



**City of Watsonville Cannabis Equity Assessment  
October 14, 2022**

*Abstract: The City of Watsonville Cannabis Equity Assessment* provides a data-informed look at the impacts of cannabis criminalization and poverty on the Watsonville community. The assessment includes policy recommendations to guide the continuing development of the City's local cannabis equity program. The program assists community members that experienced harm from decades of cannabis criminalization and poverty to support their participation in Watsonville's legal cannabis industry.



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## Section 1. Cannabis Equity and Executive Summary

*Nine times out of ten, before legalization, you bought your weed from a Black or brown person. And now that it's legalized, you're probably not buying it from a Black or brown person. What happened?*

-Oakland cannabis entrepreneur (Hillsman)

Black and Hispanic people experienced disproportionate impacts from cannabis criminalization and the War on Drugs as well as higher rates of poverty (see Section 3). While Black and Hispanic people were most likely to be impacted by decades of cannabis criminalization in California, these groups are now least likely to be represented in the State's legal cannabis industry. Over 80% of cannabis businesses nationwide are white-owned; similarly, of the top 14 largest cannabis companies, about 70% of executives are white men (McVey; Berke).

To address these inequities, in 2018, the state of California enacted SB 1294, commonly referred to as the California Cannabis Equity Act. The purpose of the act was to ensure that persons most harmed by cannabis criminalization and poverty be offered assistance to enter the multibillion dollar cannabis industry as entrepreneurs or as employees with high quality, well-paying jobs.

According to SB 1294:

*Cannabis prohibition had a devastating impact on communities across California and across the United States. Persons convicted of a cannabis offense and their families suffer the long-term consequences of prohibition. These individuals have a more difficult time entering the newly created adult-use cannabis industry due, in part, to a lack of access to capital, business space, technical support, and regulatory compliance assistance.*

*During the era of cannabis prohibition in California, the burdens of arrests, convictions, and long-term collateral consequences arising from a conviction fell disproportionately on Black and Latinx people, even though people of all races used and sold cannabis at nearly identical rates. The California Department of Justice data shows that from 2006 to 2015, inclusive, Black Californians were two times more likely to be arrested for cannabis misdemeanors and five times more likely to be arrested for cannabis felonies than white Californians. During the same period, Latino Californians were 35 percent more likely to be arrested for cannabis crimes than white Californians. The collateral consequences associated with cannabis law violations, coupled with generational poverty and a lack of access to resources, make it extraordinarily difficult for persons with convictions to enter the newly regulated industry....*

*It is the intent of the Legislature in enacting this act that the cannabis industry be representative of the state's population, and that barriers to entering the industry are reduced through support to localities that have created local equity programs in their jurisdictions. (California Legislative Information, section 2)*

To accomplish this goal, the Act lays the groundwork for cities and counties to establish local equity programs to help reduce barriers to entry in the legal cannabis industry. These programs allow those most harmed by cannabis criminalization have a more equitable opportunity to participate in the industry. SB 1294 created a fund for local jurisdictions which have created cannabis equity programs to apply for funding to assist local cannabis entrepreneurs who have been harmed by cannabis criminalization or disadvantaged by poverty enter into and successfully operate in the state's regulated cannabis marketplace. The purpose of this assessment is to help the City of Watsonville identify the impacts of cannabis criminalization and the War on Drugs as the City continues to implement and develop its cannabis equity plan.

The California Center for Rural Policy (CCRP) at Cal Poly Humboldt worked with the city of Watsonville to create a Cannabis Equity Assessment (CEA) to:

- Provide a data-informed look at the historical impact of cannabis criminalization and poverty on the community.
- Provide policy recommendations to guide the City as it continues to develop its local equity plan and program components to help former disenfranchised community members successfully gain access to the economic opportunities in the legal cannabis industry.
- Make recommendations for future research that will help assure that there is equity and diversity in the City's emerging cannabis industry.

In order to accomplish these objectives, CCRP partnered with Watsonville stakeholders to create this CEA. As the state of California navigates the transition to a legal cannabis market, the city of Watsonville is committed to equity as a key consideration in its local cannabis industry.

Watsonville's local cannabis equity program focuses on assisting smaller scale cannabis entrepreneurs to overcome barriers to entry and to build support for the City's long-term economic vitality. It is the intent of the equity plan to provide assistance to communities impacted by cannabis criminalization, so they are able to overcome barriers preventing equitable entry into the legal cannabis industry.

## 1.1 Key Findings

- The population of Watsonville is predominately Hispanic<sup>1</sup> and Spanish speaking (see Section 2).
- There continues to be a significant illicit cannabis market in Watsonville and the surrounding area, and this is likely the result of the significant barriers to entry and regulatory costs associated with the legal industry (see Section 3.2 and Section 6).
- Black and Hispanic households do not have the same access to the financial resources required to participate in the legal market. Black and Hispanic households have lower net worth and savings compared to white households, and Hispanic households are less likely to have access to a bank account compared to white households (see Section 6).
- The available data indicates that Watsonville has experienced two periods in which local cannabis arrest rates significantly exceeded statewide cannabis arrest rates. In the aftermath of the Great Recession (2007 - 2009), the cannabis arrest rate in Watsonville was twice the state average (see Section 3.4).
- Since the late 2000s, Watsonville has experienced a drug arrest rate that is generally much higher than the statewide drug arrest rate. Cannabis was a key driver of elevated drug arrest rates in the late 2000s and early 2010s (see Section 3.5).
- Hispanic individuals in Watsonville do not experience disproportionate arrests for cannabis possession after the year 2000, however Hispanic individuals did experience higher arrests for cannabis sales, especially compared to white people (see Section 3.4).
- Hispanic individuals in Santa Cruz County experienced disproportionate felony drug arrests from 1980 through the early 2000s, when arrest rates converged with white felony drug arrest rates (see Section 3.5).
- Watsonville's Black population experiences disproportionate cannabis arrest rates, a trend that has only become more pronounced in recent decades (see Section 3.4).
- Cannabis arrests were a primary driver of the disproportionate drug arrests experienced by Watsonville's Black community (see Section 3.5).
- Watsonville experiences unemployment that is substantially higher than the statewide average. This is exacerbated by seasonal unemployment; in the winter months, one out of five workers are typically unemployed (see Section 4.1).
- Watsonville experiences measures of income far below the statewide average. This is particularly pronounced for the Hispanic population in Watsonville. One quarter of Watsonville families have three or more income earners, and households in Watsonville tend to have more income earners than other jurisdictions. Therefore, median household income does not fully reflect the gap in income experienced by Watsonville residents (see Section 4.1).

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<sup>1</sup> We use the Census term Hispanic. However, we acknowledge that communities the Census includes in this category may identify instead as Latino/a/x Chicano/a, or other.

- The current official poverty rate fails to accurately reflect the historical or even current evidence of poverty and its effects on the community. Other indicators reveal that poverty in Watsonville is far more significant than the official poverty rate reveals. Additionally, the post Global Financial Crisis poverty rate in Watsonville was significantly higher than the statewide poverty rate, and communities in Watsonville, particularly Census tracts in the center and the southern end of the city, continue to experience elevated poverty rates (see Section 4.2).
- Measures of housing affordability and availability indicate that housing scarcity is a challenge for Watsonville residents. This is particularly acute for Watsonville's Hispanic population who are most likely to rent and more likely to experience crowded housing conditions (see Section 4.3).
- Levels of educational attainment in Watsonville are far below statewide levels. This appears to be driven in large part by language barriers, as slightly over a half of those 25 and older who speak Spanish at home have a high school diploma (see Section 4.4).

## 1.2 Recommendations and Considerations

A detailed and comprehensive analysis of Watsonville's existing cannabis equity plan is presented in Section 7, with comments, findings and considerations for each component of the cannabis equity plan. Generally, CCRP advises the city to:

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

See Section 7 for a comprehensive analysis of equity eligibility criteria and program benefits.

## Section 2. Overview of Watsonville

The City of Watsonville (incorporated 1868) is located in the southernmost part of Santa Cruz County. The City has a population of 52,590<sup>2</sup>, about one-fifth of Santa Cruz County's total population. The population, distinct from the predominantly affluent, white northern part of Santa Cruz County, is predominantly Hispanic (83.6%)<sup>3</sup>, Spanish speaking (72.9%)<sup>4</sup>, and working class. Watsonville is located in a productive agricultural region, and agriculture is one of the largest industries in the area, employing a significant population of migrant workers that typically travel to Watsonville during the spring and summer months and leave during the winter.

### Race/Ethnicity

The most significant ethnic category in Watsonville is Hispanic (83.6% compared with 39.1% in CA). Since 2010, the City has seen a significant decrease in the proportion of the population identifying as white, declining from 71.5% in 2010 to 44.0% in 2020, while the demographic of those identifying as Hispanic has increased from 78.7% to 83.6% during the same period. The City's Black population is less than a third of the state average (1.8% compared with 5.7% in CA). The proportion of Watsonville's population that identifies as American Indian and Alaskan Native is on par with the state averages (0.8% compared with 0.8% in CA). Approximately 36.1% (compared with the California average of 26.6%) of the City's population is foreign born<sup>5</sup>, and of the foreign born population, 92.0% were born in Latin America<sup>6</sup>.

In some Watsonville communities (*see fig. 2.1 and 2.2 below; communities outlined in red*<sup>7</sup>), nearly half of the population is foreign born, and in the southern portion of Watsonville, a majority of the population is Spanish speaking with limited English proficiency<sup>8</sup>. These demographic characteristics appear to correlate with socioeconomic characteristics discussed in Section 5.

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<sup>2</sup> American Community Survey (ACS) Table S2413

<sup>3</sup> ACS table DP02

<sup>4</sup> ACS table S1601

<sup>5</sup> ACS table S0501

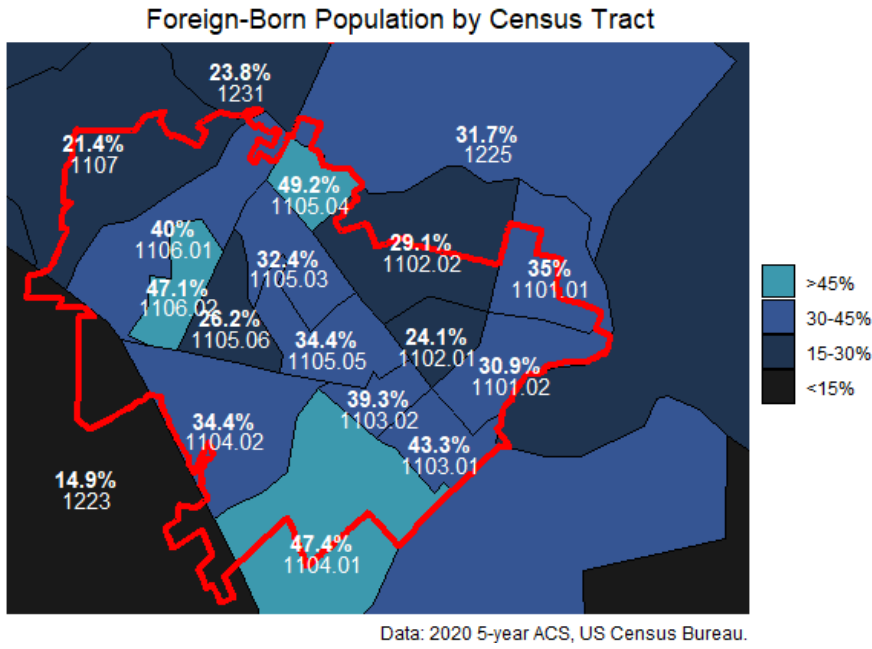
<sup>6</sup> ACS table DP02

<sup>7</sup> Census tracts 1223 and 1231 both contain small, noncontiguous Watsonville city outlying jurisdictions not shown in the map. There are also two small pockets in Census tracts 1224.04 and 1224.01. These outlying pockets appear to serve municipal functions. One for example is a park and another is a wastewater plant.

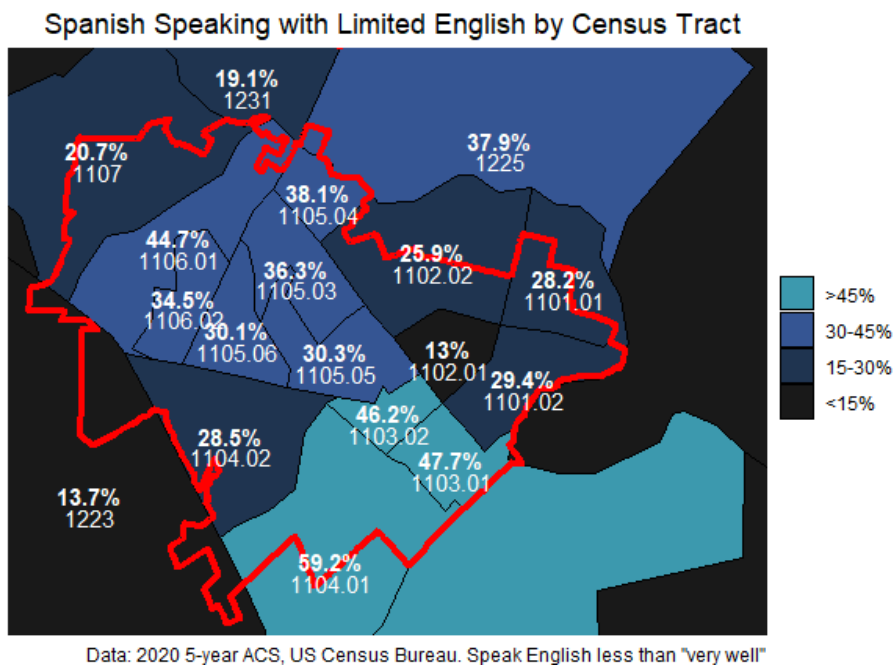
<sup>8</sup> ACS table DP02. Spanish speaking population that, according to the Census Bureau, "speak English less than 'very well'".



**Figure 2.1**



**Figure 2.2**



Income, Poverty, and Housing

Watsonville’s per capita income (\$22,595) is considerably lower than the state average of \$38,576. However, due to the fact that Watsonville households are on average larger than the state average, there is a lesser proportionate gap in median household income (\$61,496 compared

with \$78,672)<sup>9</sup>. The poverty rate (13.6%) is only slightly higher than the state average 12.6%<sup>10</sup>. However, for reasons discussed in Section 5, we conclude that this statistic fails to describe the economic realities in Watsonville. A lack of housing, in particular, as reflected by low affordability and crowded housing conditions, reveal the challenges that many in the community face in attaining a minimally adequate standard of living.

### Educational Attainment

Rates of educational attainment in Watsonville are considerably lower than the state average. For the population 25 years and older, only 64.3% hold a high school diploma (compared with 83.9% in California), and for those who speak Spanish at home, only slightly more than half hold a high school diploma. Rates of bachelor's degree attainment for those 25 and older is slightly more than a one-third of the state average at 13.3%<sup>11</sup>.

### Veteran Status

Watsonville is home to less military veterans proportionately than that of the state: 2.8% compared to 5.0%<sup>12</sup>. Veteran populations are particularly afflicted with post-traumatic stress disorder (PTSD), and PTSD is associated with greater risk of substance abuse disorder (Gradus). Cannabis use disorder in particular is common among veterans (9.1%) and especially common among veterans with PTSD (12.1%) (Browne et al.).

While the city has a smaller population of veterans than the state, of this population, 41.8% are veterans of the Vietnam War, surpassing the state rate of 34.8%. Vietnam veterans were significant consumers of cannabis and other drugs. Studies indicate that a majority of Vietnam veterans in 1970 had used cannabis while in Vietnam, and for some veterans, cannabis use or use of other drugs lead to addiction. Circa 1970 - 1971, one-fifth of Army veterans were addicted to a drug during deployment (Stanton).

### Youth Drug and Alcohol Use

Rates of youth drug and alcohol use in the Watsonville area are very similar to statewide averages, and students in the Pajaro Valley Unified School District report cannabis use at very similar rates to statewide averages.

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<sup>9</sup> ACS table DP03

<sup>10</sup> ACS table S1701

<sup>11</sup> ACS table S1501

<sup>12</sup> ACS table S2101

## Section 3. Equity Analysis

### 3.1 Methodology

The goals of *The City of Watsonville Cannabis Equity Assessment (CEA)* are to:

- Provide a data-informed look at the historical impacts of poverty and cannabis criminalization on the community.
- Provide policy recommendations to guide the city to develop a local equity plan and program components which will help former disenfranchised community members successfully enter the legal cannabis workforce.
- Make recommendations for future research that will help assure that there is equity and diversity in the City's local emerging cannabis industry.

To achieve these goals we analyzed data from the following sources:

- The Decennial Census and American Community Survey from the US Census Bureau
- Arrest data provided by the Watsonville Police Department
- Arrest data drawn from the FBI Crime Data Explorer website
- Arrest data from the California Department of Justice
- Interviews with local stakeholders, including the Watsonville Police Department

### 3.2 Impacts of Cannabis Criminalization

#### *Introduction*

In 1970, the year before President Nixon declared drug abuse 'public enemy number one,' the US state and federal prison population was less than 200,000. Two decades later in 1990, the prison population had ballooned to over 700,000 - about 400,000 of whom were serving time for non-violent offenses. By 2000, the prison population had reached 1.6 million (The Sentencing Project). It is perhaps unclear whether Nixon's intended 'public enemy number one' was drug abuse or the drug user. As one Nixon aide recalled:

*We knew we couldn't make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest their leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news. (Baum)*

Regardless of intent, the War on Drugs succeeded in disrupting communities, especially communities of color. However, this effect remained relatively mild until the Reagan Administration in the early 1980s, when policies, such as the 1986 Anti-Drug Abuse Act, severely increased penalties for drug offenses, including simple possession (United States Congress). Increased federal enforcement, policies such mandatory minimums, and an arbitrary distinction between powdered and crack cocaine all contributed to an explosion in arrests and incarceration rates that overwhelmingly impacted Black and Hispanic populations.

Locally, Santa Cruz County had an experience typical of the era. Felony drug arrests for Black individuals in the county increased by an order of magnitude in the 1980s, rising from about 500 per 100,000 Black individuals in 1980 to a peak of 4,500 per 100,000 in 1988. During the same period, the Hispanic populations of Santa Cruz County experienced an increase in drug arrests from 119 per 100,000 Hispanic individuals to over 1,000 per 100,000 (see Section 3.5). Data on cannabis arrests is extremely limited prior to 2000; however, in the early 1990s, a survey included in the CAMP reports indicates a significant increase in cannabis arrests in Santa Cruz County from 1991 to 1994 (Library Special Collections & Archives).

While the goal of federal enforcement efforts was to impede the foreign supply of cannabis, their efforts inadvertently made domestic cannabis production more profitable, and thus more desirable to those not dissuaded by the risk of operating in an illicit market. For example, starting in 1975 and continuing through 1979, the U.S. government paid Mexico to spray the herbicide Paraquat on its cannabis fields and advertised the practice widely in the media to scare U.S. cannabis consumers away from Mexican sources. The value of domestic cannabis crops, which could easily be distinguished from its highly seeded Mexican counterparts, skyrocketed. The late 1970s witnessed a “Green Rush” in which both criminal organizations as well as communities living in poverty realized the potential of cannabis as a domestic cash crop.

California was home to some of the earliest domestic cannabis cultivators as well as to the 1960s counterculture movement. Cannabis use became more prevalent and this helped fuel a growing cannabis industry in California. The state experienced an extraordinary rise in cannabis arrests in the 1960s and early 1970s. By 1974, annual cannabis arrests increased 20 fold from the early 1960s to 103,097, most of which were felony arrests (Gieringer). The next year, legislators passed the Moscone Act which eliminated prison time for minor cannabis offenses. The year after that, annual cannabis arrests fell to about 50,000 and felony arrests to about 20,000 (California Norml). In the late 1970s, the state began to focus on disrupting the supply of cannabis and pursuing efforts to eradicate the state’s expanding cannabis cultivation networks.

## *Cannabis Cultivation and CAMP Raids*

CAMP was a joint task force created in 1983 to coordinate federal, state, and local agencies for at least eight weeks every year between August and October to locate and eradicate primarily outdoor cannabis agriculture. It was timed to maximize garden visibility close to harvest time, usually the first rains of October.

Watsonville, being a part of the broader Santa Cruz County, was close to the heart of early cannabis eradication campaigns. Santa Cruz County, particularly in the 1980s and early 1990s, though not at the level of Humboldt or Mendocino counties, was a major producer of cannabis and home to many of the earliest cannabis cultivators in California (The California Center for Rural Policy 2021). Because of this, Santa Cruz County was a major target of early eradication efforts in the late 1970s, continuing through the 1980s and 1990s<sup>13</sup>.

Watsonville and the surrounding areas have historically been and continue to be home to both illicit outdoor and indoor cannabis cultivation networks. Additionally, The Watsonville Police Department reports that the city is a destination and distribution point for cartels<sup>14</sup>. Joint federal, state and local efforts by the Campaign Against Marijuana Planting<sup>15</sup> (CAMP) beginning in the early 1980s to eradicate outdoor cannabis cultivation in the rural parts of the state led to higher cannabis prices<sup>16</sup>, whereas the targeting of outdoor cultivation led many cultivators to transition to indoor cannabis production<sup>17</sup>. These higher prices, however, (driven also in part by policies at the national level) along with the higher risk profile, attracted a different type of cultivator into the area<sup>18</sup>; many of them associated with Mexican drug trafficking organizations (DTOs). Eventually, Mexican DTOs came to dominate the outdoor cultivation industry, whereas an expanding indoor cultivation scene in Santa Cruz County came to be dominated by white

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<sup>13</sup> CAMP reports and corroborated by WPD

<sup>14</sup> Interview with Watsonville Police Captain Sep 20, 2022

<sup>15</sup> CAMP's funding sources came from an array of law enforcement and environmental bureaucracies that changed over time, but were dominated by the U.S. Drug Enforcement Agency (DEA) and California's Bureau of Narcotics Enforcement (BNE). Federal agencies that also contributed included the U.S. Forest Service, Coast Guard, Customs, Marshalls, Internal Revenue Service (IRS) and Alcohol Tobacco and Firearms (ATF). Significant California agencies included the Bureau of Land Management (BLM), Fish and Game, Forestry, Corrections and the California Highway Patrol (CHP).

<sup>16</sup> See CAMP reports survey results for Santa Cruz County.

<sup>17</sup> By 1991, CAMP report survey results indicated a trend toward more indoor cannabis cultivation in Santa Cruz County.

