

CALIFORNIA
CANNABIS
INDUSTRY
ASSOCIATION

2021

CCIA's Diversity, Inclusion & Social Equity
(DISE) Committee Presents:

California Cannabis Equity Accountability Report

*An Analysis of the Health and Success of
California's Social Equity Programs*



Fall 2021

Contributing Authors:



Yvette McDowell

CCIA Board Member
Co-Chair, CCIA DISE Committee



Mindy Galloway

Co-Founder, Khemia
Co-Chair, CCIA DISE Committee



Kika Keith

Co-Founder & President, SEOWA
Co-Chair, CCIA Legislative Committee



Deanna Garcia

CFO, Modesto Cannabis Collective
Social Equity Owner & Operator



Jocelyn Sheltraw

Director of Industry Relations
Headset



Summer Jenkins

Founder
CGC Inc.



Dr. Juli Crockett

Director of Compliance
MMLG



Wally Wong

Founder, Working Group Coalition
Social Equity Education, Meadow



Ali Lepech

Chief of Staff
Nabis



Mark Gannott

Vice-President, USC Marshall Cannabis Association
Chief Biotechnology Researcher, Endocanna Health



Nisha Kapadia

METRC Technician
KIVA Confections



Eddie Franco

Legislative & Regulatory Affairs Manager
CCIA

**and the Collective Membership of the CCIA Diversity,
Inclusion, and Social Equity Committee**

Special Thanks to:

The USC Marshall Cannabis Association

**MARSHALL
CANNABIS
ASSOCIATION**



Headset



Members of:



United CORE Alliance



**Social Equity Owners & Workers
Association (SEOWA)**



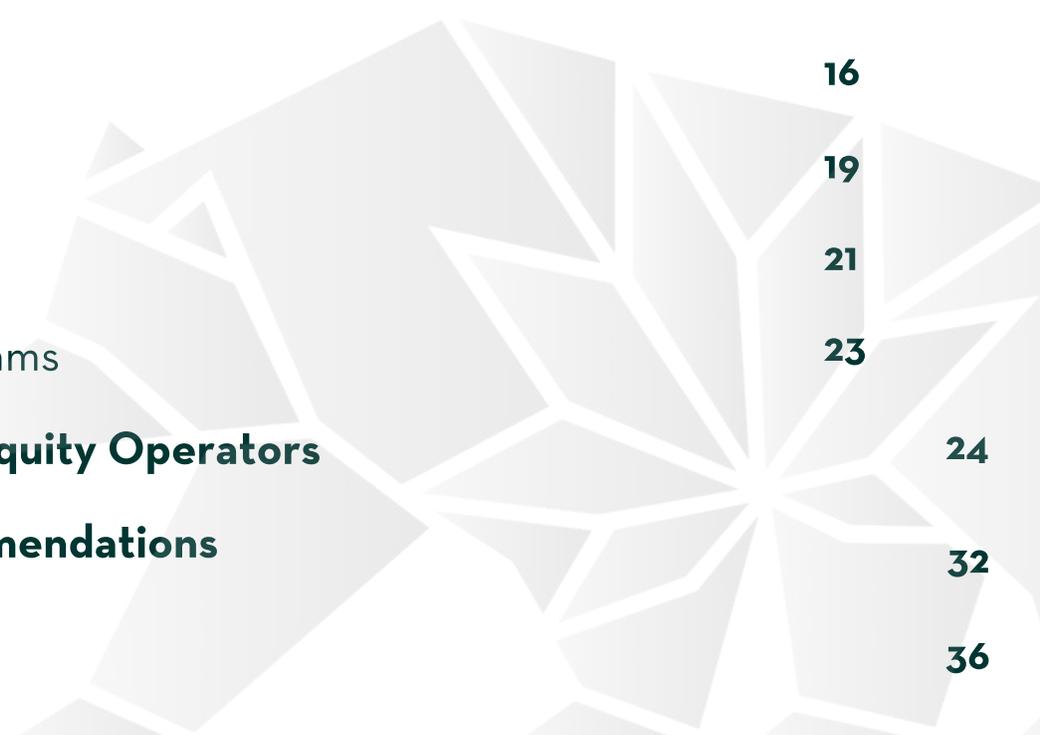
SUCCESS CENTERS

Empowerment through
Education, Employment & Art

Success Centers

Table of Contents

 Foreword by Lindsay Robinson	1
 Executive Summary	2
 Introduction	4
 California Cannabis Market Snapshot by Headset	5
 Equity Data Analysis	6
 Oakland	7
 San Francisco	9
 Los Angeles	11
 Mendocino	14
 Sacramento	16
 Humboldt	19
 Long Beach	21
 Emerging Programs	23
 Testimonials from Equity Operators	24
 State Policy Recommendations	32
 Conclusion	36



A Foreword by **Lindsay Robinson, CCIA Executive Director**

The California Cannabis Industry Association (CCIA) was founded on the principle of strength in numbers. Representing over 400 members, CCIA works everyday to ensure legal cannabis businesses are represented in a professional and coordinated way at the state level. Our goal is to promote the growth and stability of a responsible, equitable and legitimate cannabis industry.



As the leading cannabis trade organization in the state, CCIA has a responsibility to uplift and support communities most affected by decades of failed drug policy in California through political action, public awareness and business development. From this commitment, our Diversity, Inclusion and Social Equity (DISE) Committee was formed in 2018. Since its inception, DISE has been focused on cultivating a diverse, inclusive and equitable space within the California cannabis industry where one can truly belong and flourish while addressing, understanding and reforming the historical injustices and economic disparity faced by disenfranchised, Black, and Brown communities brought on by the failed War on Drugs. Now, more than ever, it is important for California to lead the way in commitment toward an equitable cannabis industry reflective of the great diversity in our state. The following Accountability Report stemmed from the insight, expertise, passion and commitment from members of our DISE committee.

A handwritten signature in black ink that reads "Lindsay Robinson". The signature is fluid and cursive.

CCIA Executive Director

Executive Summary

Decades of failed "War on Drugs" policies have most disproportionately harmed communities of color, particularly Black and Brown individuals. Notably, disadvantaged populations—particularly Black and Latinx individuals and communities—bore many of the costs of cannabis prohibition. Between 2001 and 2010, for example, there were over eight million cannabis arrests in the U.S., almost 90% of which were for possession¹; in 2017 alone, there were over 650,000 arrests for cannabis law violations in the U.S. Although the rate of cannabis use is equal amongst all populations, Black people are almost **4 times as likely to be arrested for cannabis possession**. Enforcing such cannabis laws costs about \$3.6 billion a year, yet has failed to diminish its use or availability.

Due to their acknowledgement of these disparate arrest rates and past failed policies, our Legislature passed the **California Cannabis Equity Act** in 2018 ([SB 1294, Bradford](#)), which, "establishes a grant program for the state to provide funding to local jurisdictions to develop and operate programs that focus on the inclusion and support of individuals in California's legal cannabis marketplace who are from communities negatively or disproportionately impacted by cannabis criminalization." State legislators intended the Act to directly benefit communities most harmed by decades of failed drug policies, by allowing them "to gain entry into, and to successfully operate in, the state's regulated cannabis market."²

Unfortunately, funds under the Act have proven unsuccessful in vital areas. As demonstrated in this report, there is a paucity of transparency and timeliness—there is no statewide database of the success of these programs, with some of the counties hardly having any available data at all. Due to this lack of oversight and accountability, local jurisdictions receiving grant funds differ greatly in their structure, eligibility, and funding implementation. As a result, the definition of success varies from jurisdiction to jurisdiction.

