

Social Equity in State Regulated Cannabis

Backgrounds and Objectives

The onset of the 20th century sparked the rise in decriminalization, legalization, and recreational use of cannabis in the United States. Since these pillars were established, the industry has made billions, generating thousands of jobs for Americans and millions in tax revenue. However, the development of the cannabis industry also stimulated disparities among white and minority communities in the United States.

Although white Americans consume cannabis at approximately the same rate as minority populations, people of color are arrested for drug law violations at a much higher rate, even though they make up just a third of the U.S. population. Therefore, to battle these inconsistencies, states like California have created social equity programs to assist marginalized individuals in owning and operating a business within the cannabis industry.

Social equity is the commitment to fairness, justice, and equality in formulating public policy and distribution of public services. Essentially, if your application to these social equity programs is approved, you would receive a cannabis business license and would not have to pay the permit fees associated with operating a cannabis business. You could even receive a rent-free storefront or be provided with technical assistance to run your business.

Regulations and Qualifications

Many states and cities have established government sectors to oversee the Social Equity programs in their areas. Some of these states include Illinois, New York, Connecticut, and California. Other states like Hawaii, Vermont, and Washington are working towards social equity by setting initiatives to address the issue of cannabis expungement.

While medical-use states like Pennsylvania and Oklahoma have made way toward equity by lowering licensing fees, allowing for the unlimited number of licenses, and awarding licenses to applicants with diversity plans.

While licensees' qualifications differ between local jurisdictions, here are the general steps to follow when applying for the social equity program established in your area:

- Reach out to the local authority to ensure compliance with the local rules

- Submit your application to the state
- A licensing analyst will review your local compliance verification ownership documents
- If requirements are met, a provisional license will be approved

State Licensing General Requirements:

- Local compliance
- Evidence of right to occupy
- Property owner authorization for cannabis activity
- Owner submittal form
- Business formation documents
- Premises diagram
- Surety bond
- Operation procedures

Social equity programs do vary, but large cities in California, like San Francisco, have established a government branch to oversee the social equity programs for their city. In 2018 San Francisco found the Office of Cannabis, and they have since outlined their conditions and requirements to meet to be granted a license under the Social Equity Program.

San Francisco Equity Applicant Requirements and Conditions

To qualify as an Equity Applicant, you must:

- Apply as a person, not a company
- Have net assets below established limits for each household. For example, this means you will not qualify as an Equity Applicant if your one-person household has net assets over \$193,500.
- Be one of the following:
 - The business owner
 - Own at least 40% of the business and be the CEO
 - Own at least 51% of the business
 - A board member of a non-profit cannabis business where most of the board also qualify as Equity Applicants
 - An individual with a membership interest in the cannabis business formed as a cooperative

Equity Conditions in San Francisco

You must also meet at least three of the six equity conditions:

1. Have a household income below 80% of the average median income (AMI) in San Francisco for 2018. This amount is calculated on how many people are in your household.
 - i. 1-person household: \$64,550 or less
 - ii. 2-person household: \$73,800 or less
2. Have been arrested for or convicted of the sale, possession, use, manufacture, or cultivation of cannabis (including as a juvenile from 1971 to 2016)
3. Have a parent, sibling, or child who was arrested for or convicted of the sale, possession, use, manufacture, or cultivation of cannabis (including as a juvenile) from 1971 to 2016
4. Lost housing in San Francisco after 1995 through eviction, foreclosure, or subsidy cancellation
5. Attend school in San Francisco Unified School District for a total of five years from 1971 to 2016
6. Have lived in San Francisco census tracts for a total of 5 years from 1971 to 2016, where at least 17% of the household had incomes at or below the federal poverty level

If you do not meet the requirements or conditions to complete the equity application, you could become an Equity Incubator. An Equity Incubator business agrees to support an Equity Applicant by providing rent-free space or technical assistance.

These are the steps to become an Equity Incubator:

- Tell the City you want to be an Equity Incubator.
- Partner with a verified Equity Applicant. Once you register, you can request a list of verified Equity Applicants from the Office of Cannabis.
- Draft your agreement with an Equity Applicant that meets all the City's requirements for incubation.
- Email that agreement to the Office of Cannabis for review.
- Gather information about your future operation, including documents regarding your business information and your right to occupy a location.
- Once your agreement is approved, you will receive an incubator verification number and provide a link to part 1 of the Cannabis Business Permit Application.
- Apply for the Cannabis Business Permit (part 1)

If you are looking for an Equity Incubator, check out San Francisco's Office of Cannabis website to find a list of approved incubator businesses.

Here is a shortlist of approved incubator brands and companies:

- ActivLeaf
- CAE MGMT
- Daily Essentials, Inc.

- Flying High
- Golden Abundance
- Kent Hill Inc.
- The Outpost
- Yerba Buena SF

The battle towards equity and inclusion has merely begun. However, many states and major cities have started making strides to right past wrongs and push towards a greater tomorrow. Learning and understanding how to capitalize on your hardships and provide for your community and loved ones may start with a Social Equity Program.

Check out your local government's stance on social equity and the programs established to take the steps towards becoming a business owner in the cannabis industry.