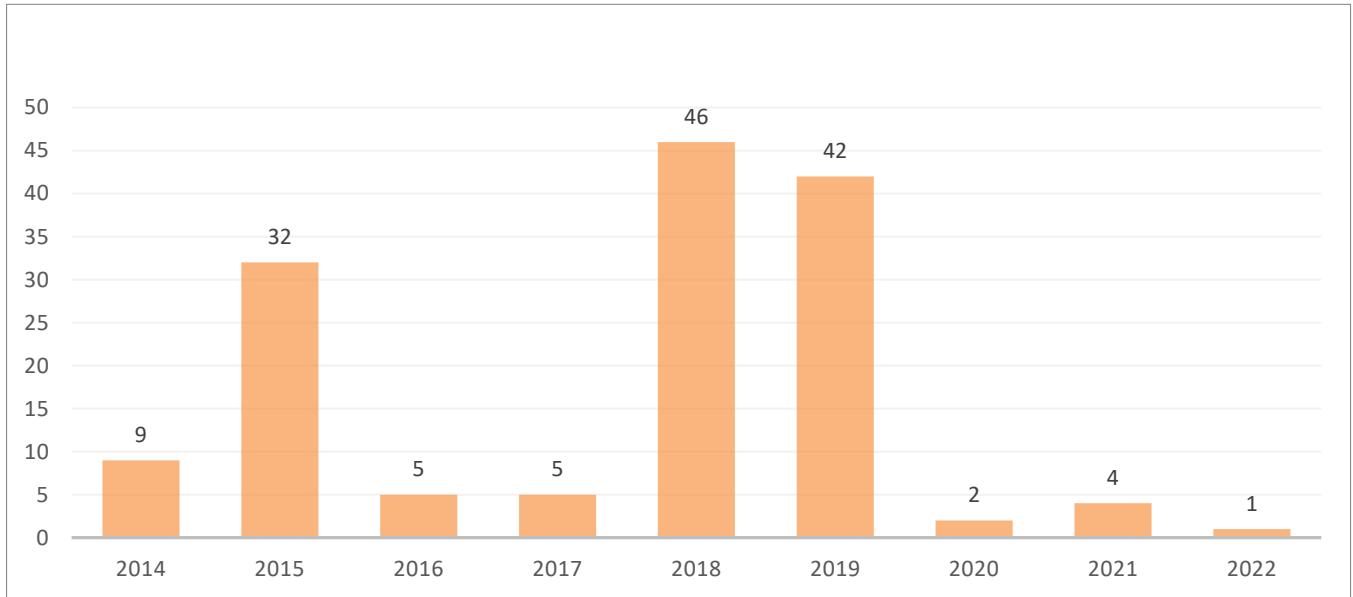
As shown in Exhibit 4, the years between these time periods showed a greatly reduced number of cannabis business permit applications.

Exhibit 3: Cannabis Outlets and Cannabis Production Facilities, City of San Diego



Source: Data received from the City of San Diego in 2022.

Exhibit 4: Cannabis Business Permit Applications Submitted to the City of San Diego



2.5 Equity Assessment

2.5.1 Minority- and Women-Owned Cannabis Business

A nationwide survey conducted in 2017 by MJBizDaily found that only 17% of cannabis businesses have an ethnic minority in an executive position. The survey found that 80% of cannabis business owners/founders identify as White, followed by Hispanic, Latino, or Spanish origin (6%) and Black/African American (4%). Female minority executives accounted for just 5%.

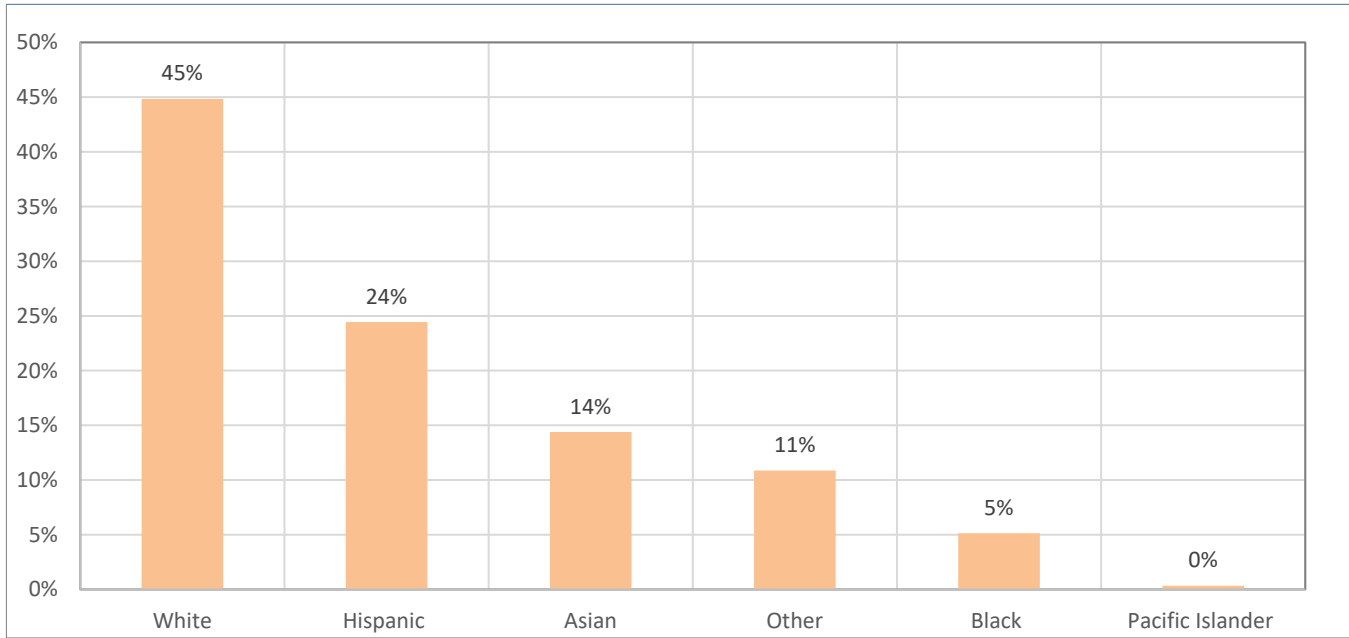
In 2021, the Office of Business Research and Analysis (OBRA) for California State University San Marcos (CSUSM) analyzed economic impacts of the cannabis industry in San Diego County. OBRA created a survey designed to understand which demographics hold cannabis licenses in the County. The survey results found that 68% of cannabis business license holders were White, followed by 14% Hispanic, Latino, or Spanish origin; 7% Black/African American; 4% American Indian; 4% Asian; and 3% Middle Eastern. In addition, 87% of cannabis business license holder participants were male, with female business owners accounting for only 13%. Based on these findings, racial diversity within the cannabis industry is currently an issue in the County.

2.5.2 Distribution of Race/Ethnicity

The City of San Diego is the largest city in San Diego County, with an estimated 2021 population of 1.7 million. Exhibit 5 provides an overview of the City’s racial/ethnic profile. This data reflects 2019 5-year estimates from the U.S. Census Bureau American Community Survey (ACS) for people who report as one race. As shown, 45% of the population identifies as White; 24% as Hispanic, Latino, or Spanish origin; 14% as Asian; 5% as Black/African American; 0.3 % as Pacific Islander; and 11% as other or unknown.

The survey results found that 68% of cannabis business license holders were White.

Exhibit 5: Distribution of Race/Ethnicity, City of San Diego, 2021

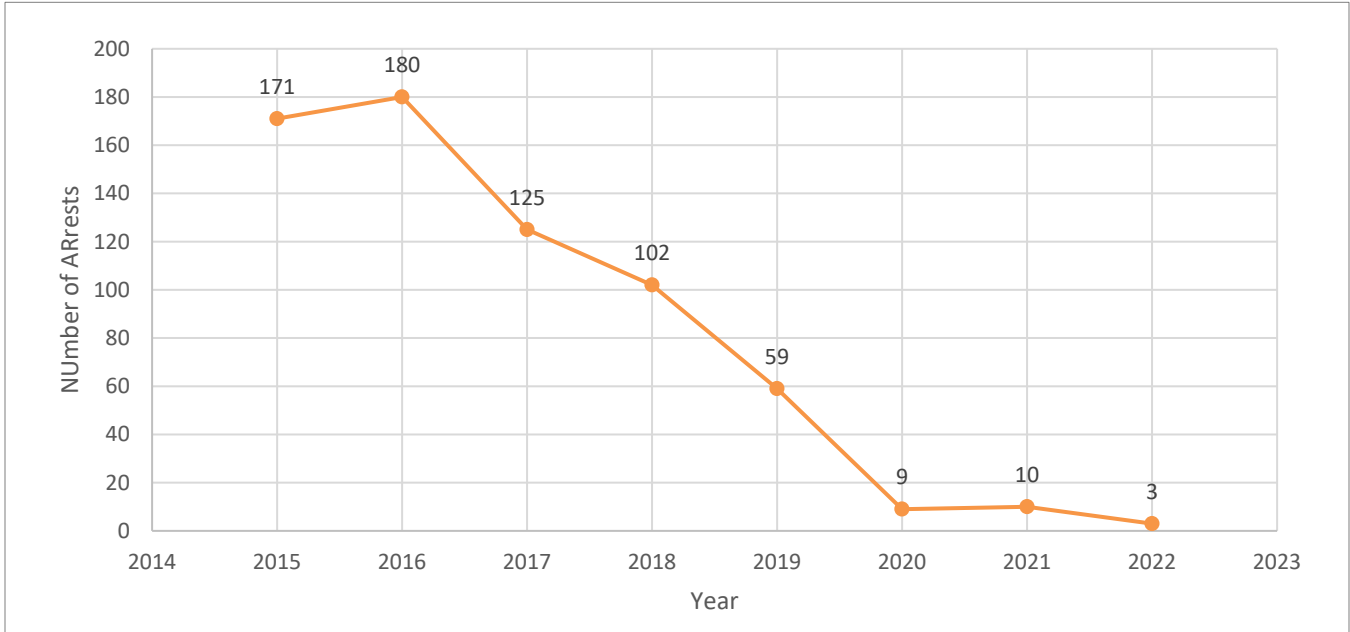


Source: U.S. Census 2021 Estimates

2.5.3 Cannabis-Related Arrests

Exhibit 6 presents cannabis-related arrests in the City from 2015 to 2022. This data was provided by the City’s Police Department. During the period from 2015 to 2022, there were a total of 659 cannabis-related arrests, with 2022 reflecting only a partial year. These arrests included unlawful possession, use, and distribution of cannabis. As shown, the City has been experiencing a sharp decline since 2016. This trend was to be expected following the 2016 voter passage of Proposition 64, which authorized the legal recreational use of cannabis effective November 9, 2016.

Exhibit 6: Cannabis-Related Arrests by Year, City of San Diego⁽¹⁾



¹ Year 2022 reflects partial year, through March 2022.

2.5.4 Cannabis-Related Arrests by Race/Ethnicity

Cannabis-related arrests by race/ethnicity are presented in Table 4. As shown, the populations experiencing the most arrests are Hispanic, Latino, or Spanish origin (34%), followed by White (27%), individuals identifying as Other (19%), and Black/African American (16%).

Table 4: Cannabis-Related Arrests by Race/Ethnicity, City of San Diego

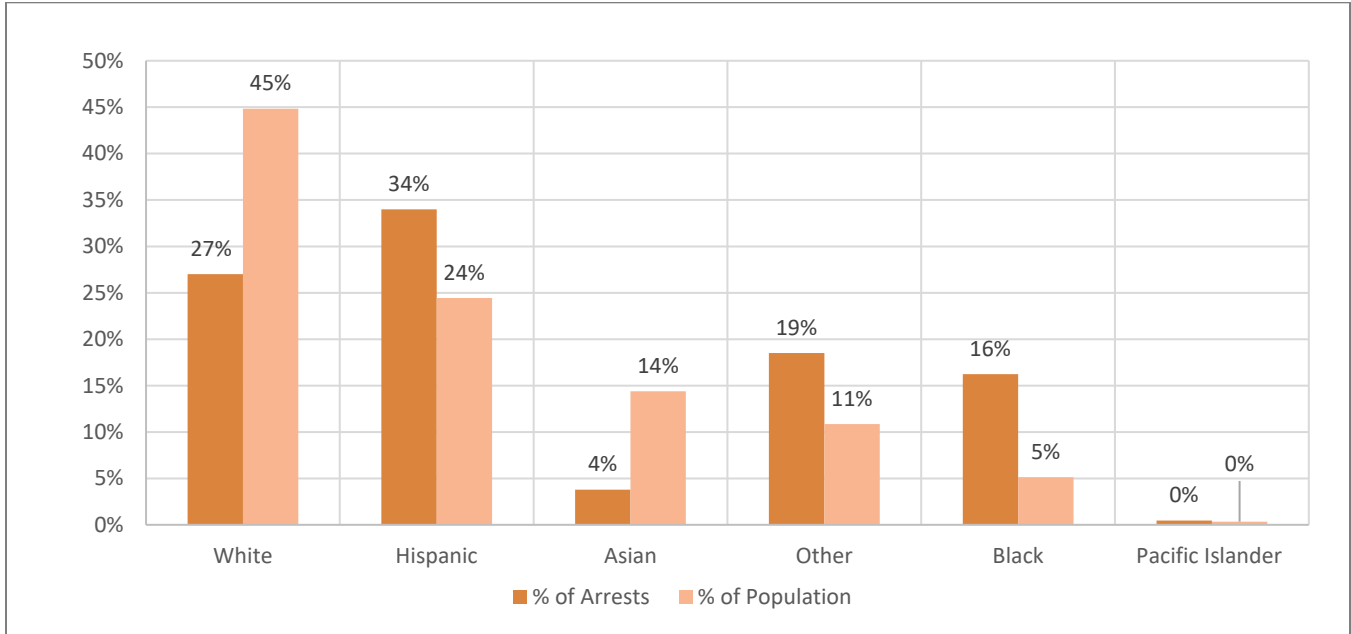
Race/Ethnicity	Arrests		Population	
	(2015-2022) ¹		(2021) ²	
	Total	Percent	Total	Percent
Asian	25	4%	247,267	14%
Black/African American	107	16%	88,321	5%
Hispanic, Latino, or Spanish origin	224	34%	420,094	24%
Pacific Islander	3	0%	5,826	0%
White	178	27%	770,824	45%
Other or Unknown	122	19%	186,694	11%
Total	659	100%	1,719,044	100%

¹ Source: City of San Diego Police Department

² Source: U.S. Census ACS 2019 5-year estimates.

For comparative purposes, KMA evaluated the percentage of arrests in proportion to the total population. As shown in Exhibit 7, when compared to the share of population, Hispanic, Latino, or Spanish origin; Black/African American; and individuals identifying as Other experienced a disproportionate number of cannabis-related arrests when compared to White, Asian, and Pacific Islanders.

Exhibit 7: Percentage of Arrests vs. Percentage of Population, City of San Diego¹



¹ Reflects arrests from 2015 through 2022.

Source: City of San Diego Police Department

2.5.5 Cannabis-Related Arrests by Age

The median age of the City’s population is 36. Table 5 presents the age distribution of cannabis-related arrests from 2015 through 2022. The data shows that the highest number of cannabis-related arrests occurred within the 15 to 19 age range (42%). The next largest categories were within the 10 to 14 age range (13%) and 25 to 34 age range (11%).

Table 5: Cannabis-Related Arrests by Age, City of San Diego

Age	Arrests by Age		Population	
	(2015-2022) ¹		(2021) ^{2 3}	
	Total	Percent	Total	Percent
Unknown	104	16%	--	--
Age 5-9	1	0%	75,815	6%
Age 10-14	83	13%	76,804	6%
Age 15-19	274	42%	85,768	7%
Age 20-24	52	8%	116,291	9%
Age 25-34	74	11%	248,389	19%
Age 35-44	31	5%	192,881	15%
Age 45-54	23	3%	159,006	12%
Age 55-64	16	2%	152,932	12%
Age 65+	1	0%	194,851	15%
Total	659	100%	1,302,737	100%

¹ Source: City of San Diego Police Department.

² Source: U.S. Census ACS 2019 5-year estimates.

³ Excludes population ranging from 0-4 years of age.

As shown in Exhibit 8, youth under the age of 19 were disproportionately arrested for cannabis-related crimes as compared to all other age groups.