¹ American Civil Liberties Union (ACLU). "The War on Marijuana in Black and White." Washington, D.C.: American Civil Liberties Union 2013

² California Business and Professions Code § 26244(b)

Executive Summary

The following report, authored by the Diversity, Inclusion and Social Equity (DISE) Committee of the California Cannabis Industry Association (CCIA), details the current known data, as of May 2021, in relation to grant funds distributed under the Act. For purposes of this report, our DISE Committee analyzed the initial seven jurisdictions that received grant funds. Moreover, it compares and contrasts local jurisdictions' administration of their cannabis equity programs, from eligibility criteria to loan components. The report also details outcomes, comparing the number of participants in each program, as applicable.

This data is then compared with testimonials from our DISE Committee, composed of cannabis social equity applicants and operators across California, who speak about their experiences navigating cannabis entrepreneurship. Individuals interviewed point out the difficulty in procuring startup funds, receiving technical feedback or response in navigating the license application process, and a severe lack of resources available to equity applicants once they receive licensure. Finally, comparing the local jurisdiction data to the testimonials of our membership, this report makes comprehensive recommendations to state lawmakers on how to strengthen cannabis social equity programming across California.

Our DISE Committee recommends that, on top of creating pathways for more direct stakeholder oversight and accountability of the funds disbursed under SB 1294, the State contemplate a comprehensive definition for what constitutes cannabis social equity on the state level in order to facilitate more direct and intentional support of marginalized individuals seeking to enter the cannabis industry. We also recommend that California offer greater financial relief for cannabis equity entrepreneurs, consistent with legislation such as [SB 603 \(Bradford\)](#), and offer more funding specific to cannabis social equity, particularly as more jurisdictions begin to authorize commercial cannabis and thus establish new local equity programs.

Introduction

The War on Drugs as we know it had a devastating impact on communities of color, in particular Black and Brown communities. In an attempt to address this issue from a legislative position, SB 1294 (Bradford) was implemented, also known as the California Cannabis Equity Act of 2018. Although it was enacted two years ago, local jurisdictions have struggled to implement a social equity program that is designed to remove many of the barriers caused by the War on Drugs, while creating a strategic path to business ownership for the unregulated legacy entrepreneurs of the cannabis industry.

The design of these programs varies between local jurisdictions, with differing strategies depending on the city or county implementing the program. This report is designed to shine a light on local government agencies and what is or is not being done to create pathways for equity program participants.

While the conversation surrounding cannabis stands at a pivotal inflection point for legislators and policymakers, industry stakeholders have an extraordinary opportunity to create a policy framework at the State level. Cities and counties will be able to access this framework and implement its structure on how to create a sustainable social equity program.



California's Cannabis Market - A Current Snapshot

Provided by  HEADSET

Cannabis sales in California from January 1, 2021, to August 24, 2021 have reached **nearly \$3.2 billion**, according to data provided by [Headset](#).

With a projected **two-thirds of California jurisdictions still prohibiting** retail licensing, which is exacerbated by high local and state taxes, a thriving illicit market, and regulatory policies changing in real-time for all producer license types, California is one of the more challenging states to build a sustainable cannabis business, regardless of income or education.

An unstable marketplace requires a great deal of capital and human resources for plant touching operators to thrive, and historically, given that raising capital is more challenging for an equity applicant, this creates an unfair marketplace.

While cannabis sales continue to grow month over month, this doesn't necessarily translate throughout all producers. According to Headset data, **the top 10 brands in California make up nearly 27% of overall cannabis sales**. The top 5 brands in the state contributed just over \$824 million, an average of about \$165 million per brand. The smallest brands (ranked 100 and above out of 700+) made up in aggregate about \$1.3 billion of the \$2.7 billion in sales, with an average brand making around \$1 million over the last 365 days. It should be noted that dozens of the smallest brands see monthly sales less than \$50,000.

The limitation of retail licenses further exacerbates these challenges by creating a marketplace dynamic whereby only the most well-resourced and capitalized brands can compete for shelf space. These circumstances are facilitating the concentration of market share amongst very few brands. These brands typically have the financial and human resources to better overcome these challenges and "pay to play" to gain retail market share.

While the barriers to entry are high for any incoming cannabis operator, **the odds are against the average equity applicant** who might not have the same resources and advantages of other operators in the marketplace.

Social Equity Data Analysis

A jurisdiction-by-jurisdiction breakdown

This current reality of California’s cannabis industry, and the rapid rate at which the market is consolidating, makes navigating the world of successful cannabis entrepreneurship particularly difficult for social equity applicants and operators. Adding to this difficulty is the disparate structure by which cannabis social equity programming is administered throughout the state.

Under SB 1294, the State established a program whereby the State issues grants, administered through the **California Governor’s Office of Business and Economic Development (GO-Biz)**, to local jurisdictions that have authorized commercial cannabis activity so they may establish, or strengthen, a local social equity program. The intent of California Cannabis Equity Act is to aid local jurisdictions in providing opportunities for communities that have been most harmed by decades of failed drug policy; moreover, under the Act, those local jurisdictions are expected to increase the participation of marginalized communities within their local commercial cannabis industry. In practice, however, results have varied.

The following section details the funding, programming details, and outcomes of **the initial seven jurisdictions** that were awarded grants in the first disbursement period of Fiscal Year (FY) 2019-20³, as well as the subsequent funds they received in FY 2020-21⁴:

- 🌿 **Oakland**
- 🌿 **San Francisco**
- 🌿 **Los Angeles**
- 🌿 **Mendocino**
- 🌿 **Sacramento**
- 🌿 **Humboldt**
- 🌿 **Long Beach**

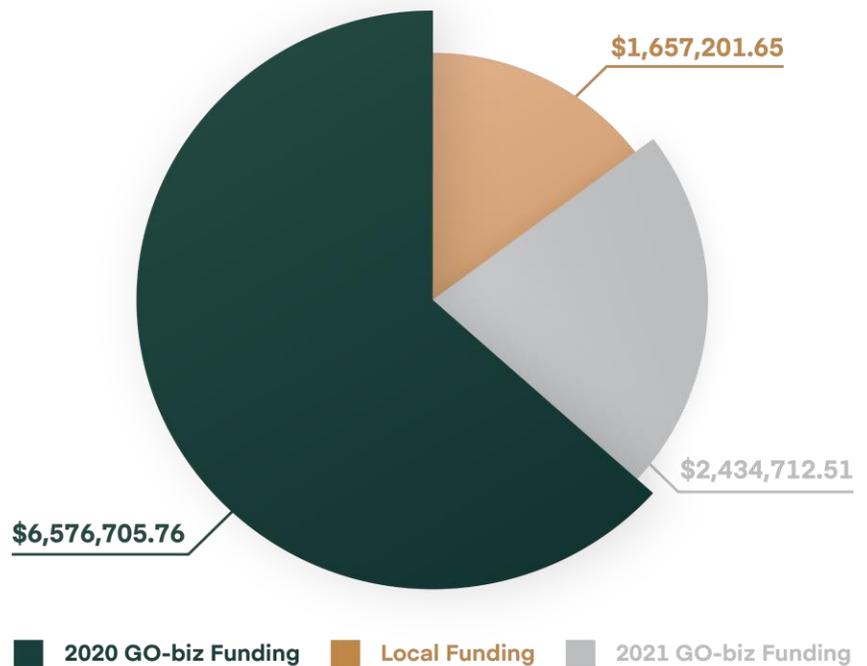
^{3 3} Governor’s Office of Business and Economic Development (GO-Biz). “California Cannabis Equity Grants Program Provides \$30 Million in Grant Funding for Local Jurisdictions”; April 21, 2020.

^{4 4} Governor’s Office of Business and Economic Development (GO-Biz). “California Cannabis Equity Grants Program Provides \$15 Million in Grant Funding for Local Jurisdictions”; March 17, 2021.

Oakland

In addition to giving grant money to operators, the City of Oakland is designating some money to support shared commercial kitchens for equity manufacturers. The City also plans to use the grant funds for events featuring equity businesses and workforce development programs. At conception, it designated two criteria for an equity license; unfortunately plans have yet to materialize into meaningful actions. In scope, it has over 350 equity applicants and over 150 equity licensees.

