

**RESOLUTION NO. 148-21**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RICHMOND,  
CALIFORNIA, ADOPTING A CITY OF RICHMOND CANNABIS EQUITY  
ASSESSMENT AND ADOPTING THE CITY OF RICHMOND CANNABIS  
EQUITY PROGRAM AND PROGRAM MANUAL, PURSUANT TO THE  
CALIFORNIA CANNABIS EQUITY ACT OF 2018**

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**WHEREAS**, the City of Richmond supports the development of a local cannabis equity program; and

**WHEREAS**, on April 10, 2021, the City Council authorized staff to conduct a cannabis equity assessment and develop a local equity program; and

**WHEREAS**, staff conducted and prepared the attached Cannabis Equity Assessment to identify communities that have been disproportionately impacted by enforcement of cannabis-related laws and crimes within the City of Richmond. The assessment findings were used to inform the creation Cannabis Equity Program Manual. (Exhibit A).

**WHEREAS**, the Cannabis Equity Assessment concluded Black/African American individuals were arrested at a higher rate compared to their citywide population percentage. Black/African American individuals make up 20% of the City's total population but accounted for 62% of cannabis related arrests in Richmond from 2018-2021.

**WHEREAS**, additionally, the Cannabis Equity Assessment concluded the highest cannabis-related arrest rates were concentrated in Central and South Richmond neighborhoods, which are areas of the City areas with the highest percentage of low-income households.

**WHEREAS**, staff developed the attached Cannabis Equity Program Manual which is a program aimed to assist individuals who have been negatively impacted by the disproportionate enforcement of cannabis-related crimes by providing them with assistance and an opportunity to participate in the new cannabis industry. (Exhibit B).

**WHEREAS**, the City Council has determined that grant funds from the Governor's Office of Business and Economic Development are available and can be used to assist local equity applicants and licensees through our local equity program for commercial cannabis activity as described in its application for grant funds.

**NOW, THEREFORE, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

**SECTION 1:** The City Council of the City of Richmond adopts the City of Richmond Cannabis Equity Assessment, as set forth in Exhibit A.

**SECTION 2:** The City Council of the City of Richmond adopts the City of Richmond Cannabis Equity Program Manual, as set forth in Exhibit B.

**SECTION 3:** The City will continue to evaluate the Program to address any disparate, negative impacts of cannabis-related regulation and enforcement in the City of Richmond.

**SECTION 4:** The City Manager, or the City Manager's designee, is authorized to select a vendor to facilitate the Program on behalf of the City through the City's competitive selection process in accordance with the City Code.

**SECTION 5:** The City Manager, or the City Manager's designee, is authorized to make amendments that are not substantive to the Program. Substantive amendments must be approved by resolution of the City Council.

**SECTION 6:** Exhibits A and B are part of the Resolution

**SECTION 7:** The foregoing recitations are true and correct, and are included herein by reference as findings.

\*\*\*\*\*

I certify that the foregoing resolution was passed and adopted by the City Council of the City of Richmond at a regular meeting thereof held December 7, 2021, by the following vote:

AYES:	Councilmembers Bates, Jimenez, Martinez, McLaughlin, Willis, Vice Mayor Johnson III, and Mayor Butt.
NOES:	None.
ABSTENTIONS:	None.
ABSENT:	None.

PAMELA CHRISTIAN  
 CLERK OF THE CITY OF RICHMOND  
 (SEAL)



Approved:

THOMAS K. BUTT  
 Mayor

Approved as to form:

TERESA STRICKER  
 City Attorney

State of California            }  
 County of Contra Costa        }        : ss.  
 City of Richmond                }

I certify that the foregoing is a true copy of **Resolution No. 148-21**, finally passed and adopted by the City Council of the City of Richmond at a regular meeting held on December 7, 2021.

Pamela Christian  
 Pamela Christian, Clerk of the City of Richmond



# **CITY OF RICHMOND**

## **DRAFT CANNABIS EQUITY ASSESSMENT**

OCTOBER 2021

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## INTRODUCTION

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Long-standing and persistent obstacles to general business opportunities for affected communities that exist broadly within the United States are even more severe regarding cannabis-related businesses, largely because of the long-term consequences of cannabis enforcement associated with the racial targeting from the War on Drugs. The devastating impact of the cannabis prohibition era in California has been felt throughout the state, especially for African Americans and Latinx populations. These communities have borne a disproportionate burden from arrest, convictions, and collateral consequences following convictions. The long-term consequences of cannabis enforcement coupled with generational poverty, education gaps, and additional barriers to entry, make it extraordinarily difficult for affected individuals to enter the regulated cannabis industry.

The primary purpose of this Cannabis Equity Assessment (“Equity Assessment”) is to identify communities that have been disproportionately impacted by enforcement of cannabis-related laws and crimes within the City of Richmond. The analysis provided in this assessment is data-informed and analyzes the history and current conditions of illegalization of cannabis in the City, including poverty and Richmond Police Department data. It reviews known characteristics of the City’s existing cannabis industry and discusses barriers to entry into the industry. Finally, the Equity Assessment provide recommendations to assist decision makers in developing and implementing the City’s cannabis equity program.

## 1 – SOCIAL EQUITY ANALYSIS

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### 1.1 – METHODOLOGY

This Equity Assessment analyzes historical cannabis-related arrest statistics in the City of Richmond as they relate to low-income and majority minority communities to identify communities disproportionately affected by cannabis enforcement. Historical cannabis-related arrest data, provided by the Richmond Police Department (“RPD”), were overlaid on census tract data to identify spatial and demographic disparities in cannabis-related arrests and to determine arrest “hot spots” within the City. Finally, low income census block groups and neighborhoods were mapped to determine whether a nexus exists between the identified arrest hot spots and low income populations in order to identify communities disproportionately affected by cannabis enforcement.

Cannabis-related arrest data was obtained from the RPD for years 2018 to 2021. The RPD recently switched to a new reporting system, so data from before 2017 was not available for this analysis. Low income and demographic data were derived from the 2015-2019 American Community Survey (ACS) 5-Year Estimates. The U.S. Census Bureau provides and publishes both ACS 1-year estimates and 5-year data<sup>1</sup>. The 2015-2019 5-Year Estimates was selected for this analysis due to its increased statistical reliability for smaller geographic areas such as the City of Richmond.

### 1.2 – LIMITATIONS OF THE EQUITY ANALYSIS

As previously mentioned, cannabis-related arrest records used in the Equity Assessment could only be obtained for 2018 through 2021. The relatively small sample size of the arrest data limits this study’s precision. As a result, this analysis is unable to identify any long-term impacts, trends, or patterns related to cannabis enforcement in Richmond. However, this analysis utilizes available location data of cannabis-related arrests occurring between 2018-2021, for the purposes of examining where high arrest rates overlap with economically disadvantaged neighborhoods. Despite these limitations, this Equity Analysis provides a data-informed process to identify communities disproportionately affected by cannabis enforcement.

### 1.3 – CANNABIS ENFORCEMENT HISTORY

Prior to the 1900’s, cannabis was cultivated throughout the United States primarily for its industrial use (as “hemp” for use in a variety of commercial items including paper, rope, textiles, etc.) and its medicinal uses with very little targeted government regulation. Cannabis use for its psychoactive effects began to increase during the 1900’s, simultaneously a widespread national “anti-intoxicant” sentiment that resulted in prohibition of alcohol was also emerging.

