



Cannabis Equity Grants Program for Local Jurisdictions Application Full Report

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
What was the local jurisdiction's population size as of January 1, 2019 as published on the Department of Finance's (DOF) website?: 883,869
Does the local jurisdiction have a culture or perspective on equity, including policies, programs, and/or practices that address social equity and justice? Yes
<p>If yes, please describe:</p> <p>Yes, the City has instituted a number of polices and created a number of offices, departments, and commissions to support equity. Under Mayor London Breed's leadership, the City has made equity a priority, supporting criminal justice reform, creating additional opportunities for job applicants of every background, improving workforce harassment policies, and fighting for LGBT rights. As part of its commitment to equity, in 2019, San Francisco established an Office of Racial Equity. This Office was developed to create a Racial Equity framework for the city and requires City departments to create Racial Equity Action Plans and designate employees as racial equity leaders. The Office of Racial Equity is a division of the Human Rights Commission. The Human Resource Commission (HRC) was developed to combat discrimination and has pledged to advocate for human and civil rights; investigate and mediate discrimination complaints; resolve community disputes and issues involving individual or systemic illegal discrimination; and provide technical assistance to internal and external stakeholders.</p>

Website Address for the jurisdiction's local equity program (if applicable): https://officeofcannabis.sfgov.org/equity		
Mailing Address		
Address Line 1: 1 Dr. Carlton B. Goodlett Place		
Address Line 2:		
City: San Francisco	State: CALIFORNIA	Zip Code: 94102
Payment Address (if different than Mailing Address)		
Address Line 1:		
Address Line 2:		
City:	State: CALIFORNIA	Zip Code:

Proposal
1. Total Amount Requested: \$4,995,000
2. Executive Summary: Please describe your proposal in 3-5 sentences Resources from the State of California provided by the Governor's Office of Business and Economic Development will provide Equity Applicants with additional opportunity. Since its inception, Equity program applicants have consistently expressed the need for financial assistance to support their businesses. Equity Applicants who do not receive financial support are the least likely to be able to survive to market and develop prosperous businesses. Given the current lack of financial support, we believe that Equity Applicants will be more successful in both the short- and long-term with additional investments and assistance.

Proposal

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

For decades, the War on Drugs has had consequential impacts on communities of color in San Francisco. The impacts of this disproportionality are acutely felt today: poverty, education gaps, and criminal records are the vestiges of explicitly and implicitly racist drug enforcement policies.

Criminal justice involvement has been identified as a primary source of disparate impact. While rates of drug use and sale are commensurate across racial lines, Black and Latinx communities interact with the criminal justice system, including via arrests, bookings, and incarceration, at a rate far higher than their White counterparts. African Americans in San Francisco have endured disproportionately higher felony drug arrests and crackdowns. 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 coded arrests represented less than 1% of arrests from 1990-2016, a level that is highly inconsistent with available conviction data for that time period. In other words, it is likely Latinx arrests are distributed amongst "White" and other racial categories, which may undermine the validity of arrest rates across racial categories. 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 Bayview Hunters Point, the Mission, and the Tenderloin. These neighborhoods all feature significant rates of unemployment and some of the highest rates of cannabis arrests.

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

To understand which individuals and communities have been disproportionately impacted by War on Drugs enforcement policies, various data sets were examined and arrest rates were reviewed by race, ethnicity, and geographic location in San Francisco. Data sets included 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. African Americans in San Francisco have endured disproportionately higher felony drug arrests and crackdowns. Locally, Hispanic coded arrests represented less than 1% of arrests from 1990-2016, however, it is likely Latinx arrests are distributed amongst "White" and other racial categories, which may undermine the validity of arrest rates across racial categories. There were also methodological concerns with data taken from the San Francisco Police Department and Sheriff's Department statistics due to improper classifications.

Data from the CA Department of Housing and Community Development was also used to identify

disparity. This includes not only census tract information, but also 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 the SF Health Commission.

