



City of Clearlake Cannabis Equity Assessment V1 -- May 2021 (DRAFT)

Abstract: The legalization of cannabis creates remarkable business opportunities in the future, however not everyone who has made a living in the past is able to thrive in the future. The California Center for Rural Policy (CCRP) and the Humboldt Institute for Interdisciplinary Marijuana Research (HIIMR) at Humboldt State University collected primary and secondary data to create the assessment. The assessment provides a summary of that data and recommendations for a local equity program that will provide assistance to community members that experienced harm from decades of criminalization of cannabis and poverty and support their participation in the legal cannabis industry in the City of Clearlake.



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Section 1. Executive Summary

The California Center for Rural Policy (CCRP) at Humboldt State University worked with the City of Clearlake to create a Cannabis Equity Assessment (CEA) to:

- Provide a data-informed look at the history of impacts of poverty and the criminalization of cannabis on the community.
- Provide policy recommendations to guide the city as it develops its 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 emerging cannabis industry.

In order to accomplish this, CCRP partnered with the Humboldt Institute for Interdisciplinary Marijuana Research and City of Clearlake stakeholders to create the CEA.

The City Council has authorized staff to update the City of Clearlake Cannabis Local Equity Program as needed, and staff will do so by ensuring the program is informed by this study. The City of Clearlake is committed to including equity as a key consideration as the State of California transitions the cannabis industry to legal status. The City of Clearlake needs an equity program that makes sense for their residents and considers the unique needs and assets of their community.

1.1 Key Takeaways from the Equity Analysis

- Clearlake has endured significant economic hardship since its incorporation in 1980. These hardships include high rates of poverty and crime, dilapidated infrastructure, and significantly low scores on indicators of public health and education.
- Clearlake has been significantly impacted by cannabis criminalization and the drug war. Between 2010 and 2019, drug offenses made up 23.3% of all arrests in the City of Clearlake, an average of 349 drug-related arrests per year over a ten-year period.
- The City of Clearlake has a very low median household income (\$31,551) compared to California (\$80,440).
- The City of Clearlake has a high proportion of their residents living under the federal poverty level, 33% of the City of Clearlake's population.
- Clearlake is home to about 15,000 people, approximately a fourth of Lake County's population. Lake County, and by extension Clearlake communities that provide much of

its labor force, have been significantly involved in cannabis markets since the 1980s but especially since 1996.

- Clearlake's public sector revenue shortage at the onset of the 2008 financial crisis led to a complete defunding of Code Enforcement, exacerbating long-term infrastructure decline and urban blight.
- Clearlake residents substantially increased publicly visible "backyard" medical cannabis cultivation between 2008 and 2015.
- The combination of the above events led to a significant crackdown on backyard cultivation via abatement when Code Enforcement was re-established in 2015, and there was a related increase in criminal enforcement.
- Clearlake is home to a large population of older residents, many of them Vietnam veterans and younger families that are increasingly Hispanic/Latino by census demographic.
- During the 2000s, Clearlake experienced significant population growth associated by many of our interviewees with gentrification in the Bay Area as rising housing prices drove people out.
- Clearlake was significantly impacted by California fires between 2015 and 2020 that destroyed a significant portion of its housing stock.
- Clearlake is the recipient of significant Community Development Block Grant (CDBG) and CDBG-DR (Disaster Relief) funds, in conjunction with a recent sales tax for infrastructure improvements, that have changed its economic development outlook.
- Clearlake is the largest city in Lake County, which has embraced large-scale cannabis cultivation as an economic development strategy. This means that there are significant opportunities for equity stakeholders seeking license types that add value in the supply chain.
- Natural disasters, economic revitalization strategies, and migration into the County to work in Lake's legal cannabis sector are driving up housing prices, leaving precarious residents in danger of displacement.

1.2 Key Findings/Recommendations

For the complete explanation of findings and recommendations, please see Section 7.

Finding #1: The City of Clearlake staff should explore and promote a diversity of permit types that add value in the supply chain, given the city's location in Lake County where large-scale cultivation will provide abundant cheap, local raw material.

Finding #2: Equity program eligibility factors should be focused on specific targeted populations. Eligibility criteria should be supported by equity assessment data wherever possible. Specific recommended eligibility criteria can be found in Section 7. Generally, eligibility criteria can include:

- Conviction history associated with cannabis-related offenses
- Immediate family member with a conviction history associated with cannabis-related offenses
- Low income status
- Individuals who resided in Clearlake for at least two years between 2008-2016

Finding #3: Ensure that applicants meeting equity program eligibility factors have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.

- 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.
- Consider a robust incubation program for equity applicants
- Consider facilitating co-operative or co-location arrangements given the scarcity of compliant real estate in the City

Finding #4: 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.

Finding #5: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market. Specific recommended services and programs can be found in Section 7.

Finding #6: The City of Clearlake should consider utilizing cannabis tax revenue to ensure that county staff managing cannabis permitting are at full staffing levels and are trained and educated on the cannabis permitting process.

Finding #7: Local cannabis revenues can be directed to community reinvestment programming to rebuild/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. Potential focus areas are outlined in Section 7.

Finding #8: All cannabis operators should provide equitable employment opportunities. These opportunities should include hiring those with past non-violent cannabis convictions, local residents, and other historically-disadvantaged populations, and providing a living wage to employees.

Finding #9: Update the City of Clearlake Equity 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, and
- 4) Demonstrate an ongoing commitment to data-informed decision making and strategic planning to ensure the City of Clearlake's strong transition to a legal cannabis industry.

Finding #10: The City of Clearlake should explore how to connect local equity applicants with Lake County cultivators to access abundant raw material for value-added business plans.

Finding #11: The City of Clearlake should explore how to connect with local equity applicants and equity licensees in nearby jurisdictions, such as Sonoma County, Mendocino County, the Bay Area, and Sacramento, to create equity-branded supply chains.

Section 2. Background

In 2018, the State of California enacted SB 1294 (Bradford) referred to as the California Cannabis Equity Act. The purpose 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, “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, Latinx 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.”

“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.”

“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.”

“In order to accomplish this goal, SB 1294 created a fund for local jurisdictions which have created cannabis equity programs to apply for funding to assist local equity applicants and local equity licensees gain entry to and to successfully operate in the state’s regulated cannabis marketplace.”

Section 3. Overview

The City of Clearlake (incorporated 1981) has a population of 15,349, about a quarter of rural Lake County's population. Its population is significantly composed of relatively young families and older retirees and the city has a limited, dilapidated housing stock¹. It is one of the poorest cities in California, with crumbling roads and infrastructure. According to City Manager Alan Flora, about 25% of the homes in the city are red-tagged for being delinquent on property taxes. The housing stock of the city is "generally older and is represented by a very high number of mobile homes and a high rate of rental housing."²

Race/Ethnicity

Its largest census ethnic categories are³ white (58.8%, compared with 36.6% in CA) and Hispanic or Latinx (29.1%, compared with 39% in CA). Since 2000, Clearlake has had a rapidly growing Hispanic/Latino population with 11% of the population identifying as such in 2000 and 29.1% identifying as such in 2019⁴. Clearlake's Black population is close to the state average, 4.4% compared with 6% in CA. Clearlake has a much higher proportion of their population that identifies as American Indian and Alaskan Native than the state (5.8%, compared with 0.8% in CA). Almost 10% of Clearlake's population is foreign-born.

Poverty and Housing

Clearlake is one of the poorest cities in one of the poorest counties in the State of California. Its poverty rate⁵ is 33% with a per capita income rate of \$16,778. Clearlake is the population center for a county that is characterized by long-term economic hardship exacerbated by the destructive effects of 10 natural disasters since 2015 that burned about 60% of the county's land mass and destroyed almost 2000 homes. Clearlake's dilapidated infrastructure reflects decades of deindustrialization and has during that time period attracted migration from increasingly expensive parts of California and a public sector budget crisis that has recently turned around due to Community Development Block Grants (CDBG) to fund Code Enforcement; the passage of a sales tax in 2016 dedicated to roads and sidewalks; and CDBG Disaster Relief funds. The housing infrastructure that remains from the fires is dilapidated and

¹ City of Clearlake Planning Commission, Price Consulting Services (2017). *City of Clearlake 2040 General Plan Update*. 4. Retrieved from <https://clearlake.ca.us/DocumentCenter/View/1075/A-Clearlake-2040-GPU-Main-Documents-Reduced-Final-Publication?bidId=>, accessed April 1, 2021.

² Price Consulting Services & City of Clearlake (2019). *City of Clearlake Housing Element 2019-2027*. 11. Retrieved from <https://clearlake.ca.us/DocumentCenter/View/1479/Public-Adoption-Housing-Element-Update-December-5-2019-Finalpdf>, accessed April 1, 2021.

³ <https://www.census.gov/quickfacts/fact/table/CA,clearlakecitycalifornia/VET605219>, accessed April 1, 2021.

⁴ U.S. Census Bureau (2002). Summary Population and Housing Characteristics, *Clearlake city*. Retrieved from <https://www.census.gov/prod/cen2000/phc-1-6.pdf>, accessed March 24, 2021.

⁵ <https://www.census.gov/quickfacts/fact/table/CA,clearlakecitycalifornia/VET605219>, accessed April 1, 2021.

the city's landscape is dotted with vacant lots and parcels occupied by mobile homes. At the same time, real estate prices are rising quickly due to a lack of affordable housing and increased demand from Lake County's rapidly growing legal cannabis sector (see Lake County's 2021 equity assessment also authored by CCRP). The jobs that are available tend to be low-paying service sector jobs in healthcare, agriculture, and a robust unregulated cannabis sector.

Educational Attainment

The City of Clearlake lags behind the state of California significantly when it comes to rates of higher educational attainment⁶. Five percent (5.2%) of the residents of the City of Clearlake have their bachelor's degree, whereas 21.2% of Californians do. Comparing rates of graduate degrees shows a higher differentiation than above; only 2.1% of Clearlake residents have a graduate degree or higher, whereas 12.8% of Californians do. A little over a quarter (27.4%) of Clearlake's residents have experienced some college education. Almost thirty-eight percent (37.5%) of Clearlake residents have graduated high school.

Veteran Status

Clearlake is home to almost twice as many military veterans, proportionately, than the rest of the state⁷: 7.2% compared with 4%⁸. That demographic is disproportionately composed of Vietnam veterans (a little over 60% compared with about 45% in California. Veteran populations are particularly afflicted with PTSD and, as a demographic, Vietnam veterans were significant consumers of cannabis and other drugs. In 1971, the Department of Defense estimated that 51% of soldiers in Vietnam used cannabis⁹, with many turning to heroin when the U.S. Army cracked down on cannabis use in tandem with militarized eradication by the Vietnam government in 1968. Clearlake hosts Lake County's annual "Veterans Stand Down" event, a collaboration of dozens of nonprofit organizations dedicated to helping meet the needs of the county's significant homeless Veteran population.¹⁰

⁶ U.S. Census Bureau (2019). American Community Survey. *Educational Attainment*. Retrieved from https://data.census.gov/cedsci/table?t=Educational%20Attainment&g=0400000US06_1600000US0613945&tid=A_CST5Y2019.S1501&hidePreview=false, accessed February 15, 2021.

⁷ Datausa.io (2018). *Clearlake, CA*. Retrieved from <https://datausa.io/profile/geo/clearlake-ca>, accessed March 24, 2021.

⁸ <https://www.census.gov/quickfacts/fact/table/CA,clearlakecitycalifornia#>, accessed April 1, 2021.

⁹ <https://www.history.com/news/drug-use-in-vietnam>, accessed April 1, 2021.

¹⁰ <https://www.record-bee.com/2020/09/26/veterans-connect-in-clearlake/>, accessed April 1, 2021.

Health

The 2019 Community Health Needs Assessment¹¹ highlighted community health issues related to long-term economic hardship in Clearlake (95422):

- Table 5 (pg. 43) displays the total number of hospitalization and emergency room utilization indicators by zip code. Clearlake (95422) is the most heavily impacted, with 17 indicators displaying high rates in this zip code. The topics include indicators related to mental health, substance abuse, heart disease, and respiratory diseases.
- Clearlake (95422), Lucerne (95458), and Clearlake Oaks (95423) are the areas within Lake County that have the highest socioeconomic needs. Those geographic areas with the highest values (from 0-100) are estimated to have the highest socioeconomic need which can be correlated with preventable hospitalizations and premature death (Conduent HCI, 2019) (pg. 52).
- Figure 9 (pg. 19) depicts the population age 25+ with less than a high school graduation at the granular level. From this map, the areas with the highest number of individuals without a high school degree are Clearlake - 95422 (2,412), 95453 (1,133), and 95451 (1,008).
- Figure 13 (pg. 23) depicts the percent of civilians, 16 years of age and older, who are unemployed as a percent of the civilian labor force. An examination of the data for youth 16+ not employed shows that the highest percentages are in zip codes 95422 - Clearlake (19.8%), 95457 (18.9%), 95426 (18.37%) and 95458 (17.67%). Overall, Lake County's unemployment rate decreased between April 2017 and October 2018. In April 2017, the unemployment rate was 5.6% and it decreased by .9% to 4.7% in October 2018.
- The Lake County zip code with the largest proportion of its population living below poverty is 95443, Glenhaven (46.6%), which has a population of less than 200. This is followed by Clearlake - 95422 (35.4%) and 95464 (34.5%).
- The zip code with the highest proportion of households without a car is 95435 (20.3%) and 95443 (13.1%), followed by 95464 (12.5%), and 95422 (12.2%).
- The overall rate in Lake County is 202.7 ER visits per 10,000 population. In comparison, Clearlake (95422) has the highest rate in Lake County with 316.3 ER visits due to mental health per 10,000 population.