<sup>18</sup> Perhaps the CATO Institute said it best: "Proponents of prohibition argue that these policies disrupt and dismantle drug cartels. In practice, however, prohibition appears to promote cartelization of the drug industry. Recall that drug prohibition keeps some suppliers out of the drug market—those unwilling or unable to take the risks associated with operating in an illicit industry. Those individuals and groups that remain are those more comfortable with using violence and engaging in illicit activity. In a legal market for drugs, not only would the costs and benefits of using violence change (violence would be less attractive), but new entrants could more easily penetrate the market. Over time, monopoly power would be eroded as in other competitive markets. As such, cartels would be unlikely to form and would be extremely difficult, if not impossible, to maintain."

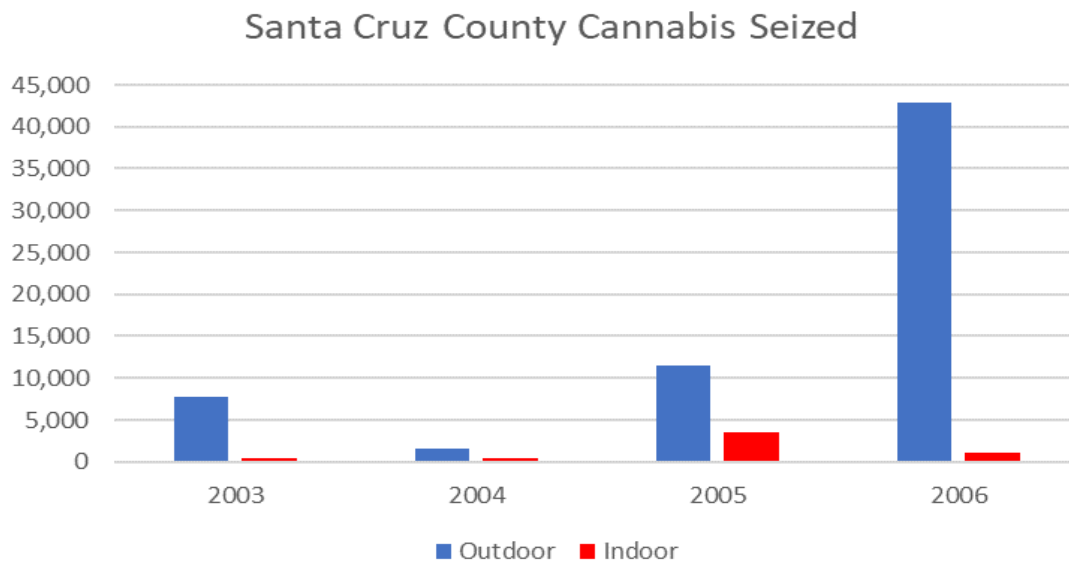
See <https://www.cato.org/policy-analysis/four-decades-counting-continued-failure-war-drugs>

producers (National Drug Intelligence Center 2007). The 2003 CAMP report was quite clear in their assertion, reporting: “Since 1985, Mexican National Drug Organizations have taken control of marijuana cultivation. It is no longer a trend. These cartels are now in control of marijuana cultivation in California” (Library Special Collections & Archives).

The Mexican DTOs were known to be heavily armed and inclined to resort to violence to protect their high value crops from other cultivators as well as law enforcement (National Drug Intelligence Center 2011). The Mexican DTOs are also reported to have, in many cases, coerced Mexican immigrants into working on their scenes as payment for helping them enter the US, or for protecting their families in Mexico (National Drug Intelligence Center 2011). Often these criminal elements brought to nearby communities associated violence, and a 2007 Department of Justice report indicated increased gang membership and violence in “cities in Santa Cruz and Monterey Counties,” an observation corroborated by the Watsonville Police Department (National Drug intelligence Center 2007, 12)

The mid 2000s witnessed a massive acceleration in cannabis seizures (*fig. 4.1 below*). In 2006 for example, outdoor cannabis seizures in Santa Cruz County were 42 times greater than indoor seizures, reflecting in part law enforcement priorities toward large-scale, foreign organized crime cultivation, particularly on federal land (National Drug Intelligence Center 2011, 7; The California Center for Rural Policy 2019). Those who worked on these farms, many of them Mexican immigrants, were on the frontlines of these impacts. Conversely, indoor cannabis operations, operated predominantly by white cultivators, were clearly not the primary focus of law enforcement. However, there are still several examples of significant indoor busts in the Watsonville area, notably a 2012 case involving two white men in their 60s in what is reportedly the “largest ever indoor bust in Santa Cruz County” (Larson).

**Figure 3.1**



## *Market Saturation and Regulatory Costs Contribute to a Post-Legalization Illicit Cannabis Market*

In November 2016, California passed Proposition 64 which legalized recreational cannabis use and gave counties and cities the authority to regulate its production and distribution. Shortly after, the city of Watsonville passed an ordinance specifically banning non-medical cannabis production. However, in February 2018 the City repealed the ban, paving the way for adult-use cannabis production and sales for permitted businesses (see Appendix).

Despite legalization, profit opportunities continue to draw cultivators into the illicit market, and a significant illicit market continues in the Watsonville area. By one estimate, about 75% of cannabis consumed in California is still produced illegally, and there continues to be massive cannabis busts in Watsonville and surrounding areas (Waintal; He). The significant barriers faced by legal cultivators fuel this trend towards a thriving illicit market in Watsonville<sup>19</sup> — in addition to the legal industry being increasingly competitive, legal producers are also subject to high regulatory costs and taxes (Vanderheiden; Garofoli). Additionally, legal cultivators are faced with the difficulty of competing with lower priced, illegally produced cannabis<sup>20</sup>. Thus, there continues to be a strong incentive to operate outside the law when it comes to producing cannabis and cannabis products in Watsonville. Because of this trend, Watsonville continues to be impacted, to a degree, by cannabis criminalization, and the City continues to experience a steady stream of cannabis arrests for production and sales (see Section 3.3).

Black and Hispanic individuals tend to have less access to the resources needed to participate in the legal industry (see Sections 4 and 6), and these economic inequities have resulted in inequities in the legal cannabis industry. This phenomenon is particularly evident in Watsonville as officials there shared with CCRP that the legal cannabis industry in Watsonville is predominately white and does not reflect the ethnic composition of the community<sup>20</sup>. The criminalization of unpermitted cannabis production and sales, therefore, continues to impact communities of color in Watsonville both in terms of forgone opportunities and risk of criminal charges for those who choose to produce and sell a substance that, if not for the absence of a permit, would be legal under California law.

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<sup>19</sup> August 12, 2022 Interview with WPD

### 3.3 History of Cannabis Policy Reforms in California and Watsonville

#### *State of California Regulations*

In 1975, California passed its first major cannabis reform, the Moscone Act, in response to soaring cannabis arrests in the state. The law reduced the penalty for minor cannabis offenses eliminating prison time for many cannabis arrests.

In 1996, California passed Proposition 215, also known as the Compassionate Care Act. The Compassionate Care Act created an affirmative defense for patients and qualified caregivers to cultivate and possess cannabis for personal use. No state regulatory structure was put in place. California voters continued to push for policies to decriminalize drug use, as evidenced by the voter-approved Substance Abuse and Crime Prevention Action in 2000, which allowed the state to offer eligible offenders convicted of drug use and/or possession treatment instead of jail time. California was the first state in the United States to legalize cannabis for medical use. Santa Cruz County, following San Francisco County, had the second-highest proportion of ‘yes’ votes with 73.6% voting in favor of the Proposition, indicating the county’s openness to reform (Jones). In 2004, the California Legislature passed Senate Bill 420, clarifying that individual jurisdictions were allowed to regulate medical cannabis independently.

In 2010, Senate Bill 1449 reduced the penalty of marijuana possession of less than an ounce of cannabis from a misdemeanor to an infraction resulting in a small fine without any jail time. After the passage of this bill in 2010, cannabis possession arrests declined significantly statewide.

In 2016, California established a legal framework to regulate and monitor cannabis dispensaries with the passage of the Medical Marijuana Regulation and Safety Act (MMRSA), later renamed the Medical Cannabis Regulation and Safety Act (MCRSA).

On November 8, 2016, California voters passed Proposition 64: the Adult Use of Marijuana Act (AUMA). Proposition 64 legalized the distribution, sale, and possession of cannabis and decriminalized the possession, use, cultivation and sale of adult-use cannabis. It also provided for the expungement of low-level marijuana offenses and authorized training for cannabis careers, grants, and loans. Proposition 64 passed with 57% of the vote statewide and 73.6% in Santa Cruz County. MCRSA and AUMA were integrated as MAUCRSA (Medicinal and Adult-Use Cannabis Regulation and Safety Act) in 2018.



## *Regulations and Reforms in Watsonville*

Watsonville maintained a ban on medical cannabis production and dispensaries from 2007 through 2016, when, in 2016, the City lifted the ban. However, later that year, in response to Proposition 64, the City passed an ordinance specifically banning non-medical commercial cannabis.

In February 2018, Watsonville legalized adult-use commercial cannabis cultivation. In March 2019, the City created its cannabis equity program, and in June 2020 the City set aside one cannabis permit of each type for applicants who satisfy the cannabis equity eligibility criteria. A detailed ordinance history from the year 2000 forward is given in the Appendix.

### 3.4 Cannabis Arrest Rates and Racial Disproportionality in Watsonville and California

To assess the impacts of cannabis criminalization and the War on Drugs, we focus our analysis on two dimensions. First, we assess whether Watsonville as a whole experienced a higher than average impact of cannabis criminalization and the War on Drugs relative to the state. Second, we assess whether Hispanic and historically underserved communities within Watsonville experienced a disproportionate impact of cannabis criminalization and the War on Drugs relative to Watsonville as a whole.

Public data related to cannabis and other drug-related arrest rates for the city of Watsonville and statewide was obtained from the Uniform Crime Reporting Program (Federal Bureau of Investigation). Additionally, we received cannabis arrest data directly from the Watsonville Police Department. Watsonville<sup>20</sup> and California population and demographics statistics were accessed from the US Census Bureau (FRED).

#### Watsonville - Cannabis Arrest Rates

To inform our analysis of arrest rates, it is useful to analyze cannabis use rates (*fig. 3.2 below*). At the national level, employment, sex, educational attainment, and to a lesser extent race/ethnicity are all related to cannabis use rates (Substance Abuse and Mental Health Services Administration).

Although non-Hispanic Black people report slightly higher cannabis use rates than white, non-Hispanic people, this small difference does not explain the wide Black/white arrest

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<sup>20</sup> See Census tables B01003, P1 and DP1. Watsonville population for other years were estimated using a linear interpolation method between the 1990, 2000, and 2010 Census values.

disparities we observe in the next section (*fig. 3.2*). Hispanic individuals, despite being overrepresented in prisons and arrest data<sup>21</sup>, report lower-than-average cannabis use rates.

Sex and educational attainment are also a factor in cannabis use. Men are almost twice as likely to report cannabis use in the past month than women, and those with a four-year college degree are less likely to use cannabis than those without.

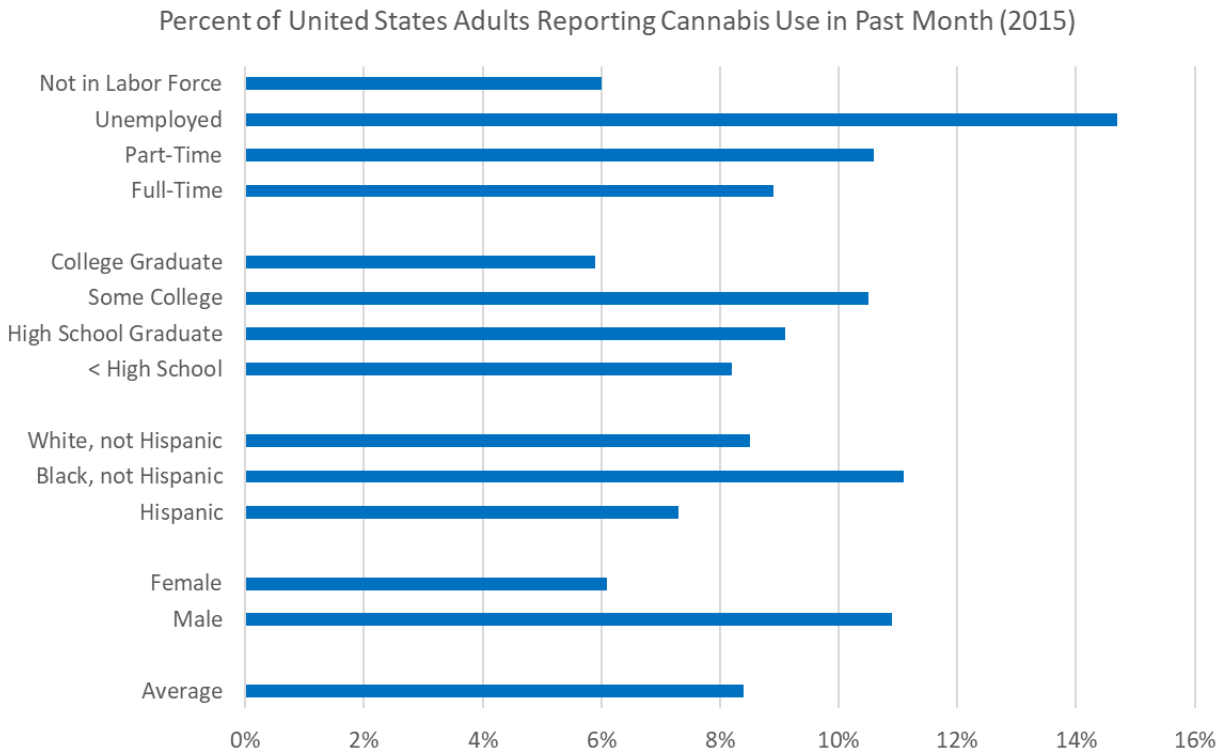
Unemployment is a key factor in cannabis use, where unemployed individuals are more than twice as likely to report cannabis use than those with a full-time job. Although the nature of any cause-and-effect relationship between unemployment and cannabis use is unclear, some scholarship provides evidence that causality goes both ways, with unemployment contributing to cannabis use and cannabis use contributing to unemployment (Boden et al.). It is therefore reasonable to expect that cannabis use may rise during periods of high unemployment.

In a community such as Watsonville, with levels of educational attainment much lower than the state average and higher rates of unemployment (see Section 4), we expect to see higher rates of cannabis use. A greater prevalence of cannabis use and sales would create more opportunities for law enforcement to detect cannabis possession or sales and therefore produce a consequent rise in cannabis arrest rates.

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<sup>21</sup> As discussed below.

**Figure 3.2**



*Assessing the Impact of Cannabis Criminalization on the Watsonville Community*

To assess the impact of cannabis criminalization in Watsonville, we utilize the following data sources:

1. FBI-sourced cannabis possession and sales arrest time-series data reported by the Watsonville Police Department (WPD) as well as for California from 1994 to 2020. Unfortunately, we discovered that for these data, possession arrests are not reliable prior to 2000<sup>22</sup>. We refer to this data as “FBI Data” in the graphs below.
2. Cannabis possession and sales arrest time-series data provided directly from WPD for years 2000 to 2020. We refer to this data as “WPD Data” in the graphs below.

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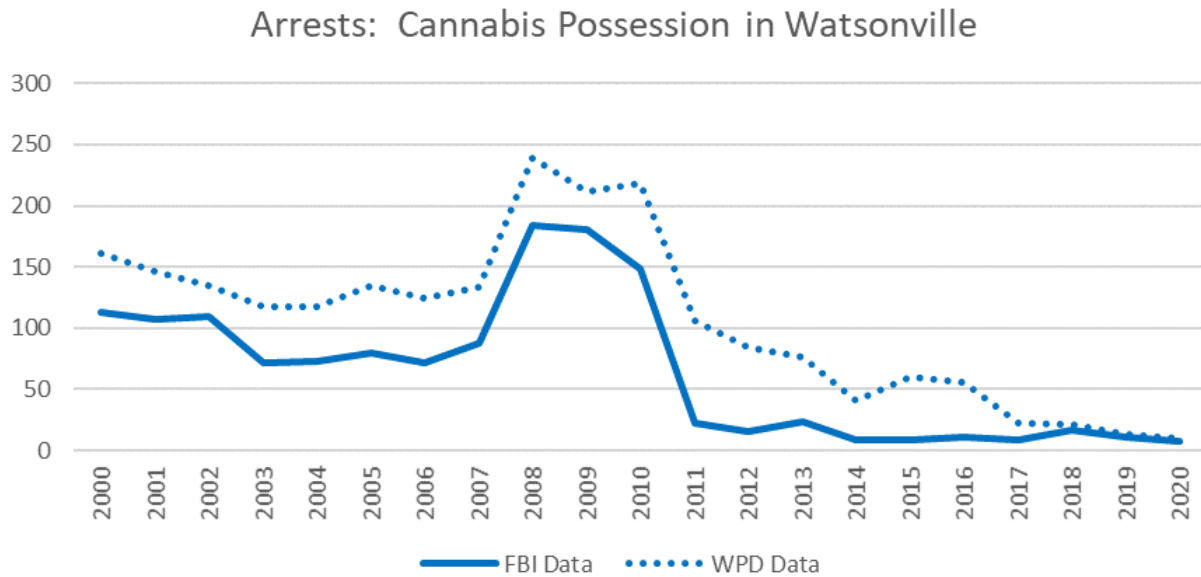
<sup>22</sup> We noticed an anomaly in the FBI data for Watsonville arrests. A statistically improbable change in reported cannabis possession arrests from 1999 to 2000 is so unlikely that it calls into question whether the change is an organic change in arrests or rather a change in reporting practices. We contacted Watsonville Police Department (WPD) officials regarding this data anomaly, and they shared with CCRP that the FBI data for cannabis possession arrests prior to 2000 are not reliable, and that the anomaly likely reflects an administrative or procedural error or change in practice. The WPD additionally provided CCRP data of cannabis arrests from 2000 to 2020. Therefore, we report cannabis arrests from both datasets from 2000 to 2020. The anomaly in the FBI data appears only to have affected the reporting of FBI cannabis possession arrests and not sales arrests. FBI-sourced cannabis possession arrest counts for 1994 through 1999 are three, four, six, five, eight and ten, respectively.

3. Cannabis arrest summary data provided directly from WPD that totals cannabis arrests by race or ethnicity for years 2000 to 2020.

The FBI and internal WPD time-series data are not identical, but they do appear consistent with one another. Differences between the datasets may reflect, to some degree, the interpretation of reported arrests by the FBI; however, the WPD shared that their data does include the presence of duplicates, and these duplicates likely explain why the WPD data trend higher than the FBI data. Thus, where the magnitude of arrests is a critical consideration, such as when assessing the relative impact of cannabis arrests, the FBI data is a better indicator — whereas when assessing trends over time in cannabis arrest data, the WPD data provides a useful insight to properly assess local conditions. The separate WPD data discussed below that breaks down arrests by arrest and ethnicity demographics do not appear to have duplicate arrest counts, as the arrest totals appear consistent with FBI arrest totals for the 2000 to 2020 time period.

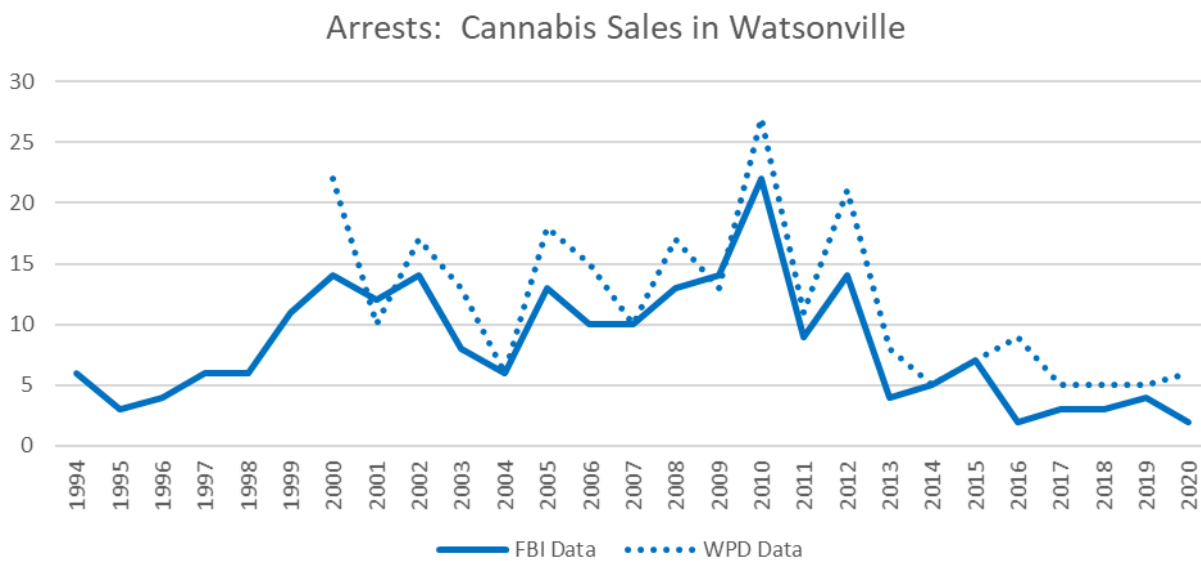
From 2000 to 2020, the vast majority of cannabis possession arrests in Watsonville took place during an eleven year time period spanning 2000 to 2010 (*fig. 3.3 below*). There is a substantial increase in cannabis possession arrests in Watsonville beginning in 2008 followed by a sharp decline in 2011 after the 2010 California Senate Bill 1449 that reduced possession of less than an ounce of cannabis from a misdemeanor to an infraction.

**Figure 3.3**



Following a decline in 1995, FBI data indicates an increase in cannabis-sales arrest rates (*fig. 3.4 below*) that began in the mid-1990s and remained elevated throughout the late 1990s through 2012. The FBI and WPD arrests for cannabis sales and manufacturing data are very consistent with one another, though we note that the WPD arrest figures are generally higher than the FBI counts.

**Figure 3.4**



Comparing arrest data for both possession and sales to California state averages provides a helpful way to gauge the relative intensity of the War on Drugs with respect to cannabis prohibition in Watsonville. We compare both datasets to cannabis arrests reported statewide—however, Watsonville FBI data, as opposed to WPD-sourced data, are more directly comparable to the statewide FBI data due to consistency in reporting practices<sup>23</sup>.

Relative to California, there are two distinct episodes in which the intensity of cannabis arrests in Watsonville significantly exceeded statewide levels: one in the early 2000s and another in the late 2000s. Between 2000 and 2003, the unemployment rate in Santa Cruz County increased to a peak rate of 7.8%, in 2010, the unemployment rate in Watsonville reached an exceptional 17.2%<sup>24</sup> (see Section 4). As discussed in Section 4, unemployment is an ongoing challenge for Watsonville, and the local workforce is particularly susceptible and vulnerable to unemployment. Research indicates that prolonged periods of unemployment contribute to cannabis use, and it is possible that cannabis use rates increased as a result of exceptional rates of unemployment during these periods (Boden et al.). Regardless of the cause, this rise in cannabis arrests was a compounding hardship for a community struggling with exceptionally high unemployment during these periods.