5. Describe how the jurisdiction's local equity program design and/or implementation serves the communities and populations identified in its equity assessment.

San Francisco adopted the Equity Program to foster equitable participation in the cannabis industry and create business opportunities for those negatively impacted by the War on Drugs. Though, there is no race-specific qualification, individuals disproportionately impacted by criminal justice involvement for drug-related crimes are likely to be African-American or Latinx. The Equity Program allows verified Equity Applicants to apply for cannabis permits, Equity Incubators to apply for cannabis permits by supporting Equity Applicants, and Medical Cannabis Dispensaries to support the City's equity goals as a condition of adult-use authorization.

Currently, the Cannabis Equity Program offers processing priority, permit fee waivers, and technical assistance to those interested in owning cannabis businesses. Equity Applicants must meet equity eligibility criteria, which includes income, low-income neighborhood residency, criminal justice involvement, and housing insecurity. Individuals are able to select which criteria may be used to get verified. In addition to permits, San Francisco also allocates resources to organizations for legal representation to qualified cannabis Equity Applicants. This legal representation helps Cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. Businesses not eligible to be verified can support Equity Applicants with technical help or rent-free space for 3 years. Equity Incubators and Medical Cannabis Dispensaries must also commit to staffing requirement, which include hiring individuals that have been negatively impacted by the War on Drugs.

6. When was the jurisdiction's local equity program adopted? 12/16/2017

7. Which of the following program elements does the jurisdiction's local equity program include?

- Small business support services including technical assistance or professional and mentorship services.
- Tiered fees or fee waivers for cannabis-related permits and licenses.
- 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.

8. How many verified local equity applicants does the local jurisdiction currently have? (Exclude any equity applicants for license types that will not likely be obtainable in the next 12 months due to the jurisdiction's licensing cap.) 330

9. How many verified local equity license holders does the local jurisdiction currently have? (This only refers to individuals who have been issued a local license, permit, or other authorization by the local jurisdiction.) 9

10. Describe the outputs and outcomes of the jurisdiction's local equity program elements to date. In December of 2019, the Controller's Office, published a review of the cannabis industry following adult-use legalization. This 105 page report was designed to inform conversations about the future of the cannabis industry, including equity. As of February 26, 2020, there are 330 individuals who have been verified as Equity Applicants per the criteria set forth in the city's Equity Program. The Office of Cannabis (OOC) has received 205 applications for Cannabis Permits from Equity Applicants, 15 Equity Applicants are building out their space, and 3 have received permanent permits from the Office of Cannabis. Currently, San Francisco offers expedited permitting that only extends to the OOC. Rulemaking was also developed to create flexibility for qualifying Equity Applicants to change their business locations while maintaining their place in line. The OOC also started a working group with all of the agencies that touch the cannabis permitting process in San Francisco to support Equity Applicants.

Medical Cannabis Dispensaries (MCD's) currently make up most 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. As of February 26, 2020, there are 37 MCD's with equity plans. 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. 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. MCD Equity Plans are one of the largest sources of direct community investment related to the cannabis industry in San Francisco, as MCD's continuously invest in these plans.

In partnership with the OOC, the Office of Economic and Workforce Development allocates resources to nonprofit and for-profit organizations for legal representation to qualifying cannabis equity clients.

This legal representation helps cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. The OOC has also partnered with The Bar Association of San Francisco to provide pro bono legal assistance to Equity Applicants. This assistance is intended to lower barriers to entry by helping Equity Applicants navigate the regulatory process and create agreements for their business.

An important success since cannabis legalization has been the District Attorney's Office proactive clearing of criminal history records for cannabis-related offenses. When Proposition 64 went into effect, it allowed individuals who were convicted of certain types of marijuana-related crimes to have their criminal records cleared. However, the process required individuals to petition the court, which requires time, expertise, and potentially money for professional services. Instead of relying on eligible individuals to navigate this process on their own, the District Attorney's Office worked with Code for America, a non-profit, to proactively identify eligible cases and seal the records.