The impacts of cannabis and other drug criminalization in Clearlake are significantly entangled with widespread community hardship evident in the community health report detailed above; and socioeconomic indicators and law enforcement statistics drawn from Federal, State and local crime databases detailed in sections 4 and 5 below. Those impacts are also derived from Clearlake's geographical proximity to unregulated cannabis market forces from the Bay Area to

¹¹ Hope Rising Lake County (2019). Lake County Community Health Needs Assessment. Retrieved from <http://health.co.lake.ca.us/Assets/Departments/Health/Public+Health+Division/HN.pdf>, accessed March 24, 2021.

the South and its proximity to the rural “Emerald Triangle” to the north and west, California’s historical epicenter of cannabis cultivation and criminalization. It is an urban “crossroads” for Lake County flows of criminalized activity engaged in by organized and disorganized criminal actors, beyond cannabis. Lake County was designated as a High Intensity Drug Trafficking Area in the late 1990s for drug markets including methamphetamine.

The past criminalization of cannabis adversely impacted communities in the City of Clearlake in a manner unique to its history of socioeconomic underdevelopment; and its geographic location as the primary urban center for Lake County, an epicenter of cannabis cultivation for decades. The City of Clearlake has a disproportionately large demographic of people who have dealt with long-term economic hardship by participating in cannabis and other drug markets, with high rates of criminalization compared to California state averages. Cannabis legalization presents a challenge and an opportunity for potential cannabis market stakeholders in Clearlake.

The legalization of commercial medical and adult use cannabis in California has dramatically shifted the economic climate. A cannabis equity program presents an important opportunity to create an environment where those adversely affected by past policies can operate and thrive in a legal manner.

The Clearlake City Council has authorized staff to develop the Clearlake Cannabis Local Equity Program, and staff will work with CCRP to ensure that the equity program design is informed by this study. The City of Clearlake and CCRP will create a Cannabis Local Equity Program that will use city funds derived from Clearlake cannabis business taxes, as well as grant funding from the State of California to assist local equity applicants and licensees through its local equity program for commercial cannabis activity.

The City of Clearlake intends to adopt the City of Clearlake Local Equity Program Manual to focus on inclusion and support of individuals and communities in Clearlake’s cannabis industry who are linked to populations or regions of the city that were negatively or disproportionately impacted by cannabis criminalization and poverty. The City of Clearlake seeks to focus its local cannabis equity program on assisting smaller scale cannabis entrepreneurs to overcome these barriers to entry, and to build support for long term economic vitality for the city.

Section 4. Equity Analysis

4.1 Methodology

The goals of the City of Clearlake Cannabis Equity Assessment (CEA) are to:

- Provide a data-informed look at the history of impacts of poverty and the criminalization of cannabis had on the community.
- Provide policy recommendations to guide the city as it develops its 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 emerging cannabis industry.

To achieve these goals, a combination of primary and secondary data sources were utilized for the report. Primary data was collected through interviews with key stakeholders in Clearlake. Stakeholders represented the following sectors:

- Current and former elected officials
- Local government departments engaged in cannabis-related work
- Journalists who have covered the cannabis beat in Clearlake since the 2000s
- Cannabis trade association leaders
- Lawyers with expertise in cannabis-related cases
- Communities impacted by cannabis criminalization
- Law enforcement

In addition, secondary data was reviewed and analyzed from a variety of sources, including data provided by the City of Clearlake and publicly available data related to population demographics, health indicators, and cannabis. City-specific secondary data sources reviewed by CCRP included:

- City of Clearlake Strategic Plan (2017)
- Lake County California: 2019 Community Health Needs Assessment
- City of Clearlake 2040 General Plan Update (2017)
- City of Clearlake, Guide to Commercial Cannabis Permits (2018)
- City of Clearlake Housing Element 2019-2027 (2019)

4.2 Impacts of Cannabis Criminalization in the City of Clearlake

The City of Clearlake has been heavily impacted by the criminalization of cannabis in particular but also the war on drugs in general, directly and indirectly, in the context of long-term economic hardship exacerbated by the financial crisis of 2008-2010 and devastating fires between 2015 and 2019 that destroyed a significant percentage of its housing stock. This includes both unregulated cannabis market participants with otherwise dismal economic prospects and members of the community that objected to the proliferation of publicly visible medical cannabis cultivation that peaked in 2015-2016, when the City passed an ordinance regulating medical cannabis cultivation and dedicated funding to aggressively enforce it.

The purpose of this section is to provide a narrative overview, with detailed supporting criminal justice statistics and socioeconomic indicators provided in the following sections. In this section, we identify direct and indirect impacts of cannabis criminalization in a historical and contemporary perspective. We identify "direct impacts" as encounters with law enforcement, code compliance, and criminal violence directly associated with unregulated cannabis and other drug markets. "Indirect impacts" are structural in nature and refer especially but not exclusively to Clearlake's long-term economic hardship which incentivizes participation in unregulated cannabis and other drug markets.

Clearlake is home to a large population of socioeconomically disadvantaged people that found medical cannabis cultivation a way to address their health needs as well as their socioeconomic livelihoods, and then found themselves the target of intense abatement and criminal enforcement when the city moved to address real public safety issues that developed in their communities due to commercial opportunism from some, on the one hand, and criminal opportunism, on the other, due to the publicly visible backyard cultivation landscape.

We begin with a short overview of Clearlake's history with medical cannabis markets entangled with a wider County cultivation landscape. The second section describes the proliferation of backyard medical cannabis cultivation and public safety issues leading to intense eradication and abatement from 2015-2017. We conclude with an overview of the contemporary landscape for potential equity stakeholders.

Economic hardship and the unregulated medical cannabis era (1996-2008)

The impact of cannabis criminalization in Clearlake was clearly complex: the cannabis markets clearly intersected with a rise in violent crime but they also provided economic opportunities for older residents, many of them Vietnam veterans; and families enduring economic hardship,

in a city too poor to pave many of its roads and sidewalks much less devote considerable resources to gain compliance with regulations. Clearlake has historically leaned significantly on police enforcement in the absence of public sector revenue to address issues related to economic underdevelopment, but has in recent years passed an infrastructure sales tax and successfully applied for assistance through Community Development Block Grants.

Clearlake has historically been home to many different kinds of unregulated cannabis market actors, some attached to large-scale cultivation projects throughout Lake County. These include people associated with organized crime as well as what might be termed “disorganized” crime associated with California’s medical cannabis markets, at every scale imaginable. The most infamous of the latter category is probably Eddy Lepp, whose Upper Lake property was raided by a joint task force in 2002 for growing over 24,000 outdoor plants. Lepp’s case was unusual for the time, less because of the plant count and more because he wasn’t hiding it, on the one hand, and his insistence that the operation was communitarian in nature: use of the land was free for medical cannabis providers that did not have their own property on which to grow. It was in plain view off of Highway 20. Lepp insisted that half the crop was destined for donated patient provision, and that he had a religious liberty right to cultivate cannabis as an ordained Rastafarian minister. A Vietnam veteran, Lepp’s refusal to plea out his case resulted in 8 years of federal imprisonment and global fame as a cannabis advocate. His syncretic blend of countercultural, libertarian, medical cannabis advocate and religious ideology earned him a global following, but more significantly for the purposes of this essay, point towards the diversity of cannabis market stakeholders in Lake County at large but also Clearlake in particular. Several of our interviewees had and retain a close personal relationship with Lepp, who they consider an icon of their community.

As all of our interviewees observed, the 2016 situation in Clearlake was the outcome of long-term economic decline, not just short-term shifts in approaches to cannabis and its regulation. Clearlake was incorporated in 1980, about three decades after its heyday as a resort destination, when many of its parcels were developed as summer vacation homes that later became year-round homes for extended family members, joining the offspring of families that were formerly employed in the tourist sector before its decline. According to Ed Robey, one of the founding city council members, Clearlake’s population grew in the 1980s and 1990s as a low-cost destination for retirees and, in the 1990s, ex-convicts:

... what was happening was that the prison system of California tried to get convicts as far away from their county of origin as possible. They would come to Lake County ... because of the low cost of living... Caused a change of culture, they were doing drugs and riding their bikes. It freaked out a lot of older people. Those folks were visual and

aggressive. Because of that the city passed the sales tax that was dedicated to the police department.

Measure P was passed in 1996, a half-cent sales tax dedicated to public safety. It was the last sales tax passed in the city until 2016, when Measure V passed, a 1 cent sales tax dedicated to infrastructure improvements. The City grew during the 2000s by 16%, its fastest-growing decade. Some of that growth in the 2000s, according to former Mayor Joey Luiz, was driven by processes of gentrification in the Bay Area. Former City Council member Bruno Sabatier corroborated this analysis:

There was a lot of migration from the Bay Area, the people who moved over here and were already on the poverty and disability scale. They were already being segregated from the standard economy ... We still have the generational folks, two to five thousand people who were here all along, they still feel an angst towards outsiders.

Clearlake's lack of success at long-term economic development made it an attractive, low-cost, minimally governed destination for people who were already being displaced from the Bay Area, the birthplace of the modern medical cannabis reform starting with Proposition P in 1991. Dennis Peron, the medical cannabis activist behind both Proposition P and California's 1996 Compassionate Use Act, had ties to Lake County and cultivated there at the end of the 1990s. Between 1996 and 2004, when California passed Senate Bill 420 allowing local jurisdictions to regulate medical cannabis, Proposition 215 cultivation increased significantly in Lake County. Many cultivators from the nearby Emerald Triangle (especially neighboring Mendocino County) migrated there when annual CAMP (California's Campaign Against Marijuana Planting) eradication pushed them to less intensively policed areas. Lake itself became the leading field of operations for CAMP in the 1990s.

Like other rural Northern California counties, cannabis cultivation more or less fit the libertarian tendencies of its residents, many of whom took up cultivation in the context of regional economic deindustrialization. Conservative elements in the county didn't exactly welcome "hippie" culture, but as long as they stayed out of sight, it wasn't a significant political issue. By 2012, remote cultivation in the hills had taken root in the County's urban areas. We interviewed a local journalist who covered the beat between 2009 and 2012, when, in an article she authored, she quoted longtime conservative Lake County Supervisor Rob Brown who "said that people have grown marijuana in the county for years and it wasn't a problem until they started growing it in town and being disrespectful to neighbors."¹²

¹² <https://www.lakeconews.com/news/142-local-government/25895-supervisors-institute-less-strict-interim-urgency-ordinance-on-marijuana-cultivation>, accessed April 5, 2020.

Economic hardship and criminalization 2009-2016: backyard grows and public safety concerns

Brown's comments were made after a contentious 7-hour hearing in Lakeport, on the County's proposed urgency ordinance, attended by about 500 people. Most of the 87 people who commented spoke in favor of medical cannabis, and arguments were made on the basis of patient access as well as its economic contribution to the County. Opposing arguments were made by "concerned landowners and unhappy neighbors."

The situation seemed to have accelerated between 2009, when the journalist first began covering local medical cannabis issues, and 2012. In December 2009, the city's Planning Commission first held hearings to consider an ordinance to regulate medical cannabis dispensaries (not medical cannabis cultivation). While there was some political tension around the issue, the ordinance that grandfathered in Clearlake's three existing dispensaries passed in 2011 without significant opposition, and they have successfully transitioned to the legal landscape in the last several years. Two out of the three retail storefronts are currently Black-owned businesses, which runs against the grain of the State's ownership tendencies.

Clearlake's issues with criminalized cannabis markets were less related to retail storefronts than many other jurisdictions in the state, and more related to the unregulated spread of backyard medical cannabis cultivation throughout the city in the wake of the 2008 financial crisis. While there is a clear connection between livelihood participation in California's medical cannabis landscape and the proliferation of backyard grows, the latter were clearly related to the absence of code enforcement between 2009-2015 that exacerbated the city's long-term problems with crumbling infrastructure and blight regardless of backyard cultivation. This coincided with a revolving door of city managers and finance directors, according to current City Manager Alan Flora; and deep budget deficits as voters rejected successive efforts to pass sales taxes until 2016.

The 2008 financial crisis, according to several other interviewees, spurred a growth in easily publicly visible backyard medical cannabis cultivation livelihoods that crested in 2016. The period coincided with budget cuts related to the financial crisis, during which Code Enforcement was completely defunded. Luiz, who grew up in Lake County and moved back in 2009, was elected in 2011 as a progressive candidate, including with respect to cannabis issues, but like other interviewees identified significant issues related to crime and blight with which the backyard cultivation scene intersected:

My first ride along with a Clearlake PD officer, we talked about it and said that the real issue is that if you're a thief, you come up to a small town like Clearlake, you can jump over the fence and take by force the product and cash.

The impact of cannabis criminalization connected one indirect impact, the proliferation of economic livelihood cultivation in the absence of economic development, to a direct impact, violent crimes against people engaged in such cultivation. The politics of cannabis criminalization were clearly framed by our interviewees in relation to poverty and vulnerability, not just an increasing uneasiness about urban disorder of which backyard cannabis cultivation was a part. Luiz described an incident that took place two blocks away from his house, in 2015, when home invaders beat the son of a backyard cultivator "from two inches of his life ... Two or three of the invaders were shot by the grower. It was horrific. I could see the roof of the house. It weighed on me."

Home invasion robberies and violent crime directly connected to cannabis markets spiked statistically in 2015-2016. What began, as in other rural places, as a struggle between conservative anti-cannabis politics and progressive medical cannabis advocates seeking to preserve medical cannabis access became, in just a few years, a struggle to regulate a local cultivation scene that had unintentionally become a public safety problem even in the eyes of reform-minded political actors and public servants.

Other interviewees corroborated a growing sense of insecurity that brought Luiz and other city stakeholders that were generally progressive around cannabis issues to the table to find common ground around regulating medical cannabis cultivation. The local journalist who we interviewed described the scene around 2010 in more spectacular terms, from the perspective of local stakeholders that were less tolerant of cannabis earlier in the march towards endemic backyard cultivation:

By 2009 things had gone sideways. It was a warzone over here ... there were murders and homicides in Clearlake. Cartel markets came to the city and invaded homes, people were getting shot. 2008-2014 was when it was out of control ... People coming up from the Bay Area, criminalization aspects that were everywhere.

