City of Sacramento
Office of Cannabis Policy & Enforcement
Cannabis Equity Study

Special Thanks to the City of Sacramento Police Department, Crime Analysis Unit for providing the data which made this report possible.

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I. Purpose of the Study:

The Cannabis Equity Study (the "Study") is intended to determine if and which demographic groups have been arrested at a disproportionate rate to their population within the City of Sacramento. This is important as an arrest and a conviction often mean significantly reduced employment opportunities and life outcomes.[1] According to federal government research, a criminal record in the United States makes finding employment much more difficult and people who have been incarcerated earn 10 to 40 percent less than similar people who do not have criminal records.[2] Similarly, enforcement of cannabis criminal laws ("cannabis enforcement" for our purposes) affects the life outcomes of family members of individuals arrested. [3] Groups with higher rates of poverty and experience with the criminal justice system are less likely to have the means to begin successful cannabis businesses. The City of San Francisco and Los Angeles describe various barriers to entry to begin a cannabis business, these barriers include: access to capital, access to real estate, regulatory fees, among others.[4] This data is included in the City's analysis for this Study. Based on this Study, the City of Sacramento intends to develop an equity program to support communities impacted by cannabis enforcement.[5]

II. Topline Results:

1) Cannabis related arrest rates in the City of Sacramento spiked in 2006 with 1,590 total arrest incidents where one charge was related to cannabis. Arrest rates for cannabis related charges precipitously dropped after 2010. In 2010 Governor Schwarzenegger signed Senate Bill 1449 which reduced the charge for possession of one ounce or less of cannabis to a misdemeanor (from a misdemeanor). From 2010 to 2011, cannabis arrest rates fell nearly 45% in the city of Sacramento. From 2006 to 2016 the cannabis related arrest rates citywide dropped 65%.

2) The racial group arrested more frequently, where the arrest included at least one cannabis charge, was Black/African American. White, Hispanic and Asian all had arrest rates for cannabis related lower than their citywide populations.

3) Males were significantly more likely to be arrested than females.

4) The communities with the highest arrest rates disproportionate to their population between 2004 and 2017, based on zip code were: Downtown (95811 and 95814), Land Park (95818), Oak

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[1] Labelling, life chances and adult crime: The direct and indirect effects of official intervention in adolescence on crime in early adulthood. Bernburg, Krohn. 2003.

[2] Economic Perspectives on Incarceration and the Criminal Justice System. The White House. Office of the Press Secretary. 2016.

[3] Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.

[4] City and County of San Francisco. Cannabis Equity Report. Office of Cannabis, Human Rights Commission, Controller's Office. 2017.

[5] This report uses data on arrest incidents where the incident included at least one cannabis charge. The report also analyzed data on arrests for cannabis charges only. The distribution of the data on arrests for cannabis only was nearly identical to the data on arrest incidents where the incident included at least once cannabis charge. The main difference between the two data sources was that cannabis only charges were roughly half of the volume of arrests where cannabis was one of the charges. Both data sources are included in the attachments.

Park (95817), Parkway Meadowview (95823), Del Paso Heights South (95815), Florin Perkins (95826), Fruitridge (95820), and Elder Creek (95824 and 95828).

5) It is unclear if the locations where people were arrested for cannabis activity are also the same locations where the people who were arrested lived. It is also unclear *why* those arrests took place. The significant number of arrests-to-population Downtown suggests that the high number of arrests occurred because of people from outside the area (not living in the area) congregating in Downtown and a high police presence in that area due to its civic and entertainment amenities.

III.   History of Cannabis Enforcement:

The following is a brief overview of recent US history on cannabis enforcement.