11. Explain how the jurisdiction's local equity program and regulatory framework facilitates an equitable and economically just industry.

The Equity Program creates space for individuals who have been disproportionately impacted by the War on Drugs to enter the new market. It also contributed to a city-wide discussion on equity. General applicants are not allowed to enter the cannabis industry until individuals who are qualified as Equity Applicants are permitted. In order to be verified as an equity applicant, individuals must meet three of six criteria, and provide proof of those conditions. Currently, only applications for Equity Applicants are being processed.

Following Equity Applicants, there are additional groups of individuals that receive priority permitting status. The second tier of priority permit processing after Equity Applicants is Equity Incubators, which are businesses that offer a certain level of assistance to Equity Applicants. This can be in the form of rent-free space or technical assistance, which helps provide additional opportunities to business owners.

The publication, Marijuana Business Daily, conducted an anonymous online poll of 567 self-identified cannabis industry business owners and executives. 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. Non-Hispanic African Americans and Latinx communities face the highest level of disproportionality, each owning only a third of the market that their share of the national population would imply. Currently, the permit application in San Francisco captures demographic information for cannabis owners. This information allows for evaluation of market entrants. This includes, but is not limited to: race and ethnicity, gender, education level, and income.

Given the current barriers for entry, the OOC has created a number of resources to support an equitable and economically just industry. For example, the Office of Economic and Workforce Development allocates resources to nonprofit and for-profit organizations for legal representation to qualifying cannabis equity clients, defined as those who meet three out of the six equity conditions provided under the Cannabis Equity Program. This legal representation from organizations helps Cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. Since the Office's inception, Equity Applicants expressed a desire to move their location during the permitting process. This past August, the OOC finalized regulations affording Equity Applicants more flexibility regarding their proposed location during the permitting phase. Currently, Equity Applicants – who meet certain conditions – may have an opportunity to apply for approval of a new location while maintaining their place in line.

In addition, Medical Cannabis Dispensaries (MCD's) in San Francisco have committed to support the city's Equity goals and their authorization to sell adult-use cannabis is conditional on making measurable progress to their equity plan. All of these plans are available on the Office of Cannabis website. Examples of benefits to the City's broader equity goals include: reserving shelf space for equity applicant products and supporting non-profits dedicated to equity. MCD's looking to change their ownership structure are also required to incubate Equity Applicants.

12. Describe how the local jurisdiction has demonstrated a commitment or has taken steps to remove local barriers to entering the legal cannabis market for local equity applicants and local equity licensees.

San Francisco has put a number of measures in place to remove local barriers to entering the legal cannabis market. Primarily, the Cannabis Equity Program offers processing priority, permit fee waivers, and technical assistance to those interested in owning cannabis business. There is also no fee to be verified as an equity applicant.

In addition to permit processing priority, the City and County of San Francisco allocates resources to organizations for legal representation to qualified cannabis Equity Applicants. This legal representation helps Cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. In addition, as part of the effort to provide additional support to verified Equity Applicants, the SF Office of Cannabis and the Bar Association of San Francisco have formed a partnership to provide pro bono legal assistance. This assistance lowers barriers to individuals looking to enter the cannabis industry, including navigating the regulatory process and structuring business agreements.

There is also a list of Equity Incubators posted on the Office of Cannabis website, constantly updated, which includes businesses that have committed to supporting the business development of Equity Applicants.

Additional resources include support provided by Medical Cannabis Dispensaries in San Francisco, organizations that have committed to support the city's Equity goals. All of these plans are available on the Office of Cannabis website. Examples of some of the benefits to the City's broader equity goals include: reserving shelf space for equity applicant products, supporting non-profits dedicated to equity, offering cultivation classes, and supporting employees through mentoring, training, and technical assistance. In addition, Medical Cannabis Dispensaries looking to change their ownership structure are required to incubate Equity Applicants.