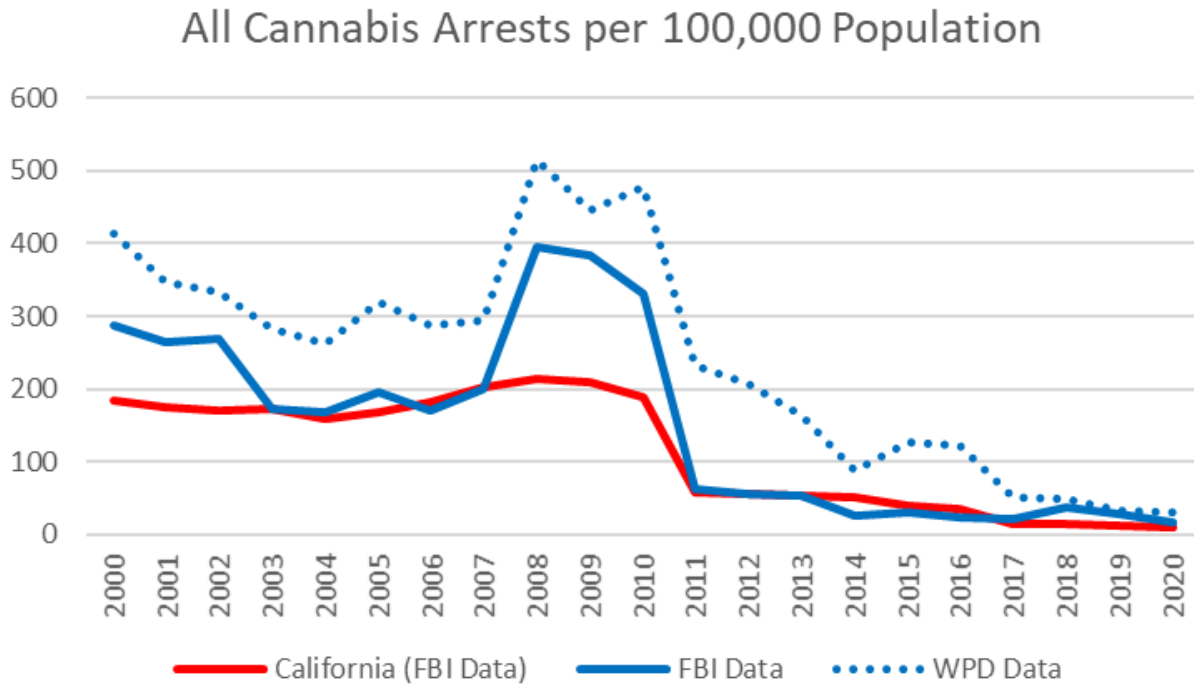
During the late 2000s, just prior to the 2010 Senate Bill 1449, Watsonville cannabis arrests rates reached levels twice that of the statewide level. Cannabis-possession arrest rates began to return to statewide averages only after California Senate Bill 1449 reduced possession of less than an ounce of cannabis from a misdemeanor to an infraction. We conclude that cannabis criminalization had a greater impact on the Watsonville community in terms of arrests than what is typical of the statewide impact during this period.

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<sup>23</sup> Differences in reporting practices that result in the differences between WPD data and Watsonville FBI data may also cause a difference between WPD data and statewide FBI data.

<sup>24</sup> The Watsonville rate is not available prior to 2010. Since the Watsonville rate is consistently higher than the Santa Cruz County and state rates during the time period for which we have data, we expect that Watsonville rate would likely have been higher than both the Santa Cruz County and state rates for years prior to 2010.

**Figure 3.5**



*Assessing the Impact of Cannabis Criminalization on Communities within Watsonville*

The WPD provided CCRP a separate cannabis arrest data set that breaks down arrests by race and ethnicity for years beginning 2000 through the end of 2020. These data do not appear to have duplicate arrests, and the total arrests are consistent with, though not identical to, total arrests arrest figures from the FBI. Unlike the FBI data, these data break down cannabis arrest data by racial demographics, generating data specific to the Hispanic population of Watsonville.

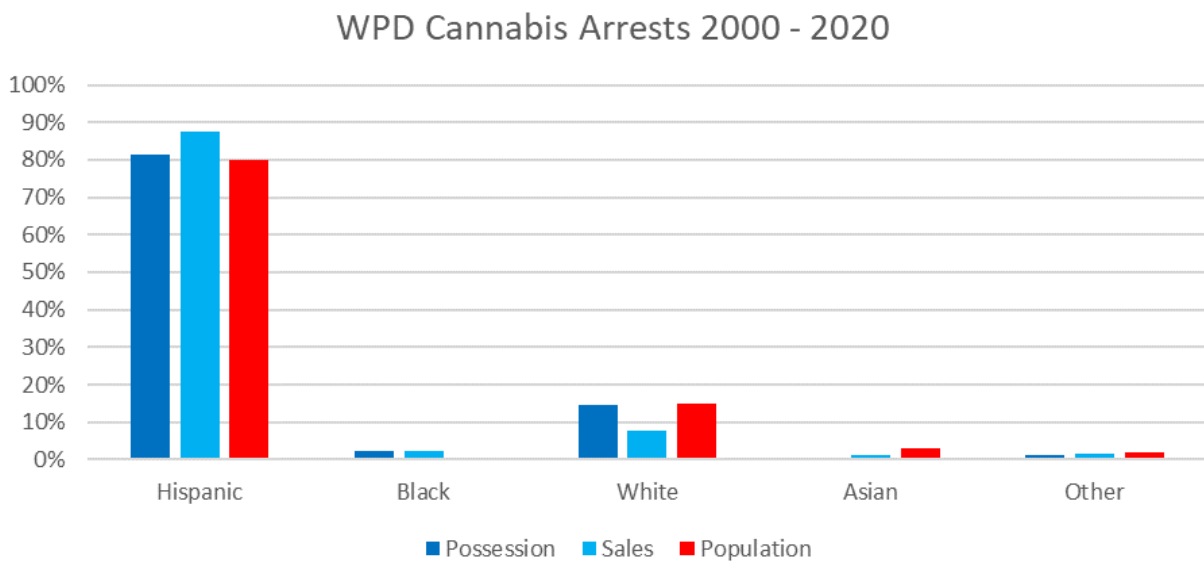
**Hispanic Population Cannabis Arrest Rates**

Possession arrests rates for Hispanic individuals closely match the Hispanic population<sup>25</sup> in Watsonville, indicating that the Hispanic population does not appear to have experienced a disproportionate frequency of cannabis possession arrests for years after 1999 (*fig 3.6 below*). However, during this period Hispanic individuals experienced a disproportionate frequency of sales arrests relative to white individuals, indicating that the Hispanic population in Watsonville appears to have experienced a disproportionate impact of cannabis enforcement efforts targeting cannabis production and sales.

<sup>25</sup> Race and ethnic population counts are the average of the 2000, 2010, and 2020 Census estimates. See Census tables DP1 and P2.

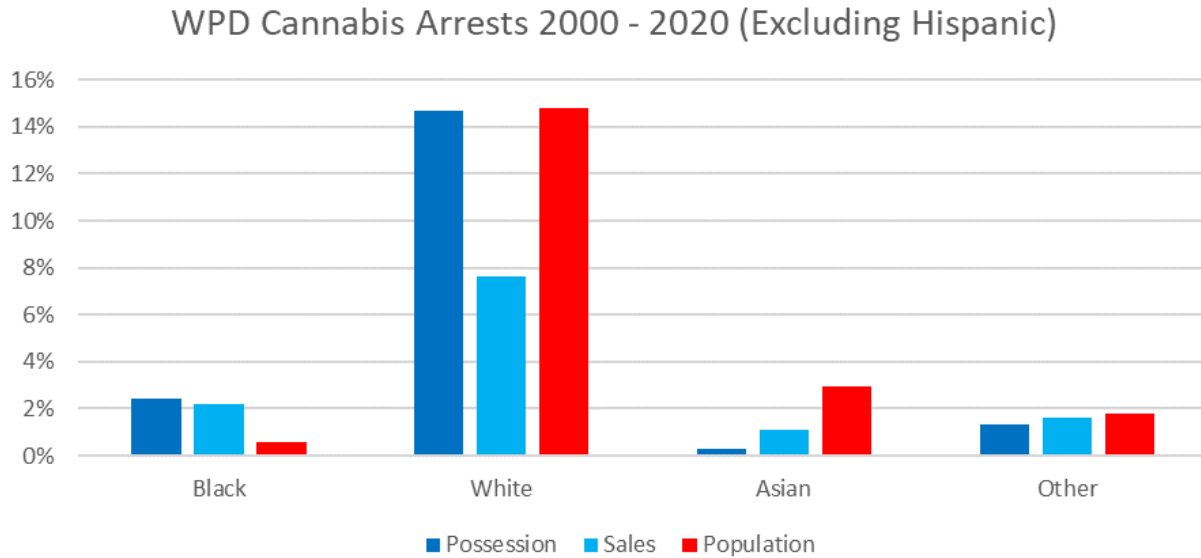
These findings correspond with the findings in Section 4.2, which found that law enforcement efforts, particularly in the early 2000s, focused primarily on outdoor cannabis grows. The majority of these cannabis grow sites were operated by Mexican cartels and largely staffed by Mexican nationals and immigrants, many of whom out of economic necessity or coercion work on the illicit outdoor grows. While these sites were heavily targeted by law enforcement eradication efforts, the predominantly white-owned, indoor grow operations were less of a focus of law enforcement efforts. This disparate effect of cannabis enforcement policies may be a factor in explaining the disparity in white sales arrests, even while cannabis possession arrests for white individuals match their population figure.

**Figure 3.6**





**Figure 3.7**



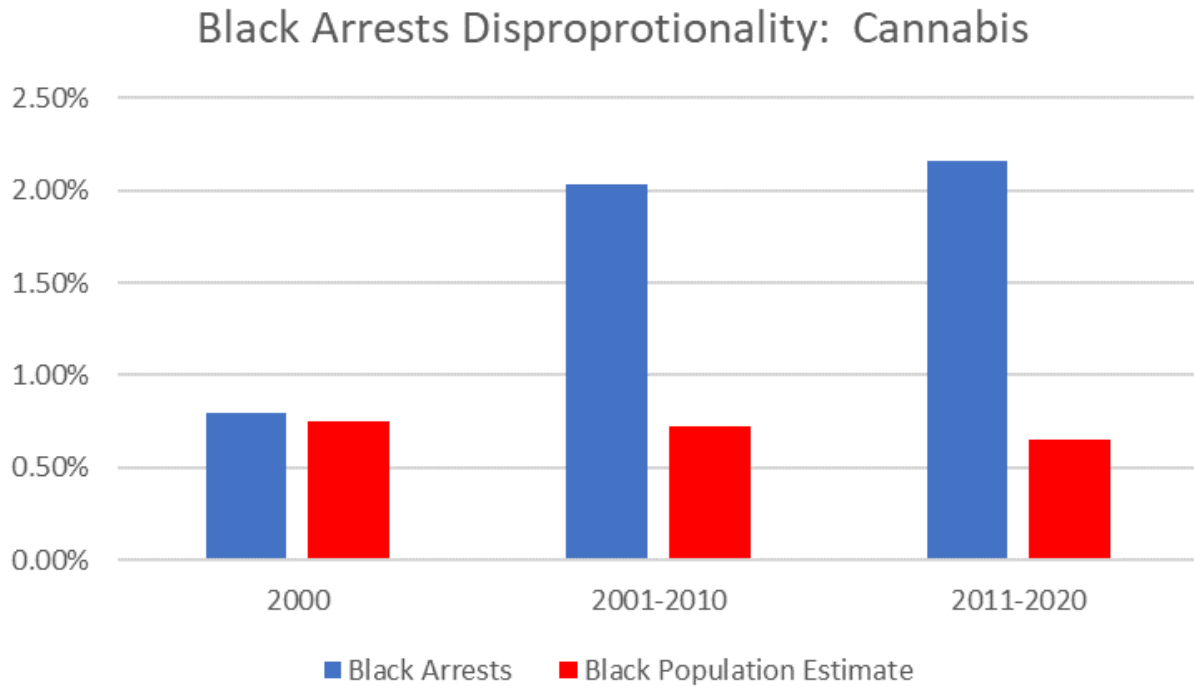
### Black Population Cannabis Arrest Rates

In every state and in over 95% of counties in the United States with more than 30,000 people in which at least 1% of residents are Black, Black people are arrested at higher rates than white people for cannabis possession. Racial disparities in arrests in Santa Cruz County are similar to the statewide disparity. From 2000 to 2018, California residents who identify as Black or African American were 1.8 times more likely to be arrested for cannabis (either possession or sales) compared to white people; during the same period in Santa Cruz County, Black individuals were 1.7 times more likely to be arrested for cannabis compared to white people (American Civil Liberties Union).

Within the City of Watsonville, the Black population has experienced a disproportionate frequency of cannabis arrests (*fig. 3.8 below*). FBI data indicate that while the Black population has remained approximately the same, there is an increasing rate of Black cannabis arrests (possession and sales) over time, indicating that the factors that contribute to this phenomenon have increased in significance over recent decades<sup>26</sup>. These observations match the data provided by WPD above.

<sup>26</sup> FBI arrest data. Arrest data provided by WPD are not time series data and do not allow us to analyze the trend over time. Population was estimated by averaging Decennial Census estimates. For the 2001-2010 and 2011-2020 decades, we averaged the Decennial Census estimate of the “Black and African American alone” estimates at the beginning and end of the decade. See ACS tables P1, PL001. Arrest data for years prior to 2000 are unreliable.

**Figure 3.8**



We conclude that not only was the Watsonville community as a whole disproportionately impacted by higher cannabis arrests relative to the statewide rate, but communities of color in Watsonville experienced an even more disproportionate impact of arrests relative to the white, non-Hispanic population of Watsonville.

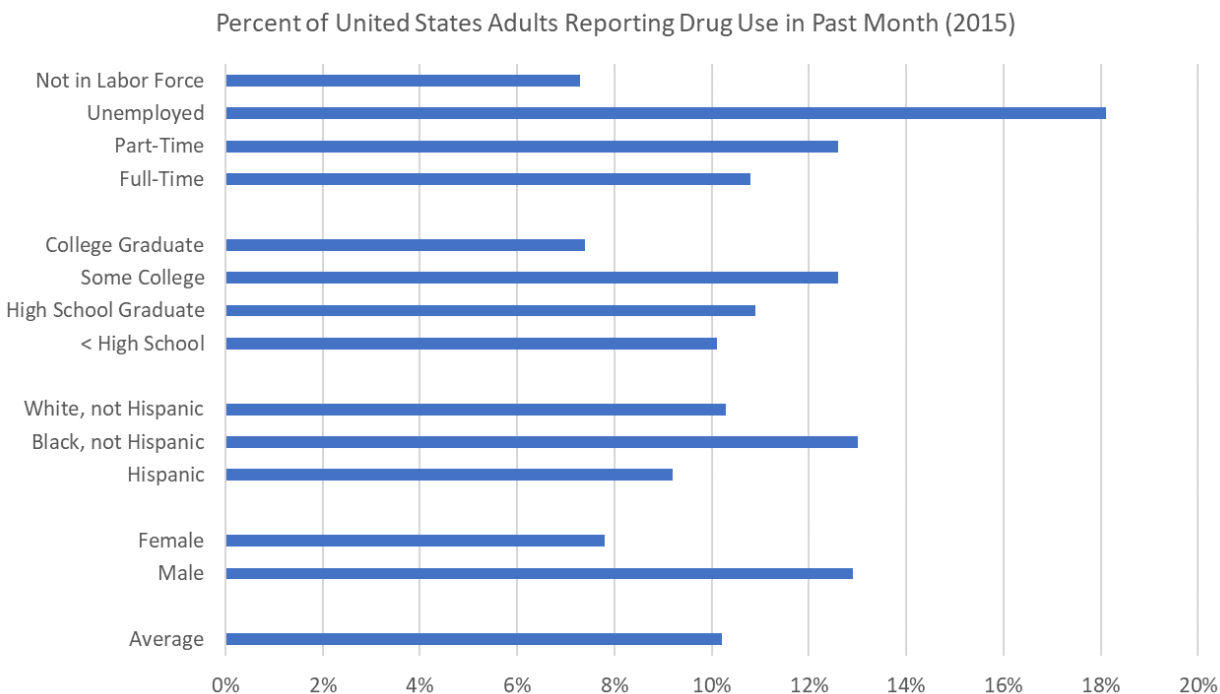
While Watsonville’s Hispanic population appears to have experienced only slightly higher cannabis sales arrest rates as well as cannabis possession arrests that are proportional to their population, this is only the case for the years 2000 to 2020. As discussed in Section 4.5 below, Hispanic individuals in Santa Cruz County were disproportionately arrested for felony drug arrests prior to the early 2000s, and this is highly suggestive that if reliable cannabis arrest data for the City of Watsonville were available for years prior to 2000, it may indicate a different conclusion for pre 2000 time period. The relationship between drug arrest rates and race and ethnicity over time is explored further in the next section.

### 3.5 All Drug Arrests Rates and Racial Disproportionality in Watsonville, Santa Cruz County, Statewide, and Nationwide

#### Watsonville - Drug Arrest Rates

At the national level, general drug use patterns mirror cannabis use rates (*fig. 3.9 below*). Drug use correlates significantly with sex, employment, education, and to a lesser extent race. Similar to cannabis use rates, the small differences in drug use rates by race do not explain the wide disparities in arrests rates by race.

**Figure 3.9**



*Assessing the Impact of Drug Enforcement on the Watsonville Community*

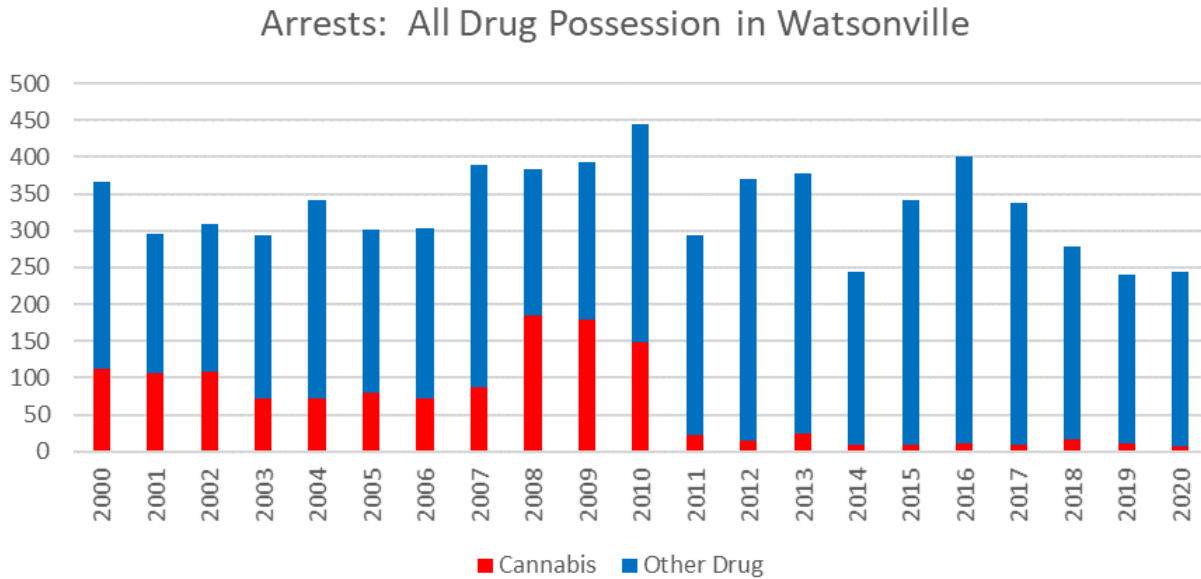
For general drug arrest data, we draw city-level data from the FBI as well as county-level data from the California Department of Justice (State of California: Department of Justice).

Watsonville city officials shared with CCRP that the City has a history of drug and alcohol issues. Watsonville’s strict alcohol ordinances reflect this legacy; for example, alcohol sales establishments must close at 10:30p.m. weekdays and 11:30p.m. weekends. While gauging the level of use is a challenge, youth drug and alcohol use in Watsonville appear similar to statewide averages (Section 5) and recent drug overdose deaths at the county level are similar to the statewide average (County Health Rankings).

There is an elevated level of all drug arrests reported to the FBI during the 2000s (*fig. 3.10 below*). However, unlike cannabis arrests, which declined substantially after 2010, arrests for all drug possession remained elevated. For total drug sales arrests, there is a rapid acceleration in the

late 2000s, a peak in the early 2000s, and a downward trend that continues through the data time period<sup>27</sup>.

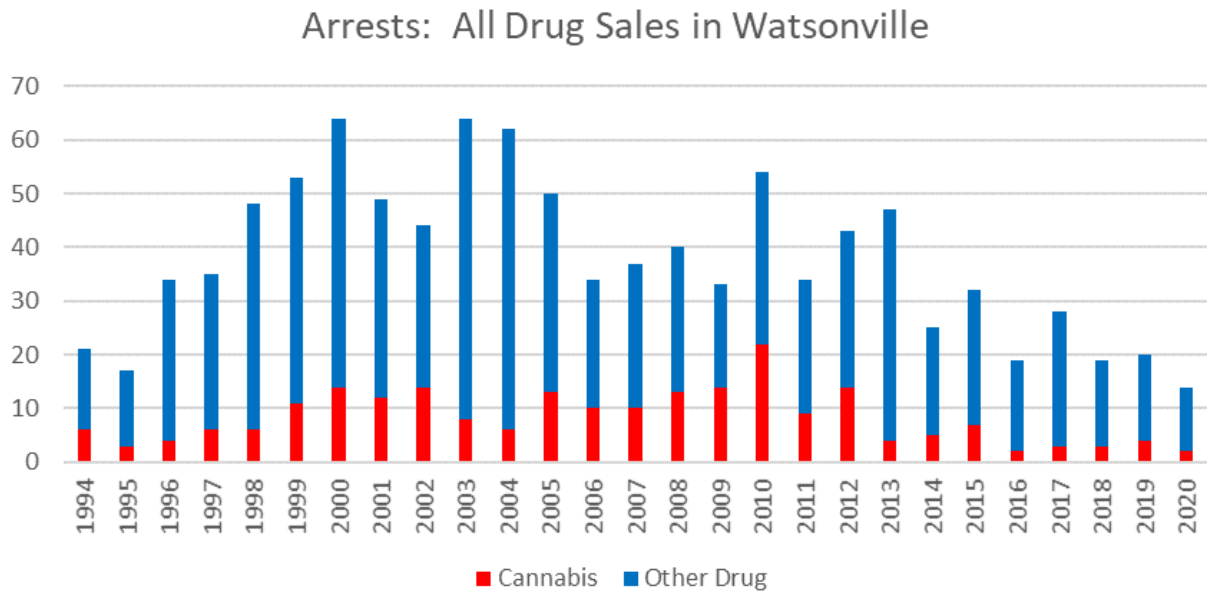
**Figure 3.10**



Drug sales and manufacturing arrest data (*fig. 3.11 below*) indicate that the level of drug enforcement activity for both cannabis and other drugs was rising during the 1990s. Drug sales and manufacturing arrests appear to have peaked in the early 2000s, when they began a downward trend that continues to the present. Notably, this trend was briefly interrupted by elevated cannabis sales and manufacturing arrests in the late 2000s and early 2010s.