Exhibit 8: Age of Arrested Suspects vs. Percentage of Population, City of San Diego

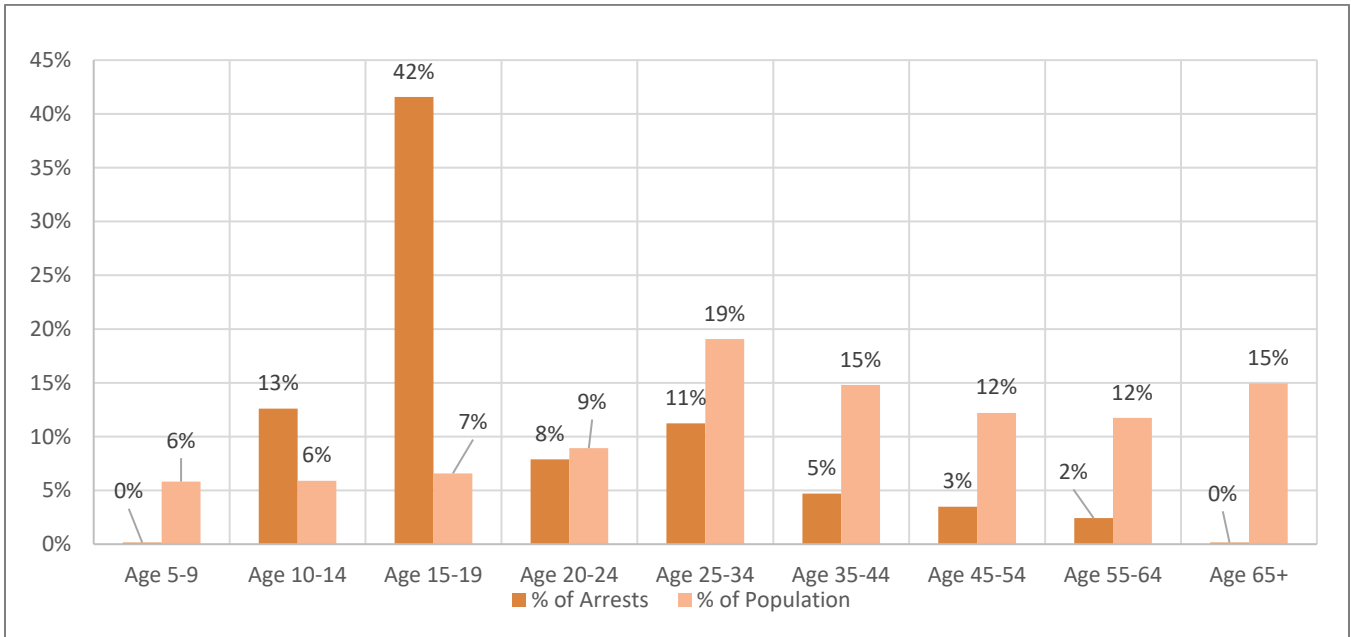
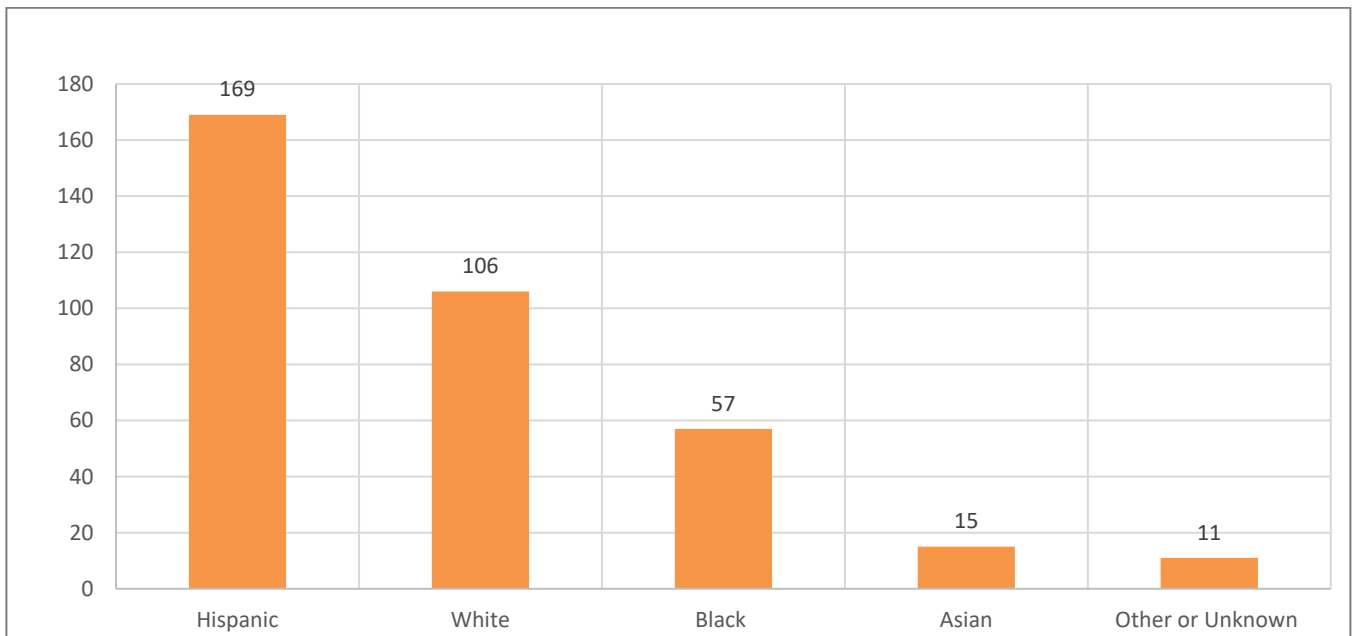


Exhibit 9 presents the race/ethnicity of individuals under the age of 19 who were arrested for cannabis-related offenses from 2015 to 2022. As shown, Hispanic, Latino, or Spanish origin youth accounted for 47% of the arrests followed by 30% White, 16% Black/African American, 4% Asian, and 3% Other or Unknown.

Exhibit 9: Number of Arrests for Suspects 19 Years of Age or Younger, City of San Diego, 2015-2022



2.5.6 Cannabis-Related Arrest Convictions and/or Expungements

In addition to legalizing the adult use of cannabis, Proposition 64 allows most people previously convicted of certain cannabis felonies to petition a judge to reclassify their felony convictions as misdemeanors. Most people previously convicted of cannabis misdemeanors can petition to have misdemeanors reclassified as infractions.

As background, in September 2018, former Governor Jerry Brown signed AB 1793 into law, also known as the “Bonta Bill.” The Bonta Bill created an automatic sealing process for cannabis criminal records. It required prosecutors in the State Department of Justice to review records dating back over 40 years and was meant to provide justice for people who had been arrested, convicted, or sentenced on charges that would no longer apply post-legalization. A record sealed from public view cannot be searched by employers, schools, financial institutions, and so on. An expungement, also known as a dismissal, is a way of cleaning up a record and limiting the information that shows up on a background check.

In compliance with AB 1793, the San Diego County District Attorney’s office submitted a list of eligible cases to the local courts. In February 2021, a San Diego Superior Court judge reduced approximately 26,000 felony cannabis convictions to misdemeanor convictions, and about 1,000 misdemeanor cannabis convictions were completely dismissed. Although these convictions have been reclassified, the court system has been slow in updating individual records.

To assist San Diego County residents with reducing convictions or dismissing/expunging a criminal record, the County’s Office of the Public Defender created the Fresh Start program. The Fresh Start program provides a review of a person’s criminal record by an experienced attorney who recommends an action plan for how to clean up the record. Those with a cannabis-related criminal background are required to: (1) know that a program like Fresh Start exists and (2) reach out to the County to submit an application to begin the review process. The process can take anywhere from a few weeks to months.

To assist San Diego County residents with reducing convictions or dismissing/expunging a criminal record, the County’s Office of the Public Defender created the Fresh Start program.

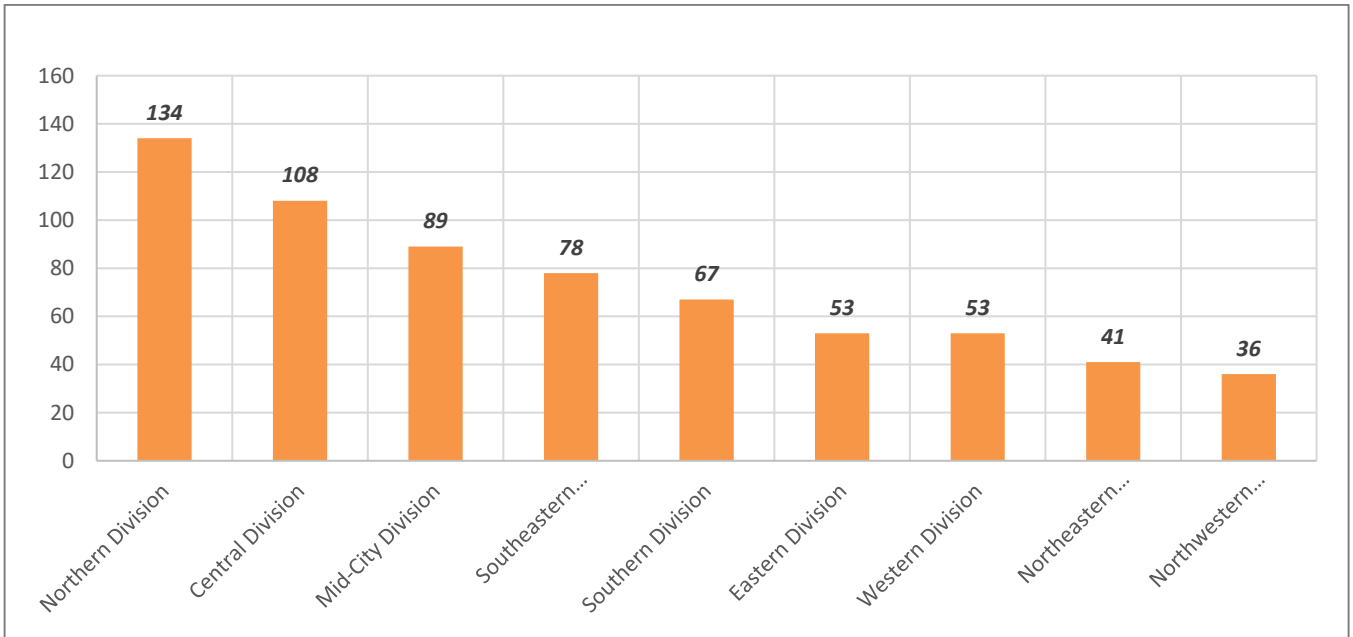
2.5.7 Cannabis-Related Arrests by Police Division

The City has nine geographic divisions for the purpose of law enforcement: Central, Northern, Northeastern, Northwestern, Southern, Southeastern, Eastern, Western, and Mid-City. Per the City’s Police Department, each division has a combination of law beat areas within the division boundary. It should also be noted that these police divisions do not represent legal neighborhood or community boundaries. Table 6 summarizes the City’s neighborhoods by police division and City council district.

Exhibit 10 presents an overview of cannabis-related arrests by police division. It should be noted that the number of arrests reflects where the violation occurred and not where the person resides. As shown, the Northern and Central divisions experienced the highest number of cannabis-related arrests. The Central division includes areas such

as Barrio Logan, East Village, Sherman Heights, and South Park. These two divisions, collectively, account for approximately 37% of the total arrests.

Exhibit 10: Arrests by Police Division – City of San Diego, 2015-2022



Source: City of San Diego Police Department

Table 6: Neighborhoods by Police Division, City of San Diego

Division	Neighborhood	Council District ¹	Division	Neighborhood	Council District ¹
Northern (Division 1)	Bay Ho	2	Central (Division 5)	Balboa Park	3
	Bay Park	2		Barrio Logan	8
	Clairemont Mesa East	2		Core-Columbia	3
	Clairemont Mesa West	2		Cortez	3
	La Jolla	1		East Village	3
	Mission Bay Park	2		Grant Hill	8
	North Clairemont	2		Harborview	3
	Pacific Beach	1		Little Italy	3
	University City	6		Logan Heights	8
Northeastern (Division 2)	Carmel Mountain	5	Western (Division 6)	Marina	3
	Mira Mesa	6		Park West	3
	Rancho Bernardo	5		Sherman Heights	8
	Rancho Encantada	6		South Park	3
	Rancho Penasquitos	5		Linda Vista	7
	Sabre Springs	5		Midway District	2
	San Pasqual	5		Mission Valley West	3
	Scripps Ranch	6		Point Loma Heights	2
Eastern (Division 3)	Allied Gardens	7	Southern (Division 7)	University Heights	3
	Birdland	7		Egger Highlands	8
	College West	9		Nestor	8
	Del Cerro	7		Otay Mesa	8
	Grantville	7		Otay Mesa West	8
	Lake Murray	7		San Ysidro	8
	Mission Valley East	3		Tijuana River Valley	8
	Serra Mesa	7		Adams North	9
	Tierrasanta	7		Colina del Sol	9
Southeastern (Division 4)	Bay Terraces	4	Mid-City (Division 8)	El Cerrito	9
	Emerald Hills	4		Fox Canyon	9
	Encanto	4		Normal Heights	9
	Jamacha/Lomita	4		North Park	3
	Mount Hope	9		Rolando	9
	Mountain View	4		Rolando Park	9
	Oak Park	4		Teralta West	9
	Paradise Hills	4	Northwestern (Division 9)	Black Mountain Ranch	5
	Ridgeview/Webster	4		Carmel Valley	1
	Shelltown	8		Del Mar Heights	1
	Skyline	4		North City	1
	Southcrest	8		Sorrento Valley	6
	Valencia Park	4		Torrey Preserve	1

¹ Reflects council district in which a majority of the neighborhood is located.

2.5.8 Identification of Disadvantaged Neighborhoods

Research has found that leaders in the cannabis business have been predominately of White descent, with nominal Black/African American and Hispanic, Latino, or Spanish origin populations as owners and executives. To identify disadvantaged neighborhoods in the City, KMA evaluated four key indicators:

- Minority population
- Low-/moderate-income areas
- Educational attainment
- Disadvantaged communities

2.5.9 Minority Population

KMA evaluated the minority populations within each police division in the City. 11 illustrates where the highest concentrations of minority population exist within the City by police division. As shown, the Southeastern and Southern divisions appear to contain the highest percentage of non-White residents. These areas contain between 75% and 100% of non-White population within their division.

Divisions with the lowest concentration (under 25%) of non-White population are the Northern, Eastern, and Western divisions.

2.5.10 Low-/Moderate-Income Areas by Percent of Total Population

Exhibit 12 presents the highest concentrations of low-/moderate-income households by police division. As shown, the divisions with the highest rates of low-/moderate-income households are generally centrally located within the City's urban areas (Southeastern, Central, and Mid-City divisions) and southern San Diego border (Southern division). These divisions include high rates of minority populations as compared to other divisions in the City.

It is also evident that the divisions in the northern areas of the City (Northern, Northeastern, and Northwestern divisions) have the lowest concentrations of low-/moderate-income households.

Exhibit 11: Minority Population by Division, City of San Diego

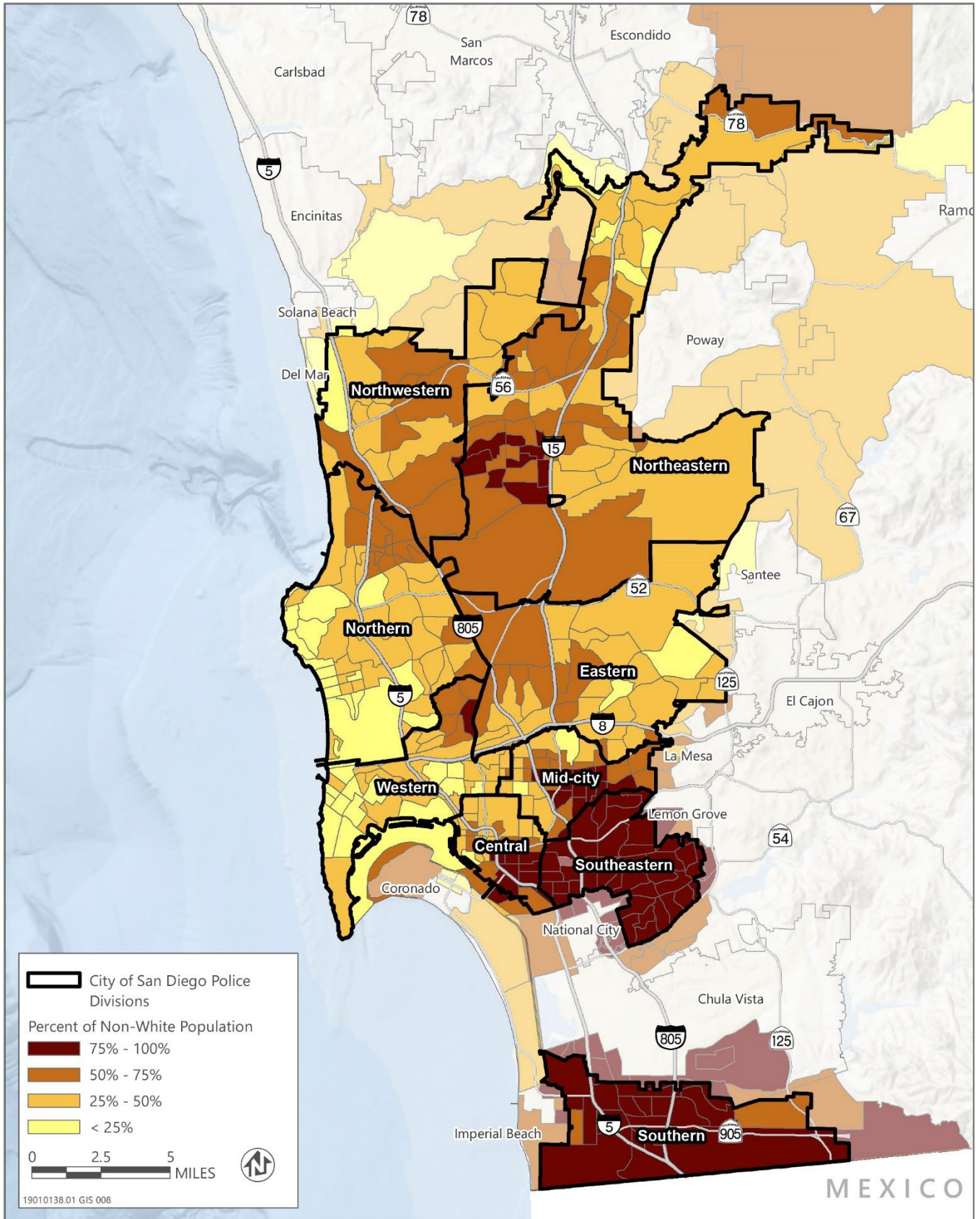
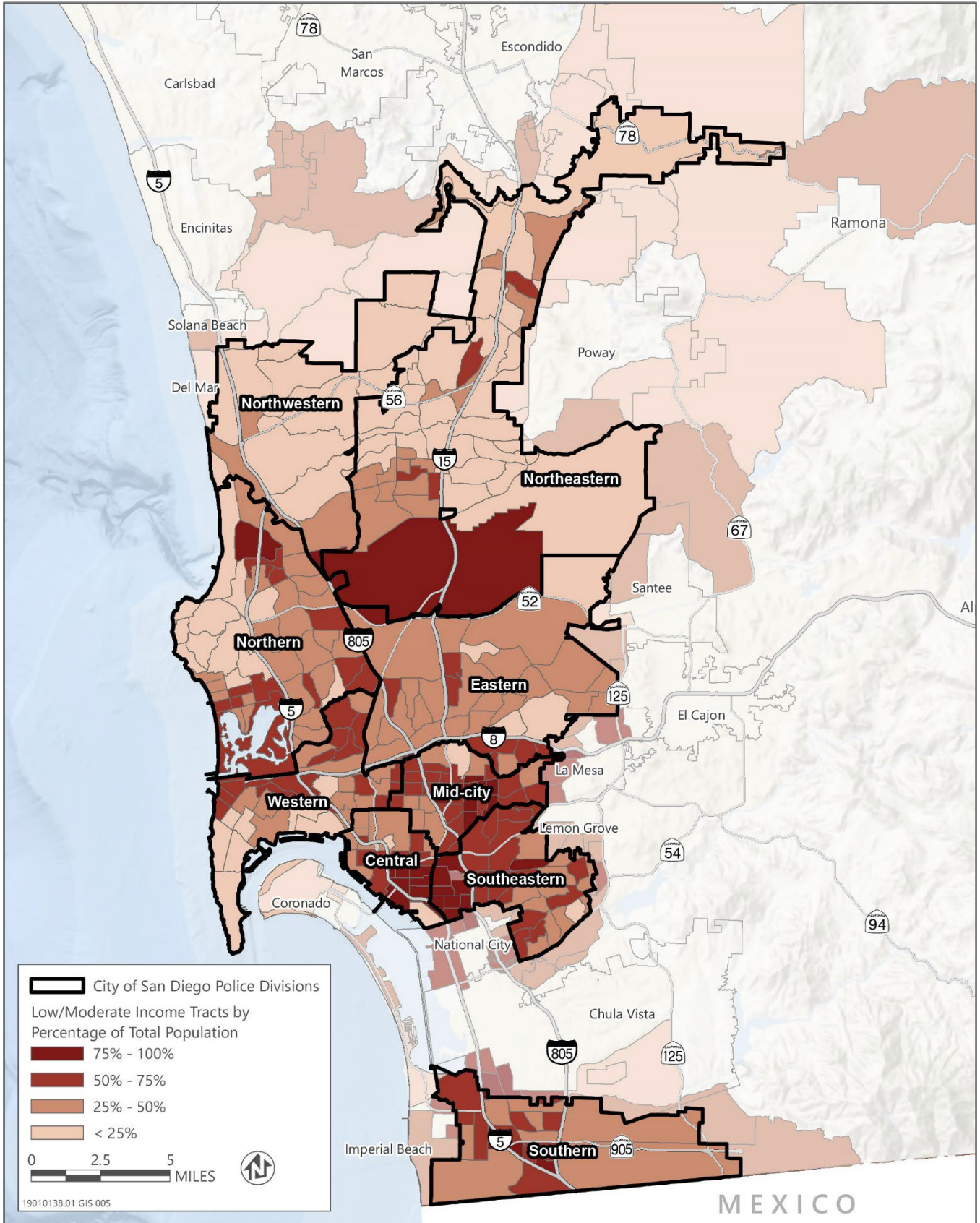


Exhibit 12: Low-/Moderate-Income Areas by Division, City of San Diego



2.5.11 Educational Attainment

The highest level of education completed is measured in the population by educational attainment. Higher educational attainment is associated with higher earnings, higher employment rates, and greater workforce opportunities. While educational attainment levels vary by factors including age, geography, household structure, income, and wealth, differences along racial and ethnic lines are evident.