The Office has also emphasized community, communication, and availability. The Office of Cannabis holds office hours, every day, from 1-5 PM, dedicating time to answer questions and provide additional support to Equity Applicants. The Office has also created an equity navigation working group dedicated to bringing city partners together and exploring ways of reducing challenges for applicants in navigating the City's permitting process. Partners include the Department of Building Inspection, the Planning Department, the Department of Public Health, the Office of Cannabis, the Fire Department, the San Francisco Police Department, and Digital Services.

The City has also invested significant resources in creating digital resources that are easily navigated by Equity Applicants and San Franciscans. This includes a revamping of the Office's website and digital presence.

Finally, the Office of Cannabis recently finalized regulations affording Equity Applicants a layer of flexibility regarding their proposed location during the application process. Previously, a change in location required a new application. Currently, Equity Applicants – who meet certain conditions – may have an opportunity to apply for approval of a new location while maintaining their place in line. A number of applicants faced considerable challenges with regard to securing space for their cannabis business. This rulemaking significantly reduced the time applicants faced in the permitting queue.

13. Describe the 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 required to meet three of six criteria, as specified by the Board of Supervisors, and provide proof of 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. There is currently no San Francisco residency requirement. This was done to recognize the rising housing costs in the City and displacement of individuals throughout the Bay Area.

The established criteria include:

- 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, as 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. Implemented for local circumstances, this criterion acknowledges the twin challenges of rising house prices and lack of affordable housing.

14. Describe the process for local equity program applicants to obtain a commercial cannabis license from the jurisdiction, including any differences between equity applicants and non-equity applicants. Initially, individuals must be verified as an equity applicant to submit an application. Equity Incubators that have committed to supporting Equity Applicants can also submit an application. Primarily, the Cannabis Equity Program offers processing priority, permit fee waivers, and technical assistance to those interested in owning cannabis business. There is no fee to be verified as an equity applicant.

In addition to permit processing priority, San Francisco allocates resources to organizations for legal representation to qualified cannabis Equity Applicants. This legal representation helps Cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks. In addition, as part of the effort to provide additional support to verified Equity Applicants, the Office of Cannabis (OOC) and the Bar Association of San Francisco have formed a partnership to provide pro bono legal assistance. This assistance lowers barriers to individuals looking to enter the cannabis industry, including navigating the regulatory process and

structuring business agreements.

San Francisco's adult-use legalization ordinance prioritizes equity program participants and other priority groups to receive permits before general applicants. General applicants are not allowed to apply for a permit to operate until "the total number of Cannabis Business Permits awarded to Equity Applicants in the permit category sought by the Applicant has reached 50% of the total number of [permits] in that permit category." That means that for each permit category, such as retail, distribution, or cultivation, equity businesses must make up 50% of all permits before a general applicant permit can be accepted.

Permit application processing follows a series of steps that is overseen by the OOC but involves a number of additional departments. Initially, the equity applicant submits their application materials to the OOC, including an application form and a number of additional documents that must be provided by the applicant, such as business formation documents and proof to occupy their current business location. Applicants are able to amend their business structure or add additional owners to their application without penalty. In addition, Equity Applicants – who meet certain conditions – may have an opportunity to apply for approval of a new location while maintaining their place in the permitting process.

Applications are informally reviewed by the Planning Department to ensure that the type of business applied for is viable in the proposed location. Next, the OOC reviews each applicant's business documents. This includes business formation documents, proof to occupy the space, and any corporate governance materials between owners and investors. Applicants must also pass a background check performed. Unless the proposed business activity is principally permitted, applications require a Conditional Use Authorization from the Planning Commission. These applicants must be referred to the Planning Commission and be approved at a weekly commission hearing. Once approved, applicants may build out their space for their business activity, which requires permitting and inspections from the Department of Building Inspection. Depending on their business activity, this step may also require permits and inspections from the Department of Public Health, Fire Department, and the Police Department. Finally, the Office of Cannabis provides approval.