Until recently, US government action on cannabis moved towards greater restrictions and enforcement. The Federal Food and Drug Act of 1906 regulated food and drugs for the first time in the United States and required that any over-the-counter remedies containing cannabis be labeled.   In 1937, the Marijuana Tax Act effectively criminalized cannabis. The Act both restricted possession of cannabis and required paying a tax for its authorized use in industrial or medical uses.[6] The US Justice Department's Bureau of Narcotics and Dangerous Drugs was created in the late 1960s which coincided with significant increases in cannabis arrests in California, from 7,560 in 1964 to 50,327 in 1968.[7] Furthermore, the Comprehensive Drug Abuse Prevention and Control Act of 1970 created five schedules for regulating drugs based on medical value and assumed danger of addiction. According to the law, cannabis was a Schedule 1 drug, which along with cocaine and heroin, had no medical use and a high risk of addiction. The law also made it a federal crime to manufacture, distribute or possess cannabis.[8]

The 1990 Crime Control Act, passed by Congress, provided funds for local law enforcement agencies in seizing private property associated with unlawful drug activities, including cannabis cultivation or distribution. From 1991 to 2008, there was a drastic increase of arrests for simple cannabis possession. The number of people arrested for possession of small amounts of cannabis nationally increased by three times as much from 1991 to 2008.[9] During the same time, cannabis use did increase but not at the same rate as the number of arrests. From 1991 to 2008, according to the National Household Survey on Drug Abuse, the rate of use over the last year increased from 6,520 in 1991 to 9,797 in 2008, per 100,000 people.

Public opinion shifted on cannabis in the late 1990s. In 1996, California passed Proposition 215, the Compassionate Use Act, which allowed patients and primary care providers to cultivate and possess cannabis for personal medical use. In 2010 Governor Schwarzenegger signed Senate Bill 1449 which reduced the charge for the possession of one ounce of cannabis. In addition, in 2010 the City of Sacramento began to legalize and permit medicinal cannabis dispensaries. This led to a precipitous drop in cannabis related arrests in the City of Sacramento in the subsequent years. The Control, Regulate and

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[6] PBS Frontline. Marijuana Timeline.
[7] Institute of Medicine Committee for the Substance Abuse Coverage Study, 1992.
[8] Cannabis use in the United States: Implications for policy. Harrison, Backenheimer, and Inciardi. 1995.
[9] How Risky is Marijuana Possession? Considering the Role of Age, Race, and Gender. Nguyen and Reuter. 2012

Tax Adult Use of Marijuana Act in 2016 passed by California voters allowed cannabis to be used and cultivated legally under state law.

On January 1, 2018 the State of California began issuing licenses for cannabis businesses under the Medicinal Adult Use Cannabis Regulation Safety Act. In 2017 the City of Sacramento Council adopted policies to regulate cultivation, manufacturing and testing of cannabis in anticipation of state law. Later in 2017 the City Council took steps to develop the Cannabis Opportunity, Reinvestment and Equity (CORE) Program that seeks to reduce barriers to entry into the cannabis market by groups disproportionately impacted by cannabis enforcement.

IV.   City of Sacramento Demographics:

The data below shows City of Sacramento demographics in 2010. The year 2010 was selected because it is derived from the decennial census where more accurate data is available for subpopulations. Dates between 2000 and 2009 and after 2010, have significant margins of error for subpopulations. A high margin of error makes data less reliable.

Figure 1: City of Sacramento Demographics by Race, 2010

Total population	466,488	Percent
Hispanic or Latino (of any race)	125,276	26.86%
White alone	210,006	45.02%
Black or African American alone	68,335	14.65%
American Indian and Alaska Native alone	5,291	1.13%
Asian alone	85,503	18.33%
Native Hawaiian and Other Pacific Islander alone	6,655	1.43%

Source: US Census Bureau 2010

Figure 2: City of Sacramento Zip Code Population, 2010

Location	Zip Code	Percent of City population within Zip Code	Population
Parkway Meadowview	95823	10.82%	50,451
Greenhaven	95831	8.81%	41,078
South Land Park/Hollywood Park	95822	8.05%	37,570
Natomas North	95835	7.72%	35,992
Natomas South	95833	7.51%	35,040
Del Paso South	95815	7.44%	34,693
Del Paso North	95838	7.05%	32,879
Fruitridge North	95820	6.92%	32,259
Elder Creek	95824 95828	4.20%	19,607
East Sacramento	95816	4.15%	19,341

Natomas Center	95834	5.22%	24,353
Meadowview West	95832	3.47%	16,174
Oak Park	95817	3.46%	16,154
Land Park	95818	3.35%	15,639
Sac State East Sacramento	95819	3.33%	15,516
Center City	95814	2.98%	13,882
Surrounding Center	95811	2.00%	9,347
Florin Perkins	95826	1.36%	6,329
University Howe Ave	95825	0.48%	2,224

