



Lake County Cannabis Equity Assessment V1 -- December 2020

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 Lake County.

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Section 1. Executive Summary

The California Center for Rural Policy (CCRP) at Humboldt State University was selected through an RFP process to work with Lake County and the Board of Supervisors to create a Lake County 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 county in the development of a Local Equity Plan with program components to help community members most impacted by criminalization and poverty to enter and thrive in 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 collaborated with the Humboldt Institute for Interdisciplinary Marijuana Research and Lake County stakeholders to create the CEA.

The Board of Supervisors has authorized staff to update the Lake County Cannabis Local Equity Program as needed, and staff will do so by ensuring the program is informed by this study. Lake County is committed to including equity as a key consideration as the State of California transitions the cannabis industry to legal status. Lake County 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

- Lake County has a multigenerational history of cannabis cultivation going back to the 1970s, which increased significantly at the end of the 1980s as cultivators migrated from CAMP's original hotspots in Mendocino and Humboldt Counties.
- The county has a substantial population with cannabis expertise but minimal formal education or experience in the formal economy, with few job prospects outside of regulated or unregulated cannabis markets.
- Lake County led the state in CAMP eradication statistics between 2003 and 2011, the last year for which we have records.
- Lake County has been an epicenter of "second wave" cannabis criminalization (between 2003 and the present), as CAMP shifted geographic focus. The particularly intense nature of joint task force eradication created a strong prohibition market stimulus, incentivizing high risk, high reward practices like growing multiple large gardens on public lands.
- The county's unregulated cultivation landscape therefore has a strong mix of small, medium and large-scale cultivation that has attracted local youth with little formal

education, under conditions of exceptional rural poverty and weak formal economic development.

- Until very recently, local cultural politics have stigmatized cannabis and its market participants, leading to allegations of unprofessional and sometimes illegal enforcement practices supported by significant court cases and news reports.
- Until 2018, Lake County's experience with regulating cannabis has been minimal compared to its rural county neighbors, which has made the transition from medical cannabis to legal cannabis exceptionally difficult for legacy stakeholders to navigate.
- The County has recently demonstrated a dramatic shift in attitudes towards cannabis cultivation as a driver of economic development by creating legal cannabis policies to permit cannabis cultivation at scales that dwarf those of its rural neighbors. This has attracted a significant wave of permit applications from stakeholders outside of Lake County who have much more access to capital than local stakeholders.
- This substantial wave of outside investment is able to enter and navigate the permitting process far more expertly than local stakeholders, who take much more time getting through the process and with much greater difficulty.
- Challenges facing legacy cultivators in Lake County are similar to those found in other rural counties: they may own land, but the capital needed to make that land's infrastructure compliant with modern building, road, water and other codes is significant. Infrastructure improvements through permitted cannabis cultivation would be a net collective benefit to the county's historically unpermitted and underdeveloped infrastructure.
- The County's emphasis on attracting large-scale cultivation means that there is enormous growth potential for other kinds of cannabis permits and ancillary businesses to add value in the supply chain.
- Between 2010-2019, drug offenses made up 28% of all felony arrests in Lake County. This translates to an average of 313 drug-related arrests per year over a ten-year period.
- Lake County is ranked sixth highest in regards to poverty rates between California counties. Twenty-one percent of Lake County's population lives under the federal poverty level.
- Lake County has the lowest median household income compared to all other counties in California, at \$40,446.

1.2 Key Findings/Recommendations

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

Finding #1: Equity program eligibility factors should focus on specific targeted populations. Eligibility criteria should link to equity assessment data wherever possible.

Specific recommended eligibility criteria are included 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
- Residency consideration
- Ownership consideration
- Experience of small scale eradication

Finding #2: Ensure that applicants who meet eligibility criteria 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.
- Amnesty Program: Consider developing pathways such as an amnesty program to encourage existing nonconforming businesses (such as small operators who qualify as equity applicants) to transition to the legal market.

Finding #3: 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 #4: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market. Specific recommendations are included in Section 7.

Finding #5: Lake County 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 #6: Lake County staff should explore and promote a diversity of permit types in addition to cultivation. Lake County has a history strongly linked with cannabis cultivation. Currently 97% of permits in Lake County are for cultivation. However, the legal industry offers many other permit types in addition to cultivation. Other successful business opportunities with less barriers could be easier for disadvantaged populations to create. A local equity program that

helps legacy cultivation participants should address cultivation but may add much more local ownership opportunities for equity stakeholders that can diversify the County's legal cannabis license landscape.

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 county cannabis taxes can be utilized to supplement equity funding received from the State of California.

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 Lake County 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 Lake County's strong transition to a legal cannabis industry.

Finding #10: Create a program for expungement-eligible residents identified by AB 1793.

