

# **CANNABIS EQUITY SURVEY AND ANALYSIS**



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## Executive Summary

For much of Seattle’s history, cannabis-related public policy has negatively impacted communities of color. These negative impacts have been largely unaddressed. This report is a component of the Finance and Administrative Services Department’s effort to examine the nature of these negative impacts and explore the ways that cannabis’ current regulatory framework can be utilized to address past harms.

Primarily, this report explores other jurisdictions’ cannabis-related equity policies in order to discern the best options and practices for addressing past harms. The survey indicates that cannabis-related equity policy will require two basic steps: indicators of harm and methods of redistribution.

Indicators of harm are metrics which identify and describe past harms associated with cannabis-related public policy. Determining indicators of harm is vital because it allows an equity policy to more accurately impact its target population. Nationwide, jurisdictions implementing equity policies gravitated towards two main concepts:

- “Equity applicants,” who are individuals who have been negatively impacted by cannabis-related policy. Individuals qualify for equity applicant status via income, area of residence, arrest history, and more.
- “Disproportionately impacted areas,” which are neighborhoods or zip codes deemed to have been negatively impacted by cannabis-related policy. Areas generally qualify for this status via relative rates of arrest.

Methods of redistribution are policy frameworks through which equity is achieved. There are three primary methods identified through the jurisdictional survey, all of which aim to bring wealth from newly legal cannabis markets to individuals or areas that have experienced past harms.

- Ownership-centric frameworks focus on helping equity applicants into ownership positions in cannabis firms.
- Workforce-centric frameworks ensure that some non-ownership employment opportunities in the cannabis industry are reserved for equity applicants.
- Community-investment frameworks use a variety of means, including diverting cannabis taxes, into a variety of assistance programs which benefit disproportionately impacted areas.

The report concludes with analysis and recommendations. Based on observed successes and struggles in other jurisdictions and on Seattle’s specific context, some factors will impact different frameworks’ effectiveness. These include but are not limited to:

- Available funding for equity policy.
- Licenses available for equity applicants.
- Demand for licenses.
- Potential community investment strategies.

## Introduction

Historically, Seattle’s cannabis market has yielded racially disparate outcomes. Both pre- and post-legalization, cannabis enforcement policy disproportionately impacted people of color, especially black people. Meanwhile, the now-legal industry is lucrative and predominantly owned by white people. These juxtapositions indicate that cannabis legalization has not sufficiently advanced racial equity and that more must be done. The City of Seattle’s Finance and Administrative Services Department (FAS), which has oversight of regulated industries in Seattle, has utilized the Racial Equity Toolkit to examine how individual, institutional, and structural racism manifests in our cannabis market and its regulatory framework.

At the time of this report, seven states and a growing handful of cities have paired cannabis legalization with racial equity-related frameworks. The nature of these frameworks are diverse and experimental, but all entail the overarching goal of repairing harm done to communities in the name of cannabis regulation. Most equity policies are recent enough that outcome data is not available. However, this report utilizes a comparative analysis of different jurisdictions’ equity frameworks to highlight predominant trends and useful tools. It also utilizes interviews, conducted with a number of jurisdictions, in order to ascertain which frameworks and strategies have been most efficient and effective.

## Background

During the War on Drugs, operators in the cannabis industry were subject to heightened policing and prosecution practices. In Seattle, one impactful program was the federally funded Weed and Seed program, which was implemented from 1993-1998 and focused on Seattle’s Central District. Nationwide, Weed and Seed’s purpose was to “improve the quality of life in America’s cities.” More specifically, it sought to control violent and drug-related crime in designated areas<sup>1</sup>. The time-series plot shown in Appendix, Figure 1, is taken from the Department of Justice’s *National Evaluation of Weed and Seed: Seattle Case Study* and shows the increased rate of arrests in this area during Weed and Seed’s operation.

Nationally, the War on Drugs carried disproportionate consequences for people of color. The Department of Justice’s time-series plot in Fig. 1 corroborates this. Note that, as a consequence of Seattle’s historic redlining and racially restrictive leasing policies, the Central District was a predominantly black district during the era of Weed and Seed. However, disproportionate enforcement extends beyond the Central District’s borders. Consider Appendix Figure 2, which shows that residents from a small handful of zip codes received a vastly disproportionate share of cannabis-related charges. Also consider the graphs in Appendix Figures 3 and 4. The first graph in both figures captures the year-to-year frequency of city-wide arrests, disaggregated by race. The second shows Seattle’s overall racial demographic breakdown. A comparison of the first and second graphs in Figure 3 shows that people of color experience cannabis-related charges at a rate which is disproportionate to their share of the aggregate population — despite studies showing that cannabis consumption is roughly equal between white and non-white people<sup>2</sup>. In Figure 4, this comparison shows that there is a particularly disproportionate rate of cannabis-related charges given to black people in Seattle.

Discriminatory enforcement practices can impact community well-being in a myriad of ways. For those arrested, a large variety of factors — pretrial detention, bail, pay-to-stay practices, and being unable to work — can confer significant financial burden. Even without arrest, having a criminal record affects an individual’s eligibility for welfare and housing assistance, as well as their employment prospects<sup>3</sup>. Finally, incarceration, family separation, and other aspects of intensive enforcement practices can confer

emotional trauma on all individuals involved. These consequences contribute to the effect of the War on Drugs in Seattle on communities of color.

The above trends in cannabis-related enforcement persist today, despite the state's legalization of possession. Cannabis-related offenses filed with the Seattle Municipal Court are violations of public consumption laws. Consumption infractions are distributed to persons of color at a rate disproportionate to the city's demographics (see Appendix Figures 3 and 4 during post-2012 years). In addition, the ownership in the now-legal industry is predominantly white, at a rate disproportionate to the city's demographics.<sup>1</sup> This can be partially attributed to the loss of generational wealth in communities of color, to which Weed and Seed practices contributed. This comparative lack of wealth is compounded by the fact that federal law makes cannabis-related businesses ineligible for traditional financing and relegates the cannabis industry to be one dominated by parties with private access to significant financial resources.

As legalization spreads, jurisdictions are implementing equity frameworks with increasing scope, complexity, and financial commitment. Although there is a great deal of variation among the surveyed jurisdictions, plans can be broken down into several components: identifying harm, identifying the equity framework's goals to respond to that harm, and strategies to achieve those goals. The remainder of this report will examine nationwide trends and highlights through this lens.

## Harm Indicators

Because all equity frameworks are explicitly made in response to cannabis-related enforcement practices, all equity frameworks contain a mechanism for identifying harm associated with such practices. Two key concepts are used in these mechanisms: "equity applicants" and "disproportionately impacted areas" (DIA).

Equity applicants are individuals who experienced harm associated with cannabis-related enforcement practices, and who are recipients of equity frameworks' benefits and subsidies. Because equity frameworks generally focus on assisting equity applicants achieve ownership of cannabis firms, the term "equity applicant" is sometimes interchanged with "equity firm."

