

ADOPTED: OCTOBER 11, 2022

Cannabis Equity Report

Acknowledgments

The City of San Diego would like to thank the following individuals and entities for making the Cannabis Equity Report possible:

Governor Gavin Newsom

State of California Go-BIZ Grants Team

Mayor Todd Gloria

Council President Sean Elo-Rivera, *Council District 9*

Councilmember Joe LaCava, *Council District 1*

Councilmember Jennifer Campbell, *Council District 2*

Councilmember Stephen Whitburn, *Council District 3*

Council President Pro Tem Monica Montgomery Steppe, *Council District 4*

Councilmember Marni von Wilpert, *Council District 5*

Councilmember Chris Cate, *Council District 6*

Councilmember Raul Campillo, *Council District 7*

Councilmember Vivian Moreno, *Council District 8*

City of San Diego Staff

Kim Desmond, *Chief Officer of Race and Equity, Office of Mayor Todd Gloria*

Matt Yagyagan, *Deputy Director of Policy, Office of Mayor Todd Gloria*

Elyse Lowe, *Director, Development Services Department*

Kirby Brady, *Director, Performance & Analytics Department*

Lara Gates, *Deputy Director, Cannabis Business Division*

Angela Wells, *Special Projects Manager, Performance & Analytics Department*

Scott Robinson, *Supervising Public Information Officer, Communications Dept*

Kelly Terry, *Supervising Public Information Officer, Communications Dept*

Racquel Velasquez, *Senior Public Information Officer, Communications Dept*

Jose Ysea, *Public Safety Media Services Manager, Communications Dept*

Tristan Lewis, *Program Coordinator, Performance & Analytics Department*

Travis Cleveland, *DPM III, Cannabis Business Division*

Pancho Mendoza, *DPM II, Cannabis Business Division*

Tyler Sherer, *DPM II, Cannabis Business Division*

Sheila Santos, *Admin Aide, Cannabis Business Division*

Israel Fitzgerald, *Intern, Office of Mayor Todd Gloria*

Maya Wu, *Intern, Office of Mayor Todd Gloria*

The People Lab

Joaquin Carbonell, *Data Scientist*

Karalyn Lacey, *Executive Director*

Rodrigo Leiva, *Data Scientist*

Table of Contents

| SECTION | PAGE |
|---|------------|
| EXECUTIVE SUMMARY | I |
| Purpose of the Program | ii |
| Background | ii |
| Key Findings | iii |
| Summary of Preliminary Recommendations | iii |
| CHAPTER 1 INTRODUCTION | 1-1 |
| CHAPTER 2 EQUITY ANALYSIS | 2-1 |
| Introduction | 2-1 |
| Methodology..... | 2-2 |
| Key Findings | 2-2 |
| Cannabis Market Analysis | 2-4 |
| Equity Assessment | 2-13 |
| City’s Efforts to Address Inequity | 2-33 |
| CHAPTER 3 COMMUNITY FEEDBACK | 3-1 |
| Listening Sessions..... | 3-1 |
| Community Feedback Analysis | 3-3 |
| Desired Cannabis Equity Criteria | 3-9 |
| City of San Diego Cannabis Equity Survey | 3-10 |
| CHAPTER 4 BEST PRACTICES | 4-1 |
| Oakland | 4-2 |
| Los Angeles | 4-4 |
| San Francisco..... | 4-6 |
| Long Beach..... | 4-7 |
| Sacramento | 4-9 |
| Initiatives in Other States..... | 4-10 |
| Summary | 4-13 |
| CHAPTER 5 PRIMARY BARRIERS | 5-1 |
| CHAPTER 6 PRELIMINARY RECOMMENDATIONS | 6-1 |
| Conclusion..... | 6-8 |
| CHAPTER 7 EQUITY APPLICANT AND OWNERSHIP CRITERIA | 7-1 |
| 7.1 Defining Cannabis Equity Applicant Criteria | 7-1 |
| Cannabis Social Equity and Economic Development (SEED) Permit Program | 7-3 |
| CHAPTER 8 SOURCES | 8-1 |

APPENDICES

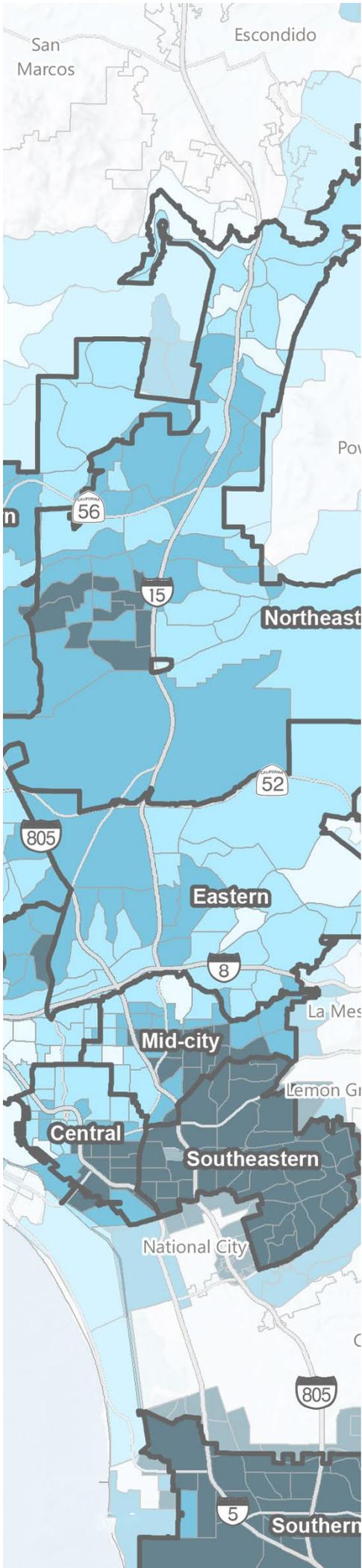
- Appendix A - The City of San Diego Cannabis Website
- Appendix B - Listening Session Flyers
- Appendix C - Listening Session Presentation
- Appendix D - Listening Session Poll Results
- Appendix E - Online Survey Results
- Appendix F - Listening Session Notes
- Appendix G - 2019 Council District 3 and 4 Cannabis Equity Assessment
- Appendix H - Stakeholder Recommendations List

List of Exhibits

| | |
|---|------|
| Exhibit 1: Average California Retail Price per Gram of Cannabis Flower by Package Size: Delivery-Only vs. Storefront..... | 2-7 |
| Exhibit 2: Cannabis Business Tax Revenue to City by Fiscal Year | 2-8 |
| Exhibit 3: Cannabis Outlets and Cannabis Production Facilities, City of San Diego | 2-12 |
| Exhibit 4: Cannabis Business Permit Applications Submitted to the City of San Diego | 2-13 |
| Exhibit 5: Distribution of Race/Ethnicity, City of San Diego, 2020..... | 2-14 |
| Exhibit 6: Cannabis-Related Arrests by Year, City of San Diego ⁽¹⁾ | 2-14 |
| Exhibit 7: Percentage of Arrests vs. Percentage of Population, City of San Diego ¹ | 2-15 |
| Exhibit 8: Age of Arrested Suspects vs. Percentage of Population, City of San Diego..... | 2-17 |
| Exhibit 9: Number of Arrests for Suspects 19 Years of Age or Younger, City of San Diego, 2015-2022 . | 2-17 |
| Exhibit 10: Arrests by Police Division – City of San Diego, 2015-2022..... | 2-19 |
| Exhibit 11: Minority Population by Division, City of San Diego | 2-22 |
| Exhibit 12: Low-/Moderate-Income Areas by Division, City of San Diego | 2-23 |
| Exhibit 13: Educational Attainment, City of San Diego | 2-26 |
| Exhibit 14: Disadvantaged Communities by Division, City of San Diego..... | 2-27 |
| Exhibit 15: Arrest Rates / 1,000 - Ethnicity..... | 2-35 |
| Exhibit 16: Juvenile Arrest Rates / 1,000 - Ethnicity..... | 2-35 |
| Exhibit 17: Cannabis Related Misdemeanor Arrests – Adult and Youth, 1993-2015..... | 2-37 |
| Exhibit 18: Cannabis Related Misdemeanor Arrests – Adult and Youth, 2010-2015..... | 2-37 |
| Exhibit 19: SANDAG Zip Code Map..... | 2-42 |
| Exhibit 20: Population in 2000 – US Census..... | 2-43 |
| Exhibit 21: Population in 2010 – US Census | 2-44 |
| Exhibit 22: 2020 Population of Black/African American, Hispanic and American Indian Residents | 2-45 |
| Exhibit 23: Total Incarceration in the United States by Year..... | 2-48 |
| Exhibit 24: Operation Mallorca, U.S. Drug Enforcement Administration, 2005..... | 2-52 |
| Exhibit 25: U.S. State and Federal Prison Population, 1925-2019 | 2-57 |
| Exhibit 26: Number of Sentenced People in Federal Prisons for Drug Offenses, 1980-2019 | 2-60 |
| Exhibit 27: Number of People in Prisons and Jails for Drug Offenses, 1980 and 2019 | 2-60 |
| Exhibit 28: Number of Comments Recorded by Listening Session..... | 3-4 |
| Exhibit 29: Comment Sentiment for Questions 1 and 2 | 3-5 |
| Exhibit 30: Word Frequency for Question 3 | 3-6 |
| Exhibit 31: Bi-gram Frequency for Question 3..... | 3-7 |
| Exhibit 32: Comment Sentiment for Questions 4 and 5..... | 3-8 |
| Exhibit 33: Residency | 7-7 |

List of Tables

| | |
|---|------|
| Table 1: List of Jurisdictions Awarded Cannabis-Related Funding from the DCC by Year | 2-6 |
| Table 2: Cannabis Business Permit Applications by Status, City of San Diego | 2-11 |
| Table 3: Cannabis-Related Arrests by Race/Ethnicity, City of San Diego..... | 2-15 |
| Table 4: Cannabis-Related Arrests by Age, City of San Diego | 2-16 |
| Table 5: Neighborhoods by Police Division, City of San Diego..... | 2-20 |
| Table 6: Disadvantaged Neighborhoods..... | 2-29 |
| Table 7: Cannabis-Related Arrests by Race/Ethnicity, City of San Diego | 2-36 |
| Table 8: Arrest Rates Per 1,000 Population, Adult and Juvenile by Ethnicity | 2-38 |
| Table 9: Arrest Rates Per 1,000 Population by Ethnicity, San Diego Region, 1996, 1999, and 2000 | 2-38 |
| Table 10: Total Arrest Rates by Ethnicity, 2001, 2004, and 2005 | 2-39 |
| Table 11: Total Arrest Rates by Ethnicity, 2006, 2009, and 2010..... | 2-40 |
| Table 12: Total Arrest Rates by Ethnicity, 2011, 2014, and 2015..... | 2-41 |
| Table 13: Listening Session Discussion Questions | 3-3 |
| Table 14: Preliminary Recommendations | 6-2 |
| Table 15: Cannabis Equity Applicant Criteria in Other California Cities | 7-2 |



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 processing 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 envisions 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 recommendations to attempt to address these issues as part of the City's first cannabis equity program—the 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 will be to:

- Provide 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;
- Prioritize cannabis permits to address racial/ethnic disparities for individuals who have been previously arrested or convicted for cannabis-related offenses;
- Foster equitable access to participation in the cannabis industry, including by promoting ownership and stable employment opportunities in the industry;
- Provide 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; and
- Invest 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 recommendations incorporated in this Report 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 cannabis criminalization 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 have been adapted from their best practices and incorporated into this report.

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

Key Findings

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

These findings inform the SEED 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 San Diegans from participating in the legal cannabis marketplace. Cities that are proactively expanding their cannabis equity program have explicitly dedicated capital resources to loan and grant programs. Possible dedicated sources of funding for investment include a revolving forgivable loan and grant fund and other forms of financial assistance.
- 2. 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 coordinate efforts to support additional 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.
- 3. Ensuring Capacity Building:** Complicated City and State regulations and licensing requirements have hampered many smaller-scale 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 barriers where possible.

Land Acknowledgement

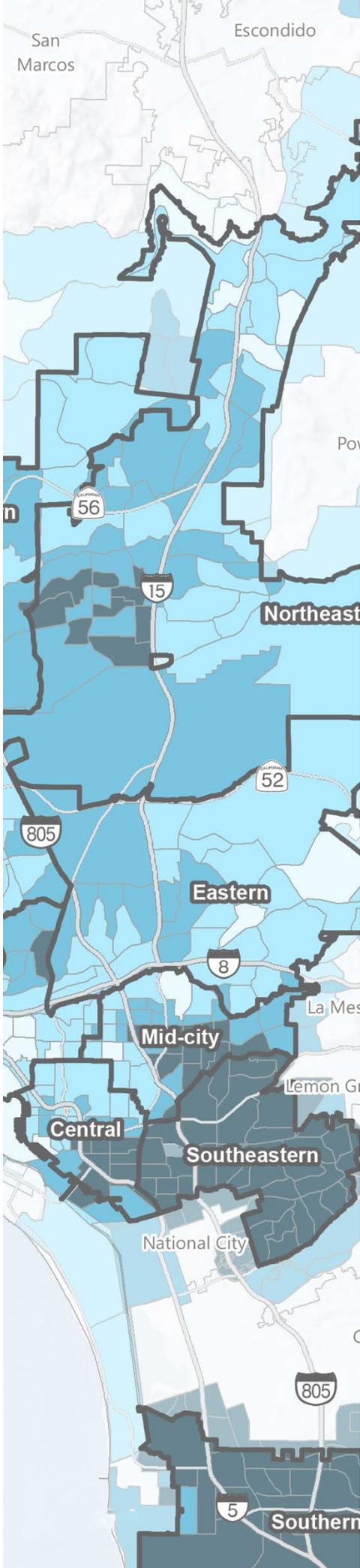
The City of San Diego acknowledges the Kumeyaay and Luiseño people have been a part of this land for millennia. We acknowledge the legacy that this land has nourished, healed, protected, and embraced the Kumeyaay and Luiseño people to the present day.

Summary of Preliminary Recommendations

This strategic framework provides a series of 12 recommendations 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 12 recommendations are summarized below and discussed in more detail in Chapter 6.

Recommendations:

1. Establish a Cannabis SEED Program Task Force
2. Fund Legal Services for Cannabis Expungement Efforts
3. Create Comprehensive Financial Assistance Program
4. Collect Cannabis Operator and Industry Demographic Data
5. Restrict Background Checks For Cannabis Convictions
6. Adopt Phased Licensing
7. Allow Conditional Approval with No Real Estate Requirements
8. Identify Real Estate Opportunities
9. Create Business Support Services
10. Create Legal Business Identification
11. Reduce/Waive Permit and Business Operation Fees
12. Create a Mentorship Program



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 cannabis equity programs and initiatives to reduce the amount of cannabis products sold through the illicit 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. These issues include:

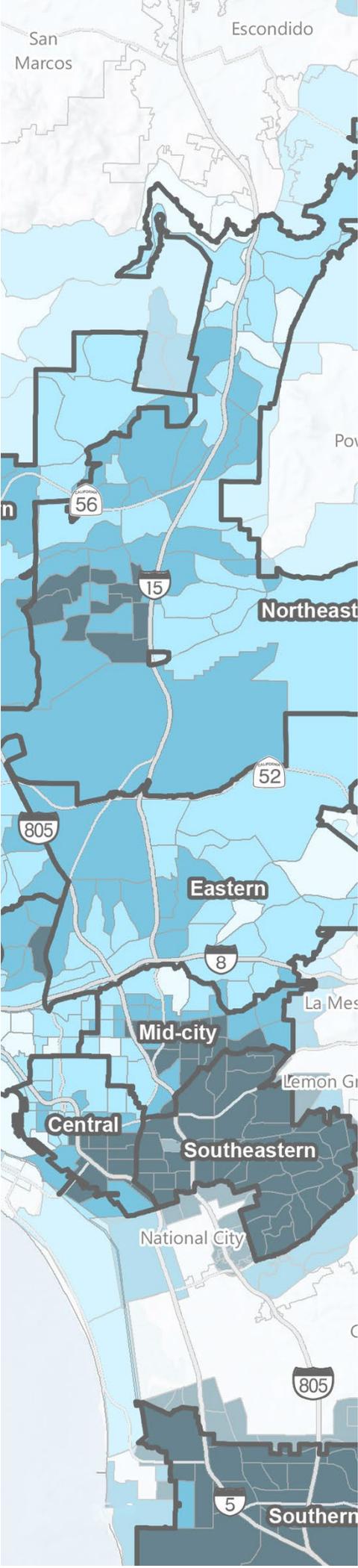
- Lack of access to capital;
- Uncertain federal prohibitions;
- Complicated local and State permit regulations;
- Limits on banking related to federal regulations;
- Real estate challenges;
- Lack of training and networking opportunities; and
- High cost of utilities, taxes, and other capital requirements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

These are significant challenges for any person attempting to obtain a license, but they are even more pronounced for individuals who have a personal or family history with the criminal justice system. A primary 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 San Diegans 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 employment 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

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 members representing 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 Trust & 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.

Methodology

As stated above, the equity assessment seeks to identify communities and demographic groups that have been adversely impacted because of cannabis prohibition. The City's Police Department provided to KMA cannabis 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. However, additional data back to 1989 was obtained from SANDAG and is also discussed in this chapter.

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 documented through CalEnviroScreen, and educational attainment
- (c) Analyze cannabis business license and land use permit data
- (d) Document 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

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 processing fees limit the potential pool of applicants for new cannabis businesses, specifically minority populations. A cannabis equity program could provide equitable access to the cannabis industry 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.

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

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.

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

- Areas in the Mid-City, Southeastern, and Southern police divisions are the most disadvantaged communities 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 communities 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 communities are located within Council District 3. Arrest location is 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. 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.

Cannabis Market Analysis

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. However, there are ongoing discussions occurring at the federal level in relation to cannabis business banking reform. In addition to the high cost of start-up and permit processing fees, these challenges further impact minority and low-income populations.

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 1, 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 1: 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 |

Source: Cannabis Equity Assessment and Market Analysis. Keyser Marston Associates, Inc. 2022

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 state issued 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 2020

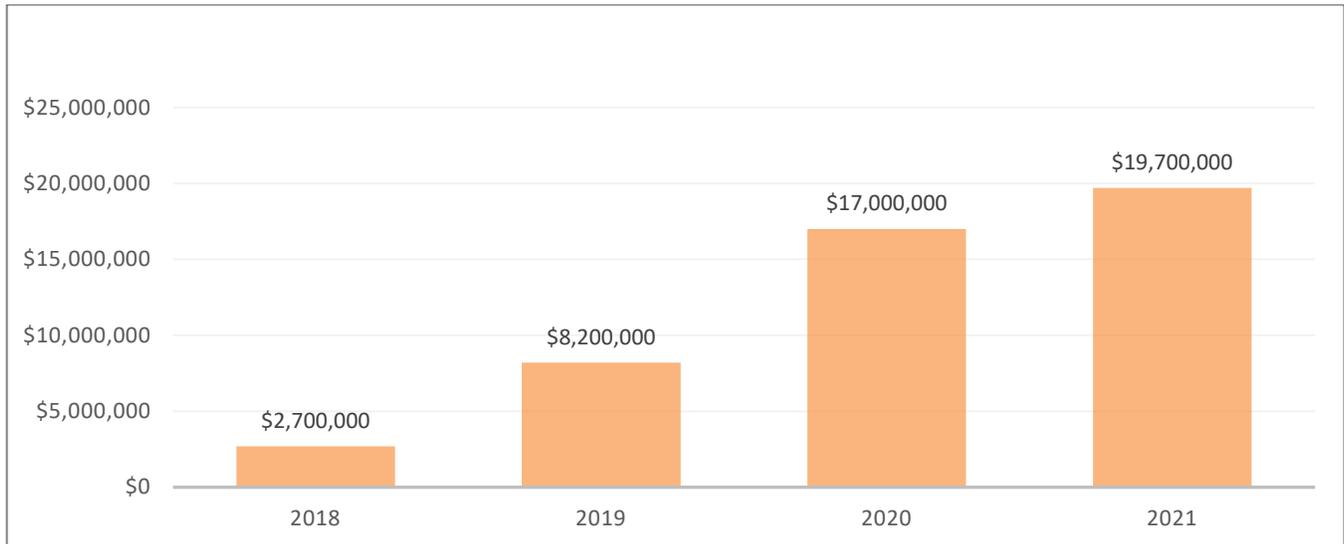
Cannabis Industry in San Diego

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

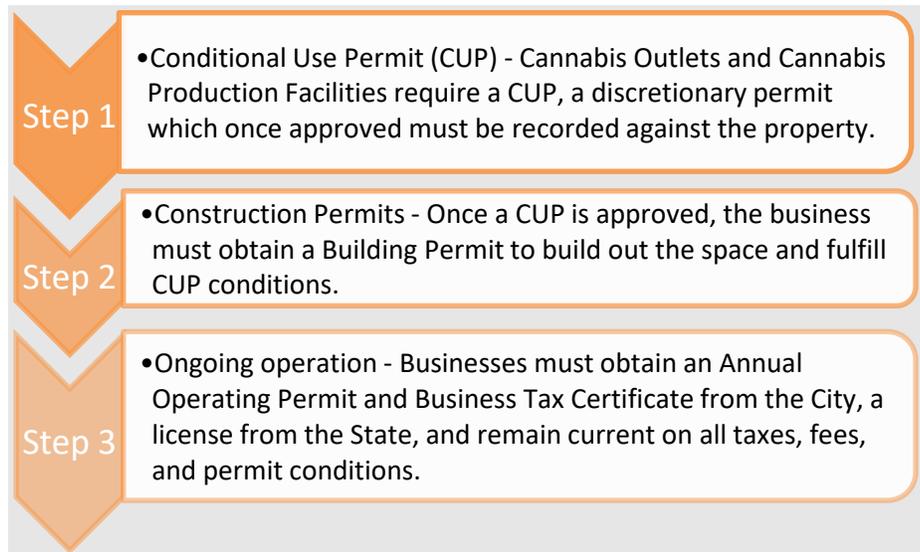


Source: San Diego City Treasurer, 2022

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.

