

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS
TUESDAY, APRIL 30, 2024**

MINUTE ORDER NO. 31

SUBJECT: CANNABIS SOCIAL EQUITY PROGRAM (DISTRICTS: ALL)

OVERVIEW

On January 27, 2021 (4), the Board of Supervisors (Board) directed staff to implement measures to provide economic access and equity in the cannabis industry. These measures included components of a Social Equity Program (SEP), Zoning Ordinance amendments, and a licensing/permitting system. The Board further directed that grant funding be secured to support implementation of the SEP, which would include numerous elements to prioritize equity, access, and business opportunities to help rectify the injustices caused by the War on Drugs and be in place prior to issuance of the first cannabis business license.

Further, on March 3, 2021 (11), the Board directed the Office of Equity and Racial Justice (OERJ) to lead the development of the framework and strategy, including grant funding options, needed to initiate a SEP and coordinate this with the land use permitting system being developed by Planning & Development Services (PDS).

The goal of the SEP is to ensure that those negatively or adversely impacted by cannabis criminalization are provided with the opportunity to successfully participate in the regulated cannabis market and for people and communities impacted by the War on Drugs to receive assistance and benefits. This assistance and benefits will be vital to the success of these future entrepreneurs and beneficiaries. OERJ will continue to work with PDS on ensuring social equity is a priority for all programming related to cannabis.

Today's action provides an update on the coordinated development of the Cannabis Social Equity Program focusing on and development of the SEP components of the Social Equity Entrepreneurs Program and the Social Equity Beneficiaries Program. The recommendations include receiving an update on the program, providing policy direction on the social equity eligibility criteria, and the SEP related ordinance components, as well as approving the structure of the program's oversight body.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Receive the updates on development of the Social Equity Program from the Office of Equity and Racial Justice.
2. Consider and adopt the Social Equity Criteria Tiers. The main criteria is focused on being incarcerated, deported, arrested or convicted for a cannabis related crime in San Diego, and meeting a low income threshold.
3. Consider and provide policy direction on the attached Cannabis Social Equity Ordinance Matrix (Attachment B, on file with the Clerk of the Board) focusing on four main topics:
 - a. Social Equity Ownership Requirements (51% minimum ownership);
 - b. Timeframe for Social Equity Businesses to Open Prior to Non-Social Equity (3-year timeframe);

- c. License Ceiling for Cannabis Storefront Businesses (25 total storefront licenses, no ceiling for other license types); and
 - d. Social Equity Storefront Retail Licenses (minimum 50% storefront retail licenses reserved for social equity businesses).
4. Consider and adopt the Cannabis Oversight Community Collaborative Resolution entitled RESOLUTION OF THE BOARD OF SUPERVISORS ESTABLISHING THE SAN DIEGO COUNTY CANNABIS OVERSIGHT COMMUNITY COLLABORATIVE (Attachment C, on file with the Clerk of the Board).

EQUITY IMPACT STATEMENT

Throughout the country, a disproportionate number of Black, Indigenous, and People of Color (BIPOC) individuals remain incarcerated for the criminalization of cannabis. In San Diego County specifically, as analyzed in the Social Equity Assessment for Commercial Cannabis (Equity Assessment - Attachment A, on file with the Clerk of the Board), from 2012-2017 cannabis-related arrest data shows that Black San Diegans were arrested at a rate that is 5 times the White arrest rate; Pacific Islander San Diegans are arrested at a rate that is 3 times the White arrest rate; Latinx San Diegans are arrested at a rate that is 2 times the White arrest rate; and Indigenous San Diegans are arrested at a rate that is 30% higher than the arrest rate for White San Diegans. As cannabis is legalized and permitted in San Diego County, the Socially Equitable Cannabis Program will help guide the County's approach to this new market and paradigm shift for how cannabis is perceived and regulated.

In support of the Program, the Office of Equity and Racial Justice (OERJ) commissioned the development of a comprehensive Social Equity Assessment which included several community outreach sessions to inform the Social Equity Program and a Program for Social Equity Entrepreneurs. Womxn's Work Consulting, LLC collected qualitative and quantitative data, and conducted research into best practices and lessons learned, throughout the state, to inform the Equity Assessment. A total of 28 semi-structured interviews were conducted with community members, activists, politicians and cannabis growers and retail owners. Additionally, 5-semi structured focus groups were completed with a diverse set of stakeholder groups. A total of 271 responses were received for the community survey. OERJ also held seven outreach and listening sessions from October 2022 through February 2024 with cannabis and social equity stakeholders to gain additional feedback on Social Equity Assessment recommendations, possible program eligibility requirements and program benefits. Additionally, OERJ and PDS staff partnered to host six webinars and seven small group stakeholder sessions centered around select June 15, 2022 (7) Board-directed measures including Measure 9, the establishment of a Community Equity Contribution Program. The Cannabis Social Equity Program survey was open on the Engage San Diego County platform from February through June of 2023 and focused on gathering feedback from participants on the program's programming goals and objectives. It should be noted that less than 10% of the respondents challenged the purpose of the program, citing they did not want additional cannabis businesses in the unincorporated area. There were over 90% neutral and positive responses provided by respondents stating that the County's efforts should focus on grants for social equity businesses, permit fee waivers, economic development, educational programming, technical assistance and other behavioral health services to facilitate access to the cannabis industry and those harmed by the War on Drugs. Over 60% of respondents either work or live in the unincorporated area. And 75% are interested in participating in the upcoming Social Equity Program. This was a small sample size and would not be considered a representative sample of the unincorporated County

population, though this survey provides insight into the thoughts of the participants. As such, it cannot be used as a definitive method of determining all public sentiment around each of the suggestions or topics.