At the same time, the journalist said, there were "good faith" and "bad faith" actors in the landscape, but the latter tended to dominate the news cycle. In addition to "good faith" medical cannabis advocates who were "trying to do it right," she noted that Clearlake became a visible destination for "trimmigrants" from around the world who came to the city to find trimming work in Lake County during harvest season (see Lake County's 2021 Equity

Assessment for further details on cannabis cultivation in the county). On the “bad faith” side, the journalist reported receiving threats to her and her family for her coverage of cannabis issues in the city during this time period, which she attributed mostly to people who came from “the outside” rather than long-term community members, attracted to “the absence of rules.”

Former Clearlake Councilmember Bruno Sabatier, like Luiz a relative progressive with respect to cannabis issues described the situation in 2015 as:

... the wild west. No laws, no rules. The police chief said he wouldn't go after marijuana because [Proposition] 215, he thought it would end up in a lawsuit ... Every time I came home from [UC Davis, where he was pursuing a graduate degree], the whole city smelled like pot. Easily over a thousand grows in the city, right in the middle of high density residential areas. Clearlake is a poverty case. No access to jobs ... Cannabis became the thing to do because it doesn't destroy your life like other drugs ... eventually we put into the ordinance of 6 plants, and inspections. Last year there were 50 registered growers in the City of Clearlake.

Clearlake Police Chief Andrew White, who was hired in 2019 and takes a pragmatic approach to cannabis issues and regulation, emphasized that while murders and robberies spiked in 2015 and 2016 respectively, community awareness of public safety issues associated with backyard cultivation may have heightened as a result. This was true for its police force, which had focused its limited resources on “big grows” and organized crime rather than more restrained backyard grows, and it was also the case for otherwise cannabis-tolerant stakeholders from citizens to elected officials. The perception of a public safety crisis in conjunction with a successful CDBG grant the re-funded Code Enforcement led to the city's abatement and arrest “surge” in 2015-2017.

Chief White observed that the long-term relationship between community perception of public safety issues and the city's code enforcement surge played, and continues to play, a driving role for city engagement with real estate blight at large:

The biggest problems that the city faces, many small vacant parcels that individuals own, passed down through families, that have been let go. It is directly related to code enforcement issues, lack of planning and accountability issues. These properties create a ripe condition where people can come in and do things illegally. The very essence of the problem is people think it would be okay to take a residence or property and turn it into a grow when people are living next door. That has contributed to the problem,

ultimately people have gotten away with it for so long, so the perception is that Clearlake doesn't have to do that.

In 2015, the City Council passed an ordinance to completely ban outdoor cultivation in the City, but reversed course due to popular resistance and the threat of a medical cannabis lawsuit the City could not afford to fight. Sabatier worked across the aisle to accommodate backyard medical cannabis cultivation within more reasonable limits, like sufficient fencing to keep it out of public view. At the same time, Clearlake applied for and received a Community Development Block Grant that resurrected their Code Enforcement Division for the first time since the end of the 2000s and, armed with the new ordinance, set out on a campaign to abate noncompliant cultivation. Arrests for cannabis sales and possession, which more than doubled in 2015, almost quadrupled in 2016 (see Figure 1). In 2016, the City of Clearlake made 783 such arrests per 100,000 people compared with a state average of 35 -- 22 times greater.

The current situation: disaster relief, economic development and the prospect of displacement

The publicly visible backyard cultivation landscape and the City's cannabis-specific code enforcement surge drew down about four years ago. One of the Planning Commissioners we spoke with indicated that abatements by Code Enforcement remained a significant topic for City Council meetings through 2017, the same year Clearlake began implementing legal cannabis regulations. Code enforcement is focused on multiple other issues like abandoned car lots and dilapidated homes, but cannabis abatement continues on a complaint-driven basis. Clearlake has permitted 12 cannabis businesses at the time of this writing, and opened the door to regulated cannabis businesses located on parcels with compliant zoning. Relatively well-capitalized cannabis stakeholders are moving in, no doubt a side effect of Lake County's embrace of cannabis-led economic development, particularly with respect to cultivation, and its related need for employee housing.

Lake County is on the way to having one of the largest cultivation footprints in California, a situation that is squeezing Clearlake's housing shortage that was worsened significantly by repeated fire disasters between 2015 and 2020. The real estate market has driven up home prices and begun to displace long-term community residents as cannabis industry-related gentrification sets in. This is happening in the context of unprecedented public budget windfalls from Federal Disaster Relief Block Grants and a large settlement from PG&E, California's private energy company. The city manager plans to revitalize infrastructure and jump-start Clearlake's long dormant economic development aspirations by bringing new industries to the area to grow jobs and livelihoods. This is happening in the context of the broader County's full embrace of cannabis cultivation as a growth sector.

The positive aspect to this situation is that there are opportunities for Clearlake's potential equity stakeholders to go into licensed cannabis businesses that complement cultivation, should they be afforded the basic business education and training, as well as access to real estate that are key elements for successful equity programs. Our interviewees generally agreed that, given limited compliant parcels for cannabis businesses, co-operative arrangements and incubation centers, there are promising routes to transitioning equity applicants into the legal market. Clearlake is home to many stakeholders with experience and expertise in cannabis markets, but few of these have the sort of formal education, training, and real estate to succeed in a regulated market. Our interviews with existing Clearlake licensees also indicated that given the mountains of raw material produced in the County at large, it may be optimal to focus on stakeholders seeking permits related to processing, manufacturing, delivery, and other value-added license types. Many of our other interviewees expressed some skepticism about stakeholders wishing to scale up from backyard cultivation, but it seems plausible that cooperative locations for small-scale greenhouse cultivation on its own or as part of a vertically integrated microbusiness license, as one member of the Clearlake Planning Commission suggested, could be helpful.

Cannabis-related economic development provides a unique opportunity for Clearlake's path to revitalization, but absent an equity program few long-term residents that have been impacted by cannabis criminalization may benefit as owners in the regulated market. Opportunities for ownership will help equity stakeholders and their families remain part of their community rather than being driven out by legal cannabis gentrification. We also strongly encourage Clearlake to apply for California Community Reinvestment Grants (Cal-CRG), which could help non-profits aid residents that will not be able to gain ownership to find employment; and address community health issues including trauma rooted in impacts of cannabis criminalization.

4.3 Drug Arrest Rates in the City of Clearlake, California, and the United States

City of Clearlake

The City of Clearlake is comparatively exceptional when it comes to per capita arrests for all offenses, including cannabis and other drugs. This is particularly surprising for such a small, not particularly diverse population with a very small tax base given extremely low average incomes.

Public data related to drug-related arrest rates was obtained from the Uniform Crime Reporting Program¹³. Between 2010 and 2019, drug offenses made up 23.3% of all arrests in the City of Clearlake. This translates to an average of 349 drug-related arrests per year over a ten-year period. A significant finding was that drug-related violations spiked 300% from 2015 to 2016, then returned to previous levels.

Cannabis Sales and Possession Arrests per 100,000 people in the City of Clearlake and California, 2010-2019

Source: FBI Crime Data Explorer, Clearlake Police Department Arrest Counts, 2010-2019

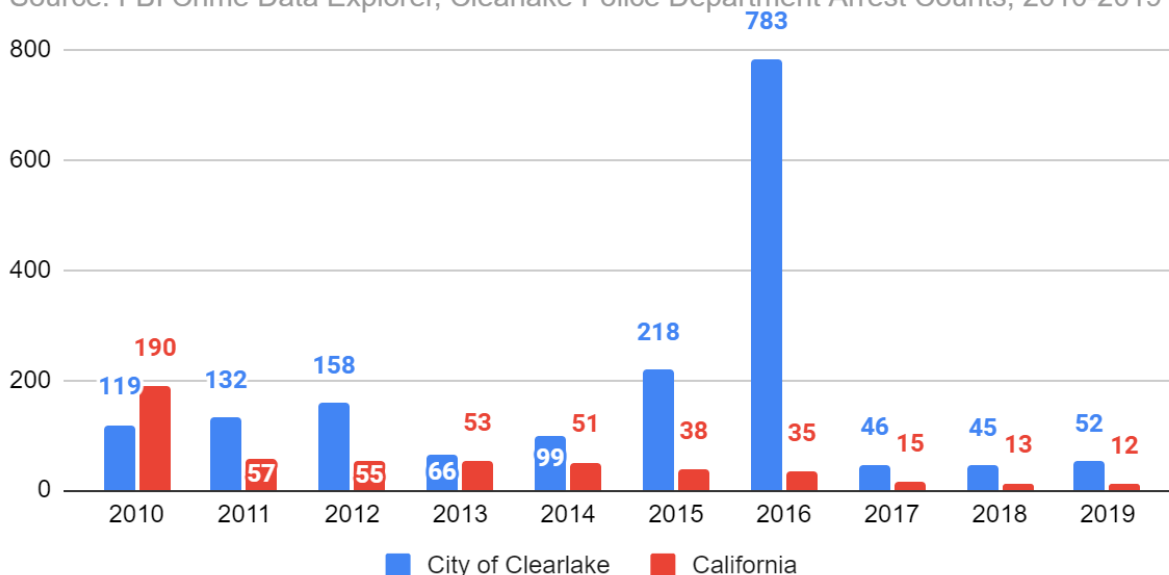


Figure 1. Cannabis Sales and Possession Arrests per capita for 100,000 people in City of Clearlake and California, 2010-2019¹⁴.

The disproportionate criminalization of Clearlake's population with regard to drug arrests correlates with its astonishingly high arrest rate per capita relative to state averages and in comparison with other cities associated with very high per capita arrest rates. Data from the FBI Crime Data Explorer¹⁵ puts the City of Clearlake at 3,348 drug arrests per 100,000 people, compared to 553 drug arrests per 100,000 people for the state average. Clearlake's rate is 605% higher than the state average regarding drug arrests.

¹³ Uniform Crime Reporting Program (2019). Retrieved from <https://www.fbi.gov/services/cjis/ucr>, accessed February 10, 2021.

¹⁴ Federal Bureau of Investigation Crime Data Explorer (2019). *Clearlake Police Department*. Retrieved from <https://crime-data-explorer.fr.cloud.gov/explorer/agency/CA0170200/arrest>, accessed February 12, 2021.

¹⁵ FBI Crime Data Explorer (2019). *Clearlake Police Department, Compton Police Department, California*. Retrieved from <https://crime-data-explorer.fr.cloud.gov/>, accessed February 18, 2021.

The City of Clearlake has had a higher prevalence of per capita arrests for larceny and burglary in the last ten years than the state of California as a whole (see Figures 2 and 3). On average, Clearlake's larceny arrest rate per capita over the last decade is 195.6% higher than the state's. On average, Clearlake's burglary arrest rate per capita over the last decade is 246.7% higher than the state's. Cannabis arrests by city for California were obtained from the Uniform Crime Reporting Program¹⁶.

Larceny Arrests per 100,000 people from Clearlake PD and California

Source: FBI Crime Data Explorer, 2010-2019

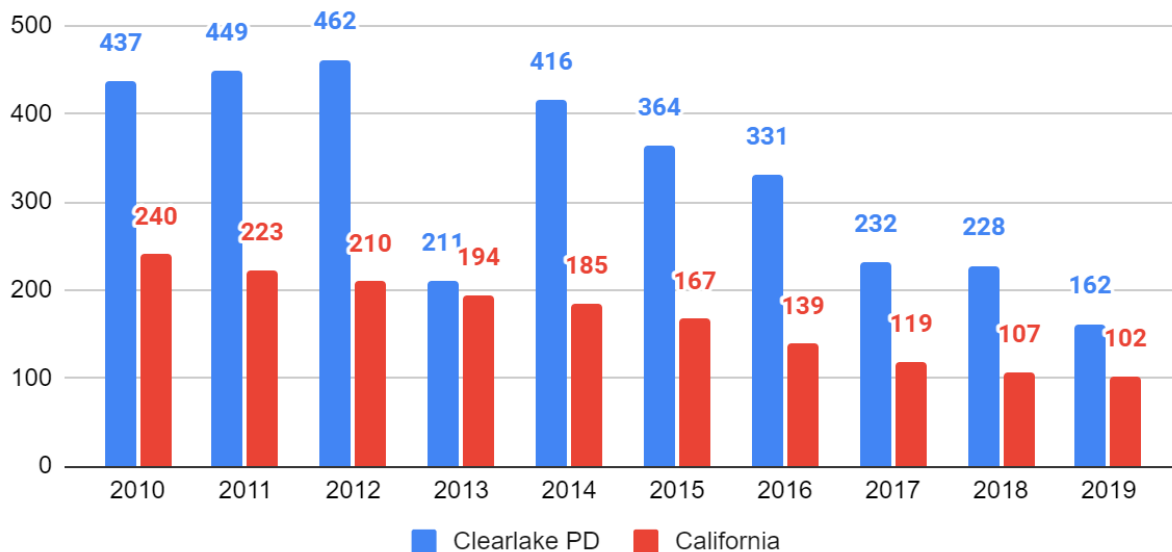


Figure 2. Larceny Arrests per capita in the City of Clearlake and California, 2010-2019.

¹⁶ Federal Bureau of Investigation Crime Data Explorer (2019). *California*. Retrieved from <https://crime-data-explorer.app.cloud.gov/explorer/state/california/crime>, accessed February 10, 2021.