Exhibit 13 identifies the police divisions that contain the highest populations that have attained at least a bachelor's degree. A bachelor's degree is a degree awarded by a college or university to a person who has completed undergraduate studies, typically within 4 years. A bachelor's degree is used as an indicator of community access to higher education opportunities.

As shown, police divisions with higher percentages (between 75% and 100%) of the population holding a bachelor's degree are concentrated in the Northern and Northwestern divisions of the City. It should be noted that these areas contain job opportunities for highly skilled individuals, such as those in the biotechnology and biomedical manufacturing, communication and information technology, and software industries.

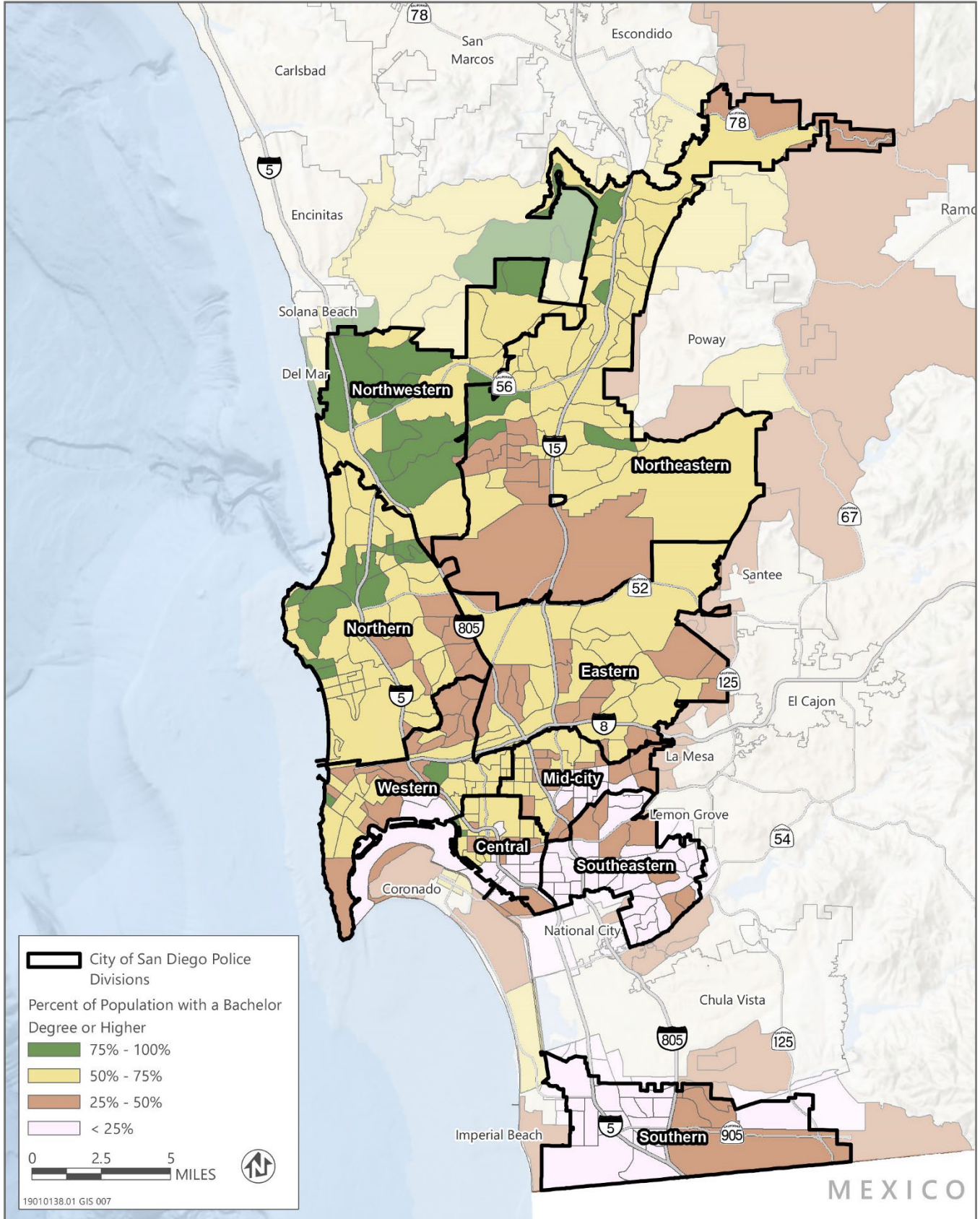
Conversely, the Southeastern, Central, and Southern divisions, which generally reflect the communities of Barrio Logan, Southeastern San Diego, and South San Diego, contain the lowest percentages of residents with bachelor's degrees.

2.5.12 Disadvantaged Communities

CalEnviroScreen is a mapping tool that helps to identify communities where people are often vulnerable to the effects of pollution. CalEnviroScreen uses environmental, health, and socioeconomic information to produce scores for every census tract in the State. The scores are then mapped so that different communities can be compared. An area with a high score is one that experiences a much higher burdens than areas with low scores.

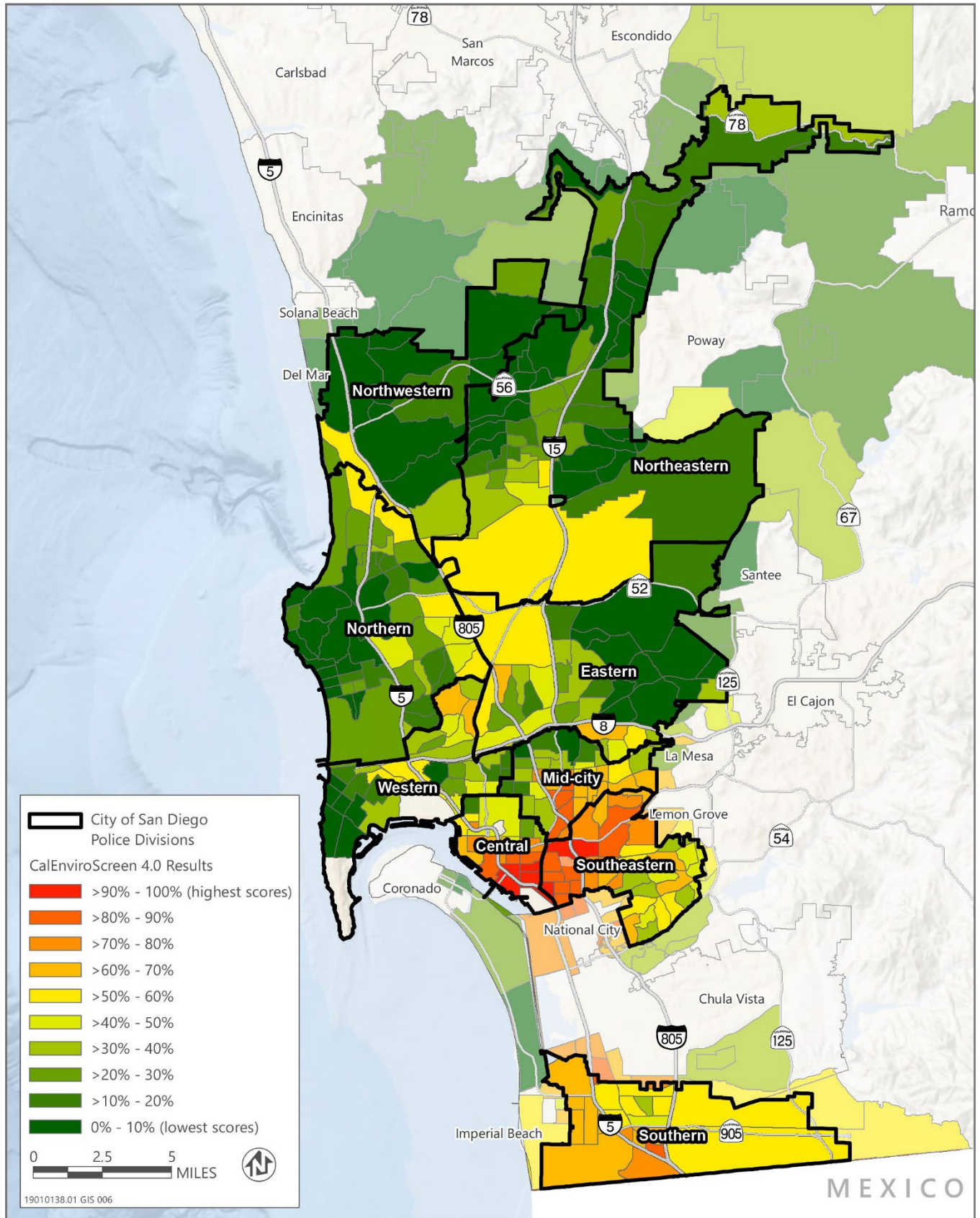
Exhibit 14 presents the CalEnviroScreen results by police division. As shown, disadvantaged communities are concentrated within the more urban areas of the City: Southeastern, Central, and Southern.

Exhibit 13: Educational Attainment, City of San Diego



Source: Data compiled from U.S. Census Bureau, SanGIS, and City of San Diego in 2022.

Exhibit 14: Disadvantaged Communities by Division, City of San Diego



Sources: Data downloaded from OEHA, SanGIS, and City of San Diego in 2022.

2.5.13 Disadvantaged Neighborhoods Findings

In combination with the arrest data, KMA utilized the four key indicators noted above to determine which neighborhoods are disadvantaged. KMA has characterized disadvantaged neighborhoods as areas that have large minority populations, low-income households, and low educational attainment and that are environmentally burdened.

To identify disadvantaged neighborhoods in the City, KMA ranked select indicators in a color-coded system. Indicators in red are considered to be a negative (high) impact, yellow is considered to be a moderate (neutral) impact, and green is considered to be a positive (low) impact.

Red	50% or more of the population
Yellow	26% to 49% of the population
Green	0 to 25% of the population

As shown in Table 7, neighborhoods in the Mid-City, Southern, and Southeastern police divisions contain the highest rates of non-White residents with the highest rates of low-income populations and the lowest rates of bachelor’s degree holders. These neighborhoods are considered to be the most disadvantaged in the City. However, these areas do not have the highest percentage of arrests when compared to other areas in the City.

The neighborhoods that had the highest rates of cannabis-related arrests were in East Village (4.5%) and North Park (4.0%). These figures are based on the location of the violation and not the person’s residence. These neighborhoods are boxed in red in Table 7.

2.5.14 Equity Assessment Conclusions

The findings contained within this Report identify those neighborhoods in the City that are economically and socially disadvantaged. KMA also found that Black/African American and Hispanic, Latino, or Spanish origin individuals experienced a disproportionate number of cannabis-related arrests. Taken together, Black/African American and Hispanic, Latino, or Spanish origin individuals experienced 50% of total arrests despite representing only 29% of the total population. These challenges, combined with the inability to secure financing for start-up and other business processing fees, limit the potential pool of applicants, specifically minority populations. A cannabis equity program would provide equitable access to the cannabis industry workforce and encourage entrepreneurship.

Table 7: Disadvantaged Neighborhoods						
Division	Neighborhood	% of Total Population	% of Total Arrests	% Non-White	% Low-Mod Income	% Bachelor's Degree or Higher
Southern	Border	0.01%	--	98%	61%	8%
Southern	San Ysidro	1.89%	1.01%	97%	63%	6%
Southeastern	Shelltown	0.73%	0.09%	95%	91%	5%
Southeastern	Southcrest	0.41%	0.23%	95%	74%	5%
Southeastern	Mountain View	1.17%	0.92%	93%	76%	5%
Southeastern	Chollas View	0.35%	0.14%	93%	56%	7%
Central	Logan Heights	1.06%	1.11%	92%	77%	5%
Southeastern	Lincoln Park	0.74%	1.52%	92%	62%	5%
Mid-City	Teralta West	0.39%	0.69%	92%	70%	9%
Southeastern	Valencia Park	0.82%	0.23%	92%	58%	12%
Mid-City	Teralta East	0.54%	0.46%	91%	73%	4%
Mid-City	Castle	0.61%	0.55%	90%	70%	11%
Mid-City	Fairmount Village	0.40%	0.55%	89%	72%	8%
Mid-City	Swan Canyon	0.38%	0.23%	87%	67%	8%
Mid-City	Islenair	0.06%	--	86%	53%	10%
Mid-City	Fox Canyon	0.19%	--	86%	53%	10%
Southeastern	Mt. Hope	0.40%	0.51%	86%	85%	5%
Mid-City	Chollas Creek	0.36%	0.09%	86%	65%	10%
Southeastern	Encanto	0.73%	0.14%	85%	55%	12%
Southern	Nestor	0.97%	0.41%	84%	66%	7%
Southeastern	Ridgeview/Webster	0.43%	0.18%	83%	50%	18%
Mid-City	Colina del Sol	0.79%	0.65%	82%	88%	6%
Southeastern	Emerald Hills	0.33%	0.18%	82%	50%	15%
Southeastern	Paradise Hills	1.25%	1.06%	80%	52%	11%
Southeastern	Oak Park	1.15%	0.60%	80%	54%	15%
Mid-City	Corridor	0.53%	0.78%	79%	87%	19%
Central	Grant Hill	0.32%	0.28%	79%	61%	11%
Mid-City	Redwood Village	0.30%	0.14%	78%	61%	13%
Mid-City	Cherokee Point	0.41%	0.37%	71%	78%	20%
Central	Sherman Heights	0.21%	0.18%	71%	82%	21%
Mid-City	Fairmount Park	0.34%	0.37%	69%	51%	19%
Western	Linda Vista	1.93%	1.66%	66%	54%	25%
Mid-City	Azalea/Hollywood Park	0.24%	0.74%	65%	51%	19%
Mid-City	El Cerrito	0.46%	0.51%	63%	58%	23%
Mid-City	Talmadge	0.61%	0.83%	55%	52%	33%
Southern	Tijuana River Valley	0.56%	--	90%	46%	8%
Southern	Otay Mesa West	1.99%	1.75%	89%	48%	10%

Table 7: Disadvantaged Neighborhoods						
Division	Neighborhood	% of Total Population	% of Total Arrests	% Non-White	% Low-Mod Income	% Bachelor's Degree or Higher
Southeastern	Alta Vista	0.16%	--	87%	35%	17%
Southern	Ocean Crest	0.97%	--	87%	0%	20%
Southern	Palm City	0.43%	0.14%	86%	45%	13%
Southeastern	O'Farrell	0.44%	0.23%	86%	48%	16%
Southeastern	Bay Terraces	2.28%	1.34%	86%	41%	15%
Southeastern	Skyline	0.58%	0.18%	84%	46%	12%
Southern	Otay Mesa	0.31%	0.18%	83%	13%	14%
Southeastern	Jamacha/Lomita	0.82%	0.28%	83%	47%	10%
Central	Stockton	0.35%	0.28%	78%	47%	15%
Southern	Egger Highlands	0.72%	0.46%	77%	48%	9%
Central	Barrio Logan	0.62%	0.46%	71%	31%	8%
Northeastern	Miramamar	0.46%	0.23%	62%	30%	22%
Mid-City	Rolando Park	0.29%	0.18%	60%	48%	21%
Northeastern	Mira Mesa	5.04%	2.49%	70%	28%	33%
Northwestern	Sorrento Valley	0.61%	0.51%	57%	23%	43%
Northwestern	Black Mountain Ranch	1.04%	0.28%	54%	4%	47%
Eastern	Kearny Mesa	0.40%	0.51%	54%	22%	42%
Mid-City	Normal Heights	0.68%	0.37%	53%	38%	35%
Northeastern	Miramamar Ranch North	1.09%	0.41%	51%	11%	45%
Central	Golden Hill	0.76%	0.28%	50%	30%	36%
Central	Horton Plaza	0.10%	0.51%	50%	0%	26%
Northern	Torrey Pines	0.22%	--	36%	53%	52%
Mid-City	Rolando	0.67%	0.18%	47%	40%	25%
Western	Midway District	0.83%	2.31%	40%	23%	18%
Western	Morena	0.74%	0.23%	39%	24%	21%
Eastern	College East	0.86%	0.51%	38%	39%	17%
Eastern	College West	0.80%	0.37%	38%	42%	23%
Southeastern	Broadway Heights	0.03%	--	25%	42%	17%
Northern	Clairemont Mesa East	1.87%	1.84%	49%	44%	30%
Northeastern	Rancho Penasquitos	3.72%	1.52%	49%	19%	43%
Eastern	Serra Mesa	1.92%	0.78%	49%	28%	35%
Northeastern	Carmel Mountain	0.69%	0.60%	48%	6%	47%
Northern	University City	3.49%	0.97%	48%	25%	49%
Central	East Village	0.56%	4.47%	47%	1%	42%
Eastern	Birdland	0.29%	0.09%	46%	33%	26%
Eastern	Grantville	0.71%	0.51%	45%	35%	35%
Central	Cortez	0.14%	0.78%	43%	1%	51%