Number of Permit Applications 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 2 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 2: 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 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

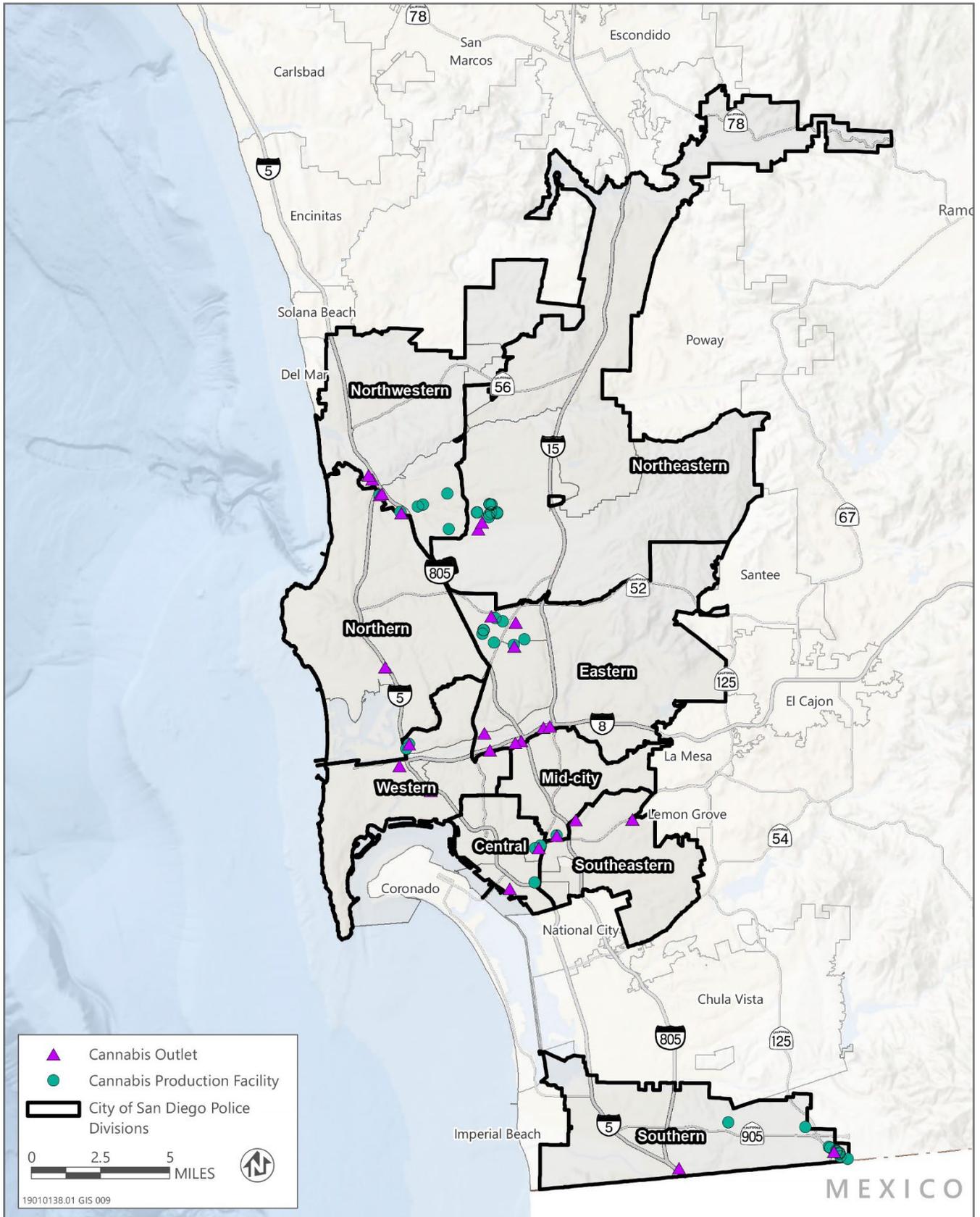
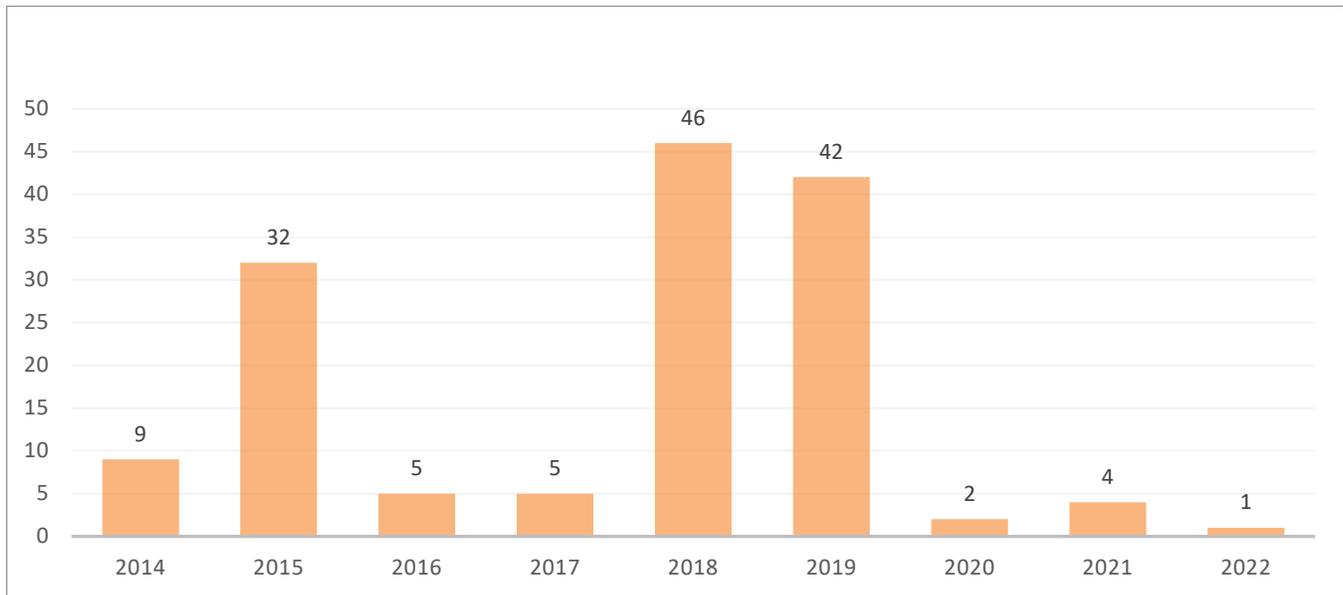


Exhibit 4: Cannabis Business Permit Applications Submitted to the City of San Diego



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

Equity Assessment

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%.

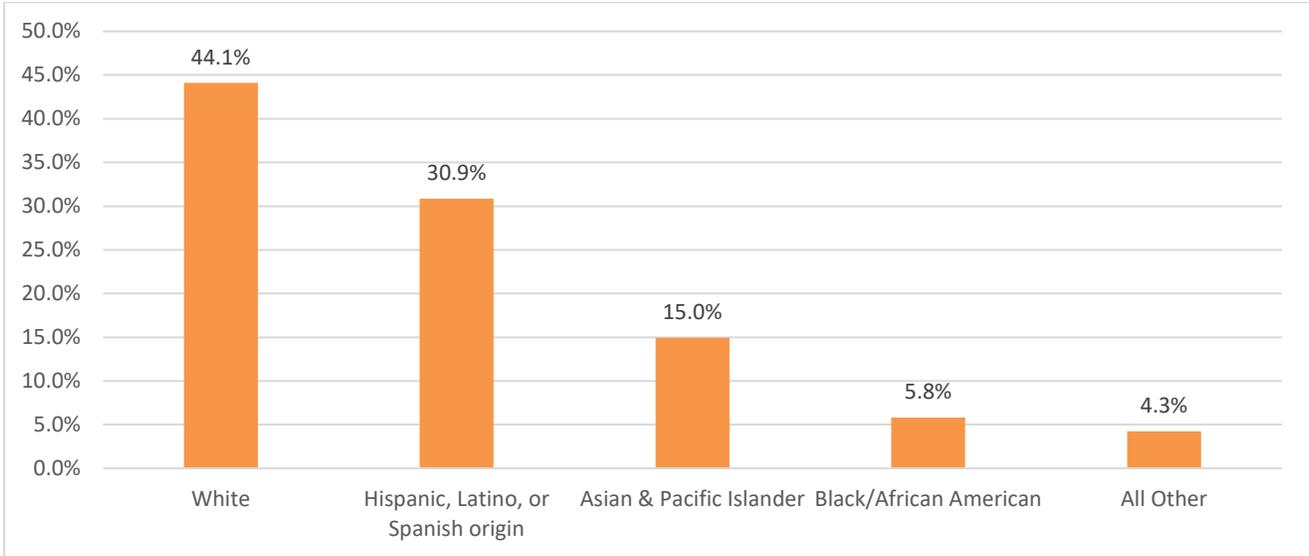
In 2021, the Office of Business Research and Analysis (OBRA) for California State University San Marcos (CSUSM) analyzed economic impacts of the cannabis industry in San Diego County. OBRA created a survey designed to understand which demographics hold cannabis licenses in the County. The survey results 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 as well as gender diversity within the cannabis industry is currently an issue in the County.

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 the most recent (2020) demographic estimates from the San Diego Association of Governments (SANDAG). As shown, 44.1% of the population identifies as White; 30.9% as Hispanic, Latino, or Spanish origin; 15.0% as Asian & Pacific Islander; 5.8 % as Black/African American; and 4.3% 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, 2020

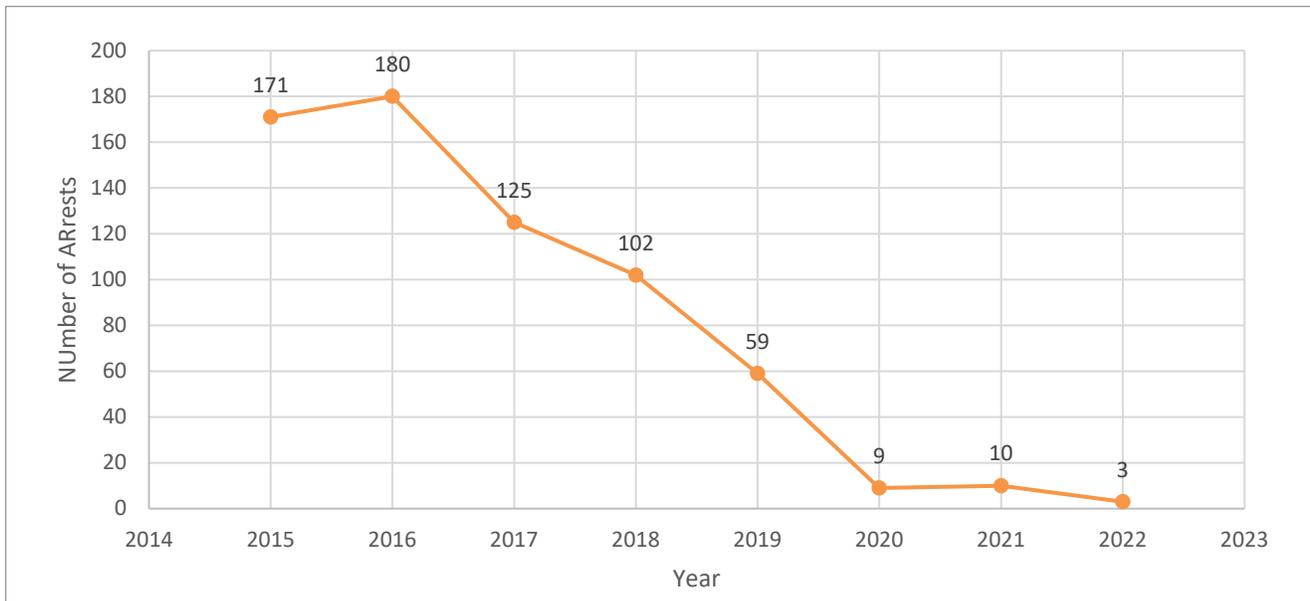


Source: SANDAG 2020 Estimates.

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.

Source: City of San Diego Police Department

Cannabis-Related Arrests by Race/Ethnicity

Cannabis-related arrests by race/ethnicity are presented in Table 3. As shown, the populations experiencing the most arrests are Hispanic, Latino, or Spanish origin (34.0%), followed by White (27.0%), individuals identifying as Other (18.5%), and Black/African American (16.2%).

Table 3: Cannabis-Related Arrests by Race/Ethnicity, City of San Diego

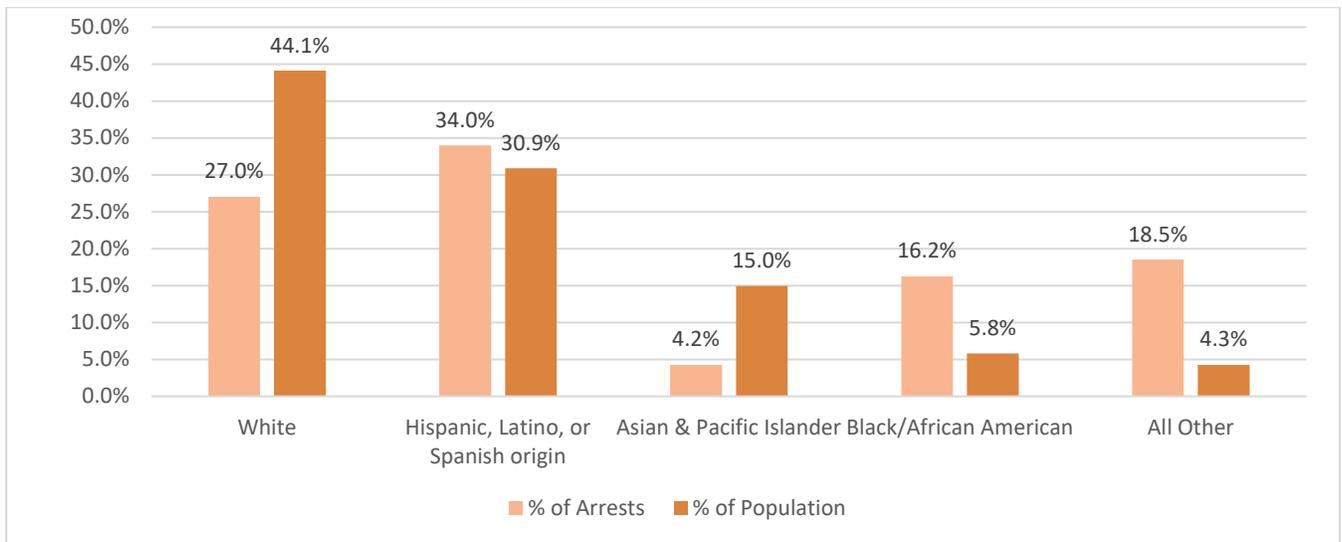
| Race/Ethnicity | Arrests | | Population | |
|-------------------------------------|--------------------------|---------------|---------------------|---------------|
| | (2015-2022) ¹ | | (2020) ² | |
| | Total | Percent | Total | Percent |
| Asian & Pacific Islander | 28 | 4.2% | 213,858 | 15.0% |
| Black/African American | 107 | 16.2% | 83,222 | 5.8% |
| Hispanic, Latino, or Spanish origin | 224 | 34.0% | 441,621 | 30.9% |
| White | 178 | 27.0% | 630,962 | 44.1% |
| Other or Unknown | 122 | 18.5% | 60,820 | 4.3% |
| Total | 659 | 100.0% | 1,430,483 | 100.0% |

¹ Source: City of San Diego Police Department

² Source: SANDAG 2020 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 and Asian & 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 and SANDAG.

Cannabis-Related Arrests by Age

The median age of the City’s population is 36. Table 4 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 (41.6%). The next largest categories were within the 10 to 14 age range (12.6%) and 25 to 34 age range (11.2%).

| Table 4: Cannabis-Related Arrests by Age, City of San Diego | | | | |
|---|--------------------------|-------------|-----------------------|---------------|
| Age | Arrests by Age | | Population | |
| | (2015-2022) ¹ | | (2020) ^{2,3} | |
| | Total | Percent | Total | Percent |
| Unknown | 104 | 15.8% | -- | -- |
| Age 5-9 | 1 | 0.2% | 94,013 | 7.0% |
| Age 10-14 | 83 | 12.6% | 86,936 | 6.5% |
| Age 15-19 | 274 | 41.6% | 85,410 | 6.4% |
| Age 20-24 | 52 | 7.9% | 88,311 | 6.6% |
| Age 25-34 | 74 | 11.2% | 245,482 | 18.4% |
| Age 35-44 | 31 | 4.7% | 199,773 | 15.0% |
| Age 45-54 | 23 | 3.5% | 165,296 | 12.4% |
| Age 55-64 | 16 | 2.4% | 161,505 | 12.1% |
| Age 65+ | 1 | 0.2% | 208,483 | 15.6% |
| Total | 659 | 100% | 1,335,209 | 100.0% |

¹ Source: City of San Diego Police Department.

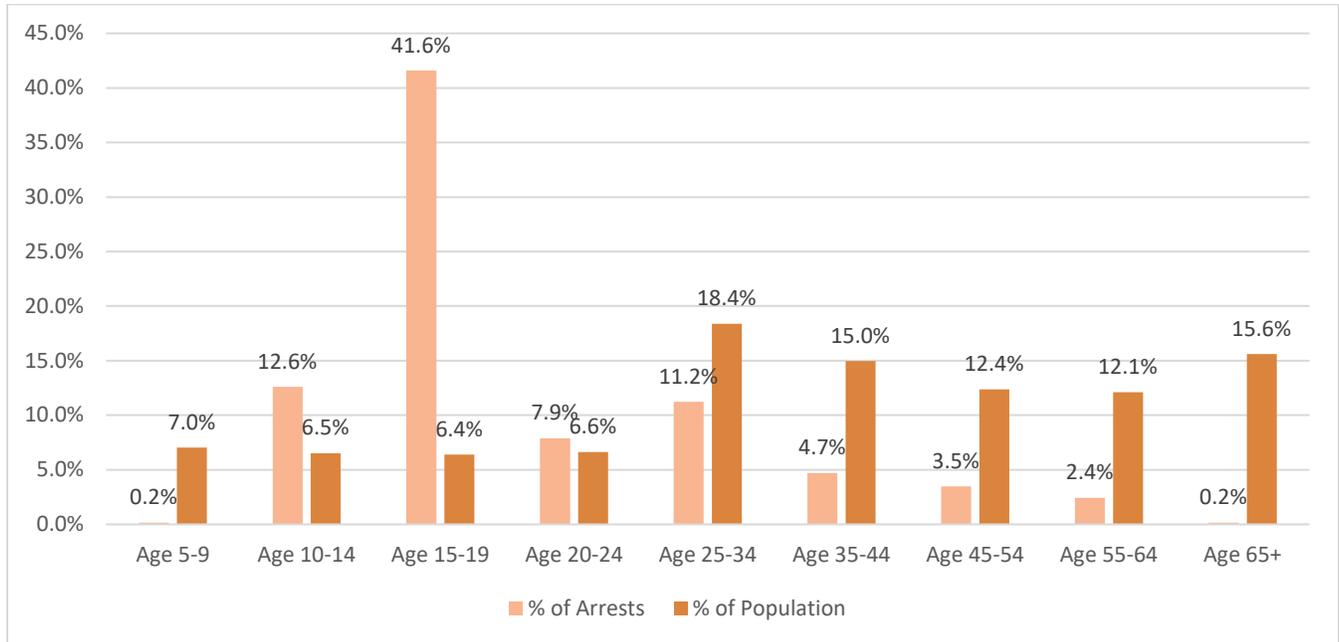
² Source: SANDAG 2020 Estimates.

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.

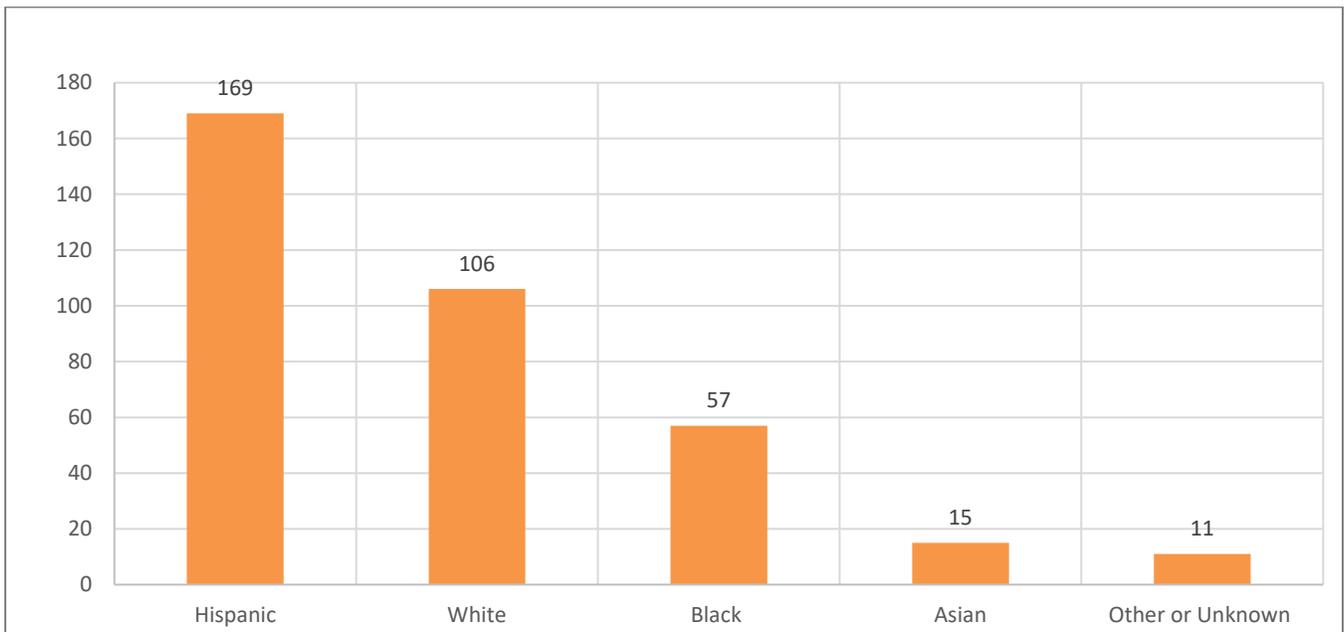
Exhibit 9 presents the race/ethnicity of individuals under the age of 19 who were arrested for cannabis-related offenses from 2015 to 2022. As shown, Hispanic, Latino, or Spanish origin youth accounted for 47% of the arrests followed by 30% White, 16% Black/African American, 4% Asian, and 3% Other or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

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



Source: SANDAG and San Diego Police Department, 2022

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



Source: San Diego Police Department, 2022

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.

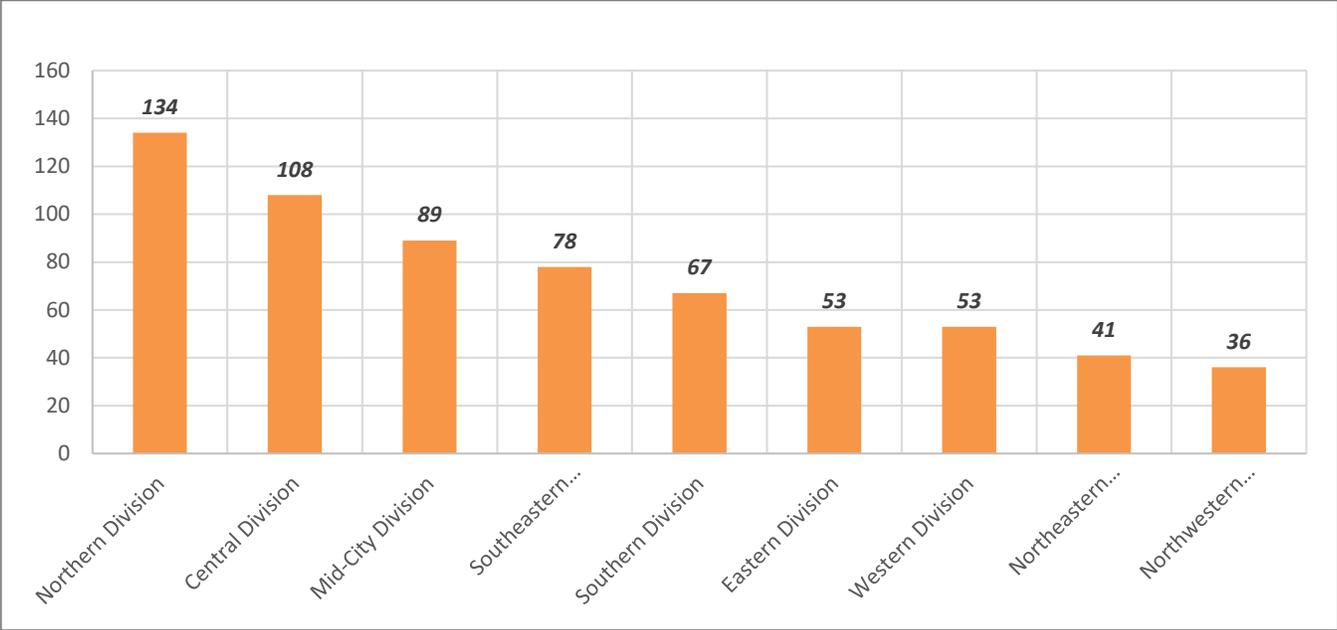
To assist San Diego County residents with reducing convictions or dismissing/expunging a criminal record, the County’s Office of the Public Defender created the Fresh Start program.

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 5 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, 2022

Table 5: 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 | Marina | 3 | |
| | Mira Mesa | 6 | Park West | 3 | |
| | Rancho Bernardo | 5 | Sherman Heights | 8 | |
| | Rancho Encantada | 6 | South Park | 3 | |
| | Rancho Penasquitos | 5 | Western (Division 6) | 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.

Source: City of San Diego Police Department, 2022

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

Minority Population

KMA evaluated the minority populations within each police division in the City. Exhibit 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.

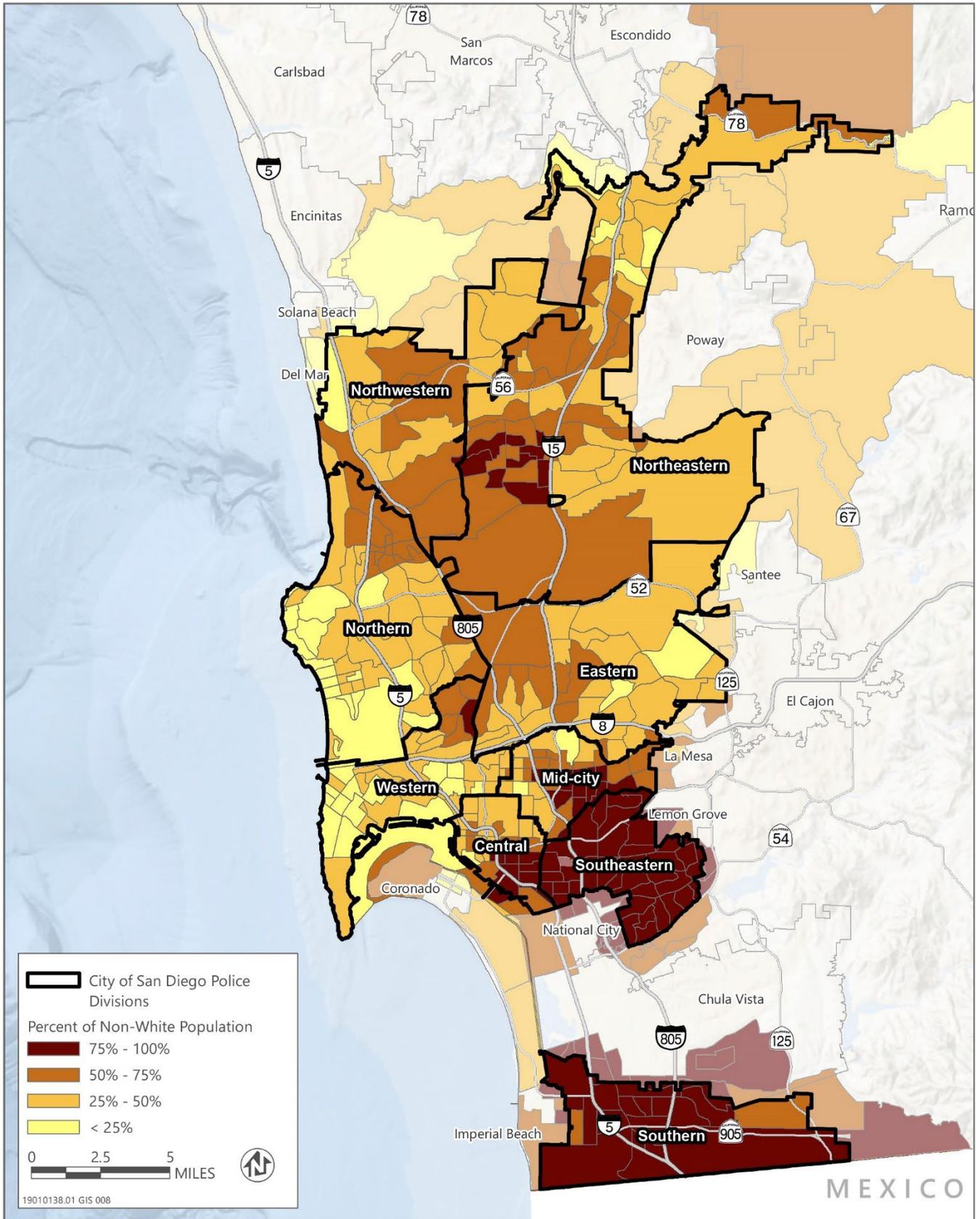
Divisions with the lowest concentration (under 25%) of non-White population are the Northern, Eastern, and Western divisions.

