



General Data

Local Jurisdiction Name: City and County of San Francisco

Local Jurisdiction Type: City and County

Funding Request Type: Type 2: Assistance for Cannabis Equity Program Applicants and Licensees

Has the jurisdiction conducted an equity assessment to inform the creation or revision of its local equity program for commercial cannabis licensing? Yes

Has the jurisdiction adopted a local equity program for commercial cannabis licensing? Yes

Does the jurisdiction operate a local equity program for commercial cannabis licensing? Yes

Applicant Information

Local Jurisdiction Name: City and County of San Francisco

Federal Employer Identification Number: 94-6000417

Does the local jurisdiction have a culture or perspective on equity, including policies, programs, and/or practices that address social equity and justice? Yes

If yes, please describe:

The City and County of San Francisco was one of the first jurisdictions in California to adopt a social equity program. This program is designed to provide opportunities in the regulated cannabis space to vulnerable populations who were hurt by the War on Drugs. The mission of the San Francisco Office of Cannabis (OOC) is to rectify the negative effects of the War on Drugs by promoting opportunities for verified social equity applicants, permitting the commercial cannabis industry, supporting both medical and adult-use cannabis businesses, reducing the illegal market for cannabis, protecting and promoting the health of the public, limiting youth access and exposure to cannabis, and enforcing Article 16 of the San Francisco Police Code.

Moreover, San Francisco conducted a criminal record expungement effort that targeted criminal records associated with cannabis-related offenses. This effort provided a fresh start for many individuals and removed barriers that these records might have posed in their personal and professional lives.

Additionally, the OOC takes pride in its diverse staff who largely represent the communities it serves. Collectively, OOC staff members are fluent in 9 languages: English, Spanish, Mandarin, Cantonese, Gujarati, Russian, Belarusian, Tagalog, and Kapampangan. Collectively, these languages capture the majority of languages under the City's Language Access Ordinance (e.g. Spanish, Chinese, Tagalog) and provide a few additional ones as well (e.g. Gujarati, Russian, Kapampangan). OOC language skills help to mitigate barriers to entering the cannabis industry and navigating government processes by being able to effectively communicate with its diverse community.

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|---|-------------------|-----------------|
| Website address for the jurisdiction's local equity program (if applicable): https://www.sf.gov/get-verified-equity-applicant | | |
| Mailing Address | | |
| Address Line 1: 49 South Van Ness, Suite 660 | | |
| Address Line 2: | | |
| City: San Francisco | State: CALIFORNIA | Zip Code: 94102 |
| Payment Address (if different than Mailing Address) | | |
| Address Line 1: 1 Dr Carlton B Goodlett Place, Room 357 | | |
| Address Line 2: | | |
| City: San Francisco | State: CALIFORNIA | Zip Code: 94102 |

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| Proposal |
| 1. Total Amount Requested: \$2,293,767 |
| <p>2. Executive Summary: Please describe your proposal in 3-5 sentences.</p> <p>Resources provided by the Governor's Office of Business and Economic Development (GoBiz) will support San Francisco's Equity Applicants and Licensees with flexible grant funding for startup and ongoing costs associated with their commercial cannabis businesses. Funding will provide critically needed capital to mitigate barriers to entry, a common issue expressed by our equity community. Moreover, grant funding will contribute to the long-term stability and growth of social equity cannabis businesses, enabling to sustain operations</p> |

Proposal

3. How many local equity applicants does the jurisdiction intend to serve with the requested funds?

459

4. How many local equity licensees does the jurisdiction intend to serve with the requested funds?

70

5. For each budget line item and activity identified in the budget spreadsheet, describe how the jurisdiction will use the requested funding to assist its local equity program's applicants and licensees.