Source: US Census Bureau 2010 and City of Sacramento Community Development Department

V.   Literature Review

Academic literature confirms that there are disparities in arrest rates for cannabis by geography, race, age and gender. The literature, however, does not have consensus on exactly *why* certain groups have higher cannabis related arrests rates. It could be that certain racial groups or geographic areas are arrested at a greater rate because those groups have another undetected characteristic (such as greater call volume in a particular area, or higher rates of blue collar occupations—blue collar men have higher chances of being arrested for cannabis than non-blue collar men).[10] Some research suggests that Black/African American people are more likely to be arrested for cannabis use because they have less access to private spaces and therefore are more likely to carry out drug use and purchases in public. Research also shows that Black/African American people are significantly more likely to buy drugs outdoors, from strangers, and further from home—this increases the likelihood that they will be visible to police and therefore more likely to be arrested.[11] These differences in cannabis purchasing behavior, however do not seem to account for the differences in arrest rates between Whites and Blacks/African Americans. If it did, according to research, Whites should have significantly more drug arrests. The literature also shows that Blacks/African Americans and Whites do not have significantly different rates of cannabis use.[12] This suggests that Blacks/African Americans are *not* arrested more for cannabis simply because they use more cannabis compared to Whites.

The characteristic of a community is also relevant in determining the arrest rates for Blacks/African Americans and Whites. Arrests for cannabis are more likely to occur in higher visibility areas such as downtowns. Higher police presence per capita is another factor, which the literature suggests, for why Black/African American people are arrested more often for cannabis than White people.[13]

Research in Seattle notes that race plays a major factor in drug arrest disparities between Whites and Black/African Americans, and that per capita concentrations of police presence or citizen complaints did not account for arrest disparities.[14] Subsequent research in Seattle suggests that arrests are largely

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[10] Arrest Probabilities for Marijuana Users as Indicators of Selective Law Enforcement. Johnson, Petersen, Wells. 1977.

[11] Racial differences in marijuana users' risk of arrest in the United States. Ramchand, Pacula, Iguchi. 2006

[12] How Risky is Marijuana Possession? Considering the Role of Age, Race and Gender. Nguyen and Reuter. 2012.

[13] Predicting drug arrest rates: Conflict and social disorganization perspectives. Mosher. 2001.

[14] Race, Drugs and Policing: Understanding Disparities in Drug Delivery Arrests. Beckett, Nyrop, Pfingst. 2006.

driven by deployment of police officers and resident's calls for service.[15] This suggests that a data driven method of deploying police resources will pick up more populations in communities that have higher crime incidents and calls for service.

Limitations of the Analysis:

It is beyond the scope of this analysis to determine which, if any, factor led to higher cannabis arrest rates for Black/African American males in Sacramento, as described below. Similarly, this report cannot specify why certain geographic regions had higher cannabis arrests than their populations would suggest.

This report does not measure City of Sacramento Police Department deployment trends, nor does it measure individual cannabis use trends per racial category per year, or methods of purchasing cannabis. The analysis also does not measure whether arrest rates differed because of differential involvement in criminal activity. Data sources for these variables, either were not available or do not exist for the City of Sacramento.

The analysis uses zip code arrest data, but zip codes do not perfectly align with Census tracts. This means that some geographic areas are included in the Census data but should not have because they are outside the city limits.

The analysis shows that Black/African American male residents living in certain zip codes were arrested more often than their population would suggest—but not why. The analysis cannot state the reason in different arrest rates, or whether other factors, such as higher calls for service, were significant.

VI.   Methodology

The primary data source for this study was City of Sacramento Police Department Crime Analysis Unit data by zip code on the number of arrest incidents, where at least one charge was cannabis related, for each year from 2004—2017 by race and gender. This date range was used because the Police Department changed their records management system in 2004. Using data before 2004 would create problems with the accuracy of the data and mean that comparing data before 2004 and after would no longer be possible. This data was used to determine which groups were disproportionately impacted by cannabis enforcement. By "disproportionate enforcement" we mean at a greater rate than the ratio of their citywide or zip code population would suggest.