15. Does the jurisdiction's local equity program provide expungement services for local equity applicants? Yes

If yes, please describe.

Having a criminal record can bar individuals from certain types of employment and public benefits, so clearing these convictions can greatly benefit people who were victims of the War on Drugs. An important San Francisco success story since cannabis legalization has been the District Attorney's Office proactive clearing of criminal history records for cannabis-related offenses. San Francisco was the first District Attorney's office to retroactively expunge qualifying convictions under Proposition 64 and partner with Code for America to automate this process. This created a framework for other

California jurisdictions to follow.

When Proposition 64 went into effect, it allowed individuals who were convicted of certain types of cannabis-related crimes to have their criminal records cleared. However, the process required individuals to petition the court, which requires time, expertise, and potentially money for professional services. Instead of relying on eligible individuals to navigate this process on their own, the San Francisco District

Attorney's Office worked with Code for America to proactively identify eligible cases and automate the expungement process. Reviewing cases back to 1975, the District Attorney's Office cleared 9,361 criminal charges from a total of 9,131 cases.

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

If yes, please describe.

The legalization ordinances passed in San Francisco creates space for individuals who have been impacted disproportionately by the War on Drugs to enter the new market. No other applicants are allowed to enter the market until individuals who are qualified as Equity Applicants are permitted. 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. Currently, only applications for Equity Applicants are being processed, and no other applications are being reviewed.

General applicants are not allowed to apply for a permit to operate until "the total number of Cannabis Business Permits awarded to Equity Applicants in the permit category sought by the Applicant has reached 50% of the total number of [permits] in that permit category." Existing industry in San Francisco, including medical cannabis dispensaries and temporary permit holders are included in this calculation. That means that for each permit category, such as retail, distribution, or cultivation, equity businesses must make up 50% of all permits before a general applicant permit can be accepted.

17. Does the jurisdiction's local equity program have any shareholder or ownership requirements? Yes

If yes, please describe.

There are a number of ownership requirements in the cannabis equity program. Individuals must either apply as a sole proprietor, an individual with an ownership interest of at least 40% in the corporate applicant AND serve as Chief Executive Officer; have an ownership interest of at least 51% or above, or serve as the executive director or member of the board of a directors of a not-for-profit applicant where a majority of the members of the board of directors qualify as Equity Applicants.

A number of other items also mandate equity participation in the ownership of the corporate applicant. This means that the equity “ownership interest” in the corporate applicant shall include a right, proportionate to the interest held, to share in the business’s profits, including dividends, distributions, or other payments; a right, proportionate to the interest held, to the proceeds of a sale of the business’s assets, liquidation of the business, merger of the business into another business, or another transaction that would signify the end of the original business; and a right, proportionate to the interest held, to vote on fundamental decisions relating to the business.

Moreover, a permittee must obtain a permit amendment if a change in ownership results in a decrease in an Equity Applicant’s Ownership interest in the cannabis business, a change in the Equity Applicant’s role as Chief Executive Officer or member of the Board of Directors, or a material change in the degree of the Equity Applicant’s participation in the direction, control, or management of the cannabis business. Requests for a permit amendment must include the terms of the change in ownership.

18. Does the jurisdiction’s local equity program provide business and/or financial education services?
Yes

If yes, please describe.

There are three primary ways for Equity Applicants to get technical assistance as part of San Francisco’s Cannabis Equity Program.

The Office of Economic and Workforce Development allocates resources to nonprofit and for-profit organizations for legal representation to qualifying cannabis equity clients. This legal representation helps cannabis entrepreneurs in the pre-launch phase to assess business feasibility and understand and mitigate regulatory compliance risks.