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.

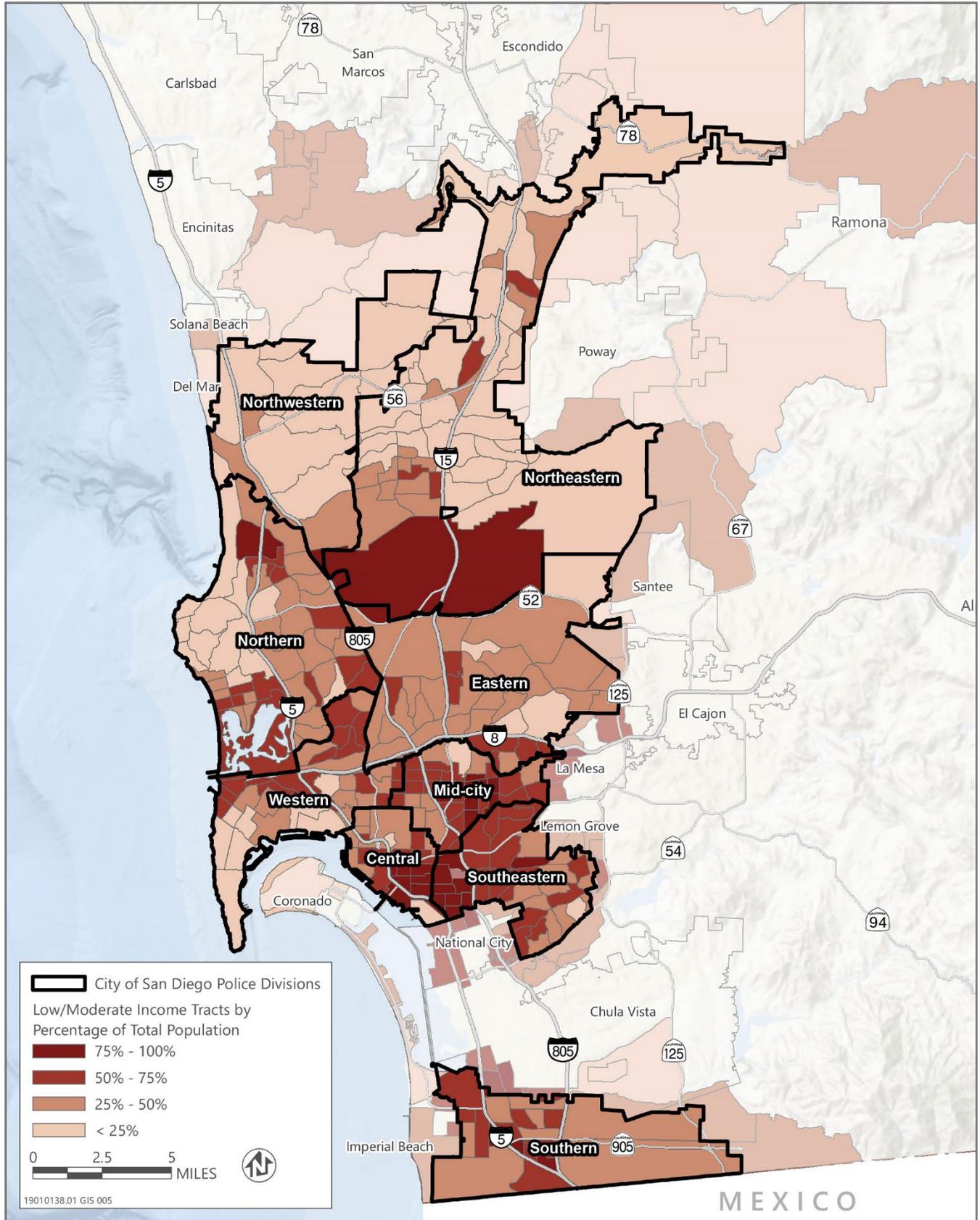
It is also evident that the divisions in the northern areas of the City (Northern, Northeastern, and Northwestern divisions) have the lowest concentrations of low-/moderate-income households.

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



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

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



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

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.

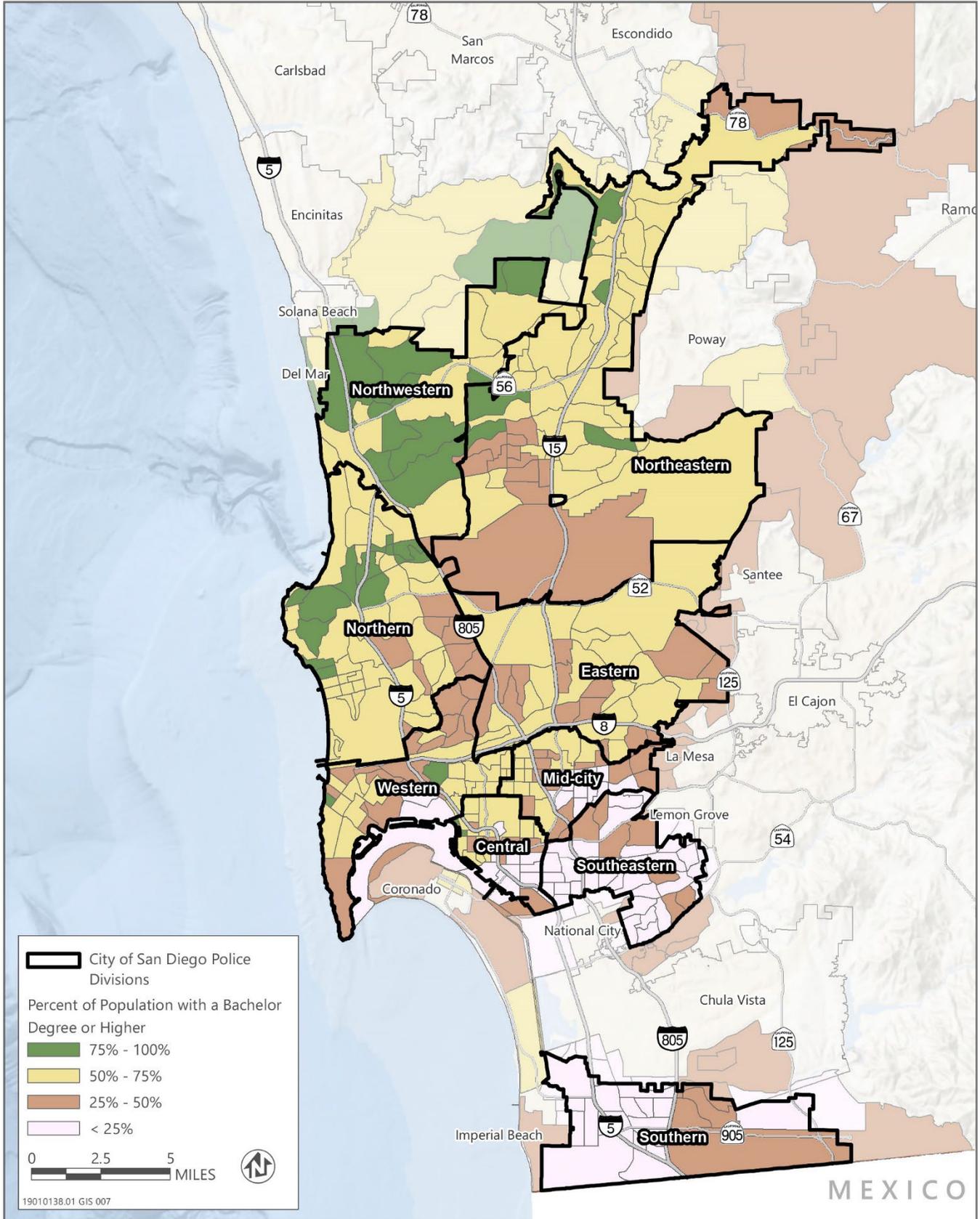
Conversely, the Southeastern, Central, and Southern divisions, which generally reflect the communities of Barrio Logan, Southeastern San Diego, and South San Diego, contain the lowest percentages of residents with bachelor's degrees.

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.

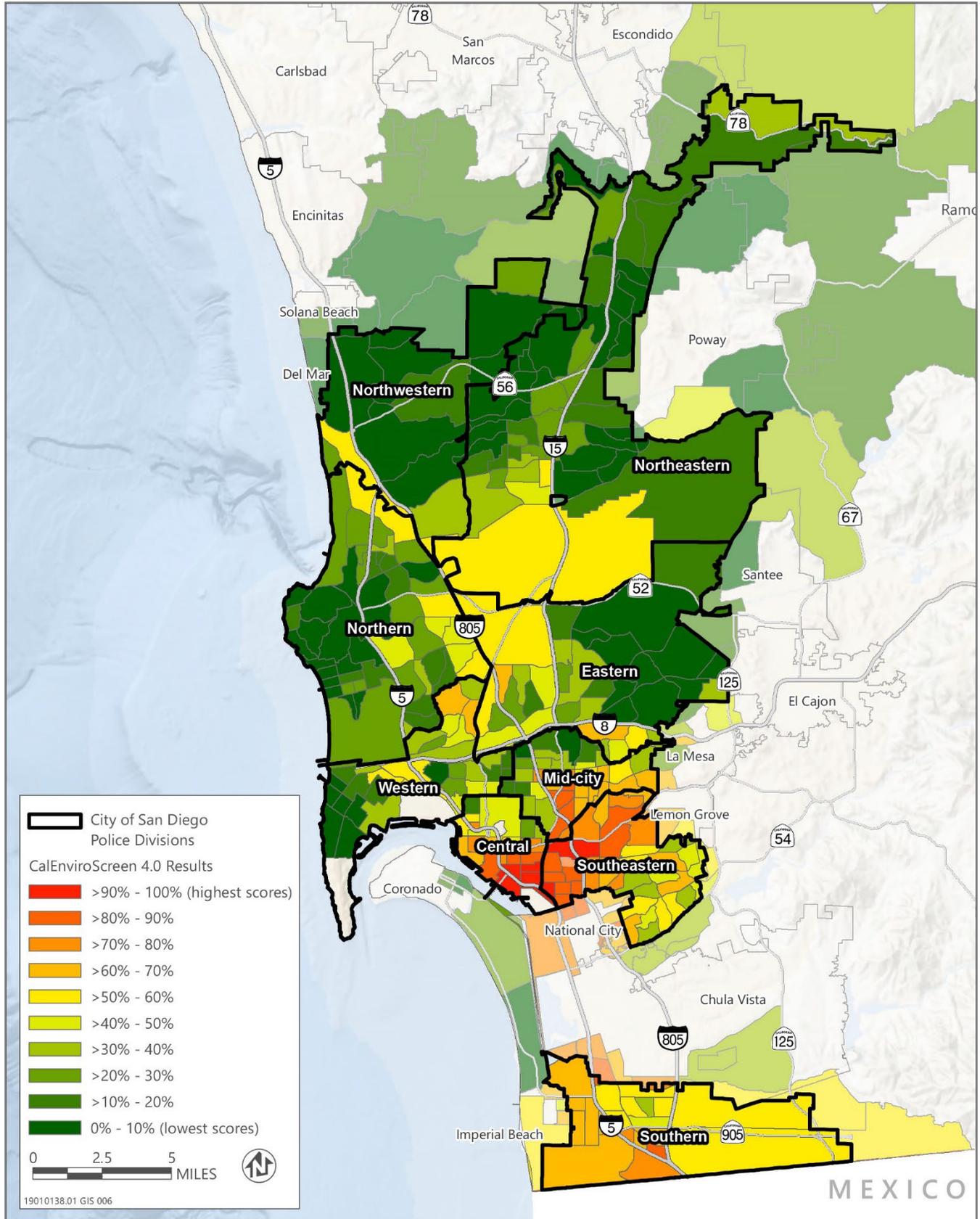
Exhibit 14 presents the CalEnviroScreen results by police division. As shown, disadvantaged communities are concentrated within the more urban areas of the City: Southeastern, Central, and Southern.

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.

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 6, 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 6.

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 6: 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 6: 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 | Miramar | 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 | Miramar 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 6: 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 6: 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% |

Source: City of San Diego Police Department, 2022

City's Efforts to Address Inequity

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

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.

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.

Cannabis Historical Arrest Data/Population Analysis, War on Drugs Policies and Timeline

To further support the conclusions of the City of San Diego’s Equity Assessment (Assessment), staff analyzed additional data from 1989 through 2015 that was provided by the San Diego Association of Governments (SANDAG) publications including: Crime in the San Diego Region as well as Law Enforcement Response to Crime in the San Diego Region. In addition to the SANDAG data analysis, included in this memo are four sections that contain information to support the City’s equity assessment. These sections include:

Section I. War on Drugs Impact: San Diego Arrest Data, Population and Zip Code Analysis

Section II. Historical & Legislative Context of Cannabis Policies

Section III. California Cannabis Policy

Section IV. Prison Incarceration Rates

Section V. Conclusion

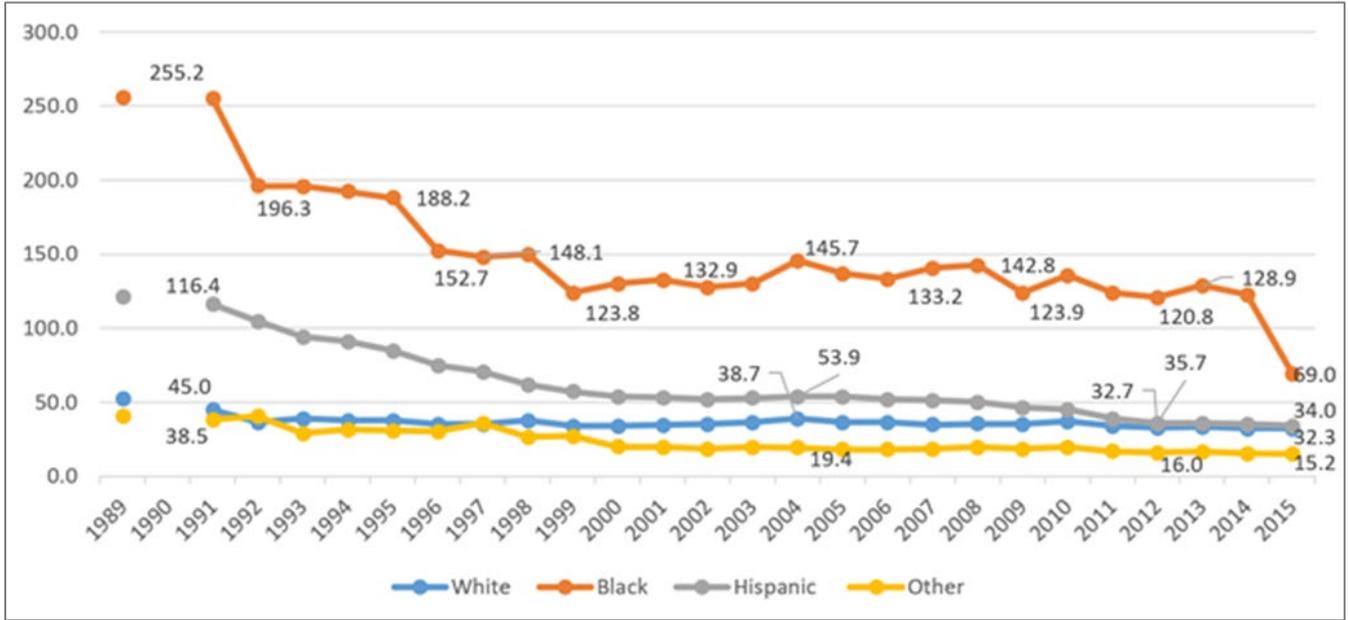
Section IV. References

Section I. War on Drugs Impact: San Diego Arrest Data, Population and Zip Code Analysis

The following data and graphics shown in Exhibits 15 and 16 are developed using SANDAG’s arrest data. Cannabis related arrests approached 8,000 persons up until 2010, where legislation created a significant reduction in arrests (a drop to 1,548 persons in 2011) that is corroborated with San Diego data included in the Assessment.

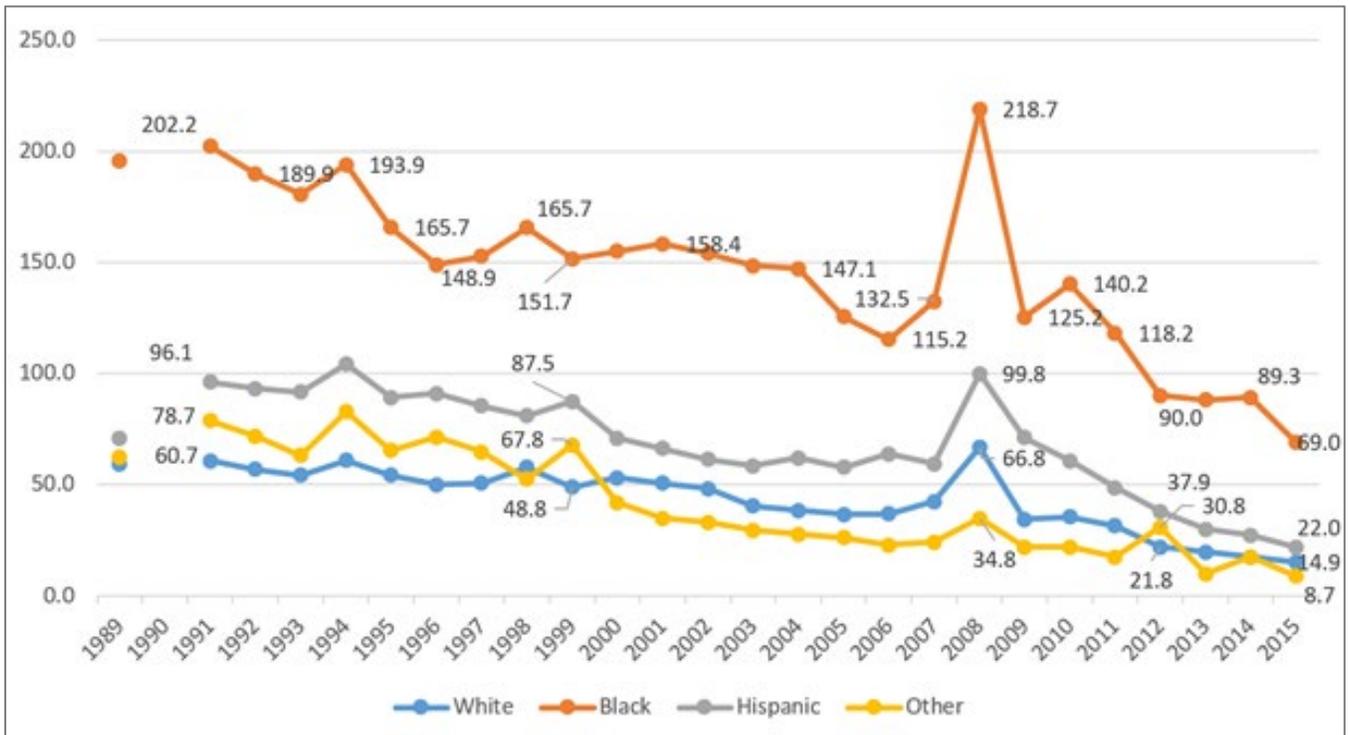
As evidenced in Exhibit 15, arrest rates for Black/African Americans in the region was 255.2 per 1000 in 1990. Arrest rates for Hispanics compared to Whites is almost double throughout much of the trend line, which is also corroborated by the SANDAG data. As shown in Exhibit 16, Juvenile Arrest Rates, the same conclusion can be drawn that Black/African Americans were disproportionately arrested.

Exhibit 15: Arrest Rates / 1,000 - Ethnicity



Source: SANDAG, Arrests in the Region Reports: 1993-2015

Exhibit 16: Juvenile Arrest Rates / 1,000 - Ethnicity



Source: SANDAG, Arrests in the Region Reports: 1993-2015

Based on the data contained in the reports, trends regionwide demonstrate the following:

- Distribution of Race/Ethnicity shows a reduction (from 1990 through 2015) in White ethnicity, while Other and Hispanic show increases.
- Black/African American population remained at about 5% of the total population. If the trend were to continue to 2021 as estimated in the Equity study, the data would arrive at rates contained within Table 7 below.

Black/African Americans and Hispanic populations were impacted disproportionately by the War on Drugs. Adult Black/African American arrest rate as a ratio to White was 5.67:1 in 1990 and 2.13:1 in 2015 (Hispanic: 2.58:1 in 1990 and 1.05:1 in 2015).

Table 7 was taken from the Assessment and supports the information provided in Exhibits 15 and 16. It is clear that as a percentage of the overall population, Black/African American and Hispanic residents have been significantly affected by the War on Drug policies that began in the 1980s as evidenced in Section II, Historical & Legislative Context of Cannabis Policies.