Census tract data is the most basic unit of measurement for the decennial census which is collected every 10 years and for the continuous American Community Survey.   The boundaries of a census tract are developed so that each tract contains roughly 1,200 to 8,000 people. Census tracts roughly, though not exactly, match zip codes within the City of Sacramento. By matching multiple Census tracts together into their zip code, this report provides an estimate of the demographics of each zip code in the City of Sacramento.

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[15] Race, Place and Drug Enforcement. Engel, Smith, Cullen. 2012.

Census tract data does not exactly match zip codes, yet this is the closest method to find the demographics of each zip code. This was necessary because the Sacramento Police Department does not collect data by Census tract, nor does the Census Bureau collect demographic data by police beat or zip code. It was therefore necessary to match these two as approximate as possible.

Once a demographic profile of each zip code was developed, including population and the proportion of population by race, this demographic data was compared to corresponding arrest rates. As stated above, arrest data from 2010 forward was used because that is when the most accurate Census tract data was available. There were 10 zip codes out of 20 analyzed which had a higher proportion of arrests for a racial group, than its population would suggest.

VII.   Analysis of Cannabis Enforcement in the City of Sacramento:

1) Cannabis related arrests in the City of Sacramento spiked in 2006 at 1,590 and remained relatively stable until 2010. In 2010, Governor Arnold Schwarzenegger signed California State Senate Bill 1449, which reduced the offense for an ounce or less of cannabis possession.[16] From 2010 to 2011, cannabis arrest rates fell roughly 45% in the city of Sacramento. From 2006 to 2016, the arrest rates citywide dropped by 65%. By 2017, there were less than two hundred cannabis related arrests in the city of Sacramento.
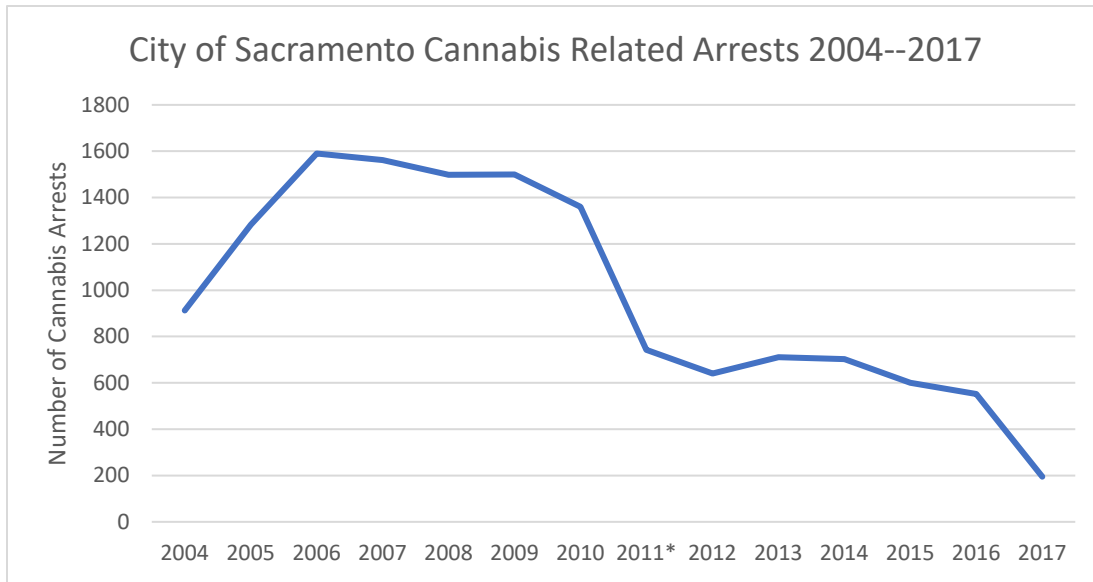
Figure 3: City of Sacramento Number of Cannabis Arrests by Year 2004 – 2017

Year	Number of Arrests
2004	913
2005	1282
2006	1590
2007	1562
2008	1498
2009	1500
2010	1360
2011*	742
2012	640
2013	711
2014	702
2015	600
2016	552
2017	195

Source: City of Sacramento Police Department

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[16] State of California. California Legislative Information.
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=200920100SB1449

Figure 4: City of Sacramento Number of Cannabis Arrests 2004 – 2017

City of Sacramento Cannabis Related Arrests 2004--2017

[Line chart titled "City of Sacramento Cannabis Related Arrests 2004--2017". Y-axis labeled "Number of Cannabis Arrests" ranging from 0 to 1800. X-axis years 2004 through 2017 (2011 marked with asterisk). Values start around 900 in 2004, rise to approximately 1590 in 2006, stay near 1500 through 2009, decline to about 1360 in 2010, drop sharply to about 740 in 2011*, dip to about 640 in 2012, rise slightly to about 700 in 2013-2014, decline to about 600 in 2015, about 550 in 2016, and drop to about 200 in 2017.]