In addition, as part of the effort to provide additional support to verified Equity Applicants, the SF Office of Cannabis and the Bar Association of San Francisco have formed a partnership to provide pro bono legal assistance. This assistance lowers barriers to individuals looking to enter the cannabis industry, including navigating the regulatory process and structuring business agreements.

Additional resources include support provided by Medical Cannabis Dispensaries in San Francisco, organizations that have committed to support the city’s Equity goals through development of equity plans. All of these plans are available on the Office of Cannabis website, and all businesses that sell adult-use cannabis are required to participate. Examples of some of the benefits include: providing workshops on developing business plans, providing free computers to Equity Applicants, educating equity operators on managing relationships with Equity Incubators, offering cultivation classes, and supporting employees through mentoring, training, and technical assistance.

19. Does the jurisdiction's local equity program include an incubator program? Yes

If yes, please describe.

Yes. The equity incubator program in San Francisco was designed to provide a tangible benefit to businesses or individuals who were willing to provide assistance to Equity Applicants. In exchange for providing rent-free space or technical assistance for three years, incubators can have their cannabis business permits processed immediately after the completion of equity applicant processing. This means that they will be processed in the second-highest priority category. The Office of Cannabis provides potential incubators with a listing of Equity Applicants that are interested in incubation. Equity Applicants can identify potential incubators by viewing a list on the Office of Cannabis website. As of February 2020, 27 businesses have submitted incubator applications.

The development of this program allows general applicants to receive a permit by providing tangible and specific benefits to Equity Applicants. In addition, Medical Cannabis Dispensaries interested in changing their ownership must submit to the Director of Public Health and the Director of the Office of Cannabis a written and actionable "Equity Incubator Plan" describing how the permittee will encourage and support the establishment and growth of Equity Applicants by, among other things, providing business plan guidance, operations consulting, personnel, or technical assistance. They may also provide Equity Applicants with rent-free commercial space. As of this date, 3 Medical Cannabis Dispensaries have committed to supporting the business development of Equity Applicants through incubation.

20. Does the jurisdiction have zoning regulations for commercial cannabis that are different for its local equity licensees? No

If yes, please describe.

N/A

21. Does the jurisdiction have licensing caps or limitations for commercial cannabis that are different for its local equity licensees? Yes

If yes, please describe.

Yes. San Francisco's adult-use legalization ordinance prioritizes equity program participants and other groups supporting Equity Applicants in receiving permits before general applicants. General applicants are not allowed to apply for a permit to operate until "the total number of Cannabis Business Permits awarded to Equity Applicants in the permit category sought by the Applicant has reached 50% of the total number of [permits] in that permit category." That means that for each permit category, such as retail, distribution, or cultivation, equity businesses must make up 50% of all permits before a general applicant permit can be accepted. Because San Francisco awarded

temporary permits to existing industry members, general applicants must wait until parity is reached in order to apply for ownership of a cannabis business.

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

The Office has consistently emphasized community, communication, and availability. The Office of Cannabis holds office hours, every day, from 1-5 PM, dedicating time to answer questions and provide additional support to Equity Applicants. An internal assessment determined 1,570 office hours have been held since the Office opened and more than 2200 hours of phone conversations. Office staff has also attended more than 50 community meetings since its creation. The Director has also participated in numerous radio interviews and panels, discussing the equity program. The Office has also worked with the Success Center, San Francisco Equity Group and the San Francisco Original Equity Group to distribute information and collect feedback from potential Equity Applicants.

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

The Office of Cannabis creates multiple opportunities to collect and address feedback. On January 18, 2019, November 5, 2019, and February 13, 2020, the San Francisco Office of Cannabis convened Equity Applicants and internal and external stakeholders to discuss the needs of the City's Equity Applicants in order to inform the City's equity program development.