Although equity frameworks have been designed for the sake of amending institutional racism, none use race itself as an eligibility factor. One significant factor, presumably, has been legal viability. Ohio passed a stipulation in their cannabis regulations that 15% of permits must go to certain racial groups. In a subsequent lawsuit, an Ohio judge struck down the stipulation, ruling that it speciously associated racial identity with economic disadvantage and that "the legislature failed to compile and review enough evidence related to the medical marijuana industry to support the finding of a strong basis in evidence for a compelling government interest to exist."<sup>4</sup> This delayed Ohio's equity framework release.

Equity applicants are commonly identified via the following criteria:

1. *Income*: Depending on the jurisdiction and on the applicant's other characteristics, income limits range from 80% of the federal poverty level (FPL) to 400% of the FPL. Limits are set in comparison to area median income.
2. *Area of Residence*: More specifically, these criteria typically measure records of an individual's past or current residence in disproportionately impacted areas. DIA's are typically demarcated by zip code and are deemed to have been especially harmed by the War on Drugs and its related

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<sup>1</sup>Analysis done by the Washington State Liquor and Cannabis Board, September 2018

enforcement policies. To be classified as a DIA, an area must have had an above average rate of cannabis-related arrests. In some jurisdictions, area median income is also factored into the method of classification.

3. *Prior Arrests*: Having been arrested on cannabis-related charges typically confers categorical eligibility for equity applicant status. In many jurisdictions, having an immediate family member with cannabis-related convictions also counts towards equity applicant status.

In addition to their function in identifying equity applicants, DIA classification is also used to direct assistance efforts for equity frameworks that focus on socio-economic community revitalization.

See Appendix Figure 5 for expanded examples of harm indicators.

## Equity Goals and Strategies to Achieve Them

The most common focus in equity frameworks was on **cannabis firm ownership**. This was featured in every surveyed jurisdiction. In these frameworks, equity applicant status grants its holder some sort of subsidy or access to assistance, with the ultimate goal of making ownership of firms in the cannabis industry more accessible for equity applicants.

At their most basic framework, ownership-centric frameworks include waivers for permitting fees and/or some regulatory compliance assistance. These range from partial to full waivers, and basic regulatory assistance to full tutorial programs, where applicants receive legal assistance, technical business assistance and more. Many frameworks also created more substantial forms of financial assistance, including incubator programs, investment assistance and directly administering loans/grants, each detailed below.

1. *Incubator programs*: These are programs that grant cannabis permits to non-equity applicants in return for those applicants serving as incubators. In Oakland, incubator firms are required to provide an equity applicant with 3 years of rent or rent-free space in which the equity applicant can operate their cannabis business. In other jurisdictions, such as in Sacramento, incubators have a predetermined set of options by which they can fulfill their obligations, ranging from rent/facility assistance to transfer of partial ownership to an equity applicant.

In San Francisco, the incubator program is facilitated indirectly. The city vets both incubator firms and equity applicants. Approved equity applicants can view a list of interested incubator businesses on the city's website but must reach out to them directly to coordinate partnership. The city itself is a neutral and non-endorsing party in these interactions.

2. *Investment assistance*: This is also conducted in a variety of ways. In Massachusetts, equity applicants are eligible for an extensive curriculum designed to teach skills necessary for ownership in the cannabis industry, including a course which is designed to help new business owners secure investors. San Francisco has impacted investments by adjusting equity firm requirements. Whereas equity status had required that the qualified applicant have a 51% ownership stake in their firm, the city changed regulations so that qualified applicants were only required to hold a 40% ownership stake. This was done to increase the potential incentive and attract more potential investors.
3. *Direct funding*: Some jurisdictions have created funds drawn from non-equity permit fees or cannabis taxes to directly loan or grant start-up costs to equity applicants. The status of such funds is contingent on local politics; some cities have written such funds into law but have not utilized

them due to complications with federal law, or have needed to divert this funding towards enforcement costs.

In addition to making cannabis firm ownership more accessible, 4 out of the 9 surveyed jurisdiction's frameworks also included a focus on **workforce development**. These frameworks' essential goals include incentivizing or mandating a diverse workforce in the cannabis industry. This is the most malleable of the three goals, and fits into different jurisdiction's regulations in a variety of ways.

1. *Basic hiring requirements:* Sacramento inserts explicit hiring requirements into its incubator program. There are several ways to be an incubator firm in Sacramento (see Appendix Figure 6 for full details), one of which being that the firm hosts an equity applicant while also having 30% of its workforce (measured by hours worked) comprised of equity-eligible employees.
2. *Requiring firms to create diversity plans:* San Francisco does not have explicit hiring regulations but requires all cannabis firms to submit "diversity plans" that support the city's diversity goals. These are submitted and vetted on a 120-day basis in order for the firm to maintain its permit. Although there is a large amount of flexibility in what is approved, the highly-conditional permitting system allows the city a great amount of power in the current landscape. Because of this — and as said in an interview with San Francisco's Office of Cannabis — "firms slacking is not really a concern." All diversity plans are listed on the San Francisco Office of Cannabis' website. The following example is an excerpt from the Barbary Coast Dispensary's plan (randomly chosen):

As of the effective date of San Francisco's Cannabis Business Regulations, Barbary Coast employs 7 staff members that fit within the equity criteria. Over 50% of the current staff lives in San Francisco. Through outreach and participation in job fairs as well as working with the San Francisco Human Rights Commission, Department of Public Health, EDD and SF Office of Cannabis, Barbary Coast will at a minimum maintain this ratio of equity eligible employees and will work with legal counsel and human resources to develop a fair, legal, non-discriminatory hiring process that will be designed to increase the ratio of equity eligible employees. Additionally, Barbary Coast anticipates increased employment opportunities to rise due to the business expansion and new regulatory requirements accompanying implementation of adult use cannabis. Barbary Coast anticipates hiring 5-6 new entry level employees in the first 120 days after receiving a temporary adult use permit and will hire a minimum of 3 equity eligible entry level employees from this pool of new hires. Barbary Coast will have over 33% of its staff equity eligible within 120 days after receiving a temporary adult use permit.

3. *Formal subsidy/guidance programs for people who wish to occupy non-ownership positions in the cannabis industry:* Massachusetts is the most notable example of this. The state's primary program focuses on technical assistance for equity applicants who wish to enter the industry. The entrepreneurial track is designed for those seeking ownership, but the program also includes tracks for those seeking management roles, entry level work (for those in reentry from incarceration), and a variety of ancillary roles, such as developing cannabis related accessories. The state is contracting with vendors in order to conduct this array of technical assistance.

Another 4 of the 9 surveyed frameworks revolve around **community investment**. Of the jurisdictions that pursue the goal of community investment, only one also pursues a workforce development angle. Community investment is done to varying degrees and with diverse methods. Illinois is currently the gold standard for this framework, setting aside significant portions of cannabis tax revenue in order to fund assistance programs and designated non-profits which serve DIA's. Others, like Massachusetts and San Francisco take a more indirect approach, requiring cannabis firms to develop plans to benefit DIA's. The following example is taken from a different part of (San Francisco's) Barbary Coast Dispensary's diversity plan:

Developing a comprehensive upward mobilization plan for equity eligible people throughout San Francisco is a priority for Barbary Coast dispensary, including the provision of economic opportunity to persons that have been impacted by the war on drugs. Barbary Coast Management has already met with different community groups throughout San Francisco including United Playaz, Community Rising, Sunset Youth Services, and Project Level about locating qualified equity participants and helping to create economic opportunity for them and their family members in the form of job training programs and educational grants. Barbary Coast Dispensary will actively promote the City's equity program by continuing to contact 2-3 community non-profit organizations per month and work with them and provide information and education to them about the economic opportunity that exists in the adult use cannabis economy in San Francisco.