Table 7: Disadvantaged Neighborhoods						
Division	Neighborhood	% of Total Population	% of Total Arrests	% Non-White	% Low-Mod Income	% Bachelor's Degree or Higher
Northwestern	Carmel Valley	3.54%	2.26%	43%	6%	51%
Central	Core-Columbia	0.50%	1.57%	42%	0%	44%
Mid-City	Adams North	0.35%	--	42%	17%	48%
Northwestern	North City	0.73%	0.23%	41%	1%	48%
Eastern	Mission Valley East	0.88%	0.41%	40%	12%	40%
Western	University Heights	0.87%	0.74%	39%	37%	49%
Mid-City	North Park	2.80%	4.01%	38%	29%	46%
Mid-City	Kensington	0.45%	0.14%	38%	38%	53%
Eastern	Qualcomm	0.05%	0.23%	38%	2%	38%
Northeastern	Sabre Springs	0.50%	0.28%	38%	9%	43%
Northeastern	San Pasqual	0.15%	--	38%	15%	37%
Central	Balboa Park	0.16%	0.92%	37%	1%	51%
Northern	North Clairemont	1.17%	1.20%	36%	42%	34%
Northern	Bay Ho	1.01%	0.60%	36%	35%	35%
Western	Mission Valley West	0.22%	0.41%	35%	34%	44%
Central	Gaslamp	0.07%	1.06%	35%	0%	50%
Eastern	Tierrasanta	1.98%	0.46%	35%	29%	33%
Central	South Park	0.39%	0.09%	35%	47%	42%
Northeastern	Scripps Ranch	1.48%	0.74%	35%	14%	40%
Northeastern	Rancho Encantada	0.08%	0.05%	34%	15%	44%
Northwestern	Torrey Preserve	0.10%	0.37%	33%	29%	49%
Western	Hillcrest	0.94%	0.55%	33%	21%	53%
Central	Petco Park	0.10%	0.78%	32%	0%	55%
Northeastern	Rancho Bernardo	3.25%	0.55%	32%	10%	45%
Western	Old Town	0.09%	0.51%	32%	35%	38%
Central	Little Italy	0.17%	0.09%	31%	2%	57%
Central	Park West	0.64%	0.37%	31%	35%	50%
Eastern	San Carlos	0.88%	0.88%	30%	24%	41%
Northern	Clairemont Mesa West	0.86%	0.60%	30%	37%	35%
Eastern	Del Cerro	0.51%	1.15%	30%	18%	44%
Northwestern	Torrey Highlands	0.60%	0.18%	30%	1%	45%
Western	Midtown	0.32%	0.09%	30%	42%	47%
Mid-City	Burlingame	0.07%	--	29%	45%	37%
Central	Harborview	0.14%	0.14%	29%	0%	75%
Central	Marina	0.38%	0.92%	29%	0%	61%
Eastern	Allied Gardens	0.78%	0.46%	28%	40%	36%
Eastern	Lake Murray	1.61%	0.37%	27%	32%	36%

Table 7: Disadvantaged Neighborhoods

Division	Neighborhood	% of Total Population	% of Total Arrests	% Non-White	% Low-Mod Income	% Bachelor's Degree or Higher
Northern	Bay Park	1.24%	1.06%	26%	35%	43%
Western	Roseville/Fleet Ridge	0.39%	0.09%	25%	10%	43%
Western	Point Loma Heights	1.44%	0.60%	24%	21%	40%
Northern	Pacific Beach	3.12%	--	23%	32%	54%
Northern	La Jolla	2.47%	2.21%	22%	21%	55%
Western	Wooded Area	0.34%	0.55%	21%	11%	33%
Western	Ocean Beach	0.94%	--	20%	26%	47%
Western	Loma Portal	0.43%	0.14%	20%	36%	37%
Western	Mission Hills	0.42%	0.23%	19%	29%	55%
Western	Sunset Cliffs	0.22%	1.29%	19%	12%	32%
Northwestern	Del Mar Heights	0.52%	0.18%	17%	10%	60%
Northern	Mission Bay Park	0.07%	2.21%	14%	14%	53%
Northern	Mission Beach	0.01%	2.90%	11%	0%	44%
Western	La Playa	0.18%	0.23%	10%	18%	54%

2.6 City's Efforts to Address Inequity

In recent years, the City has initiated several efforts to address environmental justice and social equity. In 2019, the City developed the Climate Equity Index (CEI) to assess the degree of potential impacts from climate change in areas with vulnerable populations. According to the CEI, climate equity “requires addressing historical inequities suffered by people of color, allowing everyone to fairly share the same benefits and burdens from climate solutions and attain full and equal access to opportunities regardless of one’s background and identity.” As part of the CEI, historical inequities suffered by people of color are assessed in terms of environmental, health, housing, mobility, and socioeconomic indicators. Based on stakeholder feedback, the City further identified census tracts with very low, low, and moderate access to opportunity and designated select census tracts as communities of concern. By identifying the communities of concern, the City ensures prioritization in these areas for investment through Climate Action Plan projects and programs.

Build Better SD seeks to create a Citywide funding program that provides underserved communities with its fair share of public improvements.

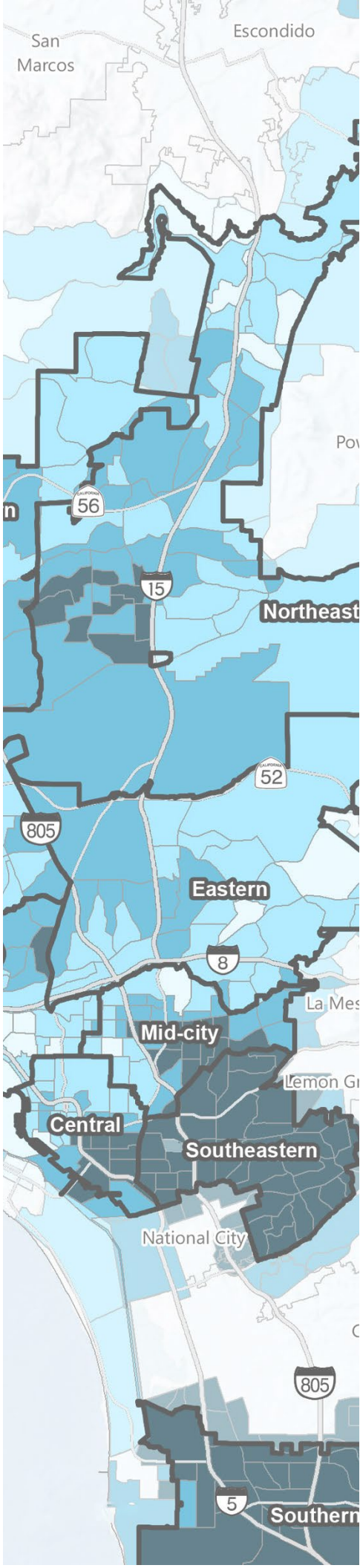
Since being elected as the City’s mayor in 2020, Mayor Todd Gloria implemented the “Build Better SD” initiative. Build Better SD seeks to discard inequitable planning policies that restrict public infrastructure fees to a single community and instead create a Citywide funding program that provides underserved communities with its fair share of public improvements.

In addition, the Mayor’s office has undertaken several efforts to create a more equitable City, such as:

- Created the Black Advisory Group—a group of advisers that will assist the administration in identifying unique challenges facing Black/African American communities and recommend strategies to address inequities
- Formed the Department of Race and Equity and appointed the City’s first Chief Race and Equity Officer
- Released the City’s first pay equity study, which identified issues behind the gender, racial, and ethnic pay gaps among City of San Diego employees—one of the first of its kind to be publicly released by a municipality in the U.S.
- Developed the City’s first Black empowerment plan to ensure greater diversity, inclusion, and equity in San Diego for the Black/African American community
- Completed a disparity study to assess whether minority-, woman- and disabled veteran-owned businesses face barriers as part of the City’s contracting processes
- Revived the long-inactive Commission on the Status of Women, which will focus on the needs of women and recommend programs intended to address gender inequality
- Appointed diverse personnel in leadership roles, including those within the minority population, women, and LGBTQIA+ community

- Launched the “Parks for All of Us” initiative, including an update of the City’s Parks Master Plan, to create a more equitable, accessible, and high-quality parks system for all

In alignment with the City’s goals to address disparities in providing municipal services, the creation of a cannabis equity program will ensure equitable access and reparations to communities adversely impacted by cannabis prohibition.



CHAPTER 3 | Community Feedback

3.1 Listening Sessions

The goal of the listening sessions was to gather feedback from community groups and residents whose communities have been disproportionately affected by the war on drugs in order to understand what the goal of equity should be and how it should be applied.

The listening sessions were developed with the intention of attracting residents, community organizations, and other impacted individuals from neighborhoods across the City of San Diego with a focus on identified communities of concern and those identified as being at high risk in the CalEnviroScreen. The listening sessions were scheduled in-person in communities on weekday evenings and on a Saturday morning to accommodate the constraints of working individuals and families.



North Park Recreation Center Cannabis Equity Listening Session

City staff worked closely with other City departments, as well as Council Districts 3, 4, 7, 8, and 9, to identify multiple listening sessions at various locations in each council district to attract the largest number of individuals impacted by the war on drugs. Several Council members attended listening sessions in their council districts. Locations selected include public libraries, community centers, and other publicly available meeting spaces. Nine sessions in total were held with over 125 participants.

As part of the media outreach, City press releases were sent to news outlets, which resulted in multiple news stories both in print and on television.

A variety of public outreach methods were used in advance of each listening session:

- Print/media,
- Social outreach posts, including Facebook and Nextdoor,
- Website updates, and
- Direct calling to stakeholders and community organizations.

As part of the media outreach, several City press releases were sent to news outlets, which resulted in multiple news stories both in print and on television. This helped drive participation.



The City of San Diego's Cannabis Business Division is partnering with the Department of Race and Equity to host eight in-person listening sessions citywide to hear from residents and communities disproportionately affected by the War on Drugs on how to reduce barriers to entry into the regulated cannabis market equitably.

Focusing on residents, communities, organizations and other impacted individuals in communities of concern, community surveys and listening session information will be used to help develop recommendations and policies for a Cannabis Equity Applicant Program to address disparities in the cannabis industry.

Date	Time	Location	Council District
May 23, 2022	5:30 p.m. - 7 p.m.	Sherman Heights Community Center 2258 Island Ave., San Diego, CA 92102	8
May 25, 2022	5:30 p.m. - 7 p.m.	North Park Recreation Center 4044 Idaho Street, San Diego CA 92104	3
May 26, 2022	4:30 p.m. - 6 p.m.	Malcolm X Library 5148 Market Street, San Diego CA 92114	4
June 2, 2022	5:30 p.m. - 7 p.m.	Mountain View Community Center 641 South Boundary St., San Diego, CA 92113	9
June 4, 2022	10 a.m. - Noon	Martin Luther King Jr. Recreation Center 6401 Skyline Dr., San Diego, CA 92114	4
June 6, 2022	6:30 p.m. - 7:45 p.m.	San Ysidro Branch Library 4235 Beyer Blvd., San Diego, CA 92173	8
June 8, 2022	5:30 p.m. - 7 p.m.	Bayside Community Center 2202 Comstock Street, San Diego CA 92111	7
June 15, 2022	6 p.m. - 8 p.m.	Zoom Virtual Meeting	All
June 16, 2022	5:30 p.m. - 7 p.m.	City Heights/Weingart Library and Performance Annex 3795 Fairmount Ave., San Diego, CA 92105	9

The City of SAN DIEGO

If you need interpretation and translation services in a language other than English and Spanish, please contact Lara Gates, Deputy Director of the Cannabis Business Division, at **619-446-5107** or at dscannabis@sandiego.gov.



For more information and to RSVP for a listening session, please visit sandiego.gov/listening-sessions.

Cannabis Equity Listening Session Flyer

To prepare for the listening sessions, the Cannabis Business Division (CBD) and the Department of Race and Equity staff developed, organized, and held a training session for facilitators and notetakers to ensure guided discussions at listening sessions and appropriately documented comments. Those invited to attend the training sessions

were selected from City and council district staff. Interns from the Mayor’s office also helped with note taking at the listening sessions. Each listening session lasted approximately 1½ hours and provided attendees with a brief background on Proposition 64, the Adult Use of Marijuana Act (AUMA) and other pertinent cannabis laws and regulations, the City’s need to gather stakeholder input as part of its equity assessment policy-setting process, and guidelines around fostering conversations while also capturing participants’ comments. To ensure equity and parity across all events, facilitators were provided with the same guidelines, background information, and questions (Table 8) on each discussion topic.

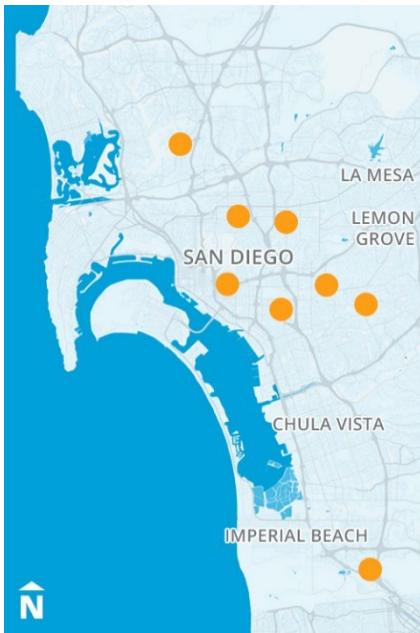
Table 8: Listening Session Discussion Questions	
Question 1	How does the current cannabis industry impact you, your family and community?
Question 2	Who has been impacted? (I.e., individuals with criminal records, their families, their communities)
Question 3	What do you feel are the largest barriers to operating a cannabis business?
Question 4	Who should be able to obtain licenses through a future cannabis equity program?
Question 5	What else would you like to share?

Notetakers were provided templates to ensure consistency in the kinds of information gathered across all nine listening sessions. A Spanish interpreter attended all the listening sessions. Light refreshments were also provided.

Each of the listening sessions was structured as a 1½-hour roundtable discussion that addressed the topic of equity. Each session began with the entire group hearing a short presentation and breaking into groups by table to discuss the equity questions. The topics that addressed at each listening session focused on asking participants a series of questions on equity in communities disproportionately affected by the war on drugs.

3.2 Community Feedback Analysis

In order to effectively understand the significant amount of input and comments and recommendations that were gathered by the notetakers at the nine listening sessions, the City partnered with data researchers at The People Lab (TPL) to have them identify and analyze the major themes that emerged in the public comments. Because the listening session attendees are not a representative sample of the broader community, the comments analyzed cannot necessarily be taken as a representative of community views. Nor do



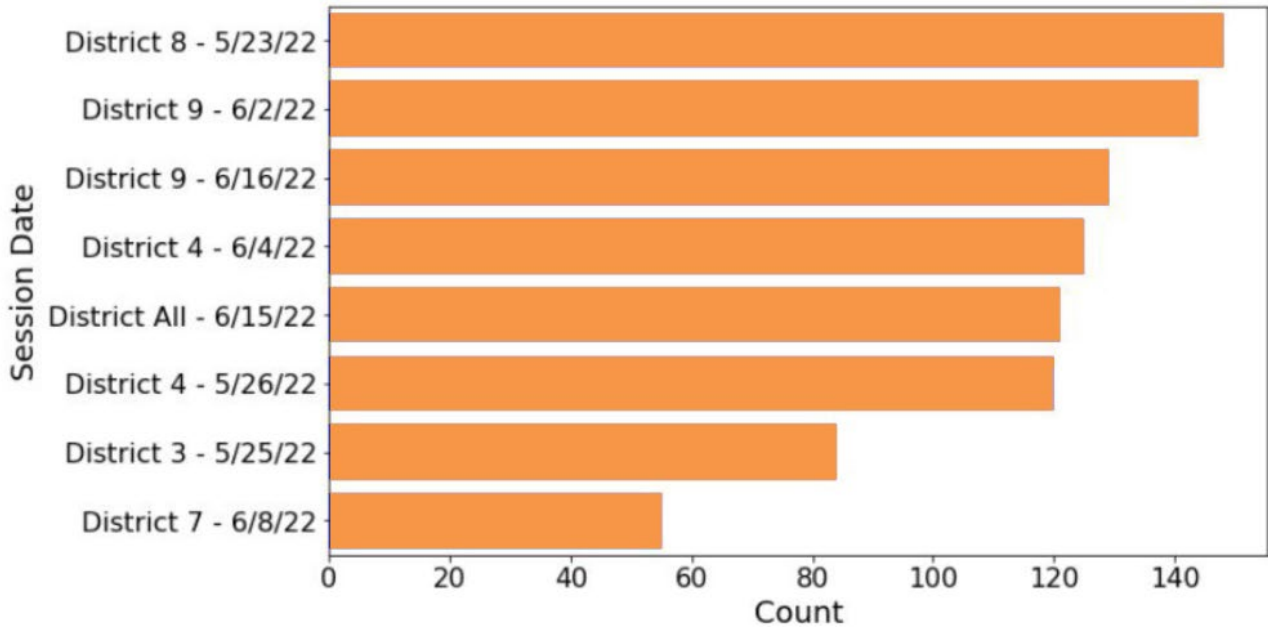
Listening Session Locations

the themes that emerged in the comments offer clear prescriptions for the design of a cannabis equity program. Nevertheless this work provides valuable context for the prioritized recommendations found in Chapter 6.

TPL aims to empower the public sector by producing cutting-edge research on the people of government and the communities they are called to serve. Using evidence from public management and insights from behavioral science, TPL works with public sector agencies, nonprofits, and other partners to study, design, and test strategies that can solve urgent public sector challenges in three core areas: (1) strengthening the government workforce, (2) improving resident-government interactions, and (3) reimagining evidence-based policymaking.

To that end, TPL was provided the anonymized listening session notes from both the in-person meetings and the Zoom meetings. TPL staff took the raw data and converted the text into a structured format suitable for analysis, including word-count analysis and sentiment analysis. For the word-count analysis, TPL identified key terms and themes by using individual words and bi-grams (i.e., word pairs) and then quantified and visualized the relative frequency of the terms. For the sentiment analysis, the TPL team analyzed the text to quantitatively predict its sentiment—how positive or negative the comments were. This quantification was completed using a model that evaluates how similar the language in a comment was to language found in a pre-built database of positive and negative sentences. To interpret results, each comment received a score between -1 and 1 with the sign denoting the sentiment valence (positive, negative, neutral). The TPL data scientists then reviewed the information against the number and share of valences. Higher variance indicated more polarized responses, while lower variance indicated less polarized responses.