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<sup>1</sup> <https://www.census.gov/programs-surveys/acs>

As a result, beginning in the early 1900s, most States began placing restrictions on the cultivation and sales of cannabis. The first national regulation of cannabis was created by the Marihuana Tax Act of 1937 (as marijuana was spelled at the time), which placed a tax on the sale of cannabis and allowed for law enforcement to make arrests for non-payment of the tax. The Narcotic Control Act of 1961 and the Controlled Substances Act of 1970 officially made the manufacture, importation, possession, use, and distribution of cannabis illegal throughout the United States. The Drug Enforcement Agency (DEA) was created in 1973 and began increasing its enforcement activities, while recreational cannabis use was also increasing – first as popularized by the counter-culture revolution of the time and then as it moved into the more mainstream population. The term “War on Drugs” emerged following several press conferences held by then-President Richard Nixon during the Summer of 1971.

The Comprehensive Crime Control Act of 1984 increased federal penalties for cultivation, possession, or transfer of marijuana; and the 1990 Crime Control Act provided funding for local law enforcement agencies to seize private property associated with unlawful drug activities, including cannabis cultivation or distribution.

Illegal cannabis use was increasing, and so was the response from law enforcement. In their 2012 definitive analysis on the subject (“How Risky Is Marijuana Possession? Considering the Role of Age, Race and Gender”), researchers Holly Nguyen and Peter Reuter point out that:

“There has been a dramatic rise in the number of arrests for simple possession since 1991. In 2008, about 800,000 individuals were arrested for possession of small amounts of marijuana (typically less than an ounce). That figure was more than three times the number in 1991.”

And most importantly, Nguyen and Reuter showed that although cannabis use rate was about the same for White and Black Americans, rates of arrest are about 3 times higher for Blacks:

“Although Whites and Blacks show an overall increase in arrest rates since 1991, the rates for the two races are markedly different. In 1991, Blacks were arrested twice as often as Whites. In 2008, Blacks were more than three times likely to be arrested as Whites. This starkly contrasts with their almost identical rates of use.”

Meanwhile, although the War on Drugs continued to rage and affect Black/African American, LatinX and indigenous communities disproportionately, attitudes of Californians began to change significantly in the early 1990s. The medicinal value of cannabis to HIV patients for appetite stimulation and pain management was well supported by Californians who began a 20-year acceptance of medicinal, and ultimately recreational, cannabis along with the associated de-criminalization.

In 1996, Californians passed Proposition 215, the Compassionate Use Act, which allowed for the uses of medicinal cannabis. In 2011, there were notable changes in California law, and some misdemeanor marijuana statutes were re-classified as infractions, leading to a significant decline in misdemeanor marijuana arrests. The Medical Marijuana Regulation and Safety Act was adopted by the California Legislature in 2015, and in of November 2016, California voters passed Proposition 64, which legalized the possession and use of marijuana for individuals 21 years of age and older and reduced the offense degree for a number of marijuana-related offenses. Proposition 64 essentially ended cannabis prohibition in California. For example, in 2014, there were 13,300 felony arrests for cannabis in California, where that number had dropped to 1,181 by 2019.

However, much of the damage from disproportionate enforcement of cannabis-related laws had already been done, and the long-term effects of the War on Drugs, have persisted and are well documented. For example, in their 2017 research for the Cato Institute (“Four Decades and Counting: The Continued Failure of the War on Drugs”) Christopher J. Coyne and Abigail R. Hall point out that:

“A felony drug charge can also cause an individual to lose eligibility to work for the federal government; enlist in the U.S. Armed Forces; obtain an import, customs, or other license; or obtain a passport. Many private-sector job applications require criminal background checks and the disclosure of felony convictions, preventing individuals convicted of drug offenses from obtaining gainful employment. Given the rate at which minorities are arrested for crime, this has immense implications for the long-term prosperity of both individuals and broader communities.”

Further, in its 2020 “Crime in California” report, the California Department of Justice indicated that although the overall number of arrests for cannabis related activities is trending downward since legalization, arrests are still disproportionately high for non-white citizens - Hispanics accounted for nearly 42% of those arrests, followed by Blacks, at 22%, with whites at 21%.

#### **1.4 – CITY OF RICHMOND DEMOGRAPHICS**

Figure 1 below, shows the City of Richmond 2015-2019 5-Year demographic estimates. For people reporting one race alone, 36.5 percent were White; 20.2 percent were Black or African American; 0.5 percent were American Indian and Alaska Native; 15.4 percent were Asian; 0.4 percent were Native Hawaiian and Other Pacific Islander, and 21.4 percent were some other race. An estimated 5.7 percent reported two or more races and an estimated 42.5 percent were Hispanic.

**FIGURE 1 – CITY OF RICHMOND DEMOGRAPHICS BY RACE, 2019 (5-YEAR)**

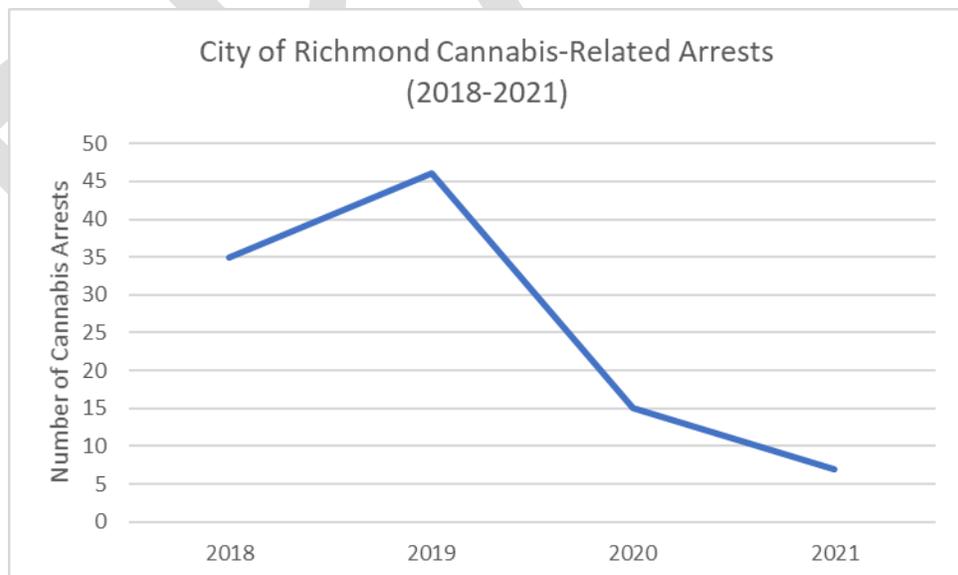
Race	Population	Percent
White alone	40,064	36.5%
Black or African American alone	22,150	20.2%
American Indian and Alaska Native alone	524	0.5%
Asian alone	16,968	15.4%
Native Hawaiian and Other Pacific Islander alone	433	0.4%
Hispanic or Latino (of any race)	46,664	42.5%

Source: U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates

From 2018-2021, there were a total of 103 cannabis-related arrests citywide. Cannabis-related arrests reached the highest in 2019, with a total of 46 arrests within Richmond. From 2020-2021, the number of arrests has had a downward trend since then, as is common throughout California due to decriminalization. See Figure 2, below.

