



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
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>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.</p> <p>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 - which includes all of the languages under the City's Language Access Ordinance. 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.</p> <p>The OOC continues to iterate processes and collect community feedback in order to strengthen its equity program. This has taken many forms, including but not limited to: priority permit processing, fee waivers, pro bono legal support, grants, incubation, technical assistance, and community outreach. We're thankful to collaborate with all of our stakeholders and thank GoBiz for this opportunity.</p>

Website address for the jurisdiction's local equity program (if applicable): https://sf.gov/departments/office-cannabis		
Mailing Address		
Address Line 1: 49 South Van Ness, Suite 660		
Address Line 2:		
City: San Francisco	State: CALIFORNIA	Zip Code: 94103
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

Proposal
1. Total Amount Requested: \$3,000,000
2. Executive Summary: Please describe your proposal in 3-5 sentences. 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, funding will strengthen Equity Licensees ability to continue to operate.

Proposal

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

452

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

60

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) and to 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. rent); 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 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; and (iii) Security Consulting and Training. 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 400 in San Francisco. Security Consulting and Training will strengthen the business's security in addition to training equity operators about best security practices. A TA effort would be accomplished via a Request for Proposal(s) to be evaluated by an Independent Review Committee.

(C) Administrative Costs: Funds for administrative costs will cover expenses related to grant administration, including the distribution of awards to Equity Applicants and Licensees, and to the development, assessment, and contract management.

Scoring Criteria A

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

The War on Drugs had consequential impacts on many communities, including a disproportionate effect on communities of color in San Francisco and elsewhere. The impacts of its disproportionality are acutely felt today in areas of: poverty, education gaps, and criminal records as the vestiges of explicit and implicit racist drug enforcement policies.

Criminal justice involvement has been identified as a primary cause 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 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/Latinx ethnicity is posited as a type of racial identity in the data, erasing the nuance of race/ethnicity within the Latinx community. 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 that 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 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)?

Various data sets were examined and arrest rates were reviewed by race, ethnicity, and geographic location in the City and County of 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, a level that is highly inconsistent with available conviction data for that time period. 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 offense classifications.

Data from the California 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 SF Health Commission reports.

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

In December 2019, the Office of the Controller, published a review of the cannabis industry following adult-use legalization. The 105 page report was designed to inform conversations about the future of the cannabis industry, including equity, and to provide policy recommendations to promote equitable participation in the cannabis industry, and to mitigate the detrimental effects of the War on Drugs. Since the publication of the report and as of today, there are 452 individuals who have been verified as Equity Applicants per the criteria set forth in the city's Equity Program. The Office of Cannabis continues to process applications for Cannabis Business Permits from Equity Applicants, and other applicant tiers.

Currently, 70 equity applications are processing and an additional 36 are building out their space, and 53 equity permits have been issued to 46 equity businesses - an equity licensee could have multiple permits including applicant types such as permanent permits, medical cannabis dispensaries, and temporary permits. 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.

Medical Cannabis Dispensaries (MCDs) 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.

Currently, there are 26 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 a Cannabis Grants Program. To

date, about \$11 million has been distributed to over 80 social equity businesses to support start up and ongoing costs such as capital improvements, rent, regulatory compliance, among other eligible expenses. 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 for technical assistance was nearly 100% and surveyed equity applicants indicated a near 100% satisfaction with the local 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.

San Francisco's legalization ordinances create space for individuals who have been disproportionately impacted by the War on Drugs to enter the regulated cannabis market. 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. An example is the Equity Incubator tier, 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.

The publication, Marijuana Business Daily, conducted an anonymous online poll of 567 self-identified cannabis industry business owners and executives, shedding some light on the composition of the national market. Ethnicity was not treated distinct from race, instead requiring Latinx respondents to choose between responding to the survey with their race or their ethnicity, not both. 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 created a number of resources to support an equitable and economically-just industry. For instance, the OOC provides first year permit fee waivers, access to free technical assistance, access to incubation programs, and access to flexible grant funding depending on eligibility criteria promulgated by our Cannabis Oversight Committee. Regarding free technical assistance, the OOC continues to partner with the Bar Association of San Francisco, Cannabis Law Committee and Golden Gate University's Cannabis Law Clinic to provide pro bono

legal and compliance support to the social equity 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 equity commitments as a part of ownership transfers.

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 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. 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. Implemented for local circumstances, 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

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.

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. 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 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 its inception, equity program applicants have expressed the need for financial assistance to support their businesses in a tough economic climate. 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 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, we anticipate 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 secure premises, build-out physical space for equity applicants, support ongoing costs for permitted operators, and ensure compliance with state and local law. The OOC has also worked with equity applicants and the state to expand eligible expense categories such as marketing and advertising. The OOC is hopeful that additional financial assistance will result in more equity permits being issued and mitigate dilution of an equity applicant's ownership interest.

Technical assistance (TA) will be critical to help new entrepreneurs establish their business and navigate permitting frameworks. Depending on the size of a prospective grant award, TA can help augment additional support to our social equity community endeavoring to start their cannabis businesses. Existing TA includes pro-bono assistance provided by the SF Bar Association, and Golden Gate University's Cannabis Law Clinic.

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, 2023 as published on the Department of Finance's (DOF) website?

831,703

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.)

106

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.)

46

6. What was the jurisdiction's investment in its local equity program in calendar year 2022? (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) (\$)

\$1,210,009.00

7. What is the jurisdiction's investment in its local equity program in calendar year 2023 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) (\$)

\$1,279,961.00

8. What will the jurisdiction contribute to its local equity program as matching funds from April 1, 2024, through October 31, 2025? (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)

\$0.00

Contact Information

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