Oakland
Total Funds: \$10,668,619.90



The City of Oakland took a detailed survey⁵ of its social equity applicants in quarter one of 2021, and the **results were troubling**: **90%** of respondents said lack of capital is a major problem plaguing their business, while **82%** claimed to make **less than \$50,000** in gross receipts the prior fiscal year, despite over 80% of them having a personal income of less than \$60,000 annually. In sharp contrast, the results of a general survey of Oakland cannabis licensees as a whole show: 40% fewer respondents reported capital issues (compared to the equity survey), 50% made over a million in receipts, and only 33% made less than \$60,000 personally. **This disparity seems consistent throughout California and should deeply alarm lawmakers.**

⁵ City of Oakland. "2021 Cannabis Program Assessment Survey for Equity Applicants". May 19, 2021.

Oakland

EARLY SUCCESS:

One positive thing Oakland has implemented is a business coaching program; Gaining Resources to Achieve Sustainable Success (GRASS). This differentiates it from several other major jurisdictions. GRASS includes historical, financial, customer, market, and budget reviews. Although useful, the number one reported issue was a lack of capital, which is not addressed by GRASS. One thing Oakland does that ameliorates the lack of capital issue is that the City offers grants up to \$50,000 and loans up to \$125,000, subject to certain conditions.

Another factor to Oakland's program is Elevate Impact Oakland, a program intended to give leniency for late loan payments. Taking it a step further, it is supposed to allow social equity applicants to restructure their loans, while enrolling them in GRASS to enmesh them in institutional support. However, this vision has not come to fruition.

CURRENT ISSUE – LOAN REPAYMENT:

Despite Oakland's early history of championing social equity programming, equity operators locally are still experiencing significant pain points. Equity applicants were each provided with 1000 sq. ft. of "incubation" space rent-free for three years by a general applicant. Most of those incubation leases have now expired, and in many cases, they expired before equity business owners could receive meaningful assistance from the GRASS program. Unsurprisingly, a number of such businesses no longer exist and still more are struggling financially. Even more troublingly, we have recently learned that the City is considering sending equity entrepreneurs with outstanding debt **into collections** over their inability to repay their loans, regardless of the applicant or operators' current business standing - or lack thereof. Those that are already out of business face a particularly fraught path, as the only available mechanisms for obtaining any relief from these loan obligations require an ongoing, licensed business. Even worse, bankruptcy protections are likely unavailable to these entrepreneurs due to their connection with cannabis.

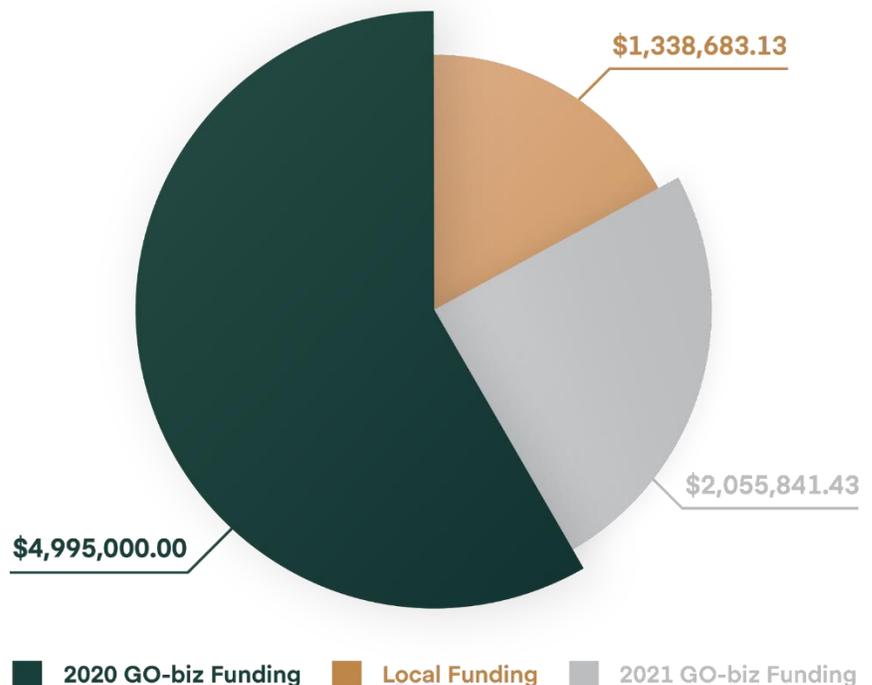
San Francisco

According to a summary provided to CCIA by the **San Francisco Office of Cannabis (SFOOC)**⁶, it has disbursed more than \$3 million in grant awards to eligible equity applicants and will award an additional \$2 million before the end of the year. The Office of Cannabis also intends to disburse \$2 million in additional funds in 2022.

For 2021, grant awards were, and are continuing to be, awarded per the guidance of the San Francisco Cannabis

Oversight Committee. The Committee voted to prioritize grant awards of up to \$100,000 to equity applicants who are sole proprietors and single-member entity LLC applicants and awards of up to \$48,000 to other eligible grantees. Awards have been used for start-up and ongoing costs including: rent, compliance, capital improvements, and other related expenses. Additional funds have been distributed to service providers offering technical assistance to equity applicants in the areas of permit and grant support, workforce development, and business development.

San Francisco
Total Funds: \$8,389,524.56



⁶ San Francisco Office of Cannabis. "Program Update for CCIA Accountability Report"; October 7, 2021

San Francisco

TECHNICAL ASSISTANCE:

In addition to grant-funded technical assistance services, the Office of Cannabis has also forged relationships with the Bar Association of San Francisco and a local legal practice, the Law Offices of Matthew Kumin, to offer pro bono legal services, permit support and compliance, and legal review to verified equity applicants. These services will be available through at least June 2023. Combined, these service providers have spent over 255 hours with verified equity applicants and provided services with an estimated value of over \$100,000.

SLOW BUT STEADY PROGRESS:

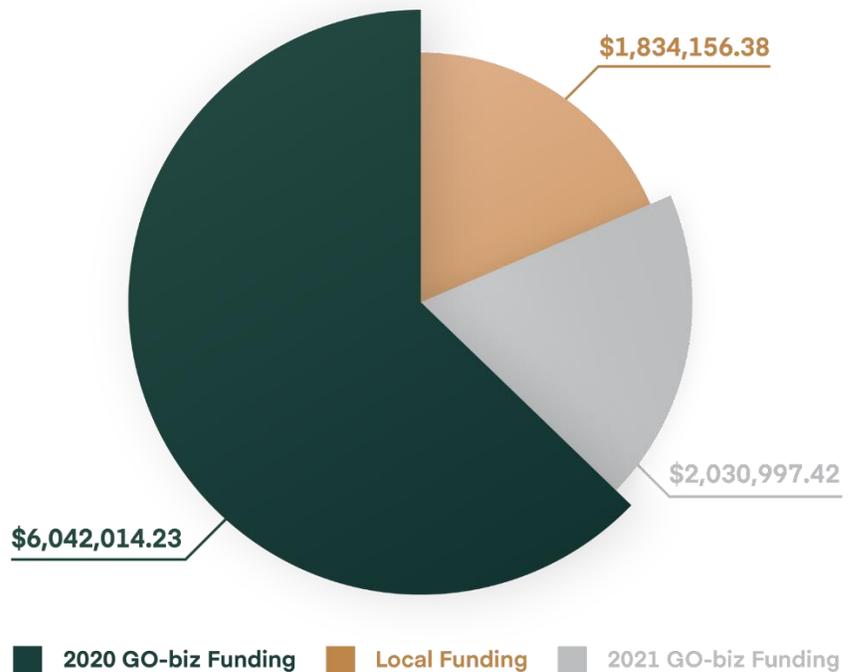
Of the nearly 300 verified equity applicants in San Francisco⁷, there are currently 17 equity-owned cannabis businesses in operation, spread across 20 licenses. Almost all of these businesses were permitted during the throes of the COVID-19 pandemic. Moreover, an additional 25 equity-owned cannabis businesses are under construction and in the final phases of the SFOOC's permitting process, for a total of 42 equity owned businesses should the applications be approved.