Exhibit 15: Number of Comments Recorded by Listening Session



Based on the information that was provided to TPL, there was a total of 70.4 pages of written notes with over 17,000 words recorded. A total of 926 discrete comments were recorded by the notetakers, and an estimated 125 unique community members had comments recorded with some commenters representing community groups. The following summary identifies the overall themes of feedback received from each of the questions that were asked.

3.2.1 Questions 1 and 2

How does the current cannabis industry impact you, your family and community?

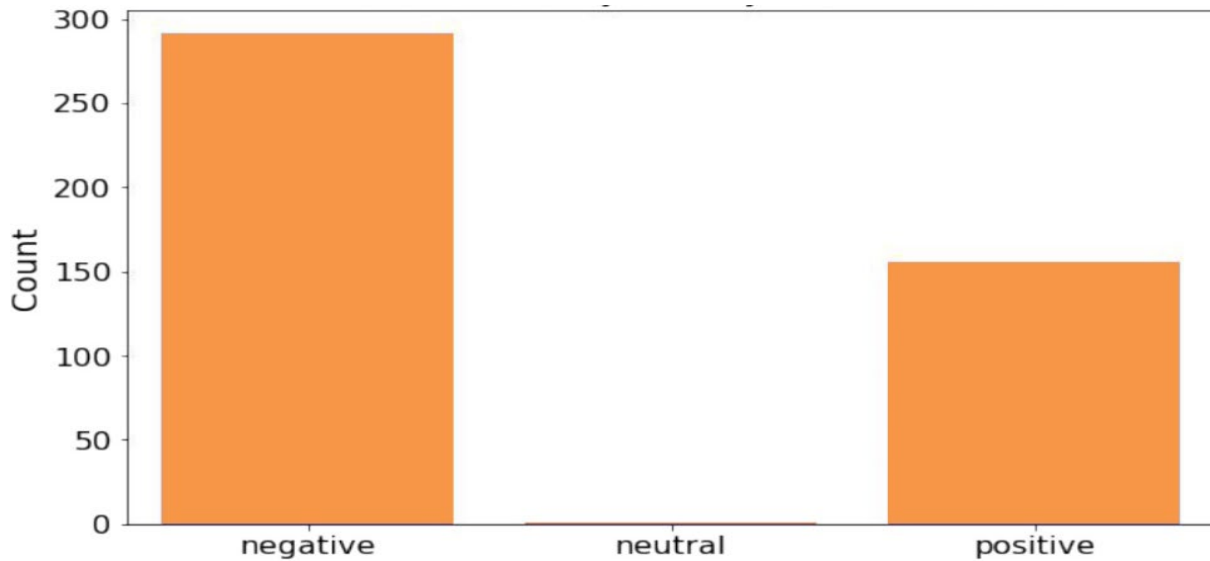
Who has been impacted? I.e., individuals with criminal records, their families, their communities?

To analyze questions about the impact of the cannabis industry, TPL combined the comments recorded in response to question 2 (who is impacted) and question 1 (how). The following findings from the TPL analysis identify who is impacted by the cannabis industry and how:

- Groups of people commonly cited as impacted by the cannabis industry are families, community, and people of color.
- Frequently occurring terms in the comments that relate to these groups include “family,” “family member,” “community,” “southeast San Diego,” “black people,” and “black and brown.”
- Commonly cited ways the industry impacts these groups are incarceration, lack of safety, and wealth accumulation.
- Frequently occurring terms included “war on drugs,” “record,” “jail,” “foster care,” “safe,” “safe access,” and “generational wealth.”
- In terms of what the primary words touch on, five of the 20 top bigram terms touch on incarceration impacts, and collective

nouns like “community” represent one in 20 words in responses to these questions.

Exhibit 16: Comment Sentiment for Questions 1 and 2



As shown in Exhibit 16, TPL’s sentiment analysis indicates that the comments on the impacts of the industry were overwhelmingly negative: nearly 2/3 of the comments were classified as negative, and just 1/3 were classified as positive. Consistent with this result, comments about the impacts of the cannabis industry also had the lowest variance in sentiment scores of the three question groups, suggesting a higher degree of uniformity regarding how negative comments were.

3.2.2 Question 3

What do you feel are the largest barriers to operating a cannabis business?

The TPL analysis concluded that the most cited barrier to operating is financial. Frequently occurring words in this category include “financing,” “start-up capital,” and “fees.” In seven of the nine sessions, access to capital was the first barrier cited in comments, pointing to the salience of the issue. In addition, terms related to legal barriers, such as “application,” “permitting,” “process,” and “criminal record,” were among the most frequently mentioned. Legal barriers are closely related to financial barriers, since the comments suggest that obtaining the necessary licenses is costly and difficult. The third most common theme was human barriers, which include references to education and access, though this theme was cited much less frequently. Exhibits 17 and 18 provide an overview of the most used words and terms in responses to question 3.

Exhibit 17: Word Frequency for Question 3

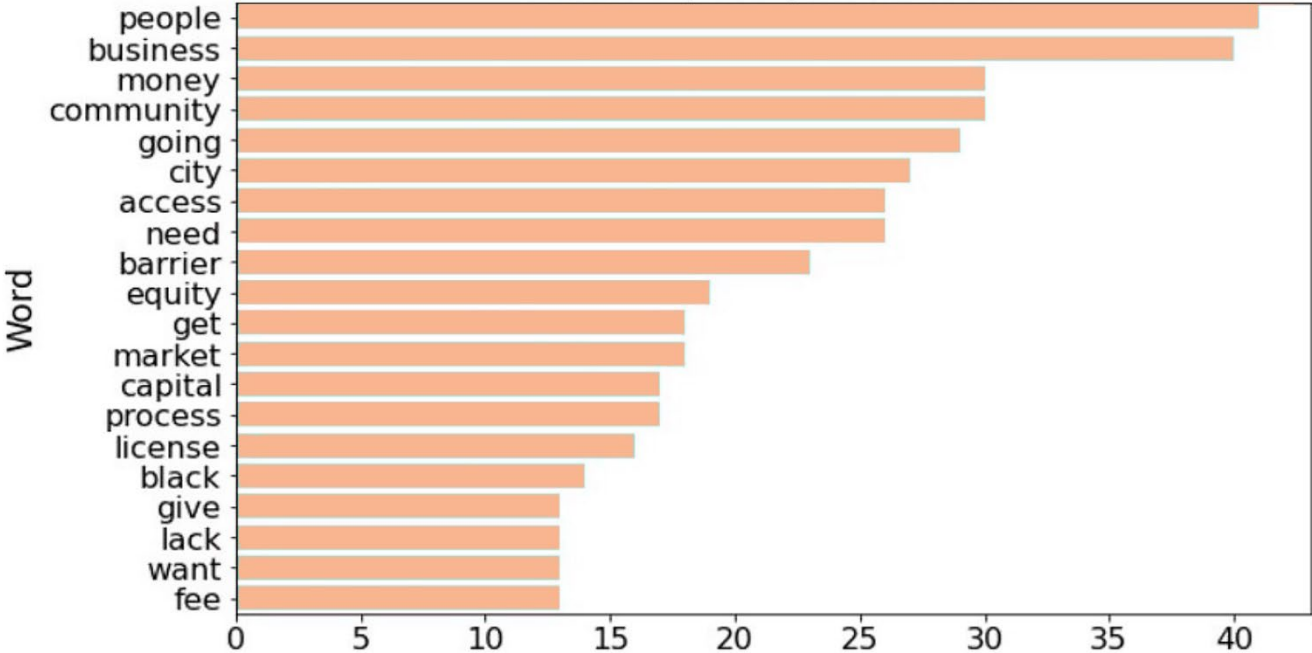
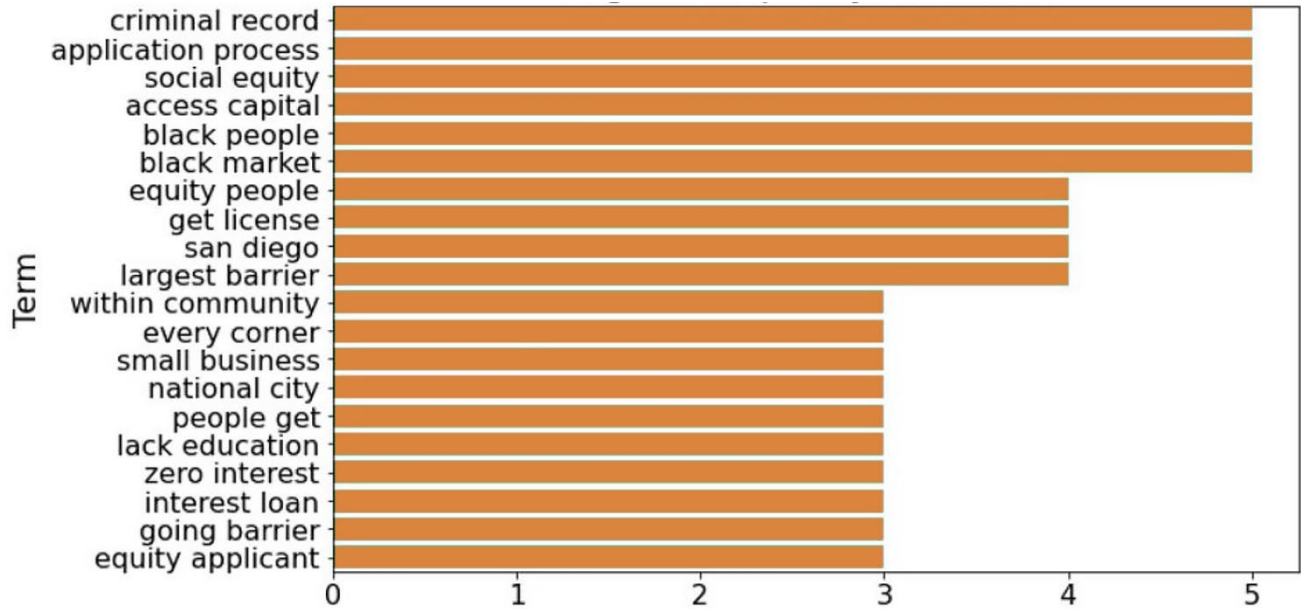


Exhibit 18: Bi-gram Frequency for Question 3



In summary, the main barriers to operating cannabis businesses are:

- Financial: access to financing and start-up capital
- Legal: navigating the application and permitting process, which is costly
- Human: education or access to business networks

Financial and legal barriers were cited with comparable frequency suggesting similarly high levels of importance. Human barriers are much less commonly cited, suggesting lower importance.

Sentiment analysis reveals a slightly higher share of negative comments compared to positive comments on the barriers to operating a cannabis business, with 54% of comments classified as negative and 46% classified as positive. This question had the highest sentiment variance, indicating that the spread of positive and negative comments was greatest in discussing barriers to operating a cannabis business.

3.2.3 Questions 4 and 5

Who should be able to obtain licenses through a future cannabis equity program?

What else would you like to share?

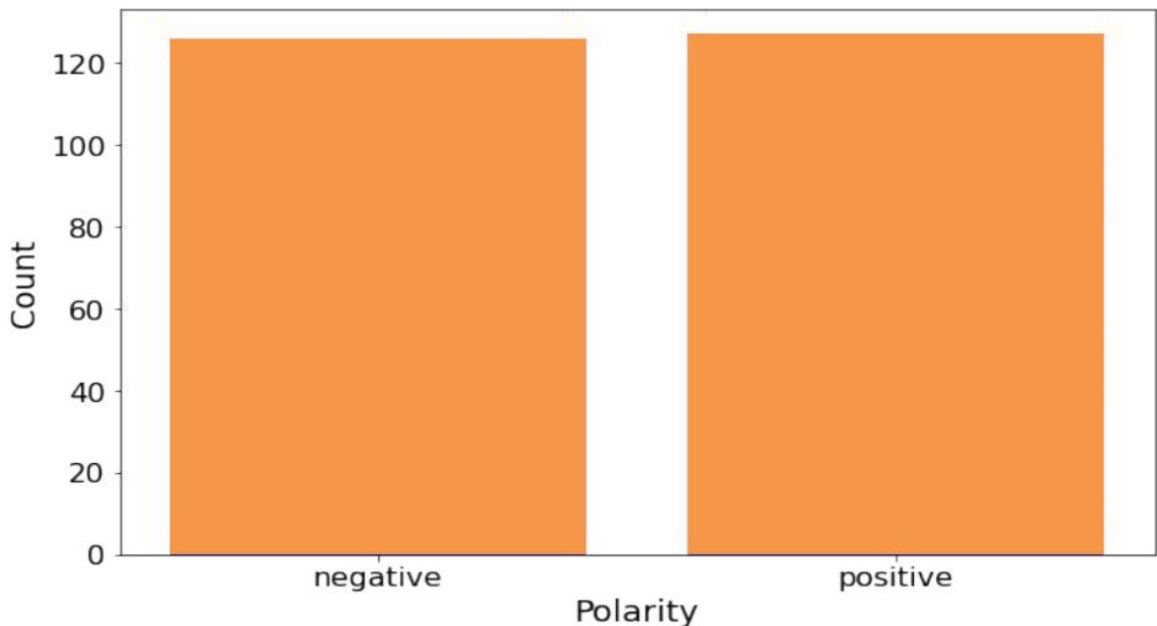
Based on a review of the documents by TPL researchers, discussions of who should be able to obtain licenses through the equity program sometimes appeared in the section dedicated to question 4: “What else would you like to share?” Therefore, TPL’s analysis combines comments recorded under questions 4 and 5. The key themes are more challenging to interpret because discussion appeared to be dominated by mentions of the cannabis equity program and therefore do not point to specific groups or rules.

Key themes that emerged in the comments responding to questions 4 and 5, based on key term frequencies, include:

- Focusing on those affected by the war on drugs (communities of color, high-need areas);
- Affected family members of commenters, which were frequently mentioned;
- Equity-minded solutions: comments that contained the term “equity” indicated consistent support for consideration of past harms/exclusion in guiding the equity program; and
- Using council districts as an organizing construct for allocating licenses.

One out of every 35 words in the comments is “equity,” which likely reflects focus on the cannabis equity program or possibly the importance of centering equity in the operation of the program.

Exhibit 19: Comment Sentiment for Questions 4 and 5



As shown in Exhibit 19, sentiment analysis reveals an even split of negative comments and positive comments on who should obtain licenses in a future cannabis equity program, with 50% of comments classified as negative and 50% classified as positive.

3.2.4 Analysis Conclusion

While this analysis does not offer clear prescriptions for the design of a future cannabis equity program, it provides a useful summary of the common points of discussion in the listening sessions. Understanding what listening session attendees discussed provides important context and complements the other types of analysis in this report. The development of this equity assessment report must reflect the needs of communities of color that have been disproportionately affected by cannabis criminalization. As such, based on these findings, the future actions of San Diego’s SEED

program will support the development of a robust and equitable cannabis equity program.

3.3 Desired Cannabis Equity Criteria

Equity listening session participants indicated interest in many of the following proposed criteria in a program developed by the City:

- Prioritize those who have been incarcerated for cannabis and people with illicit drug convictions.
- Prioritize those directly impacted by the war on drugs.
- Prioritize those whose immediate family member(s) were incarcerated for drug-related charges.
- Prioritize those who were placed in foster care system due to families being impacted by the war on drugs.
- Prioritize children born with drugs in their system.
- Prioritize black and brown people.
- Prioritize women/put aside a percent for women (respondents suggested 40%).
- Prioritize impoverished communities, defined as an area with less than 80% of the median income for at least 5 years between 1980 and 2016.
- Prioritize those who live in a “low-income” area (already defined by the City).
- Prioritize those areas that are already overpoliced. Criteria should be used to determine where to send extra police.
- Prioritize those attending school in that area and those who lost their home/whose income was affected/who lost government benefits due to a cannabis-related charge.
- Prioritize applications where there are five or more liquor stores within 1 mile.
- Prioritize those who can prove they are a direct descendent of a slave.
- Prioritize people who have lost housing through eviction, foreclosure, or subsidy cancellation.
- Prioritize those located in the Promise Zone or CAEnviroScreen with a score of 80% or higher.

The City Council along with the SEED Task Force should closely consider these criteria when developing the definitions and criteria for applicants.

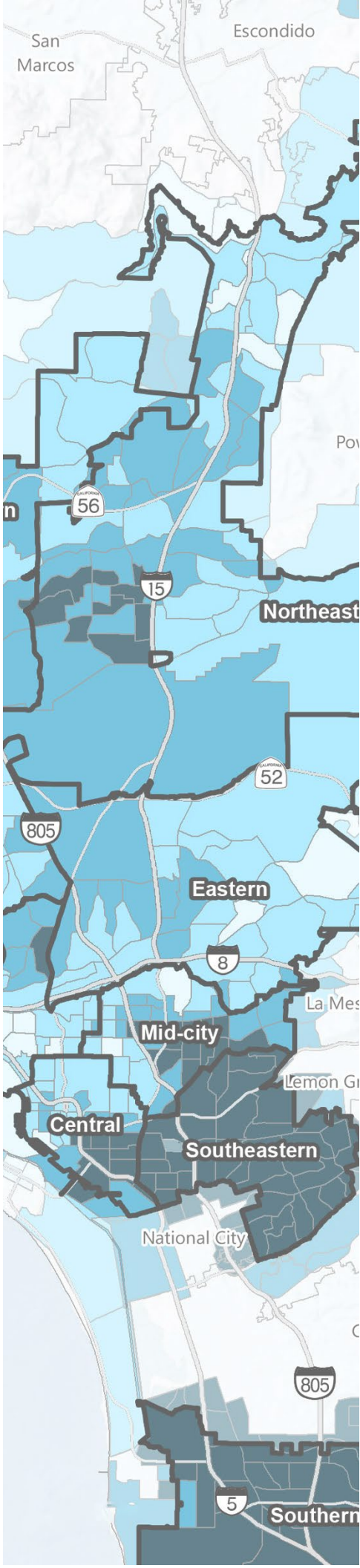
3.4 City of San Diego Cannabis Equity Survey

The City of San Diego developed a stakeholder survey that was published on May 20, 2022 and closed on June 20, 2022. The survey received a total of 173 responses (see Appendix E). The anonymous and voluntary community survey was intended to provide an additional means of community and stakeholder feedback to assist with the development of recommendations and policies to drive the overall goal of addressing disparities in the cannabis industry. Results from the survey indicate that 76% of respondents want a cannabis equity program in San Diego. The top three barriers identified in the survey were:

- Access to capital (80% percent of respondents);
- License access and the application process (53%); and
- Business knowledge, experience, and education (38%).

The summary pages from the 173 responses that illustrate top issues for stakeholders are provided in Appendix E.