Source: City of Sacramento Police Department

2) Black/African American residents were arrested, where at least one charge was cannabis related, at a rate higher than their citywide population proportion. Black/African American residents make up only 14.65% of the city's population but 47.87% of cannabis related arrests in 2010. White and Asian residents were arrested at a lower rate than their population. Hispanic residents were arrested at a comparable, and slightly lower rate to their population. These trends in arrest rates by race also hold for other years, where Black/African American residents are more likely to be arrested given their population while White, Hispanic and Asian residents are arrested at a lower rate to their population. This finding does not intend to suggest *why* Black/African American residents were arrested at a higher rate.

Figure 5: Number and Percent of Cannabis Related Arrests by Race, 2010

Race	Number Arrests	Percent Population	Percent Arrests
White	299	45.02%	21.99%
Black	651	14.65%	47.87%
Hispanic	318	26.86%	23.38%
Asian	69	18.33%	5.07%

Source: City of Sacramento Police Department and US Census 2010

3) Males in the City of Sacramento were overwhelmingly more likely than females to have an arrest where at least one charge was cannabis related. This figure is comparable to most of the

academic literature which shows that males are significantly more likely to have drug related arrests and convictions.

Figure 6: Gender and Percent of Cannabis Related Arrests 2004--2017

Gender	Number of Arrests	Percent of Arrests 2004--2017
Male	12211	88.19%
Female	1636	11.81%
Total	13847	100%

Source: City of Sacramento Police Department

4) There are 20 zip codes in the City of Sacramento. Elder Creek (95824 and 95828) has two zip codes which were combined due to their proximity. Each zip code roughly corresponds to a community within the City of Sacramento, such as Oak Park or East Sacramento. Matching each zip code to multiple Census tracts gives a demographic profile for each zip code. This demographic profile contains information on the zip code's population, and race proportion. Certain zip codes had a higher proportion of cannabis related arrests in 2010 than their population would suggest.

For example, Oak Park (95817) made up 5.51% of all cannabis related arrests in 2010, but only 3.46% of the city population. Greenhaven (95831), meanwhile, constituted 8.81% of the population in 2010, but only amounted to 3.01% of cannabis related arrests. The report therefore recommends Oak Park to be included in a cannabis equity program, but not Greenhaven. Of the 20 zip codes in the City of Sacramento, 10 had a higher cannabis related arrest rate than their population percent.

Figure 7: Number and Percent of Cannabis Related Arrests by Most Frequent Zip Codes, 2010

Location	Zip Code	2010 Arrests	Percent of Population, 2010	% of Cannabis related Citywide Arrests, 2010
Surrounding City	95811	34	2.00%	2.50%
Center City	95814	154	2.98%	11.32%
Land Park	95818	100	3.35%	7.35%
Oak Park	95817	75	3.46%	5.51%
Florin Perkins	95826	28	1.36%	2.06%
Fruitridge North	95820	118	6.92%	8.68%
Elder Creek	95824 95828	85	4.20%	6.25%

Del Paso South[17]	95815	98	7.44%	7.21%
Parkway Meadowview	95823	174	10.82%	12.79%

Source: City of Sacramento Police Department

5) Certain groups (male and black) and certain geographic areas (95811, 95814, 95818, 95817, 95826, 95820, 95824, 95828, 95815, 95823) had cannabis related arrests at a higher rate than their population would suggest. Exactly *why* these regions and groups have higher cannabis related arrests is not clear. This data also does not tell whether people who were arrested in certain areas lived in those locations in which they were arrested.

Some data suggests that people were arrested in places removed from where they lived. In the City Center (95814) most of the cannabis related arrests are concentrated between 7th and 9th street along L Street. This is the same location as the former 815 L Street Nightclub and the old Greyhound Bus Station. For this reason, the report recommends removing 95814 from the list of zip codes eligible to participate.