⁷ Governor's Office of Business and Economic Development (GO-Biz); "Cannabis Equity Grants Program for Local Jurisdictions Annual Report to Legislature"; July 2021

Los Angeles

Overseen by the City of Los Angeles’s **Department of Cannabis Regulation (DCR)**, Social Equity funds are intended to offer unique benefits for Cannabis and Small Business Development Assistance from the Economic Development Division. Some of the intended uses include: business planning, loan application preparation, site location services, human resource management, capital procurement services, bookkeeping, accounting practices and systems, among other supportive roles. While beneficial in concept, many equity applicants continue to wait on these services.

Los Angeles
Total Funds: \$9,907,168.03



In Los Angeles, equity applicants can qualify as Tier 1 or 2, depending on their business ownership structure (51% equity ownership vs. 33% equity ownership), or non-equity business can qualify as Tier 3 by providing property/premises, business, licensing, and compliance support to a Tier 1 business.

Specifically, the city intends to use the grant funds to provide direct technical assistance to equity applicants and licensees, aid in the priority and expedited processing of license applications and renewals, provide assistance for regulatory, business and licensing compliance, and offer fee deferrals for applicants.

Los Angeles

The city has recently disbursed \$25,000 grant funds to qualified equity applicants. However, these funds must be applied to the individual's personal income taxes. This has created serious challenges for those receiving government assistance, including being denied government benefits. This has left many applicants hesitant to apply for grants. The funds are also unable to be attributed to the business or written off as business expenses creating even more burdens for equity.

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

SLOW GOING:

As of October 1, 2021, **out of the 200 identified social equity applicants** qualified to receive retail licensing, **only 26 have received temporary approval**. In fact, it has been reported that **approximately 50 applicants** are awaiting their initial review of documents by the DCR. Out of this pool, and after over three years, only one applicant - the first African American female equity operator in Los Angeles - held a long-awaited grand opening for her retail establishment in the heart of Crenshaw. This would not have been possible but for the assistance of grassroots efforts and ceaseless advocacy.

None of the intended technical assistance, direct loans, pro bono legal services, fee deferrals, or compliance assistance - other than public informational meetings - were in place prior to the commencement of the equity application process. Grassroot organizations in the region took it upon themselves to provide technical and compliance assistance as well as collaborating with attorneys to provide limited pro bono legal assistance.

Los Angeles

TECHNICAL ASSISTANCE IS TOUGH:

The DCR has recently formed a partnership with the L.A. County Bar Association’s pro bono panel to provide a limited number of hours of assistance to equity applicants. To date, it is unknown how many individuals have been served.

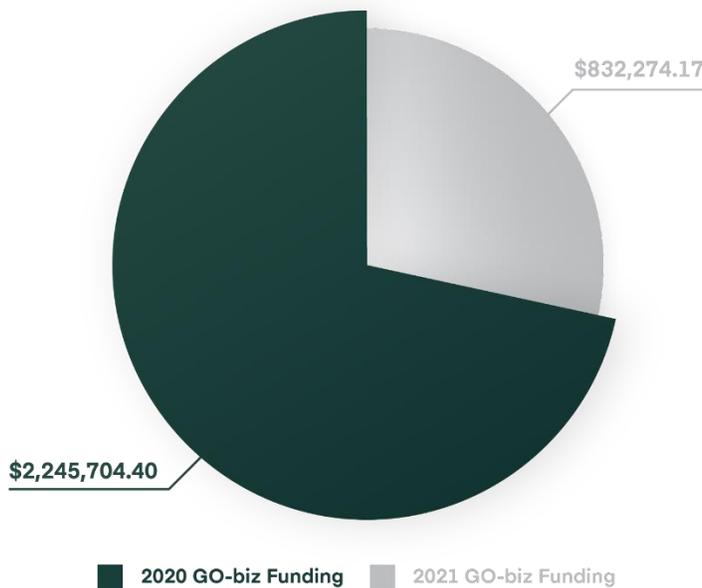
In an effort to provide technical assistance, DCR launched their “SPARK” program. Unfortunately, the program attempts to apply a uniform approach to a multidimensional group of individuals. This has resulted in entrepreneurs having more questions than answers as reported by grassroots organizations. From the lens of the individual needing technical assistance, the program has fallen short. The city must administer a needs assessment to meet individuals where they are, in order to provide real impact and assistance.



*Pictured: Kika Keith, Owner of GorillaRX Wellness in Los Angeles and Co-Founder of SEOWA
(Photo credit: Life Development Group (LDG), Los Angeles)*

Mendocino

Mendocino
Total Funds: \$3,077,978.57



The Mendocino County Local Equity Entrepreneur Program (LEEP), administered by Elevate Impact Mendocino, opened its “Equity Eligibility Application” on February 5, 2021, with qualifying individuals set to receive an official LEEP designation and an “Equity Applicant Identification Number” for purposes of their local cannabis licensing application, thus enabling them to apply for grant funding and services.

ELIGIBILITY CRITERIA:

In order to qualify as a LEEP applicant in Mendocino, individuals must demonstrate the following:

- Must be eligible for a cannabis related application, permit and/or license to operate a cannabis business in the unincorporated areas of Mendocino County whose activities are specific to cultivation, nurseries, processing, manufacturing, laboratory analysis, distribution or retail of cannabis.
- Have a household income defined as "very low income" or "extremely low income" for Mendocino County in the 2020 State Income Limits produced by the California Department of Housing and Community Development.

Mendocino

- This means, depending on the household, equity entrepreneurs in Mendocino County can only have an income between \$20,000-\$50,000 annually⁸.
- Must meet one of the following equity conditions:
 - Have lived within a 5-mile radius of the location of raids conducted by the Campaign against Marijuana Planting (CAMP) program.
 - Have a parent, sibling or child who was arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis (including as a juvenile).
 - Any individual who has obtained or applied for a cannabis permit in Mendocino County, or who has worked in or currently works in the cannabis industry, and was arrested and/or convicted of a non-violent cannabis-related offense, or was subject to asset forfeiture arising from a cannabis-related event.
 - Is a person who experienced sexual assault, exploitation, domestic violence, and/or human trafficking while participating in the cannabis industry.
 - Have become homeless or suffered a loss of housing as a result of cannabis enforcement.

FAILURE TO LAUNCH:

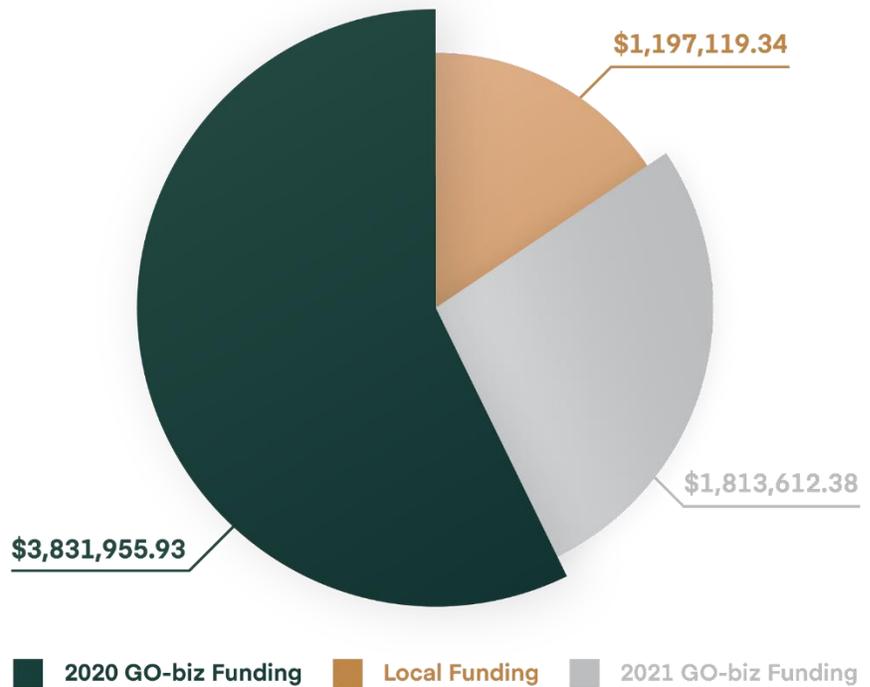
Though the County of Mendocino intends to provide fee waivers, as well as direct technical assistance and grants to qualified LEEP participants, **at the time of this writing, the County has not yet approved an Equity Eligibility Application.** This is primarily due to the second criterion for eligibility, around “very low” or “extremely low” income; applicants that meet one of the five required equity-specific conditions set forth under the eligibility terms, thus far, **do not** meet the qualification of “very low” or “extremely low” income.

⁸ California Department of Housing and Community Development, Division of Housing Policy Development. “State Income Limits for 2020”; page 7. April 30, 2020.

Sacramento

Since 2019, Sacramento’s Cannabis Opportunity, Reinvestment and Equity (CORE) Program has been administered by two organizations: the Sacramento Asian-Pacific Chamber of Commerce through their “Sacramento Grow Green” program, and the city-based California Urban Partnership. At the inception of CORE, the city offered up to \$125,000 in loans to CORE classifications 1 and 2 individuals. Moreover, there is a Business Reimbursement program: Business Operating Permit (BOP) applicants who have completed or are currently enrolled in the CORE Program are eligible to receive a reimbursement of up to \$25,000 for expenses incurred towards obtaining their permit. Requesters must own at least 51% of the cannabis business.

**Sacramento
Total Funds: \$6,842,687.38**



Sacramento

Currently, CORE eligibility is determined according to **five** classifications:

- **Classification 1.**

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

- **Classification 2.**

A current or former resident of the City of Sacramento who has lived in a low-income household for at least five (5) years, between the years of 1980 and 2011 in the following zip codes: 95811, 95815, 95817, 95820, 95823, 95824, 95826, 95828, and 95818.

- **Classification 3.**

A cannabis business with not less than 51% ownership by individuals meeting Classifications 1 or 2 criteria that reside within the city district in which their business sits, if any. If no such individuals exist, individuals meeting Classifications 1 or 2 criteria from other applicable areas may be utilized.

- **Classification 4.**

A cannabis business that is a CORE Incubator.

- **Classification 5.**

A Cannabis Social Enterprise with not less than 51% ownership by individuals meeting Classifications 1 or 2 criteria.

Sacramento

LESSONS LEARNED:

At the onset of commercialization in Sacramento, none of the thirty initial retail permits in the city were awarded to Black-owned cannabis businesses, or any equity businesses for that matter. In fact, even by the time the inaugural CORE participants had completed the program, all thirty retail slots had already been accounted for. This left little opportunity for equity entrepreneurs to open retail locations in the city. However, in April 2021, Sacramento awarded ten additional retail application slots exclusively to CORE participants, after extensive deliberation with stakeholders and council.

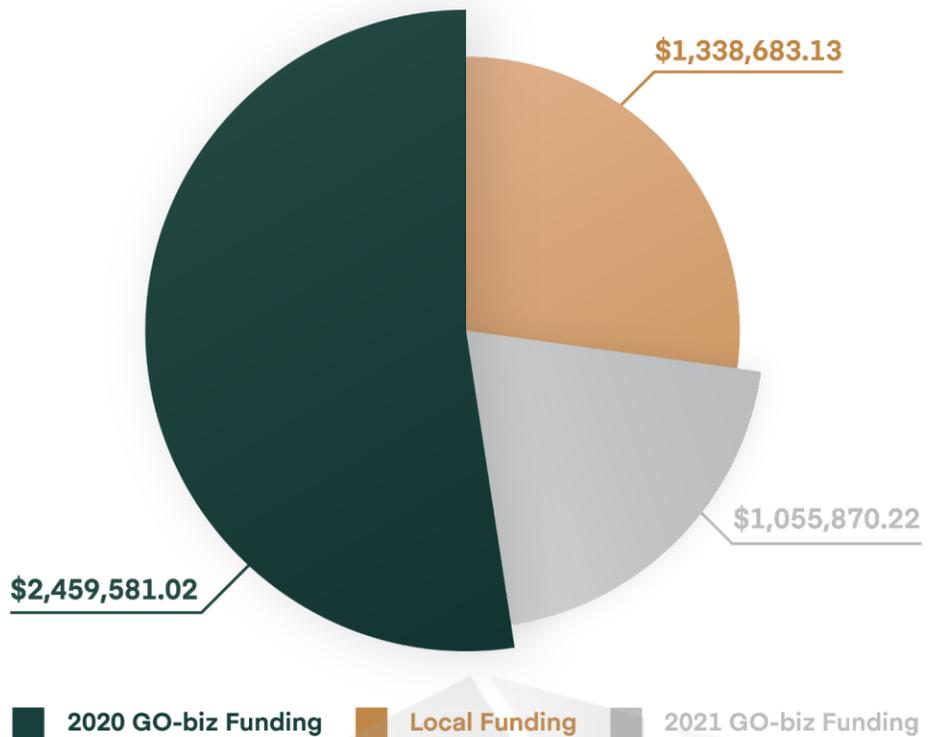


(Photo Credit: United CORE Alliance, Sacramento)

Humboldt

Much like Mendocino County, the populace residing in Humboldt County most affected by decades of cannabis criminalization, and as the needs of equity in that area, differ from what is found in more urban counties. Through 2019’s “Humboldt County Cannabis Equity Assessment”⁹, the California Center for Rural Policy (CCRP) at Humboldt State University and the Humboldt Institute for Interdisciplinary Marijuana Research (HIIMR) collected secondary data to assess communities most harmed by failed drug policy, notably CAMP. Through the assessment, data showed that small, rural counties in California, including Humboldt, had **higher rates of cannabis arrests** than other counties as well as the state as a whole. It also showed that Humboldt County’s **regions of highest poverty were not applying for cannabis licenses**.

Humboldt
Total Funds: \$4,854,134.37



Through the assessment, data showed that small, rural counties in California, including Humboldt, had **higher rates of cannabis arrests** than other counties as well as the state as a whole. It also showed that Humboldt County’s **regions of highest poverty were not applying for cannabis licenses**.

⁹ California Center for Rural Policy (CCRP) at Humboldt State University & the Humboldt Institute for Interdisciplinary Marijuana Research (HIIMR). “Humboldt County Cannabis Equity Assessment”. August 2019.

Humboldt

PROGRAM 2.0:

On August 16th, 2021, Project Trellis (which administers Humboldt’s equity programming, alongside cannabis business micro-grants and marketing programs), began accepting applications for a revamped “Local Equity Program V2.0”, guided by findings in the Assessment. To be eligible under the new, “V2.0” program, individuals must meet **all** of the following:

- The applicant’s household is at or below the median income level based on 2020 Department of Housing and Community Development Income Limits for Humboldt County.
 - This means, for a family of four, individuals may only have an annual income of up to \$72,000¹⁰.
- The applicant is a Humboldt County resident.
- The applicant is a shareholder or has at least 20% ownership interest in a cannabis business, such as cultivation, distribution, manufacturing, retail, testing, laboratory, or micro-business.