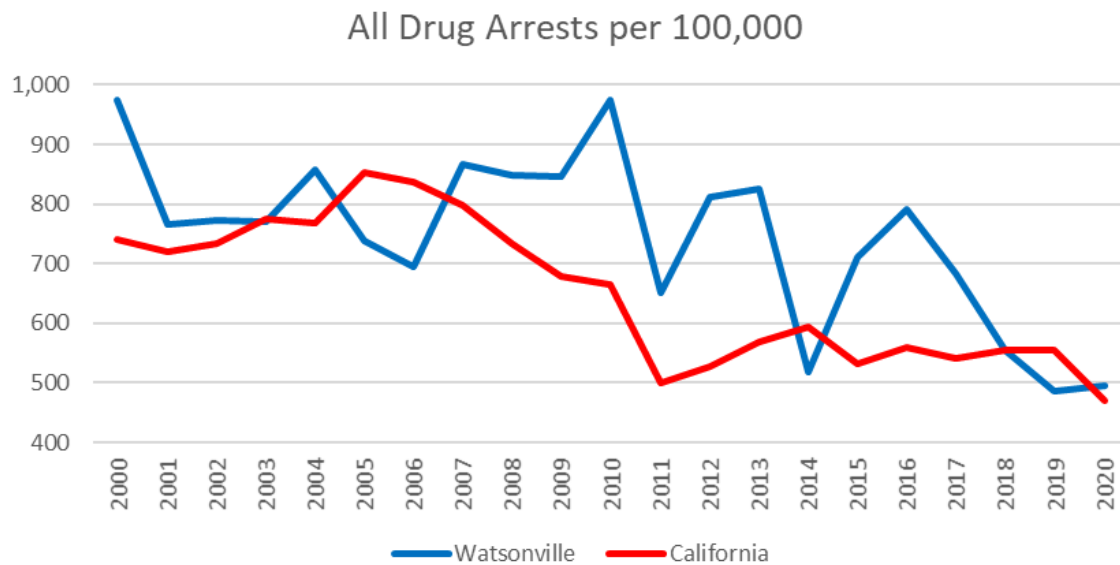
<sup>27</sup> Cannabis possession arrests are a significant proportion of all drug possession arrests. Therefore, since FBI cannabis arrests are unreliable prior to 2000, to this extent, all drug arrest rates are also unreliable. From 1994 to 1999 the FBI reports total drug possession arrests in the amounts of 174, 203, 255, 287, 257, and 253 respectively.

**Figure 3.11**



Relative to California (*fig. 3.12 below*), arrests reported to the FBI for all drug violations in Watsonville on a per capita basis are generally higher than the statewide per capita drug arrest rate. Starting in the late 2010s, Watsonville experienced a drug arrest rate that was well above the statewide average until 2018. Curiously, after 2010, other non-cannabis related drug arrests increased in tandem with the decrease in cannabis arrests.

**Figure 3.12**

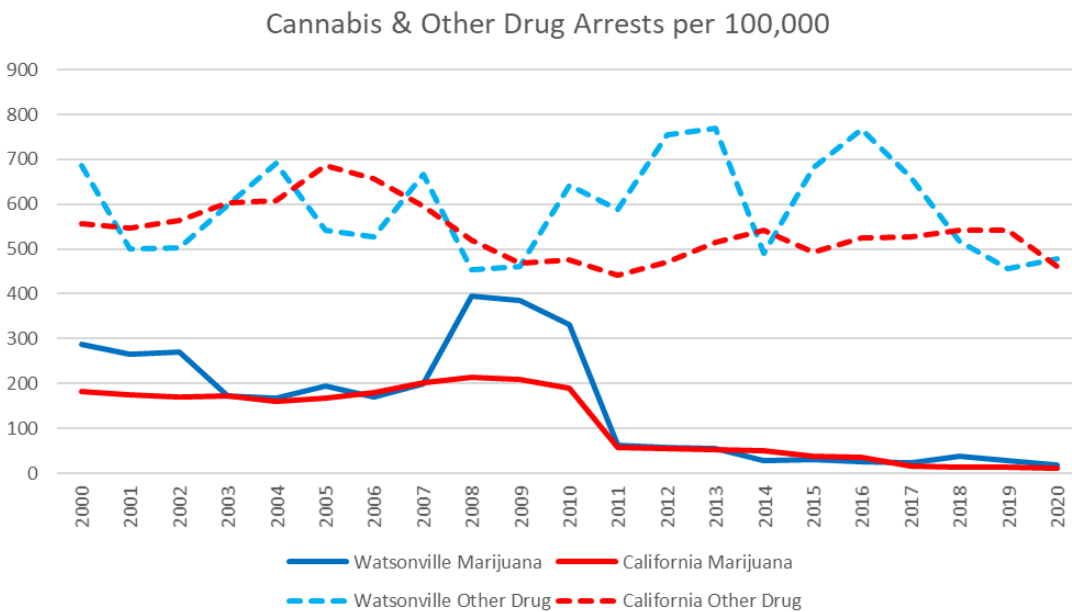


If one removes cannabis-related arrests from the total and compare them with the statewide average (*fig. 3.13 below*), it becomes evident that during the period of peak cannabis arrests (2000 to 2010), arrest rates for other drugs were similar to or less than the statewide averages. Thus, if not for cannabis arrests, Watsonville’s drug arrest rate during that time would have been similar to the statewide average rate of non-cannabis drug arrests. Therefore, cannabis prohibition was the primary driver for the disproportionate, relative to the state, impact of the War on Drugs in Watsonville during this period.

Additionally, there are three distinct waves of non-cannabis drug arrests that resulted in an arrest rate substantially higher than the statewide average non-cannabis drug arrest rate; one in the late 1990s, and two in the early and late 2000s, respectively.

Cannabis and other drug arrests appear to be negatively correlated. One plausible explanation is that arrest rates may in part reflect shifting law enforcement priorities and reallocation of scarce law enforcement resources. Notably when cannabis when SB 1449 reduced possession of an ounce or less of cannabis to an infraction in 2010, there is an increase in arrests for other drugs commensurate with the decline in cannabis arrests.

**Figure 3.13**

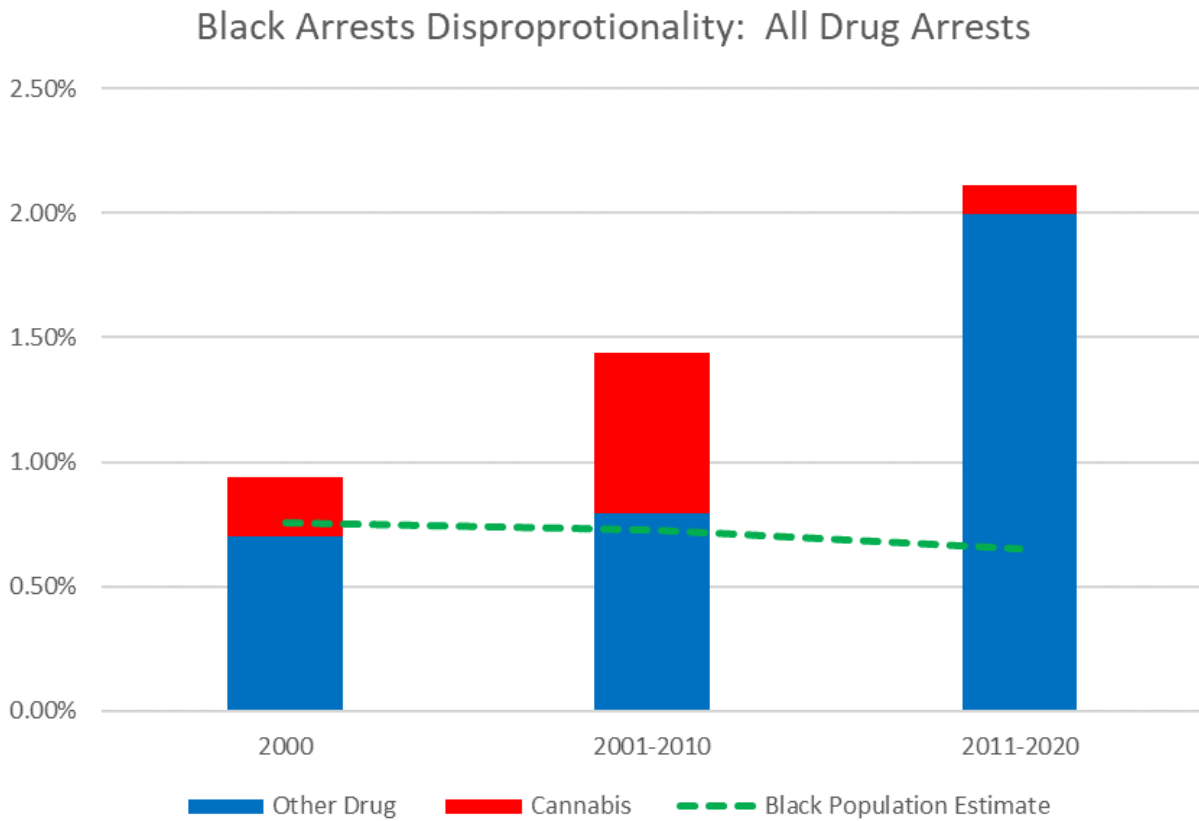


*Assessing the Impact of Drug Enforcement on Communities within Watsonville*

**Black Population Drug Arrest Rates**

For total drug arrests, Watsonville’s Black population continues to experience a disproportionate frequency of drug arrests<sup>28</sup>. Similar to trends observed in other jurisdictions, there is an increase over time in the relative arrest rate that continues to the present. During the 2000s, a period of exceptional cannabis arrest rates, cannabis arrests were a primary driver in the subsequent, and disproportionate, rate of Black individuals arrested seen during this period. Cannabis arrests in the 2001-2010 decade played an outsized role in total drug arrests of Black individuals in Watsonville. Moreover, if not for cannabis arrests, the drug arrests of Black individuals would have been proportionate to their population. Thus, cannabis criminalization played a key role in the disproportionate frequency of drug arrests experienced by Watsonville’s Black community.

**Figure 3.14**



<sup>28</sup> FBI arrest data. Population estimated by averaging Decennial Census estimates. For the 2001-2010 and 2011-2020 decades, we averaged the Decennial Census estimate of the “Black and African American alone” estimates at the beginning and end of the decade. See ACS tables P1, PL001. Arrest data are unreliable for years prior to 2000 due to cannabis possession data being unreliable.

## Hispanic Population Drug Arrest Rates for Santa Cruz County

It is unfortunate that FBI arrest data do not distinguish between white Hispanic and non-white Hispanic when reporting cannabis arrests. However, county-level data may shed light on the experiences of Watsonville's Hispanic population prior to the year 2000. In the absence of evidence to the contrary, it is reasonable to expect that Watsonville's predominantly Hispanic population would have had criminal justice experiences similar to the whole of Santa Cruz County prior to the year 2000.

Watsonville's population represents about one-fifth of the Santa Cruz County population; however, Watsonville's Hispanic population represents nearly one-half (46%) of Santa Cruz County's Hispanic population (US Census 2020). Therefore, the experiences of the Hispanic population of Santa Cruz County indicated by these data will likely correlate strongly with the experiences of those living in Watsonville.

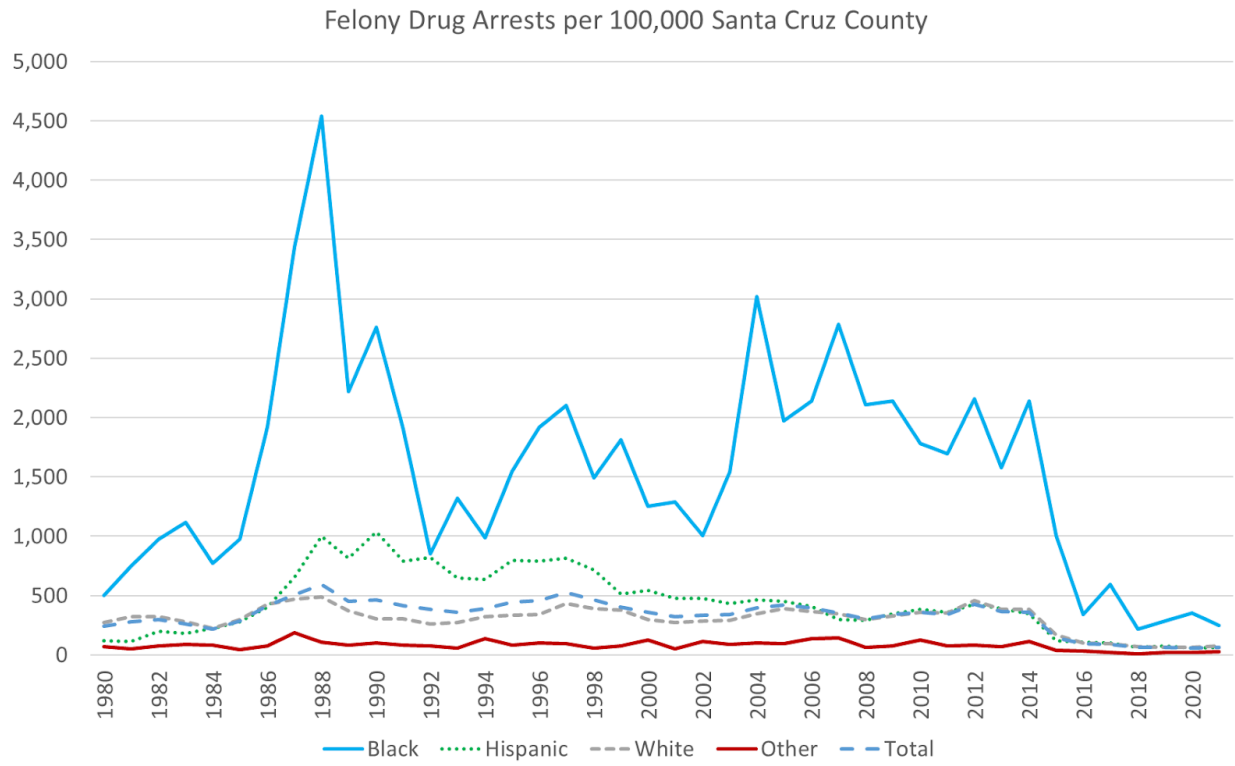
To this end, county-level data from the California Department of Justice Monthly Arrest and Citation Register (MACR) database provides a count of felony drug arrests at the county level by age and race/ethnicity. The MACR database also provides useful information when considering the consequences of drug arrests. The U.S. Census Bureau supplies the additional population and demographic data for Santa Cruz County that allows for the comparison of relative arrest rates over time (State of the Cities Data Systems).

The arrest data for felony drug arrests for Santa Cruz County falls into an all-too-familiar pattern (*fig. 3.15 below*). Arrests rates of Black people far exceed those of any other race/ethnicity for the entire time period for which data is available.

For the Hispanic population, there is a much higher arrest rate per 100,000 individuals than of white non-Hispanic populations, a pattern which persisted until the mid 2000s. Thus, during the height of the War on Drugs and periods of elevated cannabis and other drug arrests in Watsonville, a disproportionate frequency of drug arrests impacting Hispanic individuals living in Santa Cruz County is evident. The change in all drug arrests rates in the early 2000s calls into question whether Hispanic individuals would have had a different experience in terms of cannabis arrest rates prior to the early 2000s, than what is observed in the FBI and WPD cannabis arrest data for years after 1999.



**Figure 3.15**

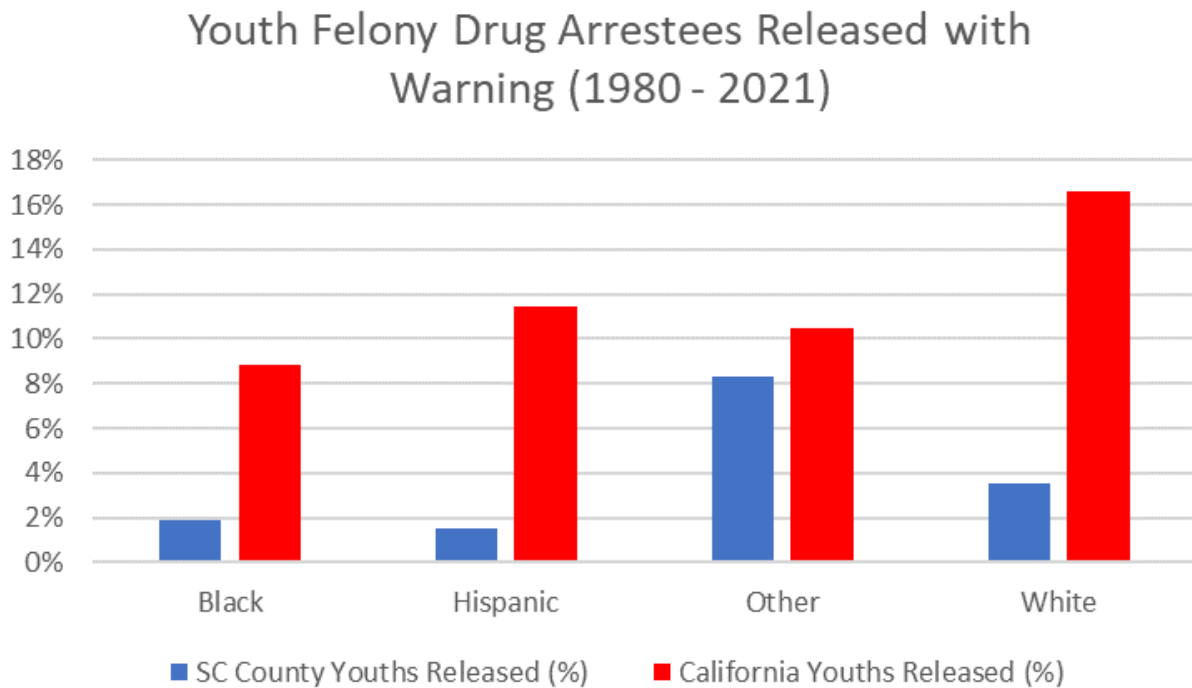


### Consequences of Drug Arrests

Not only have Hispanic individuals in Santa Cruz County experienced higher arrests rates, but the MACR data indicates that this population in Santa Cruz County experienced greater consequences of arrests in the four decades between 1980 and 2020, both relative to other race/ethnicity groups within Santa Cruz County as well as to the statewide rate. Between 1980 and 2020, a Hispanic youth in Santa Cruz County arrested for felony drug offenses was half as likely as a white youth in Santa Cruz County to be released to parents/guardian with a warning, an experience they shared with Black minors. The same Hispanic youth was also *eleven* times less likely to be released with a warning than a white California youth (*fig. 3.16 below*).

Research indicates a *cause and effect* relationship between juvenile incarceration and subsequent reduced high school completion rates as well as increased adult incarceration rates, indicating that incarceration has an effect on these outcomes independent of the individual characteristics of the detainee (Aizer and Doyle). These disparities in arrest outcomes have long lasting and consequential effects on people of color and of Hispanic origin in Santa Cruz County.

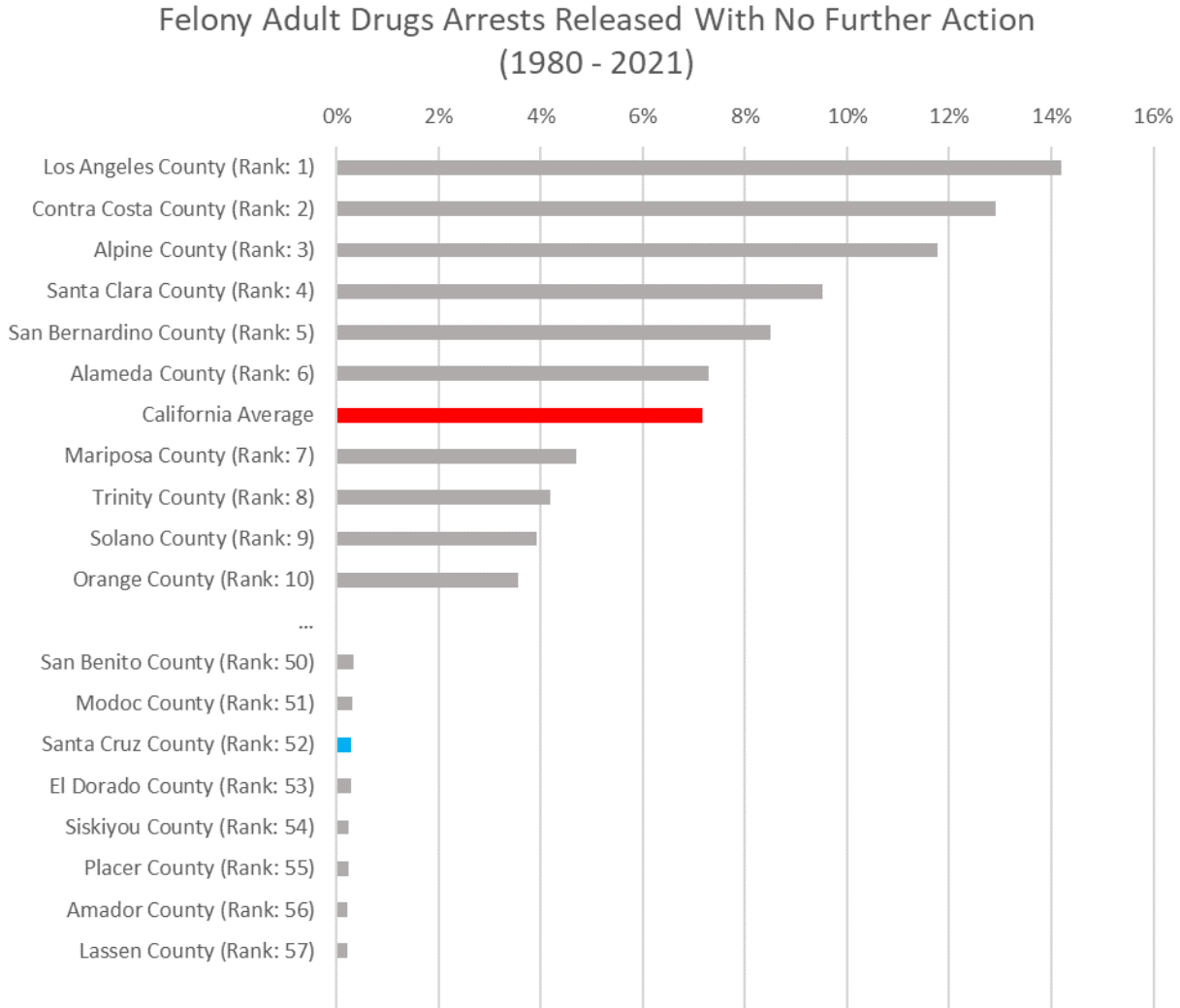
**Figure 3.16**



For adults facing a felony drug offense in Santa Cruz County, the probability of release from police custody after arrest without further action is very low at 0.29%, with no discernible difference based on race (*fig. 3.17 below*). Differences in drug activity, reporting standards, and law enforcement practices between California counties likely explains much of the variation between counties, though these data do provide some indication that Santa Cruz County law enforcement agencies are more inclined to pursue criminal drug charges than other California counties. In a ranking from California counties most likely to release to least likely to release, Santa Cruz County ranks 52nd out of 58 California counties in the proportion of felony adult arrestees released without further action. By comparison, Los Angeles County between 1980 and 2021 has released 14.2% of felony drug arrestees without further action.