Finding #11: Lake County should explore how to connect local equity applicants with equity applicants in surrounding counties, such as Sonoma and Mendocino.

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

Located in the north central portion of California, Lake County has a population of roughly 64,386. Lake County's largest city is Clearlake with a population of 15,267.¹ The County is home to many federally-recognized tribes, such as the Big Valley Band Rancheria, Elem Indian Colony, Habematolel Pomo of Upper Lake, Middletown Rancheria of Pomo Indians, Robinson Rancheria, and Scotts Valley Reservation.² Lake County includes the following residential zip codes: 95422 (Clearlake), 95423 (Clearlake Oaks), 95426 (Cobb), 95435 (Finley), 95443 (Glenhaven), 95451 (Kelseyville), 95453 (Lakeport), 95457 (Lower Lake), 95458 (Lucerne), 95461 (Middletown), 95464 (Nice), 95467 (Hidden Valley Lake), 95485 (Upper Lake), and 95493 (Witter Springs).

Lake County has a land area of 1,256 square miles, about 100 miles long by 50 miles wide. The county is rural and is home to California's largest freshwater lake, Clear Lake. The county's economy is largely based on tourism and recreation, and is mostly agricultural. Many roads are unpaved, unmarked and unlit, according to the *2019 Lake County Community Health Assessment*. In 2018, Lake County's population had a median age of 45.8 years and a median household income of \$40,446. This can be compared to the 2019 median household income of California, which is \$80,440.

According to the U.S. Census Bureau (2017), 66.8% of the population identifies as White, 20.6% of the population identifies as Hispanic or Latino, 4.3% identifies as American Indian and Alaska Native, and 4.6% identifies as Two or More Races. In addition, 1.4% are Asian, 2.1% are Black or African American, and .3% are Native Hawaiian and Other Pacific Islander.

Both the overall population and the population breakdowns by race/ethnicity have been stable in Lake County in the past five years.

The past criminalization of cannabis adversely affected communities in Lake County in a manner unique to its location as a drug war epicenter and an area with persistent economic underdevelopment. Lake County has a disproportionately large demographic of people with requisite knowledge and skill to otherwise succeed in the market and contribute to the county's long-term economic development. Cannabis legalization presents a challenge and an opportunity for thousands of skilled cannabis market actors in Lake County. They have the experience and cultivation knowledge to succeed legally, but they lack the formal business training and means to overcome barriers to entry and contribute formally as successful members of a regulated future.

¹ U.S Census Bureau (2019). QuickFacts, Clearlake city & Lake County, California. Retrieved from <https://www.census.gov/quickfacts/fact/table/clearlakecitycalifornia,lakecountycalifornia/POP645218>

² "Federal and State Recognized Tribes." *List of Federal and State Recognized Tribes*, www.ncsl.org/research/state-tribal-institute/list-of-federal-and-state-recognized-tribes.aspx.

The legalization of commercial medical and adult use cannabis in California has dramatically shifted the economic climate. Without significant changes in, and support for what is now significantly a multigenerational local cannabis industry, the county economy and population is at risk of suffering irreparable harm. 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 Board of Supervisors has authorized staff to develop the Lake County Cannabis Local Equity Program, and staff will work with CCRP to ensure that the equity program be informed by this study. The County of Lake and CCRP will create a Cannabis Local Equity Program that will use county funds derived from the Lake County Cannabis Cultivation and 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 County of Lake intends to adopt the Lake County Local Equity Program Manual to focus on inclusion and support of individuals and communities in Lake's cannabis industry that were negatively or disproportionately impacted by cannabis criminalization and poverty. Lake County seeks to focus its local cannabis equity program on assisting smaller scale cannabis cultivators to overcome these barriers to entry, and to build support for long-term economic vitality for the county.

Section 4. Equity Analysis

4.1 Methodology

The goals of the Lake County Cannabis Equity Assessment (CEA) are 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 county in the development of a Local Equity Plan with program components to help community members most impacted by criminalization and poverty to enter and thrive in 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 Lake County. Interviews were conducted between August and November of 2020. Stakeholders represented the following sectors:

- Elected officials
- Local government departments engaged in cannabis-related work
- Private stakeholders (non-cannabis)
- Cannabis special interest groups
- 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 County of Lake and publicly available data related to cannabis. County-specific secondary data sources reviewed by CCRP included:

- Lake County California: 2019 Community Health Needs Assessment
- Lake County Economic Development Strategy, 2018
- County of Lake, Ordinance No. 3047
- County of Lake, Ordinance No. 3074
- Lake County Article 27
- Lake County Community Development Department, Commercial Cannabis Cultivation Application Package (March, 2018)

4.2 Historical Context of Cannabis Criminalization in Lake County

Lake County communities were heavily impacted by the criminalization of cannabis in particular but also the war on drugs in general, directly and indirectly. 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.