For a more detailed breakdown of equity framework goals, see Appendix Figure 6.

## Interviews and Analysis

In order to gain a more nuanced understanding of equity framework development, successes and difficulties, interviews were conducted with representatives from six jurisdictions. Jurisdictions were chosen based on their frameworks' implementation dates, with the assumption that those who have been operational for more than several months will have had enough time to see problems, make adjustments and share a perspective informed by data and experience.

Unfortunately, data on the number and success of equity firms is rare. Even for jurisdictions that publicly share progress, such as Massachusetts, equity efforts are recent enough that there is little to report in terms of equity framework's accomplishments. Jurisdictions generally shared a feeling of unsureness; even with fully operational programs, the near and long-term variables that determine an equity firm's vitality are numerous and exceedingly difficult to control. Perhaps most significant of these variables is the nature of the public's engagement with such firms: will equity firms be able to leverage their equity status in the market? How will consumer behavior respond to equity efforts?

The most common advice throughout the course of six interviews was "be prepared for constant adaptation." Implicit in this wisdom is that there should be both planning and funding in place to allow for adaptations. Of course, no two markets are alike, nor are any two contexts for the conception of a social equity framework. The following are broad guidelines based on the experiences of interviewed jurisdictions.

### *Administrative Cruxes:*

Understaffing is a commonly cited obstacle to a jurisdiction's effectiveness. Numerous labor-intensive activities uphold an effective equity framework, including permit processing, outreach, and recordkeeping. When new information and needs shift personnel into different activities, other activities suffer. If staffing is kept above what the minimum requirements for "normal" functioning, this may occur less frequently.

Administrative organization is another factor that affects adaptability. Federated cannabis offices are more difficult to manage due to potentially competing interests of involved departments/offices. Ideally, the office administering the social equity framework should be autonomous. If the office's behavior is restricted, it will be slower to adjust its framework when new problems, needs, and circumstances arise. Because of a high need for adaptability in cannabis-related equity endeavors, most jurisdictions recommended that equity frameworks should be conducted by autonomous cannabis offices.

### *Financial Support for Equity Firms:*

Although barriers such as regulatory compliance or business know-how are significant, financial barriers for equity firms seem to be the greatest obstacle noted in interviews. Because federal law inhibits



cannabis firms from using traditional financing, the cannabis industry has a natural tendency to privilege those who enter with pre-existing wealth or have independent financial backing. This is especially relevant for equity applicants, considering that income is a common criterion in determining equity applicant status.

The most effective and adaptable method of assisting equity applicants in starting their firms is for a jurisdiction to directly loan or grant start-up costs. Jurisdictions that lack the funding or approval to do so unanimously cite this as their framework's greatest weakness. Absence of funding can take place for a variety of reasons, one being internal pushback, in the case that deliberative bodies prefer that cannabis tax money fund other projects. Another is that cities/states may take conservative stances on federal guidelines.

Perhaps the most successful example of direct loans is in Oakland, where \$3,000,000 was set aside to administer zero-interest four-year loans to equity applicants. The administration of these loans has been contracted to a non-government organization and has been structured into tiers, so that applicants can be eligible for loans ranging from \$5000-\$100,000. Since this addition to their equity program in mid-2017, over half of the original fund has been dispensed, and the city hopes to supplement it with state funding. In an interview, it was emphasized that the current size of loans is based on a \$1000 square foot estimate for necessary operating space. In addition, this estimate was made specifically for retail and delivery firms. Most equity firms elect to open cheaper enterprises, such as retail or delivery. Other types of firms, such as production, processing, or other ancillary services, may require significantly larger loans in order to cover start-up costs.

In lieu of the ability to directly loan or grant equity applicants' start-up costs, many jurisdictions have used regulatory power to financially assist equity applicants — as listed above, investment assistance and incubation. Both of these can be effective, but entail significant tradeoffs.

For example, San Francisco, in an attempt to draw more investors, has experimented with the percentage of shares owned by the equity applicant required for the firm to maintain a permit reserved for equity applicants. Originally, the equity applicant was required to control 51% of the company. However, in order to adjust to low levels of investment, the requirement was lowered to 40%. This allowed the establishment of more equity firms, but at the cost of the equity applicants' ownership. In San Francisco, most equity applicants are not sole proprietors, but have partnered with landlords or investors. It's unknown as to whether this will have an effect on the generational wealth produced by these equity firms, as intended in the framework. This tradeoff highlights a tension between control by social equity applicant and potential vitality of their firm.

Incubation strategies also entail unintended consequences. Incubator obligations can be extremely costly. A common requirement is to supply incubatees with rent-free space for three years. Thus, the basic incubation format suggests that this strategy will create a vastly imbalanced market, containing social equity applicants' firms and firms owned by those with enough wealth to fulfill incubator obligations. Moderating this market imbalance would be to lessen the support that equity firms receive. However, in the absence of formal business loans (again, unavailable due to the federal status of cannabis), even these incubation services can be insufficient to get an equity firm off the ground. Easing the requirements for incubator support could have negative impacts on the success of equity firms, which suggests a tension between the extent to which an incubator strategy is able to assist equity firms and its impact on the diversity and stability of the market.

Furthermore, the actual practice of incubation is messy. Some jurisdictions, like Sacramento, offer several different options for incubation. The options are intended to be equivalent but versatile so that the

program can adjust to incubator firms' differing resources and situations. However, because the incubator program launched after initial permitting was conducted, the effectiveness of the program was greatly hindered as many potential incubators already have permits. Some firms still assist equity firms, but there is significantly reduced incentive to do so.

In Oakland, where the incubation program is more stringent and was launched in a timelier manner, challenges still persist. Oakland requires three years of providing rent or rent-free space in order for incubators to obtain permits. However, there is insufficient data with which to delineate the needs of different firms, so incubators get the same credit for helping retail firms with rent as they do for larger growers or processors. Retail firms require much less space, which makes them much less expensive for an incubator to support. Presumably, frameworks will become more advanced as administrations gather data and strategize but, in practice, incubation is a strategy that is vulnerable to regulatory interpretations that can favor incubator firms' interests.

## Summary and Next Steps

Equity efforts that seek to assist disadvantaged communities' capacity to build generational wealth can be roughly broken down into three basic strategies: ownership-centric frameworks without direct funding for equity applicants, ownership-centric frameworks with direct funding for equity applicants, and community investment frameworks. Appendix Figure 7 contains a table which compares these three strategies under four criteria: cost, manageability, effectiveness, and certainty. The remainder of this section is commentary on Figure 7.

In Figure 7, the "effectiveness" and "certainty" columns contain an important distinction. Regardless of how it seeks to get there, every strategy under consideration has the ultimate goal of repairing harm done to communities during the War on Drugs by helping them to generate wealth. The "certainty" column is a measure of how accurately the strategy hits this larger goal, should it be successfully carried out. In contrast, "effectiveness" is a measure of how well-equipped the strategy is to be successfully carried out.