If a population as large as Watsonville in Santa Cruz County had an experience that deviated from this substantially, the county level rate would be much higher. Thus, we can conclude that the whole of Santa Cruz County, including the predominately Hispanic community in Watsonville, faced stricter enforcement with respect to the proportion of adults released than the vast majority of other regions in California.

**Figure 3.17**



*California and the United States*

The Center on Juvenile and Criminal Justice (CJJC) has published several reports that demonstrate patterns in drug arrest rates in California disproportionately affecting people of color (The Center on Juvenile and Criminal Justice). Starting in the 1990's, arrests in California for drug possession increased dramatically. Cannabis possession rates increased by 124% while other categories of more serious crimes showed decreased arrest rates. Drug arrest rates per 100,000 population rose much faster for African Americans, Hispanic individuals, those under the age of 21, and white people over the age of 40.

Though a majority of states allow medical cannabis use, cannabis leads drug-related prosecutions in the United States. According to New Frontier Data, over 650,000 people were arrested for cannabis-related offenses in 2016 (Song). Cannabis accounted for 42% of all drug-related arrests in 2016, with cannabis possession offenses specifically accounting for 37% of all arrests. For comparison, heroin and cocaine together accounted for 26% of arrests nationally.

According to a report from the American Civil Liberties Union (ACLU) titled *A Tale of Two Countries: Racially Targeted Arrests in the Era of Marijuana Reform*:

*There were more marijuana arrests in 2018 than in 2015, despite the fact that eight states legalized marijuana for recreational use or decriminalized marijuana possession in that timeframe. Marijuana arrests made up 43% of all drug arrests in 2018, more than any other drug category. The overwhelming majority of marijuana arrests- 89.6%- are for possession only.(ACLU)*

Thus, cannabis, being less addictive and less destructive than alcohol, accounts for nearly half of all drug arrests nationally, and is a primary driver of racial disparities in drug arrest rates (Powell).

Josh Adams notes in an article for New Frontier Data: “Drug offenses are often the pretext for seizing other cash or property” (Adams). For example, a report published by the Justice Department Inspector General in 2017 found that “the DEA seized more than \$4 billion in cash from people suspected of drug activity over the previous decade, but \$3.2 billion of those seizures were never connected to any criminal charges” (Ingraham). Research also indicates that civil asset forfeiture disproportionately impacts low-income and historically marginalized communities. Relying on the suspicion of a crime allows law enforcement to seize cash and property almost entirely without accountability, often under the pretense of thwarting drug-related activity.

Nationally, Black and Hispanic individuals account for nearly 60% of state prisoners serving time for drug convictions and 80% of federal prisoners serving time for drug convictions. Hispanic individuals incarcerated for drug offenses are overrepresented in state prisons, and in federal prisons, they are overrepresented by more than a factor of two. Additionally, a Hispanic child is twice as likely to have a parent incarcerated for a nonviolent crime than their white counterpart (Drug Policy Alliance).

## Section 4. Current Conditions in Watsonville

Structural conditions within Watsonville and the surrounding area create vulnerabilities that exacerbate the effects of the War on Drugs for the citizens of Watsonville. These conditions include poverty, unemployment, low rates of higher educational attainment, and lack of affordable housing. For example, those with a college education, affordable housing, and savings are much less vulnerable to a cannabis arrest, charge, or conviction. Individuals lacking the skills necessary to navigate complex legal proceedings and without the financial autonomy to hire a lawyer of their choice, however, are more vulnerable to the consequences of a cannabis arrest, charge, or conviction.

### 4.1 Economic Conditions in Watsonville

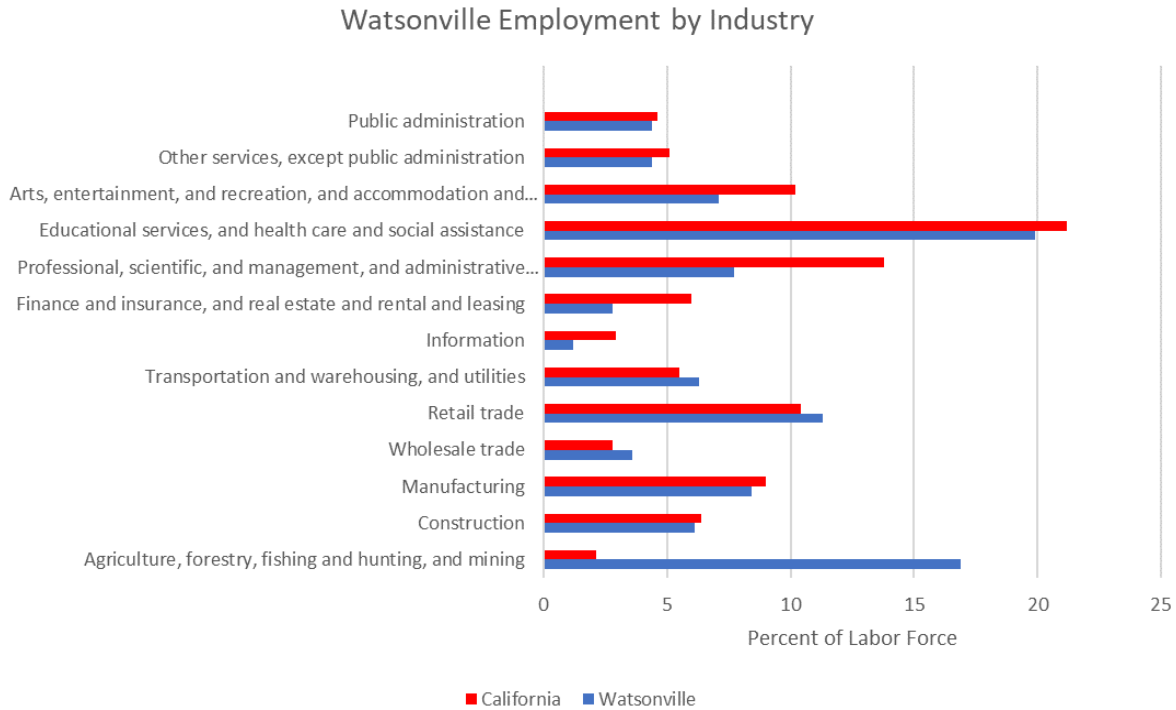
Watsonville's economy has a large agricultural sector employing 16.9% of the City's labor force, significantly higher than the state agricultural workforce average of 2.1% (*fig. 4.1 below*). These occupations tend to be lower paying; in Watsonville, the median earnings of a worker employed in the "agriculture, forestry, fishing and hunting" sector is \$20,514. This figure is substantially lower than the median earnings inclusive of all occupations in Watsonville— \$30,556<sup>29</sup>. However, both statistics are considerably lower than the state median earnings of \$41,464. Consistent with this, the median household income in Watsonville (\$61,496) is significantly lower than Santa Cruz County as a whole (\$89,986) and the statewide average for California (\$78,672)<sup>30</sup>.

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<sup>29</sup> ACS table S2413

<sup>30</sup> ACS table DP03

**Figure 4.1**



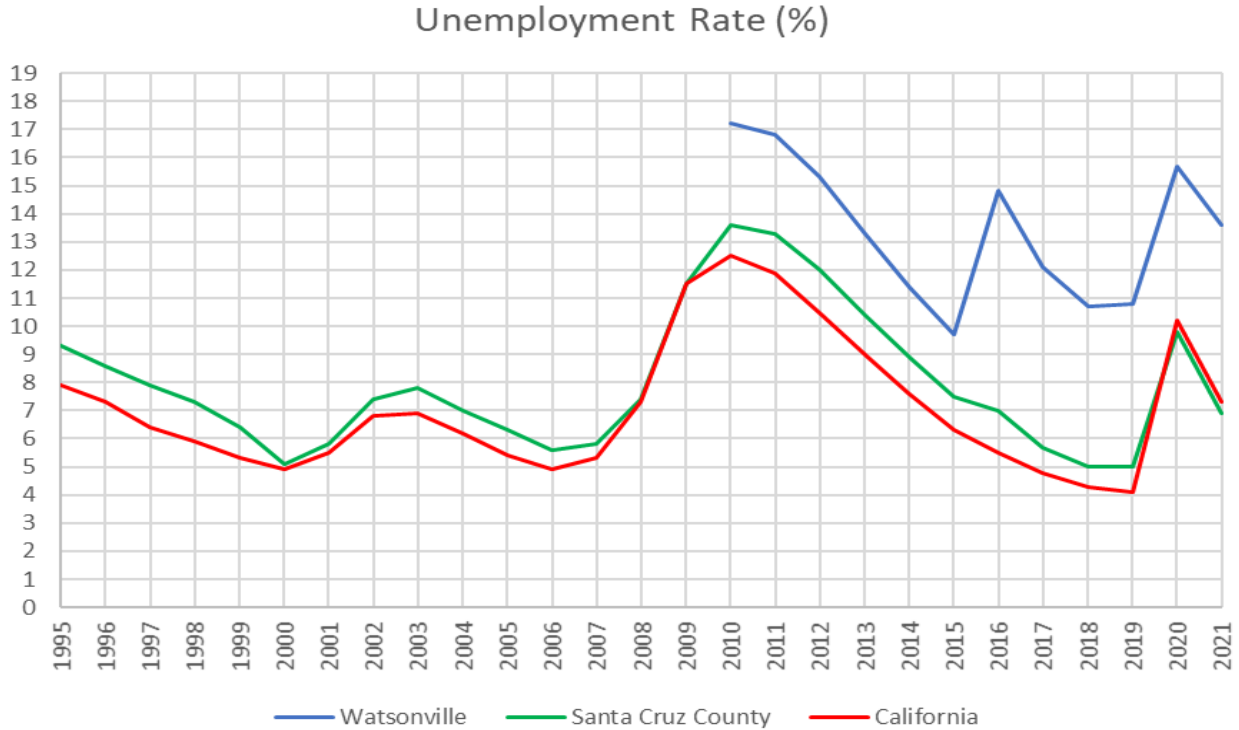
### *Unemployment in Watsonville*

Research indicates that, due to the psychological stresses of unemployment or the fear of job loss, unemployment is a contributing factor to drug use (Hummel et al.). To further compound this effect, those with past drug use may be particularly vulnerable to relapse during periods of high unemployment. This is of particular relevance in Watsonville, which experiences an unemployment rate that, for all years in which data is available<sup>31</sup>, is substantially higher than the state level (*fig. 4.2 below*). Additionally, due to area’s largely agricultural economy, the community experiences wide swings in the unemployment rate each year due to seasonal unemployment, and Watsonville’s significant undocumented population is particularly vulnerable to the seasonal as well as cyclical<sup>32</sup> fluctuations in labor demand (*fig. 4.3 below*). As of May 2022, the unemployment rate in Watsonville stands at 8.9% versus the state average of 5.5%.

<sup>31</sup> Data are available from 2010 on for Watsonville. Typically, unemployment rates of different regions move together, but at a higher or lower level based on the employment frictions particular to the area. Thus we can infer that the unemployment rate in Watsonville almost certainly rose between 2000 and 2003 along with the county and state rates.

<sup>32</sup> Changes in labor demand due changes in the business cycle (e.g. recession).

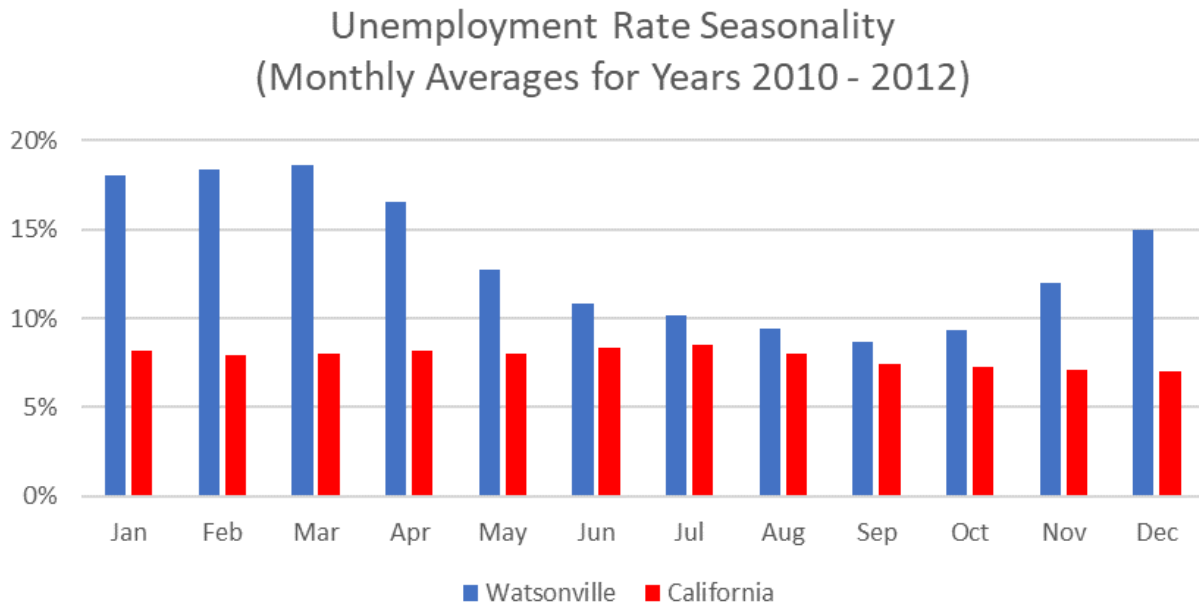
**Figure 4.2**



While the unemployment rate in Watsonville is considerably higher than the state average, this alone does not fully capture the distinctive challenges facing workers in Watsonville. For example, there is a much greater degree of seasonality in unemployment in Watsonville compared to the statewide statistics (*fig. 4.3 below*) (State of California: Employment Development Department). Unemployment in Watsonville fluctuates significantly, rising substantially in the winter months, when nearly 1 out of 5 workers are unemployed. Notably, even during the peak agricultural season, the unemployment rate still trends above the state average. Thus, volatility in employment and income place even greater challenges and uncertainties on workers and families than the headline unemployment statistics reveal. These conditions leave the Watsonville community more psychologically vulnerable to substance use as well as financially vulnerable to the consequences of a drug arrest, charge, or conviction.

In our interviews with city officials, we learned that many of these seasonally unemployed workers will leave the area during the winter months. It is likely that this fluctuation in the City's population also creates unique economic challenges in Watsonville, such as for local businesses who face seasonal fluctuations in their customer base.

**Figure 4.3**



*Income Dynamics*

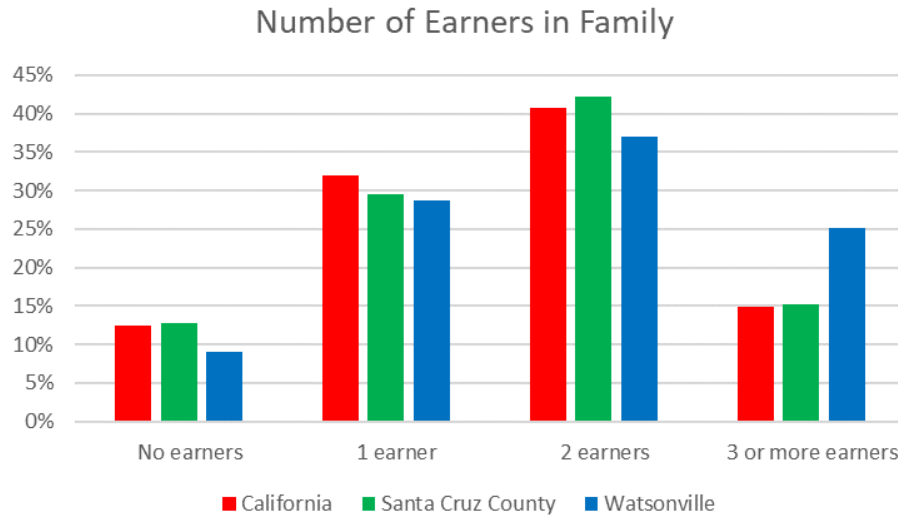
Income dynamics for Watsonville’s large Hispanic population are more nuanced than the headline median household income reveals. Households and families in Watsonville tend to be larger and have more income earners than the state average (*fig. 4.4 and fig. 4.5 below*). City officials shared with CCRP that many households in Watsonville are large and multigenerational, and according to ACS data, the average household size in Watsonville is 3.63 (compared with 2.94 statewide) and the average family size is 4.1 (compared with 3.52 statewide)<sup>33</sup>. One quarter of families in Watsonville have 3 or more income earners, considerably higher than the state average of 15%<sup>34</sup>. Household size and the number of earners is an important consideration for interpreting both median household income as well as measures of individual income.

<sup>33</sup> ACS table DP02

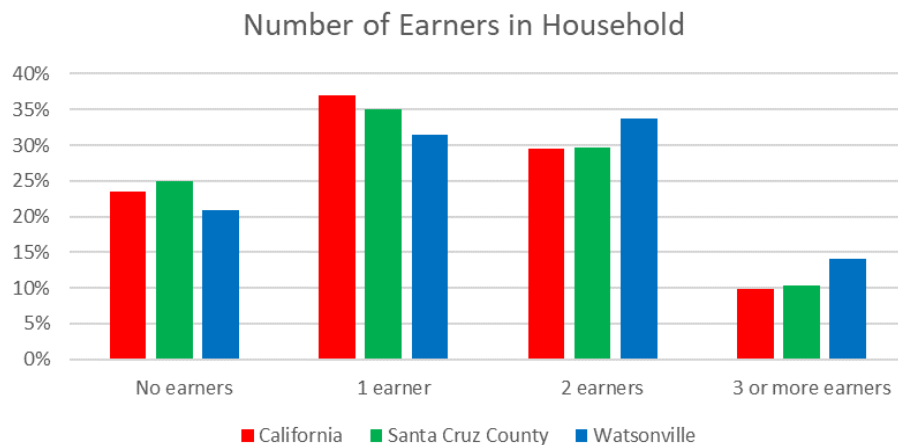
<sup>34</sup> ACS table B19122



**Figure 4.4**



**Figure 4.5**



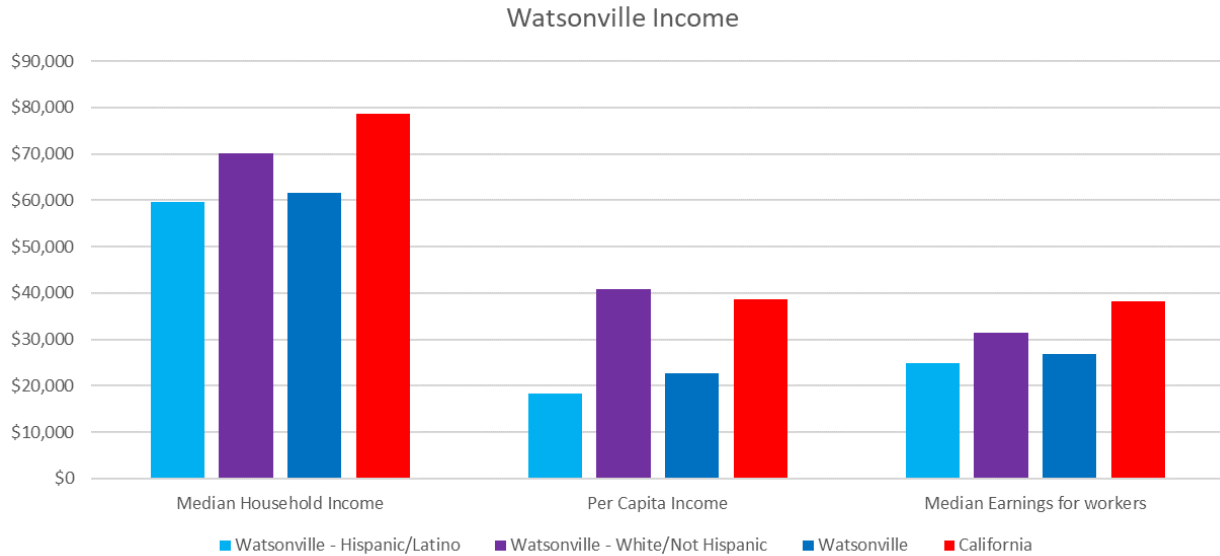
We regard median worker income, in this case, as a helpful indicator of the level of income in Watsonville since median household income cannot be directly compared to the statewide or county median income due to differences in household size between Watsonville and the state and county average household size. For this reason, we advise the City to take this into consideration when reviewing or possibly revising the income eligibility criterion as part of the cannabis equity applicant qualification (see Section 7).

Hispanic households in Watsonville have a median household income (\$59,575) that is 24% lower<sup>35</sup> than the statewide median family income, however median worker earnings (\$24,933) is 35% lower than the state median worker earnings (*fig. 4.6 below*). This indicates that not only do Hispanic households in Watsonville face lower incomes than the state median (and white

<sup>35</sup> ACS table B19013H

households in Watsonville), but these lower household incomes also require more workers per household to maintain.