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CHAPTER 4 | Best Practices

As of June 2022, pursuant to the California Cannabis Equity Act of 2018, \$65 million in grant funding has been awarded by the State Department of Cannabis Control (DCC) to jurisdictions throughout the State of California for the planning and establishment of local equity programs in support of local equity applicants. DCC grant funding is divided into two types: Type I, which funds the outreach and development of an equity assessment to develop an equity program, and Type II, which provides funds for the direct support of equity applicants. The City of San Diego has reviewed the equity assessments and programs of the following jurisdictions to compare assessment results and establish best management practices for equity programs:

- Oakland, California
- Los Angeles, California
- San Francisco, California
- Long Beach, California
- Sacramento, California

For each of these jurisdictions, the following sections list the barriers to participation in the cannabis industry that were identified, the requirements for eligibility in the cannabis equity program, the financial programs that are available to participants in the program, licensing- and permitting-related advantages for participants, and additional relevant detail about the program.

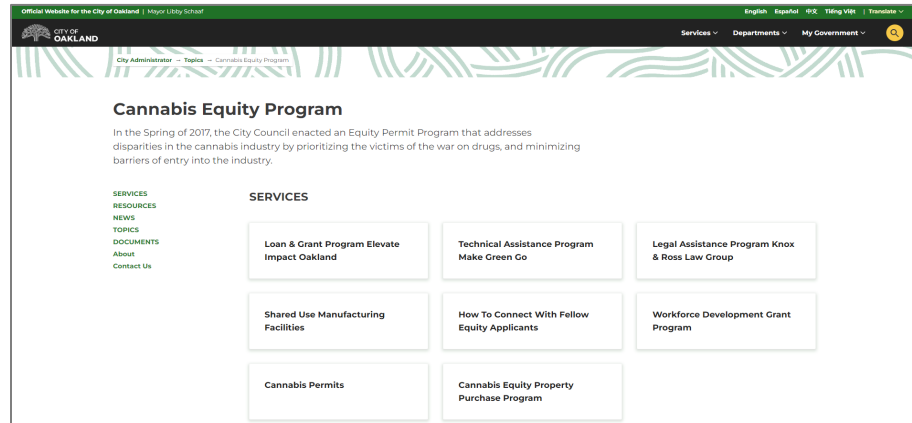
4.1 Oakland



Equity program adopted in March 2017

Type I DCC funding received: \$1,657,201

Type II DCC funding received: \$9,011,418 (\$6,576,705 in April 2020 and \$2,434,713 in March 2021)



City of Oakland Cannabis Equity Program website

Barriers Identified

1. Access to affordable sites for business operations
2. Head start for established cannabis operations locking out business opportunity for members of marginalized communities
3. Access to capital for business startup
4. Cannabis criminal record
5. Equity ownership definition too minimal, which allows for token or paper-only facade of participation
6. Lack of familiarity with government “red tape,” processes, and relationships
7. Access to technical “industry resources” for starting and maintaining a legal business; legal, regulatory, grow technology

Eligibility

1. Be an Oakland resident; and
2. In the last year, had an annual income at or less than 80% of Oakland average median income (AMI) adjusted for household size; and
3. Either (i) 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 (ii) was arrested after November 5, 1996 for a cannabis offence in the City.

Financial Programs

1. Cannabis Equity Loan Program - Interest-free loans, tiers for loan amounts, \$100,000 maximum, \$3 million total from Council
2. Cannabis Equity Grant Program - Grant amounts disbursed in tiers that are designed to help equity applicants build successful sustainable businesses; equity applicants who meet the requirements of all five grant tiers will be eligible to receive a maximum grant amount of \$90,000
3. Workforce Development Grant – Will provide up to \$50,000 for each equity applicant who recruits, trains, and retains a qualified and diverse workforce

Licensing/Permitting

1. One-to-One Ratio – Equity program permits will constitute half of all cannabis permits issued.
2. Fee Exemptions – Equity applicants are eligible for fee exemptions during permitting.
3. Tax Rebates – Four different tax rebate programs totaling nine separate and distinct conditions exist under which a cannabis business would be entitled to a rebate of a portion of taxes paid in 2022 if the business meets the required conditions.

Additional Program Information

1. Gaining Resources to Achieve Sustainable Success (GRASS) – GRASS is a business coaching program modeled after programs implemented by other capital providers, such as micro-lenders and equity investors who seek to ensure that growth and success are achieved by the entrepreneurs they fund. Overall, GRASS helps with budgets based on past financial statements, helps entrepreneurs understand customers and markets, helps conduct ongoing review of business operations, helps with forecasting revenue growth and developing budgets, and helps with establishing an annual action plan.
2. Make Green Go – This Oakland consultant provides technical assistance with establishing a compliant cannabis business through workshops, consultations, and online training.
3. Legal Services – No-cost legal services are available to advise equity businesses on matters including but not limited to licensing, regular compliance, business formation, raising capital, contracts, commercial leasing, and dispute resolution.
4. EquityWorks! Incubator – This is a shared-use manufacturing facility.
5. Oakland Cannabis Kitchen – This is a shared-use manufacturing facility.
6. Purchasing of Property Grants – These grants are available for property that supports multiple equity applicants.

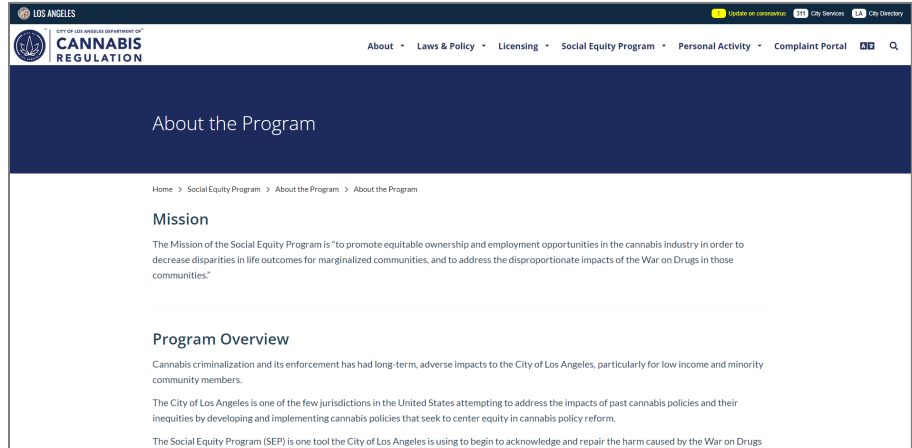
4.2 Los Angeles



Equity Program Adopted in December 2017

Type I DCC Funding Received: \$1,834,156

Type II DCC Funding Received: \$8,073,011 (\$6,042,014 in April 2020, \$2,030,997 in March 2021)



Los Angeles Cannabis Equity Program website

Barriers Identified

1. Location
2. Financial
3. Technical Skills
4. Criminal Record
5. Awareness of Cannabis Social Equity Program

Eligibility

Updated Eligibility Requirements 2020

A Social Equity Individual Applicant must satisfy two of the three following criteria:

1. Cannabis arrest or conviction in California for any crime relating to the sale, possession, use, manufacture, or cultivation of cannabis that occurred prior to November 8, 2016
2. Minimum of 10 years' cumulative residency in a Disproportionately Impacted Area
3. Qualify as low income in the 2020 or 2021 calendar year

Legacy Eligibility Requirements for Rounds One and Two:

1. Tier 1 Social Equity Individual Applicant - is an individual who meets the following criteria at the time of applying for a license: (1) low-income and prior California cannabis arrest or conviction; or (2) low-income and a minimum of 5 years' cumulative residency in a Disproportionately Impacted Area.

2. Tier 2 Social Equity Individual Applicant - is an individual who meets the following criteria at time of applying for a license: (1) low-income and a minimum of 5 years' cumulative residency in a Disproportionately Impacted Area; or (2) a minimum of 10 years' cumulative residency in a Disproportionately Impacted Area.
3. Tier 3 Applicant - is a person who applied for a Commercial Cannabis Activity License under Section 104.08 and does not meet the criteria of a Tier 1 Social Equity Individual Applicant or Tier 2 Social Equity Individual Applicant.
4. Entities – Tier 1 individuals must own no less than a 51% share. Tier 2 individuals must own no less than 33.3% share.

Financial Programs

1. Financial Grant Program (FGP) – In development
2. Fee Deferral Program

Licensing/Permitting

1. Priority Application Processing - Priority License Application Processing and Priority License Renewal Processing; Exclusive access to Retail and Delivery License Application Processing until January 1, 2025.
2. Business Licensing and Compliance Assistance - Training in the areas of State and local licensing requirements, commercial cannabis regulations, general business development, cannabis-specific business development, and workforce development.

Additional Program Information

1. Workforce Development and Job Placement Services – In development.
2. Pro Bono Legal Services - The goals of this referral resource are to promote fair and equitable participation in the licensed commercial cannabis industry and to foster a level playing field as it relates to access to legal counsel and help deter predatory practices targeting the social equity community.

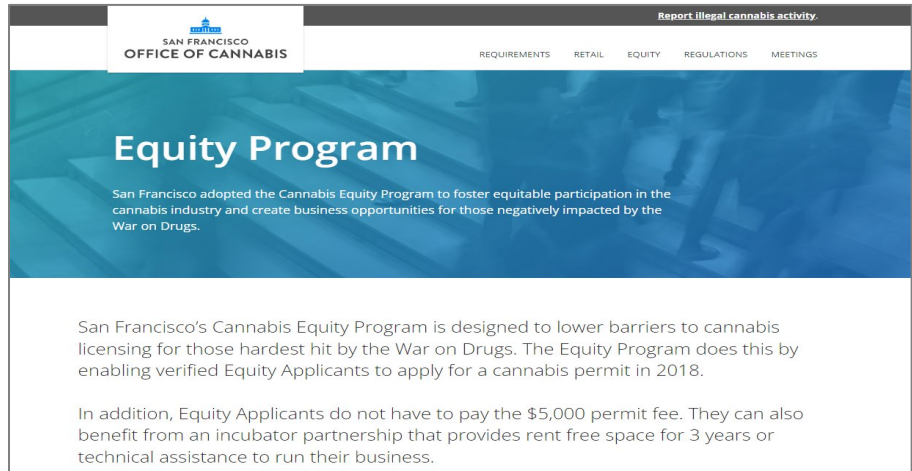
4.3 San Francisco



Equity Program Adopted in December 2017

Type I DCC Funding Received: \$1,338,683

Type II DCC Funding Received: \$7,050,841 (\$4,995,000 in April 2020, \$2,055,841 in March 2021)



San Francisco Cannabis Equity Program website

Barriers Identified

1. Access to capital or financing
2. Access to real estate
3. Licensing and regulatory fees
4. Business ownership
5. Legal and regulatory
6. Tax/compliance
7. Awareness of equity programs
8. Criminal background checks
9. Geography/zoning restrictions
10. Distrust in government

Eligibility

To qualify for the local equity program, a local equity applicant must meet at least three of the following six equity conditions in addition to passing an asset test:

1. Arrest or conviction for a cannabis offense between 1971 and 2016.
2. Parent, sibling, or child arrest or conviction for a cannabis offense between 1971 and 2016.
3. Lost housing in San Francisco through eviction, foreclosure, or subsidy cancellation after 1995.

4. Attended school in the San Francisco Unified School District for at least 5 years between 1971 and 2016.
5. Lived in an eligible census tract in San Francisco for 5 years where at least 17% of households were at or below the federal poverty level.
6. Have a household income below 80% of the Area Median Income in either the preceding year or current year of submitting an equity verification application.

Financial Programs

1. Community Reinvestment Fund to support equity applicants with workforce development, access to affordable real estate, access to investment financing, and access to legal services and business administration.

Licensing/Permitting

1. Priority Processing
2. Initial fee waiver as well as free pre-application meetings with City partners such as Planning and Public Health
3. Technical Assistance with permitting

Additional Program Information

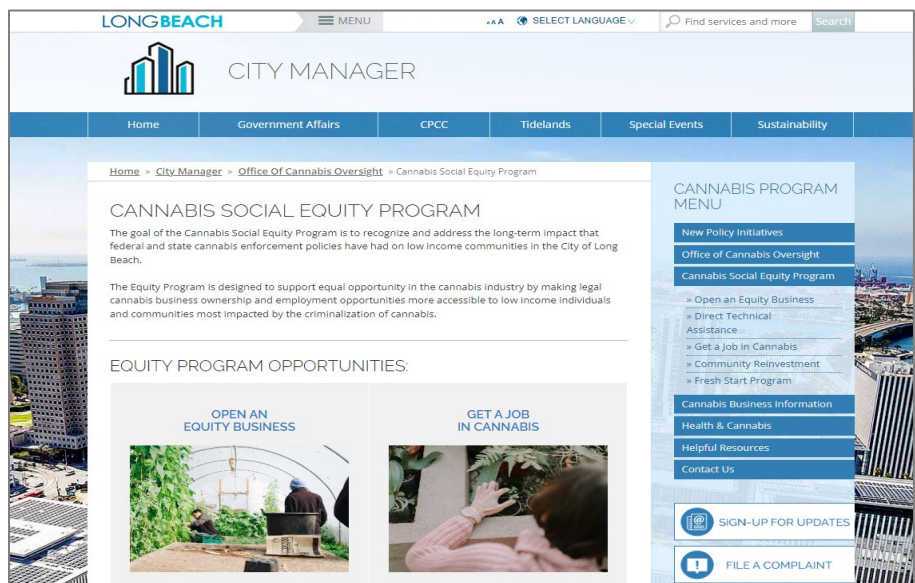
1. Technical business assistance with grant support, workforce development, and business development
2. Pro Bono Legal Assistance

4.4 Long Beach

Equity Program Adopted in July 2018

Type I DCC Funding Received: \$913,991

Type II DCC Funding Received: \$3,967,044 (\$1,267,044 in April 2020, \$2,700,000 in March 2021)



Long Beach Cannabis Equity Program website

Barriers Identified

1. Limited access to capital and/or real estate
2. Lack of technical expertise in business plan creation, accounting, regulatory compliance, or another specialized field
3. Inexperience in navigating the City's permitting process
4. Lack of business connections to sell or purchase cannabis products
5. Limited exposure to new technologies in the cannabis industry

Eligibility

1. Family income and net worth limits
2. Prior cannabis arrest or conviction
3. Lived in a low- and moderate-income area of Long Beach for a minimum of 3 years or be currently receiving unemployment benefits
4. Entities – To qualify as an equity-owned business, equity applicants must have 51% or more ownership of the business entity

Financial Programs

1. Fee Waivers to cover all City-related costs
2. Direct Grants – Rent/lease payments, fixtures/equipment/capital improvements, legal assistance, and other costs such as local and State regulatory fees, purchasing furniture, hiring consultants, paying utility and internet costs, etc.
3. Cultivation Tax Deferrals

Licensing/Permitting

1. Application Workshops
2. Expedited Review

Additional Program Information

1. Direct Technical Assistance – Cannabis business development
2. Community Reinvestment Program – All businesses that do not qualify as equity-owned businesses must submit a plan describing how they intend to support adjacent neighborhoods and communities located within low- and moderate-income areas of Long Beach. "Incubation Support."
3. Equity Hire – All businesses that do not qualify as equity-owned businesses must make a good faith effort to hire equity applicants for a minimum of 40% of total annual hours performed at the business.
4. Additional Equity Dispensaries – Program in development.
5. Shared-Use Manufacturing – Program in development.



6. Delivery Businesses – Program in development.

4.5 Sacramento

Equity Program Adopted in August 2018

Type I DCC Funding Received: \$1,197,119

Type II DCC Funding Received: \$5,645,597 (\$3,831,955 in April 2020, \$1,813,612 in March 2021)



Sacramento Cannabis Equity Program website

Barriers Identified

1. Location
2. Financial
3. Start-Up Costs
4. Business Skills and Knowledge
5. Lack of Regulatory and Government Knowledge

Eligibility

1. Classification 1- Individuals, or their immediate family members, who previously or currently reside in a low-income household and were arrested or convicted for a cannabis-related crime in Sacramento between the years 1980 and 2011.
2. Classification 2 - A current or former resident of the City of Sacramento who has lived in a low-income household for at least 5 years, between the years of 1980 and 2011 in the following zip codes: 95811, 95815, 95817, 95820, 95823, 95824, 95826, 95828, and 95818.
3. Classification 3 - A business that is at least 51% composed of classification 1 or 2 individuals.
4. Classification 4 - A cannabis business that is a CORE Incubator (as defined by the CORE Guidelines).

- Classification 5 - A Cannabis Social Enterprise (as defined by the CORE Guidelines).

Financial Programs

- Fee Waiver/Deferral

Licensing/Permitting

- Priority Processing

Additional Program Information

- Cannabis-Related Business Plan Development
- Mentoring
- Technical Assistance
- Regulatory Compliance Assistance
- Assistance with the Expungement of Criminal Records

4.6 Initiatives in Other States

Highlights of recent state legalization efforts that have prioritized social equity at the front end of their legalization regulation efforts regarding ownership, taxation, and spending are summarized below for New York, Illinois, and Connecticut.

4.6.1 New York



The screenshot shows the website's navigation menu with options like 'Services', 'News', 'Government', and 'COVID-19'. The main content area is titled 'Cannabis Conversations' and features a 'Social Equity' section. This section includes a video player for 'Cannabis and Social Equity' with the text 'Join the Cannabis Conversation! cannabis.ny.gov'. Below the video, there is a paragraph explaining that social equity is central to the Cannabis Law, aiming to repair decades of disproportionate enforcement. It lists three key provisions: automatic expungement of records for people with previous convictions, removal of provisions that criminalize people of color, and a goal to issue 50% of licenses to equity applicants. It also states that 40% of tax revenues will be directed to programs supporting impacted communities. A link is provided to view more information about the Cannabis Law and social equity. The 'Social Equity' section in the left sidebar is highlighted with a white arrow.

New York State Office of Cannabis Management website

- The website identifies a goal of 50% of licenses for equity applicants. Existing medical cannabis businesses can convert a maximum of three of their existing storefronts if they pay a one-time fee to fund social and economic equity and incubator assistance.

- Retailers, microbusinesses, and delivery licensees can deliver to consumers, but cultivators cannot. Only one delivery license is given per entity, and the entity can have no more than 25 full-time employees.
- Social consumption sites and delivery services are permitted.
- The New York State Office of Cannabis Management proposes a hybrid tax with both a potency-based tax on distributors of 0.5 cents per milligram of THC flower, 0.8 cents per milligram of THC for concentrates, and 3 cents per milligram of THC for edibles and a 9% state tax and a 4% local point-of-sale tax.
- Governor Kathy Hochul has pledged to create a \$200 million public-private fund for social equity applicants looking to enter the adult-use cannabis marketplace in New York.
- Cities, towns, and villages may opt out of retail dispensaries or on-site consumption licenses by passing local laws up to 9 months after the legislation.