Burglary Arrests per 100,000 people from Clearlake PD and California

Source: FBI Crime Data Explorer, 2010-2019

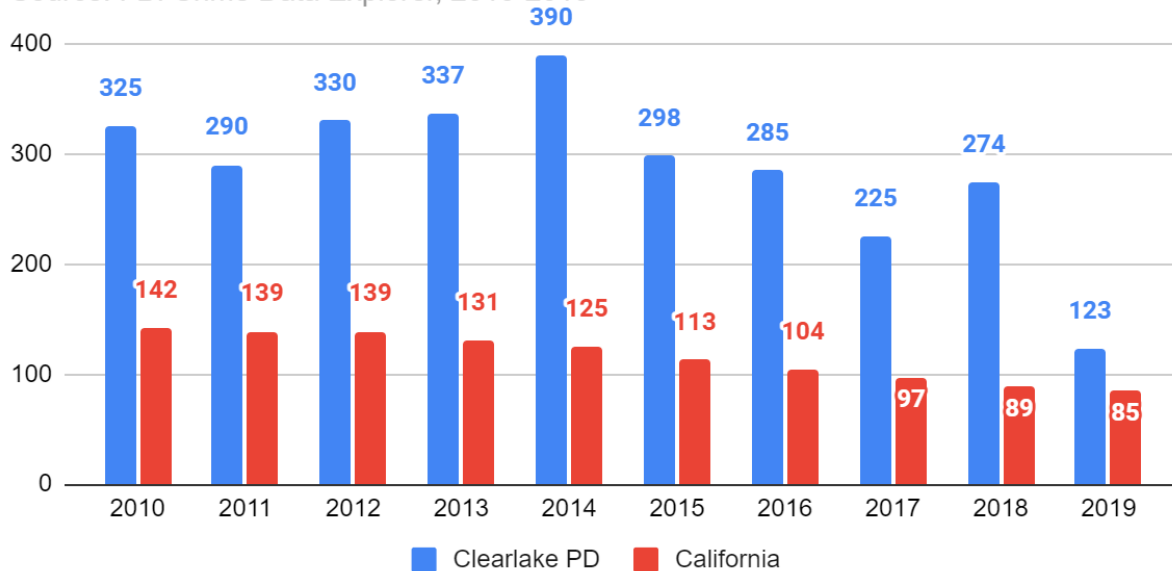


Figure 3. Burglary Arrests per capita in the City of Clearlake and California, 2010-2019.

The Uniform Crime Reporting Program does not include Hispanic or Latino as a distinct demographic, which makes it difficult to discern racial proportionality.

Drug Sales and Possession Arrests by Race, Clearlake PD and California Comparison

Source: FBI Crime Data Explorer, 2010-2019

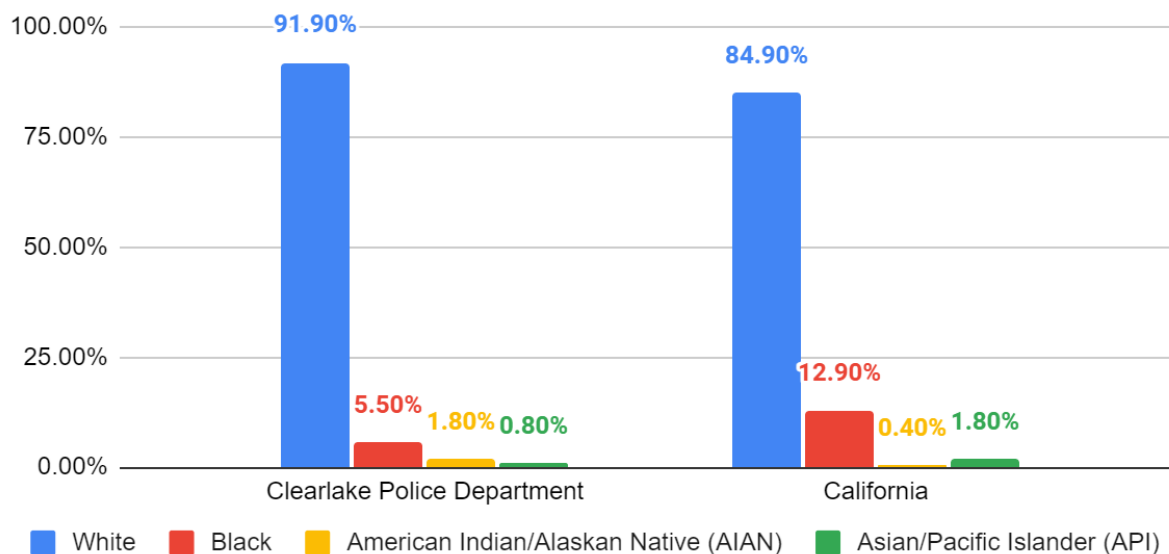


Figure 4. Comparison between Clearlake Police Department and State of California for drug possession and sales arrests by race, 2010-2019¹⁷.

The intensity of drug war criminalization in Clearlake, a small, mostly white city in a large, sparsely populated rural county invites further comparison that state averages. In 2019, the City of Compton, a relatively large, mostly Black city in Los Angeles County that has been an epicenter of drug war criminalization, made 1,111 drug arrests per 100,000 people in 2019, three years removed from Clearlake's enormous spike. In 2019, Clearlake made 3,348 drug arrests per 100,000 people, which was 301% higher than the City of Compton.

In the last decade, the City of Clearlake has had a significantly higher proportion of cannabis sales and possession arrests per 100,000 people than the state average (See Figure 1). In 2016, Clearlake had 22 times the state average for cannabis sales and possession.

¹⁷ Federal Bureau of Investigation (2019). Crime Data Explorer. *Clearlake Police Department, California*. Retrieved from <https://crime-data-explorer.fr.cloud.gov/explorer/agency/CA0170200/arrest>, accessed February 23, 2021.

Drug Sales and Possession Arrests by Gender, Clearlake PD & California Comparison

Source: Uniform Crime Reporting Program Data, 1985-2014

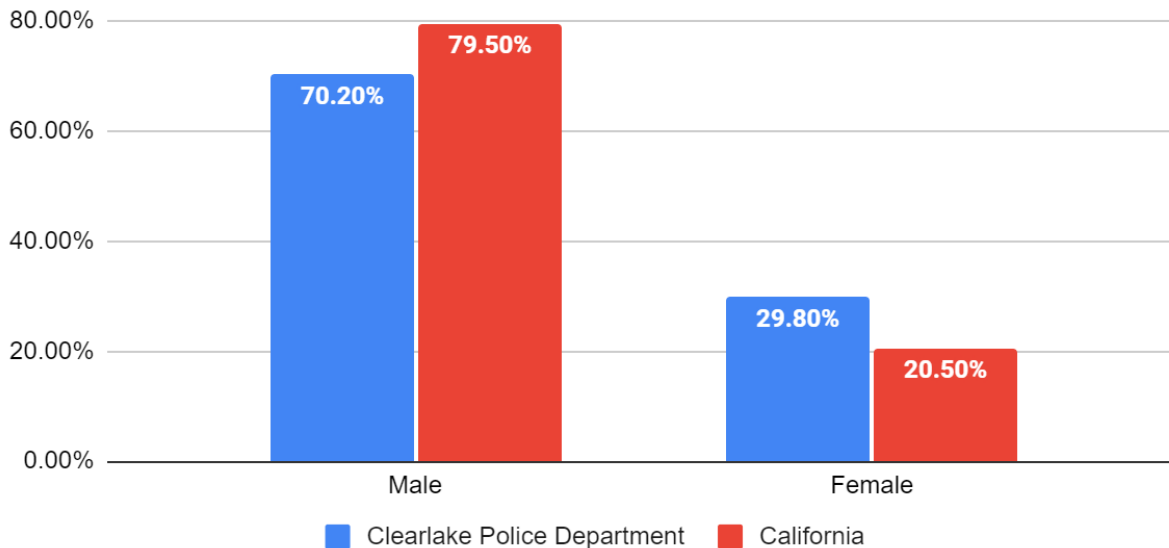


Figure 5. Comparison between Clearlake Police Department and State of California for drug possession and sales arrests by gender, 1985-2014.

According to the Public Policy Institute of California, counties with higher arrest rates for women during 2016 tended to be smaller, rural counties. As the City of Clearlake is located within Lake County, having a larger proportion of drug arrests falling on women is consistent with trends in California¹⁸. As seen above, there is close to a ten percent increase in the ratio of female arrests for the Clearlake Police Department than that of the state average.

¹⁸ Public Policy Institute of California (2019). *Arrests in California's Counties*. Retrieved from <https://www.ppic.org/publication/arrests-in-californias-counties/>, accessed February 12, 2021.

Drug Sales and Possession Arrests by Age, Clearlake PD & California Comparison

Source: Uniform Crime Reporting Program Data, 1985-2014

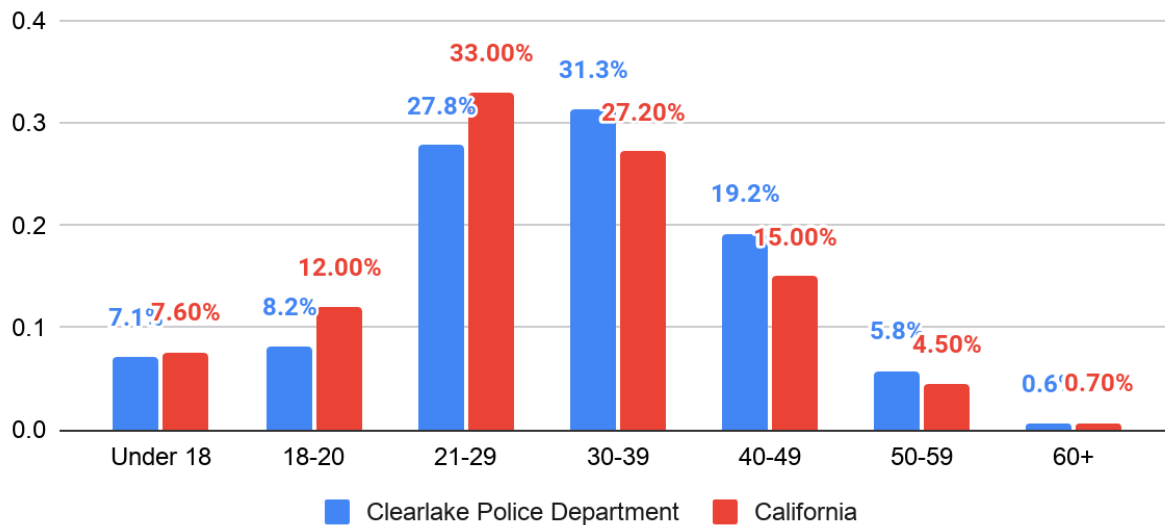


Figure 6. Comparison between Clearlake Police Department and State of California for drug possession and sales arrests by age, 1985-2014.

The data from Figure 6¹⁹ suggests that the City of Clearlake has a lower percentage of younger cohorts arrested for drug sales and possession arrests than the state average. However, these rates of arrests begin to increase above the state average as cohorts get older; the largest proportion of drug related arrests falling on the cohort aged 30 to 39.

Paula Arrowsmith-Jones with the North Coast Rape Crisis Team²⁰ references that when people have “their living situation and their financial situation all being kind of linked together, those who are assaulted may not come forward for fear of reprisal or fear of being tagged as someone that brings law enforcement into marijuana production.”

Multiple articles have been written on this topic as women have spoken out about their experiences. According to an article titled *The Weed Industry Responds to Accusations of*

¹⁹ Bureau of Justice Statistics Arrest Data Analysis Tool (2014). *Agency-Level Counts, Clearlake Police Dept.* Retrieved from <https://www.bjs.gov/index.cfm?ty=datool&surl=/arrests/index.cfm#>, accessed February 10, 2021.

²⁰ Hobelmann, Emily (2013). *LoCo on the Pot: The Horror in Lake County and the Government's Lame Response.* Retrieved from <https://lostcoastoutpost.com/2013/aug/11/loco-pot-horror-lake-county-and-governments-lame-r/>, accessed February 15, 2021.

Rampant Sexual Assault by Gabby Bess in 2016²¹, “the problem of rape and sexual harassment in an industry that operates in seclusion is ongoing. In many circumstances, victims rarely report their sexual assault to the police either out of fear or the belief that law enforcement won't do anything to help them. The environment cultivated around marijuana grows, however, makes it even harder for rape victims to speak out.” In the same article, the California Growers Association executive director, Hezekiah Allen, wrote that the void of regulation has allowed illegal grows to proliferate in the grey area. “It is no secret that criminal behavior lingers in the shadows cast by prohibition and regulatory vacuum.”

California and the United States

The Center on Juvenile and Criminal Justice (CJCJ) has published several reports that demonstrate patterns in drug arrest rates in California that disproportionately affected people of color²². Starting in the 1990's, arrests in California for drug possession increased dramatically. Cannabis possession rates increased by 124% while other categories of serious crime showed decreased arrest rates. Rates of arrest per 100,000 population rose much faster for African American, Hispanics, those under the age of 21 and European American 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 Data²³, over 650,000 people were arrested for cannabis-related offenses in 2016. 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 accounted for 26% of arrests nationally.

According to a report from the ACLU titled *A Tale of Two Countries: Racially Targeted Arrests in the Era of Marijuana Reform*²⁴ “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

²¹ Bess, Gabby (2016). *The Weed Industry Responds to Accusations of Rampant Sexual Assault*. Retrieved from <https://www.vice.com/en/article/8x4qyv/the-weed-industry-responds-to-accusations-of-rampant-sexual-assault>, accessed February 15, 2021.

²² Center on Juvenile and Criminal Justice. *Publications*. Retrieved from <http://www.cjcj.org/news/category/510>, accessed February 15, 2021.

²³ Song, Bertie (2018). New Frontier Data. *National Arrests for Cannabis-Related Offenses 1996-2016*. Retrieved from <https://newfrontierdata.com/cannabis-insights/national-arrests-cannabis-related-offenses-1996-2016/>, accessed February 15, 2021.

²⁴ American Civil Liberties Union (2020). *A Tale of Two Countries: Racially Targeted Arrests in the Era of Marijuana Reform*. Retrieved from <https://www.aclu.org/report/tale-two-countries-racially-targeted-arrests-era-marijuana-reform>, accessed February 15, 2021.

2018, more than any other drug category. The overwhelming majority of marijuana arrests- 89.6%- are for possession only.” The report also includes a finding that states “extreme racial disparities in marijuana possession arrests persist throughout the country and have not improved since 2010.”

According to an article by Josh Adams for New Frontier Data²⁵, “Drug offenses are often the pretext for seizing other cash or property.” For example, a report from the Justice Department Inspector General in 2017²⁶ 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.’ Research has also indicated that civil asset forfeiture disproportionately impacts low-income and minority 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.’

4.4 History of Cannabis Policy Reforms in California & City of Clearlake

In 1996, California passed Proposition 215, the Compassionate Use Act. Considering that there are no election results for Proposition 215 and 64 from the City of Clearlake, Lake County’s election results will suffice. California was the first state in the United States to legalize cannabis for medical use.