The cannabis related arrests for the zip code 95818 are concentrated around two public housing complexes. Such may be the case for other areas. For this reason, the report also discusses the impact of disproportionate cannabis enforcement for low income households.[18]

Further considerations:

Convictions:

The City of Sacramento may wish to include a cannabis related conviction as an eligibility criterion. This is because a criminal conviction record can limit a person's ability to gain employment, apply for public assistance, or obtain a loan. Individuals convicted of drug offenses are often subject to fines, court costs, incarceration and other disadvantages. The Government Accountability Office (GAO) identified 641 additional consequences from a nonviolent drug conviction. These consequences include limited ability to achieve education, employment and government benefits. According to the GAO, 78% of these consequences can last a lifetime.[19]

Early research suggests that a criminal conviction stigmatizes individuals with a criminal conviction, and that employers are less likely to respond positively to prospective employees with past convictions.[20] Similarly, employers are more likely to hire welfare recipients or applicants with scant employment history rather than former felons, according to survey research in four metropolitan areas.[21] Research also suggests that, since many jobs are found through personal connections that match potential

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[17] Del Paso South (95815) in 2010 had slightly less cannabis related arrests given its population. However, between 2004-2017, 95815 experienced a higher cannabis arrest rate than its population would suggest. The population of 95815 is roughly 7% of the city while it made up nearly 9% of cannabis related arrests (2005—2017) in the City of Sacramento. For this reason, Del Paso Heights South was included.

[18] "Low income households" as defined by Sacramento City Code section 17.712.020.

[19] Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.

[20] Delinquency and Stigmatisation. Buikhuisen and Dijksterhuis. 1971.

[21] What Employers Want: Job Prospects for Less Educated Workers. Holzer. 1996.

workers with employers, these connections are weakened during incarceration. Former felons are therefore more likely to struggle to find employment, in part because their social circles are less likely to provide employment leads.[22] The evidence also suggests that incarceration lowers a person's earnings, though not always the ability to find employment. The negative impacts on earnings is greater for older employees and white-collar workers.[23]

Poverty:

An arrest or conviction can have significant negative impacts on an individual's lifetime outcomes. This increases a person's likelihood to remain in poverty. Previous Equity Studies have, therefore, included income as an eligibility criterion; this report also recommends the inclusion of income as an eligibility criterion.[24] According to the US Census Bureau the Median Household Income for Sacramento was $57,509 in 2016.[25] Meanwhile, 21.4% of the population of Sacramento was in poverty.

VIII. Conclusion:

The City of Sacramento seeks to create an equity program to support groups with disproportionately higher rates of cannabis related arrests than their population would suggest. As such, this report recommends extending the program to:

Type 1: A resident of the city of Sacramento who has lived in the following zip codes for five (5) consecutive years between 1990 and 2011, [26] and who resides in a Low-Income Household. [27]

These zip codes are:

95811	**95820**
95823	**95824**
95818	**95828**
95817	**95815**
95826	

Type 2: A resident of the city of Sacramento who resides in a Low-Income Household and was either a) arrested or convicted for a cannabis related crime in the city of Sacramento during the

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[22] The Labor Market Consequences of Incarceration. Western, Kling and Weiman. 2001.

[23] The Labor Market Consequences of Incarceration. Western, Kling and Weiman. 2001.

[24] Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.

[25] United State Census Bureau. QuickFacts. Sacramento county, California.

[26] The 2011 year has been selected because from 2011 forward, cannabis related arrests dropped significantly citywide.

[27] City of Sacramento Title 17: Section 17.712.020 "Low income household" means a household whose income does not exceed 80% of median income applicable to Sacramento 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.

The County of Sacramento Median Household income in 2016 was: $57,509.

time specified in Type 1, or b) is an immediate family member of an individual described in subsection a of Type 2.[28]

For the purposes of this report an immediate family member is a child or a parent. Limiting the program to residents who lived in these zip codes prior to 2011 is because from 2011 forward, the number of cannabis related arrests dropped precipitously.