4.6.2 Illinois



The screenshot shows the Illinois Department of Commerce & Economic Opportunity website. The main heading is "Social Equity Cannabis Loan Program Application". Under "Application criteria", it lists requirements for downloading and completing documents like the Employee Chart, Ownership Chart, and Zero-Income Affidavit. There are links for "Apply for a Social Equity Cannabis Loan", "Frequently Asked Questions", and "Technical Assistance". A sidebar on the right lists "ADULT-USE CANNABIS SOCIAL EQUITY PROGRAM" with sub-links for "Social Equity Applicant Criteria", "Disproportionately Impacted Area Map", "Social Equity Cannabis Loan Program", "Technical Assistance", and "Cannabis License Resources". The footer includes "Information" and "Quick Links" sections with various government resources and social media icons.

Illinois Cannabis Equity website

- License types will include retail dispensaries, infusers, transporters, and craft growers with between 5,000 and 14,000 square feet of canopy and cultivation centers with up to 210,000 square feet of canopy space. Craft growers can also hold infuser and dispensary licenses in the same facility.
- Taxes include a 7% wholesale tax on cultivation centers and craft growers. Retail taxes are directly related to potency and will include a 10% tax on flower cannabis or products with less than 35% THC, 20% tax on infused and edible products, and 25% tax on any product with a THC concentration higher than 35%. The state sales tax of 6.25% and local sales taxes of up to 3.5% also

apply. The retail point-of-sale taxes will range from 19.55% to 34.75% not including the wholesale tax.

- Tax revenues will be distributed with 2% going to public education and safety campaigns; 8% to local government funds for prevention and training of law enforcement; and 25% to the Recover, Reinvest. and Renew (R3) program. R3 grants will fund programs in Illinois communities that have been harmed by violence, excessive incarceration, and economic disinvestment and fund programs including civil legal aid, economic development, reentry, violence prevention, and youth development. Twenty percent of the taxes will go to mental health services and substance abuse programs, 10% to pay unpaid bills, and 35% to the general fund.
- The social equity program provides for expungement of convictions, extra points in license applications for social equity applicants, and development of a \$30 million cannabis business development fund to provide financial start-up assistance. Local colleges will also be able to obtain licenses for training programs to help prepare residents for cannabis industry-related jobs. The Department of Agriculture and Community College board will create up to eight pilot programs to train students to work in the legal industry with at least five of the eight programs for schools in which at least 50% of the students are low income.



4.6.3 Connecticut



Connecticut Social Equity Council website

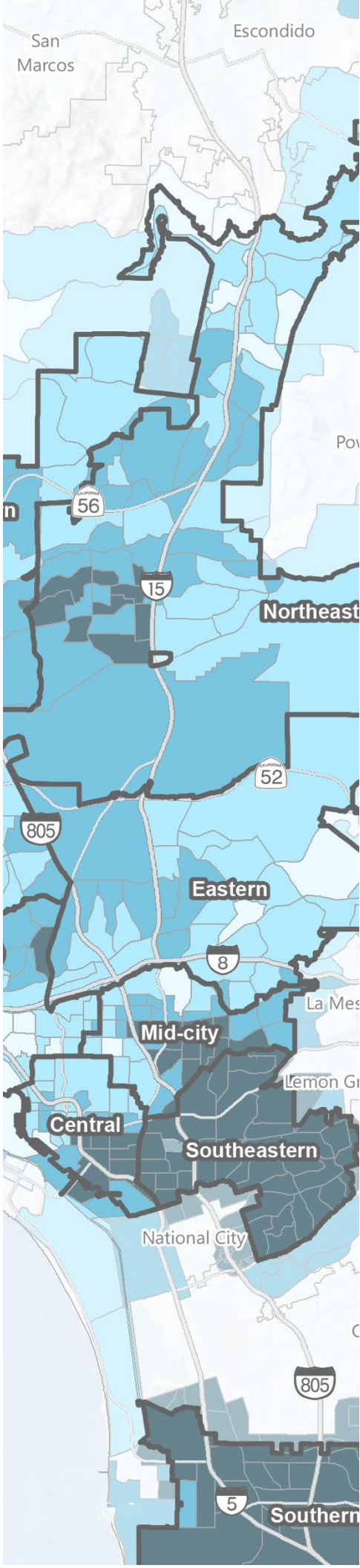
- The Department of Consumer Protection (DCP) will issue nine types of cannabis licenses: retailer, hybrid retailer (sells both adult-use and medical cannabis), cultivator (cultivates 15,000 square feet or more), micro-cultivator (cultivates between 2,000 and 10,000 square feet), product manufacturer, food and beverage manufacturer, product packager, delivery service, and transporter.

- Fifty percent of the maximum number of applications must be reserved by DCP for consideration for eligible license types for social equity applicants. The vast majority of new licenses will be issued by lottery to provide an equal opportunity to all who qualify and allow applicants to pay reduced fees.
- The state will create \$50 million in bonding for initial funding for start-up capital for social equity applicants, the cannabis business accelerator program, and workforce training developed by the Social Equity Council.
- Beginning on July 1, 2023, 60% to 75% of the cannabis excise tax revenue will be directed to the Social Equity and Innovation Fund. Social Equity and Innovation Fund money can be used to promote social equity in relation to access to capital for businesses, fund workforce education, and fund community investments.
- In addition to standard sales tax, the state imposes an excise tax based on potency at the point of retail sale. It exempts medical cannabis. The rate is \$0.00625 per milligram of THC in flower cannabis, \$0.0275 per milligram of THC in edibles, and \$0.009 per milligram of THC for other cannabis products.
- Until June 30, 2023, 100% of the excise tax would be directed to the General Fund. Starting on July 1, 2023 and thereafter, 25% of the excise tax would go to the Prevention and Recovery Services Fund. From July 1, 2023 until June 30, 2026, 60% of the excise tax would go to the Social Equity and Innovation Fund. On July 1, 2026, that would increase to 65%. Beginning on July 1, 2028, it would increase again and would remain at 75%. The remainder of the tax (starting at 15%, ending at 0%) would go to the General Fund.
- The state imposes a 3% point-of-sale tax that goes to the host municipality for specific purposes, such as re-entry services, mental health or addiction services, youth services bureaus, and streetscape improvements near cannabis retailers.

4.7 Summary

The jurisdictions included in this assessment for comparative purposes have created a variety of different programs, eligibility criteria, and factors to consider. This assessment lays out what could be included as part of the SEED program but does not go so far as to make a formal recommendation on the definition of an equity applicant or the criteria by which an applicant can be afforded a license. The assessment recommends that a cannabis SEED Task Force be formed by the City Council and appointed by the Mayor to address and formalize the eligibility and criteria requirements.

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CHAPTER 5 | Primary Barriers

Through a review of the market analysis, community and stakeholder engagement feedback, and analysis of other jurisdiction's policies, the City found that the following eight barriers were determined to be primary constraints to equity:

- 1. Legacy Market:** San Diego's legacy (or illicit) cannabis market currently makes up approximately 80% of cannabis sales within the City. The City must address the legacy market through proactive enforcement and programs to encourage legacy businesses to enter a legal market that includes low barriers to entry. Current penalties and possible incentives are not enough to move the needle on reducing the illicit market, making it a significant barrier for persons affected by the war on drugs to enter the legal cannabis market.
- 2. Convictions:** According to the Los Angeles Equity Study, expungement of cannabis-related convictions would lift employment barriers and the stigma of 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 to having "guilty," individuals would continue to have a criminal record and may retain some stigma. In support of addressing criminal histories, the City should partner with the County's Fresh Start: Comprehensive Criminal Record Relief Program to provide services for residents to expunge their records and ultimately have their records sealed.
- 3. Access to Capital:** Most stakeholders indicated that access to capital is the primary barrier. Many potential equity applicants do not have easy access to the capital it takes to open a cannabis business. Coupled with the fact that banks are regulated by the federal government and that cannabis is currently classified as an illicit substance by the federal government, it is virtually impossible to seek a loan to open a cannabis business. The few banks that may offer financing charge exorbitantly high fees to cannabis customers. Therefore, most cannabis businesses operate on a cash-only basis.
- 4. Zoning/Location:** The availability of real estate appropriate for a cannabis business is a barrier to entry. This is due to the limited supply of land zoned to allow cannabis uses, the required separation requirements, as well as the cost of purchasing or leasing in appropriately zoned locations. Disadvantaged groups may not have access to capital to lease spaces while licenses are being obtained. In addition, the cost of purchasing or leasing space for a cannabis business may include significant deposits and insurance costs which eligible individual equity applicants

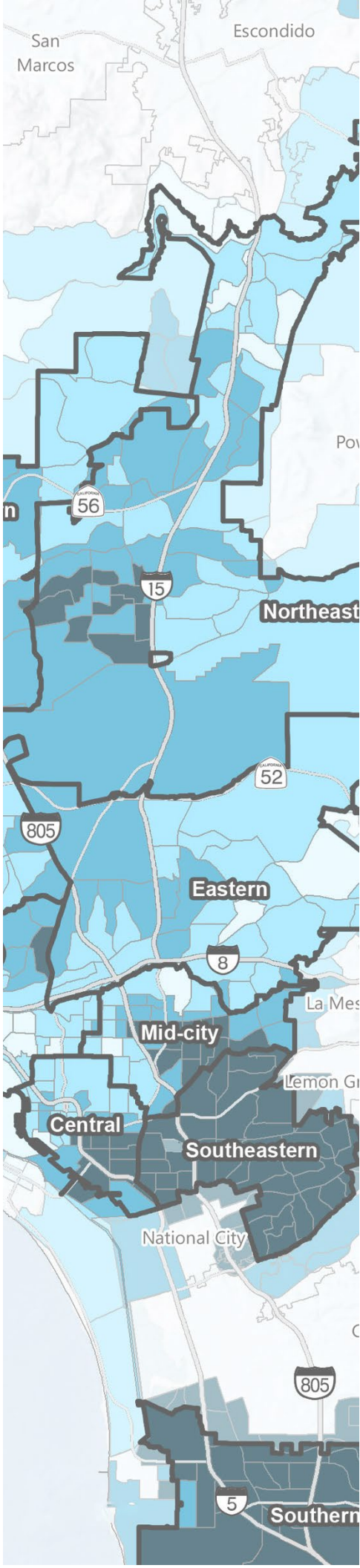
may not have. This can affect consumers as well, as the development characteristics of their communities and/or the cap on the number of permits allowed may prevent cannabis businesses from locating nearby, requiring residents to travel to another community or turn to the legacy market for cannabis.

5. **Start-Up Costs:** To many residents, the time and cost to obtain a City issued conditional use permit (CUP) are an unobtainable cost of business and close any opportunity due to the need for significant capital costs as well as funds to lease land/buildings.

As an example, 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. Startup costs for mixed light cultivators are between \$18,000 and \$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.

6. **Business Skills and Knowledge:** Although they may have cannabis-specific expertise, eligible equity applicants are less likely to have general business expertise as they are often not employed or working in industries that expose them to the necessities of running a business. They may 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, relationships with legal vendors, and knowledge of regulatory and legal requirements. Beginning a cannabis business (especially a production facility) requires specialized knowledge for growing the product and then knowing how to process, manufacture, and distribute it, all the while ensuring compliance with the state's Track and Trace and testing protocols.
7. **Lack of Regulatory and Government Knowledge:** Groups with little (or negative) experience with government processes 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 or be unable to afford professional consultant and legal services to help them navigate, such as attorneys or professional consultants.
8. **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.

Although they may have cannabis-specific expertise, eligible equity applicants are less likely to have general business expertise



CHAPTER 6 | Preliminary Recommendations

The table on the following pages provides an overview of the 17 preliminary recommendations along with actions necessary and responsible departments and/agencies.

Table 9: Preliminary Recommendations

Priority	#	Recommendation	Source	Action	Responsible Department/Agency
Short (1 to 6 months)	1	Establish a Cannabis SEED Task Force	CBD Staff Recommendation based from Listening Session and Survey Responses	Approve SEED Task Force at September City Council Hearing	City Council convenes 7-member SEED Task Force and Mayor appoints members to serve
Short	2	Develop Meaningful Definitions of Equity “Owner” and “Applicant” and Establish SEED Program Eligibility Criteria	CBD Staff Recommendation based from Listening Session and Survey Responses	SEED Task Force to develop and provide definitions for inclusion as a San Diego Municipal Code (SDMC) amendment and establish program eligibility criteria	SEED Task Force to provide definitions to Development Services Department Cannabis Business Division (CBD) as part of cannabis code amendment package
Short	3	Create a Revolving Loan Fund and Financial Assistance Program	Listening Session and Survey Responses	Allocate \$5M in general fund revenues (collected from cannabis taxes) to create a SEED revolving loan fund Apply for the State of California’s Cannabis Equity Applicant Grant funding (Due 12/31/22)	City Council and Mayor to allocate funds; SEED Task Force to create guidelines; Civic Communities to create revolving loan fund CBD staff to prepare and submit State Grant funding application
Short	4	Develop a Cannabis Delivery Amnesty Program	CBD Staff Recommendation based from Listening Session and Survey Responses	Create amnesty education campaign and focus on legalization of illicit cannabis delivery services	SEED Task Force to work with City staff from the CBD and Police Department
Short	5	Restrict Background Checks	Listening Session and Survey Responses	SDMC amendments to revise background checks to exclude all drug offenses from background checks and include only recent convictions of specified fraud/violent offenses	SEED Task Force to work with City staff from the CBD and Police Department as part of cannabis code amendment package
Medium (6 to 18 months)	1	Adopt Phased Licensing	CBD Staff Recommendation based from Listening Session and Survey Responses	Create 36 new cannabis outlet licenses for equity applicants Allow for SEED applicants to provide delivery services not tied to an existing cannabis outlet Allow SEED applicants to utilize the state’s sensitive use separation requirements	City Council to create new permits, City staff to amend the SDMC to provide relief from current 1,000-foot separation requirements (either by using the state default 600-foot separation between uses per Business and Professions Code section 26054(b) or identifying appropriate alternative measurements) and to allow for citywide delivery services as part of cannabis code amendment package

Table 9: Preliminary Recommendations

Priority	#	Recommendation	Source	Action	Responsible Department/Agency
Medium	2	Allow Conditional Approval with No Real Estate Requirements	Listening Session and Survey Responses	Amend SDMC to remove locational requirement for SEED applicants	CBD staff to include as part of cannabis code amendment package
Medium	3	Identify Real Estate Opportunities	Listening Session and Survey Responses	Identify City-owned land suitable for cannabis production, manufacturing, and retail sales, and provide low-cost leases to SEED applicants.	CBD staff working with the Department of Real Estate and Airport Management (DREAM) to identify appropriate locations and provide recommendations to SEED Task Force
Medium	4	Create Business Support Services	Listening Session and Survey Responses	<p>City to provide business mentorship, and technical assistance including consulting services on financial management, legal services for operations and expungement, business accounting, hydroponics, manufacturing, and obtaining licenses, annual job and education fairs; offer no-cost manufacturing and testing facilities for local residents engaged in creating cannabis-infused products.</p> <p>Require all cannabis operators provide a living wage, employment benefits including hiring formerly incarcerated individuals, and hiring in targeted neighborhoods</p>	CBD and Economic Development staff in coordination with County of San Diego and Department of Cannabis Control
Medium	5	Expand Local Delivery Services	CBD Staff Recommendation based from Listening Session and Survey Responses	Offer grants to purchase electric vehicles for SEED operators to deliver as well as provide secured parking and EV charging facilities	CBD staff and DREAM
Medium	6	Create Legal Business Identification	CBD Staff Recommendation based from Listening Session and Survey Responses	Implementation of an emblem program that issues placards to licensed cannabis businesses	CBD staff with City Council approval for costs associated with emblem program development
Medium	7	Reduce/Waive Permit and Business Operation Fees	Listening Session and Survey Responses	Waive or reduce licensing, permitting, and inspection fees to reduce the financial barriers for eligible SEED applicants. The cost of this could be absorbed through obtaining State grant funding as well as apportioning a certain percentage of annual cannabis funding to a cannabis equity program	CBD staff with City Council approval as part of cannabis code amendment package

Table 9: Preliminary Recommendations

Priority	#	Recommendation	Source	Action	Responsible Department/Agency
Medium	8	Create a Mentorship Program	Listening Session and Survey Responses	Host quarterly networking forums to create connections between existing operators and SEED applicants Develop a program to pair experienced cannabis business operators with equity applicants to teach them how to effectively run a cannabis business	SEED Task Force, CBD Staff, Black Chamber of Commerce
Long (18+ months)	1	Prepare Cannabis Consumption Lounge Permitting Process	Listening Session and Survey Responses	Code amendments to allow for cannabis consumption lounges per State law	CBD as part of cannabis code amendment package
Long	2	Support Social Media Outreach	CBD Staff Recommendation	Evaluate supporting online social media platforms not only to support equity businesses but also to help educate consumers on the safety of legal recreational cannabis	CBD and Performance and Analytics (PANDA)
Long	3	Develop Cannabis Tourism	Listening Session and Survey Responses	Work in partnership with San Diego’s tourism marketing authority to develop and deploy marketing/advertising	CBD and economic development staff working with the Tourism Marketing Authority
Long	4	Collect Industry Data	CBD Staff Recommendation	Collect quarterly data to determine monitor equity applicant program. Provide annual report to City Council	CBD staff



6.1 Short Term (1 to 6 months)

1. Establish a Cannabis SEED Task Force

Implementing a cannabis equity strategy requires commitment, coordination, and a dedicated staff. Designating staff to take responsibility for and ownership of the City’s cannabis equity engagement, coordinate equity tactics across agencies and stakeholders, and engage in long-term equity preservation is critical.

The City’s Cannabis Business Division in conjunction with the Office of Race and Equity have taken on this role and will continue to manage this process to ensure its success. As part of this commitment, it is recommended that the City Council create a Cannabis SEED task force with seven members appointed by the Mayor to discuss and create the cannabis equity applicant eligibility factors. The task force should convene their first meeting in January 2023 and be open to the public.

This assessment recommends that the criteria for a cannabis equity program 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. Criteria for eligibility should include the following:

- Prioritize those who have been incarcerated for cannabis and people with illicit drug convictions.
- Prioritize those directly impacted by the war on drugs.
- Prioritize those whose immediate family member(s) were incarcerated for drug-related charges.
- Prioritize those who were placed in foster care system due to families being impacted by the war on drugs.
- Prioritize children born with drugs in their system.
- Prioritize black and brown people.
- Prioritize women/put aside a percent for women (respondents suggested 40%).
- Prioritize impoverished communities, defined as an area with less than 80% of the median income for at least 5 years between 1980 and 2016.
- Prioritize those who live in a “low-income” area (already defined by the City).
- Prioritize those areas that are already overpoliced. Criteria should be used to determine where to send extra police.
- Prioritize those attending school in that area and those who lost their home/whose income was affected/who lost government benefits due to a cannabis-related charge.
- Prioritize applications where there are five or more liquor stores within 1 mile.