**FIGURE 2 –NUMBER OF CANNABIS-RELATED ARRESTS BY YEAR (2018-2021)**

Year	Number of Arrests
2018	35
2019	46
2020	15
2021	7



### 1.6 – CANNABIS-RELATED ARRESTS BY RACE/ETHNICITY

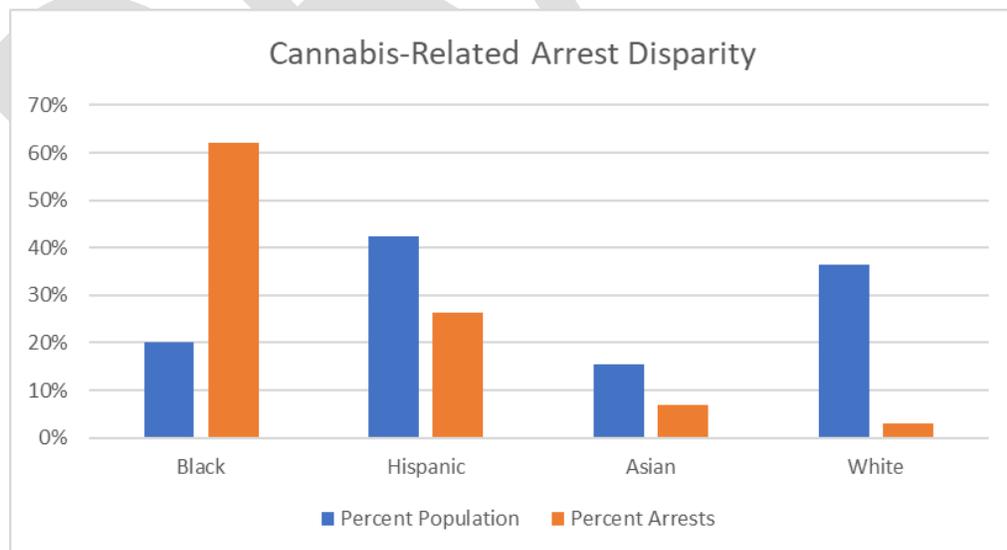
From 2018-2021, Black/African American individuals accounted for the highest percentage of cannabis-related arrests (62.1%) in the City, followed by Hispanic individuals (26.2%) as tabulated in Figure 3, below.

**FIGURE 3 – CANNABIS- RELATED ARRESTS BY RACE (2018- 2021)**

Race	Number Arrests	Population	Percent Population	Percent Arrests
Black	64	22,150	20.2%	62.1%
Hispanic	27	46,664	42.5%	26.2%
White	3	40,064	36.5%	2.9%
Asian	7	16,968	15.4%	6.8%

Source: Richmond Police Department and ACS 2019 5-year Estimate

**FIGURE 4 – POPULATION PERCENTAGE VS. ARREST PERCENTAGE BY RACE (2018- 2021)**

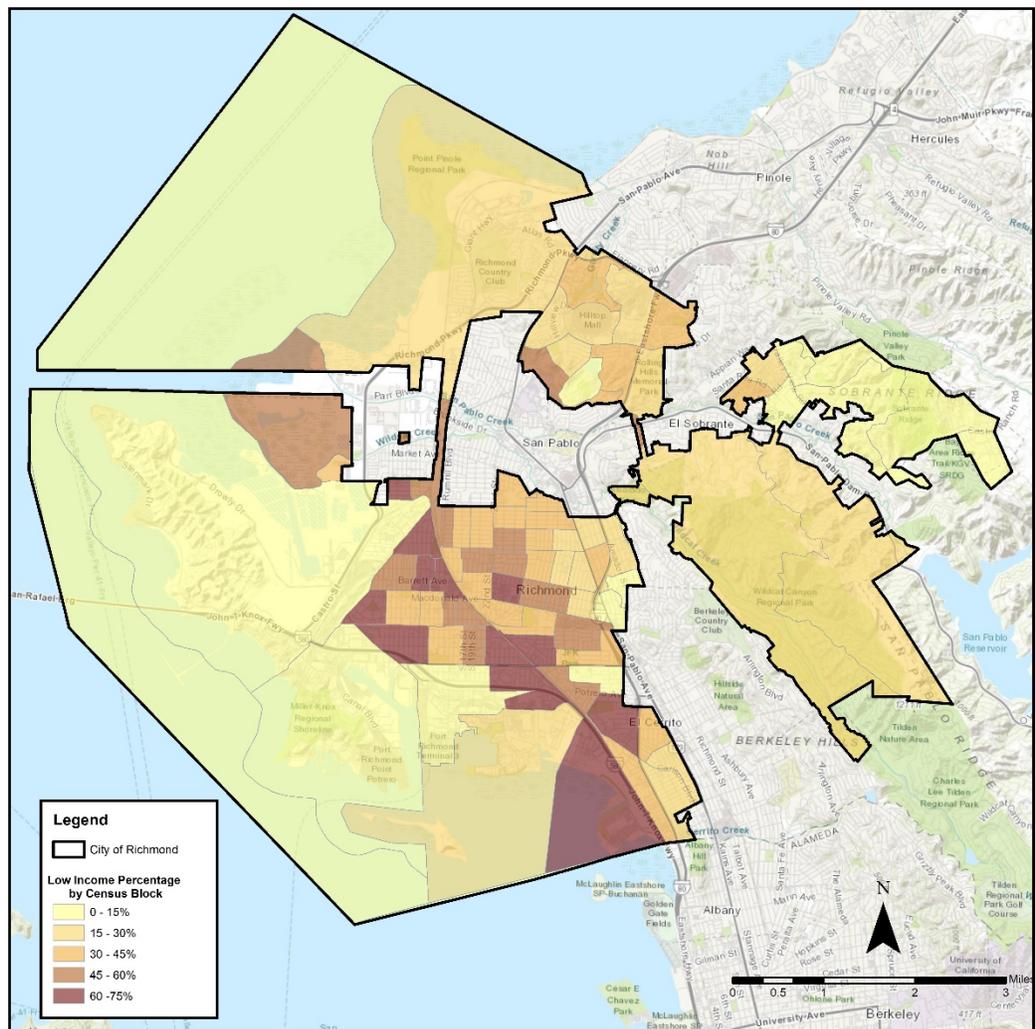


Source: Richmond Police Department and ACS 2019 5-year Estimate

### 1.7 – LOW INCOME AND MINORITY POPULATIONS

In this section, low income communities were identified throughout the City. The United States Environmental Protection Agency (EPA) developed an environmental justice mapping tool, EJSCREEN<sup>2</sup>, which provides nationwide demographic and environmental information helping organizations and governmental agencies identify low-income communities. EJSCREEN collects their information from the 2013-2017 ACS 5-year summary file data and defines “Percent Low Income” as the percent of a block group’s households where the household’s income is less than or equal to twice the federal “poverty level. Figure 5 below, maps the percentage of the City’s population that is low income by census bock group.

**FIGURE 5 – LOW INCOME HOUSEHOLDS AS A PERCENTAGE OF POPULATION**



<sup>2</sup> <https://www.epa.gov/ejscreen>

### 1.8 – IDENTIFICATION OF DISPROPORTIONATELY AFFECTED COMMUNITIES

As previously discussed, the small sample size of data available for this Equity Assessment limits the study’s ability to examine the long-term impacts, trends, or patterns related to cannabis enforcement in Richmond. Nonetheless, the location data for cannabis-related arrests between 2018-2021, is used to overlay high arrest rates with economically disadvantaged neighborhoods.