²⁵ Josh Adams (2020). New Frontier Data. *Catching Cannabis Coming and Going: How Law Enforcement Profits from Illicit and Legalized Marijuana Businesses Alike*. Retrieved from <https://newfrontierdata.com/cannabis-insights/catching-cannabis-coming-and-going-how-law-enforcement-profits-from-illicit-and-legalized-marijuana-businesses-alike/>, accessed February 15, 2021.

²⁶ Ingraham, Christopher (2017). The Washington Post. *Since 2007, the DEA has taken \$3.2 billion in cash from people not charged with a crime*. Retrieved from <https://www.washingtonpost.com/news/wonk/wp/2017/03/29/since-2007-the-dea-has-taken-3-2-billion-in-cash-from-people-not-charged-with-a-crime/>, accessed February 15, 2021.

State of California Prop 215 Election Results

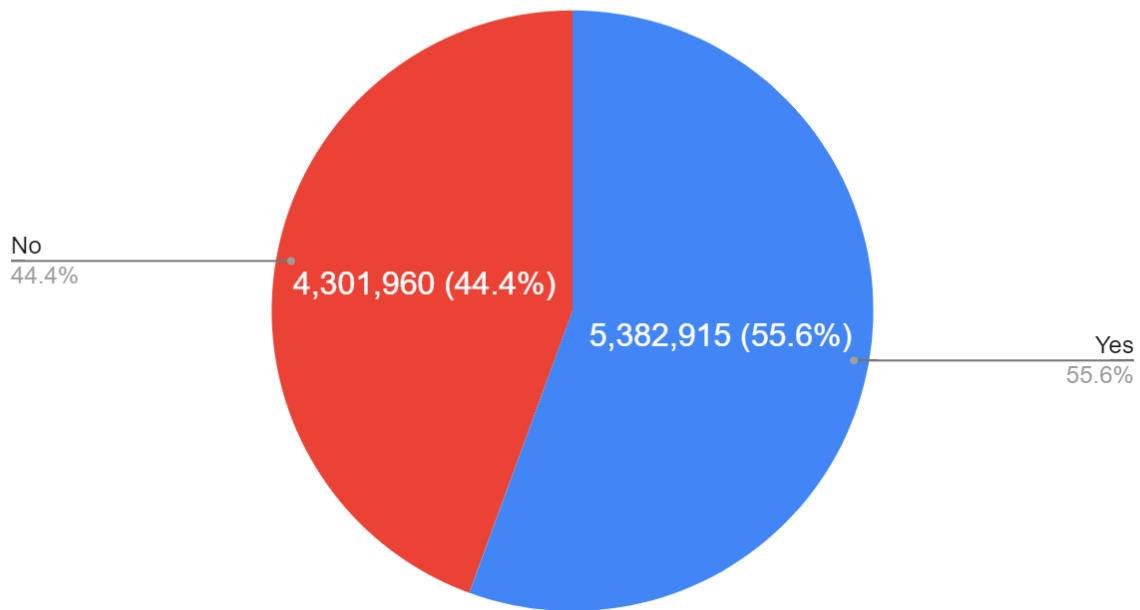


Figure 7. Proposition 215 Election Results for the State of California

Lake County Prop 215 Election Results

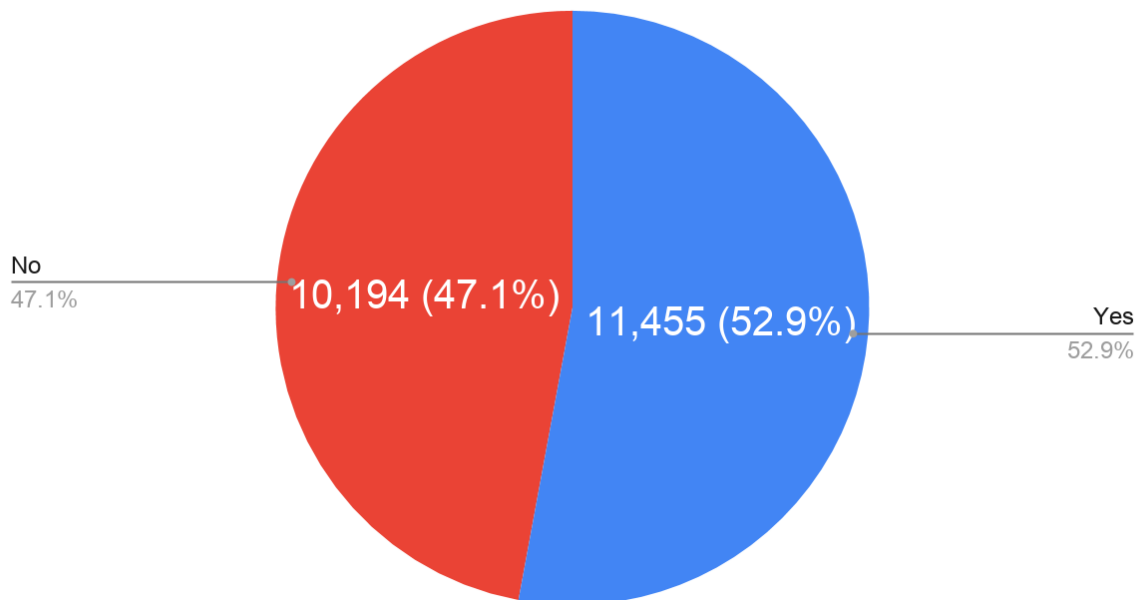


Figure 8. Proposition 215 Election Results for the County of Lake

Proposition 215, 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.

In 2004, the California Legislature passed **Senate Bill 420**, clarifying that jurisdictions were allowed to regulate medical cannabis.

In 2016, California established a legal framework to regulate and monitor cannabis dispensaries after 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. Proposition 64 decriminalized the possession, use, cultivation and sale of adult-use cannabis. It also provided for the expungement of low-level drug offenses and training for cannabis careers, grants and loans. It passed with 57% of the vote statewide and 58.6% in Lake County. MRCSA and AUMA were integrated as MAUCSRA in 2018.

State of California Prop 64 Election Results

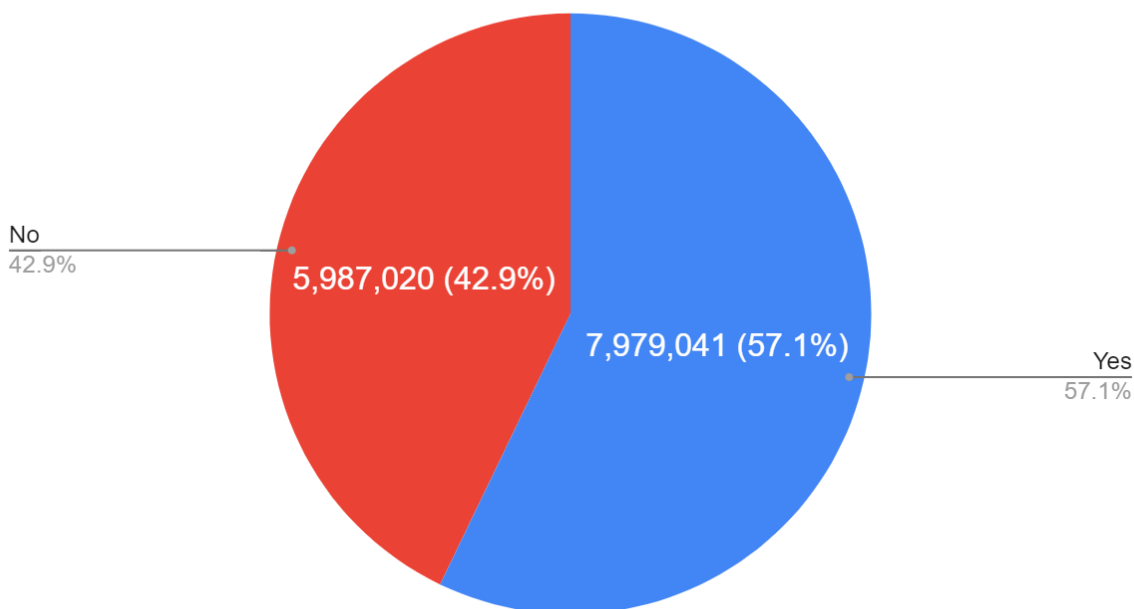


Figure 9. Proposition 64 Election Results for the State of California

Lake County Prop 64 Election Results

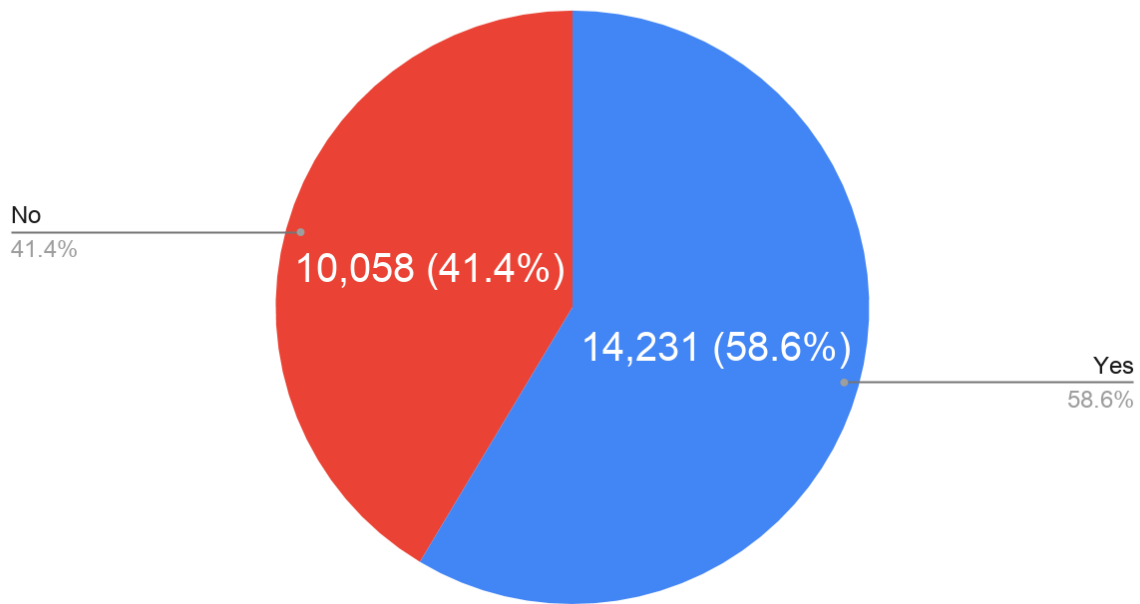


Figure 10. Proposition 64 Election Results for the County of Lake

The City of Clearlake started accepting Use Permit applications in 2017. In accordance with regulations, use permits issued by the Planning Commission are required for Commercial Cannabis Permits.

Clearlake Cannabis-Related Ordinances

Title: Ordinance 2006-120

Date: April 13, 2006

Summary: Moratorium on medical marijuana dispensaries.

Title: Ordinance 2006-123

Date: May 25, 2006

Summary: Extend moratorium on medical marijuana dispensaries.

Title: Ordinance 2007-129

Date: April 12, 2007

Summary: Extend moratorium on medical marijuana dispensaries.

Title: Ordinance 2009-145

Date: November 5, 2009

Summary: Moratorium on medical marijuana dispensaries.

Title: Ordinance 2009-147

Date: December 17, 2009

Summary: Extend moratorium on medical marijuana dispensaries.

Title: Ordinance 2010-148

Date: October 28, 2010

Summary: Extend moratorium on medical marijuana dispensaries.

Title: Ordinance 2011-150

Date: July 14, 2011

Summary: Medical marijuana dispensaries regulations.

Title: Ordinance 2013-161A

Date: September 26, 2013

Summary: Amends Ch. 10, Prohibits commercial medical marijuana cultivation and sets limits.

Title: Ordinance 173-2015

Date: February 26, 2015

Summary: An ordinance of the City Council of the City of Clearlake, California amending Chapter X of the Clearlake Municipal Code adding Section 10-8 (abatement of public nuisances) and 10-9 (administrative penalties) and repealing and replacing section 10-7 (medical marijuana cultivation), to ban the cultivation of medical marijuana. The City Council elected to repeal Ordinance No. 173-2015 on May 14, 2015.

Title: Ordinance 181-2016

Date: February 11, 2016

Summary: Amends Ch. X Property Maintenance, Nuisance and Vehicle Abatement; repeals 10-7, 10-8, and 10-9 pertaining to medical marijuana cultivation; amends Ch. XVIII, Zoning; adds 18-9, medical marijuana cultivation; 18-10, abatement of public nuisances created by cultivation of medical marijuana; 18-11, administrative penalties for public nuisances created by cultivation of medical marijuana.

Title: Ordinance 196-2017

Date: April 27, 2017

Summary: Amends Ch. V Police Regulations; adds 5-20 Marijuana Dispensary Regulations; repeals 5-20 Medical Marijuana Dispensary Regulations (repealed by and numbering revised by Ord. No. 201-2017).

Title: Ordinance 197-2017

Date: April 27, 2017

Summary: Amends Ch. XVIII, Zoning; amends Article 18-9 Personal Marijuana Cultivation, 18-9.010-18-9.130; amends 18-10 Public Nuisances Created by Cultivation of Marijuana, 18-10.010-18-10.150; amends Article 18-11 Administrative Penalties for Public Nuisances Created by Cultivation of Marijuana 18-11.010-18-11.080.

Title: Ordinance 200-2017

Date: October 26, 2017

Summary: An ordinance of the City Council of the City of Clearlake amending Article 18-3 of the Clearlake Municipal Code to include a commercial cannabis business combining zoning designation, amending Section 18-6.01 of the Clearlake Municipal Code to add commercial cannabis definitions, adopting a new Article 18-12 of the Clearlake Municipal Code entitled Commercial Cannabis Uses, adding a new section 5-25 titled Cannabis Business Regulatory Permit to Chapter 5, and making a finding of exemption from CEQA under section 15061(B)(3) of the CEQA guidelines.