Table 7: Cannabis-Related Arrests by Race/Ethnicity, City of San Diego

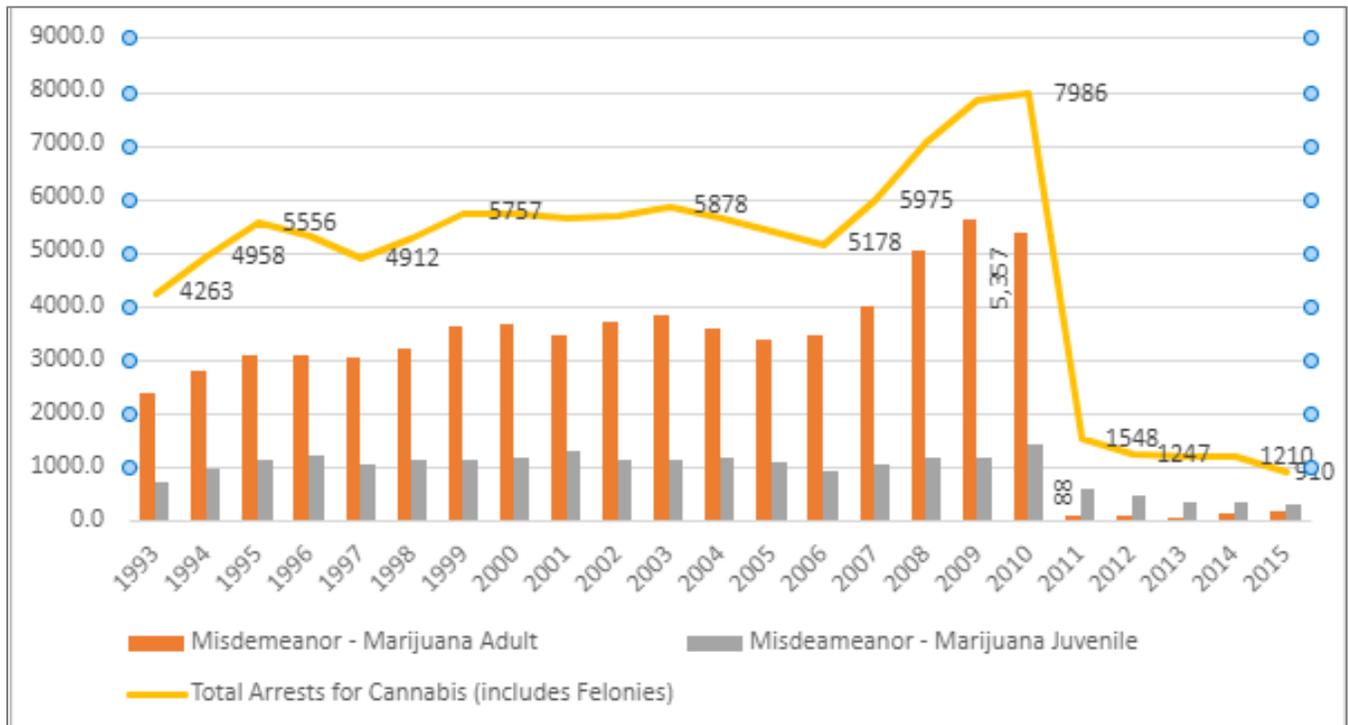
| Race/Ethnicity | Arrests (2015-2022) ¹ | | Population (2021) ² | |
|-------------------------------------|----------------------------------|-------------|--------------------------------|-------------|
| | Total | Percent | Total | Percent |
| Asian | 25 | 4% | 247,267 | 14% |
| Black/African American | 107 | 16% | 88,321 | 5% |
| Hispanic, Latino, or Spanish origin | 224 | 34% | 450,094 | 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

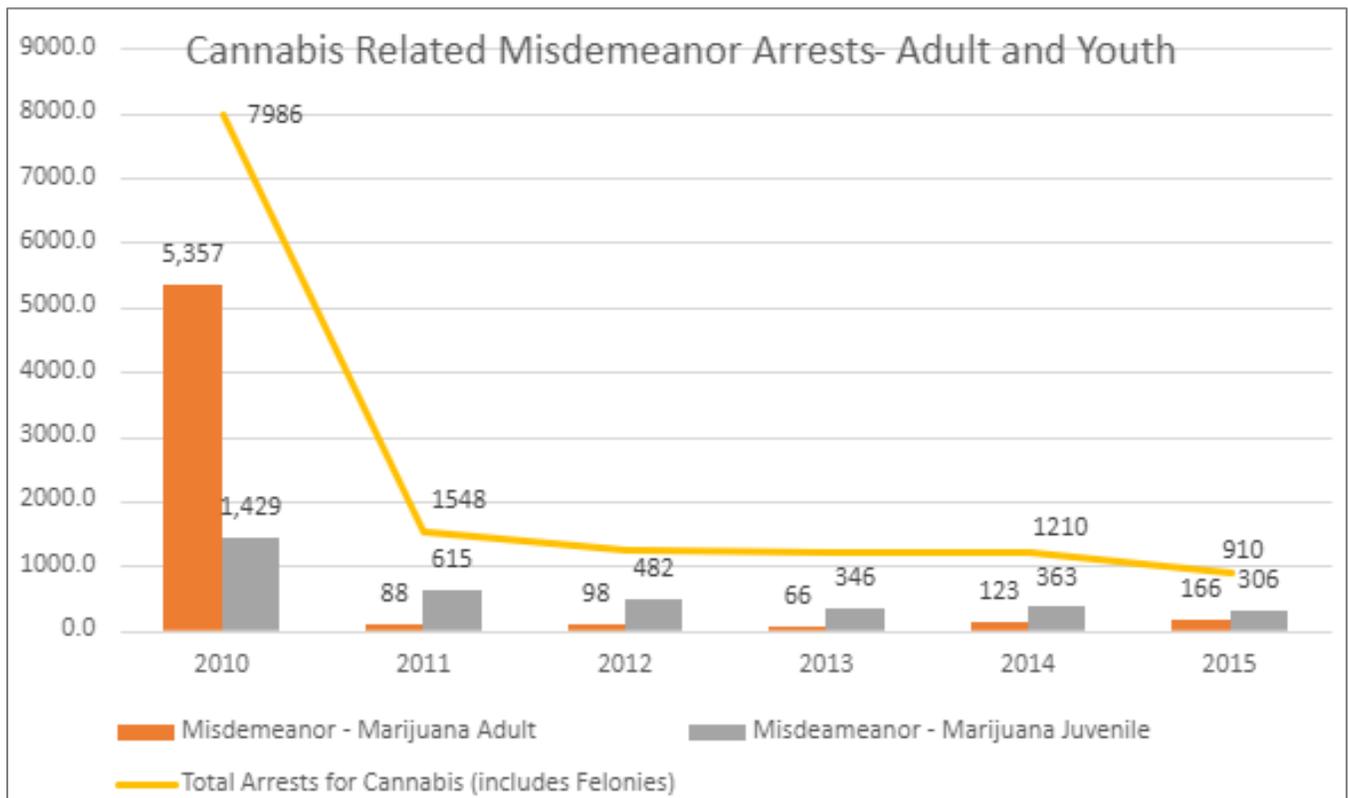
Exhibits 17 and 18 illustrate the misdemeanor arrests for both adults and juveniles related to cannabis according to the SANDAG data. The precipitous decline in arrests can be attributed to new laws being passed that reduced incarceration rates.

Exhibit 17: Cannabis Related Misdemeanor Arrests – Adult and Youth, 1993-2015



Source: SANDAG, Arrests in the Region Reports: 1993-2015

Exhibit 18: Cannabis Related Misdemeanor Arrests – Adult and Youth, 2010-2015



Source: SANDAG, Arrests in the Region Reports: 2010-2015

The Tables 8–12 and Exhibits 19–22 are taken from the SANDAG reports and illustrate the information that was used to create Exhibits 15–18.

Table 8: Arrest Rates Per 1,000 Population, Adult and Juvenile by Ethnicity

| San Diego Region | 1991 | 1994 | 1995 | 1991-95 | 1994-95 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| White | | | | | |
| Juvenile | 00.7 | 00.9 | 54.2 | -11% | -119. |
| Adult | 45.0 | 37.7 | 37.6 | -16% | <1% |
| Black | | | | | |
| Juvenile | 202.2 | 193.9 | 165.7 | -18% | -15% |
| Adult | 255.2 | 192.5 | 188.2 | -26% | <-1% |
| Hispanic | | | | | |
| Juvenile | 96.1 | 104.4 | 89.3 | -7% | <1% |
| Adult | 116.4 | 90.8 | 84.9 | -27% | -6% |
| Other | | | | | |
| Juvenile | 78.7 | 82.8 | 65.3 | -17% | -21% |
| Adult | 38.5 | 31.4 | 30.9 | -20% | -2% |
| Total Juvenile | 83.2 | 86.0 | 74.0 | -11% | -14% |
| Total Adult | 69.1 | 55.9 | 54.4 | -21% | -3% |

Sources: State Law Enforcement Information Center, Department of Finance, SANDAG 1991–1995

Table 9: Arrest Rates Per 1,000 Population by Ethnicity, San Diego Region, 1996, 1999, and 2000

| San Diego Region | 1996 | 1999 | 2000 | 1996-2000 | 1999-2000 |
|------------------|-------------|-------------|-------------|-------------|------------|
| White | | | | | |
| Adult | 36.5 | 35.3 | 31.6 | -13% | -10% |
| Juvenile | 50.0 | 48.8 | 44.3 | -11% | -9% |
| Black | | | | | |
| Adult | 152.2 | 128.0 | 116.7 | -23% | -9% |
| Juvenile | 152.7 | 123.8 | 111.8 | -27% | -10% |
| Hispanic | | | | | |
| Adult | 148.9 | 151.7 | 144.2 | -3% | -5% |
| Juvenile | 77.7 | 62.3 | 60.9 | -22% | -2% |
| Adult | 74.9 | 57.2 | 56.3 | -25% | -2% |
| Juvenile | 91.1 | 87.5 | 83.6 | -8% | -4% |
| Other | | | | | |
| Adult | 35.9 | 32.5 | 29.3 | -18% | -10% |
| Juvenile | 30.3 | 27.3 | 24.6 | -19% | -10% |
| Juvenile | 71.3 | 67.8 | 61.7 | -13% | -9% |
| TOTAL | 51.9 | 46.4 | 42.9 | -17% | -8% |
| Total Adult | 49.2 | 43.1 | 39.7 | -19% | -8% |
| Total Juvenile | 71.6 | 69.8 | 65.2 | -9% | -7% |

Sources: State Law Enforcement Information Center, Department of Finance, SANDAG 1996–2000

Table 10: Total Arrest Rates by Ethnicity, 2001, 2004, and 2005

| San Diego Region | 2001 | 2004 | 2005 | Change | |
|------------------|--------------|--------------|--------------|----------------|----------------|
| | | | | 2001-2005 | 2004-2005 |
| White | 36.0 | 38.6 | 36.5 | 1% | -5% |
| Adult | 34.4 | 38.7 | 36.5 | 6% | -6% |
| Juvenile | 50.7 | 38.3 | 36.9 | -27% | -4% |
| Black | 137.1 | 146.0 | 134.0 | -2% | -8% |
| Adult | 132.9 | 146.0 | 135.5 | 2% | -7% |
| Juvenile | 158.4 | 146.1 | 126.2 | -20% | -14% |
| Hispanic | 55.8 | 55.1 | 54.9 | -2% | <-1% |
| Adult | 53.3 | 53.6 | 54.2 | 2% | 1% |
| Juvenile | 66.2 | 61.2 | 58.1 | -12% | -5% |
| Other | 22.0 | 20.6 | 19.6 | -11% | -5% |
| Adult | 19.8 | 19.4 | 18.5 | -7% | -5% |
| Juvenile | 34.8 | 27.7 | 26.8 | -23% | -3% |
| TOTAL | 44.5 | 46.2 | 44.3 | <-1% | -4% |
| Total Adult | 41.9 | 45.2 | 43.5 | 4% | -4% |
| Total Juvenile | 61.1 | 52.5 | 49.4 | -19% | -6% |

Notes: Total includes felony, misdemeanor, and status arrests. Adult rates include felony and misdemeanor arrests; juvenile rates include felony, misdemeanor, and status arrests. The populations used to calculate arrest rates include individuals ten years and older (10-17 for juveniles and 18 and older for adults), based upon U.S. Census 2000 and current California Department of Finance updates.

Sources: California Department of Justice, Criminal Justice Statistics Center; U.S. Census Bureau, Census 2000; California Department of Finance, Revised E5 City/County Population Estimates, May 2006; SANDAG, Demographic/Economic Estimates August 2006.

Table 11: Total Arrest Rates by Ethnicity, 2006, 2009, and 2010

| San Diego Region | 2006 | 2009 | 2010 | Change | |
|------------------|--------------|--------------|--------------|-------------|------------|
| | | | | 2006-2010 | 2009-2010 |
| White | 36.7 | 34.9 | 35.3 | -4% | 1% |
| Adult | 36.7 | 35.0 | 35.7 | -3% | 2% |
| Juvenile | 36.8 | 34.4 | 30.7 | -17% | -11% |
| Black | 130.3 | 124.1 | 121.0 | -7% | -3% |
| Adult | 133.2 | 123.9 | 121.6 | -9% | -2% |
| Juvenile | 115.2 | 125.2 | 116.8 | 1% | -7% |
| Hispanic | 54.2 | 50.5 | 48.8 | -10% | -3% |
| Adult | 52.1 | 46.4 | 44.4 | -15% | -4% |
| Juvenile | 63.8 | 71.2 | 72.8 | 14% | 2% |
| Other | 18.8 | 18.7 | 18.8 | 0% | 1% |
| Adult | 18.1 | 18.3 | 18.6 | 3% | 2% |
| Juvenile | 22.8 | 21.8 | 20.1 | -12% | -8% |
| TOTAL | 43.9 | 41.6 | 41.1 | -6% | -1% |
| Total Adult | 42.9 | 40.1 | 39.9 | -7% | <-1% |
| Total Juvenile | 50.3 | 52.1 | 50.0 | -1% | -4% |

Notes: Rates include felony, misdemeanor, and status offense arrests for juveniles and totals; adult rates include felony and misdemeanor arrests. The populations used to calculate arrest rates include individuals ten years and older (10-17 for juveniles and 18 and older for adults).

Sources: California Department of Justice, Criminal Justice Statistics Center, California Department of Finance, SANDAG, Demographic/Economic Estimates August 2010.

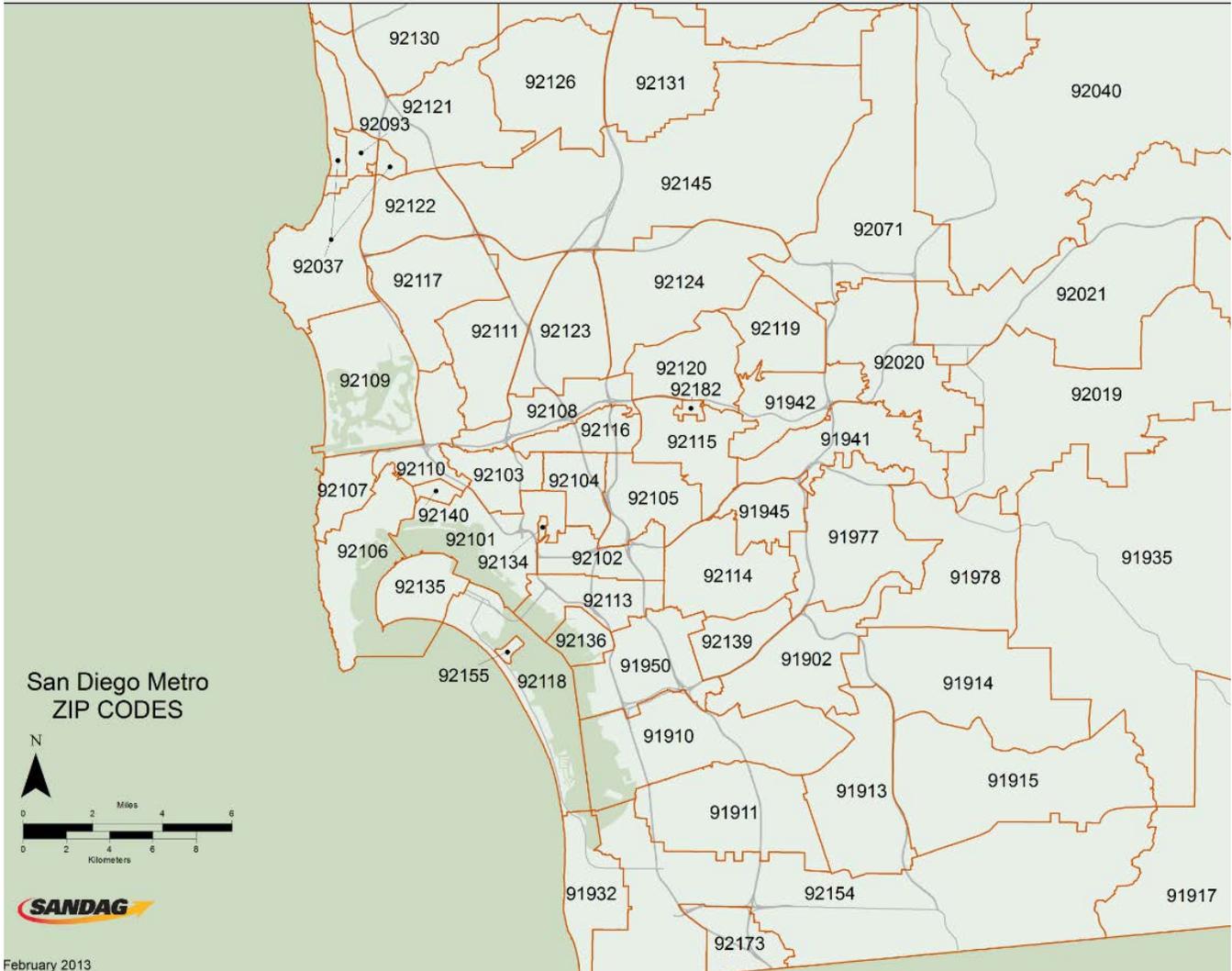
Table 12: Total Arrest Rates by Ethnicity, 2011, 2014, and 2015

| San Diego Region | 2011 | 2014 | 2015 | Change | |
|------------------|--------------|--------------|--------------|-------------|------------|
| | | | | 201-2015 | 2014-2015 |
| White | 33.6 | 31.1 | 31.0 | -8% | 0% |
| Adult | 33.8 | 32.3 | 32.3 | -4% | 0% |
| Juvenile | 31.4 | 17.5 | 14.9 | -53% | -15% |
| Hispanic | 40.5 | 33.9 | 32.0 | -21% | -6% |
| Adult | 38.7 | 35.3 | 34.0 | -12% | -4% |
| Juvenile | 48.6 | 27.3 | 22.0 | -55% | -19% |
| Black | 123.3 | 118.8 | 116.6 | -5% | -2% |
| Adult | 124.0 | 122.6 | 122.6 | -1% | 0% |
| Juvenile | 118.2 | 89.3 | 69.0 | -42% | -23% |
| Other | 17.0 | 14.8 | 14.4 | -15% | -3% |
| Adult | 16.9 | 15.5 | 15.2 | -10% | -2% |
| Juvenile | 17.4 | 10.1 | 8.7 | -50% | -14% |
| TOTAL | 37.3 | 33.2 | 32.4 | -13% | -2% |
| Total Adult | 36.8 | 34.5 | 34.1 | -7% | -1% |
| Total Juvenile | 41.2 | 23.7 | 19.4 | -53% | -18% |

Notes: Rates include felony, misdemeanor, and status offense arrests for juveniles and totals; adult rates include felony and misdemeanor arrests. The populations used to calculate arrest rates include individuals ten years and older (10-17 for juveniles and 18 and older for adults).

Sources: California Department of Justice, Criminal Justice Statistics Center, California Department of Finance, SANDAG Population Estimates January 2015.

Exhibit 19: SANDAG Zip Code Map

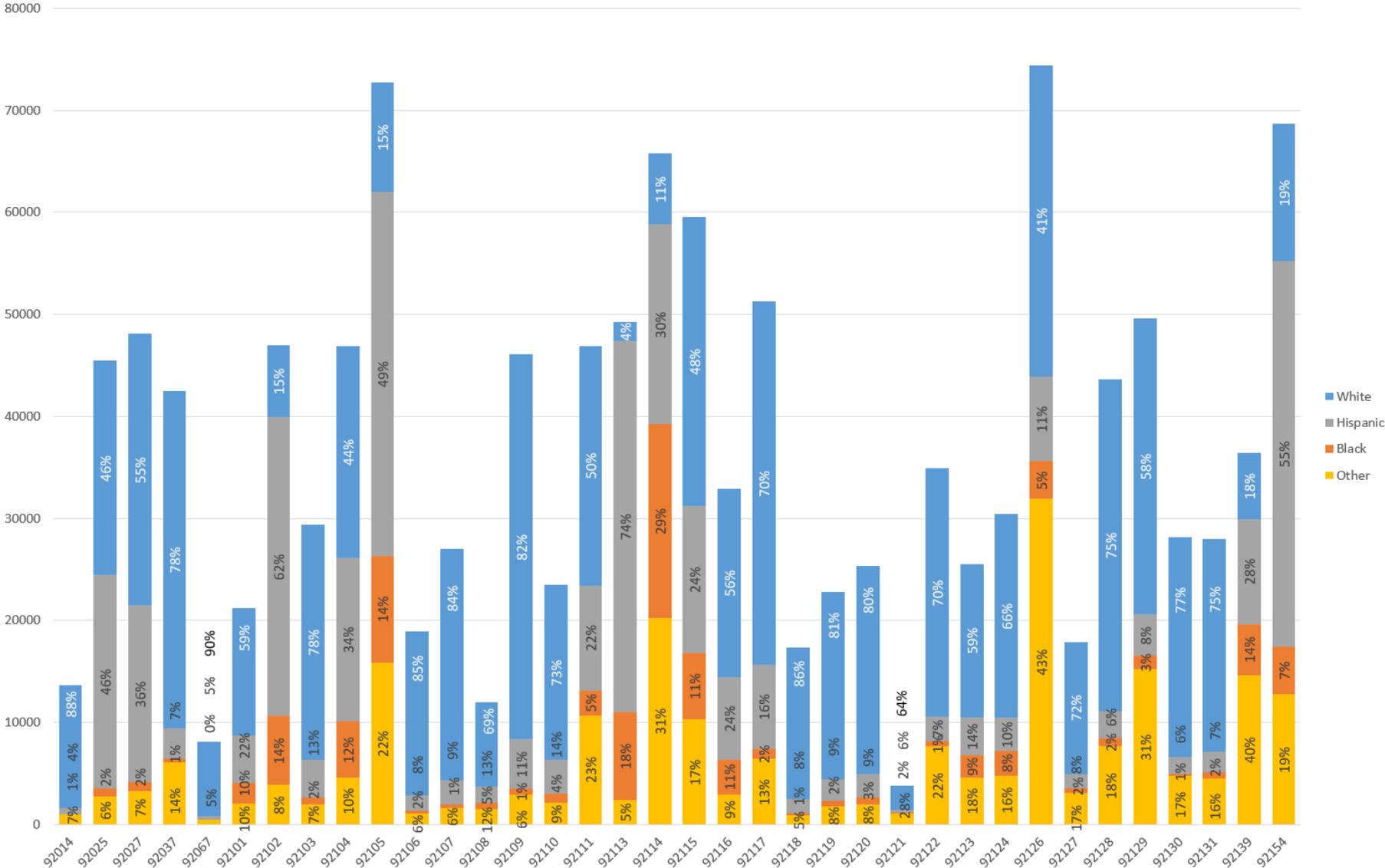


February 2013

Source: SANDAG, February 2013.