Figure 6 below, shows the areas of the City that contain a high number of both cannabis arrests and low-income households. The majority of cannabis-related arrests during this four-year period occurred in neighborhoods located in Central and South Richmond, which are the areas of Richmond with the highest percentage of low-income households. Conversely, the neighborhoods with lower percentages of low-income households, such as the Richmond hills and Hilltop, experienced significantly fewer arrests.

**FIGURE 6 – LOW INCOME HOUSEHOLDS AS A PERCENTAGE OF POPULATION WITH CANNABIS ARREST LOCATIONS**

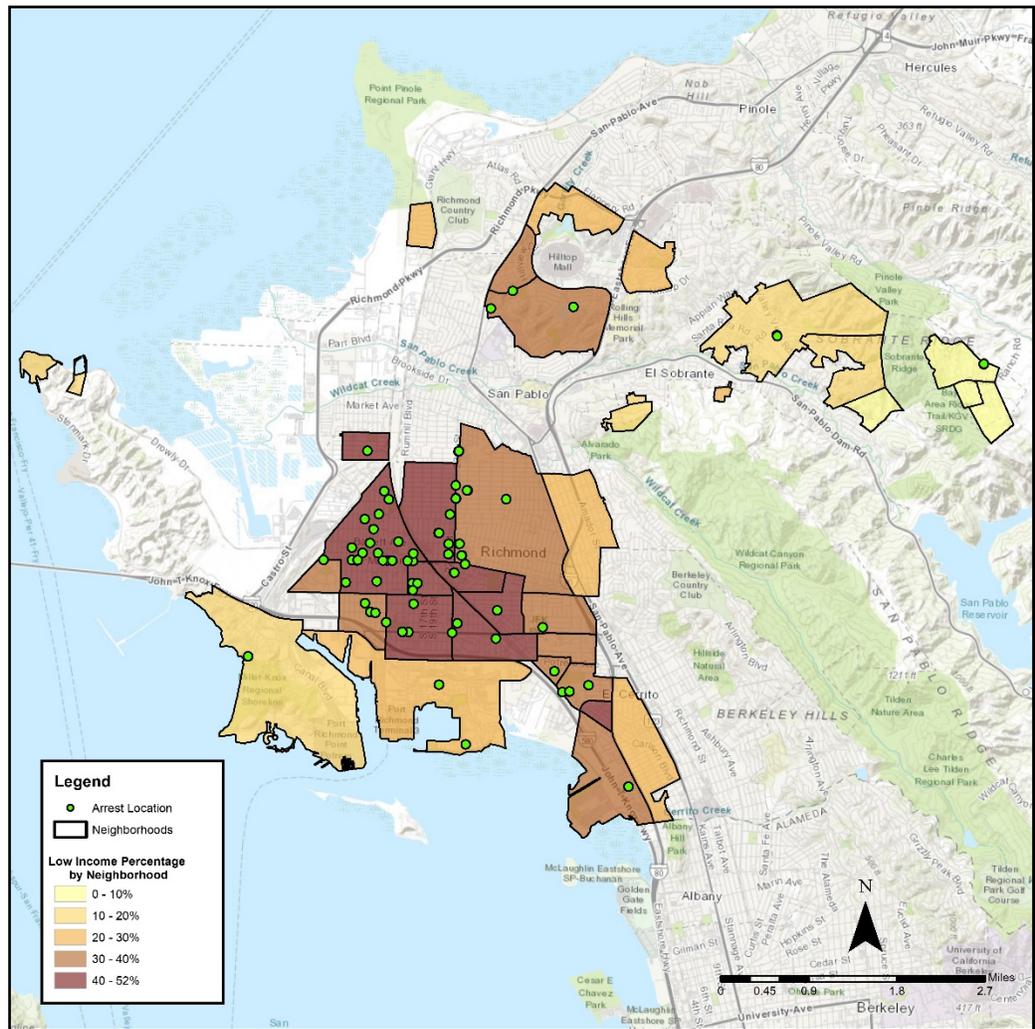


Figure 7 below, displays the number of arrests by neighborhood along with the associated percentage of low-income households.

**FIGURE 7 – LOW INCOME HOUSEHOLDS AS A PERCENTAGE OF POPULATION WITH CANNABIS ARREST LOCATIONS**

Neighborhood	Number of Arrests	Percent of Arrests	Percent Low-Income Households
Iron Triangle	22	26%	49%
North & East	16	19%	39%
Belding/Woods	6	7%	50%
City Center	5	6%	52%
Coronado	5	6%	47%
Parkview	4	5%	33%
Carriage Hills North	3	4%	10%
Cortez/Stege	3	4%	45%
Fairmede/Hilltop	3	4%	31%
Richmore Village/Metro Square	3	4%	50%
Santa Fe	3	4%	31%
Marina Bay	2	2%	27%
May Valley	2	2%	16%
Southwest Richmond Annex	2	2%	36%
Atchison Village	1	1%	39%
EastShore	1	1%	39%
Park Plaza	1	1%	39%
Point Richmond	1	1%	12%
Pullman	1	1%	52%
Shields-Reid	1	1%	42%

### 1.9 – CONCLUSIONS REGARDING DISPROPORTIONATELY AFFECTED COMMUNITIES

- Analysis of historical cannabis arrest data from 2018-2021 indicates African Americans were disproportionately arrested for cannabis-related crimes.
- Analysis of locations of cannabis-related arrest indicated most cannabis arrests were concentrated in Central and South Richmond neighborhoods, which are also areas of Richmond with the highest percentage of low-income households.

## 2 – BARRIERS TO ENTRY

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### 2.1 – OVERVIEW OF KEY BARRIERS

Understanding the barriers to entry into the cannabis industry for populations and communities who have been disproportionately or negatively impacted by cannabis enforcement is an important factor when developing and implementing an equity program. The success of a local equity program is dependent on the program's ability to reduce and eliminate these barriers. This section examines several key barriers to entry, which can be summarized into the following categories: Financial, Technical, and Criminal.

#### FINANCIAL BARRIERS

When starting any business, financial barriers are among of the most common obstacles entrepreneurs face due the high costs of local and State licensing fees and the tax burdens, especially in the regulated cannabis industry. Financial barriers present an even bigger challenge for economically-disadvantaged individuals who have been disproportionately impacted by cannabis enforcement.

- Access to capital or financing – start-up and operational  
Existing federal banking regulations prevent most financial institutions from lending to cannabis businesses. Hence, cannabis businesses must rely on access to capital from personal wealth, friends and family, and investors for start-up costs. The impeded access to banking services also negatively affects the ability for cannabis businesses to run as efficiently. This barrier is more pronounced for disproportionately affected communities.
- Access to real estate  
Persistent issues of discrimination regarding access to real estate may be a barrier for affected communities to operate in optimal locations. Also, travel times and costs may be elevated.
- Licensing and regulatory fees  
In addition to traditional business start-up (e.g., real estate, inventory, equipment, staffing, marketing, etc.) and operational costs, regulated cannabis business typically have a higher financial burden from state and local municipalities' licensing and regulatory fees.