Title: Ordinance 201-2017

Date: October 26, 2017

Summary: An ordinance of the City Council of the City of Clearlake amending Article 5-20 of the Clearlake Municipal Code entitled "Marijuana Dispensary Regulations". This ordinance limited the number of dispensaries in the City of Clearlake to a maximum of three. This does not affect the number of licenses granted for Delivery Only Dispensaries.

Title: Ordinance 202-2017

Date: December 21, 2017

Summary: An ordinance of the City Council of the City of Clearlake placing a moratorium on the opening of commercial cannabis businesses west of State Route 53 to be effective immediately as an urgency measure.

Title: Ordinance 203-2018

Date: February 22, 2018

Summary: An ordinance of the City Council of the City of Clearlake repealing Ordinance 202-2017 and Ordinance 204-2018 establishing a moratorium; amends Ch. XVIII Zoning; amends 18-12.2 Applicability- Commercial Cannabis Uses.

Section 5. Current Conditions in the City of Clearlake

For a rural jurisdiction such as the City of Clearlake, it is important to note that structural conditions within the city augment the direct impacts of cannabis criminalization and worsen community health outcomes. Some conditions that are relevant to the City of Clearlake are the city's level of poverty, youth cannabis use, low rates of higher educational attainment, housing affordability, and infrastructure needs. Another important condition that will be reviewed is where the City of Clearlake is currently at with their permitting process.

According to the City of Clearlake Strategic Plan²⁷, conducted by the City of Clearlake Ad Hoc Strategic Planning Subcommittee (consisting of Clearlake civil servants), a review of primary and secondary data revealed the following goals:

- Make Clearlake a visibly cleaner city
- Make Clearlake a statistically safer city
- Improve the quality of life in Clearlake with improved public facilities
- Improve the image of Clearlake
- Ensure fiscal sustainability of city
- Update policies & procedures to current government standards
- City policies will support economic development

According to *Lake County's Community Health Needs Assessment*²⁸, educational attainment can influence key factors such as employment, income, health behaviors, and ease of health system access. Currently, more than half of the population in the City of Clearlake has either a high school degree or some college education with no degree²⁹. Comparing high school graduation rates (including equivalency), the City of Clearlake is above California, with a 37.5% rate for

²⁷ City of Clearlake Ad Hoc Strategic Planning Subcommittee (2017). *City of Clearlake Strategic Plan*. Retrieved from <https://clearlake.ca.us/343/STRATEGIC-PLAN>, accessed February 15, 2021.

²⁸ Hope Rising Lake County (2019). *Lake County Community Health Needs Assessment*. pp. 15. Retrieved from <http://health.co.lake.ca.us/Community.htm>, accessed February 9, 2021.

²⁹ U.S. Census Bureau (2019). American Community Survey. *Educational Attainment*. Retrieved from https://data.census.gov/cedsci/table?t=Educational%20Attainment&g=0400000US06_1600000US0613945&tid=A_CST5Y2019.S1501&hidePreview=false, accessed February 15, 2021.

Clearlake to a 20.5% rate for the state. A similar trend can be seen regarding the rates of individuals with some college education but no degree. More than 27% (27.6%) of individuals in the City of Clearlake have experienced some college education, whereas only 21.4% of individuals in the State of California have experienced college. Sadly, this is where the City of Clearlake starts to fall short. Clearlake has a lower proportion of individuals getting their associates degree at 6.2% to California's average of 7.8%.

Regarding bachelor's degree attainment, California's rate (21.2%) is four times that of the City of Clearlake (5.2%). One key interviewee outlined the city's condition regarding access to higher education, stating that the City of Clearlake's rate of bachelor degree attainment is half than that of Lake County's. This is augmented by there not being any educational institutions that offer a 4-year degree in the County. It can be speculated that the City of Clearlake's rate of educational attainment is significantly impacted by its lack of access to higher education.

In terms of different conditions in Clearlake, the City of Clearlake 2040 General Plan Update³⁰ identified a number of infrastructure needs, including the following:

- Transportation Infrastructure
- Public Utility Systems
- Parks and Recreation Facilities

Clearlake civil servants outlined the strengths of the City of Clearlake, which includes aspects of the environment and the values of the community³¹. The scenery of Clearlake as a recreational scene distinguishes itself from other parts of California. Clearlake's community values pro-environmental norms as agencies such as Citizens Caring for Clearlake work to respect and sustain the city's beauty. The City of Clearlake traditionally relied heavily on the tourism industry.

Communities that have tourism industries commonly have high rates of rental housing and vacancy, and the City of Clearlake is no different. High vacancy rates tend to reduce the overall cost of housing, they can contribute to blight and can adversely impact the construction of new

³⁰ City of Clearlake Planning Commission, Price Consulting Services (2017). *City of Clearlake 2040 General Plan Update*. Retrieved from <https://clearlake.ca.us/DocumentCenter/View/1075/A-Clearlake-2040-GPU-Main-Documents-Reduced-Final-Publication?bidId=>, accessed February 15, 2021.

³¹ City of Clearlake Ad Hoc Strategic Planning Subcommittee (2017). *City of Clearlake Strategic Plan*. Retrieved from <https://clearlake.ca.us/343/STRATEGIC-PLAN>, accessed February 15, 2021.

housing³². Clearlake's rate of vacancy is 27.3% of its total housing. Comparisons include Amador City: 30.9%, Trinidad: 30.6%, Avalon: 32.8%, Malibu: 24.1%, Mammoth Lakes: 67.5%, Carmel-By-The-Sea: 38.1%, Truckee: 51.1%, La Quinta: 37.4%, Palm Desert: 36.5%, Palm Springs: 34.7%, Rancho Mirage: 35.6%, Big Bear Lake: 77.5%, Dunsmuir: 30.5%)

Recent increases in the rate of single individuals has significantly impacted the housing market. This change predominantly means higher proportions of rental housing and less commitment to mortgages. The City of Clearlake has a little over 60% of their households comprised of single householders with no spouse or partner present, compared to 43.5% for the state³³. Clearlake's rate is also higher than the states when compared with single-parent households, as Clearlake's total is 10.7% of households and California's is 6.1%.

An estimated 30.8% of housing units in the City of Clearlake are mobile homes³⁴. Compared to California's rate of 3.9% of housing units, the City of Clearlake relies more heavily on affordable housing than the state does. An interviewee indicated an area that is commonly designated as the Chapman Tract, East of State Highway 53. The interviewee outlined that the Chapman Tract (also known as the Clearlake Avenues) was well known for its abundance of residents living in poverty and mobile housing units. One key interviewee outlined that many individuals involved with the City of Clearlake don't live there because of the lack of housing. Another key interviewee indicated that people don't live in the city because of a lack of amenities.

Keeping monthly housing costs equal to or less than 30% of gross monthly income is a rule commonly known as the 30% rule. This rule is designated by the U.S. Department of Housing and Urban Development and is used by many to determine whether housing is affordable or not. 45% of all households in the City of Clearlake spend more than 30% of their gross income for housing. Almost half of the households in the city are considered to be overpaying for housing.

³² Price Consulting Services & City of Clearlake (2019). *City of Clearlake Housing Element 2019-2027*. Retrieved from <https://clearlake.ca.us/DocumentCenter/View/1479/Public-Adoption-Housing-Element-Update-December-5-2019-Finalpdf>, accessed February 25, 2021.

³³ U.S. Census Bureau (2019). American Community Survey 5-Year Estimates Data Profiles. *Selected Social Characteristics in the United States*. Retrieved from https://data.census.gov/cedsci/table?q=single%20parent%20households&t=Housing&g=0400000US06_1600000US0613945&tid=ACSDP5Y2019.DP02&hidePreview=false, accessed March 1, 2021.

³⁴ U.S Department of Finance (2020). *Table 2: E-5 City/County Population and Housing Estimates, 1/1/2020*. Retrieved from <https://www.dof.ca.gov/forecasting/demographics/estimates/>, accessed March 1, 2021.

5.1 Poverty in the City of Clearlake

In the City of Clearlake, 33% of the total population lives below the federal poverty level (FPL*)³⁵. Compared with the state average of 13.4%, The City of Clearlake has a significantly higher level of the population under the FPL. The race/ethnicity with the highest percentage of poverty is the Asian population (65.2%). The population who identify as two or more races has the lowest percentage of poverty (31.4%). Conversely, the total number of people in poverty is highest in the white population (3,136) and lowest in the Asian population (15), thus it is important to look at both the percentage and the actual numbers (See Figure 11).

City of Clearlake: Percent Population below Federal Poverty Level within each Race/Ethnicity

Source: 2019 ACS 5-Year Estimates Subject Tables

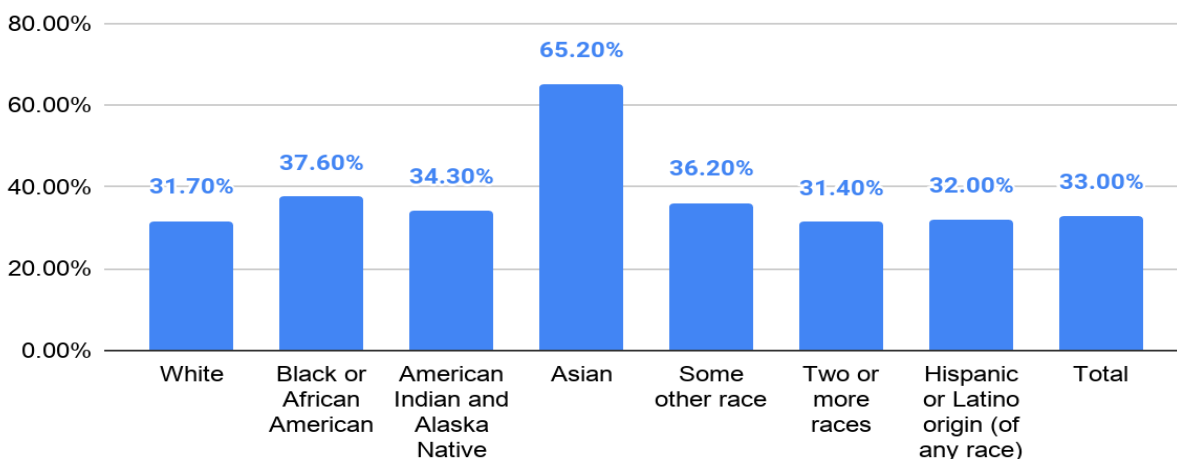


Figure 11. Percentage of the population below the FPL between each race/ethnicity in the City of Clearlake, 2019.

According to the U.S. Census Bureau, in 2019 the City of Clearlake estimated median household income was \$31,551. Clearlake's median household income is significantly less than \$80,440, the median household income in the state of California. It is also approximately \$31,000 less than the national median household income of \$62,843. It's estimated that 30.7% of all families in the City of Clearlake live below the federal poverty level. One key interviewee indicated that the lack of access to jobs in the City of Clearlake significantly contributes to the level of poverty

³⁵ U.S. Census Bureau (2019). American Community Survey 5-Year Estimates Subject Tables. *Poverty status in the past 12 months*. Retrieved from https://data.census.gov/cedsci/table?t=Poverty&g=0400000US06_1600000US0613945&tid=ACST5Y2019.S1701&hidePreview=false, accessed February 16, 2021.

present. It was also noted that individuals in the city compensated poverty by cultivating cannabis.

In the City of Clearlake, 49.2% of the population over 16 years of age is employed, compared to 63.3% in California and 63% in the United States. According to the U.S Bureau of Labor Statistics³⁶, in December of 2020, 9.8% of workers were unemployed, compared to 9.7% in the state of California and 7.2% in the United States as a whole.

In 2019, 43.4% of children under the age of 18 in the City of Clearlake were living below the federal poverty level. This is higher than the proportion of children living below the poverty level in California (18.1%) and the United States (18.5%)³⁷. In addition, according to the California Department of Education³⁸, 72.4% of children enrolled in K-12 schools in Lake County qualify for free and reduced price meals. This is significantly higher than the eligibility statewide which is 51.8%. Note that the City of Clearlake is a part of Konocti Unified School District, which has the highest percentage of eligible students for free and reduced price meals.

District	Enrollment	Number Eligible for Free & Reduced Price Meals	Percent Eligible for Free & Reduced Price Meals
Kelseyville Unified	1741	1183	67.9%
Konocti Unified	3716	3137	84.4%
Office of Education	39	27	69.2%
Lakeport Unified	1444	983	68.0%
Lucerne Elementary Unified	293	247	84.3%
Middletown Unified	1773	889	50.1%
Upper Lake Unified	844	674	79.8%
Totals	9850	7140	72.4%

³⁶ U.S. Bureau of Labor Statistics (2020). BLS Data Viewer. *Unemployment: Clearlake, CA Micropolitan Statistical Area (U)*. Retrieved from <https://beta.bls.gov/dataViewer/view>, accessed February 16, 2021.

³⁷ U.S. Census Bureau (2019). American Community Survey 5-Year Estimates Subject Tables. *Clearlake City, California, United States*. Retrieved from https://data.census.gov/cedsci/table?t=Poverty&g=0100000US_0400000US06_1600000US0613945&tid=ACST5Y2019.S1701&hidePreview=false, accessed February 16, 2021.

³⁸ California Department of Education (2019). Student Poverty FRPM Data. Retrieved from <https://www.cde.ca.gov/ds/sd/sd/filessp.asp>, accessed February 17, 2021.

Figure 12. Lake County school district students by number and percent who qualify for free and reduced price meals

The percentage of a population with only public health insurance can speak to the level of poverty in an area. For the City of Clearlake, 73.4% of people had public health insurance exclusively. The rate for Clearlake is significantly higher than that of the state rate, which is 38%, and the federal rate, 35.1%³⁹.

Comparing Lake County's census tracts and their percentages of population living under the federal poverty level, it can be seen that the highest percentages lie in tracts 7.01, 7.02, 8.01, and 8.02 (see Figure 13). The City of Clearlake comprises all of tracts 8.01 and 8.02, and has portions of its outskirts in tracts 7.01 and 7.02.