Thus, while Strategy 2 (ownership-centric frameworks with direct funding for equity applicants) has a higher effectiveness rating than Strategy 3 (community investment), its certainty is lower. This is because its theory of change is further removed from its fundamental goal. There are a number of factors that could prevent a successful equity firm from generating wealth in a way that benefits a DIA, even if the equity firm had access to loans and was not subject to the investor/incubator-related complications described in the previous section.

For example, interviews detailed one yet-unsolved ambiguity surrounding equity permit transfers. If an equity applicant is only able to transfer their equity permit to other qualified equity applicants, they lose a great deal of autonomy in how they conduct their business. Ultimately, they may not be able to do what is in their best interest and this undermines the autonomy of equity firms. If transfers are unrestricted, then it undermines the purpose of equity firms, which is to cultivate generational wealth in underprivileged communities and persons. Unrestricted transfer leaves open room for exploitation by firms and individuals with high spending power.

This tradeoff points to an underlying complexity in ownership-centric frameworks: the vitality and equitable development of a community is related to, but is not solely dependent upon the vitality of individual business owners in that community. The full extent of this relationship lies in the autonomy of these business owners, their relationship to the community, and how they prioritize their financial bottom lines in the context of this relationship.

Complications will occur if a business owner is beholden to investors, lacks majority shares in their business, or is part of an imbalanced market that is naturally hostile to those without significant capital backing. In these cases, the proclivity of an equity firm owner may not be the same as that of the larger community targeted by the equity framework — and the equity framework will fail to impact communities on a systemic level. For these reasons, it is highly recommended that any attempt at an ownership-centric framework have significant financial backing in order to alleviate some of the strategy’s potential weaknesses.

It’s also recommended that Seattle consider the ideal conditions for an ownership-centric framework and whether it has the capacity to successfully implement one. Several crucial questions must be answered. First: how many permits is Seattle able to grant, and how many will the market be able to accommodate? Most ownership-centric frameworks were implemented at the start of legalization. I-502 passed 7 years ago; Seattle’s equity framework will be operating under different circumstances. Second: what is the future of the city’s cannabis industry? Unstable markets and the entrance of future firms puts into question the longevity of benefits conferred by an ownership-centric framework. Finally, Seattle needs to do additional outreach. Are potential equity applicants actually interested in firm ownership?

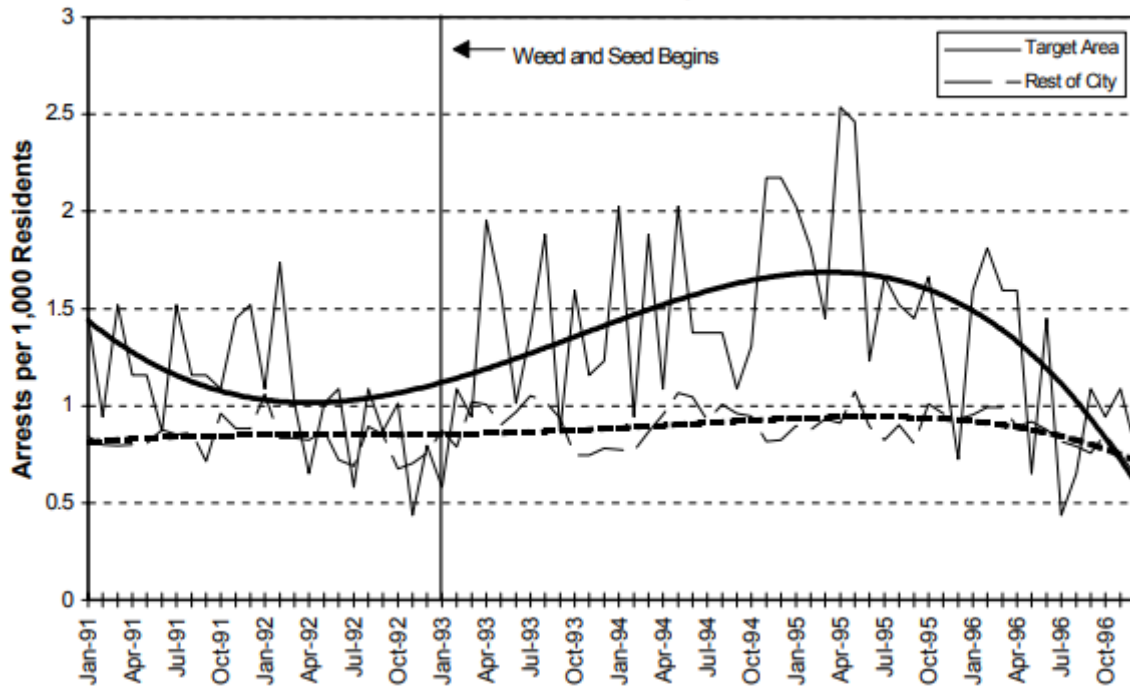
Alongside these considerations, Seattle should strongly consider how a community investment framework might function. There is a dearth of information on community investment strategies. Although several jurisdictions are implementing a form of it, community investment frameworks are generally too new for data or are too locally tailored for predictive analysis. Additional analysis should be done to determine what might be accomplished with a community investment framework, as well as which programs or organizations might be appropriate and effective recipients.

## Appendix

### *Figure 1: Weed and Seed Arrest Rates*

Time-series graph showing heightened arrest frequency in the Central District during the Weed and Seed program, published by the US Department of Justice.

**Exhibit 5.1  
Part 1 Arrests per Capita by Month**



*Figure 2: Cannabis Related Offenses, Arrestee Home Zip Codes*

These two pie charts show the most common home zip codes for people charged with cannabis-related crimes in Seattle. The first is for the entirety of the Seattle Municipal Court dataset (1996-2019). The second is up until the year of legalization (1996-2011).

In each, several zip codes are broken out into individual pie slices. Each of these have over 100 charges. The remainder of zip codes (whose charges numbered below 100) are aggregated into the largest pie slice. Because the dataset contains the home zip codes of people charged, rather than the zip codes in which the citations/arrests, most zip codes included in the “Other” slice are from outside of Seattle and outside of Washington State. Note the prevalence of post-legalization charges in certain zip codes, which can be gleaned by comparing zip codes put into individual pie slices in the two graphics.