Direct and Indirect Impacts, Historically

Directly, cannabis has been cultivated in Lake County communities since the 1970s by countercultural families going “back to the land” and Vietnam veterans coming back from the war. Over the next two decades, cultivation as a way to make ends meet (small scale) as well as for commercial profit (large scale) spread throughout the county’s remote watersheds and into its national forests. This spread was fortified by the migration of cultivators from nearby Mendocino and Humboldt Counties, seeking to escape intense seasonal aerial eradication by California’s joint national, state and local task force Campaign Against Marijuana Planting (CAMP). Between 1984 and 1995, Lake’s eradication share ranked number 10 in the state, but far behind the top two counties.

<i>Top 10 CA counties by CAMP eradication</i>	<i>Average plants eradicated 1984-1995</i>	<i>Share of CAMP plants eradicated 1984-1995</i>
Humboldt	40311	36.80%
Mendocino	28298	25.90%
Trinity	5686	5.20%
Santa Cruz	4887	4.50%
Santa Barbara	4050	3.70%
Butte	4029	3.70%
Sonoma	3105	2.80%
Monterrey	2391	2.20%
Shasta	2062	1.90%
San Luis Obispo	2045	1.90%
Lake	1924	1.80%

Source: Camp Reports

As cultivation geographies shifted, CAMP followed. By 2003, Lake County became the most significant jurisdiction of operation for CAMP, in terms of plants eradicated, a position that it held through 2009, the last year for which we have formal, detailed CAMP reports.

<i>Top 10 CA counties by CAMP eradication</i>	<i>Average plants eradicated 2004-2009</i>	<i>Share of CAMP plants eradicated 2004-2009</i>
Lake	333505	15%
Shasta	286151	12.90%
Mendocino	184192	8.30%
Tulare	153648	6.90%
Fresno	144882	6.50%
Humboldt	109646	4.90%
Los Angeles	91113	4.10%
Riverside	89195	4%
Trinity	73294	3.30%
Napa	67719	3%
Kern	66957	3%

Figure 1. CAMP eradication rates by county 2004-2009

Indirectly, Lake's experience with cannabis and its criminalization cannot be understood outside of its history as one of the poorest counties in California; and its proximity, relative to other rural Northern California cultivation areas, to significant centers of urban consumption, especially the Bay Area. As a result, Lake is both a significant producer and transit space for cannabis supply chains. Its proximity to Oakland and San Francisco meant that as medical cannabis law and policy liberalized even before California Proposition 215, 1996's Compassionate Use Act, it became a desirable location for the cultivation of cannabis destined for the Bay Area's HIV/AIDS era cannabis clubs and medical dispensaries. The architect of Prop 215, Dennis Peron, maintained a farm in Middletown, Lake County for several years after the initiative passed. The cultivation demographic in Lake County thus includes a significant population of legacy medical cannabis cultivators.

Unlike other counties with legacy countercultural and medical cannabis cultivators, cannabis remained heavily stigmatized as a subject of criminal law enforcement, and these communities remained much more underground than their counterparts in places like Mendocino and Humboldt Counties. This may be due to local cultural contexts, but is more clearly related to the emergence since 2003 of unregulated, extremely large-scale cultivation in the County, especially in national forests; and the co-presence of other significant drug trafficking enterprises that also participate in unregulated cannabis markets. In a way, the obvious participation of large-scale commercial cannabis "bad actors" have made it difficult to discern the widespread presence and legitimacy of small scale, extremely underground cultivators that blend in with their rural communities. Therefore, one significant indirect impact of cannabis criminalization in Lake County communities is that many of its responsible, ethical cannabis cultivators have been and remain in hiding, fearful of becoming collateral damage in a war on larger scale drug trafficking enterprises. Their success at blending in has recursively fed local law enforcement's image of cannabis cultivation as a commercial criminal activity little different from that of methamphetamine production and the heroin trade.

The other significant indirect impact of cannabis criminalization in Lake County is the result of its socioeconomic underdevelopment. Lake County consistently ranks near the bottom of the state in all major indicators, meaning that participation in illicit drug markets has afforded the county's undereducated youth its most significant opportunity for employment. Lake is unique among California's rural counties in that it has never experienced a resource extraction boom nor any other form of significant economic growth. Its economy is mostly agricultural, but even its agricultural industries such as pears and walnuts are significantly smaller scale and less remunerative than those in other parts of California. According to Brenna Sullivan, Executive Director of the Lake County Farm Bureau, its average farm size is much smaller than those found in the Central Valley, in a national historical context where small farms have become less and less viable over time. During the 2008-2010 financial crisis, unemployment in the County exceeded 16%, and according to several of our interviewees, including Sullivan, this was a

period when cannabis cultivation played a major role in weathering the crisis for locals as well as a wave of migrants to Lake County from urban areas

This is true for many other jurisdictions in California, but it is especially apparent in rural Northern California counties. The increasing visibility of cannabis cultivation in the county heightened tensions between its small farmer, non-cannabis cultivation communities in decline and the suddenly legible presence of alternative livelihoods in the landscape. In the absence of other economic opportunities, made even worse by the financial crisis, the indirect impact of cannabis criminalization was the proliferation of unregulated cannabis markets.

