



# Agenda Report

**MEETING DATE:** Tuesday, October 25, 2022

**TO:** City Council

**FROM:** COMMUNITY DEVELOPMENT DIRECTOR MERRIAM  
IVAN CARMONA, ASSOCIATE PLANNER

**THROUGH:** CITY MANAGER MENDEZ

**SUBJECT:** ACCEPTANCE OF CANNABIS EQUITY ASSESSMENT AND  
MODIFICATION OF CANNABIS EQUITY PROGRAM ORDINANCE

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## RECOMMENDED ACTION:

Staff recommends that the City Council:

1. By motion, adopt the Cannabis Equity Assessment prepared by Cal Poly Humboldt
2. Approve, for first reading only, waiving full reading of the text, an Ordinance amending Chapter 49 (Cannabis Equity Program) of Title 5 (Public Welfare, Morals, and Conduct) of the Watsonville Municipal Code to incorporate the recommendations of the Cannabis Equity Assessment.

## BACKGROUND:

In 2018, the state of California passed SB 1294, known as the California Cannabis Equity Act. The purpose of the Act was to ensure that people who were most harmed by past cannabis criminalization and poverty have assistance to enter the legal cannabis industry.

City Council adopted Chapter 5-49 (Cannabis Equity Program) in 2019, in order that eligible cannabis equity businesses might obtain access to state funding created by SB 1294. Current eligibility for Cannabis Equity Funding from the State requires that local jurisdictions complete a cannabis equity assessment in order to understand those demographics in the Watsonville community who have been most impacted by the War on Drugs and to retool the equity program to focus on these populations.

In June, 2022, the City contracted with the California Center for Rural Policy (CCRP) at Cal Poly Humboldt to prepare a Cannabis Equity Assessment for the City. Based on the findings and recommendations included in the Equity Assessment, staff have made modifications to the Cannabis Equity Program (Ordinance No. 1381-19 (CM)), WMC Chapter 5-49.

## DISCUSSION:

The Cannabis Equity Assessment contains a significant amount of demographic data for the City of Watsonville and Santa Cruz County, including data regarding arrest and incarcerations,

income, educational attainment, languages spoken, and poverty. The report has several key findings that are outlined in pages 6-7, and several recommendations to retool the Equity Ordinance that can be found in Section 7 of the Assessment. Generally, the CCRP advises the City to:

- Review the eligibility criteria for cannabis equity applicants as well as the corresponding findings and considerations to ensure that each criterion is practical to implement and simple to evaluate the condition or concept it was intended to capture (see Section 7.2).
- Revise the equity eligibility criteria in such a way that the criteria are clearly understood by the broader community, especially those who speak English as a second language or who may not have an advanced reading level.
- Ensure that Watsonville's cannabis equity plan offers substantial benefits to address and mitigate the barriers that many in Watsonville experience, including poverty, language barriers, and low educational attainment.

### **Cannabis Criminalization in Watsonville**

To assess the impacts of cannabis criminalization and the War on Drugs on Watsonville residents, the Assessment focused on two dimensions:

1. Whether Watsonville as a whole experienced a higher than average impact of cannabis criminalization and the War on Drugs relative to the state average; and
2. Whether Hispanic and historically underserved communities within Watsonville experienced a disproportionate impact of cannabis criminalization and the War on Drugs compared with Watsonville as a whole.

The Assessment concluded there were two distinct episodes in which cannabis arrests in Watsonville exceeded the state average: first in the early 2000s and another in the late 2000s, peaking and dropping off after the passing of SB 1449 that reduced cannabis possession penalties from a misdemeanor to an infraction.

The Assessment also concluded that while Watsonville's Hispanic population experienced only a slightly higher arrest rate proportionate to the population, this is only true in the last 20 years, from 2000 on. Prior to 2000, Hispanic residents experienced higher arrest rates for cannabis possession and sales. Within the Watsonville community, the Black population has experienced a disproportionate frequency of cannabis arrests, with data showing that while the Black population has remained stable, cannabis arrests have increased over time.

### **Modifications to the Cannabis Equity Ordinance**

Section 7 of the Cannabis Equity Assessment outlines specific ways to adjust our current Equity Program so that it is accessible to those in Watsonville who have been most impacted by the War on Drugs. Staff has drafted modifications to the eligibility criteria and benefits sections of Chapter 5-49 to reflect the recommendations of the Equity Assessment.

### 1. Eligibility Criteria

The current ordinance contains a list of 9 eligibility criteria in which a successful equity applicant must meet at least 3 in order to be eligible. The Equity Assessment recommends that the eligibility criteria focus most specifically on those directly affected by the War on Drugs and those that are financially disadvantaged. The proposed ordinance would revise the eligibility criteria. As indicated in section 5-49.04 of the proposed ordinance, for those businesses applying for the program, at least 51% of the applicant's business must be owned and/or controlled by one or more individuals who will hold such interest for at least 5 years and can demonstrate that they meet a two-tier system in which a successful candidate must both show that they have been negatively impacted by cannabis criminalization AND have lived in the PVUSD boundaries for the past five years.