(A) Grants: Direct assistance for San Francisco's Equity Applicants and Licensees will include support to build-out their physical space (e.g. capital improvements, fixtures and equipment, furniture), support ongoing operations (e.g. rent), and strengthen grantees ability to remain in compliance (e.g. regulatory compliance) with state and local laws. Moreover, the OOC collaborates closely with its Cannabis Oversight Committee (COC) and equity community to identify additional areas of need such as: financial support with carrying costs (e.g. acquisition of commercial space); local and state application, licensing, and regulatory fees; legal support; banking fees; accounting services; packaging and materials; marketing and advertising; and taxes. All of the areas described above will support Equity Applicants and Licensees with their start up and ongoing costs in an effort to mitigate barriers to entry, minimize the illicit market, and support a thriving regulated cannabis market.

(B) Technical Assistance (TA): Depending on the size of a prospective grant award, the OOC plans to support additional technical assistance opportunities in the areas of: (i) Permit and Grant Support; (ii) Professional Development; (iii) Security Consulting and Training; and (iv) Legal Service. Permit and Grant Support programming will provide the OOC's equity community with one-on-one support to navigate local and state commercial cannabis permitting process in addition to local grant requirements. Professional development programming will support the professional growth (e.g. workshops, one-on-one training) of equity applicants, of which there are over 450 in San Francisco. Security Consulting and Training will strengthen the business's security in addition to training equity operators about best security practices. Legal services will help equity applicants navigate through legal documents such as lease agreements, contract review, and ideally intellectual property support.

(C) Administrative Costs: Funds for administrative costs will cover expenses related to grant administration (e.g. systems of organization, funding request approvals, audits, reporting).

Scoring Criteria A

1. Describe the communities and populations within the local jurisdiction that have been negatively or disproportionately impacted by cannabis criminalization.

The Controlled Substances Act (CSA) is federal law that became effective in 1971 and is often associated with the the start of the War on Drugs. The CSA regulates certain substances, including cannabis. According to the Drug Policy Alliance, the passage of the CSA coincided with an exponential increase in incarceration rates. In the 21st century, there has been an accelerated recognition of the failures of the War on Drugs and its consequential impacts on communities, including a disproportionate effect on communities of color in San Francisco and elsewhere. Today, as a result of explicit and implicit racist drug enforcement policies, inequity is still acutely felt across policy areas including, but not limited to poverty, education gaps, housing insecurity, and criminal records.

Criminal justice involvement has been identified as a primary cause of disparate impact. Despite similar rates of drug use and sale across racial groups, Black and Latinx communities experience significantly higher rates of interaction with the criminal justice system, especially compared to their White counterparts, including arrests, bookings, and incarceration. African Americans in San Francisco have endured disproportionately higher felony drug arrests and enforcement actions. From 1980 to the mid-1990s, San Francisco's racial patterns in enforcement of drug laws roughly resembled those statewide. Still, African Americans in San Francisco were 4 to 5 times more likely to be arrested for drug felonies prior to the mid-1990s than their proportion of the total population would predict.

Hispanic/Latinx ethnicity is posited as a type of racial identity in the data, which overlooks the diversity within the Latinx community. For instance, from 1990 to 2016, arrests coded as Hispanic represented less than 1% of total arrests, a figure that doesn't align with conviction data from the same period. This suggests that Latinx arrests might be inaccurately classified under "White" or other racial categories, potentially distorting arrest rates across different racial groups.

Data from the California Department of Housing and Community Development was also used to identify disparity. More than half of the census tracts with high rates of cannabis arrests fall in the following San Francisco neighborhoods: Bayview Hunters Point, the Mission, and the Tenderloin.

2. How did the local jurisdiction identify the impacted communities and populations (Source/Process)?

The City and County of San Francisco examined various quantitative and qualitative data sets including census tract data, the Center on Juvenile and Criminal Justice Drug Arrests Report published in 2017, and the Economic Perspectives on Incarceration and the Criminal Justice System report published by the White House. Arrest rates were reviewed by race, ethnicity, and geographic location.

It is important to note that there is a methodological concern with data taken from the San Francisco

Police Department and Sheriff's Department statistics due to improper offense classifications. For example, Latinx arrests might be inaccurately classified under "White" or other racial categories. As a result, arrest data may inaccurately reflect a lower rate of Latinx arrests. In reality, the actual number is likely much higher than the reported <1%, suggesting a degree of under-representation in the data.

