

CITY OF SACRAMENTO
CANNABIS OPPORTUNITY REINVESTMENT AND EQUITY PROGRAM

The City of Sacramento has determined, based on its 2018 Cannabis Equity Study, that a two-year pilot program dedicated to aiding communities who were subject to criminal law enforcement of cannabis related crimes at a disproportionate rate to their population within the City and, as a result, were negatively impacted is in the best interests of the City. As such, the City has adopted the Cannabis Opportunity Reinvestment and Equity Program (CORE) described herein.

1. **Program Purpose.** The CORE Program seeks to reduce the barriers of entry and participation for communities that have been negatively impacted by the disproportionate law enforcement of cannabis related crimes by providing them access to cannabis business development resources, services, and contracting and shareholder opportunities described herein. The CORE Program is a conscious effort to provide the business plan development, training, mentoring, and support necessary to ensure that the emerging cannabis market is accessible to all, regardless of economic status, gender, racial, cultural background and criminal history. Although City funding for the CORE Program’s cannabis business development resources and services shall expire in two years from the date of adoption (unless such time for these pilot program support services are otherwise reduced or extended by resolution of the City Council), all other program definitions, eligibility, processing, benefits, features and functions shall remain intact as policy.

2. **Definitions.** Except for as provided herein, for purposes of the CORE Program, the words and phrases defined in chapters 1.04 and 5.150 of the Sacramento City Code shall have the same meaning herein. Further, the following words and phrases shall have the meanings respectively ascribed to them by this section:
 - a. “Ancillary business” means support business services (e.g., human resources or payroll and call centers).

 - b. “Applicant” means an individual or business who makes a formal application to be admitted in the CORE Program.

 - c. “Business” means a firm, organization, association, partnership, business trust, corporation, company, or like entity.

- d. “Cannabis Social Enterprise” or “CSE” means a cannabis business in the city that incubates and/or employs Classifications 1 or 2 participants and uses commercial strategies to maximize improvements in financial, social, and environmental well-being of the disadvantaged community the organization sits in. This may include maximizing social impact alongside profits for external shareholders. CSEs can be structured as a for-profit or non-profit organization and may take the form of a co-operative, mutual organization, a disregarded entity, a social business, a benefit corporation, a community interest company, a company limited by guarantee, or a charity organization. They can also take more conventional structures. Social enterprises have both business goals and social goals. As a result, their social goals are embedded in their objective, which differentiates them from other organizations and corporations.
- e. “Classification” means a category of individuals or businesses that meet either Classification 1, 2, 3, or 4 of the CORE Program.
- f. “CORE Incubator” or “Incubator” means a cannabis business which as a condition for receiving priority processing, either:
 - 1. 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
 - 2. 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
 - 3. Is a cannabis business that sells, gives or otherwise transfers no less than a 33% equity share in the CORE Incubator’s cannabis business to eligible CORE participants or 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.

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

- g. “CORE Program” or “the program” means the City’s Cannabis Opportunity Reinvestment and Equity Program.
- h. “CORE Program participant” or “participant” means an individual or a business that has been admitted to participate in the CORE Program.
- i. “Equity share” means an ordinary share, including a fractional or part ownership in which a shareholder, as a fractional owner, undertakes the maximum entrepreneurial risk associated with a business venture. The holders of such shares are members of the company and have voting rights.
- j. “Facilitator” means the organization selected by the city to facilitate this Program on behalf of the city.
- k. “Floor space” means at least 10%, but not less than 800 square feet, of building space.
- l. “Host” means to rent or lease operations-ready building or floor space to a participant that resides in the city district 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.
- m. “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.
- n. “Incubate” means to assist one or more participants that reside in the city district where the cannabis business sits, if any, to enter the cannabis industry by hosting, providing training, technical assistance, and general business guidance. If no such participants exist, participants from other applicable areas shall be utilized.
- o. “Individual” means a person.
- p. “Low income household” has the same meaning provided in Sacramento City Code section 17.712.020.