The Office has consistently emphasized community, communication, and availability. The Office of Cannabis holds office hours, every day, from 1-5 PM, dedicating time to answer questions and provide additional support to Equity Applicants. We also monitor an e-mail inbox for potential concerns. An internal assessment determined 1,570 office hours have been held since the Office opened and more than 2200 hours of phone conversations. Office staff has also attended more than 50 community meetings since its creation. The website also has an online complaint tool to anonymously provide additional information to the office.

24. How many local equity applicants does the jurisdiction intend to serve with the requested funds?
375

25. How many local equity licensees does the jurisdiction intend to serve with the requested funds?30

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

Since its inception, equity program applicants have expressed the need for financial assistance to support their businesses. To cover costs while waiting for application approval, many Equity Applicants are incurring debt and/or selling ownership shares in their business to investors who can provide 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 lengthy application process. In addition, applicants that have financial backing from investors or other cannabis companies will be more likely to survive to market. 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 will be particularly beneficial in order to avoid higher-interest loans or selling ownership shares. Given the expressed needs of Equity Applicants, we anticipate that businesses will be more successful in both the short- and long-term with additional capital investments. We anticipate a significant amount of this support will include assistance in building out physical space for applicants that have been verified by the city to ensure that operators remain in compliance with state and local law.

Technical assistance will be critical in helping new entrepreneurs establish their business and navigate complex permitting frameworks. Access to legal services, technical assistance, account management, and education will supplement funding provided by the Office of Economic and Workforce Development and pro-bono assistance provided by the SF Bar Association. This support will 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. It will also provide one-on-one consultation and develop educational materials to clarify the laws and regulations applicable to participation in San Francisco's Equity Program. Without special assistance or knowledge, these applicants may have difficulty navigating the regulatory process, endangering their prospects for survival. Applicants receiving additional technical assistance will be more equipped to navigate the complicated permitting process and operate successful cannabis businesses.

27. What is the jurisdiction's current annual investment in its local equity program? (Exclude any grant funds provided by the State of California, including the Bureau of Cannabis Control)

\$1,488,148.00

28. 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 and Loans - \$4,110,000

This direct assistance for local Equity Applicants will include assistance in building out physical space for applicants that have been verified by the city to ensure that operators remain in compliance with state and local law. Assistance will allow Equity Applicants to receive additional support, particularly in an industry in which institutional capital has been limited. This support will allow applicants to comply with existing regulations instituted by various departments, including, but not limited to the Office of Cannabis, Department of Building Inspection, Planning Department, Fire Department, and Department of Public Health (for cultivation, manufacturing, and retailers interested in consumption).

(B) Direct Technical Assistance Costs - \$495,000

Access to educational support, legal assistance, and real estate support. Educational support

(\$250,000) will 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. It will also provide one-on-one consultation and develop educational materials to clarify the laws and regulations applicable to participation in San Francisco's Equity Program. Presumably, this funding will be split between two or more technical assistance providers. Legal support (\$135,000) will supplement funding provided by the Office of Economic and Workforce Development and pro-bono assistance provided by the SF Bar Association. This assistance will continue to lower barriers to individuals looking to enter the cannabis industry, including navigating the regulatory process and structuring business agreements. Real Estate support (\$110,000) will help Equity Applicants by supporting their access to affordable commercial real estate. Given the rise in rents, Equity Applicants often face significant challenges in finding real estate in the City and County of San Francisco. This assistance will give them technical assistance in finding viable business locations.

(C)Administrative Costs - \$390,000

This support would allocate staff resources in helping applicants navigate the permitting process. This assistance, provided to Equity Applicants after formal planning referral, will ensure that Equity Applicants are effectively moving through the permitting process (\$195,000). In addition to the Office of Cannabis and the Planning Department, Equity Applicants also require engagement with the Department of Building Inspection, the San Francisco Fire Department and the Department of Public Health. The additional counsel and support will ensure that applicants remain in compliance with City regulations. Other administrative costs will cover expenses to manage the resources distributed to Equity Applicants and develop, assess, and monitor contracts for technical assistance (\$195,000).

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