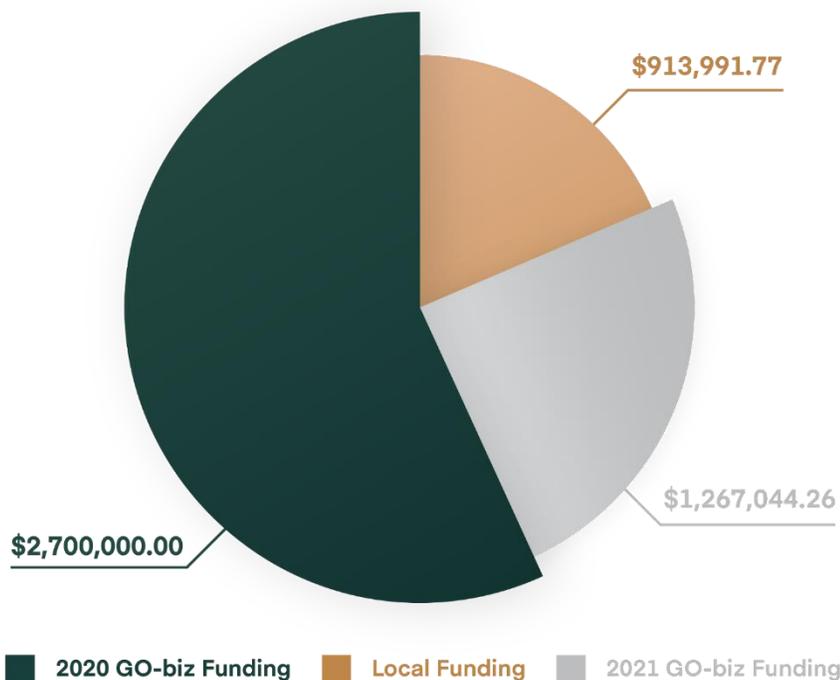
After meeting the initial qualifications, individuals must meet **one** of the following eligibility criteria:

- The applicant has obtained or applied for a cannabis cultivation, distribution, manufacturing, retail or other cannabis-related permit (either interim or permanent), and the permit is for a business located in a community defined by Humboldt County as having a poverty rate of 17% or above.
- The applicant has engaged in or currently engages in small-scale cultivation of cannabis on property in Humboldt County owned, leased, or with the express permission of the owner, with a cultivation area 10,000 square feet, or less.
- The applicant is a woman, person of color, or LGBTQ individual who has worked or currently works in the cannabis industry.
- The applicant has obtained or applied for a cannabis permit, or who has worked in or currently works in the cannabis industry, in Humboldt County, and was arrested and/or convicted of a non-violent cannabis-related offense or was subject to asset forfeiture arising from a cannabis-related event.
- The applicant experienced sexual assault, exploitation, domestic violence, and/or human trafficking as a result of participating in the cannabis industry.
- The applicant was or is homeless or suffered a loss of housing as a result of marijuana enforcement.

¹⁰ California Department of Housing and Community Development, Division of Housing Policy Development. “State Income Limits for 2020”; page 6. April 30, 2020.

Long Beach

Long Beach Total Funds: \$4,881,036.03



The City of Long Beach directly administers its Cannabis Social Equity Program through the city’s Office of Cannabis Oversight (OCO), established earlier in 2021 after years of stakeholder sessions and draft plans.

ELIGIBILITY CRITERIA:

In order to qualify as an applicant in the City of Long Beach’s Cannabis Social Equity Program, an individual must meet **all** of the following eligibility criteria:

- Apply as a person, not a company
- In the last year, your annual family income was at or below 80% Los Angeles-Long Beach-Glendale (LA County) Area Median Income.
 - This means, for a family of four, individuals may only have an annual income of up to \$61,840¹¹.
- Have a net worth below \$250,000
- Satisfy at least **one** of the following two criteria:

¹¹ California Department of Housing and Community Development, Division of Housing Policy Development. “State Income Limits for 2020”; page 7. April 30, 2020.

- Have lived in a Long Beach census tract for a minimum of 3 years where at least 51% of current residents have a household income at or below 80% of the Los Angeles Area Median Income. Check our interactive map.
- Was arrested or convicted for a crime relating to the sale, possession, use, or cultivation of cannabis in the City of Long Beach prior to November 8, 2016 that could have been prosecuted as a misdemeanor or citation under California law.

Qualifying individuals must then get verified as a cannabis social equity applicant in the city by submitting a Verification Form, alongside supporting documentation, to the OCO. Once receiving a verification letter from the OCO, these verified Equity Applicants and Equity Businesses* are entitled to a number of benefits, including:

- Application workshops
- Fee waivers**
- Direct grants**
- Expedited application review
- Cultivation tax deferrals

** To qualify as an Equity Business, Equity Applicants must have a minimum of 51% ownership of the entity that will apply for an Adult-Use Cannabis Business License.*

*** Fee waivers, grants, and technical assistance (which has yet to be made available to Equity Applicants) are all provided through GO-Biz grant funds.*

A PROMISING START:

Outside of encouraging direct equity entrepreneurship, Long Beach offers a “Cannabis Social Equity Employment Program” to aid verified Equity Applicants in receiving employment opportunities in the cannabis industry.

Most recently, in July 2021, City Council passed a Cannabis Shared-Use Manufacturing ordinance (ORD-18-0015), which included a prioritized licensing process for equity applicants. While Long Beach’s Cannabis Social Equity Program is rather new compared to others detailed in this report, a more direct approach to administration coupled with more

opportunities outside of direct business ownership have led to promising early days for social equity in Long Beach.

Emerging Programs

For purposes of this report, we limited our analyses to the initial seven jurisdictions that received the inaugural round of GO-Biz grant awards under the Cannabis Equity Grants Program for Local Jurisdictions. We note, however, that a number of jurisdictions received ongoing funding in 2021 that we did not fully analyze in this report, either due to the infancy of said programs or the lack of reported data at the time of authorship.

We acknowledge that these jurisdictions have also received funds¹², and we will continue to monitor these programs successes and failures for subsequent analysis in future correspondence. These include, but are not limited to:



The City of Fresno - \$1,204,934.25 awarded in 2021



The City of Palm Springs - \$869,540.18 awarded in 2021



The County of Lake - \$888,173.18 awarded in 2021

¹² Governor's Office of Business and Economic Development (GO-Biz). "California Cannabis Equity Grants Program Provides \$15 Million in Grant Funding for Local Jurisdictions"; March 17, 2021.

Direct Testimonials

From Equity Operators Across the State



In order to properly document the true impact of California's local cannabis equity programs, members from CCIA's DISE Committee conducted interviews with California equity applicants and operators in multiple municipalities across the state. The following testimonials demonstrate the lived experiences of multiple equity operators, navigating local social equity grant programs, and the true impact that failures in local program implementations have on the equity community as a whole.

Outside of redactions for anonymity or omission for brevity, these are the verbatim words of equity operators across the State.

Lack of Funds

The most common theme among equity operators across California is the barrier of obtaining funding necessary to properly launch a business and afford a space large enough to maintain an operation. Even when equity applicants were awarded licenses, they expressed a failure of social equity programs to provide resources to help educate operators on fundraising, or any consultative support during the fundraising process. This support system is needed to ensure operators have the answers to the complex financial and legal questions that accompany raising requisite funds.

“All in all, the toughest part has been investors, the toughest part has been looking at contracts, looking at deal points in terms that go clearly against the social equity guidelines that never really put the equity applicant in the position to win. You know, they took advantage of equity applicants who didn't have a power position...”

Alfred Torregano, Los Angeles

“You're expected to start basically a million dollar a year business, from scratch, in not knowing what the budget is, not knowing what the state's gonna put in front of you in terms of costs. Not having, really, the technical expertise to start the business. But you're given a piece of paper saying you've got a license, start a business without either the proper capitalization and in that case, in our case, and everybody's case, the consultants weren't in place at that time.”