Exhibit 20: Population in 2000 – US Census

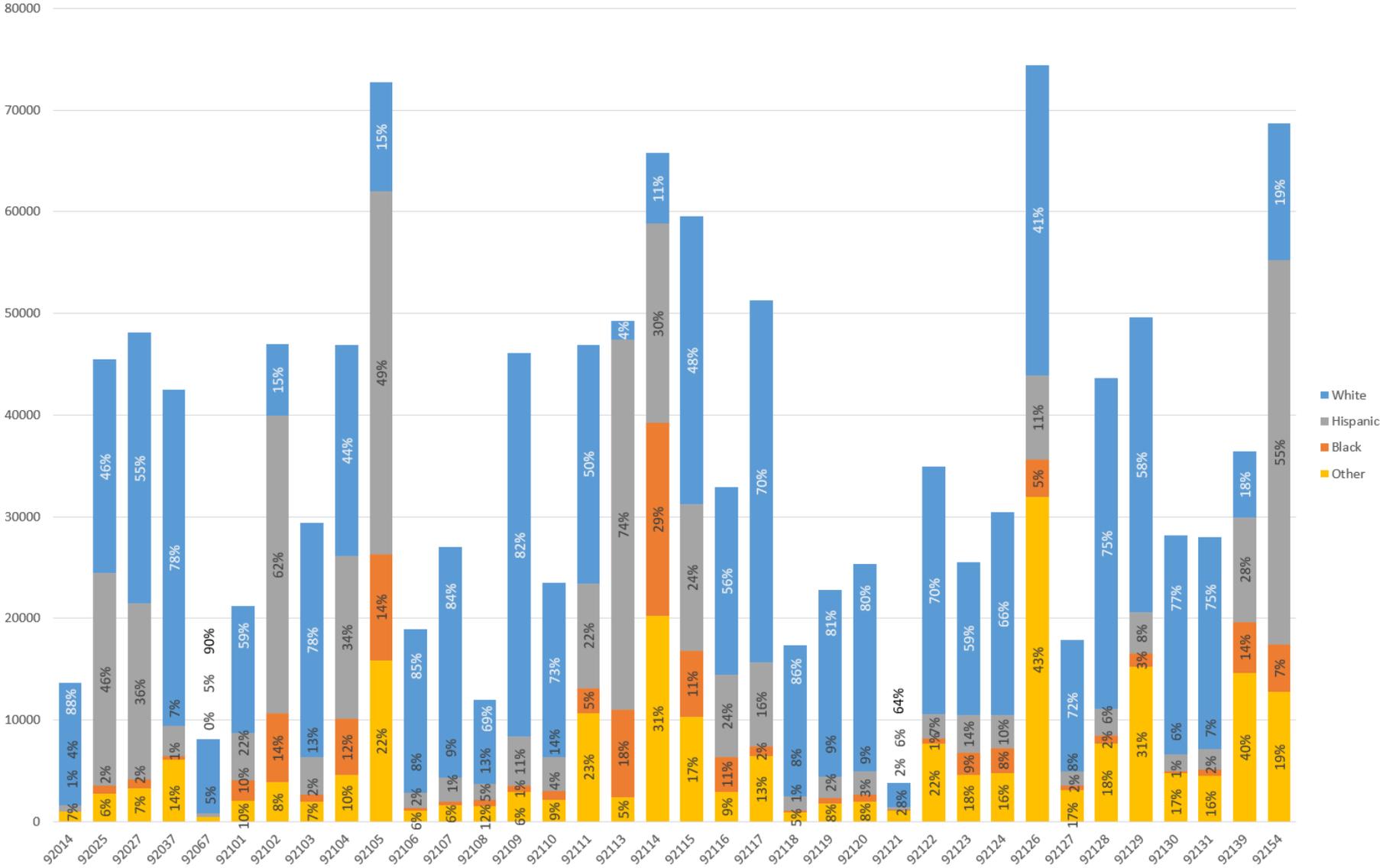
2000 Population by Ethnicity - City of San Diego



Source: SANDAG, 2000 Census

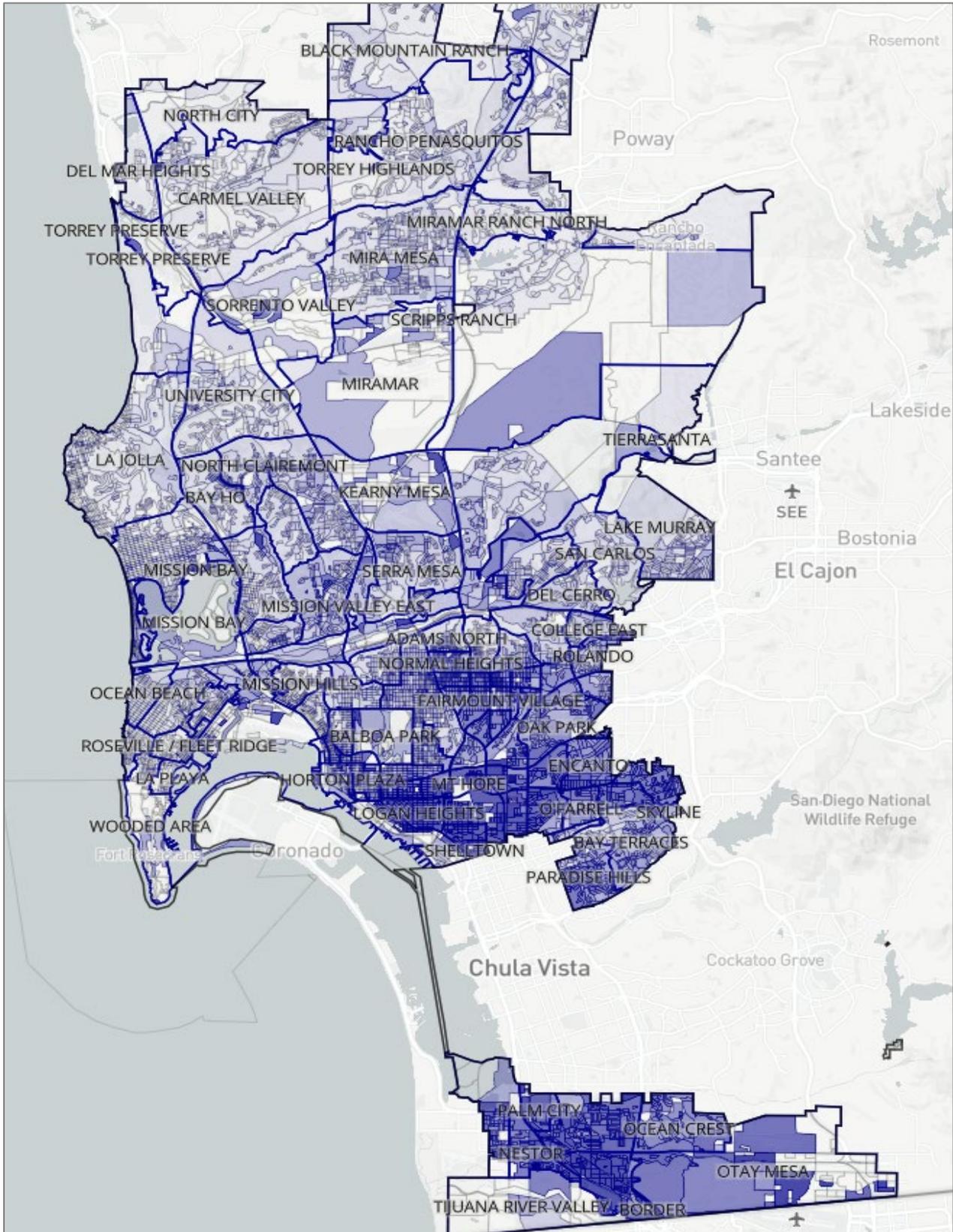
Exhibit 21: Population in 2010 - US Census

2000 Population by Ethnicity - City of San Diego



Source: SANDAG Census Statistics

Exhibit 22: 2020 Population of Black/African American, Hispanic and American Indian Residents



Notes: Information depicted on this redistricting map defines a collection of racial and ethnic groups including: Black, Hispanic and American Indian from derived from 2020 US Census data. Source: City of San Diego Redistricting Commission, 2022, <https://districtr.org/plan/142323>)

Section II. Historical & Legislative Context of Cannabis Policies

The history of the War on Drugs in California and in particular San Diego is intertwined with a number of major events and the history of the laws in the United States regarding cannabis use and possession. The following timeline of historical and legislative events beginning in 1906 thru today has been gathered and cited from the City/County of San Francisco's Cannabis Equity Report, Wikipedia sources, as well as from the San Diego Treatment Center which references a September 13, 2016 article in the [Los Angeles Times](#) and from the book [Marijuana Legalization: What Everyone Needs to Know](#) (written by Jonathan P. Caulkins, Beau Kilmer and Mark A.R. Kleinman).

United States Drug and Cannabis Policy

Food and drug regulation began in the United States with the Federal Food and Drug Act of 1906. The law permitted the U.S. Department of Agriculture's Bureau of Chemistry to test, regulate, and standardize commercial substances (Hudak 2016: pp. 32). Between 1906 and 1942, the federal government primarily regulated narcotics through taxation, with the exception of opium and cocaine. The Opium Exclusion Act of 1909 limited opium imports, partially over legitimate concerns regarding the drug's level of addiction and health effects. However, its passage was contemporaneously supported by xenophobic fears of East Asian immigrants, foreshadowing the federal government's racialization of drug policy throughout much of the 20th century (Hudak 2016: pp. 34).

In 1911, Governor Eugene Foss of Massachusetts signed the first law prohibiting marijuana in the United States. The law stated that it allowed for search warrants to be issued for the search of "hypnotic drugs" and to arrest and charge those possessing these drugs. Marijuana was one of the targeted drugs of this legislation.

The Harrison Act of 1914 created a prescription registry and imposed a special tax on narcotics imports. In 1927, Congress reorganized the drug regulatory structure by establishing the Food, Drug, and Insecticide Administration, which was shortened to the Food and Drug Administration in 1930. The year 1930 brought further administrative and bureaucratic changes, including the transfer of powers from existing agencies to the newly created Bureau of Narcotics (Hudak 2016: pp. 35). The Bureau of Narcotics was given broad jurisdiction over controlling narcotics, and its first commissioner, Harry J. Anslinger, pushed cannabis regulations further towards criminalization and as an outlet for discrimination and marginalization (Hudak 2016: pp. 35-36).

Throughout his tenure as Narcotics Commissioner, Anslinger gave speeches across the United States, portraying cannabis as, "a scourge on society, ruining the moral fabric of America..." (Hudak 2016: pp. 36). Anslinger often implicated Mexicans, Mexican-Americans, and African Americans as drug users, even stating explicitly that Mexico was responsible for introducing cannabis to the United States (Anslinger 1937). In *Marijuana: A Short History*, John Hudak

connects the racialization of cannabis policy to wider geopolitical events at the time. After the Mexican-American War (1846-1848) and continuing into the early 20th century, America received an influx of Mexican immigrants, which further exacerbated existing racial tensions. Hudak writes, “As Americans sought a pretext to vilify this new immigrant community, they found an ideal culprit in marijuana...fear and anti-immigrant sentiment prompted state-level bans on cannabis...” (Hudak 2016: pp. 38).

Anslinger conducted public opinion campaigns to support the criminalization of cannabis at the state and federal levels. By the time Congress passed the Uniform State Narcotic Act in 1932, urging states to unify narcotics laws and implement criminal punishments, 29 states had already criminalized the use of cannabis (Hudak 2016: pp. 37).

The Marihuana Tax Act of 1937 levied a tax on every group involved with producing, distributing, selling and purchasing cannabis, including importers, growers, sellers, prescribers, physicians, veterinarians, patients, and other consumers. Failing to pay any of these taxes resulted in heavy fines and jail time (Hudak 2016: pp. 37). In October 1937, the first seller of marijuana was arrested under federal law. Samuel R. Caldwell was arrested and convicted. He spent four years in prison, and his customer was also arrested and incarcerated for a period of 18 months.

Despite facing some objections against implementing harsh punishments for cannabis offenses, Anslinger and Congress continued to criminalize cannabis in stricter terms (Hudak 2016: pp. 38-39). The Boggs Act of 1951 created mandatory minimum sentences for those convicted of drug-related offenses. These sentences were soon increased with the Narcotics Control Act of 1956 (Hudak 2016: pp. 39).

The counterculture movements of the 1960s pushed back against social norms and government actions and policies that were perceived as unjust (Hudak 2016: pp. 41-42). Cannabis took on a visible role within some of these countercultures, as well as within the music industry and media. Cannabis use increased among American youth, and the United States government, perceiving itself as under siege, responded again with increased criminalization (Hudak 2016: pp. 42). In 1961, [The United Nations](#) created an international treaty to ban marijuana and other narcotic drugs.

Presidential administrations from the 1950s onward frequently pushed the criminalization of cannabis alongside urgent social narratives. President Eisenhower’s Interdepartmental Committee on Narcotics published a report in 1956 that detailed the harms of cannabis on youth and communities, without scientifically evaluating the impacts of cannabis usage (Hudak 2016: pp. 43-44). One exception was President Kennedy’s Advisory Committee on Narcotic and Drug Abuse, established with Executive Order 11076 in 1963, which found that drugs were not grouped together legally based on the risk of addiction or level of health effects, and even stated that mandatory minimums should be reconsidered (Hudak 2016: pp. 46). However, Kennedy was assassinated shortly thereafter, and his successor, President Johnson, did not take action

on many of the Committee’s findings. Despite this, Lyndon B. Johnson had a relatively nuanced stance on drug usage, distinguishing between dealers and users and recognizing the public health and safety need for treatment. However, Richard Nixon’s election in 1968 redirected the government’s focus back to criminalization and punishment (Hudak 2016: pp. 48).

In 1968, President Lyndon B. Johnson decided that the government needed to make an effort to curtail the social unrest that blanketed the country at the time. He decided to focus his efforts on illegal drug use, an approach that was in line with expert opinion on the subject at the time. In the 1960s, it was believed that at least half of the crime in the U.S. was drug-related, and this number grew as high as 90 percent in the next decade (Inciardi 2008). He created the Reorganization Plan of 1968 which merged the Bureau of Narcotics and the Bureau of Drug Abuse to form the Bureau of Narcotics and Dangerous Drugs within the Department of Justice (Whitford and Yates 2009: pp. 40). The belief during this time about drug use was summarized by journalist Max Lerner in his work *America as a Civilization* (1957).

Exhibit 23: Total Incarceration in the United States by Year



The 1937 act prohibited marijuana but did not outright ban the drug. In 1970, the federal government passed the Controlled Substances Act that set up the Drug Enforcement Administration and classified drugs according to different schedules. Marijuana was, and still is, classified as a Schedule I controlled substance, meaning it has no recognized medicinal uses and is considered to be a substance with a very high potential for abuse and the development of physical dependence. Despite numerous research studies suggesting that marijuana has some medicinal uses and that its potential for the development of physical dependence is actually rather mild in most cases, this classification has not changed. This act influenced many legal and state proposals regarding marijuana and other drugs. In April 1970, the National Organization for the Reform of Marijuana

Laws (NORML) was formed. The position was funded by a grant of \$5,000 from the Playboy Foundation.

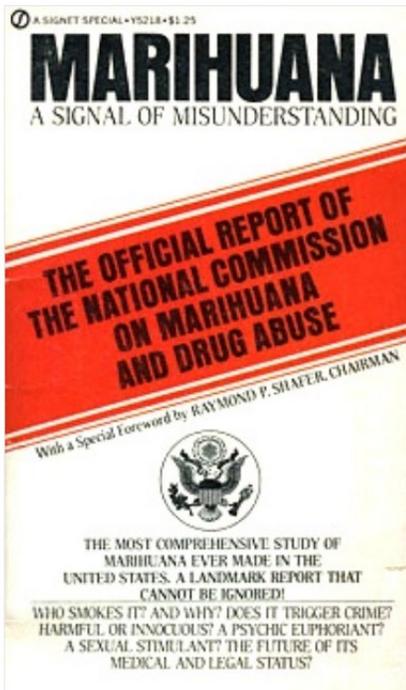
Richard Nixon became president in 1969 and did not back away from the anti-drug precedent set by Johnson. Nixon began orchestrating drug raids nationwide to improve his "watchdog" reputation. Lois B. Defleur, a social historian who studied drug arrests during this period in Chicago, stated that, "police administrators indicated they were making the kind of arrests the public wanted". Additionally, some of Nixon's newly created drug enforcement agencies would resort to illegal practices to make arrests as they tried to meet public demand for arrest numbers. From 1972 to 1973, the Office of Drug Abuse and Law Enforcement performed 6,000 drug arrests in 18 months, the majority of the arrested black (Whitford and Yates 2009: pp. 47).

After Congress passed the Controlled Substances Act in 1970, President Nixon formally declared a "War on Drugs" (Nixon 1971). Nixon, however, had been focused on this war for years, as a part of his "Southern Strategy," which sought to marginalize vulnerable populations, especially minorities (Hudak 2016: pp. 50). In fact, Nixon's adviser, John Ehrlichman, was recorded in a 1981 interview with Lee Atwater, saying: We knew we couldn't make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest their leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news. Did we know we were lying about the drugs? Of course we did (Barish and Averick).

The events and actions that led to Nixon's formal War on Drugs proclamation include a 1969 speech to Congress, in which Nixon declared cannabis a national threat; the Supreme Court case *Leary v. United States*; Operation Intercept, a military operation that seized contraband at the U.S.-Mexico border; and the 1969 Bipartisanship Leadership Meeting on Narcotics and Dangerous Drugs (Hudak 2016: pp. 51-52; Nixon 1969).

According to Human Rights Watch, the War on Drugs caused soaring arrest rates that disproportionately targeted African Americans due to various factors (Human Rights Watch 2000). John Ehrlichman, an aide to Nixon, said that Nixon used the war on drugs to criminalize and disrupt black and hippie communities and their leaders (Lopez 2016).

The 1970 Controlled Substances Act is crucial because it formalized drug schedules, which categorized drugs into legal groups for sentencing and other purposes (U.S. Department of Justice 2017). However, Congress, not the scientific or medical community, sorted drugs into schedules, placing cannabis in Schedule I alongside drugs with much higher levels of addiction and health effects (Hudak 2016: pp. 54). The law expanded the government's powers for regulating drugs and gave Nixon the foundation for his upcoming War on Drugs (Hudak 2016: pp. 55). Nixon's final substantial action in the War on Drugs was his proposal to Congress to reorganize the government agencies that regulate drugs and narcotics, the "Reorganization Plan 2 of 1973" (Nixon 1973).



Congress approved and the Drug Enforcement Administration (DEA) was created within the Department of Justice. The DEA consolidated functions and jurisdictions and has consistently received significant increases in funding and employees since its creation (U.S. Drug Enforcement Agency 2017).

In March 1972, the Shafer commission appointed by President Nixon refuted the gateway theory of marijuana as being a drug that leads to significant use of other drugs or to crime. In June 1972, California attempted to decriminalize personal marijuana use through Proposition 19. The proposition failed.

In 1976, the Moscone Act in California changed possession for small amounts of marijuana from a felony to a misdemeanor. The passage of the law was prompted by an extremely high number of cannabis related arrests in the criminal justice system.

The Investigative New Drug Program (IND) was a federal program that was instituted around 1976 because of a lawsuit against the federal government by a cannabis patient that reached the Supreme Court- (US v. Randall (D.C. Super. Ct. 1976)). The federal government eventually had to acquiesce under the IND program and they allowed 13 patients to access medical cannabis from the DEA research facility in Mississippi. Today the program is closed (since 1992) and there is only one patient left who receives cannabis from the FDA (every month in a tin can comes 100 joints rolled by the FDA).

President Ford continued Nixon's tough rhetoric, expanding the United States' involvement in drug operations internationally. At the same time, Ford supported treatment and prevention, later revealing that drug addiction was a personal issue to his family. Like President Ford before him, Carter worked to stem international drug trafficking while attempting to reform aspects of drug policy at home. In his 1977 "Drug Abuse Message to the Congress," Carter laid out his vision to increase funding for research, create federal prevention and treatment programs, and shift the government's regulatory focus to drugs with more severe health consequences. Carter's proposals were never realized (Hudak 2016: pp. 67-70; Carter 1977).

Like Nixon, Reagan incorporated drug policy into his broader political strategy. He continued to expand the United States' drug involvement efforts internationally while enhancing penalties and reducing defenses for the accused domestically (Hudak 2016: pp.73). Finally, Reagan expanded education and treatment programs, enlisting the help of First Lady Nancy Reagan. With Executive Order No. 12368, Reagan created the Drug Abuse Policy Office (Reagan 1982). The Office quickly won a series of legislative successes, including the Comprehensive Crime Control Act of 1984, the Anti-Drug Abuse Act of 1986, and the Anti-Drug Abuse Act of 1988 (Hudak 2016: pp. 76).

In the 1980s, while the number of arrests for all crimes had risen by 28%, the number of arrests for drug offenses rose 126% (Austin 1989). The result of increased demand was the development of privatization and the for-profit prison industry. The US Department of Justice, reporting on the effects of state initiatives, has stated that,

from 1990 through 2000, "the increasing number of drug offenses accounted for 27% of the total growth among black inmates, 7% of the total growth among Hispanic inmates, and 15% of the growth among white inmates." In addition to prison or jail, the United States provides for the deportation of many non-citizens convicted of drug offenses (Yates et al. 1995).

All of these laws enhanced criminal punishments for drug-related offenses. The 1986 law expanded the crimes to which mandatory minimums applied, and the 1988 law enhanced these minimums (Hudak 2016: pp. 76). In 1989, President H.W. Bush created the Office of National Drug Control Policy, replacing Reagan's Drug Abuse Policy Office. The director of this office is referred to as the "Drug Czar", whose influence in U.S. drug policy continues to this day (Hudak 2016: pp. 76). The 1988 law also increased funding for education programs, and redirected funds in other programs towards drug-related programs. Researchers have evaluated the effectiveness of drug education programs, and found limited, if any, effects on curbing drug use among American youth (Engs and Fors 1988).

In August 1992, the Board of Supervisors in San Francisco, CA, became the first city government to recognize that marijuana had medicinal uses. The enforcement of marijuana laws is made the city's lowest priority.

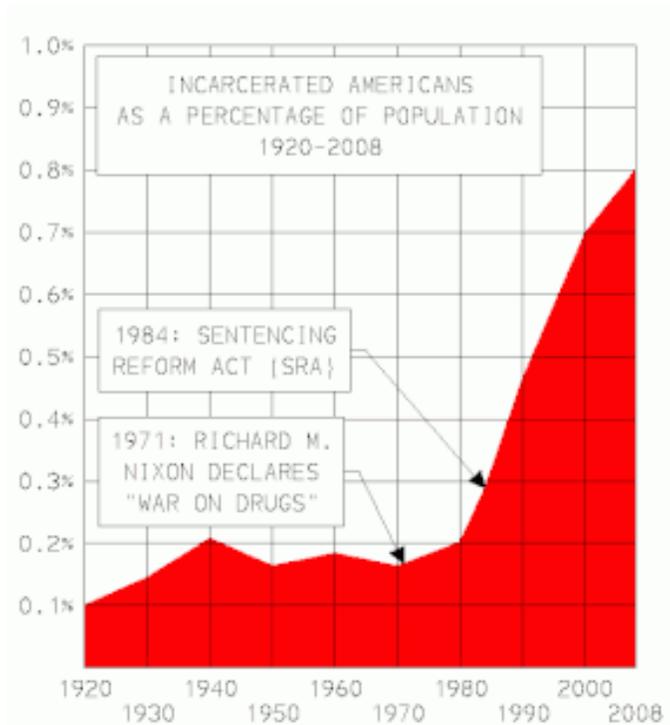
President Bill Clinton incorporated kinder rhetoric when speaking about drug use, although his policies continued to intensify criminal punishments for cannabis (Hudak 2016: pp. 81-82). For instance, the Violent Crime Control and Law Enforcement Act of 1994 intensified criminalization, introducing the "three strikes" provision for traffickers, and increased funding for prisons and local law enforcement (Hudak 2016: pp. 82-83). After the 1994 law, arrests for cannabis users increased significantly. In 1991, there were around 327,000 arrests for cannabis related offenses. By 2000, there were over 700,000 (King and Mauer 2006). Meanwhile, states began legalizing medical cannabis; some states authorized medical cannabis on the day Clinton was reelected to office (Hudak 2016: pp. 83).

In 1994, the *New England Journal of Medicine* reported that the "War on Drugs" resulted in the incarceration of one million Americans each year (Grinspoon and Bakalar 1994). In 2008, *The Washington Post* reported that of 1.5 million Americans arrested each year for drug offenses, half a million would be incarcerated (Will 2009). In addition, one in five black Americans would spend time behind bars due to drug laws (Chin 2002).

Federal and state policies also impose collateral consequences on those convicted of drug offenses, separate from fines and prison time, that are not applicable to other types of crime (New York Times 1990). For example, a number of states have enacted laws to suspend for six months the driver's license of anyone convicted of a drug offense; these laws were enacted in order to comply with a federal law known as the Solomon-Lautenberg amendment, which threatened to penalize states that did not implement the policy (Aiken 2016; Marijuana Policy Project 1995; Human Rights Watch 2000). Other examples of collateral consequences for drug offenses, or for felony offenses in general, include loss of

professional license, loss of ability to purchase a firearm, loss of eligibility for food stamps, loss of eligibility for Federal Student Aid, loss of eligibility to live in public housing, loss of ability to vote, and deportation (Chin 2002).

Exhibit 24: Operation Mallorca, U.S. Drug Enforcement Administration, 2005



Voters in California passed Proposition 215 in 1996, which legalized the use and sale of marijuana for medical purposes in California. In 1999, California legislation was introduced that promoted a three-year program to investigate medical research, focusing on marijuana as a pharmacological treatment. This legislation resulted in the funding of the University of California’s Center for Medicinal Cannabis Research at UC San Diego.

According to Human Rights Watch, crime statistics show that—in the United States in 1999—compared to non-minorities, African Americans were far more likely to be arrested for drug crimes, and received much stiffer penalties and sentences (Human Rights Watch. 2000).

Statistics from 1998 show that there were wide racial disparities in arrests, prosecutions, sentencing and deaths. African-American drug users made up for 35% of drug arrests, 55% of convictions, and 74% of people sent to prison for drug possession crimes (Burton-Rose 1998). Nationwide African-Americans were sent to state prisons for drug offenses 13 times more often than other races (Human Rights Watch 2010), even though they supposedly constituted only 13% of regular drug users (Burton-Rose 1998).

Anti-drug legislation over time has also displayed an apparent racial bias. University of Minnesota Professor and social justice author Michael Tonry writes, "The War on Drugs foreseeably and unnecessarily blighted the lives of hundreds and thousands of young disadvantaged black Americans and undermined decades of effort to improve the life chances of members of the urban black underclass." (Tonry 1995)

Public opinion about cannabis reversed became increasingly positive in the 1990s and 2000s (Pew Research Center 2017), a trend that has continued to the present. In 2000, 31% of Americans supported the legalization of cannabis. By 2013, nearly 58% of those polled supported legalization (Swift 2017). Much of this shift in public opinion is attributed to generational acceptance and an increase in the number of individuals who have tried or used cannabis (Hudak 2016: pp. 91-92).

While campaigning for President, George W. Bush conveyed his support for allowing states to determine their own cannabis policies. During a campaign event in Seattle, Bush stated, "I believe each state can choose that decision as they so choose" (Hsu 1999). Despite this initial stance, President Bush's drug policies closely resembled those of his predecessors, focusing on international trafficking, law enforcement and treatment (Marquis 2002). What's more, the Bush Administration frequently conducted raids on medical cannabis dispensaries, including dispensaries that functioned legally under state law (Johnston and Lewis 2009; Taylor 2013).

During this time of passivity by the federal government, it was the states that initiated controversial legislation in the War on Drugs. Racial bias manifested itself in the states through such controversial policies as the "stop and frisk" police practices in New York city and the "three strikes" felony laws began in California in 1994 (Alexander n.d.).

In Oakland, California, a 2005 measure passed that allowed the taxation and regulation of cannabis for adult use. This measure also made prosecution of adults who use or possess marijuana the lowest law enforcement priority. The supporters of the bill promised to lobby the state to regulate marijuana sales.

In January 2010, Governor Schwarzenegger signed SB 1449, which made the possession of less than an ounce of marijuana a misdemeanor and a civil infraction in the state of California. In July of that year, the Oakland city council voted to approve a citywide plan for the cultivation of medical marijuana in four factories. The plans for the factories were derailed when the Obama administration warned the city council that they were in violation of federal law. In November, Proposition 19 in California, which would effectively legalize the recreational use of marijuana for adults 21 years of age and over, and allow the state to tax marijuana sales, was defeated by a small margin (53.5 percent against; 46 percent in favor).