- q. “Operations-ready” means a hosted building or floor space that is in compliance with the applicable health and safety laws and regulations and has the appropriate equipment and licensure to lawfully run or conduct any type of cannabis business.
 - r. “Priority processing” or “priority” means the City will review and approval of cannabis related business or conditional use permit applications or renewals of CORE participants, if any, before any cannabis related business or conditional use application or renewal received by the City that would otherwise be processed on a first come, first served basis.
 - s. “Sits” means to be engaged in its cannabis business.
3. **Applicability of Sacramento City Code chapter 5.150.** All CORE Program participants are subject to the provisions of chapter 5.150 of the Sacramento City Code.
4. **Applications for the CORE Program.** An individual or business may apply for the CORE Program by filing an application with the Facilitator. The application shall be on a form approved by the City Manager and may require information or documentation consistent with the provisions of the city code or state law and this program, including the following:
- a. **Application.**
 - i. The information provided in city code sections 5.150.210 A.1.b, A.3.a., and A.9.
 - ii. Individual.
 - 1. Must be lawfully able to work in the United States;
 - 2. Twenty-one (21) years of age or older;
 - iii. Business.
 - 1. A description of the statutory entity or business form that will serve as the legal structure for the applicant and a copy of its formation and organizing documents, including, but not limited to, articles of incorporation, certificate of amendment, statement of information, articles of association, bylaws, partnership agreement, operating agreement and fictitious business name statement.
 - iv. A statement dated and signed by the applicant, under penalty, affirming that the applicant meets the program eligibility

requirements as applicable to the particular applicant.

5. **Review Process.** The Facilitator shall review and approve all CORE program applications that meet the eligibility requirements described herein. If an application is denied, that applicant may appeal to the City for evaluation and a final determination.

6. **Program Eligibility.** To be admitted into the CORE Program, an applicant must provide documentation, as described in section 7 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 Sacramento who previously resided or currently resides in a low-income household and was either: a) arrested or convicted for a cannabis related crime in Sacramento between the years 1980 and 2011; 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 Sacramento who has lived in a low-income household for at least five (5) years, between the years of 1980 and 2011 in the following zip codes:

95811, 95815, 95817, 95820, 95823, 95824, 95826, 95828, and 95818.

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 by individuals meeting Classifications 1 or 2 criteria that reside within the city district in which their business sits, if any. If no such individuals exist, individuals meeting Classifications 1 or 2 criteria from other applicable areas may be utilized.

ii. **Classification 4.** A cannabis business that is a CORE Incubator.

iii. **Classification 5.** A Cannabis Social Enterprise with not less than 51% ownership by individuals meeting Classifications 1 or 2 criteria.

7. **Documentation and Review.** An applicant shall provide the following with its application for the Program, in addition to any other documentation that the City 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 Sacramento, school records, medical records, banking records, Sacramento Housing Authority records, 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 indicating the disposition of the criminal matter, records expungement documentation, or any other applicable law enforcement record.
8. **Participant Benefits.** General program benefits may include but are not limited to: business plan development, business mentoring, coaching on access to capital, business needs assessment, 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, fiscal management, marketing/social media, technical training, employee training, and regulatory compliance.

A CORE Program participant shall be entitled to receive the following benefits based on the applicable Classification:

- a. **Classifications 1, 2, 3 & 5:** Participants shall receive the following:

- i. All support services offered under the program,
- ii. The City will provide priority processing of the participant's cannabis related business and conditional use permits,
- iii. The fee for a participant's cannabis related business permit is waived by the City,
- iv. The City will provide priority to participants for storefront cannabis dispensary permit lotteries procedures as will be adopted by the City Council (Sacramento City Code section 5.150.350), and
- v. Admittance into the program shall be deemed to satisfy the neighborhood responsibility plan requirement under Sacramento City Code section 17.228.920.

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

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

9. **CORE Condition on Cannabis Business Operations Permit**. CORE Classifications 3, 4, and 5 participants are required to continue, maintain, and carry out their respective eligibility requirements through the term of their respective cannabis business operations permit. Compliance with this section 9 shall be a condition of Classifications 3, 4, and 5 participants respective cannabis business operations permit, such that failure to comply with this section 9 shall be grounds to deny, suspend, or revoke such cannabis business operations permit pursuant to Sacramento City Code section 5.150.240(C).

10. **Program Monitoring and Reporting**. The Office of Cannabis Policy and Enforcement shall provide quarterly updates to the City Council on the status of the CORE program, including number of participants, participant success measured by the number of participants either ready to obtain or that have obtained a cannabis business operating permit. The City will reevaluate and update its Equity Study when data becomes available or known to it that may expand the eligibility and benefits of the program; including, but not limited to, an analysis of disproportionate impacts within census tracts. Additionally, the report should include an evaluation of any ongoing barriers to entry and participation, any reevaluations of the Equity Study, and recommend solutions as needed to advance equity and accomplish the City's goals, which includes achieving 50 percent of all cannabis business permits awarded to CORE participants.