Additionally, data from the California Department of Housing and Community Development was used to identify disparity. In addition to census tract information, the data-set included the percentage of low-income households, the unemployment rate, and the percentage of racial and ethnic minorities. More than half of the census tracts with high rates of cannabis arrests fall in Bayview Hunters Point, the Mission, and the Tenderloin. These neighborhoods all feature census tracts with significant rates of unemployment and some of the highest rates of cannabis arrests.

Additional publications and reports were also examined for relevant data, including Marijuana Business Daily, the American Community Survey, and San Francisco Health Commission reports.

Lastly, the OOC conducts surveys to better understand the populations it serves. The OOC has found that the grant serve a racially diverse community. However, OOC also found that the local cannabis industry is disproportionately owned by those who identify as men. Consequently, OOC initiated additional programming, such as workshops, to better support women and non-binary cannabis entrepreneurs. As Stephen Dubner explained in his Freakonomics podcast interview with OOC's director, "San Francisco may be the friendliest jurisdiction imaginable for a minority cannabis entrepreneur."

3. Describe the outputs and outcomes of the jurisdiction's local equity program elements to date.

The OOC administers the Equity Program. The Equity Program, as a part of the San Francisco cannabis regulatory framework, was largely informed by the Cannabis Equity Report, published in November 2017 by the OOC, Human Rights Commission, and Controller's Office, with assistance from other City and community partners. It examines the local, state and national history of cannabis regulation, the War on Drugs, and its impact on our communities. The Cannabis Equity Report reviews known characteristics of the City's cannabis industry at that time and discusses barriers to entry into the industry.

Since the establishment of the Equity Program, there are 459 unique individuals who have been verified as Equity Applicants. The OOC continues to process applications for Cannabis Business Permits from Equity Applicants, and other applicant tiers. The City offers priority processing to its social equity community. Rulemaking was also developed to create flexibility for qualifying Equity Applicants to change their business locations while maintaining their place in line.

Currently, 57 equity applications are processing and an additional 28 are building out their space, and 52 equity permits have been issued to 48 equity businesses - an equity licensee can hold multiple permits for different activities.

Medical Cannabis Dispensaries (MCDs) make up about half of San Francisco's storefront retail

operators and some of the city's delivery-only retailers. In order to receive temporary authorization to sell adult-use cannabis, MCD's must create an equity plan that shows how their business will: 1) help and support Equity Operators; 2) hire people hit hardest by the criminalization of cannabis; and 3) generally support the city's equity goals.

Currently, there are 30 MCD's with equity plans. About every 120 days, they must show how they have worked to further their equity plans by providing a progress report. By the discretion of the Office of Cannabis, if the MCD has not made a good-faith effort on their plan, they may have their adult-use authorization rescinded. All operating MCD's have their equity plans publicly posted on the Office of Cannabis website.

Commonly provided benefits include hiring equity-qualified employees, purchasing products from equity-owned businesses, holding technical assistance events, and donating to local equity supporting nonprofits. The City also leveraged private industry to provide a significant portion of community benefits as part of the Equity Program. MCD Equity Plans are one of the largest sources of direct community investment related to the cannabis industry in San Francisco.

In collaboration with its state partners, the OOC has also stood up its Cannabis Grants program. To date, -over \$12 million has been distributed to over 80 social equity businesses to support start up and ongoing costs, such as capital improvements, rent, regulatory compliance, and starting in 2024, commercial property acquisition. This includes strong historical utilization rates (e.g. 95%+). Additionally, the OOC supported multiple Request for Proposal efforts to secure the services of technical assistance providers, including in the areas of: Permit and Grant Support, Workforce Development, Professional Development, Security Consulting and Training, and Business Development. The grant utilization rate of the first RFP was nearly 100% and surveyed Equity Applicants indicated a near 100% satisfaction with the grant program.

4. Explain how the jurisdiction's local equity program and regulatory framework facilitate an equitable and economically just industry for the communities and populations identified in its equity assessment.