#### TECHNICAL BARRIERS

- Business ownership  
The cannabis industry is highly specialized and requires significant industry knowledge and access to a network of regulated vendors. Additionally, traditional business experience is needed such as business plans, payroll taxes, inventory management, etc. Lastly, the cannabis business marketplace has historically been secretive and underground resulting in information and experience flowing slowly to

new interested parties. Again, these barriers are more pronounced for disproportionately affected communities.

- Legal and regulatory  
The cannabis industry is highly regulated and requires unique experience and knowledge of complex state and local compliance and documentation – often requiring significant resources and access to learn and master.
- Awareness  
Awareness of the significant business opportunities within the legal and regulated cannabis marketplace continues to be a significant barrier. Moreover, too often, equity-based programs intended to support disproportionately affected communities' access into the cannabis business have also struggled to be well-known within these communities. Additional outreach is needed.
- Distrust of government  
Members of affected communities often distrust the government and are more likely to be cautious to participate in the cannabis industry, especially since it was underground and illegal for many years.

#### **CRIMINAL BARRIERS**

Criminal records (as often exposed through background checks) significantly impede an individual's ability to succeed in this industry, both as an owner and/or an employee. Former felons are often discriminated by employers and in many cases earn a lower wage, get recommended for jobs less often, and tend to associate with individuals that also have fewer opportunities. In addition, a past criminal history can still present significant challenges for cannabis operators such as accessing financing, loans, or even signing a lease.

### 3 – OVERVIEW OF CANNABIS-RELATED BUSINESS AND ACTIVITIES

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#### 3.1 – CITY OF RICHMOND CANNABIS LEGISLATIVE HISTORY

The City of Richmond began regulating medical cannabis businesses in September of 2010 following the adoption of Ordinance No. 28-10, which added Chapter 7.102 (Medical Marijuana Collectives) to the Richmond Municipal Code (RMC) to regulate the collective cultivation and dispensing of medical marijuana and restricted the number of medical marijuana collectives to three. Shortly thereafter in November of 2010, City of Richmond voters approved Measure V, placing a 5% gross receipts tax on all cannabis businesses. In 2016, Ordinance No. 7-16 N.S. was passed, amending Chapter 7.102 of the RMC to allow for cultivation and manufacturing businesses.

Following the Governor signing into law the Medical Marijuana Regulation and Safety Act (“MMRSA”) (SB 643, AB 266, and AB 243), on November 16, 2016, the City adopted Ordinance No. 16-16, repealing Chapter 7.102 and adding Article 15.04.610.270 “Medical Marijuana Uses,” which required a conditional use permit for medical marijuana businesses under the framework of MMRSA. In addition, this ordinance expanded the medical marijuana uses to include distribution and testing operations.

A year and a half later, in December 2017, following the State approval of Proposition 64, which legalized adult-use commercial cannabis businesses in California, the City adopted ordinance No. 25-17 which granted existing medicinal cannabis businesses that were operating in the City at that time, the authority to temporarily conduct adult-use cannabis activities. At this time, City Council directed staff to update the City’s ordinance to allow for adult-use activities. Ordinance No. 16-19, adopted in 2019, updated the City’s regulations to allow for adult-use cannabis activities and to provide consistency with State regulations.

#### 3.2 – CURRENT CANNABIS BUSINESSES

Since 2010, the City has issued a total of 26 commercial cannabis businesses permits. To date, 12 cannabis permittees are operational. Figure 8 provides an overview of the current cannabis business operating in the City.

**FIGURE 8 – OPERATIONAL CANNABIS BUSINESSES**

Type	Operational Cannabis Businesses
Retail (Dispensaries)	3
Cultivation	8
Manufacturing	1

## 4 – OUTREACH AND EDUCATION

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Over the course of the past couple of years, several cities and counties across the State have proposed and implemented a range of social equity programs with the common goal of addressing long-standing inequities in the cannabis industry. Thus far, many of these social equity programs have suffered setbacks along the way, which can be traced back to their failure to effectively target their outreach and include and engage the impacted communities in the early stages of program development.

In addition to the analysis in Section 1 above, data was collected through a combination of one-on-one stakeholder interviews, public community meetings, and surveys to support the Equity Assessment and to provide policy recommendations to guide the City with the development of their equity program.

### 4.1 – STAKEHOLDER INTERVIEWS

Primary data was collected through one-on-one interviews with key stakeholders in the City of Richmond. The purpose of the interviews was to provide insight on the community, opportunities, challenges, and to help identify key points of interest related to the City's Cannabis Equity Program. A total of 7 interviews were conducted between August of 2021. Stakeholders represented the following sectors:

- Current cannabis operators
- Prospective cannabis operators
- Prospective equity applicants
- Private stakeholders (non-cannabis)
- Local business leaders
- Economic development

### 4.2 – COMMUNITY MEETINGS

Two virtual public community meetings, hosted by the City Manager's Office, Economic Development and SCI Consulting Group, were held on October 19, 2021, at noon and October 20, 2021, at 6:00 P.M. The intent of the meeting was to provide information about the City's proposed Cannabis Social Equity Program, as well as to solicit public comment to provide insight on the community, opportunities, and challenges in developing the City's Cannabis Equity program. Approximately 30 individuals attended the community meetings.

### 4.3 – SUMMARY OF COMMENTS AND FEEDBACK

Below is a summary of the oral testimony and comments received from the stakeholder interviews and community meeting regarding the City's Cannabis Equity Program. Individuals provided feedback on the barriers to entry that equity applicants face, equity program benefits, and general issues with the City's Cannabis Regulatory program

## 5 – FINDINGS AND RECOMMENDATIONS

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The following section presents key findings from this Equity Assessment and presents recommendations regarding policy options to enhance and improve equitable access and ensure diversity and inclusion in the cannabis industry. To assist decision makers in developing and implementing the City's cannabis equity program, the following recommendations have been developed.

### **5.1 – FINDING 1: EQUITY PROGRAM ELIGIBILITY CRITERIA SHOULD FOCUS ON THE INCLUSION OF POPULATIONS AND COMMUNITIES DISPROPORTIONATELY IMPACTED BY CANNABIS ENFORCEMENT.**

Analysis of cannabis-related arrest data indicates minority populations have been subjected disproportionately by cannabis enforcement. Furthermore, the analysis determines there is a nexus between areas of high concentrations of low-income populations and a high number of cannabis arrests. Careful consideration should be placed on establishing the eligibility criteria. First and foremost, the eligibility requirements should focus on serving the communities and populations that were disproportionately affected by cannabis enforcement. The requirements should be adequately structured and defined to capture the majority of individuals who have been previously impacted by the war on drugs.

The City should consider the following criteria:

- Cannabis conviction or arrest history
- Immediate family member with a cannabis conviction or arrest history
- Low-income status
- Residency
- Ownership
- Eligibility Tiers

#### **RECOMMENDATION: CONVICTION HISTORY**

The City's equity program should prioritize individuals who have been previously arrested or convicted for cannabis-related offenses. At a minimum, having a previous cannabis-related arrests should be required for eligibility. Rather than limiting cannabis-related-arrests and convictions to those that occurred in Richmond, arrests or convictions within the state could also be considered for eligibility. This approach recognizes that convictions have a profound impact on an individual no matter where they occurred. Furthermore, it is recommended that this criterion is also applicable to having an immediate family member with a cannabis conviction or arrest history as well.