**Figure 4.6**



A higher ratio of earners relative to household size, places additional strain on households. All else equal, a family with two earners has fewer resources available for unpaid home-produced goods (e.g. homemade meals) and services (e.g. childcare, tutoring) than a family of the same size with the same income and one earner. Since these goods and services would otherwise have to be purchased with income, the family with two earners has fewer resources despite having the same income as the family with one earner.

Per capita income, which averages income over earners and non-earners (e.g. children and dependents), reveals even greater disparities. For Hispanic households in Watsonville, per capita income (\$18,426) is *less than half* the state average, whereas white households in Watsonville have a per capita income that is 6% *higher* than the state average.

Household income (and its derivative: the poverty rate) therefore do not fully capture the income disparity between white and Hispanic households in Watsonville, or the degree to which households in Watsonville struggle to attain a basic standard of living.

Analyzing income by geography (*fig. 4.7 and fig. 4.8 below*) reveals that the core and southern end of Watsonville experience both lower household income<sup>36</sup> and per capita income<sup>37</sup>, indicating that these communities within Watsonville are more economically vulnerable to the

<sup>36</sup> ACS table S1901

<sup>37</sup> ACS table DP03

consequences of drug arrests, charges, and convictions. These data appear to correlate with the demographic characteristics mapped in Section 2. For example, a half or more of populations within the Census tracts in the southern part of Watsonville are Spanish speaking with limited English proficiency, and these tracts also hold the lowest or near lowest levels of income in the City. Moreover, Watsonville is surrounded to the North, West, and East by far more affluent communities.

Notably, for example, Census tract 1106.01 which appears to be relatively affluent when considering the median household income (*fig. 4.7*), has a very low per capita income (*fig. 4.8*). This indicates that the household income alone is not a complete indicator of household economic conditions in Watsonville.

**Figure 4.7**

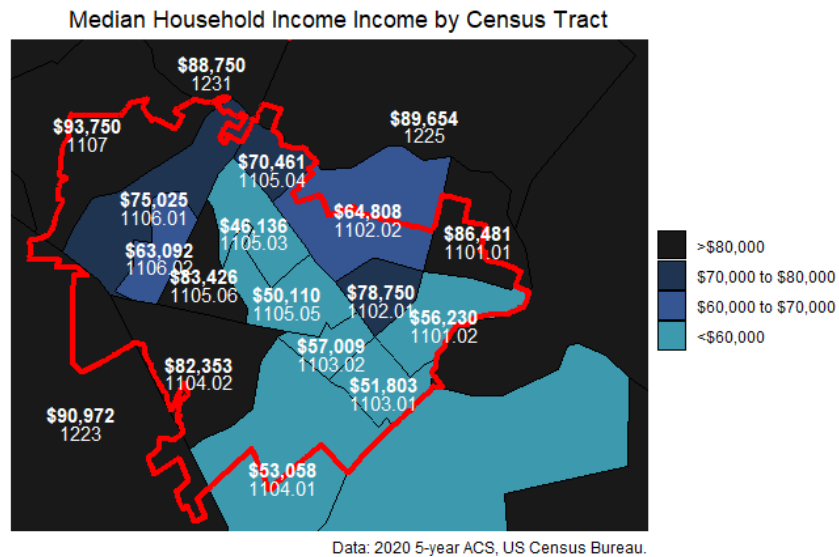
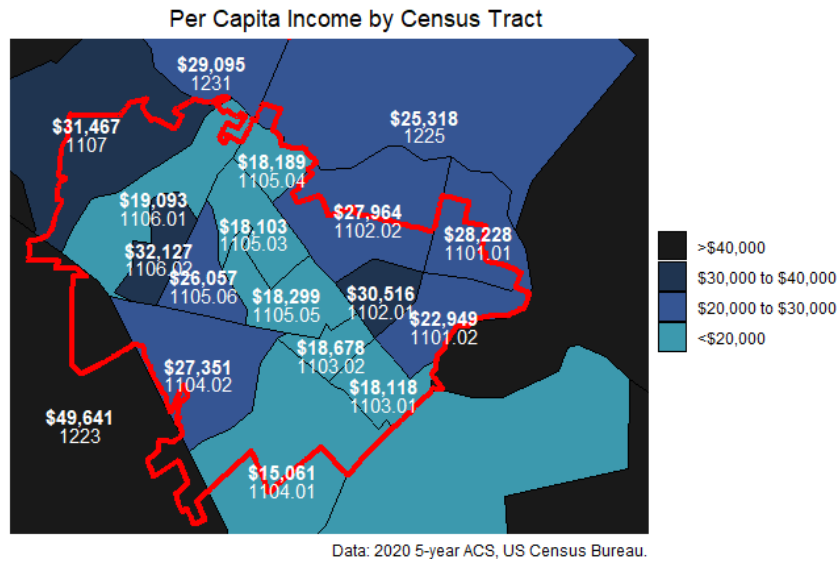


Figure 4.8



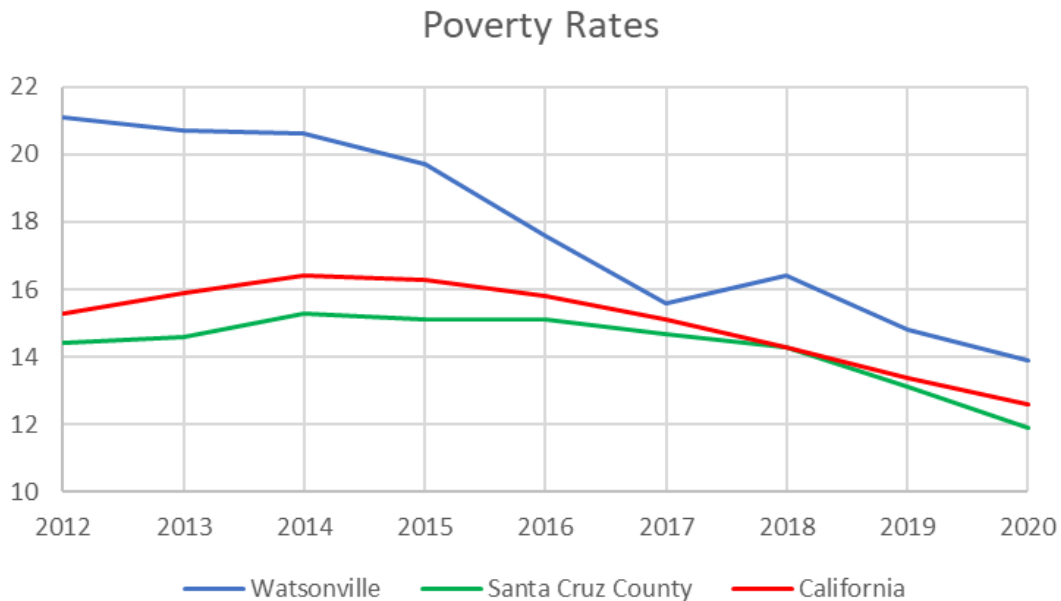
## 4.2 Poverty in Watsonville

The effects of poverty are broad, significant, and long-lasting. Studies indicate that young children exposed to poverty have lower rates of school completion, and as discussed below, Watsonville historically has experienced both high rates of poverty and low rates of educational attainment (Brooks-Gunn and Duncan). Currently, the data that is available indicates that the official poverty rate is statistically similar to the statewide rate, but to conclude that Watsonville’s level of poverty is ‘average’ or ‘typical’ of poverty statewide, would be to ignore the unique conditions in Watsonville that the official poverty rate fails to capture. The current figure also ignores the ongoing effects of the exceptional levels of poverty in Watsonville’s recent past that continue to greatly impact the community, and will continue to impact for decades to come.

In 2012, following the Global Financial Crisis, the poverty rate in Watsonville (21.1%) was significantly higher than Santa Cruz County (14.4%) and the state average (15.3%). Since then, the poverty rate has fallen much faster than the state average, and as of 2020, official rates of poverty in Watsonville are similar to those experienced by California as a whole. While the estimated poverty rate in Watsonville (13.9%) is slightly higher than the state average (12.6%), this difference is within the margin of error (+/- 2.6%) of the Watsonville estimate<sup>38</sup>.

<sup>38</sup> ACS table S1701

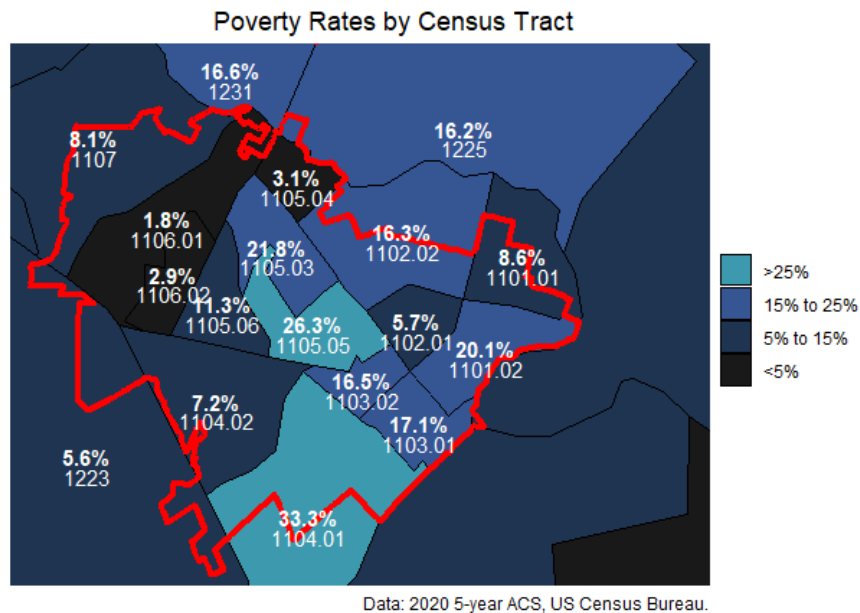
**Figure 4.9**



The poverty rate for Hispanic households (14.2%) is only slightly higher than the rate for Watsonville as a whole, yet this figure fails to capture the complexity of local conditions. Federal poverty thresholds do not distinguish between households based on the number of earners in a household (only the size of the family unit). Therefore, a household with, for example, 3 income earners has the same poverty status as a household with 1 income earner, the same income, and the same household size. Since Watsonville households tend to have more income earners, this is a significant consideration when interpreting Watsonville’s poverty rate.

This headline poverty rate also ignores the significant variation in poverty rates within Watsonville. In line with the pattern we observed in the geographic income analysis above, the core and south of Watsonville experience much higher rates of poverty than the city average. Two tracts experience poverty rates above 25%, and in Census tract 1104.1, one in three people are living in poverty.

**Figure 4.10**



Other measures of poverty can help more accurately capture the realities of poverty in Watsonville. The 2021 Food Insecurity Index ranks Watsonville highest in Santa Cruz County for food insecurity, and 20.3% of households in Watsonville received Supplemental Nutrition Assistance Program (SNAP) benefits, more than double to statewide average of 9.0%<sup>39</sup> (Data Share: Santa Cruz County). Statewide 57.8% of K-12 students received free or reduced price meals during the 2021/2022 school year, whereas in the Pajaro Valley Unified school district that serves Watsonville, 78.1% of students received free or reduced price meals (California Department of Education). These indicators reveal that a greater proportion of households struggle to attain a minimally adequate standard of living than revealed by the official poverty rate alone.

### 4.3 Housing in Watsonville

Conceptually, the official poverty rate is intended to capture the percentage of people who live in households that lack sufficient income to maintain a minimally adequate standard of living. However, the thresholds used to determine whether a household is in poverty do not take into account differences in the cost of living between geographic regions.

The housing market in Watsonville is distinct from Santa Cruz County and California as a whole. The California State Auditor’s office ranks Watsonville’s housing market “very high” with respect to overcrowding and unavailability of housing as well as ‘high’ with respect to the cost

<sup>39</sup> ACS table S2201

burden of housing (California State Auditor). Rental-occupied dwellings make up a significantly higher proportion of the housing market than the statewide rate: 55% in Watsonville vs. 44.7% statewide. High rent-to-income ratios, more crowded housing units, and low vacancy rates all indicate a general scarcity of housing in Watsonville (*fig. 4.11 below*).

**Figure 4.11**

	<b>Owner-occupied<sup>40</sup></b>	<b>Renter-occupied</b>	<b>Vacancy Rate<sup>41</sup></b>	<b>More than 1 occupant per room<sup>42</sup></b>	<b>Gross Rent is 35% or more of income<sup>43</sup></b>
Watsonville: Hispanic	35.8%	64.2	-	25.0%	-
Watsonville	45.0%	55.0%	3.8%	18.8%	50.8%
Santa Cruz County	60.3%	39.7%	9.0%	6.9%	47.1%
California	55.3%	44.7%	7.8%	8.2%	44.7%

Hispanic households tend to face even tougher housing conditions. For Hispanic households in Watsonville, the rate of renter-occupied housing rises to 64.4%, and 25% of Hispanic households have more than one occupant per room.

It may be that while the official poverty rate in Watsonville does not appear distinct from California as a whole, the true proportion of households struggling to attain a basic standard of living in Watsonville may be higher than the state average due to the evident scarcity of housing in the area. This may be particularly pronounced for Watsonville’s large Hispanic population.

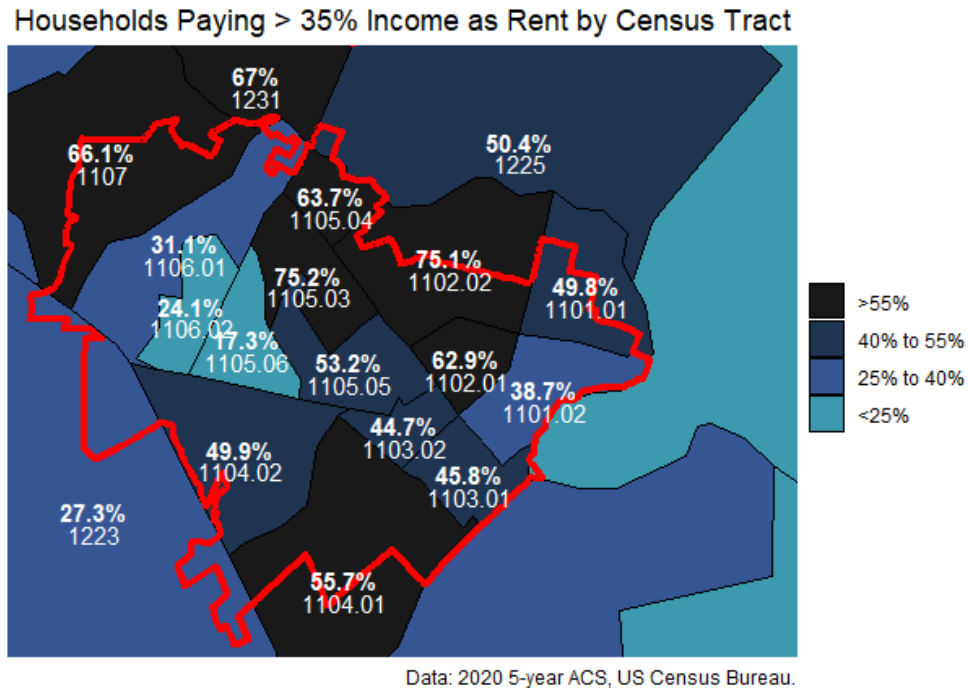
<sup>40</sup> ACS tables B25003I and B25003

<sup>41</sup> ACS table B25002

<sup>42</sup> ACS tables B25014I and B25014

<sup>43</sup> ACS table DP04

Figure 4.12



We conclude that the headline poverty rate is a far from complete indicator of the challenges Watsonville households face in attaining a basic standard of living.

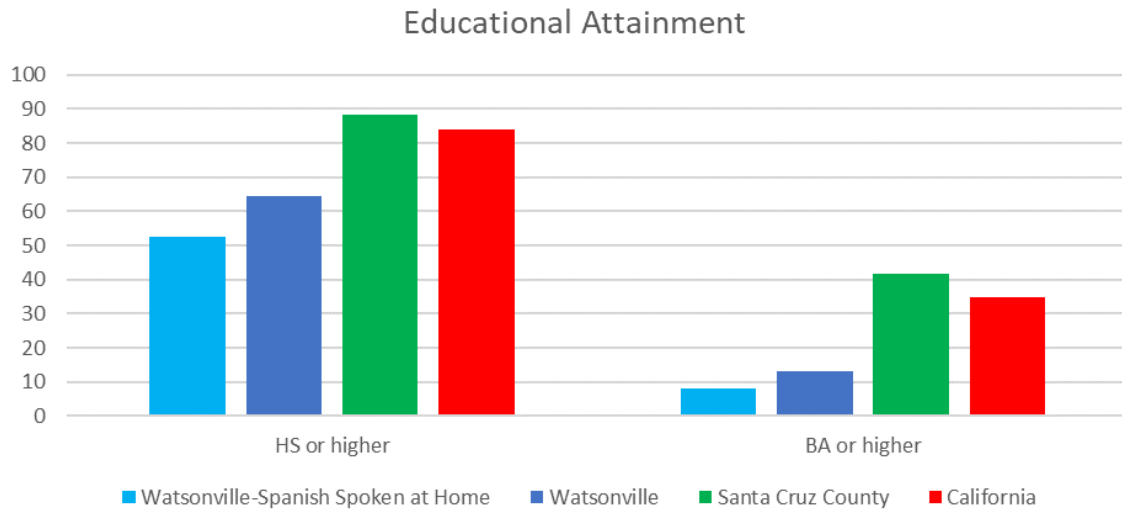
#### 4.4 Educational Attainment in Watsonville

*Santa Cruz County's Community Health Assessment* outlines education as strongly correlated with health and indicates an inverse relationship between level of education and high risk behaviors (Santa Cruz County Public Health). Educational attainment is also positively correlated with income level, auspicious childhood development, and economic security.

Rates of educational attainment in Watsonville are considerably lower than state averages. Only 64.3% of people 25 years or older have a high school diploma or higher versus the state average of 83.9%. Similarly, 13.3% of people 25 and older hold a bachelor's degree or higher versus the state average of 34.7%. In Santa Cruz County as a whole, rates of post-secondary educational attainment are much higher, likely due in part to the presence of the University of California.



**Figure 4.13**



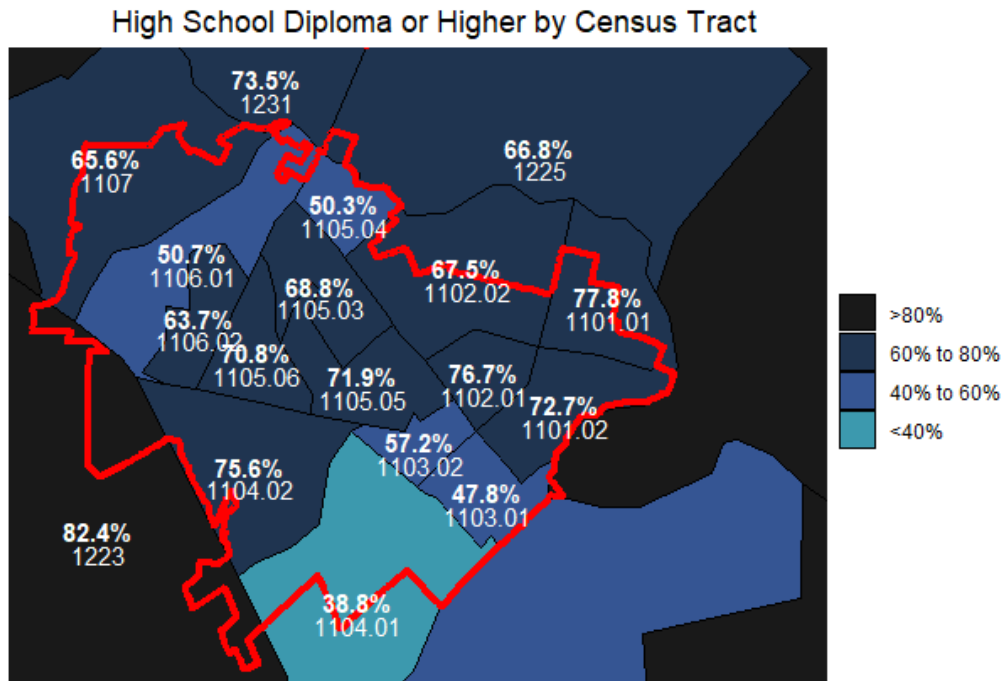
Language barriers appear to play a role in educational attainment in Watsonville. Of those 25 and older who speak Spanish at home, just 52.4% have a high school diploma or higher and 8.1% hold a bachelor’s degree or higher.

Analyzing educational attainment by geography, rates of high school completion are lowest in Census tracts that experience both lower income and lower housing affordability. Census tract 1104.01 is particularly noteworthy as this community experiences both the lowest rate of high school completion, lowest per capita income, and the highest rate of poverty<sup>44</sup>.

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<sup>44</sup> ACS table DP02

Figure 4.14



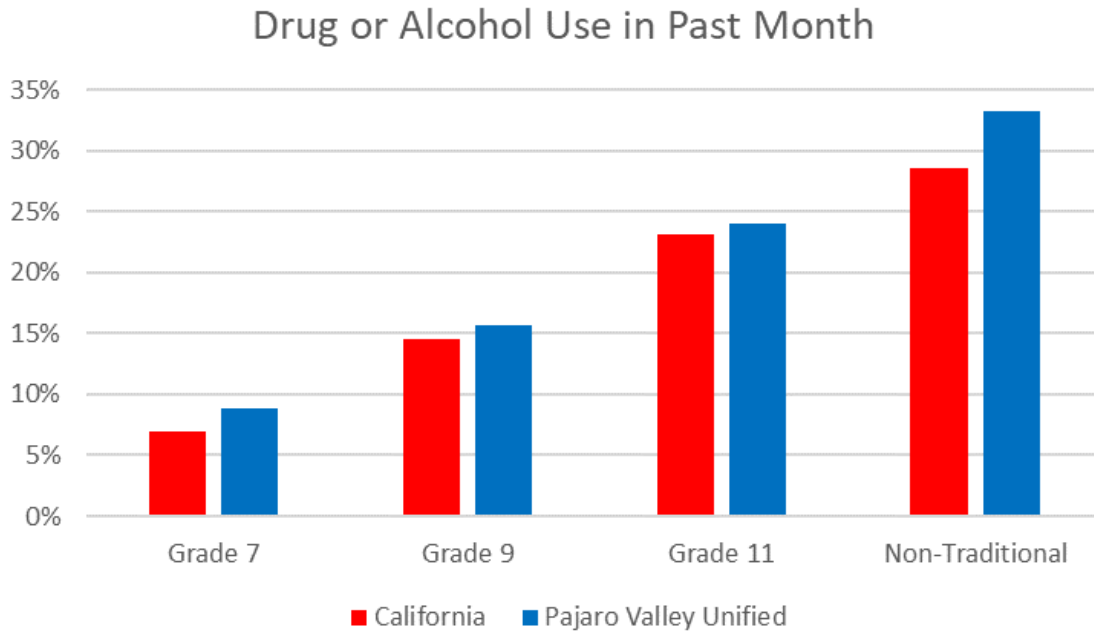
Data: 2020 5-year ACS, US Census Bureau. Population 25 and older.

