

Draft Cannabis Social Equity and Economic Development (SEED) Permit Program

ATTACHMENT 2

1. Equity Criteria. Applicant ownership/owner must satisfy the following criteria:

- A. Have been an individual, immediate family member or a legal guardian convicted or arrested for one of these cannabis crimes after January 1, 1994 in the City of San Diego: Sale; Possession; Use; Manufacture; Cultivation.
- B. Be a current or former resident of the City of San Diego who has lived in the following community plan areas for at last 5 years cumulative residency between 1980 and 2016: Barrio Logan, Linda Vista, Southeastern San Diego, Encanto Neighborhoods, Greater Golden Hill, Greater North Park, City Heights, College Area, Eastern Area, San Ysidro.
- C. An eligible applicant must also meet two of the four of the following criteria:
 1. 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 or eligible to get financial aid through a program like: CalFresh; MediCal; CalWORKS; Supplemental security income; Social Security disability.
 2. Lost housing in San Diego through eviction, foreclosure, or subsidy cancellation after 1994.
 3. Attended school in the San Diego Unified School District for at least five (5) years between 1971 and 2016.
 4. Placed in the foster care system between 1971 and 2016.

2. Review of Criteria.

- A. Proof of Conviction should be demonstrated through federal or state court records indicating the disposition of the criminal matter.
- B. 2. Proof of income shall be supported with federal tax returns and at least one (1) of the following documents: two (2) months of pay stubs, current Profit and Loss Statement, Balance Sheet, or proof of current eligibility for General Assistance, Food Stamps, Medical/CALWORKS, or Supplemental Security Income or Social Security Disability (SSI/SSDI);
- C. To establish residency, a minimum of two (2) of the documents listed below, evidencing five (5) years of residency, shall be considered acceptable proof of residency. All residency documents must list the applicant's first and last name, and the City of San Diego residence address:
 - California driver's record; or
 - California identification card record; or
 - Property tax billing and payments; or
 - Verified copies of state or federal income tax returns where an City of San Diego address within the corresponding community planning areas is listed as a primary address; or
 - School records; or
 - Banking records; or

- San Diego Housing Commission records; or
- Utility, cable or internet company billing and payment covering any month in each of the five (5) years.

3. Equity Ownership Structure.

A. Equity Ownership.

1. SEED Equity Tier 1 Applicant: one or more equity applicants shall own no less than 100% ownership of cannabis business to whom the License is issued. *(staff comment: The effect of this is to incentivize group efforts in cannabis creation, where all investment/risk/reward goes to the Equity Applicants.)*
2. SEED Equity Tier 2 Applicant: one or more SEED equity applicants shall own no less than 51% equity share in the person to whom the License is issued. SEED *Cultivators* shall own no more than 49% equity share in the person to whom the license is issued.

B. Conditional Use Permit Renewal.

1. SEED Equity Tier 1 Applicant: Renewal allows reducing to 51% SEED Applicant Equity and increasing to 49% cultivator equity ownership to allow for market participation or utilize SEED Cultivator knowledge and market strength. If Equity is reduced to 51/49, SEED Equity Applicant is set to Tier 2.
2. SEED Equity Tier 2 Applicant: Must provide proof that it continues to satisfy Equity Criteria established by the SEED Commission. If Tier 2 Applicant is no longer compliant with criteria, but meets all Cannabis Operating regulations, shall be entitled to convert to a standard Cannabis Outlet. *(staff comment: The intent is to grandfather in successful COs into standard permits and allow new Equity Applicant permits.)*

C. Transfer of Permits.

Permits may be transferable to other equity applicants via amendment process. This will allow Equity Applicant Tier 1 to transition to Tier 2 or Standard Outlet. This will also allow additional Tier 1 Applicants to merger into stronger market positions. This needs erudition, but the intent is to allow more permits to be utilized by Equity Applicants that are pending getting one.

D. Profits, Dividends and Distribution.

“Equity Share” means an ordinary share, including fraction or part ownership, in which a shareholder, as a fractional owner, undertakes the maximum entrepreneurial risk

associated with the business venture, with full membership in the company and full voting rights.

E. Successors.

The Equity Share shall not be subject to arrangements causing or potentially causing ownership benefits in the SEED Equity Applicant or Licensee to go to another in any circumstance other than after death or incapacity. In the case of death or incapacity, a SEED Equity Applicant shall identify his or her own successor in interest or assignee of their Equity Share. If a SEED Equity Applicant dies, the SEED Equity Applicant or Licensee will continue to qualify under this section with the requisite Equity Shares so long as the surviving spouse or successor in interest of the deceased SEED Equity Applicant inherits or otherwise acquires all of such Individual's ownership interest in the SEED Equity Applicant or Licensee.

F. Additional Requirements.

(1) All Owners shall:

(A) comply in all respects with the Equity Share criteria and requirements in this section ("Equity Share Requirements") in dealings with one another;

(B) keep records evidencing their compliance; and

(C) on the other party's reasonable request, provide these records of compliance to the other party.