Article 16 of the San Francisco Police Code establishes priority tiers for processing Cannabis Business Permit applications. For example, Equity Applicants who are 100% owners of their cannabis business are processed before any other applications in the queue. In addition, general applicants are not allowed to enter the cannabis industry until individuals who are qualified as Equity Applicants reach permitting parity.

In order to be verified as an equity applicant, individuals must fall below a threshold of household assets and are required to meet three of six criteria, as specified by the Board of Supervisors, and provide proof of those conditions. Following the Equity Applicant tier, there are additional groups of individuals who receive priority permitting status (e.g. Equity Incubators).

Barriers to entering the cannabis space include access to capital, real estate, and professional networks. Given the current barriers for entry, the OOC created a number of additional resources to support an equitable and economically-just industry. For instance, the OOC provides first year permit

fee waivers, accepts letters-of-intent as proof to occupy at the initial application phase, access to free technical assistance, access to incubation programs, and access to flexible grant funding depending on eligibility criteria promulgated by our Oversight Committee.

Regarding free technical assistance, the OOC continues to partner with the Bar Association of San Francisco to provide pro bono legal and compliance support to the social equity community. The OOC continues to explore partnerships with other non-profit organizations to continue expanding technical assistance services. In October 2024, OOC partners with non-profits, legal professionals, and civil rights organizations to facilitate a women and non binary cannabis entrepreneur workshop. The event was a success and is a good example of how the OOC continues to innovate programming to meet the needs of its community.

Moreover, the OOC issues a number of bulletins and regulations to further strengthen social equity protections as evidenced by its recent bulletins discussing the disallowance of forced sale provisions and additional code clarifications such as percentage of financial ownership, or other interest the Director considers to be de minimis, and equity commitments as a part of ownership transfers. In light of a growing appetite for ownership transfers, OOC also has a regulation to preserve and strengthen social equity commitments.

Although noted in prior application, the publication Marijuana Business Daily, conducted an anonymous online poll of cannabis industry business owners and executives, shedding some light on the composition of the national market. According to the survey, 19% of respondents were racial/ethnic minorities, though racial/ethnic minorities comprise 38.7% of the national population. Under representation affects non-Hispanic African Americans and Asians as well as Hispanic/Latinx communities. OOC continues to facilitate a voluntary demographic survey to better understand the makeup of its business community. To date, the OOC conducted 4 surveys at the conclusion of previous Social Equity Grants programs. The results demonstrated that grants are reaching a diverse population, and the majority of the participants were satisfied with the grant program. However, results also demonstrated a disproportionate under-representation of women in the local cannabis industry.

5. Describe the eligibility criteria used to determine who qualifies for participation in the jurisdiction's local equity program.

In order to be verified as an equity applicant, individuals must fall below a threshold of household assets and are also required to meet three of six criteria, as specified by the Board of Supervisors, and provide supporting documents corroborating those conditions. Allowing individuals to meet various eligibility requirements created additional flexibility in the City's Equity Program. Some of the criteria are bound by time, often including the declaration of the "War on Drugs" by President Richard Nixon in 1971 and the passage of Proposition 64 in 2016. Currently, there is no San Francisco residency requirement. The established equity criteria includes:

1) Having a household income below 80% of the Area Median Income in San Francisco in the previous year. This criterion provides opportunity to low-income individuals with limited resources.

2) Having been arrested, convicted, or adjudged to be a ward of the state for a cannabis-related crime between 1971-2016. This criterion highlights the real cost of being punished for sale and/or possession of cannabis. We know that racial minorities have endured disproportionately higher drug arrests. Verification is not limited to arrests and convictions in the City and County of San Francisco as stakeholders recognized that disproportionate arrests and convictions happen all over the country because the War on Drugs transcends state and local boundaries.

3) Having a close relative, either a parent, sibling, or child, arrested convicted, or adjudged to be a ward of the state for a cannabis related crime between 1971-2016. This criterion acknowledges the negative consequences of criminal justice involvement often radiate beyond the individual directly impacted. These collateral issues impact not only families, but entire communities.