Percent of Population below poverty level in Lake County by Census Tracts

Source: 2019 American Community Survey, Percent Below Poverty Level

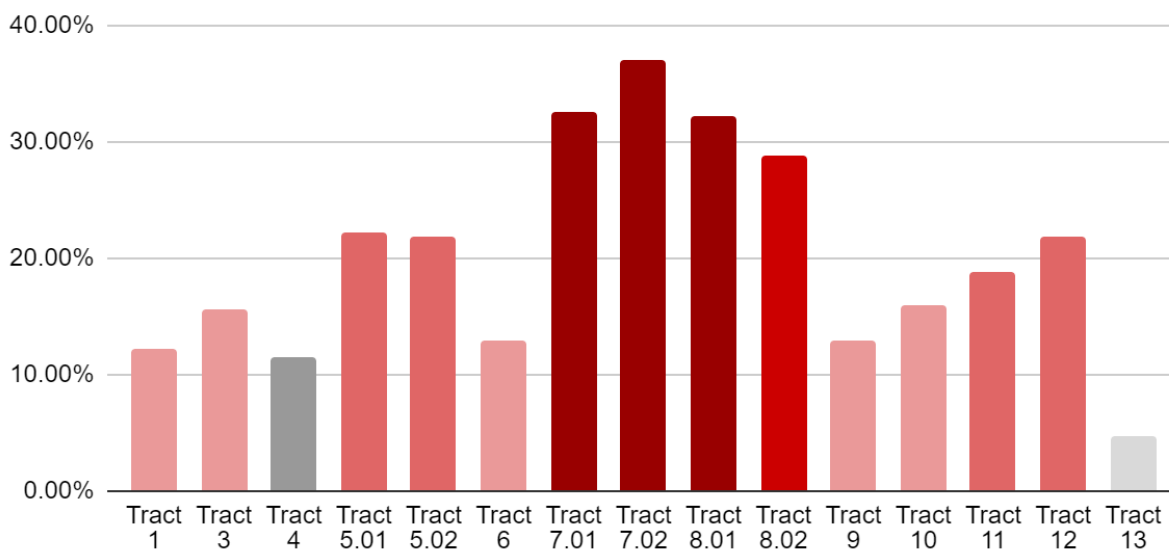


Figure 13. Percent of Population below poverty level in Lake County by Census Tracts, 2019.

³⁹ U.S. Census Bureau (2019). American Community Survey. *Public Health Insurance Coverage by Type and Selected Characteristics*. Retrieved from https://data.census.gov/cedsci/table?t=Health%20Insurance&g=0100000US_0400000US06_1600000US0613945&tid=ACST5Y2019.S2704&hidePreview=false, accessed February 17, 2021.

In October of 2019, the county released a document titled *County of Lake: 10 Disasters Overlaying Long-Term Economic Hardship*.⁴⁰ The document stated that the county has suffered from “ten natural disasters since 2015, including repeated highly destructive wildfires and atmospheric river storms.” The impact of these disasters includes⁴¹:

- 60% of the county’s land mass has burned
- 1,950 housing units, including 1,825 homes were lost to fire, 5.5% of the county’s housing stock
- \$50 million in critically needed road network repairs
- \$80 million in water and sewer infrastructure to facilitate full recovery
- Multiple power safety shut-offs have affected residents county-wide

⁴⁰ Huchingson & Scott (2019). *County of Lake: 10 Disasters Overlaying Long-Term Economic Hardship*. Retrieved from <http://www.lakecountyca.gov/Assets/Departments/Administration/Vision/RBNB.pdf>, accessed February 23, 2021.

⁴¹ Huchingson, Carol (2019). *Long-Term Recovery: Critical Priorities*. Retrieved from <http://www.lakecountyca.gov/Assets/Departments/Administration/Vision/Priorities.pdf>, accessed February 23, 2021.

Median Household Income by Census Tract Clear Lake California 2018

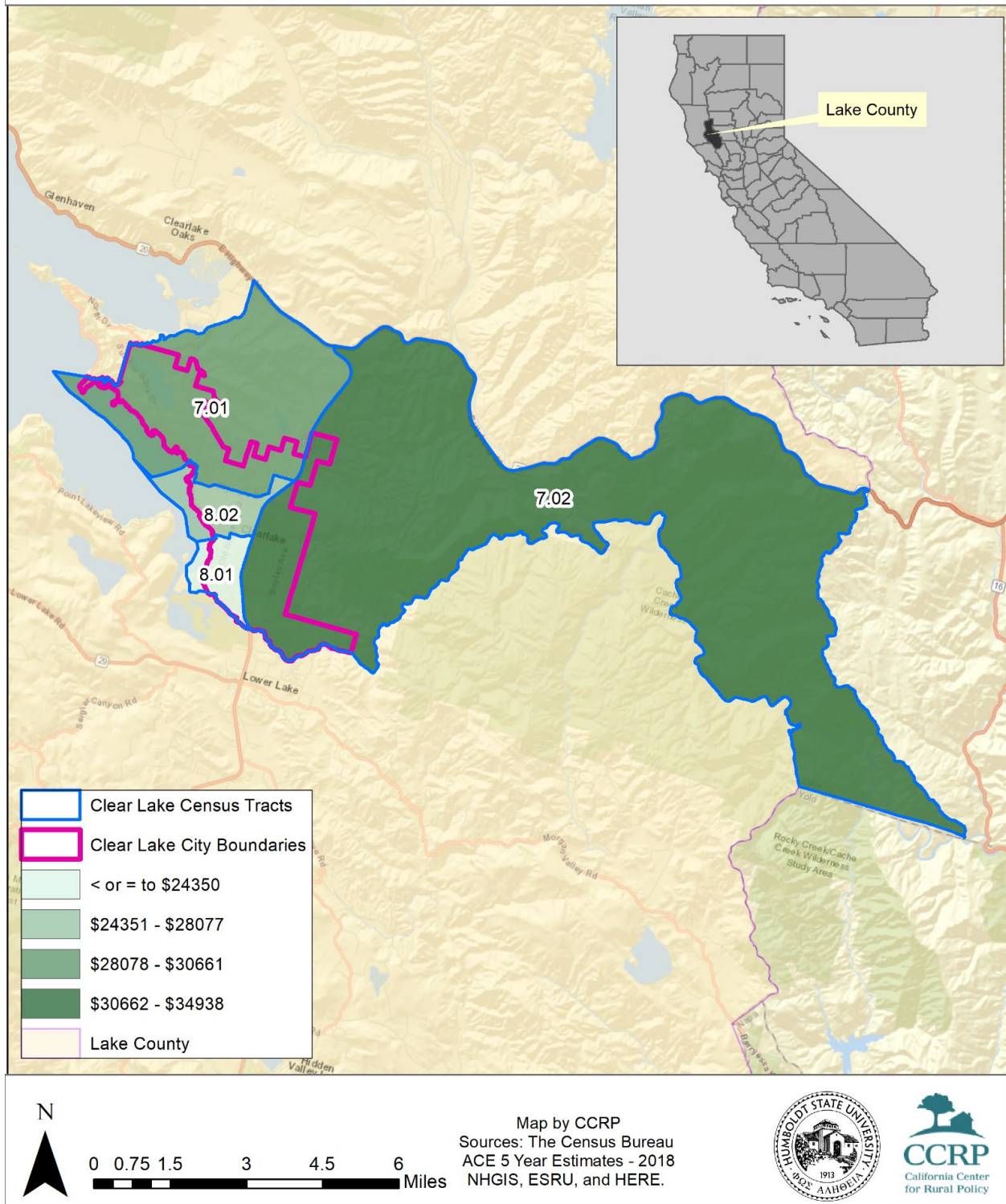


Figure 14. Median household income by Census Tract in Clearlake.

Percent of Residents Living Below Poverty by Census Tract Clear Lake California 2019

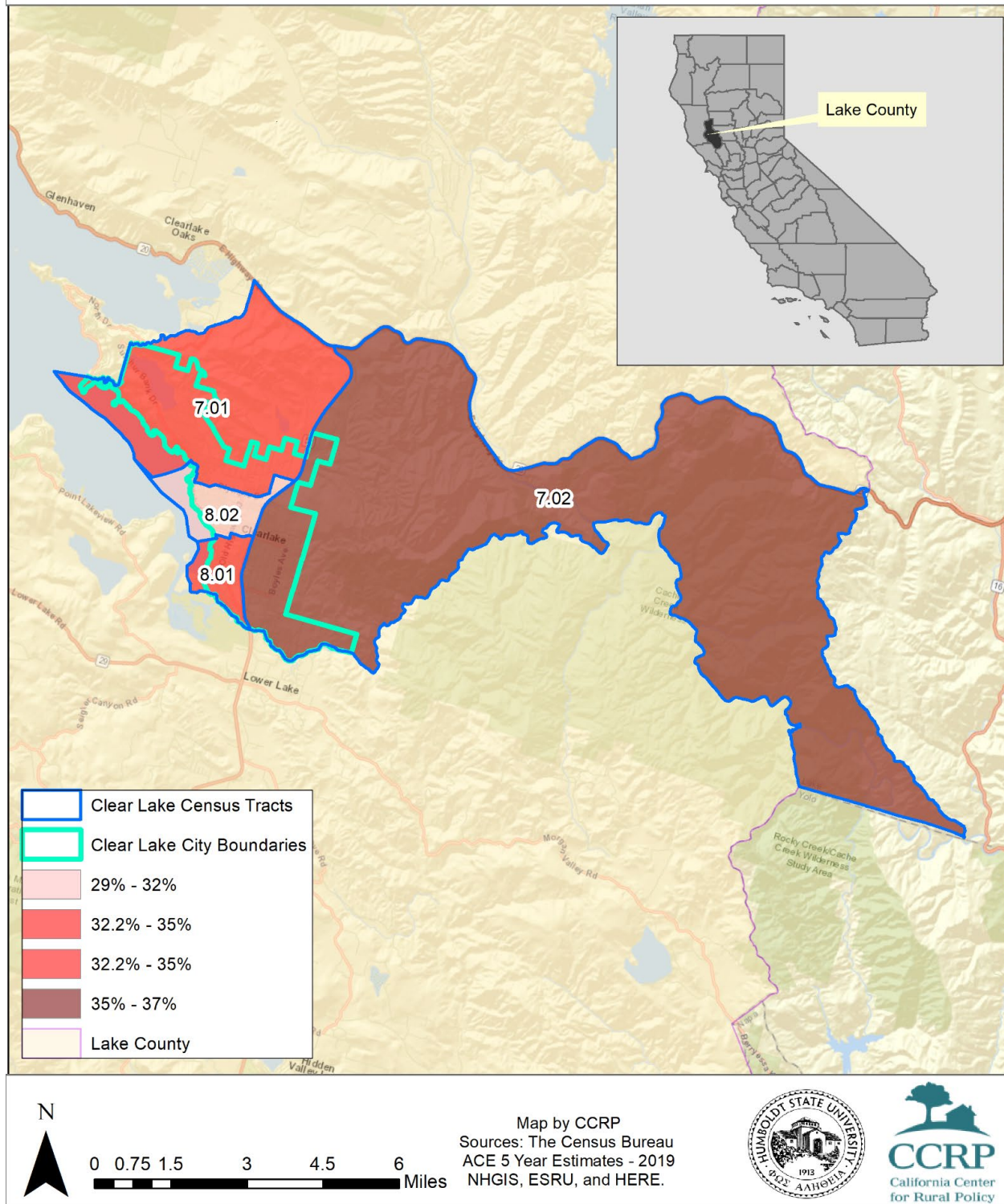


Figure 15. Percent of residents living below the poverty line by Census Tract, Clearlake CA.

5.2 Youth Cannabis Use in the City of Clearlake

A higher proportion of youth from Konocti Unified School District (KUSD), which encompasses the City of Clearlake, have used cannabis at least once compared to the state average⁴². 14.6% of seventh grade students from KUSD have used cannabis compared to 4.2%, the California's average for seventh grade students. Similar trends can be seen for both ninth and eleventh grade students as all three grade levels in KUSD have higher proportions of their student body that have used cannabis at least once.

As expected Konocti Unified School District also has a higher ratio of students who have used cannabis multiple times during their lifetime, and may regularly use cannabis. Rates of cannabis use for students from grades seventh, ninth, and eleventh show that there is a higher fraction of students in the Clearlake area that are exposed to cannabis than that of the state (see Figure 16).

Marijuana Use in Lifetime (7 or more times) by Grade Level, comparing California and KUSD

Source: Kidsdata.org, Marijuana Use in Lifetime 2015-2017

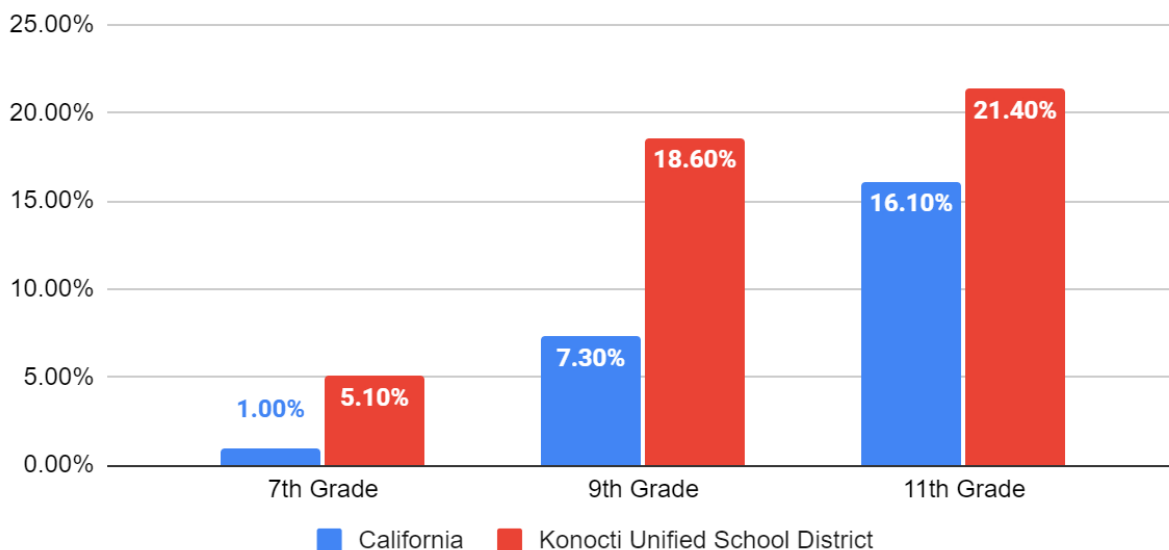


Figure 16. School age cannabis use for seven or more times, comparing California with Konocti Unified School District, 2015-2017.