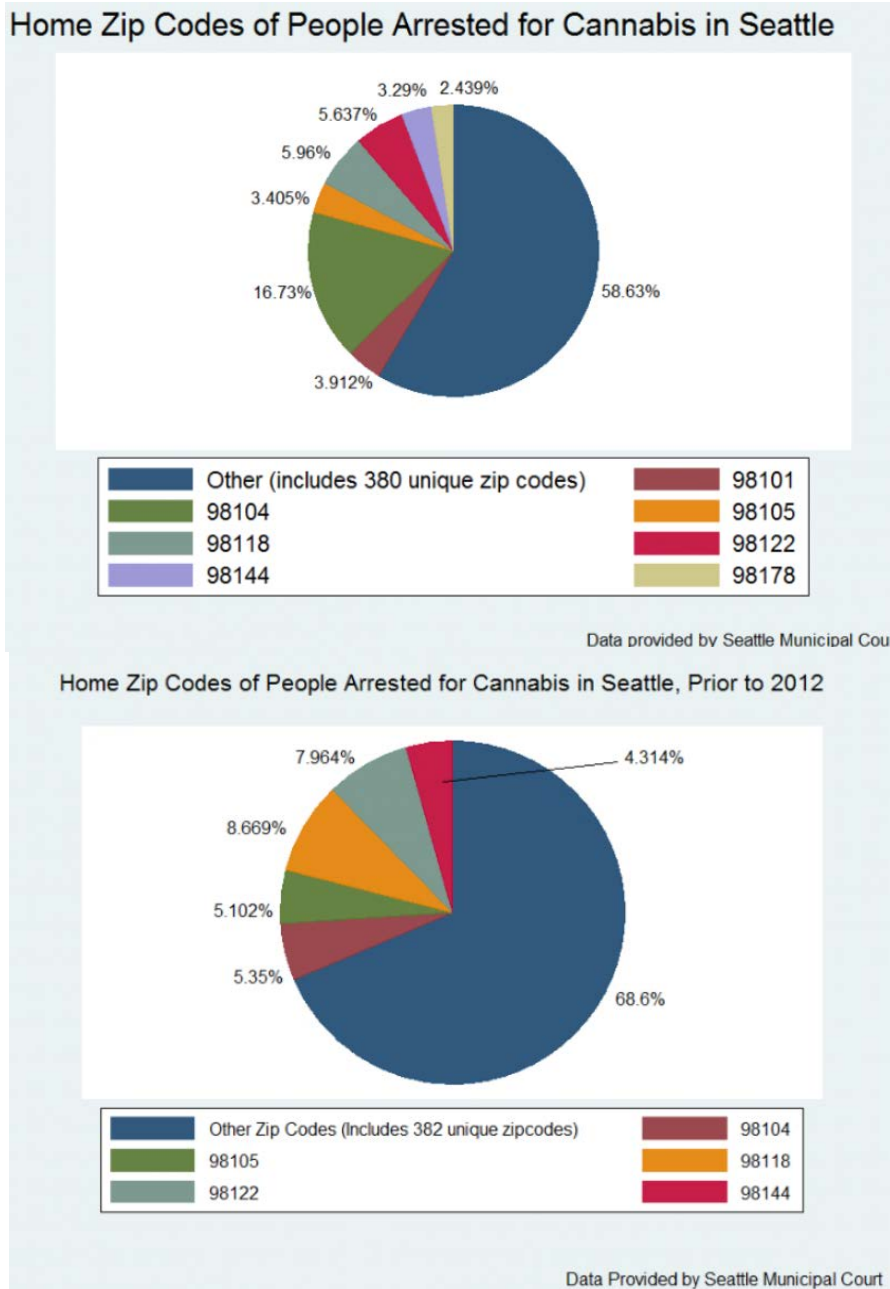


Figure 3: Cannabis

Related Offenses, White vs Non-white

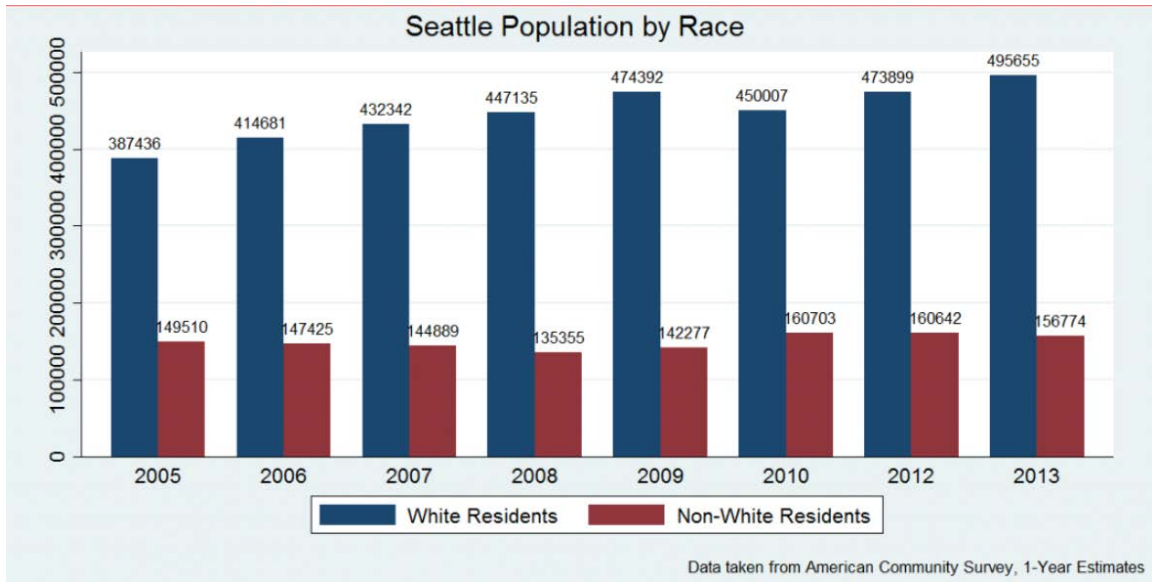
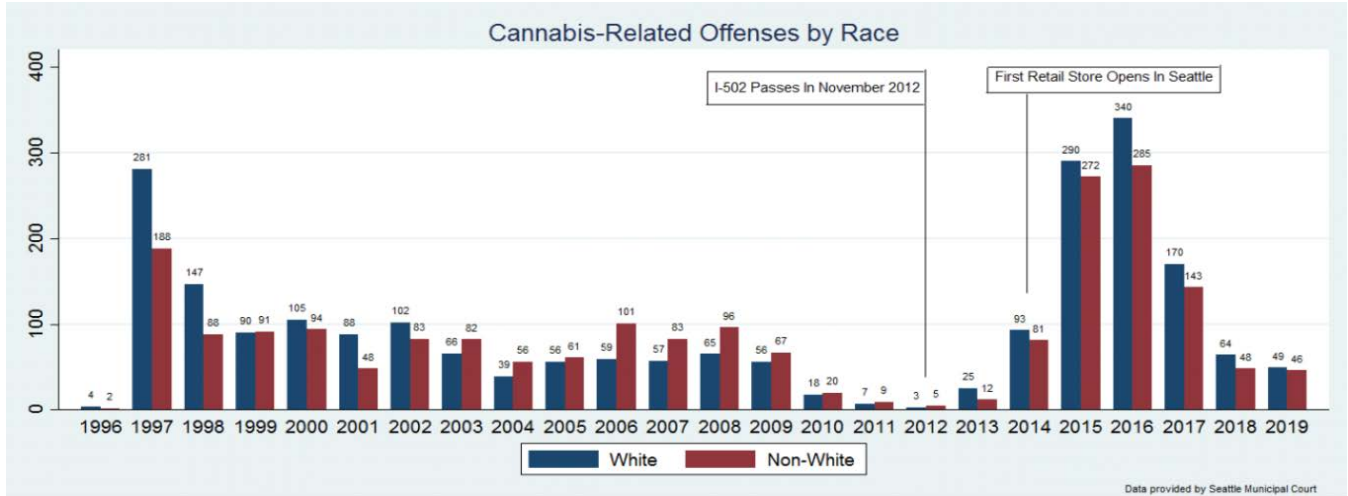