#### **RECOMMENDATION: LOW-INCOME STATUS**

Low income status is a common eligibility requirement used by many equity programs developed elsewhere in the State. Establishing a defined low-income status helps to limit participation for those in need of assistance. Typically, this is based on a certain percentage of annual family income that is below the Area Median Income (AMI), such as at or below

80 percent of the AMI. Low-income status can be confirmed and verified with federal and state income tax returns, payroll stubs, social security benefit letters (i.e. Medi-Cal/CalWORKs, supplemental security income, or social security disability).

**RECOMMENDATION: RESIDENCY CONSIDERATION**

To ensure the City's program benefits Richmond residents, who have been impacted by cannabis enforcement and the War on Drugs, the City should implement a residency requirement. At a minimum, the City's equity program should be available to both current and former Richmond residents. Similar to other equity programs established in California, the residency requirement can be based on cumulative years of residency or a minimum. For example, the City of Long Beach requires a minimum of 3 years, the City of Sacramento requires 5 consecutive years, and the City of Oakland requires no less than 10 years. In addition, residency requirements could be extended to include individuals who have attended school in Richmond.

**RECOMMENDATION: OWNERSHIP CONSIDERATION**

The City should consider requiring an ownership percentage threshold that enables equity applicants to benefit from ownership yet be flexible enough to accommodate various ownership structures. Social equity programs established elsewhere in the State often require at least 51% ownership, which ensures equity applicants maintain majority ownership and decision-making power, and thus providing protection from being taken advantage of by potential investors or business partners. However, requiring 51% ownership may unintentionally reduce the interest of outside investors and, consequently, act as a barrier to equity applicants. It is recommended that the City consider an ownership percentage between 40%-51%. Nonetheless, a certain amount of oversight and resources, such as legal assistance, should be available to equity applicants.

**RECOMMENDATION: ELIGIBILITY TIERS**

The City should consider establishing a tiered eligibility structure to provide proportional benefits to equity applicants. Under a tiered structure, more valuable services can be provided to individuals who have been impacted the most, but also optimizes the use of limited resources.

**5.2 – FINDING 2: THE EQUITY PROGRAM APPLICATION AND PERMITTING PROCESS SHOULD BE STRUCTURED TO ENSURE EQUITY APPLICANT SUCCESS AND INCENTIVIZE ONGOING SUPPORT.**

**RECOMMENDATION:**

To improve equity applicant success and incentivize ongoing support for equity applicants, the City should consider the following:

- **Priority Applications and Permit Processing:** Consider a prioritized permit process for equity applicants for a quicker approval process.
- **Permit Caps:** The City's current regulations restrict the number of cannabis retail permits to three. The City of Richmond should consider increasing the number of

storefront retail or non-storefront retail permits allowed in the City and reserving them exclusively for equity applicants.

- **Provisional Approval:** Consider allowing for provisional approval of permits, prior to an applicant securing a location to operate, to allow equity applicants to overcome financial barriers. Provisional approval may incentivize potential investors to provide capital investments and also assist the applicant with finding a location to operate.
- **Amnesty Program:** Consider an amnesty program to encourage existing nonconforming businesses to transition to the legal market.

**5.3 – FINDING 3: THE CITY’S EQUITY PROGRAM MUST DEVELOP AND IMPLEMENT BENEFITS/SERVICES FOR EQUITY APPLICANTS THAT ADDRESS AND MITIGATE BARRIERS TO ENTRY.**

**RECOMMENDATION:**

The City should consider including a variety of services provided to equity applicants to mitigate and address the barriers to entry identified in Section 2 of this report.

Barriers	Recommendations
Financial	<ul style="list-style-type: none"> <li>• Loan or grant program for start-up capital and ongoing business expenses</li> <li>• Fee deferral program or reduced application fees</li> <li>• Coverage of fees associated with training or certification programs</li> </ul>
Administrative/ Technical	<ul style="list-style-type: none"> <li>• Application assistance and permitting workshops</li> <li>• Cannabis regulatory compliance training</li> <li>• Pro bono legal assistance</li> </ul>
Business Acumen	<ul style="list-style-type: none"> <li>• Creation of training curriculum or partnership with local academic institutions or businesses</li> <li>• General business development training</li> <li>• Cannabis-specific business training</li> <li>• Cannabis employment training</li> <li>• Apprenticeship/mentorship programs</li> <li>• Leverage existing resources and partnerships</li> </ul>
Criminal	<ul style="list-style-type: none"> <li>• Create a program for expungement services to assist those with past cannabis convictions to get their records</li> </ul>

**5.4 – FINDING 4: A CRIMINAL HISTORY CAN LIMIT AN INDIVIDUAL’S ABILITY TO GAIN EMPLOYMENT, APPLY FOR GOVERNMENT ASSISTANCE, AND/OR OBTAIN A LOAN**

**RECOMMENDATION:**

The City should consider developing a program to host community expungement events for individuals who have been disproportionately impacted by cannabis enforcement in coordination with the District Attorney’s Office, the Courts, and other relevant partners. The Contra Costa County District Attorney’s Office, in partnership with Code for America, has

developed a Proposition 64 Relief program to streamline and automate the expungement process.

**5.5 – FINDING 5: CITY OF RICHMOND SHOULD ADVANCE WORKFORCE DEVELOPMENT OPPORTUNITIES IN THE CANNABIS INDUSTRY.**

In the cannabis industry and other industries alike, a common barrier to success is a lack of training for high-quality, well-paying jobs. As the cannabis industry continues to grow, there is an immediate need for skilled and knowledgeable employees. It is essential that businesses have access to skilled and local talent through dedicated workforce development efforts.

**RECOMMENDATION:**

The City should develop a workforce development program that considers the following:

- Require all cannabis businesses to provide equitable employment
- Creation of a cannabis training program
- Establish partnerships with existing curriculum developers to assist with entrepreneurship and workforce development
- Leverage existing cannabis training programs

**5.6 – FINDING 6: CITY OF RICHMOND SHOULD CONSIDER ALLOCATING A PORTION OF CANNABIS TAX REVENUE TO INCREASE STAFFING LEVELS.**

The City must ensure there is adequate staffing, who are trained and educated, that are available to assist and shepherd equity applicants through the application and permitting process. Inadequate infrastructure in place to assist equity applicants has resulted in setbacks for other municipalities in the State who have implemented equity programs.

**RECOMMENDATION:**

The City should consider allocating funding from their cannabis tax revenue to increase and train staff to assist equity applicants.

**5.7 – FINDING 7: THE CITY SHOULD CONDUCT PUBLIC OUTREACH AND EDUCATION TO INCREASE AWARENESS OF EQUITY PROGRAM AND REDUCING SOCIAL STIGMA.**

The transition from an illicit to a regulated, legal cannabis market is hampered by distrust in government, especially for those who have been victimized by cannabis enforcement and by those enforcing government laws. Restoring trust between disproportionately affected communities and the government is essential to the success and effectiveness of a local equity program. Furthermore, the negative stigma surrounding cannabis use and cannabis business ownership by people of color and minorities presents additional barriers due to the fact that these individuals are often times perceived as criminals and drug dealers, rather than entrepreneurs.