It is recommended that the City Council create a Cannabis SEED task force with seven members appointed by the Mayor to create the cannabis equity applicant eligibility factors.

- Prioritize those who can prove they are a direct descendent of a slave.
- Prioritize people who have lost housing through eviction, foreclosure, or subsidy cancellation.
- Prioritize those located in the Promise Zone or CALEnviroScreen with a score of 80% or higher.

Many of these proposed criteria were frequently discussed in the Cannabis listening sessions with community members.

Ultimately, this SEED Task Force could be transitioned to a Cannabis SEED Commission that regulates permitting, City/County criminal expungement initiatives, outreach, and education, as well as financial assistance. As part of the long-term cannabis equity program development strategy, it is recommended that the City of San Diego create a Cannabis SEED Commission that is overseen by an executive director and a board of five commissioners appointed by the Mayor. Similar to Los Angeles' Cannabis Commission, the City of San Diego's Commission could monitor and review the State's effort to promulgate cannabis-related laws and regulations and make recommendations to the Mayor and City Council for the adoption of City laws and regulations pertaining to cannabis-related activity in the City.

2. Develop Meaningful Definitions of Equity "Owner" and "Applicant" and Establish SEED Program Eligibility Criteria

Rather than define equity applicant and ownership criteria in this assessment report, the City Council, through the establishment of the Cannabis SEED Task Force, should prioritize creating the definition of the term "owner" and "applicant." This is critical for the equity program to achieve its intended purpose and reach the population it seeks to serve. The intent to have additional community input and dialogue will help avoid the possibility of false equity applicants. The SEED Task Force will also establish the SEED program eligibility criteria.

3. Create a Revolving Loan Fund and Financial Assistance Program

The City of San Diego should allocate an initial \$5 million in seed funding to create a revolving loan cannabis equity fund that is a dedicated source of funding for cannabis equity businesses. For each year thereafter, the City should allocate 10% of the City's cannabis tax funds that currently are deposited into the General Fund for purposes of providing start-up capital, legal aide, educational training programs, and other cannabis-related services.

By providing seed funding to create a new Cannabis Equity Fund, the City can provide financing through no- and low-interest loans to help residents achieve their goal of owning a legal cannabis business. Such a fund can seek to leverage private investment and act as a source of dedicated funding for cannabis equity. In addition to competitive State-grant funding, the City could work through Civic Communities who could offer tailored capital programs to non-

Creating the definition of the terms 'owner' and 'applicant' is critical for the equity program to reach the population it seeks to serve.

By starting a Cannabis Equity Fund, the City can provide financing through no- and low-interest loans to help residents achieve their goal of owning a legal cannabis business.

profits, businesses, projects, and community facilities that may not have access to traditional financing. Civic Communities is a non-profit entity whose objective is to provide financing to projects or businesses in low-income neighborhoods, projects that support low-income residents, and projects that provide affordable housing and/or community facilities. Other financial support could include credit repair, financial planning needs, fee waivers, and assistance securing alternative financing. Furthermore, continued State grant funding support will be critical for providing funding support to cannabis equity businesses.

4. Develop a Cannabis Delivery Amnesty Program

The Cannabis SEED program should create an amnesty program by which legacy delivery operators are given the opportunity to create a legal delivery business for their products.

5. Restrict Background Checks

City-imposed criminal background requirements must be mindful of the criminal justice system's disproportionate enforcement against historically marginalized populations. Accordingly, the SEED Program recommends excluding all drug offenses from background checks and including only recent convictions of specified fraud and violent offenses. Further, City background checks need apply only to cannabis applicants as opposed to employees of cannabis operations, and applicants with recent convictions should still have the option to petition for reconsideration if they can demonstrate evidence of rehabilitation, which the SEED Task Force should specifically define.

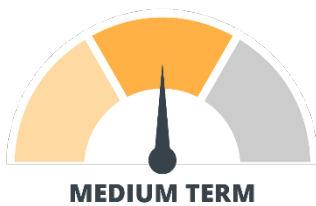
6.2 Medium Term (6 to 18 months)

1. Adopt Phased Licensing

As was evidenced during the initial rollout of cannabis permits in 2018, it was clear that “when and how” the City begins receiving applications for cannabis permits plays an important role in either reducing or exacerbating disparities between well-resourced cannabis operators and operators of historically marginalized populations. An examination of the City's existing CUPs demonstrates that well-funded and well-positioned operators sought and obtained permits ahead of historically marginalized operators who fell further behind due to lack of capital and real estate or never even made it to the permitting process due to the lack of knowledge and experience with the City permit process.

To address the lack of an equity program when AUMA laws were adopted by the City of San Diego in 2017, the City should consider providing 36 new cannabis outlet permits for SEED equity applicants. In addition to this, the City should provide SEED equity applicants the ability to utilize the State separation requirements instead of the City's more stringent separation regulations and also rescind the regulation that requires a future cannabis operator to have a location secured prior to applying for a cannabis CUP. This will significantly reduce the amount of upfront capital required to open a cannabis business, enabling applicants to more effectively utilize their

The SEED Program recommends excluding all drug offenses from background checks.



The City should provide 36 new cannabis outlet permits for SEED equity applicants.

resources to find a location and begin operation. This will also ensure that historically marginalized operators are successful when competing against well-resourced operators for one of the limited cannabis outlet permits. Additionally, this requirement will ensure that the benefits of operating a cannabis outlet go directly to historically marginalized populations, rather than relying on a general program applicant to pass along said benefits.

As a result, the SEED program should issue permit applications in two phases: (1) a restricted initial phase in which all new permits are issued to equity applicants and (2) an unrestricted second phase that commences after the SEED Program has been funded and implemented, at which point equity applicants will have access to the business assistance needed to compete with more privileged operators. In the second phase, general applicants will be allowed to apply if they meet certain criteria that help to support interested equity applicants through mentorship and ownership programs.

As part of the second phase, the SEED program would encourage partnerships between well-resourced and under-resourced cannabis operators. The SEED Program should help to incentivize the provision of free rent or real estate to SEED equity applicants, either on City-owned land or working with private property owners. This will both help equity applicants overcome the 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. To ensure these partnerships are meaningful and result in successful equity businesses, requirements should include a minimum of 3 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 partner must reapply for a permit should the SEED 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 the business be successful.

2. 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 cannabis business operations, requiring a cannabis operator to own or lease such a property before applying for a City permit promises only further disparity. Accordingly, the SEED Program 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.

3. Identify Real Estate Opportunities

The SEED 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

Permits for city sites could allow for a maximum 5-year tenancy period for equity applicants to grow their businesses.

could provide real estate to disadvantaged entrepreneurs in return for certain incentives. Furthermore, the City's Department of Real Estate and Airport Management should analyze City-owned and -leased sites to determine where available land and buildings are located to lease to cannabis entrepreneurs for land suitable for cannabis production, manufacturing and retail sales, and provide low-cost leases to SEED applicants. Permits could allow for a maximum 5-year tenancy period for equity applicants to grow their businesses benefitting new equity applicants from the low-cost sites.

4. Create Business Support Services

In addition to direct financial assistance and real estate support, the City would provide business mentorship and technical assistance. This could include consulting services on financial management, business accounting, hydroponics, manufacturing, and obtaining licenses. Connections to legal services would also assist such applicants with beginning a cannabis business by providing the legal support to create the business entity and apply for the business tax certificates as well as local and state permits. The City of San Diego should also consider annual job and education fairs like Los Angeles's GROW cannabis career fair.

Furthermore, the City should cover the costs through allocating a portion of cannabis taxes to support a testing and manufacturing facility. One of the largest legacy market products are home-cooked edible products. A straightforward mechanism to provide a low barrier of entry into the cannabis market would be to offer no-cost manufacturing and testing facilities for residents engaged in creating edibles and other cannabis-infused products. This would take coordination with the County of San Diego and Department of Cannabis Control to create such a facility(ies). However, this vital coordination could create a significant pathway to legalization into the cannabis marketplace for small and minority-owned businesses.

In addition, all cannabis operators should provide a living wage, provide employment benefits, and promote equitable employment opportunities for those communities harmed by the war on drugs. These opportunities should include allowing employees to organize, hiring formerly incarcerated individuals, and hiring in targeted neighborhoods.

5. Expand Local Delivery Services

Delivery services currently are having a deleterious impact on cannabis tax collection in the City of San Diego. State law allows deliveries via "ice cream trucks" and "pizza deliveries" from outside of the City into the City limits. It has been determined that many of the delivery services are part of the legacy market or, if licensed, do not pay their requisite share of City taxes. Many also offer 30-minute delivery to locations. If a delivery company is based in Los Angeles, it is difficult to understand how they may be able to deliver within 30 minutes without having another satellite warehouse in San Diego. To give an example of this, the online article TechCrunch provided this description: "Meadow's new Dynamic Delivery helped Cannable cut delivery times from hours to 20 minutes. How? The delivery vehicle is

The city should allocate a portion of cannabis taxes to support a testing and manufacturing facility.

stocked with pot available for purchase, and customers can order, through an app, directly from the car in their neighborhood. Think of it like an ice cream truck with a modern online ordering system.” “Now we’re able to put inventory in a car trunk,” David Tuel of Cannable told TechCrunch. He is the Director of Strategy & Technology at Cannable, a cannabis outlet store-front and cannabis delivery service in Parlier, California. “We can have inventory stored in the vehicles, rather than stored in one conglomerate e-commerce location,” he said. “When customers order, they are ordering based on the vehicle that is in their location, rather than ordering from the primary menu at our home base—and they can still order from our main menu, too.”

City staff analyzed the State of California’s cannabis business database, which included over 12,200 cannabis-related businesses. From that database, staff refined the data search to delivery businesses throughout California and determined there were potentially 1,170 delivery-related businesses. From that refined search, staff researched each of the 1,170 businesses to determine if they delivered products within the City of San Diego’s jurisdiction. It was determined that a total of 72 businesses from within and outside the City provide legal delivery services. The total of delivery services from outside of the City totaled 24 delivery services, or 33% of the market. The City of San Diego has started putting these licensed out-of-City delivery service platforms on notice. However, it may take legal action to bring them into compliance.

To provide City residents a greater share of the cannabis delivery market, the City should consider offering grants to purchase electric vehicles for small and minority business operators to deliver as well as provide secured parking and EV charging facilities. Furthermore, since the State of California allows for deliveries from anywhere in the State, the City of San Diego should not require delivery services to be part of an existing cannabis outlet. Rather, delivery services would utilize the no-cost manufacturing and testing facilities to store and dispense cannabis for delivery vehicles. This is another low-cost way to allow interested individuals access to the cannabis market.

The City should consider offering grants to purchase electric vehicles for small and minority business operators.

6. Create Legal Business Identification

The Cannabis SEED Program should consider creating a program like the City of Los Angeles’s recently created cannabis emblem program. To protect cannabis consumers from untested and unregulated product from unlicensed businesses, the City should consider implementing an emblem program that issues placards to licensed cannabis businesses. It is important that the City incentivize the legalization of cannabis businesses that are subject to testing and allowing consumers to know where they can obtain tested products.

7. Reduce/Waive Permit and Business Operation Fees

As part of this program development, it will be important to consider waiving or reducing licensing, permitting, and inspection fees to reduce the financial barriers for eligible equity applicants. The cost of this could be absorbed through obtaining State grant funding as well

as apportioning a certain percentage of annual cannabis funding to a cannabis equity program.

8. Create A Mentorship Program

Multiple operating cannabis businesses have expressed interest in creating mentorship programs for residents interested in learning the “Seed to Sale” pathway to operating a successful cannabis business. The equity program should host quarterly networking forums to create connections between existing operators and people interested in the cannabis businesses. Furthermore, a program should be developed to pair experienced cannabis business operators with equity applicants to teach them how to effectively run a cannabis business.

6.3 Long Term (18 months +)



1. Prepare Cannabis Consumption Lounge Permitting Process

Cannabis consumption lounges were legalized by the State of California in 2019 with the approval of AB 14,65. Since the passage of AB 14,65, two examples of where cannabis lounges have been approved include the City of West Hollywood as well as the City of National City. Consumption lounges, also called cannabis consumption lounges and marijuana lounges, are spaces where patrons can purchase cannabis and cannabis products to smoke, vape, and/or consume (edibles) safely, on-site and in a social environment. These lounges currently operate outside of the City of San Diego in combination with a storefront (Type 10) retailer license though the regulations are nuanced as to how they can be co-located. While California’s marijuana laws prohibit the consumption of alcohol and marijuana on the same property, like bars that serve alcoholic beverages, all patrons of a cannabis lounge must be at least 21 years of age. An equity program should consider implementing this State law in San Diego as part of the program development.

It would be prudent and practical to allow bars and restaurants to sell cannabis in their establishments.

In relation to allowing cannabis at properties that sell alcohol, in speaking with several local bar owners, many patrons bring their own products to bars and other local eating establishments. Since, for instance, bars are one of the most regulated industries in the State of California, it would be prudent and practical to allow bars and restaurants to sell cannabis in their establishments. It is clear that attempting to prohibit customers from using products whether legal or illicit in a bar setting puts the business owner at a disadvantage and ultimate risk since they are not aware of what a customer may have consumed prior to entering the establishment. If bar or restaurant owners could offer the product, they would have much more control and less risk than they do now.

2. Support Social Media Outreach

While social media platforms like Instagram and Facebook are actively removing cannabis-related content, a new platform has been developed by Cookies and Weedmaps and to help promote the sale of cannabis products to customers over the age of 21. The City

should evaluate supporting such online social media platforms not only to support equity businesses but also to help educate consumers on the safety of legal recreational cannabis. Since a large majority of consumers products are derived from online sales and delivered directly to homes, it would be prudent to understand how the online marketplace can help uplift communities that have been negatively affected by the war on drugs. This may even help drive closing the technology gap in many communities of concern by developing programs to provide or partner with companies to provide free and/or reduced in-home internet services.

3. Develop Cannabis Tourism

San Diego is a known tourism location based on its scenic beauty and attractions. Many visitors come to San Diego to enjoy the outdoors as well as all the nightlife and venues. Cannabis should be considered as a potential new industry that could drive additional tourism to San Diego, like the craft brewery market that San Diego has become synonymous with. According to *Forbes*, canna-tourism is a \$17 billion industry and is growing: “It’s still unclear how big the nascent cannabis tourism industry will eventually become, or what its potential economic impact on the \$1.2 trillion U.S. tourism economy will be, but early data is promising. A pre-pandemic 2020 national study by market research firm MMGY Travel Intelligence found that nearly one in five (18%) American leisure travelers is interested in cannabis-related experiences on vacation. That number jumps to 62% when the survey sample is narrowed to cannabis-consuming adults over age 21 with an annual household income over \$50,000. Legal cannabis lifts other businesses, too. Out of \$25 billion in legal cannabis sales for 2021, *Forbes* estimates that as much as \$4.5 billion was driven by tourists, who pour an additional \$12.6 billion into restaurants, hotels, attractions, and other shops—as well as into State and municipality tax coffers. That’s because for every dollar spent at a cannabis retailer, there’s a multiplier effect, with an additional \$2.80 injected into the local economy, says Beau Whitney, founder and chief economist at Whitney Economics, a leader in cannabis and hemp business consulting.” So, a primary question arises: How do equity applicants get a piece of this nascent industry? A new SEED program needs to consider the opportunities to provide for canna-tourism in San Diego.

4. Collect Industry Data

The City should require data collection from all cannabis permit holders to understand the impact of the industry. This tracking data will be requested from general and equity applicants on a regular basis to measure the success of its equity program and be reported to both the SEED Task force on a regular basis as well as be included in an annual report to the City Council.

6.4 Conclusion

This Cannabis Equity Report summarizes key findings of the City’s Equity Analysis, as well as feedback provided at the City’s nine cannabis

Cannabis should be considered as a potential new industry that could drive additional tourism to San Diego.

Equity applicants would not be charged rent and the City would cover operating fees and waive business tax license costs.

equity listening sessions, survey results, and best practices from other California jurisdictions. This Equity Report also implements and supports the State of California's effort to advance economic justice for populations and communities harmed by cannabis prohibition. In support of the State's Go-Biz grant guidelines, the City of San Diego's Equity Report will help further the purpose and intent of the AUMA by fostering equitable access to licensure and business ownership in the regulated cannabis industry, ensuring that the persons most harmed and economically disadvantaged by cannabis criminalization are offered assistance, and priority licensing, to enter the multibillion-dollar cannabis industry as entrepreneurs.

The key preliminary recommendations provided herein are intended to serve as a framework with a menu of options by which to move forward with the development and implementation of a cannabis equity program, to focus on inclusion and support of individuals and communities negatively impacted by cannabis criminalization. The recommendations of this report should be further refined and prioritized through the actions identified in this chapter and by a appointed SEED Task Force. Further work will require robust public engagement, reporting, and monitoring, to ensure successful implementation for intended equity applicants.

Sources

Chapter 2, Equity Analysis

Sources:

- *California Department of Cannabis Control (DCC)* – www.cannabis.ca.gov
- *California Legislative Information* – https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB1465#:~:text=This%20bill%20would%20create%20a,age%20or%20older%2C%20as%20provided
- *City of San Diego* – www.sandiego.gov
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- *Getting it Right From the Start* – <https://gettingitrightfromthestart.org>
- *Giannini Foundation of Agricultural Economics at the University of California* – https://s.giannini.ucop.edu/uploads/giannini_public/70/d1/70d16c7a-3e45-4769-8e6c-f78e2c6f3135/v23n3_1.pdf
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- *U.S. Census Bureau American Community Survey* – <https://data.census.gov>

Limiting Conditions:

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
6. The analysis, opinions, recommendations, and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due

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9. The City shall discuss any such information and material contained in KMA's work product with any and all internal and/or external advisors and experts, including its own Municipal Advisors, that it deems appropriate before acting on the information and material.

Chapter 4, Best Practices

Sources:

- <https://www.cityofsacramento.org/-/media/Corporate/Files/CMO/Cannabis/SCCS-Final-Report-03-08-22.pdf?la=en>

Chapter 6, Preliminary Recommendations

Sources:

- Yakowicz, Will. "Cannabis Tourism Is Now A \$17 Billion Industry—And It's Just Taking Off." *Forbes Magazine*, 28 May 2022, <https://www.forbes.com/sites/willyakowicz/2022/05/29/cannabis-tourism-is-now-a-17-billion-industry-and-its-just-taking-off/?sh=5e828b562056>. Accessed 28 June 2022.