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[28] The City of San Francisco Equity Study has recommended to make the following serious criminal convictions not eligible: offenses that include violent felony conviction(s); serious felony conviction(s); felony conviction(s) with drug trafficking enhancements; felony conviction(s) for hire; employing or using a minor to transport, carry, sell, give away, prepare for sale, or peddle any controlled substance to a minor; or sell, offer to sell, furnish, offer to furnish, administer, or give away a controlled substance to a minor.

IX. Appendix:

Barriers to Entry:

Previous Cannabis Equity Studies in Oakland, San Francisco, and Los Angeles have described significant barriers to entry for individuals and communities impacted by cannabis enforcement. Some of the significant barriers to entry are due to the nature of the new industry including an evolving regulatory framework, uncertain federal prohibitions, limits on banking due to federal regulations, real estate, utilities and capital requirements to starting the business. These are significant challenges for any entrepreneurs, but they are even more pronounced for individuals who are low income and have history with the criminal justice system.

Below is a Description of Barriers to Entry and Potential Tools to Overcome the Barriers.

Location: The availability of real estate appropriate for a cannabis business is a barrier to entry. This is due to travel distances, and the cost of purchasing or leasing in appropriately zoned locations. Disadvantaged groups may not have access to a reliable method of transportation, while the cost of purchasing or leasing space for a cannabis business may include deposits and insurance costs which eligible individual equity applicants may not have.

Financial: Banks are regulated by the federal government and depend upon federal deposit insurance. Banks are subject to significant penalties if they knowingly do business with a customer suspected of criminal activity. A cannabis business, under existing federal laws is not lawful. Currently, few banks and credit unions offer traditional financial services to cannabis businesses.[29] As a result, cannabis business often must rely on cash to conduct business. Property owners and real estate professionals often do not accept cash and may be cautious to engage with an all cash business. All cash cannabis businesses may also be exposed to a greater amount of criminal activity which may increase the costs to insure the business. Furthermore, City of Sacramento conditional use permit fees and Business Operation Permit fees can increase the costs to beginning a business to tens of thousands of additional dollars.

Start Up Costs: According to the City of Los Angeles Equity Study, the start-up costs for cultivating cannabis outdoors in California range from $5,000 to $10,000. Meanwhile the start up costs for mixed light cultivators is between $18,000 to $200,000 for greenhouses. Electricity costs can hover around $5,000 annually. According to the California Department of Food and Agriculture, indoor cultivation start-up costs may exceed $400,000 for creating indoor grow rooms.[30] Without traditional methods of raising capital, entrepreneurs may need to rely on personal wealth, which eligible individual equity applicants are less likely to have.

Business Skills and Knowledge: Eligible individual equity applicants are less likely to have significant business expertise as they are likely not employed or working in industries that expose them to the necessities of starting a business, likely reside in neighborhoods with similar disadvantaged individuals, and have limited access to capital to fund such educational pursuits. Beginning a business requires knowledge of creating a business plan, relationship with industry vendors, knowledge of regulatory and

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[29] Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.
[30] California Department of Food and Agriculture. 2017. Economic Impact Analysis of Medical Cannabis Program Regulation: Standardized Regulatory Impact Assessment.

legal requirements. Beginning a cannabis business, meanwhile requires specialized agriculture, chemicals or manufacturing knowledge.[31]

Lack of Regulatory and Government Knowledge: Groups with little experience, or negative experience with city government or government in general may be more likely to struggle to navigate through the complex regulatory and permitting process of developing a legal cannabis business. Eligible individual equity applicants may also have less awareness of local government policies nor be able to afford professional services to help them navigate such as attorneys or professional consultants.

Below is a Description of Potential Tools to Overcome Barriers:

Financial Assistance: The City of Los Angeles Equity Study describes a municipal bank which could provide business loans and other financial products to cannabis businesses. The City could also provide low interest or no interest loans to cannabis businesses. Other financial support could include credit repair, financial planning needs, fee waivers, and assistance securing alternative financing.

Real Estate: An Equity Program could provide real estate support to entrepreneurs through an existing industry partner or an incubator program. An incubator could provide eligible businesses real estate and other business support services. Similarly, an existing cannabis business could provide real estate to disadvantaged entrepreneurs in return for certain incentives.