#### 4.5 Youth Drug, Alcohol and Cannabis Use in Watsonville

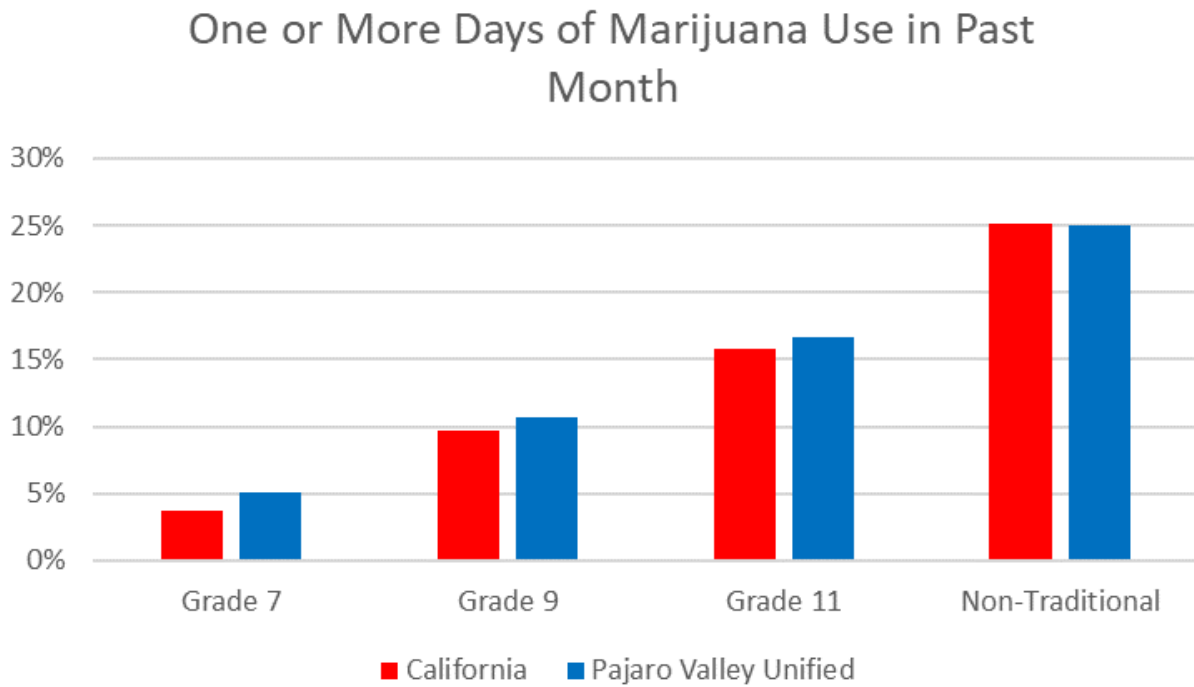
City officials shared with CCRP that the City has a history of drug and alcohol issues, a legacy that is partially reflected by the elevated non-cannabis drug arrests that took place in the 1990s and throughout the 2010s, as well as in Watsonville's strict alcohol ordinances. Fortunately, data indicates that youth drug and alcohol use do not reflect this legacy, and these data indicate that youth substance use in Watsonville tends to be only slightly higher than statewide averages.

Additionally, the rates of students in the Pajaro Valley Unified School District (which serves the city of Watsonville) reporting any drug or alcohol use in the past month are also very similar to statewide averages. However, for students attending non-traditional schools, the reported rates are slightly higher than the state average for this category (KidsData- Alcohol/ Drug use). Cannabis use for students in Watsonville is also very similar to statewide averages (KidsData- Marijuana Use).

**Figure 4.15**



**Figure 4.16**



## Section 5. Overview of Watsonville Cannabis License Process & Applicants

### 5.1 Review of Issued Permits in Watsonville

Proposition 64 provided local governments the option and ability to regulate, control, permit, license, and tax activities surrounding the use, cultivation, and sale of cannabis. The result is a cannabis regulatory environment that varies widely between jurisdictions in California. Many jurisdictions in California continue to update and amend local policy related to the regulation and taxation of cannabis. A detailed description of the ordinances and measures specific to Watsonville is included in the Appendix.

As of 2022, nine firms were issued cannabis permits in Watsonville. Between these nine firms, six cultivation, eight distribution, three non-store delivery, two retail and four manufacturing permits are issued and outstanding.

<b>Permit Type</b>	<b>Issued and Outstanding</b>	<b>Maximum Allowed</b>
Cultivation	6	6
Distribution	8	2 (standalone only)
Non-store front delivery	3	7
Retail	2	3
Manufacturing	4	15
Testing	0	unlimited
Processing	0	3

Watsonville has issued the maximum number of cultivation permits, but opportunities are possible for other firms. The City has a maximum of two standalone distribution permits, but businesses with another permit type are exempt from this limit (Watsonville Municipal Code).

City officials shared with CCRP that permits issued are primarily held by businesses owned and operated by non-Hispanic, white men. This means that the demographics of those with a stake in the legal cannabis industry in Watsonville does not at all reflect the demographics of the local community.

## 5.2 Application Process

For prepared and organized applicants, it is possible to complete the cannabis permitting process in as little as 6 months. However, mistakes or omissions (whether made by the applicant or a third party professional such as an architect) can delay the process for months or years.

Applicants complete a preliminary pre-application that does not require a physical business location. Competitive applicants may then be selected for an interview, and successful applicants will then be issued a conditional use permit to start their business. Applicants who do not meet the equity applicant eligibility requirements<sup>45</sup> must pay fees for the pre-application, interview, and conditional use permit in the amounts of \$4,200, \$3738 and \$1508, respectively.

Even for equity applicants that are able to have the application fees waived, the application process is a significant investment of time, effort and resources. Those without the advantage of adequate resources simply do not have the opportunity to become entrepreneurs in the legal cannabis industry.

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<sup>45</sup> Equity applicant criteria are discussed in Section 8.2.

## Section 6. Barriers to Entry

The section that follows outlines the barriers to entry that equity stakeholders in Watsonville face when seeking to transition into the legal cannabis sector. While many cannabis entrepreneurs are drawn to the City due to its relative affordability, economic conditions for the residents of Watsonville prevent many locals from attaining the substantial resources needed to start a legal cannabis business. The result is a local cannabis industry that does not reflect or represent the Watsonville community<sup>46</sup>. Watsonville’s cannabis equity applicants and stakeholders face financial, banking, administrative/technical, and business acumen barriers.

### *Financial*

All new businesses face financial requirements to enter a new market. For individuals adversely affected by historical criminalization of cannabis and/or poverty, financial barriers can be difficult to overcome. The application fees, fees for professional studies, impact fees, and the cost of compliance with mitigation measures are significant barriers for smaller scale operations and/or socio-economically disadvantaged populations. Additionally, financial barriers include the costs of making tenant improvements to buildings to meet the California Building and Fire Codes.

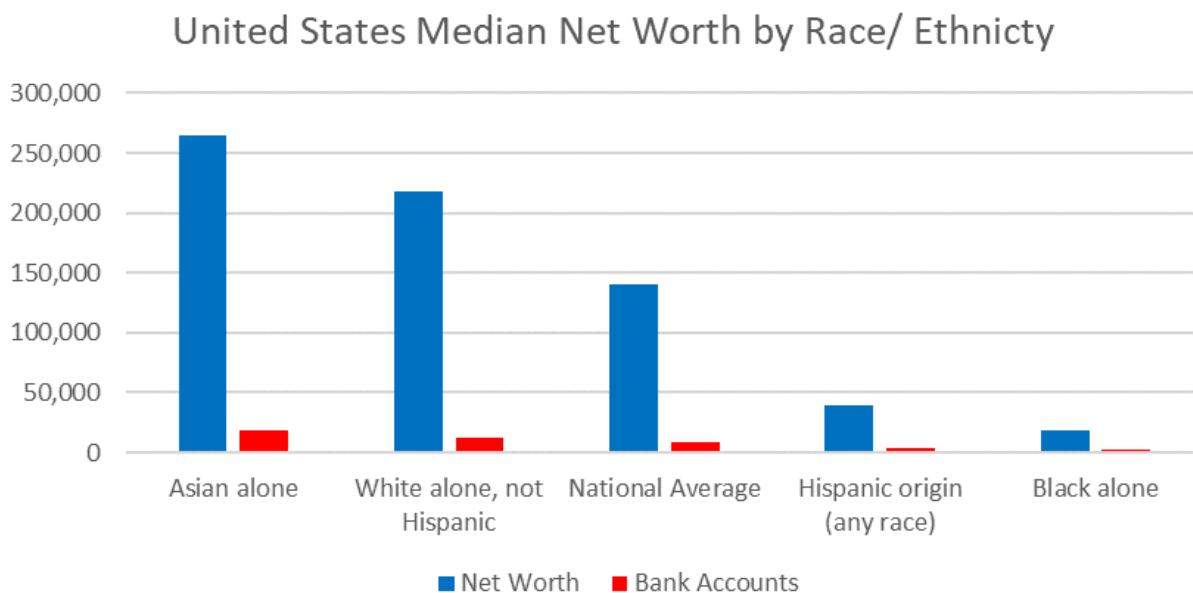
A survey of cannabis industry stakeholders in neighboring Monterey County revealed that “paying rent on property while waiting for permits” is the number one barrier to entry to the legal cannabis industry, with 91% of respondents agreeing that this is a barrier to entry. Other significant financial barriers to entry include finding affordable properties for purchase (77% agree) or rent (73% agree), obtaining startup funds (75% agree), and cost of permits (71% agree) (Institute for Community Collaborative Studies).

Financial barriers are an especially important barrier for Watsonville’s predominantly Hispanic population. Hispanic and Black households have median net worth significantly lower than Asian and white non-Hispanic households. Nationally, the median Hispanic origin household has a net worth (including primary residence) of \$39,800 and checking and savings account balances totaling \$4,090, an amount that, for comparison, would not be sufficient to cover Watsonville’s cannabis license pre-application fee of \$4,200 (United States Census Bureau 2022).

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<sup>46</sup> August 12, 2022 Interview Watsonville Police Department; corroborated by September 20, 2022 interview with Watsonville Police Captain

**Figure 6.1**



### *Access to Personal and Business Banking Services*

While about 2.5% of white households are unbanked, over 12% of Hispanic households are unbanked, meaning that no one in the household has access to banking services (Boel and Zimmerman). Attaining access to personal banking services adds an additional layer of difficulty in gaining access to the legal cannabis industry, one that disproportionately impacts the Hispanic population in Watsonville.

The most prevalent reasons for being unbanked are the inability to meet minimum balance requirements and lack of trust in banks. These proximate causes suggest that lack of banking services is fundamentally interacting with other barriers: income, wealth, and financial literacy. These factors are likely to translate into, among other challenges, difficulty attaining business banking services.

Compounding these barriers, is the legal ambiguity that banks face in providing services to firms related to the cannabis industry. According to the American Bar Association, no major bank and only a small minority of smaller banks and credit unions provide services to cannabis firms out of fear of violating federal law (Black and Galeazzi).

Lack of business banking further complicates the process of obtaining access to the legal cannabis industry and creates unnecessary risks. The American Bar Association adds that “this state of legal limbo greatly increases the risks to which these businesses are exposed in that they

must deal with large amounts of cash, thereby increasing the risk of robbery and making it difficult to render payment to others” (Black, J. J., & Galeazzi, M.).

### *Administrative*

Applications require an understanding of and compliance with complex requirements from multiple local and state agencies. In regards to cannabis permits, there are considerable administrative/technical barriers to entry. These are time-consuming, resource-intensive, and require significant technical knowledge and/or skill. Accessing traditional sources of technical assistance, such as small business development centers, is not a viable option for those looking to enter the legal cannabis industry, as these programs are typically federally funded and risk losing funding for assisting firms conducting activity deemed illegal by the federal government.

From our correspondence with city officials responsible for overseeing Watsonville’s permitting and approval processes, we learned that the applicant pool is composed of a very similar demographic to those currently participating in the legal cannabis sector — that is white, non-Hispanic men. Therefore, whatever barriers prevent people outside the white, non-Hispanic male demographic from participating in the legal trade seem to occur before the application process begins. That is to say, it does not appear that there is something the applicants do not anticipate prior to applying that is preventing them from completing the process. This suggests that interested parties who choose not to apply have some expectation about the process that they could identify that prevents them from applying. Further study such as a survey (including a version in Spanish) may help identify what these expectations may be that prevent potentially interested parties from actually applying.

### *Education and Business Acumen*

The skills needed for participation in a highly regulated marketplace, including business planning, human resources management, accounting, and inventory controls can be significant barriers to entering a new market. Business education will be particularly important for Disproportionately Impacted Area (DIA) stakeholders because high rates of historical and current poverty indicate that such applicants will likely need and will benefit from education, training, and skill-building on how to successfully enter and thrive in the legal cannabis market. Well-resourced and highly-educated applicants have a significant advantage in the emerging legal industry, and a level playing field is necessary to ensure that those impacted by criminalization and poverty have both the resources and expertise to compete with more resourced and educated applicants.

Assistant Police Chief for the Watsonville Police Department, Tom Sims, shared with CCRP that the City’s indoor cannabis facilities are highly sophisticated outfits. Chief Sims, who visits these operations as a part of his compliance duties, shared that in many ways the operations resemble a



science lab, requiring advanced technical knowledge to be productive. Those running the indoor operations have specialized knowledge and formal education, including degrees in agriculture.

Due to the disparities in educational attainment identified in Section 4, it may be concluded that lack of educational attainment is a barrier to entry particularly acute for Watsonville's predominantly Hispanic population.

#### *Language Barriers*

A closely related barrier to educational attainment is the language barrier that many in Watsonville experience. A significant proportion of Watsonville's community are Spanish speakers who speak English "less than 'very well'" (34.7%)<sup>47</sup>, and as shown in Section 3, there are Census tracts in Watsonville where a half or more of the population has limited English proficiency.

#### *Market Competition*

The legal trade is highly competitive and new firms will likely struggle to compete with established firms. Chief Sims shared with CCRP that existing indoor operations are now permitted to use up to 20,000 square feet for production, however due to their inability to sell all of their product, producers are only using 5,000 to 7,000 square feet. In some cases, product is destroyed before it can be sold due to significant overproduction locally and statewide. As discussed in Section 4.2, competition, taxes, regulations, and a market demand restricted only to California, make the legal trade less profitable than the illicit side, which circumvents regulations and the steep taxation that drives high prices for legal markets. Additionally, illicit cannabis grow operations, without being constricted to markets in California, have the ability to illegally ship cannabis products across the country, where they have access to broader, unsaturated markets. It appears that expectations about the profitability or competitive viability of transitioning to a legal operation, may also be barriers preventing individuals from entering into the legal cannabis sector.

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<sup>47</sup> ACS table DP02

## **Section 7. Cannabis Equity Program Recommendations**

### **7.1 Guidelines for a Successful Cannabis Equity Plan**

The following is a list of best practices common to many cannabis equity plans throughout the state. Section 7.2 offers an analysis of Watsonville’s existing cannabis equity plan and provides specific recommendations and feedback.

#### **Guideline 1: Targeted Efforts**

Equity program eligibility factors should be focused on specific targeted populations most harmed by cannabis criminalization and poverty in order to reduce barriers to entry into the legal, regulated market. Eligibility criteria should be supported by data.

#### **Guideline 2: Create Opportunity to Participate**

Ensure that applicants meeting equity program eligibility factors have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.

Consider the following strategies:

- **Prioritization:** Consider a prioritized permit process for equity applicants.
- **Ratios:** Consider mandating a requisite number/percentage of equity applicants during permitting.
- **Provisional Approval:** Consider allowing for provisional approval of permits to allow equity applicants to overcome financial barriers. Provisional approval may provide potential investors with more certainty and willingness to provide capital investments.
- **Amnesty Program:** Consider developing pathways such as an amnesty program to encourage existing nonconforming businesses (such as small operators who qualify as equity applicants) to transition to the legal market.
- Consider a robust incubation program for equity applicants.
- Consider facilitating co-operative or co-location arrangements to address difficulty in obtaining complaint real estate.

#### **Guideline 3: Track Data to Measure Success**

All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry. Consider tracking data on general and equity applicants on an ongoing basis to measure the success of the equity program. Collect demographic data from equity program participants in accordance with guidance from the state of California.

Demographic data requested by the state includes: Race/Ethnicity, Gender, Sexual Orientation, Income Level, Prior Convictions, Military Service, Age, and Disability Status.

Although completion of an annual demographic questionnaire would be voluntary, program participants should be encouraged to complete the questionnaire so that the City can assure that funding is leading to the creation of job opportunities and wealth for those affected by past criminalization.

**Recommended Metrics:**

- Number of equity applicants who apply<sup>48</sup>
- Applicant information such as:
  - Types of drug-related offenses
  - Income status
  - Race
  - Ethnicity
  - Gender
  - Sexual Identity
  - Residency Status
  - Ownership Structure
- Cannabis workforce characteristics
  - Total number of employees
  - Number of local employees
  - Employment status (full-time, part-time, etc.)
- 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

**Guideline 4: Address Barriers to Entry**

Create specific services and programs for equity applicants that address and mitigate barriers to entering the legal cannabis market.

<b>Barrier</b>	<b>Consider the following strategies:</b>
Financial	1. Waive fees for application assistance trainings 2. Deferral of or assistance with payment of application fees for zoning and special use permits 3. Waive or defer fees for trainings and certifications required by law 4. Loans or grants to incentivize businesses that mitigate adverse environmental effects of cannabis cultivation

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<sup>48</sup> For those who do not complete the process, document the state and reason that they stopped if possible.

Administrative /Technical	<ol style="list-style-type: none"> <li>1. Technical assistance for formation of cannabis cooperative associations</li> <li>2. Provide training and/or technical assistance to assist those with past cannabis convictions to get their records expunged, for any remaining individuals who have not already had their records expunged</li> <li>3. Work with banking institutions and provide technical assistance to support equity applicants in accessing banking services</li> </ol>
Business Acumen	<ol style="list-style-type: none"> <li>1. Employment skill training for equity participants employed or seeking employment in licensed cannabis operations</li> <li>2. Training/support for business owners to understand workforce rules and regulations. See recommendations below.</li> <li>3. Incubation</li> </ol>

Below are a series of recommendations adapted from *Workforce Report: Humboldt County's New Cannabis Landscape* (2018) authored by Deborah Claesgens & Michael Kraft on behalf of the Humboldt County Workforce Development Board:

Manufacturing/Production

*Artisan Size Businesses*

- Access to business planning (business startup strategy: how to build and manage a detailed startup business plan that can scale up and include facilities, marketing, tax and regulation, payroll, human resources hiring and supervision, and teamwork).
- Access to incubation and manufacturing hubs that can hire, cross train, and job share positions between small entrepreneurs.

Retail

- Access to comprehensive business and marketing strategies that connect cannabis retail to tourism and related workforce development (hiring, training, presentation, customer service, job readiness and supervisory skills).
- Access, training or mentorship in general business supervisory, customer service, workplace norms, and software skills.
- Evaluate the specific need and content for a program that certifies front line positions (budtending, security, track and trace, manufacturing, and packaging personnel).

Agriculture/Cultivation:

- Access to business planning, low cost loans, or investment sources that can assist equity applicants with access to real estate, so that income can be spent on hiring, training, growing wages, and benefits of a variety of jobs, from farm management to bookkeeping. Equity funding could support this access for those impacted by cannabis criminalization and/or poverty.
- Support for reasonable regulations and zoning that promote and incentivize

employers to build good business and workforce development practices.

- Access to standard human resource methods— hiring and orientation, training in proper and regulated land use for farm and field workers, hiring and supervision processes, setting job benchmarks and performance standards, and evaluating performance for promotion or wage scale increases.
- Access to business and HR tools: developing HR manuals and procedures, how to frame up a request for a consultant scope, how to interview and select the right consultant or consultant firm, and how to manage a consultant scope.
- Developing, securing, and increasing farm management skills in agricultural, biology, and land management.
- Access to agricultural extension services to help with the science of plant biology from a medicinal and commercial standpoint; help feed local graduates in biology and environmental sciences into the cannabis industry, much like is done in the timber industry.

#### **Guideline 5: Ensure Adequate Cannabis Permit Staffing**

The City of Watsonville should consider utilizing cannabis tax revenue to ensure that City staff managing cannabis permitting are at full staffing levels and are trained and educated on the cannabis permitting process. Not only should City staff be able to handle expertly crafted applications from well-funded applicants, but they should also be able to offer technical assistance and support for less-resourced applicants who are struggling to navigate a complex and expensive permitting process.

#### **Guideline 6: Consider Community Reinvestment**

Local cannabis revenues can be directed to community reinvestment programming to rebuild and restore communities adversely affected by the past criminalization of those involved in the cannabis industry. A portion of City cannabis taxes can be used to supplement equity funding received from the State of California.

Some potential focus areas include:

1. Local cannabis equity program
2. School-based youth alcohol and drug prevention efforts
3. Non-profit and/or citizen-led organizations whose work focuses on the health and well-being of residents
  - a. Organizations working to address abuse, assault, and trafficking within the cannabis industry
  - b. Restorative justice programs for youth and/or adults
  - c. Neighborhood improvement associations
  - d. Infrastructure projects that will improve the quality of life for city residents

**Guideline 7: Encourage Equitable Employment Practices**

**All cannabis operators should provide equitable employment opportunities.** These opportunities should include providing a living wage to employees and hiring those with past non-violent cannabis convictions, local residents, and other historically-disadvantaged populations.

- Leverage existing workforce programs in the city/county
- Expand workforce curriculum to support professional opportunity and development
  - Support workforce fairs to provide outreach and education
  - Engage individuals who are experienced in the cannabis industry and have transitioned from the unregulated market to the regulated market to ensure curriculum is relevant and applicable
- Consider incentivizing employers to prioritize hiring for local residents, those with past non-violent cannabis convictions, and other historically-disadvantaged populations (such as women, those who lived in communities targeted by CAMP raids, those living in poverty, and tribal members).

**Guideline 8: Continuous Monitoring and Improvement**

**Update *The City of Watsonville Assessment* next year and every three years afterwards to:**

1. Monitor and share progress of the Equity Program,
2. Monitor and share trends in the emerging legal cannabis industry,
3. Identify areas for course correction and/or unexpected consequences

**7.2 Review of Existing Cannabis Equity Plan and Specific Recommendations**

The city of Watsonville’s Cannabis Equity Program (CEP) was created in 2019 with the aim of reducing barriers to enter into the legal cannabis industry for those disproportionately impacted by cannabis criminalization.