⁴² Kidsdata.org (2017). *Marijuana Use in Lifetime, by Grade Level*. Retrieved from <https://www.kidsdata.org/topic/608/marijuana-lifetime-grade/table#fmt=826&loc=2,651&tf=122&ch=69,305,306,431,748,616,617,618,1004,1005&sortColumnId=0&sortType=asc>, accessed February 15, 2021.

State level data for seventh grade students show miniscule differences regarding rates of cannabis use between male and female adolescents. When comparing the state rates to that of the Clearlake area, cannabis use is more prevalent for male students than female students in Konocti Unified School District (see Figure 17).

Marijuana Use in Lifetime (at least once) by Seventh Grade. Comparing Gender in California and KUSD

Source: Kidsdata.org, Marijuana Use in Lifetime 2015-2017

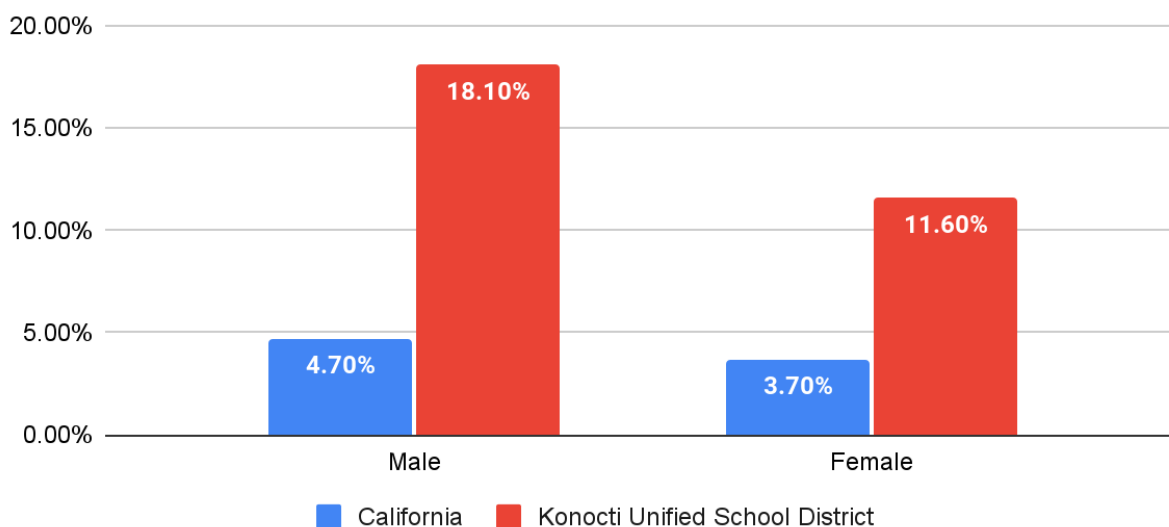


Figure 17. Seventh grade cannabis use in lifetime at least once, comparing California and Konocti Unified School District, 2015-2017.

5.3 Overview of the City of Clearlake Cannabis License Process & Applicants

Proposition 64 provided local governments the option and ability to regulate, control, permit, license, and tax activities surrounding the use, cultivation and sale of marijuana. According to an article titled *Getting Worse, Not Better: Illegal Pot Market Booming in California Despite Legalization* by Thomas Fuller in the New York Times⁴³, “California gives cities wide latitude to regulate cannabis, resulting in a confusing patchwork of regulation.”

Many jurisdictions in California continue to update and amend local policy related to the regulation and taxation of cannabis. Currently, the City of Clearlake is accepting applications to obtain a permit for cultivation, processing, extraction, manufacturing, testing, and distribution

⁴³ Fuller, Thomas (2019). The New York Times. “*Getting Worse, Not Better*”: *Illegal Pot Market Booming in California Despite Legalization*. Retrieved from <https://www.nytimes.com/2019/04/27/us/marijuana-california-legalization.html>, accessed February 17, 2021.

activities with an approved Use Permit and Regulatory Permit within areas of the City zoned Cannabis Business District⁴⁴. A detailed description of the ordinances and measures specific to the City of Clearlake is included in this report.

The City of Clearlake's commercial cannabis licensing process is located with the Planning Commission. The City of Clearlake's Planning Commission is composed of five individuals appointed by the majority of the City Council. The Planning Commission provides guidance and coordination for all land planning and development activities throughout the city.

Currently, there are ten active licenses for adult-use and medicinal cannabis in the City of Clearlake. These licenses are broken up between five distributor licenses, four retailer licenses, and one microbusiness license⁴⁵.

Interviews with the City of Clearlake staff indicate that there are four (4) complete applications and one (1) incomplete application that are pending. The average time that is taken to complete a permit review is from four to six months. When Ordinance 200-2017 was adopted, Clearlake put a numerical cap on all permit types for a maximum of 12 permits. Since then, the city has decided to remove such caps on all permit types except walk-in retail. The City of Clearlake designated a Cannabis Business Combining District, the places in the city where cannabis cultivation, manufacturing, test labs, processing, and distributing businesses can be established. The map of the Cannabis Business Combining District can be found in the Clearlake guide to commercial cannabis permits attached in the footnote below (pg. 17-18).

Section 6. Barriers to Entry

The section that follows outlines the barriers to entry that residents of the City of Clearlake face when seeking to transition into the legal cannabis sector. Clearlake residents 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 of environmental,

⁴⁴ City of Clearlake, CA (2018). *Guide to Commercial Cannabis Permits*. Retrieved from <https://clearlake.ca.us/DocumentCenter/View/1027/Guide-to-Cannabis-Licensing-in-Clearlake-CA-March-26-2018#:~:text=Currently%20the%20City%20of%20Clearlake,City%20zoned%20Cannabis%20Business%20District.,> accessed February 23, 2021.

⁴⁵ Bureau of Cannabis Control (2020). *Bureau of Cannabis Control License Search, Clearlake*. Retrieved from <https://online.bcc.ca.gov/bcc/customization/bcc/cap/licenseSearch.aspx>, accessed February 24, 2021.

water supply, road engineering issues, and the cost of compliance with mitigation measures are significant barriers for smaller scale operations and/or socio-economically disadvantaged populations.

Banking

According to an article by Josh Adams for New Frontier Data⁴⁶, “Since cannabis remains federally prohibited, access to dependable and consistent banking services is limited, resulting in cannabis businesses being cash-intensive.” The American Bar Association⁴⁷ adds that “this state of legal limbo greatly increases the risks to which these businesses are exposed in that they must deal with vast amounts of cash, thereby increasing the risk of robbery and making it difficult to render payment to others.”

Administrative/Technical

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.

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 in the City of Clearlake because high rates of historical and current poverty indicate that equity 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 will have significant advantages to succeed 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 highly educated applicants.

Distrust of Government

The unique history of the City of Clearlake with minimal community intervention and a lack of code enforcement for roughly half a decade have left many individuals with an ingrained sense

⁴⁶ Adams, Josh (2020). New Frontier Data. *Catching Cannabis Coming and Going: How Law Enforcement Profits from Illicit and Legalized Marijuana Businesses Alike*. Retrieved from <https://newfrontierdata.com/cannabis-insights/catching-cannabis-coming-and-going-how-law-enforcement-profits-from-illicit-and-legalized-marijuana-businesses-alike/>, accessed February 18, 2021.

⁴⁷ Black & Galeazzi (2020). American Bar Association. *Cannabis Banking: Proceed with Caution*. Retrieved from <https://businesslawtoday.org/2020/02/cannabis-banking-proceed-caution/>, accessed February 18, 2021.

of distrust of (local) government. Over time, a cultural norm of a desire to be left alone has developed in Clearlake, a point that was made by at least two of the public sector stakeholders we interviewed.

Section 7. Cannabis Equity Program Recommendations

7.1 Review of Other Jurisdictions Effort to Promote Equity in Cannabis Implementation

Other jurisdictions in communities and states with a legal cannabis industry have developed and/or implemented programs to improve equity. Lake County has worked with the Rural County Representatives of California (RCRC) and CSAC to understand the impact of legalizing cannabis on rural counties in California. Lake County has also worked collaboratively with other rural counties to navigate the transition to legal cannabis and advocate for local control on cannabis regulation and taxation. Lake County completed a Cannabis Equity Assessment in December 2020 and adopted a Local Equity Program in January 2021.

7.2 Findings & Recommendations

Finding #1: The City of Clearlake staff should explore and promote a diversity of permit types that add value in the supply chain, given the city's location in Lake County where large-scale cultivation will provide abundant cheap, local raw material.

Finding #2: Equity program eligibility factors should be focused on specific targeted populations. Eligibility criteria should be supported by equity assessment data wherever possible.

The City of Clearlake should consider including the following eligibility criteria:

- Conviction history associated with cannabis-related offenses
- Immediate family member with a conviction history associated with cannabis-related offenses
- Low income status
- Individuals who resided in Clearlake for at least two years between 2008-2016
- Ownership consideration (at least 51%)
- Service in the Vietnam War
- Recipient of Community Development Block Grant (CDBG) funds for low income housing
- Experience of "backyard cultivation" abatement on property for which they were a legal resident for under 50 plants in 2015-2017

Criteria	Recommendation
Conviction history	Have been arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis (including as a juvenile), or been subject to asset forfeiture between 1996 and 2016 Have a parent, sibling or child who was arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis between 1996 and 2016
Low income status	Household income at or below the median income.
Residency consideration	Give additional consideration to those who have resided in the City of Clearlake for at least two years between 2008-2016
Ownership consideration	Give additional consideration to those who own at least 51% of the business
Experience of small scale eradication	Complied with abatement notices for under 50 plants on their own property between 2015 and 2017.

Figure 18. Description of individual eligibility criterion

Finding #3: Ensure that applicants meeting equity program eligibility factors have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.

- 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.
- Consider a robust incubation program for equity applicants
- Consider facilitating co-operative or co-location arrangements given the scarcity of compliant real estate in the City

Finding #4: 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.

Recommended Metrics:

- Number of equity applicants to apply
 - Types of drug-related offenses
 - Income status
 - Race
 - Ethnicity
 - Gender
 - Sexual Identity
 - Residency Status
 - Ownership Structure
- Workforce characteristics
 - Total number of employees
 - Number of local employees
 - Employment status (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

Finding #5: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market.

Barrier	Recommendation
Financial	<ol style="list-style-type: none">1. Waive fees for application assistance trainings2. Deferral of or assistance with payment of application fees for zoning and special use permits3. Waive or defer fees for trainings and certifications required by law4. Loans or grants to incentivize businesses that mitigate adverse environmental effects of cannabis cultivation
Administrative/Technical	<ol style="list-style-type: none">1. Technical assistance for formation of cannabis cooperative associations2. Provide training and/or technical assistance to assist those with past cannabis convictions to get their records expunged3. Work with banking institutions and provide technical assistance to support equity applicants in accessing banking services

Business Acumen	<ol style="list-style-type: none"> 1. Employment skill training for equity participants employed or seeking employment in licensed cannabis operations 2. Training/support for business owners to understand workforce rules and regulations. See recommendations below* 3. Incubation
Distrust of Government	<ol style="list-style-type: none"> 1. Conduct outreach and education efforts for residents in low-income housing to encourage those individuals to apply for licenses and enter the legal industry 2. Create outreach materials that are clear, concise, and accessible to those with low literacy. Consider creating materials in multiple languages.

Figure 19. Recommendations on services focused on specific barriers to entry into the legal market

Below are a series of recommendations* to support cannabis businesses adapted from other jurisdictions' methods. In consideration of the City of Clearlake, manufacturing as well as other ancillary license types should be prioritized.

*Recommendations were 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, 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 (bud tending, 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 for those impacted by 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, 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, interview and select the right consultant or consultant firm, how to manage a consultant scope.
- Developing, securing and increasing farm management skills in agricultural, biology, land management.
- Access to agricultural extension services to help with the science of plant biology from a medicinal and commercial standpoint, and help feed local graduates in biology and environmental sciences into the industry-much like the timber industry has done.

Finding #6: The City of Clearlake should consider utilizing cannabis tax revenue to ensure that county staff managing cannabis permitting are at full staffing levels and are trained and educated on the cannabis permitting process. City staff should be able to handle the expertly crafted applications from well-funded applicants and be able to offer technical assistance and support for less-resourced applicants who are struggling to navigate a complex and expensive permitting process.

For example, for smaller, artisan-size businesses, Type 12 Microbusiness licenses are available to those who participate in at least three of the following commercial cannabis activities. Activities include (1) cultivating cannabis on an area less than 10,000 square feet, (2) acting as a licensed distributor, (3) acting as a level 1 manufacturer, (4) and acting as a retailer. Smaller cultivators can utilize a microbusiness license to vertically integrate and have control over ancillary operations.

Finding #7: Local cannabis revenues can be directed to community reinvestment programming to rebuild/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 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
4. Infrastructure projects that will improve the quality of life for city residents

Finding #8: All cannabis operators should provide equitable employment opportunities.

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

- Leverage existing workforce programs in the city/county
- Expand workforce curriculum to support new workforce
 - 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).

Finding #9: Update the City of Clearlake Equity 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, and

4) Demonstrate an ongoing commitment to data-informed decision making and strategic planning to ensure the City of Clearlake's strong transition to a legal cannabis industry.

Finding #10: The City of Clearlake should explore how to connect local equity applicants with Lake County cultivators to access abundant raw material for value-added business plans.

Finding #11: The City of Clearlake should explore how to connect with local equity applicants and equity licensees in nearby jurisdictions, such as Sonoma County, Mendocino County, the Bay Area, and Sacramento, to create equity-branded supply chains.