(2) Any action or inaction taken by a party in violation of the Equity Share Requirements shall entitle the other party to initiate a legal action in the Superior Court of San Diego, including, but not limited to, an action for specific performance, declaratory relief, and/or injunctive relief, to enforce the Equity Share Requirements against the other party.

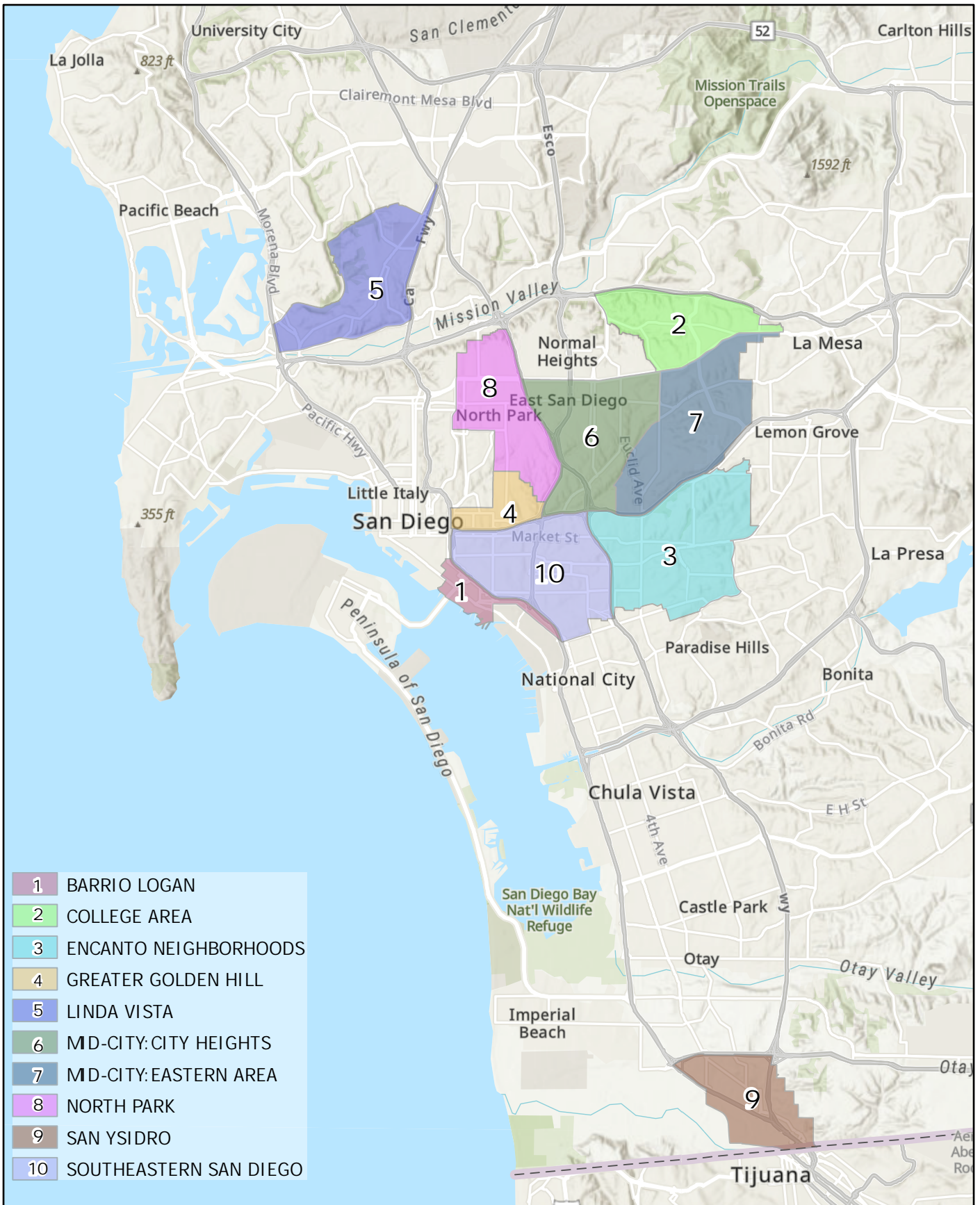
(3) Any annual License(s) issued to a SEED Equity Applicant may be suspended or revoked, or a License renewal denied, if it can be shown, by a preponderance of the evidence, that any provision in an operating agreement, contract, business formation document, or any other agreement between Owners of the SEED Equity Applicant violates any of the Equity Share Requirements and is not cured within the time allotted by the City of San Diego.

(4) All Owners are required to incorporate the following addendum into operating agreement documents to evidence compliance with Equity Share Requirements: "To the extent that any provision of this agreement, or part thereof, is or may be construed to be inconsistent with or in violation of the "Equity Share" requirements set forth in Chapter 4 of the San Diego Municipal Code provision(s) shall be ineffective, unenforceable, and null and void."

G. Definitions.

1. Cannabis SEED Commission: A mayor-appointed up to 15-member team tasked with implementing the SEED Equity Program.
2. SEED Cultivator: an existing Regulated Cannabis business in the City of San Diego that incubates, employs, or provides financial, real estate, cannabis knowledge, or legacy market transitioning support to a SEED Equity Applicant.
3. SEED Equity Applicant: a person meeting the requirements set for in Section XXX (Equity Criteria).