4) Attended a San Francisco Unified School District School for five years between 1971 and 2016. This criterion acknowledges the prevalence of the school-to-prison pipeline, a phenomenon by which individuals transition from one institution to another. As the American Civil Liberties Union notes, “many of these children have learning disabilities or histories of poverty, abuse, or neglect” and discipline can have the impact of pushing vulnerable children out of the school system and into the criminal justice system.

5) Lived in San Francisco census tracts for 5 years, where at least 17% of households were at or below the federal poverty level. Prospective Equity Applicants can enter their address on a map to determine if they are eligible. These locations are places in which a majority of drug arrests occurred in the city.

6) Experienced housing insecurity evidenced by eviction, foreclosure, or revocation of housing subsidy since 1995. This criterion acknowledges the twin challenges of rising house prices and lack of affordable housing.

6. Does the jurisdiction’s local equity program have any shareholder or ownership requirements?

Yes

If yes, please describe.

Yes, equity applicants must maintain ownership in the applicant entity of at least 51%, or 40% and CEO or the equivalent, up to permit issuance. Moreover, equity applicants generally have a right, proportionate to their ownership interest held, to share in distributions, voting, and liquidation. There are additional ownership transfer restrictions outlined in San Francisco Police Code section 1608 and an ownership dilution, or role change, of an equity applicant requires regulatory approval via a permit amendment and possibly additional social equity commitments depending on the degree of dilution.

7. Does the jurisdiction's local equity program provide preferential licensing for local equity applicants?

Yes

If yes, please describe.

Yes, section 1606 of the San Francisco Police Code enumerates the processing priority, including:

- First priority: applications from Equity Applicants that, independently or in combination with one or more other Equity Applicants, hold a 100% ownership interest in the Cannabis Business for which they have applied for a Cannabis Business Permit.
- Second priority: Shared use facilities
- Third priority: all Equity Applicants that do not meet the criteria for first or second priority processing.
- Fourth through eighth priority: Applicants such as legacy businesses and general applicants.
- Fourth priority: applications from equity incubators that provide rent-free commercial space and/or technical assistance to social equity businesses

There are additional priority tiers for non-equity applicant types (e.g industry existing prior to the passage of Proposition 64).

8. How does the jurisdiction ensure eligible communities and populations are made aware of the benefits offered by its local equity program?

The OOC consistently emphasizes community, communication, and accessibility. In addition to resources available on our website, the OOC holds dedicated time to answer questions and provide additional support to Equity Applicants. For example, the OOC is happy to connect with our community via a virtual meeting or in-person. Additionally, staff regularly attends community meetings in addition to participating in interviews and panel discussions. The OOC regularly disseminates "Industry Updates" through its distribution and partner channels (e.g. community based organizations). Moreover, OOC staff speak 9 different languages including nearly all of the languages under the City Language Access ordinance to better serve and accommodate our diverse community.

9. How does the jurisdiction collect and address feedback from communities and populations eligible for its local equity program?

The OOC facilitates many opportunities to collect and address feedback. In addition to platforms such as listening sessions and community events, the OOC also supports its Cannabis Oversight Committee. The Oversight Committee holds public meetings providing a platform for substantive discussion and public comment. Meeting agendas and minutes are posted on the OOC's website. Moreover, the OOC administers surveys to its grantees after each grant cycle. Not only do grants serve a racially diverse audience, but grantees also are satisfied with the program's model.

10. If the requested funds are awarded, what are the expected outputs and outcomes of the jurisdiction's local equity program?

Since the inception of the Office of Cannabis, equity program applicants have expressed the need for financial assistance to support their businesses during a tough economic climate - especially while cannabis remains a schedule I controlled substance at the federal level. To cover costs while waiting for application approval, many Equity Applicants incur debt and/or sell ownership shares in their business to investors in return for capital. Equity Applicants who do not receive external financial backing are the least likely to be able to float their business location costs through the relatively lengthy application process.

Given the need for Equity Applicant's to hold space while they wait for application processing and the inability to get traditional loans through banks, financial assistance is critical in order to avoid higher-interest loans or selling ownership shares.