President Obama voiced support for the concept of medical cannabis, and promised a Justice Department Policy that would allow dispensaries to operate unimpeded. In a formal memo to United States Attorneys in 2009, Attorney General Holder wrote that the

Obama Administration would end raids on cannabis distributors. It states that “...the prosecution of significant traffickers of illegal drugs, including marijuana...continues to be a core priority...pursuit of these priorities should not focus federal resources in your states on individuals whose actions are in clear and unambiguous compliance with existing state laws providing for the medical use of marijuana.” (Taylor n.d.: pp. 20) Holder did, however, oppose adult-use cannabis. His position became public in response to a 2010 California ballot initiative, which would have legalized adult-use cannabis in California, but failed to win a majority vote (Taylor n.d.: pp. 21).

Then, in 2011, the Justice Department announced a crackdown on medical cannabis dispensaries across the United States. In a memo released on June 29, 2011, Deputy Attorney General James Cole communicated that the Justice Department would prosecute persons involved in producing, distributing, and selling cannabis, “regardless of state law” (Taylor n.d.: pp. 22). Shortly afterwards, California’s four U.S. Attorneys proceeded to announce criminal charges against cannabis dispensaries and threaten landlords with property seizure.

In February 2011, the Department of Justice directed federal prosecutors not to prosecute individuals who were in compliance with state laws allowing for the use and sale of medicinal marijuana. In June of that year, the Hemp Farming Act (SB 676) was introduced. It allowed several counties to build a successful hemp industry for medicinal use. A bill to take marijuana off the list of controlled substances was introduced. In July, the DEA refused to remove marijuana from their list of controlled substances and the Justice Department formally warned that marijuana was illegal. In October, four US attorneys for the state of California began to prosecute property owners and landlords who rented buildings or land that was used to sell or grow marijuana.

By January 2012, Mendocino County, California, ended its permit program to medical marijuana growers (this was the first program in the nation), giving into pressure from the federal government. The city also made it illegal to cultivate more than 25 marijuana plants. In July, Harborside Health Center in Oakland, often reputed to be the largest marijuana dispensary in the world, was targeted by the federal government. Workers could not enter the building as the US government had filed a suit to seize the building. In October, city officials in Oakland filed a lawsuit against the federal government regarding the Harborside incident. The federal government eventually dropped the case in 2016. Additionally in 2012, voters in Washington and Colorado approved measures to legalize recreational marijuana use.

In 2013, the Justice Department sent a memo to the governors of Washington and Colorado stating that they most likely will not challenge the state laws regarding recreational marijuana use. In a state poll, 55 percent of California voters reported that they would support the legalization of marijuana.

California lawmakers in 2015 begin to draft a new set of regulations for statewide medicinal marijuana programs. The Bureau of Medical

Marijuana Regulation is created to establish rules for growing cannabis and to set fees and licensing standards. Marijuana growers must adhere to the laws and regulations that are used to control other farming practices.

In 2016, Governor Brown appointed the Bureau of Medical Marijuana Regulation's "pot czar." The bureau also drafts groundwork for regulations if voters approved the legalization of marijuana for recreational use in California. In November, Proposition 64, the Adult Use of Marijuana Act is approved by voters. It legalized the recreational use of marijuana in the state of California.

Like George W. Bush before him, Donald Trump vowed to leave medical cannabis policy to individual states while campaigning. As President, however, Trump nominated then-Senator Jeff Sessions for Attorney General of the United States (Ingraham 2016), an opponent of medical cannabis and any effort to decriminalize cannabis or to reduce criminal punishments.

At a Senate drug hearing in April 2016, Sessions stated: ...we need grown-ups in charge in Washington to say marijuana is not the kind of thing that ought to be legalized, it ought not to be minimized, that it's in fact a very real danger...this drug is dangerous, you cannot play with it, it is not funny, it's not something to laugh about...and to send that message with clarity that good people don't smoke marijuana (Ingraham 2016). Attorney General Sessions' stance on cannabis is reminiscent of Anslinger's statements, which rejected cannabis on moral grounds without acknowledging its similarities to legal substances such as tobacco and alcohol.

Section III. California Cannabis Policy

In 1996, California passed Proposition 215, the Compassionate Use Act, with 56% of the votes statewide, and 52% in San Diego. In doing so, California became the first state in America to legalize cannabis for medical use. The Compassionate Care Act allowed patients and qualified caregivers to cultivate and possess cannabis for personal use, however it did not provide a regulatory structure (New York Times 1990). To clarify the Compassionate Use Act, the State Legislature passed Senate Bill 420 in 2003. This bill also provided for the creation of an identification program for qualified patients (California Legislative Information 2017a).

In addition to legalizing medical cannabis, California voters propelled the state's drug policy away from criminalization and harsh punishments. In 2000, voters approved the Substance Abuse and Crime Prevention Act, directing the state to offer eligible offenders treatment rather than jail-time for drug possession and drug use (County of Santa Clara's Public Defender Office 2013). Between 2003 and 2015, the commercial cannabis industry grew with few rules and regulations. It wasn't until 2015 and the passage of the Medical Marijuana Regulation and Safety Act that California established a legal framework to regulate and monitor cannabis dispensaries (California Legislative Information 2017b). Originally set to take effect on January 1, 2016, the Medical Marijuana Regulation and Safety Act was amended via the Medical Cannabis Regulation and Safety Act in June 2016. This updated piece of

legislation aimed to incorporate stronger environmental protection policies within a comprehensive licensing system (California Legislative Information 2017c).

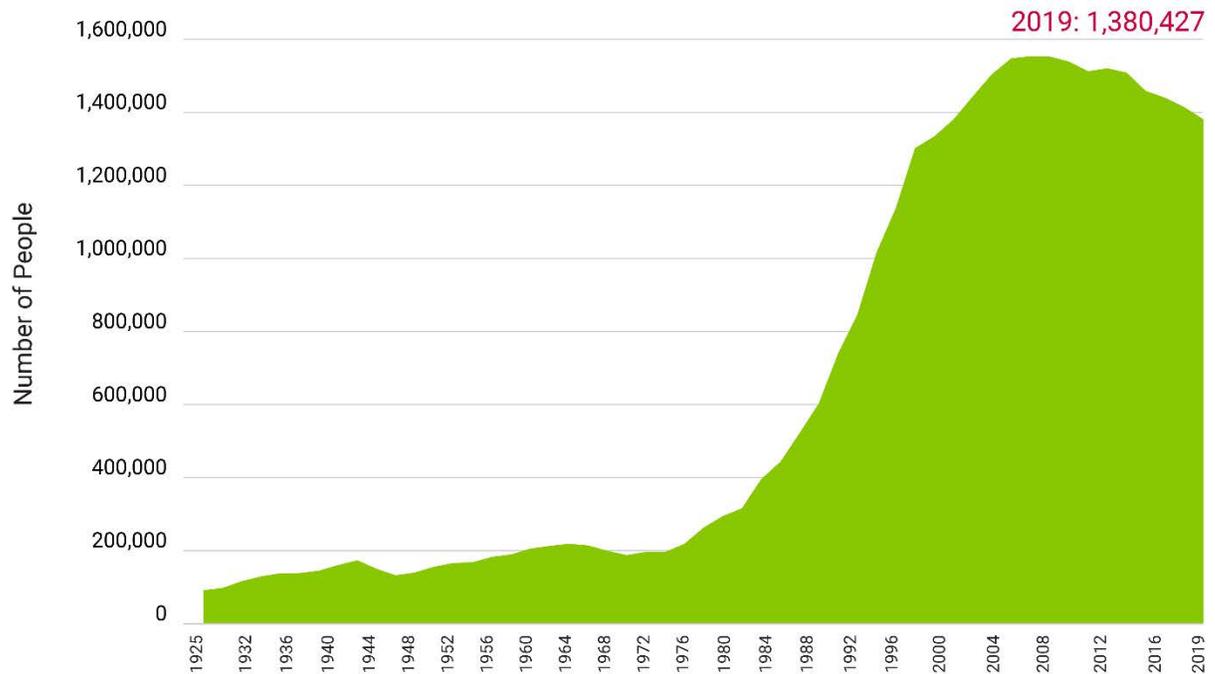
On November 8, 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act, legalizing the distribution, sale, and possession of cannabis (California Legislative Information 2017d). The Adult Use of Marijuana Act (AUMA) of 2016 was modeled on the Medical Marijuana Regulation and Safety Act (MMRSA) of 2015. In 2017 California sought to create one regulatory system for both medical and adult-use use. Therefore, Governor Jerry Brown signed the Medicinal and Adult Use Cannabis Regulation and Safety Act into law, reconciling the differences between AUMA and MMRSA, and taking a crucial step towards developing a regulatory framework to facilitate a legal, for-profit cannabis sector for both medicinal and adult-use.

In October 2021, Governor Gavin Newsom signed Senate Bill 73 which ended mandatory minimum sentences for nonviolent drug crimes in California, giving judges more discretion to impose alternative sentences. This new law grew out of what Senator Scott Wiener of San Francisco called the failed war on drugs that disproportionately incarcerated people who are Black and Latino.

Section IV. Prison Incarceration Rates

According to the Leadership Conference Education Fund, “despite the fact that Whites, African Americans, and Latinos all use illicit drugs at similar rates, 45 percent of all convicted drug offenders in state prison are black compared to 28 percent that are white and 20 percent that are Hispanic, according to the [Sentencing Project](#). State prisons account for about 85 percent of all prisoners in the U.S. Since 1980, the number of people incarcerated in prison or jail in the U.S. for drug crimes has gone from 40,000 to 500,000, representing an increase of 1100 percent. Much of that explosion in the incarceration of drug offenders is due to aggressive law enforcement interventions and stiff mandatory sentencing provisions mainly targeting low-level dealers and users adopted at both state and federal level.”

Exhibit 25: U.S. State and Federal Prison Population, 1925-2019



Source: The Sentencing Project 2022.

The following is an excerpt from “Young Black Men and the Criminal Justice System: A Growing National Problem published in February 1990 and by Marc Mauer, Assistance Director of the Sentencing Project. The Sentencing Project is a national, non-profit organization which promotes sentencing reform and the development of alternative sentencing programs.

Overview

For close to two decades, the criminal justice system in the United States has been undergoing a tremendous expansion. Beginning in 1973, the number of prisoners, criminal justice personnel, and taxpayer dollars spent has increased dramatically, with new record highs now being reached each year. Between 1973 and 1988, the number of felons in state and federal prisons almost tripled from 204,000 to 603,000. By 1989, the total inmate population in our nation's prisons and jails had passed the one million mark.

Record numbers of persons are also being placed under probation or parole supervision. These aspects of the criminal justice system are sometimes overlooked when the problems of prison and jail populations and overcrowding are explored.

The extended reach of the criminal justice system has been far from uniform in its effects upon different segments of the population. Although the number of women prisoners has increased in recent years at a more rapid pace than men, the criminal justice system as a whole still remains overwhelmingly male approximately 87 percent. And, as has been true historically, but even more so now, the criminal justice system disproportionately engages minorities and the poor.

Impact of the Criminal Justice System

This report looks at the impact of the criminal justice system as a whole on the new generation of adults those people in the 2029 age group. In particular, it examines the devastating impact that the criminal justice system has had on the lives of young Black men and Black communities.

This report does not attempt to explain whether or why Blacks are disproportionately involved in the criminal justice system. Other studies have attempted to document whether Black males commit more crimes or different types of crimes than other groups, or whether they are merely treated more harshly for their crimes by the criminal justice system. Instead, this report looks at the end result of that large-scale involvement in the criminal justice system, and highlights the implications this raises for crime control policies.

Using data from the Bureau of Justice Statistics and the Bureau of the Census, we have calculated the rates at which different segments of the 2029 age group come under the control of the criminal justice system. The analysis looks at the total number of persons in state and federal prisons, jails, probation, and parole, and compares rates of criminal justice control by race, sex, and ethnicity. Because of the unavailability of complete data in some categories of the analysis, the total rates of control should not be considered exact calculations, but rather, close approximations of the numbers of persons in the system. As described in "Methodology," in all cases where data were lacking, conservative assumptions were used in making calculations. (Sufficient data were not available to analyze criminal justice control rates for Native Americans or Asian Americans.)

Our findings, as displayed in Exhibits 15 and 16, are as follows:

- Almost one in four (23 percent) Black men in the age group 2029 is either in prison, jail, on probation, or parole on any given day.
- For white men in the age group 2029, one in 16 (6.2 percent) is under the control of the criminal justice system.
- Hispanic male rates fall between these two groups, with one in 10 (10.4 percent within the criminal justice system on any given day).
- Although the number of women in the criminal justice system is much lower than for men, the racial disproportions are parallel. For women in their twenties, relative rates of criminal justice control are:
 - Black women one in 37 (2.7 percent)
 - White women one in 100 (1 percent)
 - Hispanic women one in 56 (1.8 percent)
- The number of young Black men under the control of the criminal justice system 609,690 is greater than the total number of Black men of all ages enrolled in college 436,000 as of 1986. For white males, the comparable figures are 4,600,000 total in higher education and 1,054,508 ages 2029 in the criminal justice system.

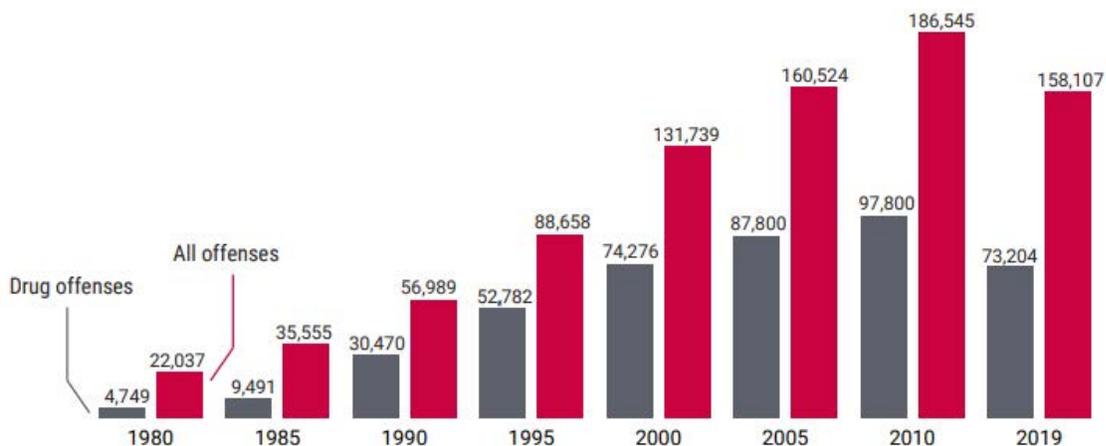
- Direct criminal justice control costs for these 609,690 Black men are \$2.5 billion a year.
- Although crime rates increased by only 2 percent in the period 1979-88, the number of prison inmates doubled during that time.

These findings actually understate the impact of present policies upon Black males ages 20-29. This is because the analysis presented here covers criminal justice control rates for a single day in mid-1989. Since all components of the criminal justice system admit and release persons each day, though, the total number of persons processed through the system in a given year is substantially higher than the single day counts. For this reason, the proportion of young Black men processed by the criminal justice system over the course of a year would be even higher than one in four.

Additional Data from the Sentencing Project

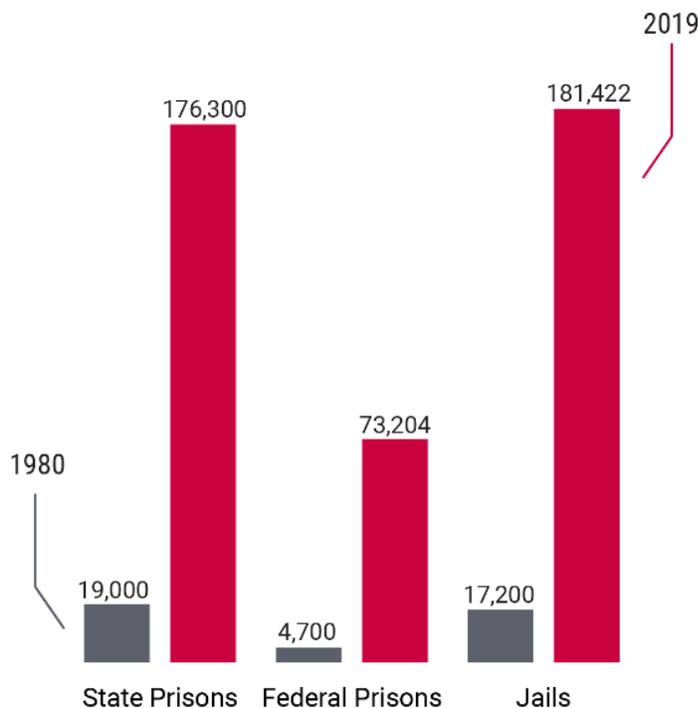
According to the Sentencing Project, sentencing policies of the War on Drugs era resulted in dramatic growth in incarceration for drug offenses. Since its official beginning in the 1980s, the number of Americans incarcerated for drug offenses has skyrocketed from 40,900 in 1980 to 430,926 in 2019 based on data from the Bureau of Justice Statistics. Furthermore, harsh sentencing laws such as mandatory minimums keep many people convicted of drug offenses in prison for longer periods of time: in 1986, people released after serving time for a federal drug offense had spent an average of 22 months in prison. By 2004, people convicted on federal drug offenses were expected to serve almost three times that length: 62 months in prison. At the federal level, people incarcerated on a drug conviction make up nearly half the prison population. At the state level, the number of people in prison for drug offenses has increased ninefold since 1980, although it has begun declining in recent years. Most are not high-level actors in the drug trade, and most have no prior criminal record for a violent offense. Black men are six times as likely to be incarcerated as white men and Latinx men are 2.5 times as likely. For Black men in their thirties, about 1 in every 12 is in prison or jail on any given day.

Exhibit 26: Number of Sentenced People in Federal Prisons for Drug Offenses, 1980-2019



Source: Bureau of Justice Statistics Prisoners Series 2020.

Exhibit 27: Number of People in Prisons and Jails for Drug Offenses, 1980 and 2019



Source: The Sentencing Project 2022.

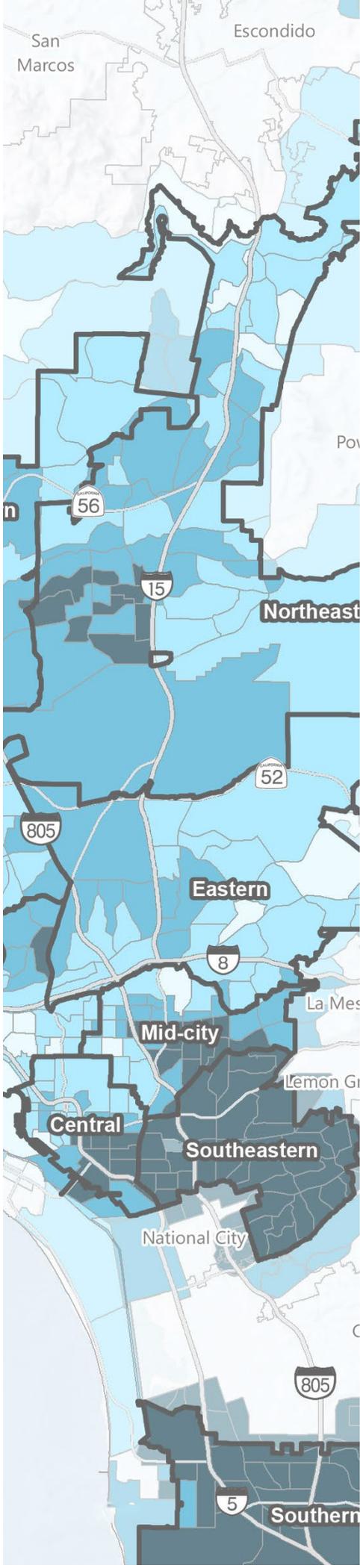
Section V. Conclusion

Taking the County’s arrest data and comparing it to San Diego’s population by zip code data and redistricting mapping, it is clear which communities have been most affected by the War on Drugs. These communities are the areas that have been included in Chapter 7 of the City’s Cannabis Equity Assessment Equity Applicant criteria.

Because communities of color were disproportionately affected by cannabis arrests due to the War on Drugs, it is important to review communities by zip code (Exhibit 19), percentage of population to (Exhibit 20 and 21) and redistricting mapping (Exhibit 22) determine the correlation between where persons of color lived and cannabis arrests.

The data analysis and information included in this memorandum is supported by language contained in Senate Bill (SB) 1294 Cannabis: state and local equity programs (2017-2018) which states: “During the era of cannabis prohibition in California, the burdens of arrests, convictions, and long-term collateral consequences arising from a conviction fell disproportionately on Black and Latinx people, even though people of all races used and sold cannabis at nearly identical rates. The California Department of Justice data shows that from 2006 to 2015, inclusive, Black Californians were two times more likely to be arrested for cannabis misdemeanors and five times more likely to be arrested for cannabis felonies than White Californians. During the same period, Latinx Californians were 35 percent more likely to be arrested for cannabis crimes than White Californians. The collateral consequences associated with cannabis law violations, coupled with generational poverty and a lack of access to resources, make it extraordinarily difficult for persons with convictions to enter the newly regulated industry.”

From the documented cannabis arrest data, population data by zip codes, redistricting mapping and State law, it is clear that predominately Black/African American and Hispanic communities were harmed by the War on Drugs as included in SB-1294. Therefore, in support of State law and the City’s ongoing equity initiatives, the adoption of a cannabis equity assessment by the City of San Diego is an important step forward in providing the financial tools and support to communities and residents who have been harmed by the War on Drugs.



CHAPTER 3 | Community Feedback

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 13) on each discussion topic.

Table 13: 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.

Community Feedback Analysis

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 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.

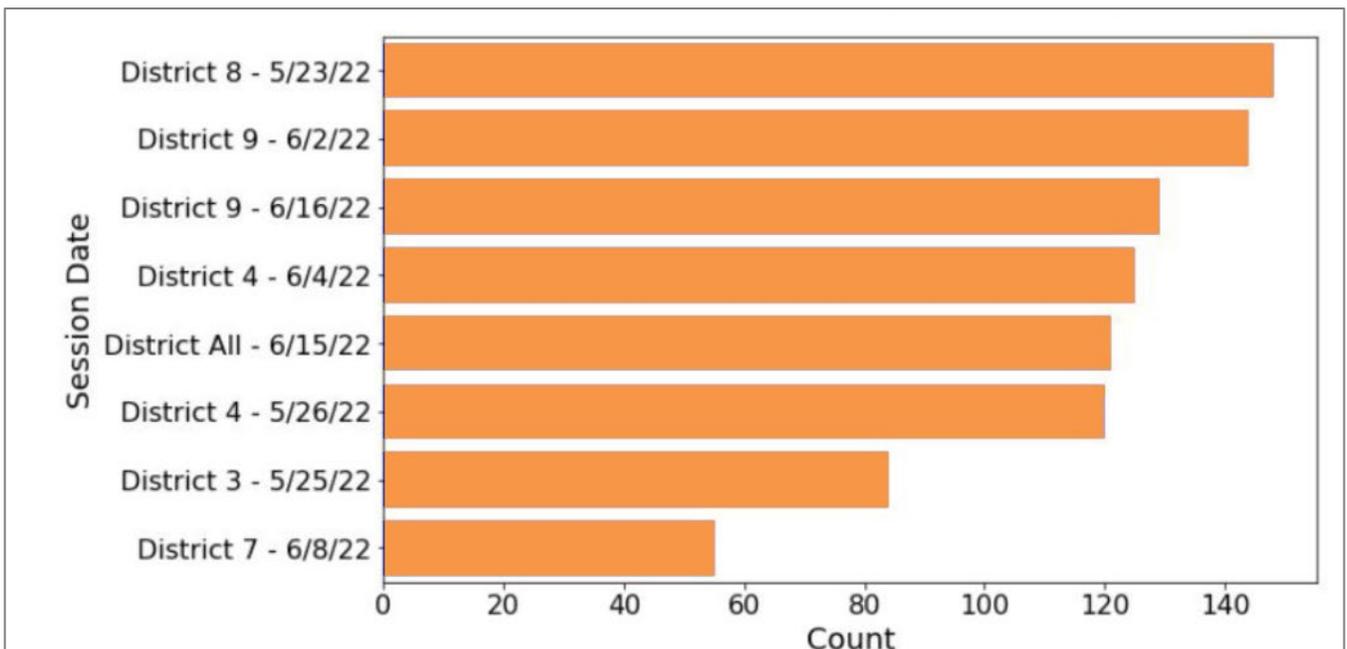


Listening Session Locations

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 28: 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.