Figure 4: Cannabis Related Offenses, Black vs. Non-black

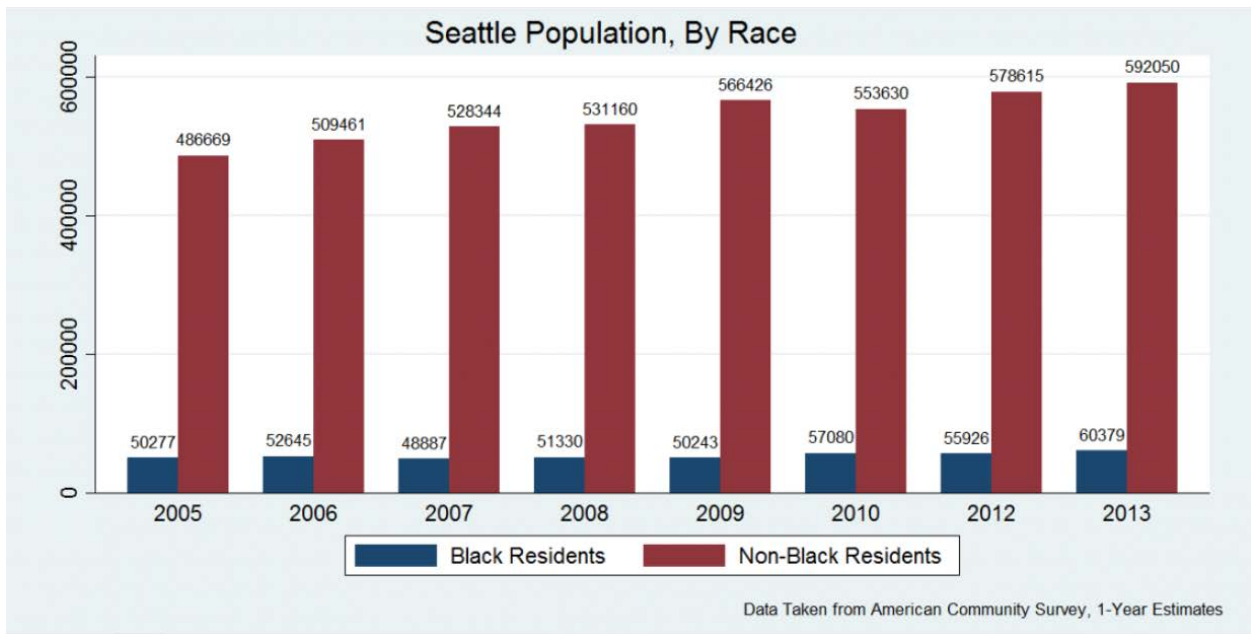
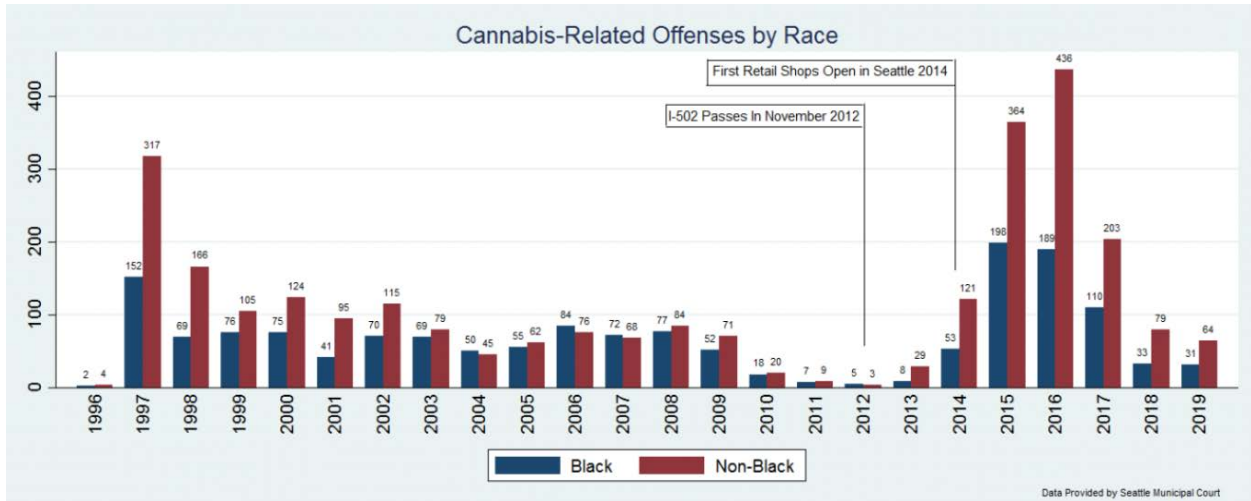


Figure 5: Identifying Harm

Identifying Harm (Trends in Equity Applicant Criteria)

The framework below combines equity applicant criteria with a municipality's identification of past harms, as these criteria are used to target subsidies and assistance to those with the most direct connection to the ill-effects of past harmful public policies.

It's important to note that the framework for using the below criteria varies across cities and states. In LA, Tier 1 applicants must be low-income AND have had an arrest and conviction. In San Francisco, individual criteria are separated into 6 separate points, of which applicants must meet 3. New York's proposed framework creates a list criteria, none of which confer categorical eligibility, but all of which are considered by the governing body when determining eligibility.

Furthermore, this criteria breakdown is abridged for the sake of formatting and brevity. Many numeric requirements for percentages, years lived, etc. vary by city/state. Because this table is made with a focus on methodology, non-essential details and variations are omitted. For a full breakdown of each city's utilization of the below criteria, please view the full Equity Plan Comparison.