Anonymous Equity Applicant, Oakland

“The tough part was, when you're dedicating your life to finding an investor, or somebody who's going to back you, somebody to be a partner and work with you kind of don't know where to start. I started everywhere; googling venture capitalist. I personally started off trying to find funding in the black community. I went on LinkedIn join premier, got a free premium trial for LinkedIn, just so I could direct message top CEOs everywhere.”

Sean Stanley, Hollywood

Equity operators expressed being unsure which investors to trust and how to properly advocate for themselves during contract negotiations. Because of constraints like the

requirement to have a property before applying for a license, they are forced to rush to find capital without knowing if they were entering predatory investment contracts.

“The hardest part about the social equity program, I think, for us, definitely raising capital we’ve experienced. We’ve had several relationships with investors over the period of time of the course of this program and they all fell short, just because of the timing of the entire program. So when we think about the funds, that big issue, the program itself, not a lot of information was given directly from the department.”

Evelyn and Brandon, Green Paradise, LA

“[The City of Sacramento] currently offers no grants, and the loan program requires applicants to sign a personal guarantee that repayment is due the month afterward. This is not a realistic access to capital for many equity applicants and licensees”

Anonymous CORE Graduate, Sacramento

Slow Approval Process

Equity operators expressed that for the most part, city government workers and equity program representatives were extremely slow to respond at times where a response was vital to continue the application process. These operators were dedicating their life and savings to the process, but felt little to no support from the program itself during their application and licensing process. The lack of urgency in correspondence with social equity program representatives left them in limbo while they waited for guidance navigating the complicated, intricate, and opaque, process. Applicants also are faced with a lack of standardization and scattered information, augmenting the need for strong institutional support:

“...a year later, and the licensing program is extremely slow. The city, very unresponsive. The past six months they have been a little more responsive, not saying much, and they are emailing the answer. So yeah, they're not responsive. I don't feel like there's very much movement”

Sean Stanley, Hollywood

“Part of it has been working with the city because they didn't make it easy. When we were applying for the social equity program, they made it a little

bit difficult in that they weren't getting back to us quick enough. They had us in limbo, and also the fairness of the program, how they did the social equity program when they told you to apply, the application process.”

Cynthia Morsy, San Pedro

Interviewees across the board experienced a lack of support in times of need and were left without support when the city's sometimes ill-conceived programs made it impossible for them to begin operating before they ran out of capital:

“I hear horror stories that a lot of folks didn't negotiate their leases like that and their three years ended up ending before they even obtained their state licenses. I guess your question would be, what did the city do from that happening? Did they intervene? And my answer would be nothing. The city was very inept and unwilling to really sit down and be an advocate on behalf of the equity operators, to strong arm, put some type of policy understanding in place, even requirement emphatically that these three-year periods would not start to run until the state licenses were in place.”

Anonymous Equity Applicant, Oakland

“To get a license is a complex process. The City programs are not helping because they lack the knowledge to be able to assist. I'm 2 years in and I'm not even operational yet but I have been working every day getting permits, talking to contractors, filling out applications and going through the process without much practical support. Instead of the City decision makers supporting us, they are putting more obstacles on social equity operators such as licensing and permit moratoriums for districts, restricting our access in this already difficult process.”

Miko Banks, Resziin Farms, Sacramento

Lack of Consistency and Oversight Across California

A central issue that arose in each interview conducted, regardless of jurisdiction, is the lack of a consistent definition for “social equity” in California. Under current law, cannabis equity programs are entirely established and administered by local governments only; the State only provides financial support through grants, and as demonstrated below, arms-length technical assistance for programs.

“The program should not be social equity by city, it should be social equity by state. I am social equity certified in Sacramento but currently live in Modesto. I have tremendous difficulty growing and expanding my business in Modesto and it is stunting my growth. I do not qualify for the Modesto Social equity program and I am not able to use resources that should be available to me.”

Deanna Garcia, Modesto Cannabis Collective, Modesto

“There is no unity [across programs]. We [the equity community] do not have a seat at every table, particularly due to the social stigmas placed on us.”

Anonymous Equity Applicant, San Francisco

Interviewees spoke about the lack of consistency, and therefore oversight, across the various local programs in California. They desire state leaders to address cannabis social equity head-on through the creation of a state-level equity definition, or similar state-level program to address the lack of consistency across varying jurisdictions:

“The need for a statewide program is essential. The local cities and counties do not understand the difficulties or the infrastructure of the cannabis industry. We need an ecosystem throughout CA in order to be successful and profitable. I am struggling because my brand needs shelf space and I have little capital, making it difficult to market or extend to different cities. We have only a few dispensaries in Sacramento and I need to be able to connect statewide. The current local program does not think about statewide. Without access, my company will not be able to stay afloat.”

Mindy Galloway, Khemia, Sacramento

Lack of Technical Assistance

As demonstrated in our data analysis, many local programs offer “technical assistance” as a benefit under their respective equity program. Outside of start-up funds, direct technical assistance and education on business practices is one of the most direct ways to reduce barriers to entry for social equity entrepreneurs. However, several equity applicants and operators expressed frustration with the current technical assistance, or lack thereof, they receive from their respective programs.

“Workshops do not offer practical skills training and are more akin to lectures. They do not provide practical business or job-skill training.”

Anonymous CORE Participant, Sacramento

In many cases, interviewees describe that technical assistance provided by programs often do not include major components necessary to navigate a successful cannabis business. Often times, the technical assistance provided by programs do not provide tangible benefits to applicants and licensees, or meet their needs or outstanding challenges.

“Education and business skills services are ineffective. Equity program participants lack basic requirements for licensure like a building or location, security plan and contractor to handle build-outs. These omissions cause files to remain open for years when the entire process, if the applicant is prepared, takes 6 months or less. Note page 17 of [the Sacramento ordinance], which outlines the disparate business skills of applicants. Closing the disparity [of business education] is a proposed program component.”

Anonymous CORE Graduate, Sacramento

In some instances, equity applicants feel that, without proper oversight or accountability from the local government, the technical assistance programs set up in local programs can expose them to predatory business practices:

"[I do not] believe in incubators due to the way they are set up. Applicants have no protection and are encouraged to sell their businesses to their "incubator partners". The program does not deal with conflicts of interest and leaves participants exposed."

Anonymous Equity Applicant, San Francisco

Filling the Gap - Community Partners

Several operators mentioned the support that they received from outside community organizations was the only lifeline they had over the past three years. These organizations, such as the Los Angeles-based **Social Equity Owners and Workers Association (SEOWA)**, Sacramento's **United CORE Alliance (UCA)**, and the San Francisco-based **Success Centers**, offer education, guidance, and technical assistance to equity applicants and operators in their areas where the official local programs fall short. They were certain that if those programs did not exist, they would not have been able to launch or operate successfully:

"I came across [SEOWA]. You guys, they helped me find a pro bono lawyer, who really just helped me feel like I am now capable of moving forward with this. I'm not afraid to talk to these investors. So, that was the biggest, like, positive in this whole experience was getting a pro bono lawyer, that I could call and say, Hey, here's what's going on. Tell me what you think. Because and then whatever they say, they can approach it. They're like, no, this is ridiculous or okay, well, this is actually how things go in this."

Sean Stanley, Hollywood

"I receive education services from the Success Centers, a non-profit in San Francisco, as opposed to [the city's official] facilitator because the facilitator's services do not provide practical information or resources."

Anonymous Equity Applicant, San Francisco

'...the program itself, not a lot of information was given directly from the department. So we basically had to use the community resources that were available, because a lot of the information given from [the DCR] has been so vague, and it continues to remain that way, and itself, you know, it has been stressful. But anyone who's in the social equity program, who has gotten as

far as we have gotten over these past few years knows that like once you're in, it's so hard to get it out, because you do have so much time and so much invested in. You know, it has come with a lot of financial hardships. So the program in itself has been very difficult, I would say.'