#### *Tier 1 Eligibility:*

- (1) Have been negatively impacted in a disproportionate way by cannabis criminalization in at least one of the following ways:
  - i. Job loss or forgone job opportunity
  - ii. Loss of educational opportunity, financial aid, or scholarship
  - iii. Loss of professional or business license
  - iv. Incarceration due to a non-violent cannabis-related offense
  - v. Have a parent or guardian, sibling or child who was arrested for or convicted (nonviolent) of the sale, possession, use, manufacture, or cultivation of cannabis (including as a juvenile) from 1971 to the current year.
- (2) Reside within boundaries of the Pajaro Valley Unified School District for the past five (5) years.

The second tier of eligibility criteria in the proposed ordinance would modify the remaining 3 criteria from the current ordinance. In addition to meeting the Tier 1 Eligibility requirements, Applicants must also demonstrate that they meet at least one of the following Tier 2 Eligibility standards.

#### *Tier 2 Eligibility:*

- (1) Attended school in the Pajaro Valley Unified School District for a total of five (5) years;
- (2) Are economically disadvantaged, which may be demonstrated by the following:
  - i. Filed for bankruptcy under Chapters 7, 11, 12 or 13 of the United States Bankruptcy Code;
  - ii. Loss of primary residence through a judicial or nonjudicial foreclosure after 2005, or have otherwise been involuntarily displaced from their primary residence such as by eviction or subsidy cancellation;
  - iii. Long-term unemployment or recurrent seasonal unemployment
  - iv. Long-term poverty status
  - v. Low or negative net worth not exceeding \$30,000 (excluding principal residence)
  - vi. Have household income below the federal poverty threshold for at least five (5) years in any period between 1971 and the most recent filing year;
  - vii. Have a household income below eighty (80%) percent of the average median income (AMI) for the most recent filing year based on the number of people in your household;

- (3) Are at least fifty (50%) percent women owned businesses;

The Equity Assessment also included recommendations to make the criteria easier to understand and to provide Spanish translation of documents if possible. Staff intends to create a Cannabis Equity Program guide in English and Spanish that will provide potential equity business owners with a user-friendly guide.

## 2. Equity Program Benefits

The Cannabis Equity Assessment includes recommendations for program benefits as well. Without grant funding from the State, the City has not been able to provide program benefits aside from waivers from planning permit fees and business license fees, and given the limited staff available to manage the City's cannabis programs, pulling together training to assist our current equity businesses has been impossible. The proposed ordinance would modify the list of equity program benefits currently identified in section 5-49.05 to read as follows::

Assistance for equity businesses is subject to the availability of grant funding. Assistance programs for equity program licensees may include but not be limited to the following:

- (a) Workshops to gain a better understanding of various technical aspects of compliance with local and State regulations;
- (b) Direct technical assistance with all categories and levels of state and local licensing issues, including but not limited to:
  - (1) Assistance with technical aspects of local permit application drafting;
  - (2) Training on and direct assistance in applying for air district permits, hazardous materials business permits, and other permits and programs to be identified by the licensing official;
  - (3) Training on small business development including accounting, budgeting, human resources and marketing;
  - (4) Assistance with industry-specific technology such as Metrc;
- (c) Fee waivers for local permits and business licenses;
- (d) Direct assistance paying for state licensing and regulatory fees; and
- (e) Assistance from the Community Development Department with securing business locations prior to or during the use permit and cannabis business license process.

Staff will be submitting an application to the state of California for Cannabis Equity Grant funding for 2023, with the goal of providing the following benefits to our local Equity businesses in 2023:

1. Tailored cannabis business training through a contract with a cannabis industry consultant
2. Fee waivers for local (planning, building, business license, ID badges) and state permit fees

3. Assistance with startup costs, including the purchase of equipment, preparation of plans, and construction costs.

**STRATEGIC PLAN:**

The Cannabis Equity Assessment provides a clear picture of cannabis criminalization in Watsonville and helps highlight how the City's cannabis equity program can be modified to support residents who have been negatively affected by the War on Drugs received assistance in entering the legal cannabis market. The Assessment and related modifications to Chapter 5-49 (Cannabis Equity Program) align with Goal 4, Economic Development for these reasons.

**FINANCIAL IMPACT:**

There will be minimal financial impact to the City from the proposed modification to Chapter 5-49, because Equity program benefits are dependent on State grant funding. Up to 10% of Cannabis Equity Grant Funding may be used to cover the administrative costs of operating an equity program.

**ALTERNATIVE ACTION:**

The City Council could recommend additional modifications to Chapter 5-49, however the modifications proposed reflect the recommendations in the Cannabis Equity Assessment and will allow the City to receive State grant funding.

**ATTACHMENTS AND/OR REFERENCES (If any):**

- 1) City of Watsonville Cannabis Equity Assessment