Business Support Services: In addition to direct financial assistance and real estate support, the city could provide business mentorship, and technical assistance. This could include consulting services on financial management, business accounting, hydroponics, manufacturing, obtaining licenses or fertilizers. Eligible individual equity applicants are less likely to be familiar with legal requirements of establishing a business, particularly a cannabis business. Connections to legal services could also assist such applicants with beginning a cannabis business.

Permit and Business Operation Permit Fees: Previous cannabis equity studies have considered the option of waiving or reducing licensing, permitting and inspection fees to reduce the financial barriers for eligible individual equity applicant entrepreneurs.

Expungement of Past Cannabis Criminal Convictions: According to the Los Angeles Equity Study, expungement of cannabis related convictions would lift certain employment barriers and the stigma that individuals carry from having a criminal record. Expungement would mean that previous cannabis related charges would change from "guilty" to "dismissed." While having "dismissed" on a criminal record is preferable than "guilty," individuals would, however, continue to have a criminal record and therefore may retain some stigma.[32]

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[31] City and County of San Francisco. Cannabis Equity Report. Office of Cannabis, Human Rights Commission, Controller's Office. 2017.

[32] Cannabis Social Equity Analysis Report. Amec Foster Wheeler Environment and Infrastructure, Inc. 2017.

Appendix 2:

The Council of the City of Sacramento adopted the Cannabis Equity Study (the "Equity Study") on August 9, 2018. (Resolution No. 2018-0323) In it, the City Council directed the City to continue to evaluate the Equity Study with the purpose of "[addressing] any disparate, negative impacts of cannabis-related regulation and enforcement in the city of Sacramento." As directed, the City has conducted further research into the impacts of cannabis-related regulation and enforcement. This research and analysis is included here as an Appendix to the Equity Study.

The City continued its examination of the Equity Study by reviewing other municipalities equity reports and Census demographic data to better understand the impacts of cannabis enforcement on individuals and communities. In particular, the City and County of San Francisco's Equity Report, which is incorporated into the research of this Equity Study, found that there are significant connections between an individual's contact (e.g., charges, arrests, convictions, and other similar contact) with the criminal justice system and lower economic opportunity, or more directly, the development of poverty. [1] (See the City and County of San Francisco Cannabis Equity Report.) The report notes that a person with a criminal record has more difficulty in finding employment and that those that do find jobs experience lower wages on average.[2]

Similarly, the report notes that rates of criminal incarceration are 2 to 7 times more likely for Black and Hispanic parents. Children with incarcerated parents are more likely to experience adverse outcomes such as poor mental health, dropping out of school, and being unemployed. Furthermore, the report indicates that job application experiments found that applicants with criminal records were 50 percent less likely to receive an interview request or job offer compared to the same applicant with no criminal record. Such impacts on neighborhood poverty may increase the attraction towards the perceived immediate benefits of illicit activities. If a young person, often black and poor, does not have access to, whether practical, social, or environmental, legal economic opportunities, the cost of being involved in crime goes down.[3] Given that poverty is significantly connected to cannabis enforcement, the report recommends that the city of Sacramento's highest poverty zip codes be included in the cannabis equity program.

In researching Sacramento zip codes, the City used Census 2010 data to organize Census tracts into zip codes. A Census tract is an area that is roughly equivalent to a neighborhood as estimated by the U.S. Bureau of Census. The tracts generally include about 1,200 to 8,000 people in an effort to provide a stable set of geographic units for statistical data. By roughly adding Census tracts to match zip code boundaries, the percentage of families living in poverty in each zip code citywide can be estimated. Those zip codes where the percentage of families living in poverty was 20% or more are the most impoverished areas in the city and are recommended to be included as part of the Cannabis Equity Program.

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[1] City and County of San Francisco. Cannabis Equity Report. Office of Cannabis, Human Rights Commission, Controller's Office. 2017.
[2] The White House. Economic Perspective on Incarceration and the Criminal Justice System. April 2016.
[3] Urban Poverty and Juvenile Crime: Evidence from a Randomized Housing-Mobility Experiment. Ludwig, Duncan, Hirschfield. 2001.

Those communities are: Del Paso Heights South (95815), Del Paso Heights North (95838), Elder Creek (95824, 95828), and Meadowview West (95832). Since Elder Creek and Del Paso Heights South are already included in the report, this Appendix recommends adding only Del Paso Heights North and Meadowview West as eligible zip codes in the CORE Program.