Criteria Type	Variation Examples	Who Uses This Method
Income	<ul style="list-style-type: none"> <li>-Household income below 80% of FPL</li> <li>-Household income does not exceed 400% of FPL</li> <li>-Ownership (of firm) has an annual income at/under 80% of area median income (adjusted for household size)</li> <li>-Small Business which made less than \$750,000 in preceding year</li> </ul>	All but Illinois
Geography	<ul style="list-style-type: none"> <li>-Applicant resides in zip code of disproportionately impacted area* for at least 5 years within specific time frame (time requirements vary; some require 10 of last 20 years, etc.)</li> <li>-Attended school in specific school district for 5 years within specific time frame</li> <li>-Lived in census tracts for total of 5 years within specific time frame where at least 17% of households were at or below FPL</li> <li>-51% of employees currently reside in disproportionately impacted areas</li> </ul> <p>**disproportionately impacted area* is a commonly utilized concept and typically reflects arrest rates by zipcode, census tract, or some other hyperlocalized geographic category.</p>	All but Portland
Interactions with Criminal Justice System	<ul style="list-style-type: none"> <li>-had an arrest or conviction for cannabis-related offense in area prior to specific date, or within specific time frame</li> <li>-had an arrest or conviction for expungement-eligible offense (cannabis-related)</li> <li>-immediate family members have had arrest or conviction (including being married to someone who has)</li> <li>-51% of ownership and control of firm is by individuals who have been arrested or convicted for cannabis-related offense</li> <li>-20% or more of staff hours represented by individuals with federal/state convictions for cannabis-related offenses</li> </ul>	All surveyed
Other	<ul style="list-style-type: none"> <li>-Lost housing after 1995 due to eviction, subsidy cancellation, or foreclosure</li> <li>-Small business with MWESB-Certified ancillary vendors (a certification given to women/minority owned small businesses)</li> <li>-Disadvantaged farmers, defined as an person/enterprise that A) has reported at least 2/3 of is federal gross incme from farming, B) who farms in a county with a poverty rate above 10% according to latest ACS survey, and C) who has been disproportionately impacted by low commodity prices or who faces the loss of farmland through development or suburban sprawl)</li> </ul>	San Francisco, Portland, New York
Ownership Requirements	<ul style="list-style-type: none"> <li>-Various cities and states have set ownership requirements e.g. equity applicants must own/control X% of business. The percentage is often a majority share, but in places like San Francisco, this percentage requirement has become smaller/more lenient in order to attract more investors for equity firms.</li> </ul>	



Figure 6: Goal Matrices

Workforce Equity Related Frameworks				
City	Plan Implementation Date	Goal(s)	Main Components of Plan	Progress Notes
Sacramento	November 2017	-Help equity applicants obtain ownership in cannabis industry -Create employment for equity applicants in cannabis industry's workforce	1. CORE program helps decrease a wide range of non-financial barriers, assisting equity applicants with technical assistance, business education, networking, etc. 2. Non-equity applicants serve as incubators or hosts, and receive permitting in return for significant financial commitments. These take a variety of forms, including hosting equity applicants, meeting workforce diversification standards, sharing resources, and transferring/selling ownership shares to type 1 and 2 applicants.	Non-equity licenses have already been issued, which significantly weakens the incubation aspect of the program. Some incubator firms have committed funds towards equity goals, but not universally and not often with the intended scope of commitment.
San Francisco	November 2017	-Help equity applicants obtain ownership in cannabis industry -Create employment for equity applicants in the cannabis industry's workforce	San Francisco has an active pre-existing medical cannabis industry, which still has a large number of operators. As the industry's recreational sector gets off the ground, medical cannabis firms operate under 120 day permits. To renew these permits, firms are required to hire/support equity operators and help fulfill the city's equity goals, which often includes equitable hiring practices.	All plans are posted here: <a href="https://officeofcannabis.sfgov.org/equity/mcd-plans">https://officeofcannabis.sfgov.org/equity/mcd-plans</a> . Documentation of fulfillment is checked every 120 days.
Portland	September 2018	-Help equity applicants obtain ownership in cannabis industry -Improve employment and contracting opportunities for women, minorities, and those who have had prior cannabis convictions.	One pathway to subsidized permitting involves being MWESB-Certified or contracting with certified vendors. MWESB is a city program that identifies and helps bring business to small businesses or those which are minority or women-owned.	More info on the program can be found here: <a href="http://www.oregon4biz.com/How-We-Can-Help/COBID/">http://www.oregon4biz.com/How-We-Can-Help/COBID/</a>
Massachusetts	July 2017	-Help equity applicants obtain ownership and employment in cannabis industry in a variety of forms	1. Qualified applicants are eligible for training programs that prepare them for industry participation, beyond just ownership. Tracks include management, entry-level work, or ancillary roles. Courses include business training, perspectives from experienced cannabis firms, and capital raising. 2. General licensing rules require all firms to produce diversity plans, which ensure an equitably hired workforce.	May 2019 data shows that POC comprise 27% of the industry when staffers, executives, and board members are counted. As the equity program is just getting off the ground, this is largely attributed to the general licensing rules.

Community Investment Related Frameworks			
City	Plan Implementation Date	Main Components of Plan	Progress Notes
Illinois	June 2019	1. The Cannabis Business Development Fund (CBDF), which funds equity applicant loans, also funds outreach, research, and employment services in disproportionately impacted areas. 2. After administrative costs, 25% of cannabis taxes go into the R3 fund. This funds programs and grants to reduce gun violence, improve reentry/diversion services, support employment, and build capacity related to "social determinants" of health.	N/A
Portland	September 2018	Portland recently opened a Social Equity Grant process, is partially dedicated towards record clearing/expungment and related legal support in order to reduce barriers to housing and employment. It's also partially dedicated to projects which create family-wage jobs.	The city auditor found that cannabis tax money, which was slated for social equity grants, drug/alcohol treatment and education, and public safety, was overwhelmingly going towards public safety and required additional oversight. Around the time the report was released, the city opened its Social Equity Grant process. No current reports on equity progress related to Social Equity Grants.
Massachusetts	July 2017	General licensing rules require all firms to produce Economic Empowerment Plans, which requires good faith efforts to economically empower disproportionately impacted areas.	The state works with existing firms in order to assess and enforce economic empowerment plans. Data on <a href="https://mass-cannabis-control.com/documents">https://mass-cannabis-control.com/documents</a> .
New York	Not Yet Passed	50% of cannabis tax revenue is collected into a fund and is directed by a steering committee whose members have expertise in homelessness/housing, substance treatment, rehabilitation, and more. Funds are intended to community-based nonprofits that tend to designated disproportionately impacted areas, and are meant to support job training, education, mental health services, substance use disorder treatments, legal services, reentry, and more.	N/A