All recommendations have been reviewed and feedback from stakeholders has been considered in the development of the framework for the social equity program, including the program for social equity entrepreneurs and social equity beneficiaries. The Equity Assessment proposed a detailed plan for advancing racial equity, continuing community engagement in a manner that is both empowering and healing, evaluation, and most importantly, County accountability to the most-harmed communities in the development and implementation of the Socially Equitable Cannabis Program.

SUSTAINABILITY IMPACT STATEMENT

The proposed actions to receive an update on the Social Equity Program, approve recommendations related to social equity ordinances, eligibility and cannabis oversight group contributes to many of the County of San Diego Sustainability Goals: engage the community; provide just and equitable access; transition to a green and circular economy; and protect health and wellbeing. In terms of sustainability in equity, economy, and health/wellbeing, it will impact the communities and socio-economic groups historically burdened by the War on Drugs and the over criminalization of marijuana by reinvesting in those communities and providing support, resources, and opportunities for those who were most impacted. Extensive community engagement through surveys and focus groups has been a critical piece of this work. The goals of the social equity programming will work to reinvest in communities that were harmed by the War on Drugs and provide sustainable opportunities for growth and positive outcomes of those individuals and communities.

FISCAL IMPACT

Funding of \$350,000 for grants directly to social equity applicants was received from the State in June 2023 from the Governor's Office of Business and Economic Development for Cannabis Equity Grants Program for Local Jurisdictions and is included in the Fiscal Year 2023-24 Operational Plan in the Chief Administrative Office, Office of Equity & Racial Justice. A portion of this grant funding is available to the County for administrative costs, estimated in an amount sufficient to recover full cost as required by Board Policy B-29: Fees, Grants, Revenue Contracts-Department Responsibility for Cost Recovery. There will be no change in net General Fund cost and no additional staff years.

Funding for the creation of a Cannabis Oversight Community Collaborative oversight body is included in the Fiscal Year 2023-24 Operational Plan in the Chief Administrative Office, Office of Equity & Racial Justice. If approved, this request will result in costs of approximately \$2,500 in Fiscal Year 2023-24, and annual costs of approximately \$5,000 beginning in Fiscal Year 2024-25 and will be included in future Operational Plans. The funding source is existing General Purpose Revenue. There will be no change in net General Fund cost and no additional staff years.

Total cost and funding source for Social Equity Beneficiaries Programming has yet to be determined and will be included in the CAO Recommended Operational Plan Fiscal Years 2024-25 & 2025-26 in the Chief Administrative Office, Office of Equity and Racial Justice. There may be fiscal impacts associated with future related recommendations which staff would return to the Board for consideration and approval.

BUSINESS IMPACT STATEMENT

N/A

ACTION:

Noting for the record that this item was heard on May 1, 2024; ON MOTION of Supervisor Vargas, seconded by Supervisor Montgomery Steppe, the Board of Supervisors took the following actions, as recommended by staff:

1. Received the updates on development of the Social Equity Program from the Office of Equity and Racial Justice.
2. Considered and adopted the Social Equity Criteria Tiers. The main criteria is focused on being incarcerated, deported, arrested or convicted for a cannabis related crime in San Diego, and meeting a low income threshold.
3. Considered and provided policy direction on the Cannabis Social Equity Ordinance Matrix (Attachment B, on file with the Clerk of the Board) focusing on four main topics:
 - a. Social Equity Ownership Requirements (51% minimum ownership): Social Equity applicant(s) shall own no less than 51% equity share in the cannabis business in order to maintain social equity status and receive all social equity benefits.
 - b. Timeframe for Social Equity Businesses to Open Prior to Non-Social Equity (3-year timeframe): Social equity cannabis businesses will have a social equity three-year window to start their cannabis licensing process once licensing becomes available; All non-social equity businesses cannot start cannabis licensing process until this social equity three-year timeframe has concluded.
 - c. License Ceiling for Cannabis Storefront Businesses (25 total storefront licenses, no ceiling for other license types): Impose a license ceiling for cannabis storefront retailers only, do not impose a license ceiling for all other cannabis business types (manufacturing, distribution, delivery, cultivation, testing).
 - d. Social Equity Storefront Retail Licenses (minimum 50% storefront retail licenses reserved for social equity businesses): Minimum 50% of storefront retail licenses will be reserved for social equity applicants; Process to award licenses will be determined at a later date; Storefront license cannot be sold or transferred for social equity for a three-year timeframe.
4. Adopted Resolution No. 24-034, entitled: RESOLUTION OF THE BOARD OF SUPERVISORS ESTABLISHING THE SAN DIEGO COUNTY CANNABIS OVERSIGHT COMMUNITY COLLABORATIVE.

AYES: Vargas, Lawson-Remer, Montgomery Steppe

NOES: Anderson, Desmond

State of California)
County of San Diego) §

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors



Signed
by Andrew Potter