Evelyn and Brandon, Los Angeles



Policy Recommendations

The preceding testimonies—representative of experiences facing equity operators across the State—leave little doubt that California’s cannabis social equity programming is not working as intended.

Grants are issued by the State with little accountability, while local programs stall and funds remain unallocated. Applicants are waiting years for local approval, yet paying thousands of dollars in rent for property that has yet to be utilized. As demonstrated in our data analysis, some jurisdictions that have received grant funds - in some cases multiple grants - have yet to meaningfully onboard equity applicants for programming. While we commend these jurisdictions for their early embracement of social equity, it is clear that reform to California’s approach to cannabis social equity is necessary.

Therefore, led by the leadership of our DISE Committee and the testimonies of the hundreds of equity operators struggling across California, CCIA recommends the State of California consider the following policy recommendations:

1. Direct Stakeholder Oversight

From our perspective, the most urgent and impactful issue affecting social equity in California is the lack of accountability and oversight of the programs already established, and the funds being disbursed to the localities running them. Over \$50 million in grant funds have been allocated to local jurisdictions under the California Cannabis Equity Act, yet as our data represents and our testimonies support, operators are not seeing the funds disbursed down to programs in a timely manner.

As such, we strongly support provisions such as those contained in 2021’s [SB 398 \(Skinner\)](#) that establish a stakeholder oversight committee made up of equity operators and community members. It would be tasked with specifically offering input, recommendations on what equity entrepreneurs really need through the creation of a needs assessment to be offered by jurisdictions in order to meet the entrepreneur where

they are, not what jurisdictions assume they need, and oversight of Business and Professions Code, Division 10, Chapter 23 and other areas of state law pertaining to cannabis equity.

Moreover, empower the oversight commission with specific duties and responsibilities, including but not limited to:

-  Creation of the model local equity ordinance prescribed under California Business and Professions Code (BPC) § 26246.
-  The ability to provide technical assistance to local equity programs consistent with BPC § 26242
-  Producing an advisory review and recommendation for each grant application submitted by a local jurisdiction under BPC § 26244(a).
-  Receipt of each eligible local jurisdiction’s annual report, as set forth under BPC § 26244(c).

2. State-Level Equity Definition

One of the biggest hurdles for California in directly addressing issues related to social equity is the lack of a comprehensive definition for “social equity” for the state to reference. Current statute and pending legislation alike refer to equity applicants, operators, and programs according to the definitions found under BPC § 26240, which define social equity according to a local program’s definition.

As demonstrated in this report, however, the definition of “social equity,” and “qualifying individuals,” differs greatly from one jurisdiction to another. As such, state regulators will find themselves having difficulty implementing statewide provisions pertaining to equity when there is no clear definition to reference.

We therefore recommend the California Legislature adopt a specific statutory definition for what constitutes a social equity applicant and licensee on the state level, crafted in direct

consultation with stakeholders. Through establishing a categorization for social equity licensure on the state level, California can more directly address disparities in cannabis licensure. This also allows the state to offer more direct assistance to marginalized individuals seeking to enter the cannabis industry, particularly to those who may not reside in a locality that has established an equity program. Such a definition should also take into account the current universe of social equity applicants and programs, so as to not disrupt existing licensing pipelines and application pools.

Earlier this year, the California Legislature made a stride toward a comprehensive state approach to equity through the passage of [AB 166 \(Committee on Budget\)](#), which among other technical changes, established a definition in statute for “social equity applicant”, *for purposes of state licensing fee waivers and deferrals*. This definition, though not holistic, is a promising start; equity individuals who currently reside outside of established local equity programs, for the first time, may receive state relief through this language.

Through the regulatory process, the Department of Cannabis Control (DCC) has the ability to refine or expand this definition¹³; as such, DISE looks forward to continued dialogue with the DCC to ensure this definition is not overly-broad, but rather captures populations most in need of equity relief. Moreover, the DCC should consider mechanisms to expand opportunities for individuals captured under this definition, beyond fee waivers and deferrals.

3. Financial Relief

Financial burdens are often the earliest, most significant barrier to entry for aspiring equity entrepreneurs. As such, it is imperative that the state pursue legislation like 2020’s [SB 603 \(Bradford\)](#), which provides waivers and deferrals for state licensing and application fees as well as tax relief for the many equity operators who are already paying tens of thousands of dollars in state and local licensing fees.

The state must find avenues to provide relief for the startup costs incurred outside of the above-mentioned fees. As demonstrated, costs associated with issues such as property

¹³ California Business and Professions Code § 26249(c)(4)

acquisition, hiring, and compliance review hinder equity entrepreneurs who already have limited access to private capital. As such, lawmakers should consider expanding avenues to offset startup costs for equity applicants, such as direct business grants (as opposed to individual, personal grants to prevent unnecessary tax burdens on the applicant), or expanding the qualified expenses that can be offset by a tax credit such as that established under SB 603.

4. Broaden Opportunities in the Budget

In addition to ongoing funding of \$15.5 million for the Cannabis Equity Grant Program, the 2021-22 Budget Act allocates an additional \$20 million in one-time funding for a total of \$35.5 million. The budget also includes \$30 million in one-time spending to jump start fee waiver and deferral programming. Both one-time budget augmentations were championed by Senator Steven Bradford.

While a commitment of \$15.5 million in California's budget is a good step toward addressing the ongoing issues affecting equity at the local level, we must also increase funding in the budget as more local equity programs are established. Therefore, it is imperative that annual funds allocated toward GO-Biz local equity grants increase proportionally to the California market over time. This will ensure that existing equity programs can continue to receive state assistance to a proportional degree while sufficiently aiding new local equity programs.

Conclusion

This report is advocating for reforms, standardization, and oversight. An optimal social equity program's positive impact cannot be understated: according to the Marijuana Business Factbook¹⁴, for every one dollar spent at a cannabis retail location, 2.5 dollars are generated for the economy as a whole. It is clear that investment in social equity programming that empowers applicants for success leads to stronger economic outcomes for local communities. Unfortunately, this also means poorly administered programming can leave applicants in a quagmire, and hampered from long-term success.

While retail operations tend to be the least expensive to open, most local jurisdictions limit the number of retail licenses available. Still, the fiscal barriers to entry (\$500k to \$1.5M) are far steeper than the local grants (\$2,500 to \$25k) being provided to equity applicants. In addition, retail equity operations must not only rapidly scale and quickly generate revenue, but also contend with the extra burdens facing equity entrepreneurs, such as exploitative repayment terms and lack of access to capital that other conventional businesses may enjoy, leaving them vulnerable to predatory practices. This accentuates the need for both better capitalization and stronger technical support at the initial phase of setting up and opening a licensed business. In a similar vein, raising capital enmeshes a business into an ecosystem that often has intrinsic benefits, especially skill training, business education, and networking.

As technical support programs are developed, we encourage localities to partner with established and respected organizations that specialize in crash courses in business planning and equity rights and responsibilities. In addition, we recommend a mentorship program with industry specialists for follow up sessions to address issues as they arise. After all, the major issue is not only the lack of capital, but also, the lack of access to the network that is generated when raising capital or receiving an investment from an investor or fund. So, to level the playing field, equity operators need application assistance, business development, financial literacy, and ongoing support.

At its core, social equity is about restoring power to communities unjustly harmed by the War On Drugs. Where that War weaponized cannabis to strip people of their liberties, the generational wealth provided by cannabis entrepreneurship fosters new opportunity, and the freedom to stay in the cannabis industry and monetize the value they created. Where the State once used cannabis to oppress, it is now in a position to use it to emancipate. Thus, the program needs these reforms to ensure that it continues to rectify the wrongs of yesterday in an industry where nobody knows what tomorrow holds.

¹⁴ MJBizDaily. "Annual Marijuana Business Factbook, 2021 Edition". Page xx. April 7, 2021.