Ownership-Centric Equity Frameworks			
City	Plan Implementation Date	Main Components of Plan	Progress Notes
Los Angeles	December 2017	<ol style="list-style-type: none"> <li>1. Qualified applicants receive expedited application processing, business licensing and compliance assistance, potential fee deferrals, and access to the Industry Reinvestment Fund.</li> <li>2. Non-equity applicants serve as incubators, and must provide assistance, including rent support, to qualified equity applicants.</li> </ol>	<p>To date, the Industry Reinvestment Fund has not made available to equity firms as designed. In addition, the program's effectiveness has been limited by city ordinances which cap the number of equity permits available.</p> <p>The city is currently amidst a rehaul of their program.</p>
Sacramento	November 2017	<ol style="list-style-type: none"> <li>1. CORE program helps decrease a wide range of non-financial barriers, assisting equity applicants with technical assistance, business education, networking, etc.</li> <li>2. Non-equity applicants serve as incubators or hosts, and receive permitting in return for significant financial commitments. These take a variety of forms, including hosting equity applicants, meeting workforce diversification standards, sharing resources, and transferring/selling ownership shares to type 1 and 2 applicants.</li> </ol>	Non-equity licenses have already been issued, which significantly weakens the incubation aspect of the program. Some incubator firms have committed funds towards equity goals, but not universally and not often with the intended scope of commitment.
San Francisco	November 2017	Equity applicants receive priority licensing, fee waivers, and access to the incubator program. Incubator businesses provide technical assistance and rent assistance. The city does not directly endorse partnerships, but helps facilitate connections between equity applicants, incubators, landlords, and investors.	At this point, the equity permits are not yet off the ground but are expected to do so within the next year. In addition, the city has a fund (the Community Reinvestment Fund), which is passed in legislation. However, filling and distributing the fund is complicated by federal restrictions, on which SF has taken a conservative stance. As of now the fund is not active.
Illinois	June 2019	State administered grants and low-interest loans assist equity firms with start-up expenses. Funds are drawn from Cannabis Business Development Fund (CBDF), which is comprised of very high permitting fees for non-equity applicants.	N/A
Portland	September 2018	<ol style="list-style-type: none"> <li>1. Qualifying factors, which confer discounts on licensing, include being a small business, having MWESB-Certified vendors, and having staff/owners with prior cannabis convictions.</li> <li>2. Portland recently opened a Social Equity Grant process, which is meant to support expungement, workforce development, and to assist equity firms.</li> </ol>	The city auditor found that cannabis tax money, which was slated for social equity grants, drug/alcohol treatment and education, and public safety, was overwhelmingly going towards public safety and required additional oversight. Around the time the report was released, the city opened its Social Equity Grant process. No current reports on equity progress related to Social Equity Grants.
Oakland	May 2016	<ol style="list-style-type: none"> <li>1. Qualified equity applicants are eligible for the Equity Assistance Program, which entails zero-interest start up loans, technical assistance, and permitting fee waivers.</li> <li>2. Non-equity firms receive permits in return for serving as incubators. Incubators must provide an equity firm with 3 years of free real estate/rent.</li> </ol>	The implementation did not include tracking, so data is not currently available. There have been numerous complaints from equity firms regarding the administration of the zero-interest loans and holdups in the permitting process.
Massachusetts	July 2017	Qualified applicants are eligible for training programs that prepare them for industry participation. Depending on whether the applicant is interested in ownership, management, entry-level work, or ancillary roles, the applicant has a different ~6 month curriculum. Courses include business training, perspectives from experienced cannabis firms, and capital raising.	<p>The equity program finalized its first accepted applicants on June 8th, 2019 and seeks to accept the next round in 6 months. All progress data will be posted on <a href="https://mass-cannabis-control.com/documents">https://mass-cannabis-control.com/documents</a>.</p> <p>As of May 2019, POC-owned businesses comprise 2% of the industry, but this is expected to change as the equity program gets off the ground.</p>
Michigan	July 2019	Applicants from 19 municipalities deemed to be disproportionately impacted are eligible for technical assistance and 25% license/permit fee waivers. Depending on other factors, up to 60% of license or permit fee can be waived.	N/A
New York	Not Yet Passed	1. Qualified equity applicants are eligible for waived/reduced permitting fees and for state-administered start-up loans and grants, which are funded by high permitting fees for non-equity applicants.	N/A

To request a more detailed breakdown of equity framework components, please contact [Cherie.MacLeod@seattle.gov](mailto:Cherie.MacLeod@seattle.gov).

*Figure 7: Strategy Analysis*

Strategy Type	Cost	Manageability	Effectiveness: Is this strategy sufficient in order to achieve its primary goals?	Certainty: If primary goals are achieved, will they produce the desired results (Generational wealth in communities harmed by the War on Drugs)?
<p>1. Reduce barriers to entry in cannabis industry for equity applicants, via incubation, regulatory assistance, and business guidance.</p>	<p><b>Low</b></p> <p>Although the administrative efforts required to create Strategy 1 will be of significant cost, this is by far the cheapest option. Most administrators who employ only Strategy 1 did so because they did not have the funding to do Strategy 2.</p>	<p><b>Medium</b></p> <p>Proper regulatory assistance, business guidance, and potential incubation/investment programs will require significant oversight.</p>	<p><b>Low</b></p> <p>This strategy seeks to lower barriers to the cannabis industry for equity applicants. As evidenced by the jurisdictional survey, this strategy is ill-equipped to do so. Across the board, jurisdictions with out significant public funding stated that this was their biggest weakness. Incubation and investment assistance are limited/problematic methods of funding. Regulatory/business assistance is helpful but, ultimately, funding is the largest barrier for equity applicants.</p>	<p><b>Low</b></p> <p>In the event that this program produces the desired results, wherein equity applicants gain ownership of profitable cannabis firms, there is little certainty as to whether these firms will produce generational wealth in their communities. There are a number of factors which could mitigate the positive impacts they have on their community, such as employment, sourcing, and investment. Finally, equity applicants under this strategy will likely need to seek outside investment, which will lessen their ability to deliberate their firm's actions.</p>
<p>2. Reduce barriers to entry in cannabis industry for equity applicants, via incubation, regulatory assistance, and business guidance. Additionally, create a fund in order to grant low-to-zero interest loans for equity applicants in order to assist with startup costs, ranging from \$5000-\$100,000 per loan.</p>	<p><b>High</b></p> <p>Oakland is perhaps the most notable instance of Strategy 2. Their fund began with \$3,000,000, and they've distributed about half of it thus far. Portland has recently implemented this strategy with a fund containing \$700,000. The needs of Seattle's fund would be contingent upon the number and types of licenses we are able to grant.</p>	<p><b>Medium-High</b></p> <p>This strategy entails most of the complexity of Strategy 1, but with an additional program to disburse financial assistance. Although such financial assistance will likely replace incubation/investment programs, most of the administrative burden on incubator/investor firms. Strategy 2's direct approach will require slightly more oversight.</p>	<p><b>High</b></p> <p>This strategy seeks to lower barriers to the cannabis industry for equity applicants. This strategy represents an improvement to Strategy 1 by creating a source of public funding. A lack of funding was, in outreach, approximated to be the single greatest obstacle facing equity applicants.</p>	<p><b>Low-Medium</b></p> <p>This strategy entails many of the same "Certainty" weaknesses entailed in Strategy 1. However, being the recipient of low-to-zero interest loans will presumably allow equity applicants a larger degree of freedom in how they operate their firm and the level of outside investment they will require.</p>
<p>3. Invest significant funds into community assistance programs, targeting DIA's.</p>	<p><b>High</b></p> <p>Illinois has earmarked 25% of state's cannabis excise tax, after administrative costs, towards its R3 fund. Proposed legislation in New York seeks to earmark 50% of cannabis excise taxes to the Community Grants Reinvestment Fund, although this has not yet passed. The cost of this strategy can vary, to an extent, without necessarily nullifying its positive impact.</p>	<p><b>Unknown</b></p> <p>The manageability of Strategy 3 will be entirely contingent on localized research. Such research should be the next step. Should this strategy be employed.</p>	<p><b>Medium-High</b></p> <p>This strategy receives a slightly lower rating than Strategy 2 simply because it is, at this point, less formed. Few jurisdictions have chosen to employ this strategy, so there is a smaller precedent. In addition, this strategy would require additional research to determine which programs might be suitable investments.</p>	<p><b>High</b></p> <p>One of this strategy's greatest strengths is that it allows for direct investment to programs which contribute to community vitality. There are a range of program types in which Seattle could invest, and this choice will need to be tailored to each specific community's needs. However, this strategy's effects are more quantifiable (via program evaluations) and their magnitude is less contingent upon both the cannabis industry's development and the future behavior of equity firms.</p>

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