Given the expressed needs of Equity Applicants, it's anticipated that more equity businesses will be permitted and that permitted businesses will be more successful in both the short- and long-term with additional financial support. We anticipate a significant amount of this support will help to maintain locations, build-out physical space for equity applicants, support ongoing costs for permitted operators, and ensure compliance with state and local laws. The OOC has also worked with equity applicants and the state to expand eligible expense categories such as marketing and advertising, and more recently, the acquisition of a commercial space for a total of 14 eligible expense categories (e.g. rent, capital improvements).

The OOC is hopeful that additional financial assistance will continue to result in more equity permits being issued, mitigate dilution of an equity applicant's ownership interest - especially for family owned businesses, and support ongoing operations of permitted social equity operators.

Technical assistance (TA) will be critical to help new and existing entrepreneurs further establish their businesses and navigate permitting and licensing frameworks. Depending on the size of a prospective grant award, TA can help augment additional support to our social equity community endeavoring to start and maintain their cannabis businesses. Existing TA includes pro-bono assistance provided by the SF Bar Association Lawyer Referral Service.

Additional TA support could match interested verified Equity Applicants with qualified experts in the areas of licensing and permitting, ownership agreements, compliance audits, zoning, tax compliance, accounting, and bookkeeping. Support also includes one-on-one consultation and the development of educational materials to clarify the laws and regulations applicable to participation in San Francisco's Equity Program. Without special assistance or knowledge, equity applicants may find it difficult to navigate the regulatory process, endangering their prospects for survival. Equity applicants who receive additional technical assistance will be better equipped to navigate the complicated permitting process and to ultimately operate a successful cannabis business.

Scoring Criteria B

1. What was the local jurisdiction's population size as of January 1, 2024, as published on the Department of Finance's (DOF) website?

843,071

2. When was the jurisdiction's local equity program adopted?

1/5/2018

3. Which of the following program elements does the jurisdiction's local equity program include? (Check all that apply as of the application due date)

- Small business support services including technical assistance or professional and mentorship services.
- Tiered fees or fee waivers for cannabis-related permits and licenses.
- Assistance in paying state regulatory and licensing fees.
- Assistance securing business locations prior to or during the application process.
- Assistance securing capital investments or direct access to capital.
- Assistance with regulatory compliance.
- Assistance in recruitment, training, and retention of a qualified and diverse workforce, including transitional workers.
- Low-interest or no-interest loans or grants to local equity applicants or local equity licensees to assist with startup and ongoing costs.

4. How many verified local equity applicants does the local jurisdiction currently have? (Note: Only include individuals that the jurisdiction has confirmed their eligibility for the local equity program AND that have submitted, or will submit, an application for a local license, permit, or other authorization by the local jurisdiction to engage in commercial cannabis activity, but have NOT been issued a local license, permit, or other authorization by the local jurisdiction to engage in commercial cannabis activity. Exclude any verified local equity applicants for license types that will not likely be obtainable in the next 12 months due to the jurisdiction's licensing cap.)

155

5. How many verified local equity license holders does the local jurisdiction currently have? (Note: Only include individuals that the jurisdiction has confirmed their eligibility for the local equity program AND that have been issued a local license, permit, or other authorization by the local jurisdiction to engage in commercial cannabis activity.)

43

6. What was the jurisdiction's investment in its local equity program in calendar year 2023? (Exclude any grant funds provided by the State of California, the Department of Cannabis Control, GO-Biz, and any other California State Agency or Department) (\$)

\$1,279,961.00

7. What is the jurisdiction's investment in its local equity program in calendar year 2024 to date? (Exclude any grant funds provided by the State of California, the Department of Cannabis Control, GO-Biz and any other California State Agency or Department) (\$)

\$1,215,236.00

8. What will the jurisdiction contribute to its local equity program as matching funds from April 1, 2025, through October 31, 2026? (Exclude any grant funds provided by the State of California, the Department of Cannabis Control, GO-Biz and any other California State Agency or Department)

\$1,793,767.00

Contact Information

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