Questions 1 and 2

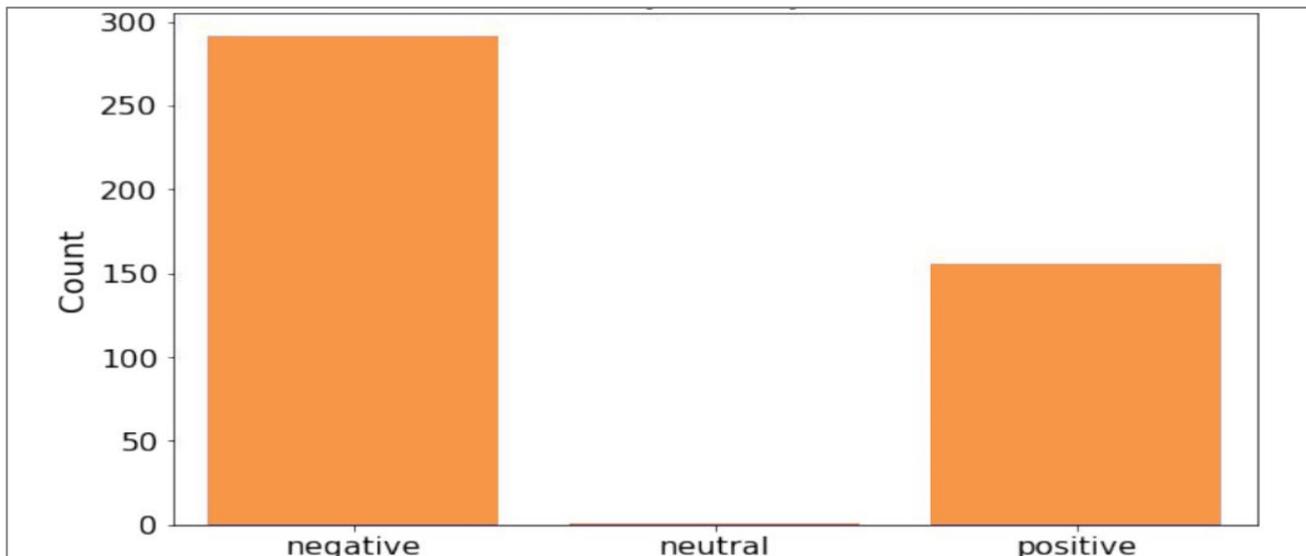
How does the current cannabis industry impact you, your family and community?

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 29: Comment Sentiment for Questions 1 and 2



As shown in Exhibit 29, 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.

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 30 and 31 provide an overview of the most used words and terms in responses to question 3.

Exhibit 30: Word Frequency for Question 3

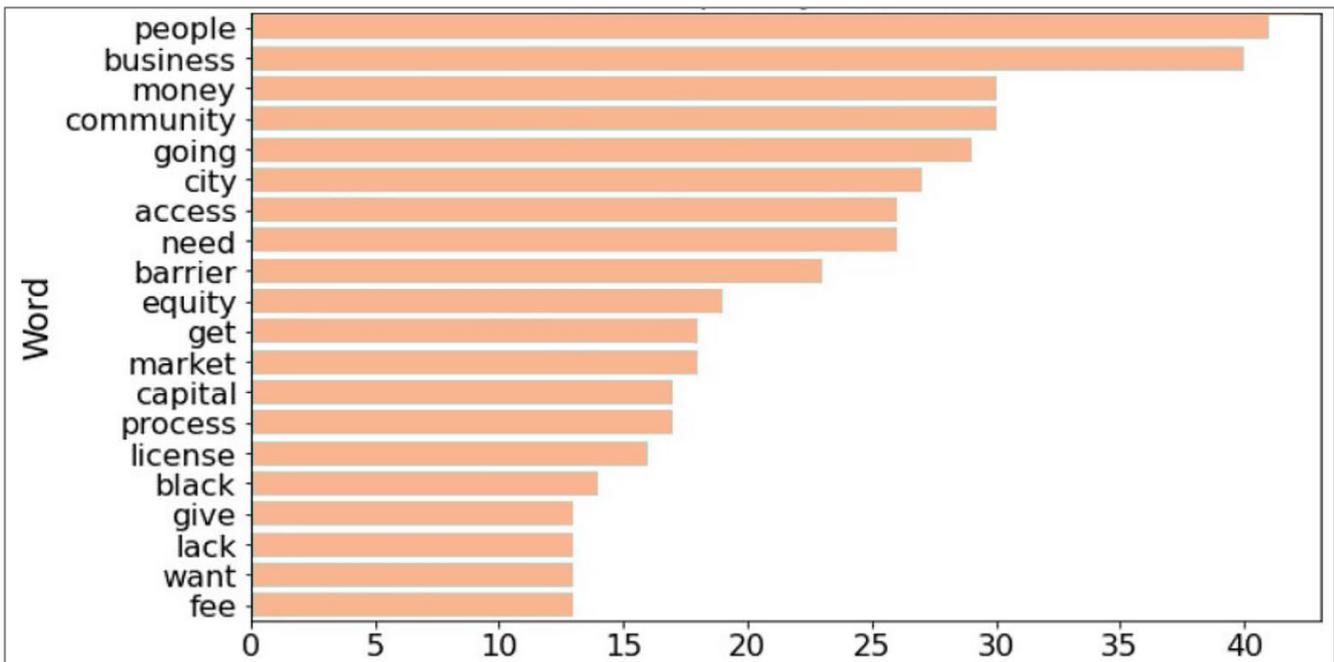
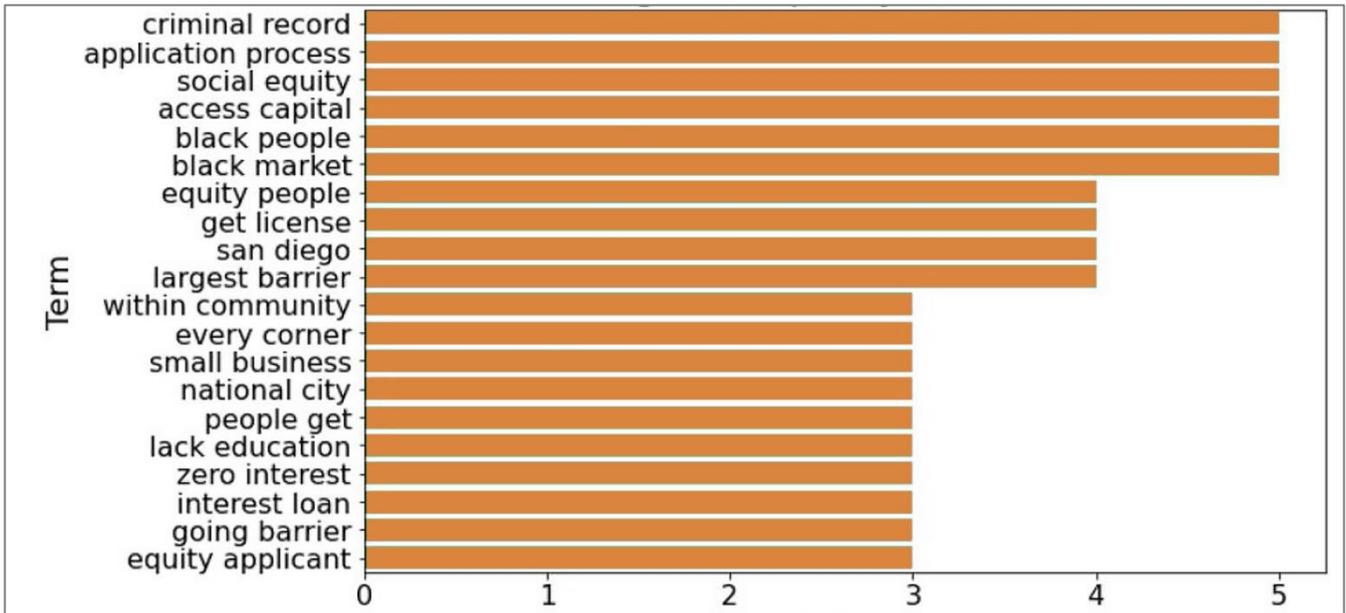


Exhibit 31: Bi-gram Frequency for Question 3



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.

Questions 4 and 5

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

What else would you like to share?

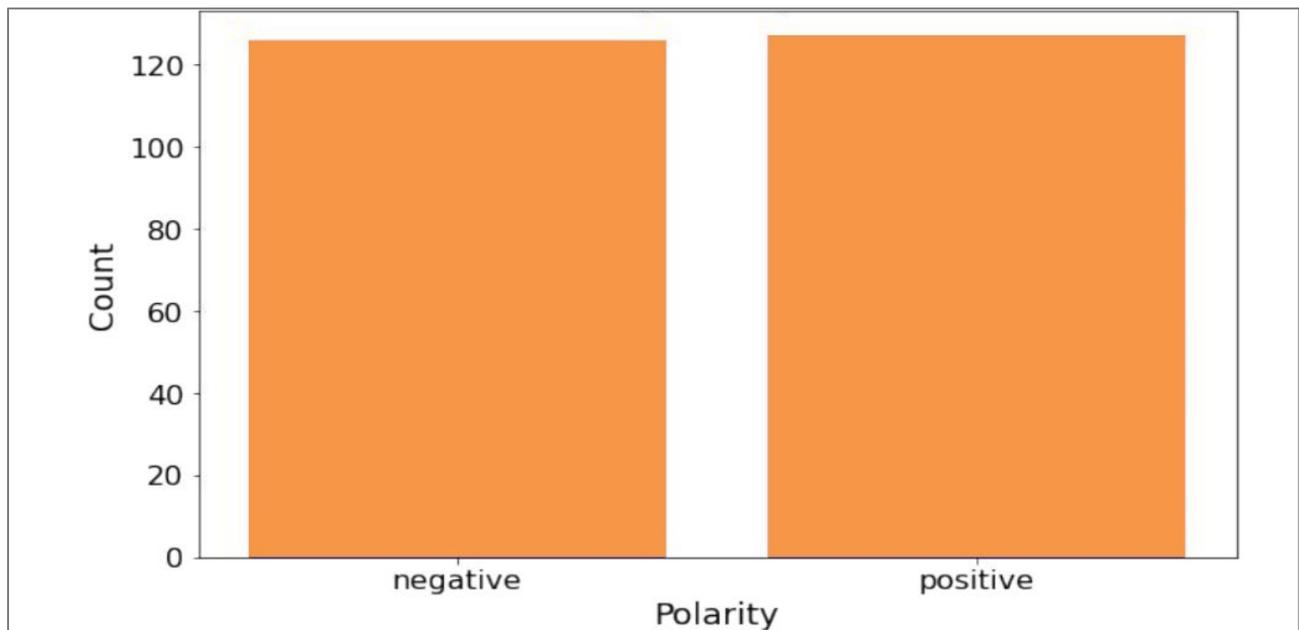
Based on a review of the documents by TPL researchers, discussions of who should be able to obtain licenses through the equity program sometimes appeared in the section dedicated to question 4: “What else would you like to share?” Therefore, TPL’s analysis combines comments recorded under questions 4 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 32: Comment Sentiment for Questions 4 and 5



As shown in Exhibit 32, 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.

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 and lack of access to business opportunities in the cannabis industry. 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.

Desired Cannabis Equity Criteria

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

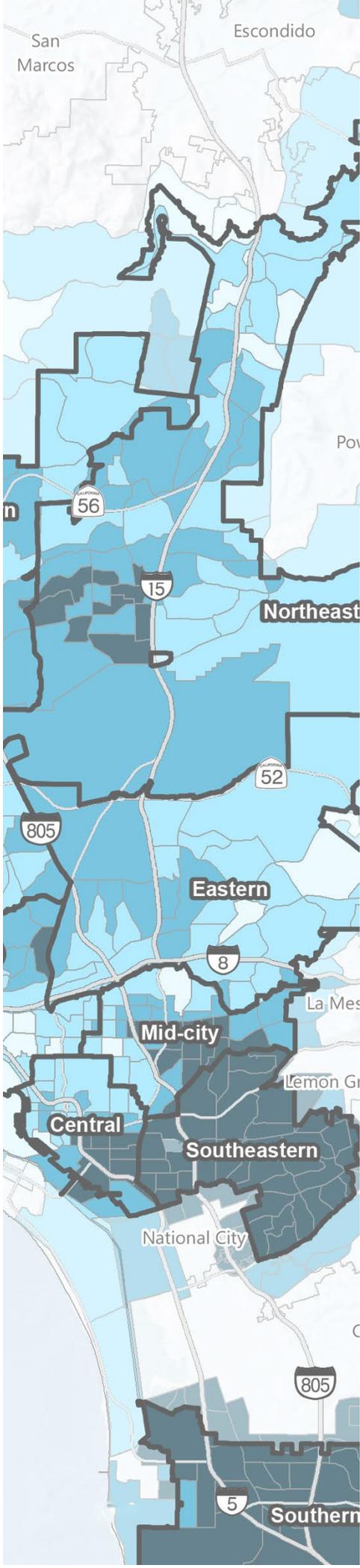
- Prioritize those who have been incarcerated for cannabis and people with illicit drug convictions.
- Prioritize those directly impacted by the war on drugs.
- Prioritize those whose immediate family member(s) were incarcerated for drug-related charges.
- Prioritize those who were placed in foster care 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.

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.



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.

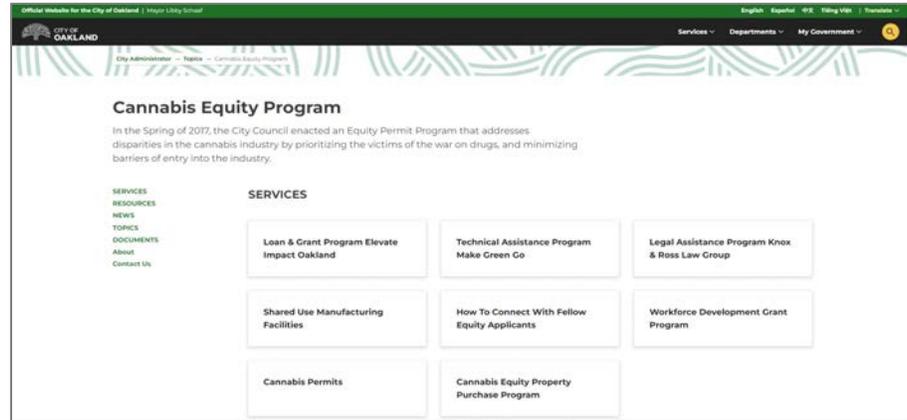
Oakland



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

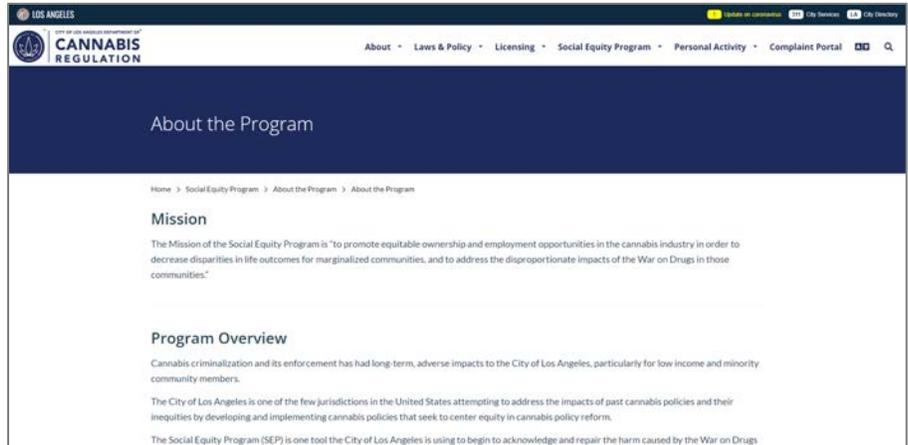
1. Gaining Resources to Achieve Sustainable Success (GRASS) – GRASS is a business coaching program modeled after programs implemented by other capital providers, such as micro-lenders and equity investors who seek to ensure that growth and success are achieved by the entrepreneurs they fund. Overall, 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.

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.



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

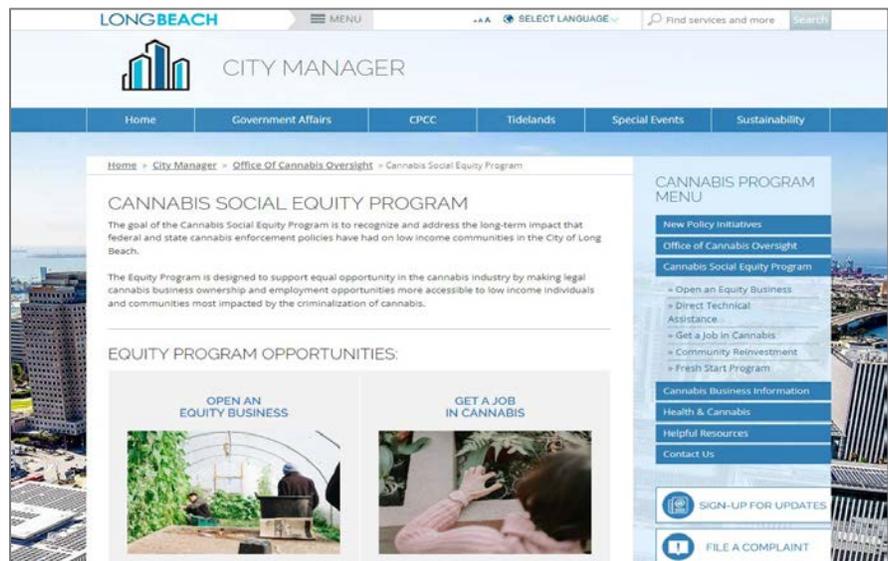
1. Technical business assistance with grant support, workforce development, and business development
2. Pro Bono Legal Assistance

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.



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

Financial Programs

1. Fee Waiver/Deferral

Licensing/Permitting

1. Priority Processing

Additional Program Information

1. Cannabis-Related Business Plan Development
2. Mentoring
3. Technical Assistance
4. Regulatory Compliance Assistance
5. Assistance with the Expungement of Criminal Records

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.

New York



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.

Illinois

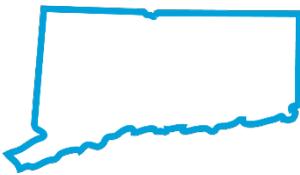


The screenshot shows the Illinois Department of Commerce & Economic Opportunity website. The main heading is "Social Equity Cannabis Loan Program Application". Under "Application criteria", it lists requirements for downloading and completing documents like the Employee Chart, Ownership Chart, and Zero-Income Affidavit. A sidebar on the right lists "ADULT-USE CANNABIS SOCIAL EQUITY PROGRAM" resources. The footer contains "Information" and "Quick Links" sections.

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.



Connecticut



Connecticut Social Equity Council website

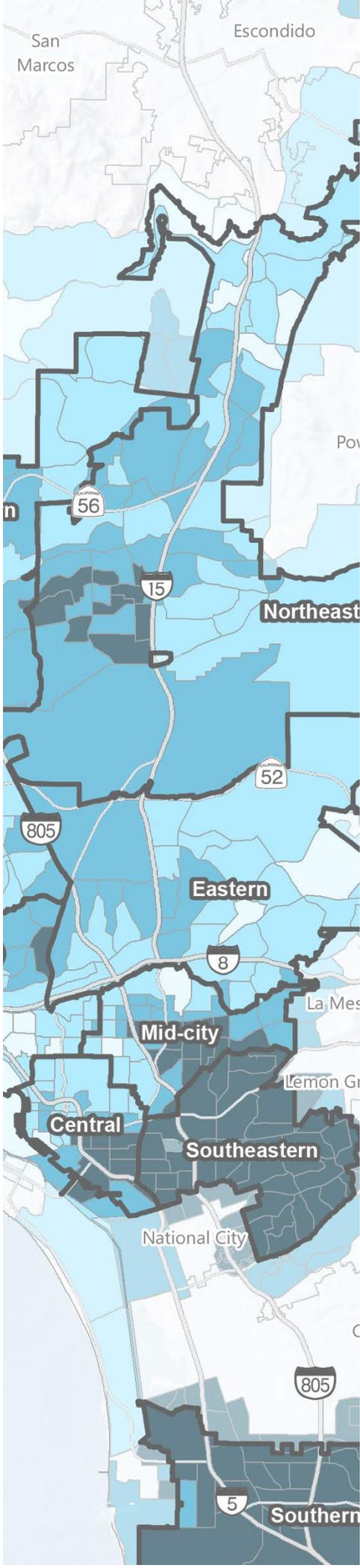
- The Department of Consumer Protection (DCP) will issue nine types of cannabis licenses: retailer, hybrid retailer (sells both adult-use and medical cannabis), cultivator (cultivates 15,000 square feet or more), micro-cultivator (cultivates between 2,000 and 10,000 square feet), product manufacturer,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

Summary

The jurisdictions included in this assessment for comparative purposes have created a variety of different programs, eligibility criteria, and factors to consider. The factors have helped formulate the equity criteria contained in Chapter 7 of this assessment report.

This page intentionally left blank.



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 illegal 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.

In relation to a potential loan program, CBD staff received feedback that a loan program could have serious negative consequences to cannabis equity applicants. As such, CBD staff reached out to a number of other California jurisdictions including Oakland, Long Beach, San Francisco, Los Angeles and Sacramento for feedback and lessons learned. It is clear from the conversations that just a loan program will not suffice and that there must be additional safeguards in place to ensure that a loan program will assist rather than hinder social equity applicants.

The following is feedback from Oakland and Long Beach:

Oakland - According to Cannabis staff at the City of Oakland, Oakland has implemented both a revolving (no interest) loan program since 2018 and a grant program since 2020. In short, loans are not taxable and the same dollar can benefit more than one operator (via repayments) but they have to be paid back, which can be a challenge for operators in a highly competitive cannabis industry. Grants are taxable, but they don't have to be paid back. So there are pros and cons to each approach, which is why Oakland has left it up to operators to decide how they prefer to receive capital at this point. Later this year, Oakland will be developing a loan forgiveness policy that most likely will authorize loan forgiveness but limit anyone who's received loan forgiveness from receiving future loans/grants.

Oakland staff indicated that a grant program alone is probably simplest as an equity applicant would not have anyone getting into debt or having to process repayments, but it also can be a less efficient use of funds as the funds can only be used once. Staff would leave it up to applicants to express their preference, keeping in mind the tax implications of grants vs loans.

Long Beach - Staff from Long Beach indicated that most cities will agree that just issuing social equity applicants grant funding with no support is not the solution; it would be a disservice to them because they will not know how to use their grant funding effectively (in most cases). They also agreed with the feedback CBD staff received about negative impacts on social equity applicants with a proposed loan program. Long Beach has never done loans primarily because of the issues Oakland experienced and nonetheless, the potential administrative burden of attempting to locate applicants to repay funds. Even as Long Beach's grant program stands now, they have run into issues with applicants being awarded funds and refusing to return the funding when they fail to fulfill the requirements of the grant. Long Beach has established some new procedures and application requirements to prevent this from happening again but there's always a huge risk.

Long Beach staff have been told by their non-equity licensees that a lot of people are going out of business because of the high debt ceiling incurred through over taxation, regulatory requirements, and competition/market share. Staff indicated that is only going to be that more much difficult for equity applicants especially if they take out loans right out the gate before even becoming licensed/operational.

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.

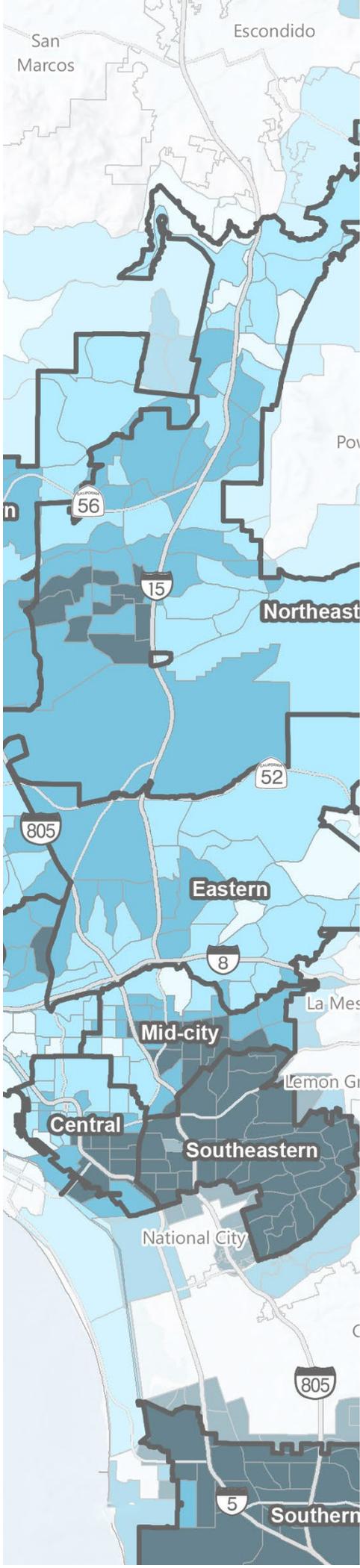
5. **Start-Up Costs:** To many residents, the time and cost to obtain a City issued conditional use permit (CUP) are an unobtainable cost of business and close any opportunity due to the need for significant capital costs as well as funds to lease land/buildings.

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

This page intentionally left blank.