**Analysis of Eligibility Requirements**

CCRP promotes the following guideline with respect to eligible applicants:

*Equity program eligibility factors should be focused on specific targeted populations most harmed by cannabis criminalization and poverty in order to reduce barriers to entry into the legal, regulated market. Eligibility criteria should be supported by data.*

Those most harmed by cannabis criminalization would include those most likely to face the consequences of a cannabis arrest as well as those least prepared to deal with the consequences of a cannabis arrest, charge, or conviction.

Based on the findings in this report, those most likely to have been harmed by a cannabis arrest, charge, or conviction include, but are not limited to:

1. Black and Hispanic people

Black and Hispanic individuals were more likely to be arrested for cannabis and other drugs than whites (see Section 3).

2. People who have lived in Watsonville during the period of cannabis criminalization

The community as a whole experienced a higher-than-average rate of arrests for cannabis than the statewide rate in California during the same time period (see Section 3.4).

3. Santa Cruz County juveniles arrested for drug offenses

Juveniles, especially Black and Hispanic youths, were less likely to be released with a warning (see Section 3.5) than juveniles in other counties or from white juveniles in Santa Cruz County.

As discussed in Section 5, structural conditions within Watsonville and the surrounding area create vulnerabilities that exacerbate the effects of cannabis criminalization. The following conditions are common in Watsonville, and those who experience them face reduced capacity to manage the consequences of a cannabis arrest, charge or conviction:

1. Unemployment (either cyclical or seasonal)
2. Low income
3. Low wealth
4. Poverty
5. Housing scarcity; crowded housing conditions, homelessness
6. Low educational attainment

Below is a list of the existing eligibility criteria and program benefits for the Watsonville Cannabis Equity Plan (CEP). We provide feedback based on the findings in this report as well as considerations for possible future modifications or additions to the CEP framework.

The Watsonville CEP stipulates that to be eligible for equity status, a candidate must demonstrate that the applicant, their employees, or their customers meet at least three of the following existing eligibility criteria below (*fig. 7.1, column 1*)

**Figure 7.1**

Existing Eligibility Criteria	Comments or Findings	Considerations
<p><b>Criterion 1:</b> Have been negatively impacted in a disproportionate way by cannabis criminalization and can demonstrate what they have done and will do to address such negative impacts, including but not limited to supporting compassionate care programs within the community (defined as the jurisdictional territory of the Pajaro Valley Unified School District).</p>	<p>This criterion appears open to interpretation.</p> <p>This criterion appears to be assessing two separate criteria. First, whether there has been a disproportionate impact, and second what the applicant intends to do to rectify the impact.</p>	<p>Consider specifying a list of impacts such as:</p> <ol style="list-style-type: none"> <li>1. Job loss or forgone job opportunity</li> <li>2. Loss of educational opportunity, financial aid, or scholarship</li> <li>3. Loss of professional or business license</li> </ol> <p>Consider simplifying to focus on one concept or factor.</p> <p>Consider revising and simplifying to improve clarity, so that potential applicants can easily understand the criterion.</p>
<p><b>Criterion 2:</b> Reside within boundaries of the Pajaro Valley Unified School District.</p>	<p>Watsonville as a whole experienced a more significant degree of cannabis criminalization (see Section 3.4) than the typical statewide experience. Thus, the community as a whole was disproportionately impacted by cannabis criminalization.</p> <p>Current residency may be better left as an absolute requirement of all equity candidates if the objective is to limit equity applicants to people who have a current stake in the community. As the guidelines currently exist, it is possible for someone with an arrest (Criterion 8), a relative arrest (Criterion 9), and an eviction or foreclosure (Criterion 4), but has never lived near Watsonville.</p>	<p>Consider including some form of past residency requirement to include people who perhaps did not attend school in the area (see Criterion 3), but lived in Watsonville or surrounding area between 1971 to 2016.</p> <p>Consider adding a time requirement. For example: “Resided within boundaries of the Pajaro Valley Unified School District for five (5) years between the years of 1971 to 2016”.</p> <p>Consider making current residency a requirement of all equity applicants regardless of other criteria.</p>



Existing Eligibility Criteria	Comments or Findings	Considerations
<p><b>Criterion 3:</b>            Attended school in the Pajaro Valley Unified School District for a total of five (5) years from 1971 to 2016.</p>	<p>Since the community as a whole experienced a disproportionate level of cannabis and other drug arrests during much of this period, students in the PVUSD would have shared this experience. Thus, this criterion appears consistent with the findings in this report, however the City may consider expanding this criterion.</p>	<p>Consider possibly expanding eligibility to include adults who lived within the school district during this period, depending on changes made to other criteria.</p>
<p><b>Criterion 4:</b>            Are economically disadvantaged, which may be demonstrated, for example, by being adjudicated bankrupt under Chapters 7, 11, 12 or 13 of the United States Bankruptcy Code, by losing their primary residence through a judicial or nonjudicial foreclosure after 2005, or have otherwise been involuntarily displaced from their primary residence since 2005 such as by eviction or subsidy cancellation.</p>	<p>The Watsonville community experiences high unemployment, seasonal unemployment, low income, high poverty rates, and housing scarcity (Section 5).</p> <p>Hispanic households experience lower household wealth (Section 7).</p> <p>Consideration of economic hardship and displacement from primary residence is consistent with the findings in this report.</p>	<p>Consider expanding to include economic disadvantages such as:</p> <ol style="list-style-type: none"> <li>1. Long-term unemployment or recurrent seasonal unemployment</li> <li>2. Long-term poverty status</li> <li>3. Low or negative household net worth</li> </ol>
<p><b>Criterion 5:</b>            Are twenty-five (25%) percent “day-to-day” women supervised and women owned businesses.</p>	<p>Women tend to experience higher rates of poverty than men. In 2012, for example, the female poverty rate in Watsonville was 24.1% whereas the male poverty rate was 18.1%<sup>49</sup>.</p>	<p>Consider increasing the percentage requirement of supervision and ownership.</p>

<sup>49</sup> ACS table S1701

Existing Eligibility Criteria	Comments or Findings	Considerations
<p><b>Criterion 6:</b> Have a household income below eighty (80%) percent of the average<sup>50</sup> median income (AMI) for 2017 based on the number of people in your household.</p>	<p>Hispanic households on average have significantly less household wealth than white, non-Hispanic households (Section 6).</p> <p>Families in Watsonville tend to have more earners than the statewide average (Section 4.1)</p>	<p>Special consideration (e.g. higher income limit) for households:</p> <ol style="list-style-type: none"> <li>1. that can demonstrate low household wealth</li> <li>2. with multiple (especially 3 or more) income earners</li> </ol> <p>Consider, instead of a fixed year (e.g. “2017”), stipulating the most recent year available.</p>
<p><b>Criterion 7:</b> Have lived in a census tract within the community (defined as the jurisdictional territory of the Pajaro Valley Unified School District) at least five (5) years between 1971 and 2016 where at least seventeen (17%) percent of the households had incomes at or below the Federal poverty level.</p>	<p>This may be difficult to implement in practice. Poverty data for all years and all Census tracts may not be available.</p> <p>Poverty rates by Census tract change significantly over time. The average poverty rate in Watsonville was higher than 17% during the 5 year period ending 2017 (see Section 4.2).</p> <p>There is significant statistical variation in Census poverty data; thus, whether someone lives in a Census tract with a poverty rate over 17% may be due in large part to statistical variation.</p> <p>This appears to be attempting to capture two factors; residency and poverty. We suggest determining which factor is a priority, and focusing on one factor.</p>	<p>Since residency is already a factor in the other criteria, we suggest considering a measure poverty at the household level:</p> <p>“Have household income below the federal poverty threshold for at least five (5) years between 1971 and 2016.”</p> <p>However, if residency is a priority, consider a simpler 5 year residency requirement:</p> <p>“Have lived within the Pajaro Valley Unified School District at least five (5) years between 1971 and 2016.”</p>

<sup>50</sup> Eligibility criteria are copied verbatim. This appears to be a typo and should read “area median income”.

Existing Eligibility Criteria	Comments or Findings	Considerations
<p><b>Criterion 8:</b> Have been arrested for or convicted of the sale, possession, use, manufacture, or cultivation of cannabis (including as a juvenile) from 1971 to 2016.</p>	<p>This criterion is consistent with the findings in this report, however there are a few considerations for possible revision.</p>	<p>Consider specifying that the arrest or conviction must be nonviolent.</p> <p>Consider including nonviolent arrest or conviction for any other drug<sup>51</sup>.</p>
<p><b>Criterion 9:</b> 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.</p>	<p>This criterion is consistent with the findings in this report, however there are a few considerations for possible revision.</p>	<p>Include arrest of a guardian to be more inclusive of people raised by someone other than a parent.</p> <p>Consider specifying that the arrest or conviction must be nonviolent.</p> <p>Consider including nonviolent arrest or conviction for any other drug.</p>

General Considerations:

1. Consider reviewing and revising the eligibility criteria in such a way that they will be more clearly accessible to the broader community, especially those who may not have an advanced reading level or who speak English as a second language. Consider revising such that the criteria are as simple as possible, and a typical community member<sup>52</sup> would easily understand each criterion and determine whether it applies to them.
2. Consider revising Criterion 1 and Criterion 7. Both of these criteria appear to be indicating two factors or concepts. Criterion 1 indicates whether the applicant has been impacted as well as their intentions. Criterion 7 indicates two concepts; poverty and residency. Each criterion should be focused on one factor or concept.
3. The current criteria allows for the applicants to demonstrate that their customers meet the above equity criteria. This leaves open the possibility that, for example, a

<sup>51</sup> The GO-BIZ Grant Solicitation states: *The purpose of the Cannabis Equity Grants Program for Local Jurisdictions is to advance economic justice for populations and communities harmed by cannabis prohibition and the War on Drugs (WoD) by providing support to local jurisdictions as they promote equity and eliminate barriers to enter the newly regulated cannabis industry for equity program applicants and licensees.* Thus, it appears that the intent of the program is to also help those impacted by arrests and convictions for other nonviolent drug offenses in addition to cannabis (The State of California: Cannabis Equity Grants).

<sup>52</sup> This will also help staff understand and communicate the criteria as well.

well-resourced, out-of-town applicant can apply and simply demonstrate that their customers will satisfy the above criteria, whereas few if any of the criteria apply to the applicant.

4. Consider also including veteran status. Veterans are more likely to be diagnosed with PTSD, and PTSD is associated with substance use disorder. About 12% of Veterans with PTSD experience cannabis use disorder (See Section 2).
5. Consider making current residency an absolute requirement of all equity applicants in addition to meeting three or more other requirements.

Analysis of Watsonville’s Existing Equity Program Benefits:

<b>Existing Equity Program Benefits</b>	<b>Comments or Findings</b>	<b>Considerations</b>
<p>Workshops to gain a better understanding of various technical aspects of compliance with local and State regulations.</p> <p>Direct technical assistance with all categories and levels of State and local licensing issues, including but not limited to:</p> <p>(1) Assistance with technical aspects of local permit application drafting;</p> <p>(2) Training on and direct assistance in applying for air district permits, hazardous materials business permits, State Water Board permits and other permits and programs to be identified by the licensing official</p>	<p>These benefits are consistent with the findings in this report.</p> <p>Many in Watsonville face language barriers (see Sections 2 and 7).</p> <p>Watsonville as a community experiences low rates of educational attainment (see Section 4.4).</p>	<p>Advise continuing benefits.</p> <p>Wherever feasible include Spanish language workshops as an option.</p> <p>Consider including assistance with industry-specific technology such as Metrc.</p>
<p>Fee waivers for use permits and cannabis business licenses</p> <p>Direct assistance paying for State licensing and regulatory fees</p>	<p>These benefits are consistent with the findings in this report.</p> <p>Applicants meeting the above criteria are more likely to be</p>	<p>Advise continuing benefits.</p>

	economically disadvantaged, and this benefit will reduce barriers to entry.	
Assistance from the Community Development Director with securing business locations prior to or during the use permit and cannabis business license process.	<p>These benefits are consistent with the findings in this report.</p> <p>Economic hardship along with scarcity of real estate (Section 4), mean that local equity applicants are likely to see benefits from assistance with this.</p>	Advise continuing benefits.

Additional Program Benefits to Consider:

- Training on small business development including accounting, budgeting, and human resources.
- Provide assistance to equity applicants accessing financial services. Specifically, conduct a survey of existing cannabis businesses in the area to learn which financial institutions they do business with and offer these findings to applicants.
- While it may be a challenge to offer all correspondence in Spanish, where it is feasible we recommend creating Spanish language versions of mass-distributed documents such as a frequently asked questions (FAQ) document.

## **Appendix A: Watsonville Cannabis-Related Measures & Programs**

The below section provides an overview of the city of Watsonville's cannabis-related measures and programs from 2000 to the present.

**Date:** May 11, 2000

**Title:** Ordinance 2000-06

**Summary:** An ordinance of the City Council establishing Chapter 6.90 Personal Medical Marijuana Use. Repealed in December of 2017.

**Title:** Ordinance 1212-07 (not codified)

**Summary:** Interim ordinance establishing moratorium on approval of applications for medical marijuana dispensaries (Not codified) Renewed by Ordinance 1212-07.

**Title:** Ordinance 1226-07

**Summary:** An ordinance amending Watsonville's ordinance code by adding Ch. 6-5: Medical marijuana dispensaries. (*Repealed by 1326-16*)

**Date:** January 26, 2016

**Title:** Ordinance No. 1326-16

**Summary:** Medical Marijuana Regulation and Safety Ordinance (MMRSO): This ordinance repeals Chapter 6-5 (ordinance 1226-07) of the Watsonville Municipal Code. The ordinance also repeals the City's ban on medical marijuana and legalizes medical cultivation, manufacturing, sale, dispensaries, and support businesses in specific zones within the city of Watsonville. The new ordinance creates the following guidelines for medical cannabis cultivation:

Type 1A = Cultivation; Specialty indoor. Up to 5000 sq. ft.

Type 1B = Cultivation; Specialty mixed light. Using exclusively artificial lighting, up to 5,000 sq. ft.

Type 2A = Cultivation, Indoor. 5,001-10,000 sq.ft.

Type 2B = Cultivation; Mixed light. 5,001 - 10,000 sq. ft.

Type 4 = Cultivation; Nursery, indoor or mixed light only. Up to 10,000 sq. ft.

*(Repealed by 1352-17)*

**Date:** January 26, 2016

**Title:** Ordinance No. 1327-16

**Summary:** This ordinance updates chapters 14-16.503(b) and 14-16.603(b) in the Watsonville Municipal Code, regarding Medical Cannabis Facilities. Per this ordinance, medical cannabis related operations are limited to two specific zones: the General Industrial (IG) and Industrial Park (IP) zoning districts.

**Date:** June 28, 2016

**Title:** Ordinance No. 1338-16

**Summary:** An amendment to ordinance No. 1326-16. Chapter 5 of the Watsonville Municipal Code. The amendment limits the number of special use permits for medical cannabis cultivation facilities. This amendment also limits the total number of indoor cultivation facility licenses in the City to six (6). These permits will be available on a first come, first serve basis. The amendment also states that licenses will automatically end if cultivation stops for ninety (90) days or more.

**Date:** December 14, 2016

**Title:** Ordinance No. 1345-16

**Summary:** An ordinance amending Title 14 of the Watsonville Municipal Code. This amendment bans cultivation, processing, manufacture, distribution, testing, dispensing, or sale of nonmedical cannabis/ nonmedical cannabis products in the city of Watsonville. The chapter includes an exception (in compliance with Proposition 64) which allows for personal cultivation and processing of up to six (6) plants. The ordinance bans all outdoor cannabis cultivation in the City. *(Repealed by 1361-18)*

**Date:** January 1, 2017

**Title:** Ordinance No. 1330-16

**Summary:** An ordinance amending Chapter 3-6 of the Watsonville Municipal Code. This ordinance adds Article 12 to Chapter 3-6 regarding cannabis business tax.

The tax rates are as follows:

**Cultivation tax:** Annual tax not more than twenty dollars per square foot per year (\$20.00/SF/YR).

**Manufacturers tax:** Annual tax not more than two and one half percent (2.5%) of gross receipts.

**Dispensary Sales tax:** Business tax of no more than ten percent (10%) of gross receipts.

**Date:** June 18, 2017

**Title:** Ordinance No. 1352-17

**Summary:** An ordinance that repeals ordinance No. 1326-16. Repeals Chapter 5 in its entirety and adds a new chapter to Title 14 (Zoning). This ordinance adjusts the zoning allowances for specific types of cultivation and manufacturing of medical cannabis into the following permit classifications:

Type 1A = Cultivation, Specialty indoor: up to 5,000 sf, in IP Industrial Park (IP) and General Industrial (IG). Permit: Special Use Permit (SUP).

Type 1B = Cultivation, Specialty mixed light: up to 5,000 sf, in IP & IG. Permit: SUP.

Type 4 = Cultivation, Nursery, indoor or mixed light only: up to 5,000 sf, in IP & IG. Permit: SUP.

Type 6 = Manufacturer 1 for products not using volatile solvents: in IP & IG. Permit: Administrative Use Permit (AUP).

Type 7 = Manufacturer 2 for products using volatile solvents: in IP & IG. Permit: AUP.

The following classifications are deemed prohibited in the City:

Type 1 = Cultivation, Specialty outdoor.

Type 2= Cultivation, Outdoor: up to 5000 sf.  
Type 2A: Cultivation, Indoor: up to 10000 sf.  
Type 2B: Cultivation, Mixed light: up to 10000 sf.  
Type 3: Cultivation, Outdoor: up to 1 acre.  
Type 8: Testing, Type 10/11: Dispensary, General.

*(Repealed by 1362-18)*

**Date:** December 28, 2017

**Title:** Ordinance No. 1357-17

**Summary:** 1357-17 An ordinance which amends 14-53 of the Watsonville Municipal Code involving Application Procedure. This ordinance adjusts the code such that the City Manager will select the final nine (9) medical cannabis facilities that are able to submit a Use Permit. Selected pre-applications will be able to apply for a Use Permit with the Community Development Department.

**Date:** January 16, 2018; Effective February 16, 2018

**Title:** Ordinance No. 1362-18 (CM)

**Summary:** 1362-18 Repeals Ordinance No's. 1352-17 and 1357-17 of the Watsonville Municipal Code and replaces Ch. 14-53, Cannabis Facilities. An amendment to Chapter 14-53 of the Watsonville Municipal Code, this ordinance allows for the cultivation and manufacture of cannabis for both the medical and adult-use cannabis markets. The purpose of this is to allow the expansion of existing licensed cannabis facilities into a growing adult-use cannabis market.

*(Repealed by 1404-20)*

**Date:** February 13, 2018; Effective March 15, 2018

**Title:** Ordinance No. 1361-18

**Summary:** 1361-18 Repeals Chapter 14-52 "Cultivation, Processing, Manufacture, Distribution, Testing and Sale of Non-Medical Cannabis" of the Watsonville Municipal Code in its entirety. The ordinance also legalizes the cultivation and manufacture of cannabis for both the medical and adult-use cannabis market. *(Repealed)*

**Date:** March 13, 2018; Effective April 13, 2018

**Title:** Ordinance No. 1364-18 (CM)

**Summary:** 1364-18 Amends Ordinance No. 1362-18 to regulate the distribution of cannabis. This amendment allows the existing cannabis cultivation and manufacturing facilities in Watsonville to distribute their own products between testing labs, manufacturers, and dispensaries located outside of the City.

**Date:** March 26, 2019

**Title:** Ordinance No. 1381-19 (CM)

**Summary:** 1381-19 Adds Ch. 5-49, Cannabis Equity Program (5-49), an urgency ordinance that adds a new Chapter 49 (Cannabis Equity Program) to Title 5 (Public Welfare, Morals, and Conduct) of the Watsonville Municipal Code. This ordinance provides local guidelines for administering a cannabis equity program in the city of Watsonville to mitigate the barriers to



equity within the commercial cannabis market for populations that were negatively or disproportionately impacted by cannabis criminalization.

**Date:** June 9, 2020; Effective July 9, 2020

**Title:** Ordinance No. 1404-20 (CM)

**Summary:** Repeals and Replaces Ordinance No.'s 1362-18 and 1364-18 and adds the following equity considerations to Chapter 14-53:

1. Set aside one permit from each type of cannabis business for eligible cannabis equity applicants.
2. Use the Cannabis Equity Ordinance (WMC 5-49) to determine the eligibility of local equity applicants.
3. Require retail dispensaries to carry at least 15% of product either cultivated and/or manufactured by Watsonville cannabis businesses.

This ordinance increases the number of cannabis use permits as follows: the number of cultivation permits remains at 6. The number of manufacturing permits increases from 9 to 15. Storefront retail dispensary permits increase from 1 to 3 and non-storefront retail licenses increase from 0 to 7. Processing permits increase from 1 to 2. Testing permits increase from 0 to unlimited.

**Date:** June 23, 2020; Effective July 23, 2020

**Title:** Ordinance No. 1405-20 (CM)

**Summary:** 1405-20 Amends Ordinance No.'s 1327-16 and 1369-18 and certain sections of Chapter 14-16 (District Regulations) of Title 14 (Zoning) of the Watsonville Municipal Code for the regulation of cannabis business located within the City. The amendment identifies the zoning districts where cannabis related uses may be allowed and identifies the types of uses allowed in specific zones, and the permits required for those uses.

**Date:** March 23, 2021; Effective April 22, 2021

**Title:** Ordinance No. 1417-21 (CM)

**Summary:** 1417-21 Amends Ordinance No. 1330-16 and sections 3-6.1202 (Definitions) and 3-6.1206 (Amount of Tax Owed) of Article 12 (Watsonville Cannabis Business Tax) of Watsonville's Municipal Code (3-6). This ordinance amends Chapter 6 (Taxation) of Title 3 (Finance) of the Watsonville Municipal Code and changes the definitions in the Chapter and the amount of tax owed for cannabis business. *In compliance with Measure L (Watsonville Cannabis Business Tax Measure), this ordinance does not increase taxes.*

**Cultivation:** annual tax not to exceed (\$20.00) dollars per square foot per year of canopy area, paid monthly.

**Manufacturers:** no more than 2.5% of gross receipts. Monthly, at a rate of 8.33% of the annual tax per month.

**Retail Sales:** business tax of no more than 10% of gross receipts. Monthly. Cannabis business tax for retail sales is set at five (5%) of gross receipts from retail sales of cannabis and cannabis products.

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