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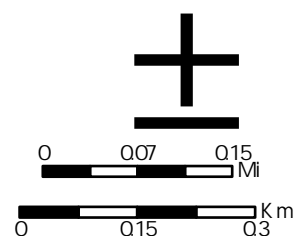


- 1 BARRIO LOGAN
- 2 COLLEGE AREA
- 3 ENCANTO NEIGHBORHOODS
- 4 GREATER GOLDEN HILL
- 5 LINDA VISTA
- 6 MID-CITY: CITY HEIGHTS
- 7 MID-CITY: EASTERN AREA
- 8 NORTH PARK
- 9 SAN YSIDRO
- 10 SOUTHEASTERN SAN DIEGO



Cannabis Equity Applicant Eligibility

An eligible applicant is defined as a current or former resident of the City of San Diego who has lived in the highlighted community plan areas for at least 5 years cumulative residency between 1980 and 2016.



**Cannabis Equity Applicant Eligibility Criteria Table DRAFT 8.9.22
Attachment 2**

	State of California	City of Oakland	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 test)	Request from: San Diego Black Cannabis Group; San Diego Black Chamber of Commerce Cannabis Sub Committee; Paving Great Futures; California Minority Alliance	San Diego Equity Owner Criteria: Must meet requirements for Criminal History and Residency as well as two of the four criteria
Criminal History	<p>Convicted or arrested for one of these cannabis crimes before November 8, 2016: Sale; Possession; Use; Manufacture; Cultivation.</p> <p>Also be eligible if an immediate family member was convicted or arrested for a cannabis-related crime and you lived in a California county with drug arrest rates that were higher than the state average drug arrest rates.</p>	<p>Either, lived within a police beat with high rates of arrests and convictions for at least ten of the last twenty years; or arrested after November 5, 1996 for a cannabis offence in the city</p>	<p>Prior California cannabis arrest or conviction that occurred prior to November 8, 2016</p>	<p>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</p>	<p>Arrest or conviction for a cannabis offense between 1971-2016; or Parent, sibling, or child arrest or conviction for a cannabis offense between 1971-2016</p>	<p>Was convicted of a cannabis-related offense prior to the effective date of this chapter, or had a parent, guardian, child, spouse, or dependent, or was a dependent of an individual who, prior to the effective date of this chapter, was convicted of a cannabis-related offense.</p>	<p>Have been an individual, immediate family member or a legal guardian convicted or arrested for one of these cannabis crimes after January 1, 1994 in the City of San Diego: Sale; Possession; Use; Manufacture; Cultivation.</p>
Residency Requirements	<p>Lived in a place for at least 5 years between 1980 and 2016 that was a California county with drug arrest rates that were higher than the state average drug arrest rates and:</p> <p>The top 25% nationally for</p>	<p>Be an Oakland resident</p>	<p>Ten years' cumulative residency in a Disproportionately Impacted Area of LA</p>	<p>A current or former resident of the City of Sacramento who has lived in a low-income household for at least five years, between the years of 1980 and 2011 in the following ZIP Codes: 95811, 95815, 95817, 95820, 95823, 95824, 95826, 95828, and 95818.</p>	<p>Lived in an eligible census tract in San Francisco for five (5) years where at least 17% of households were at or below the federal poverty level</p>	<p>Is a member of a community disproportionately impacted by the enforcement of cannabis prohibition</p>	<p>Be a current or former resident of the City of San Diego who has lived in the following community plan areas for at least 5 years cumulative residency between 1980 and 2016: Barrio Logan, Linda Vista, Southeastern San Diego, Encanto Neighborhoods, Greater Golden Hill, Greater North Park, City Heights,</p>

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	<p>unemployment and poverty; or</p> <p>Immediate family member who was convicted or arrested for a cannabis-related crime prior to November 8, 2016.</p>						College Area, Eastern Area, San Ysidro.
Low-Income Status	Household income is no more than 60% of the area's median income, or eligible to get financial aid through a program like: CalFresh; MediCal; CalWORKS; Supplemental security income; Social Security disability	In the last year, had an annual income at or less than 80% Oakland average median income (AMI) adjusted for household size	Low-Income per average median income (AMI)	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	Has an income lower than eighty percent of the median income of the county in which the applicant resides;	Criteria 1: 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 or eligible to get financial aid through a program like: CalFresh; MediCal; CalWORKS; Supplemental security income; Social Security disability
Housing Status		N/A	N/A	N/A	Lost housing in San Francisco through eviction, foreclosure, or subsidy cancellation after 1995	Live in an impoverished community at least 5 years between the year 1980- 2016	Criteria 2: Lost housing in San Diego through eviction, foreclosure, or subsidy cancellation after 1994.
Attendance of Local Schools		N/A	N/A	N/A	Attended school in the San Francisco Unified School District for at least five (5) years between 1971-2016		Criteria 3: Attended school in the San Diego Unified School District for at least five (5) years between 1971-2016.
Impacts to Families							Criteria 4: Placed in the foster care system between 1971 and 2016.