CHAPTER 6 | Preliminary Recommendations

Table 14 on the following pages provides an overview of the preliminary recommendations developed from the quantitative and qualitative analysis along with actions and identified responsible departments and/agencies.

| Table 14: Preliminary Recommendations | | | | | |
|---------------------------------------|---|---|--|---|--|
| Priority | # | Recommendation | Source | Action | Responsible Department/Agency |
| Short | 1 | Establish a Cannabis SEED Task Force | CBD Staff Recommendation based from Listening Session and Survey Responses | Approve SEED Task Force | City Council convenes 15-member SEED Task Force and Mayor appoints members to serve |
| Short | 2 | Fund legal services for cannabis expungement efforts | CBD Staff Recommendation based from Listening Session and Survey Responses | Coordinate with County of San Diego's Fresh Start Program and San Diego County Public Defenders Office to further identify and process cannabis expungement cases | City of San Diego, County of San Diego and Public Defenders Office |
| Short | 3 | Create a Comprehensive Financial Assistance Program | Listening Session and Survey Responses | Allocate \$5M in general fund revenues (collected from cannabis taxes) to create a SEED comprehensive financial assistance program. Apply for the State of California's Cannabis Equity Applicant Grant funding (Due 12/14/22) | City Council and Mayor to allocate funds; SEED Task Force to create guidelines; City of San Diego Economic Development Department to create financial program |
| Short | 4 | Collect cannabis operator and industry demographic data | CBD Staff Recommendation | Collect quarterly data to determine monitor equity applicant program. Provide annual report to City Council | CBD Staff |
| Short | 5 | Restrict Background Checks | Listening Session and Survey Responses | The SEED Task Force in coordination with the San Diego Police Department should evaluate SDMC amendments to revise background checks to exclude cannabis related drug offenses from background checks (except where fraud, firearms, weapons, or violence were used in conjunction with the cannabis related offense) | SEED Task Force to work with City staff from the CBD and Police Department as part of cannabis code amendment package |
| Medium | 6 | Adopt Phased Licensing | CBD Staff Recommendation based from Listening Session and Survey Responses | Create 36 new phased cannabis outlet licenses for equity applicants 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) |

Table 14: Preliminary Recommendations

| Priority | # | Recommendation | Source | Action | Responsible Department/Agency |
|----------|----|---|--|--|---|
| Medium | 7 | Allow Conditional Approval with No Real Estate Requirements | Listening Session and Survey Responses | Amend SDMC to remove locational requirement for SEED applicants as well as evaluate zoning and separation requirements | CBD staff to include as part of cannabis code amendment package |
| Medium | 8 | Identify Real Estate Opportunities | Listening Session and Survey Responses | Identify land suitable for cannabis production, manufacturing, and retail sales, and provide low-cost leases to SEED applicants. | Department of Real Estate and Airport Management (DREAM) to identify appropriate locations and provide recommendations to SEED Task Force |
| Medium | 9 | 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 | 10 | 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 |
| Medium | 11 | 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 |
| Medium | 12 | Create a Mentorship Program | Listening Session and Survey Responses | <p>Host quarterly networking forums to create connections between existing operators and SEED applicants</p> <p>Develop a program to pair experienced cannabis business operators with equity applicants to teach them how to effectively run a cannabis business</p> | SEED Task Force |

1. Establish a Cannabis SEED Task Force

It is recommended that the City Council create a Cannabis SEED task force with fifteen members appointed by the Mayor to implement the cannabis equity SEED program 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 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. Equity applicant and ownership criteria are included in Chapter 7 for both applicants and ownership.

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. Fund Legal Services for Cannabis Expungement Efforts

It is recommended that the City coordinate with County of San Diego's Fresh Start Program and the San Diego Public Defender's Office to further identify and process cannabis expungement cases. In particular, attention should be given to individuals who experienced current or subsequent gang enhancements for possession of cannabis; individuals who were sentenced more harshly on another offense due to possession of cannabis or a prior cannabis conviction; and support and assistance to individuals who lost trade licenses due to a felony conviction of cannabis. In addition, the City should update San Diego Municipal Code to remove the disqualification for convictions for crimes of moral turpitude at SDMC section 42.1507, subdivision (b), and instead replace it with specific, targeted language focusing on fraud and certain violent offenses. Furthermore, Section 42.1507, subdivision (b), should be amended to clearly state that an expunged or dismissed conviction is no longer disqualifying.

3. Create Comprehensive Financial Assistance Program

The City of San Diego should allocate an initial \$5 million in seed funding to create a comprehensive financial assistance program that is a dedicated source of funding for cannabis equity businesses as well as community programs. 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, community programs, and other cannabis-related services.

By providing seed funding to create a comprehensive financial assistance program, the City can potentially provide grants, multi-tiered stipends, tax incentives, and subsidies for eliminating permitting costs. Such a fund can seek to leverage private investment and act as a source of dedicated funding for cannabis equity as well as community programs to benefit communities harmed by historic cannabis criminalization. In addition to competitive State-grant funding, the City should have the City's Economic Development Department implement the programs. Other financial support that the City could offer includes consulting services for 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. Collect Cannabis Operator and Industry Demographic 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. The process for the proposed reporting should be made as intuitive as possible and not create additional workload for operators or regulators. The requested data should be reasonable, non-proprietary, and without conflicts to discrimination and labor laws.

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 recommendation includes excluding cannabis-related drug offenses from background checks (except where fraud, firearms, weapons, or violence were used in conjunction with the cannabis related offense). Further, the City consider conditioning background checks to 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. 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

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

or never even made it to the permitting process due to the lack of knowledge and experience with the 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 phased cannabis outlet permits for SEED equity applicants. These 36 permits would be divided equally between the nine council districts, thus allowing a maximum of eight per council district (with the exception of District 1 which will have five cannabis outlets after council redistricting takes effect). Consideration should also be given to providing existing unused licenses (currently 10 cannabis outlet CUP's) as part of the overall cannabis equity permit process.

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 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.

It is recommended that the SEED Task Force be responsible for establishing the number of new licenses along with the specific parameters by which licenses will be issued.

7. 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.

8. 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 could provide real estate to disadvantaged entrepreneurs in return for certain incentives.

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

9. 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 cannabis criminalization. These opportunities should include allowing employees to organize, hiring formerly incarcerated individuals, and hiring in targeted neighborhoods.

10. 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 "Equity Brand" program that certifies social equity brand products and businesses. Identifying equity brands has been a challenge for operators throughout California due to the inconsistent definitions and the lack of centralized verification system. A city-certified equity emblem will significantly help market SEED businesses and encourage existing operators to initiate equity partnership.

11. 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.

12. Create A Mentorship Program

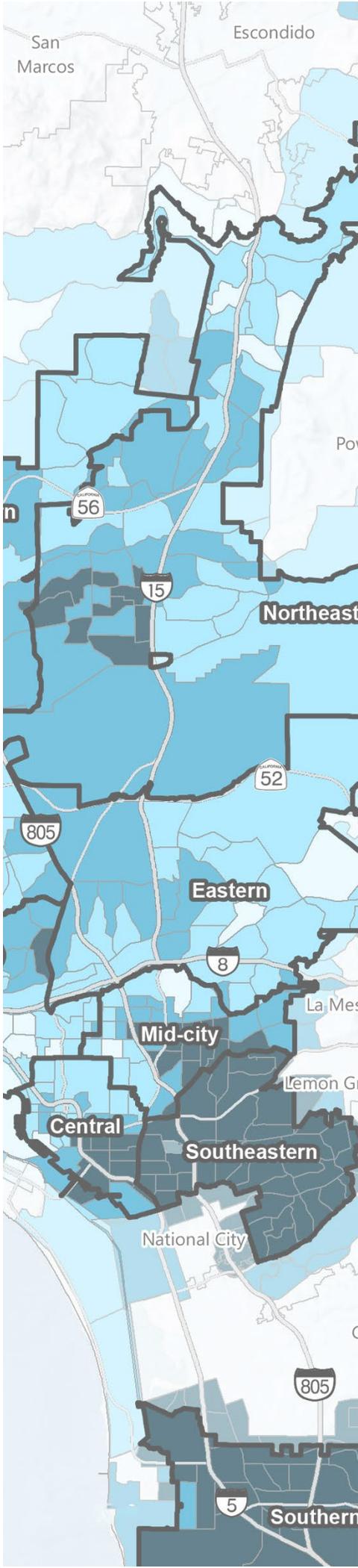
Multiple operating cannabis businesses have expressed interest in creating mentorship programs for residents interested in learning the “Seed to Sale” pathway to operating a successful cannabis business. The equity program should host quarterly networking forums to create connections between existing 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.

Conclusion

This Cannabis Equity Assessment summarizes key findings of the City’s Equity Analysis, as well as feedback provided at the City’s nine cannabis equity listening sessions, survey results, and best practices from other California jurisdictions. This Equity Assessment 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 an appointed SEED Task Force. Further work will require robust public engagement, reporting, and monitoring, to ensure successful implementation for intended equity applicants.



CHAPTER 7 | Equity Applicant and Ownership Criteria

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. Table 9, on the following page, compares each jurisdiction’s eligibility criteria in effect as of June 2022.

The City of San Diego created the Cannabis Equity Assessment Report (Report) which was published on July 8, 2022 for a 30-day public review period. The Report was heard as an information item by the Economic Development and Intergovernmental Relations (EDIR) Committee on July 13, 2022. At the July 13 meeting, Committee member Council President Pro Tem Montgomery Steppe provided direction to City staff and requested that cannabis equity applicant criteria be brought forward for consideration as part of the Report.

As a result of the request, the proposed cannabis equity applicant and ownership criteria as well as a residency map are included in this chapter. After researching the equity programs of other California cities and the State of California (Table 15), as well as listening session stakeholder feedback, staff is proposing these criteria in order to provide San Diegans who have been adversely affected by cannabis criminalization a path to economic and community recovery.

The criteria take into account the historic patterns of redlining by banking institutions, migration that occurred because of the social and economic impacts to communities of color and impacts that may have occurred from families being separated and having children placed into foster care. The impacts of educational opportunities that are demonstrated thru lower educational attainment as evidenced in Exhibit 13 of the Report (Page 2-24) rates that have affected disadvantaged communities (Exhibit 14, Page 2-25) also informed the residency requirements.

| Table 15: 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 |

Cannabis Social Equity and Economic Development (SEED) Permit Program

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, 1980: Sale; Possession; Use; Manufacture; Cultivation.
 - B. An eligible applicant must also meet two of the five of the following criteria:
 1. 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.
 2. 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.
 3. Lost housing in San Diego through eviction, foreclosure, or subsidy cancellation after 1994.
 4. Attended school in San Diego County for at least five (3) years between 1971 and 2016.
 5. 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. 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 a 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.
 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.
- 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.

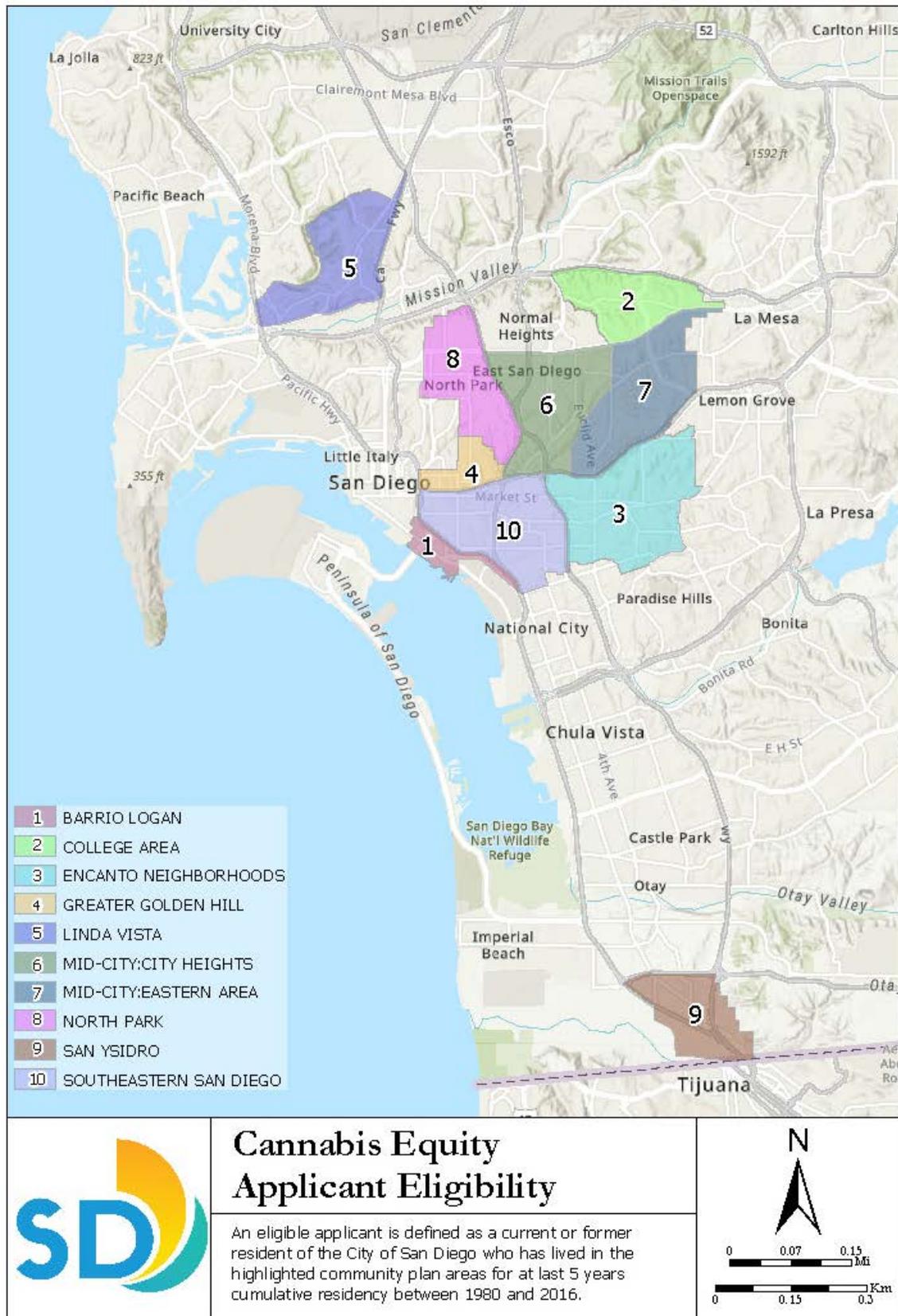
(4) All Owners are required to incorporate the following addendum into operating agreement documents to evidence compliance with Equity Share Requirements: "To the extent that any provision of this agreement, or part thereof, is or may be construed to be inconsistent with or in violation of the "Equity 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 1 (Equity Criteria).

Exhibit 33: Residency



This page intentionally left blank.

CHAPTER 8 | 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
- *Eaze* – www.eaze.com
- *Forbes* – www.forbes.com
- *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
- *MJBizDaily* – <https://mjbizdaily.com/women-minorities-cannabis-industry/>
- *Office of Environmental Health Hazard Assessment (OEHHA)* – <https://oehha.ca.gov>
- *San Diego Association of Governments (SANDAG)* – www.sandag.org
- *San Diego Geographic Information Source (SanGIS)* – www.sangis.org
- *State of California Housing and Community Development (HCD)* – www.hcd.ca.gov
- *U.S. Census Bureau American Community Survey* – <https://data.census.gov>

Aiken, Joshua. 2016 (December 12). Reinstating Common Sense: How driver's license suspensions for drug offenses unrelated to driving are falling out of favor. *Prison Policy Initiative*. Retrieved May 29, 2018.

Alexander, Michelle. n.d. *The New Jim Crow – Mass Incarceration in the Age of Colorblindness*, 92

Anslinger, Harry. Marijuana, Assassin of Youth. *The American Magazine*, 124, no. 1 (1937).

Austin J, McVey AD. 1989. The 1989 NCCD prison population forecast: the impact of the war on drugs. San Francisco: National Council on Crime and Delinquency.

Barish, H. and S. Averick. 2016. 13th. Directed by A. DuVernay. Produced by H. Barish and S. Averick. United States: Netflix.

Burton-Rose (ed.), 1998: pp. 246–247

California Legislative Information. 2017a. “Uniform Controlled Substances Act.” Accessed October 28, 2017. Available:

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=11362.5.&lawCode=HSC.49 “Bill Number: SB 420, Bill Text.” California Legislative Information. Accessed October 28, 2017.

Available: ftp://www.leginfo.ca.gov/pub/03-04/bill/sen/sb_0401-0450/sb_420_bill_20031012_chaptered.html.

- California Legislative Information. 2017b. "AB-243, Medical Marijuana." Available: https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB243. Accessed October 30, 2017.
- California Legislative Information. 2017c. "SB-643, Medical Marijuana." Available: https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB643. Accessed October 29, 2017.
- California Legislative Information. 2017d. "AB-64, Cannabis: Licensure and Regulation." Available: https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB64. 54 "SB-94 Cannabis: Medicinal and Adult Use." California Legislative Information. Accessed October 29, 2017.
Available:
https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB94; "State and Local Cannabis regulations under the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA)." Accessed October 30, 2017.
- Carter, Jimmy. 1977 (August 2). "Drug Abuse Message to the Congress, August 2, 1977." The American Presidency Project. Available: <http://www.presidency.ucsb.edu/ws/?pid=7908>. Accessed October 30, 2017.
- Chin, Gabriel J. 2002. "Race, The War on Drugs, and the Collateral Consequences of Criminal Conviction." Archived April 21, 2008, at the Wayback Machine, v.6 *Journal of Gender, Race, Justice* p.253.
- County of Santa Clara's Public Defender Office. 2013 (March 13). "The Substance Abuse & Crime Prevention Act of 2000." Accessed October 28, 2017. Available: <https://www.sccgov.org/sites/pdo/Pages/SACPA.aspx>.
- Engs, Ruth C., and Fors, Stuart W. 1988. "Drug Abuse Hysteria: The Challenge of Keeping Perspective." *Journal of School Health* 58, no. 1: 26-28.
- Grinspoon, Lester and James B. Bakalar. 1994 (February 3). "The War on Drugs—A Peace Proposal". *New England Journal of Medicine*. 330 (5): 357–360. doi:10.1056/NEJM199402033300513. PMID 8043062.
- Hsu, Spencer. 1999 (October 22). "Bush: Marijuana Laws Up to States; But GOP Candidate Says Congress Can Block D.C. Measure." *The Washington Post*. Available: <http://news.gallup.com/poll/165539/firsttime-americans-favor-legalizing-marijuana.aspx>. Accessed October 30, 2017.
- Hudak, John. 2016. *Marijuana: A Short History*. Washington, D.C.: Brookings Institution Press.
- Human Rights Watch. 2000 (May). "The Impact of the War on Drugs on U.S. Incarceration". Archived from the original on November 28, 2008. Retrieved June 10, 2007.
- Human Rights Watch. 2000. "I. SUMMARY AND RECOMMENDATIONS". *Punishment and Prejudice: Racial Disparities in the War on Drugs*. Archived from the original on February 7, 2010. Retrieved February 3, 2010.
- Human Rights Watch. 2010. "Key Findings at a Glance". *Racial Disparities in the War on Drugs*. Archived from the original on August 16, 2014. Retrieved February 3, 2010.
- Inciardi, James, *The War on Drugs* IV, ed. 4. (Delaware: Pearson Allyn and Bacon, 2008), 286.
- Ingraham, Christopher. 2016 (November 18). "Trump's Pick for Attorney General: 'Good People Don't Smoke Marijuana'" *The Washington Post*. Accessed October 30, 2017. https://www.washingtonpost.com/news/wonk/wp/2016/11/18/trumps-pick-for-attorney-general-good-peopledont-smoke-marijuana/?utm_term=.854263e133ee.

- Johnston, David and Neil Lewis. 2009 (March 18). "Obama Administration to Stop Raids on Medical Marijuana Dispenseries." *The New York Times*. Accessed October 30, 2017. Available: <http://www.nytimes.com/2009/03/19/us/19holder.html>.
- King, R., and M. Mauer. 2006. "The War on Marijuana: The Transformation of the War on Drugs in the 1990's." *The Harm Reduction Journal* 3, no. 6.
- Lopez, German. 2016 (March 23). "Nixon official: real reason for the drug war was to criminalize black people and hippies". Vox. Archived from the original on May 30, 2017. Retrieved June 13, 2017.
- Marijuana Policy Project. 1995. "*Possess a Joint, Lose Your License*": July 1995 Status Report. Archived from the original on October 8, 2007.
- Marquis, Christopher. 2002 (February 13). "Bush's \$19 Billion Antidrug Plan Focuses on Law Enforcement and Treatment." *The New York Times*. Available: <http://www.nytimes.com/2002/02/13/us/bush-s-19-billion-antidrug-plan-focuses-on-law-enforcement-and-treatment.html?ref=topics>. Accessed October 30, 2017.
- New York Times, The. 1990 (November 16). "States Are Pressed to Suspend Driver Licenses of Drug Users". *Associated Press*. Archived from the original on July 4, 2018. Retrieved May 29, 2018.
- Nixon, Richard. 1969 (July 14). "Special Message to the Congress on the Control of Narcotics and Dangerous Drugs, July 14, 1969." The American Presidency Project. Accessed October 30, 2017. Available: <http://www.presidency.ucsb.edu/ws/?pid=2126>.
- Nixon, Richard. 1971 (June 17) "Special Message to the Congress on Drug Abuse Prevention and Control, June 17, 1971." The American Presidency Project. Accessed October 30, 2017. Available: <http://www.presidency.ucsb.edu/ws/?pid=3048>.
- Nixon, Richard. 1973 (March 28). "Message to the Congress Transmitting Reorganization Plan 2 of 1973: Establishing the Drug Enforcement Administration, March 28, 1973." The American Presidency Project. Available: <http://www.presidency.ucsb.edu/ws/index.php?pid=4159>. Accessed October 30, 2017.
- Pew Research Center. 2017. "In Debate over Legalizing Marijuana, Disagreement over Drug's Dangers." Available: <http://www.people-press.org/2015/04/14/in-debate-over-legalizing-marijuana-disagreementover-drugs-dangers/2/>. Accessed October 29, 2017.
- Reagan, Ronald. 1982 (June 24). "Executive Order 12368: Drug Abuse Policy Functions, June 24, 1982." The American Presidency Project. Available: <http://www.presidency.ucsb.edu/ws/index.php?pid=42672>. Accessed October 30, 2017.
- Swift, Art. 2017. "For the First Time, Americans Favor Legalizing Marijuana." Gallup. Available: <http://news.gallup.com/poll/165539/first-time-americans-favor-legalizing-marijuana.aspx>. Accessed October 30, 2017.
- Taylor, Stuart. n.d. "Marijuana Policy and Presidential Leadership: How to Avoid a Federal-State Train Wreck," 20.
- Taylor, Stuart. 2013 (April 11). "Marijuana Policy and Presidential Leadership: How to Avoid a Federal-State Train Wreck." The Brookings Institution. Accessed October 30, 2017. Available: <https://www.brookings.edu/research/marijuana-policy-and-presidential-leadership-how-toavoid-a-federal-state-train-wreck/>.
- Tonry, Michael 1995. *Malign Neglect – Race Crime and Punishment in America*. Pp. 82. London: Oxford University Press.
- U.S. Department of Justice, Diversion Control Division. 2017. "Title 21 United States Code (USC) Controlled Substances Act." Available: <https://www.deadiversion.usdoj.gov/21cfr/21usc/811.htm>. Accessed October 30, 2017.

U.S. Drug Enforcement Agency. 2017. "DEA Staffing & Budget." DEA.gov. Available: <https://www.dea.gov/pr/staffing.shtml>. Accessed October 30, 2017.

Whitford, Andrew B. and Jeffrey Yates. 2009. *Presidential Rhetoric and the Public Agenda*. Baltimore: Johns Hopkins University Press.

Will, George F. 2009 (October 29). "A reality check on drug use". *The Washington Post*. pp. A19. Archived from the original on October 8, 2017. Retrieved September 18, 2017.

Yates, Jeff; Todd Collins; and Gabriel J. Chin. 1995. ["A War on Drugs or a War on Immigrants? Expanding the Definition of 'Drug Trafficking' in Determining Aggravated Felon Status for Non-Citizens"](#). *Maryland Law Review*. 64: 875. Retrieved February 28, 2021.

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 to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.
7. KMA is not advising or recommending any action be taken by the City with respect to any prospective, new, or existing municipal financial products or issuance of municipal securities (including with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues).
8. KMA is not acting as a Municipal Advisor to the City and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the City pursuant to Section 15B of the Exchange Act with respect to the services provided hereunder and any information and material contained in KMA's work product.
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.

Appendix A

The City of San Diego Cannabis Website

Appendix B

Listening Session Flyers

Appendix C

Listening Session Presentation

Appendix D

Listening Session Poll Results

Appendix E

Online Survey Results

Appendix F

Listening Session Notes

Appendix G

2019 Council District 3 and 4
Cannabis Equity Assessment

Appendix H

Stakeholder Recommendations List