**RECOMMENDATION:**

The City should consider developing and implementing outreach and educational campaigns focuses on increasing awareness, restoring government trust, and destigmatizing cannabis use and business ownership:

- To spread awareness of the City's equity program and to repair trust:
  - Target outreach to disproportionately impacted neighborhoods and communities
  - Identify and collaborating with credible leaders/stakeholders within these communities.
  - Develop outreach materials that are culturally sensitive and are clear, concise, and accessible to those with low literacy.
- To reduce social stigma:
  - Consider a community-wide public outreach and education campaign
  - Educate about the racialized history of cannabis prohibition and enforcement
  - Provide facts about the health impacts of cannabis use
  - Communicate the value of cannabis business and local ownership

**5.8 – FINDING 8: THE CITY SHOULD COLLECT DATA ON GENERAL AND EQUITY APPLICANTS TO MONITOR AND MEASURE SUCCESS OF ITS EQUITY PROGRAM****RECOMMENDATION:**

The City should consider incorporating the following data metrics into the application, permitting and permit renewal process:

- Number of equity applicants to apply
  - Types of drug related offenses
  - Income status
  - Race
  - Ethnicity
  - Gender
  - Sexual identity
  - Residency status
  - Ownership structure
- Workforce characteristics
  - Total number of employees
  - Number of local employees
  - Employment Status
- Equity program-specific data
  - Number of applicants eligible for equity program
  - Number and types of services provided to equity applicants
  - Number of equity program applicants to receive licenses

**5.9 – FINDING 9: THE CITY SHOULD CONTINUE TO MONITOR AND UPDATE ITS EQUITY PROGRAM.**

**RECOMMENDATION:**

- Monitor and share progress of the Equity Program;
- Monitor and share trends in the emerging legal cannabis industry;
- Identify areas for course correction and/or unexpected consequences; and
- Demonstrate an ongoing commitment to data-informed decision-making and strategic planning to ensure Richmond’s strong transition to a legal cannabis industry.

DRAFT

## APPENDICES

## APPENDIX A – CANNABIS EQUITY VIRTUAL COMMUNITY MEETING INVITATION



# LET'S TALK CANNABIS SOCIAL EQUITY

Join the City of Richmond for a virtual community meeting  
regarding the City's Commercial Cannabis Equity Program

## VIRTUAL COMMUNITY MEETINGS

Tuesday, October 19, 2021 (Noon)

&

Wednesday, October 20, 2021 (6pm)

The City of Richmond seeks your input regarding the development of the City's Commercial Cannabis Equity Program. Join us virtually to discuss Cannabis Social Equity. Your input is needed to provide insight on the community, opportunities, and challenges to developing the City's Cannabis Equity Program.

Join us on Zoom!

October 19, 2021 (Noon - 2pm)

To attend the webinar by Computer, Tablet, or Mobile Device  
Please click this URL to join:

<https://zoom.us/j/94854150410?pwd=VmRYMnl0Ly94T2hjTEZ3U2U5aDZlNQ09>

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October 20, 2021 (6pm - 8pm)

To attend the webinar by Computer, Tablet, or Mobile Device  
Please click this URL to join:

<https://zoom.us/j/92390131355?pwd=UURSR2hMb3FVQ0xWaU5pSGdnYnYlZz09>

## City of Richmond

### Cannabis Equity Program Manual V1.0 (2021)

#### 1. Program Purpose

The City of Richmond has had a long commitment of identifying social, economic, and health inequities and creating programs and adopting policies to address these inequities. In addition, as demonstrated by the City of Richmond Cannabis Equity Assessment, populations and communities within the City of Richmond have been adversely impacted by the criminalization of cannabis and poverty. As such, the City has adopted the Cannabis Equity Program Manual ("Program") described herein.

The City of Richmond Cannabis Equity Program Manual is designed to foster equitable access and ensure diversity and inclusion in the cannabis industry by reducing the barriers of entry into the commercial cannabis industry for individuals and communities impacted by the disproportionate enforcement of cannabis crimes in Richmond. The purpose of this manual is to describe the qualifications for, and services to be provided by, the Richmond Cannabis Equity Program. All services and factors listed in this manual are and continue to be at the discretion of City of Richmond and are subject to updates and revisions in accordance with the Program, as approved by the City Council.

#### 2. Definitions

- a. "Applicant" means an individual or business who makes a formal application to be admitted in the Cannabis Equity Program.
- b. "Business" means a firm, organization, association, partnership, business trust, corporation, company, or like entity.
- c. "Cannabis Arrest or Conviction" means an arrest or conviction in California for any crime under the laws of the State of California or the United States relating to the sale, possession, use, manufacture, or cultivation of Cannabis that occurred prior to November 8, 2016.
- d. "Cannabis Equity Program Manual" or "program" means the City's Cannabis Equity Program Manual.
- e. "Direct Technical Assistance" means support provided to equity applicants to acquire the knowledge and/or skills necessary in order to gain entry to, and to successfully operate in, the regulated cannabis marketplace.
- f. "Immediate family member" means a person in the first, second, or third degree of lineal or collateral kinship as defined in chapter 13 of Part 1 of Division 1 of the California Probate Code.

- g. “Incubator” means a cannabis business which as a condition for receiving priority processing, either:
- i. Hosts a participant; 30% of its workforce are Classification 1 or 2 eligible participants, measured by hours worked; and contracts no less than 51% of its cannabis products or services and ancillary business support with eligible participants; or
  - ii. Is a shared manufacturing cannabis business and donates at least 10% of its hours of operation to allow participant(s) to utilize 100% of its business’ floor space and equipment; or
  - iii. Is a cannabis business that sells, gives or otherwise transfers no less than a 33% equity share in the Incubator’s cannabis business to eligible program participants; 30% of its workforce be Classification 1 or 2 eligible; and contracts no less than 30% of its cannabis and ancillary business with Classification 1 or 2 eligible participants.

Incubators shall host, donate to, employ, contract with, sell, give, or transfer to participants that reside within the City in which the Incubator sits. If no such participants exist, Incubators shall utilize participants from other applicable areas.

- h. “Host” means to rent or lease operations-ready building or floor space to a participant that resides in the city where the cannabis business sits, if any, free of charge for two years, or at a rate of 33% of the market value for four years; and to provide that participant with business or technical assistance (e.g., business plan development, coaching on access to capital, and establishing a lawful business, or use of equipment). If no such participants exist, participants from other applicable areas shall be utilized.
- i. “Individual” means a person twenty-one (21) years of age or older.
- j. “Low-income household” means a household whose income does not exceed 80% of Area Median Income (AMI) applicable to Contra Costa County, adjusted for family size as published and annually updated by the United States Department of Housing and Urban Development pursuant to section 8 of the United States Housing Act of 1937.
- k. “Ownership interest” means a right, proportionate to the interest held, to share in the business’s profits, including dividends, distributions, or other payments; a right, proportionate to the interest held, to the proceeds of a sale of the business’s assets, liquidation of the business, merger of the business into another business, or another transaction that would signify the end of the original business; and a right, proportionate to the interest held, to vote on fundamental decisions relating to the business.
- l. “Priority processing” means the City will review and consider for approval applications of Program participants for cannabis related business and conditional use permits, if any, before any other cannabis related business or conditional use permit application received by the City that would otherwise be processed on a first come, first served basis.

- m. “Program Participant” or “participant” means an individual or a business that has been admitted to participate in the Cannabis Equity Program.
- n. “Substantive amendment” means any amendment to the Program Manual that will result in either:
  - i. Changes to the Program Eligibility Classification; or
  - ii. Changes existing processes or responsibilities

### **3. Applicability of Richmond Municipal Code Article 15.04.610.270**

All Program participants are subject to the provisions of Article 15.04.610.270 of the Richmond Municipal Code.

### **4. Review Process**

The City Manager or their designee shall review and approve all Program applications that meet the eligibility requirements described in Section 5 below. If an application is denied that applicant may appeal to the City for further evaluation and a final determination.

### **5. Program Eligibility**

An applicant must provide documentation, as described in Section 6 below, that sufficiently demonstrates that the applicant satisfies any one of the following Classifications:

- a. **Individuals.** An individual that is eligible to participate in the Program is either:
  - i. **Classification 1.** A current or former resident of the City of Richmond who previously resided or currently resides in a low-income household and was either:
    - a) arrested or convicted for a cannabis-related crime; or is
    - b) an immediate family member of an individual described in subsection a of Classification 1 or Classification 2.
  - ii. **Classification 2.** A current or former resident of the City of Richmond who previously resided or currently resides in a low-income household and meets at least one (1) the following criteria:
    - 1. Has lived in the City of Richmond for at least four (4) years; or
    - 2. Attended a school in the City of Richmond under the jurisdiction of the West Contra Costa Unified School District for five (5) years, either consecutively or in total, during the period 1971-2016; or
    - 3. Has lived in public housing in the City of Richmond for at least four (4) years; or
    - 4. After 1995, either lost housing in the City of Richmond, as evidenced by eviction, foreclosure, or revocation of housing subsidy.
- b. **Businesses.** A cannabis business that is eligible to participate in the program is either:
  - i. **Classification 3.** A cannabis business with not less than 51% ownership interest by individuals meeting Classification 1 or 2 criteria and their business resides within the City of Richmond. If no such individual exists, individuals meeting Classification 1 or 2 criteria from other applicable areas may be utilized.

- ii. **Classification 4.** A cannabis business that is an Incubator.

**6. Documentation and Review.**

An applicant shall provide the following with its application for the Program, in addition to any other documentation that the City of Richmond deems necessary to determine the applicant's eligibility:

- a. **Proof of Income.** Proof of income shall be supported with federal and state tax returns and at least one of the following documents from the last five (5) years: two months of pay stubs; proof of current eligibility for General Assistance, food stamps, Medi-Cal/CalWORKS, supplemental security income, or social security disability, or similar documentation.
- b. **Proof of residency.** Proof of residency shall be supported by a minimum of two of the following documents: California driver's or identification card records, property tax billings and payments, signed rental agreement, verified copies of state or federal tax returns with an address in the geographic area of the City of Richmond, school records, medical records, banking records, Richmond Housing Authority records, Contra Costa Housing Authority, or utility, cable, or internet company billing and payment records.
- c. **Proof of arrest or conviction of a cannabis related crime.** Proof of an arrest or conviction of a cannabis related crime shall be demonstrated by federal or state court records expungement documentation, or any other applicable law enforcement record.
- d. **Proof of loss Housing.** Proof of loss housing shall be supported by a letter of foreclosure, notice of eviction, or notice of revocation a housing subsidy.

**7. Program Services**

Services which may be provided by the Program may include, depending on need and availability of funds from grants or other sources: direct grants, direct loans, technical assistance such as: business plan development, business mentoring, assistance securing capital, business needs assessment, direct loans, loan readiness assessment, market assessment, data and research strategies and support, assistance with establishing a legal entity, assistance with criminal records expungement, lease negotiation assistance, small business legal considerations, mentoring, and assistance with general business operations, cannabis-specific regulatory operations, fiscal management, marketing/social media, technical training, employee training, and regulatory compliance. The City will also work with local partners and stakeholders to develop a workforce development and educational program to assist with a creation of a well-trained, qualified, and diverse workforce, including transitional workers.

A Program Participant shall be entitled to receive the following benefits based on eligibility and approval:

- a. **Classification 1, 2, & 3:** Participants shall receive the following:
  - i. All support services offered under the program.
  - ii. Priority processing of the participant's cannabis business and conditional use permits.
  - iii. Grant and/or loans to assist with startup and ongoing costs.

iv. Priority for retail and/or non-storefront cannabis permits should additional permits be made available by the City Council.

b. **Classification 4:** Participants shall receive the following:

- i. Qualified and ready program participants to host.
- ii. The City will provide priority processing of the participant's cannabis related business and conditional use permits.

**8. Program Administration.**

- a. The City Manager, or the City Manager's designee, is authorized to make amendments that are not substantive to the Program. Substantive amendments must be approved by the City Council.
- b. Principle administration and coordination of services shall primarily be performed by Economic Development staff.
- c. Economic Development staff shall receive and process all applications to determine eligibility of equity program participants.
- d. Economic Development staff shall administer awards to all equity program grantees.
- e. When possible, Economic Development staff will provide services to applicants and participants with the intent to have the program reimburse the City for the cost of those services. If City staff is unable to provide services, refer to Section 9, Provision of Services.
- f. Economic Development staff shall monitor and report on all program services provided through the Program, at least annually and more frequently as directed by the City Council, state law, or regulation.

**9. Provision of Services.**

- a. Economic Development staff serves as the liaison between program participants and the agency(ies) and firm(s) providing eligible services. Agencies and firms may include, but are not limited to:
  - i. City of Richmond's City Manager's Office Economic Development and Community Development Departments
  - ii. Business development organizations and firms
  - iii. Workforce development agencies and firms
  - iv. Banking and financial institutions
  - v. Commercial real estate brokerages and associations
- b. The City Manager may enter into an agreement, on behalf of the City through the City's competitive selection process in accordance with the City Municipal Code, with qualifying internal or external agencies or firms capable of providing the services described in this Program Manual. These services may include, but are not limited to:
  - i. Business Development
  - ii. Technical Assistance
  - iii. Legal Assistance
  - iv. Workforce Development
  - v. Grant and Loan Administration

## **10. Program Monitoring and Reporting.**

For the purposes of understanding the impact, success, and measurable outcomes and outputs of the Program and to inform future development, the City of Richmond will collect qualitative and quantitative data on an ongoing basis. The Office of the City Manager shall provide annual updates to the City Council on the status of the Program. The update to Council shall include an evaluation of any ongoing barriers to entry and participation, any reevaluations of the Program, and recommend solutions as needed.

Completion of an annual demographic questionnaire will be voluntary and will be aligned with the demographic questionnaire developed by the State of California. Applicants and licensees will be encouraged to participate so that the City can assure that equity funding is being awarded to populations of highest need. Recommended metrics are as follows and conform to the City's discretion:

- a. Number of equity applicants to apply
  - i. Types of drug related offenses
  - ii. Income status
  - iii. Race Ethnicity
  - iv. Gender
  - v. Sexual identity
  - vi. Residency status
  - vii. Ownership structure
  
- b. Workforce characteristics
  - i. Total number of employees
  - ii. Number of local employees
  - iii. Employment Status (full-time, part-time, etc.)
  
- c. Equity program-specific data
  - i. Number of applicants eligible for equity program
  - ii. Number and types of services provided to equity applicants
  - iii. Number of equity program applicants to receive licenses