The above direct and indirect impacts of cannabis criminalization intensified in the decade following the crisis, leading up to California cannabis legalization in 2016. This was primarily the effect of a volatile regulatory environment, which disrupted the legitimacy of medical cultivation sizes and locations abruptly in 2013. The final part of this equity analysis addresses how these impacts shifted up to the passage of Prop 64.

Contemporary shifts

In fact, the Northern California High Intensity Drug Trafficking Area program describes the period between 2007 and 2010 as the period when medical cannabis commercialized, based on a rapidly expanding footprint of medical cannabis dispensaries in urban areas³. The explosion of commercial storefronts was the visible edge of rapidly expanding cannabis cultivation outdoors in rural areas like Lake and also indoors in urban areas. This is also a period when wholesale cannabis flower prices began a steep decline, evidence of massively increasing cultivation in a context of decreased enforcement given Prop 215's affirmative defense provisions that made it increasingly difficult to convict persons charged with cannabis crimes. This was a phenomenon with analogous effects in each state that passed similar medical cannabis laws, especially Oregon.

In Lake County, as in the rest of the state and its fellow West Coast medical cannabis states, Washington and Oregon, substantial efforts were launched to regulate medical cannabis cultivation. In 2013, Lake County amended article 72, limiting medical cannabis cultivation to six plants only on Ag-zoned parcels under 20 acres. Prior to that, Lake County had allowed up to 36 mature and 72 immature cannabis plants on parcels of 5 acres or more (see 2011 Ordinance 2960), effectively re-criminalizing livelihood-scale gardens for cultivators that did not own large parcels. Until the passage of Prop 64 in 2016, enforcement intensified considerably.

According to our interview with Lake County Sheriff Martin, “we had an arrest spree before Prop 64. Anyone that was incarcerated had large amounts for sale. That isn’t happening anymore now, we are focusing on people who are doing other crimes ...” This characterization hinges on

³ California High Intensity Drug Trafficking Areas Report 2018: “Marijuana’s impact on California”: 6-7.

what constituted a “large amount,” since prior to 2013 anyone with 36 outdoor plants would indeed produce a large amount relative to 6 plant gardens, whether or not they were in compliance with SB 420’s collective garden paperwork. By comparison, trespass grows on public and large public lands often yield plant count numbers in the thousands. It is clear that the same cultivation practices that medical cannabis cultivators used before 2013 to stay under the radar came to be seen as much larger, in comparison with what the County allowed between 2004 and 2012.

Our interviews with potential equity stakeholders and Lake County criminal defense lawyers revealed numerous impacts especially from local law enforcement task forces on relatively small-scale cannabis cultivators. During this time period, the local task force engaged in what were alleged by interviewees as unprofessional and sometimes illegal enforcement tactics. This included property searches with questionable search warrants that caused cases to be thrown out of court. It also included allegations of excessive property damage and unnecessarily rough treatment of suspects and their families, as well as property seized that subjects took legal action against the County in order to get returned. Our interviews with stakeholders suggested the continuity of prohibition attitudes towards cannabis cultivators as bad people, making little distinction between large-scale extractive cultivation and small-scale livelihood cultivation.

Going forward, however, Lake County has embraced the generation of revenue through cultivation taxes at a much larger scale than most of its peers. It started with the passage of Ordinance 3047 in 2016 on parcels in compliance with 2013’s Article 72 relating to medical cannabis cultivation. It was followed several months later with the passage of Measure C, which replaced Article 72 with Article 27, a cultivation tax on legally permitted cultivation licenses in Lake County. Other business taxes were codified as well, but the cultivation tax combined with the County’s decision to allow much larger cultivation scales on eligible parcels significantly escalated the County’s revenue projections. It did so primarily because the scale at which cannabis cultivation could be permitted dwarfs those of most other California jurisdictions, more comparable to Santa Barbara than neighboring Mendocino County. The relative cheapness of its land as well as the possibility of growing at scale has attracted a wave of well-capitalized operators from outside the county as well as smaller scale cultivators fleeing more restrictive permitting requirements.

This massive influx of cultivation permit seekers has already inflated rural real estate prices and intensified non-cannabis small farmers in the county’s fear of competing land uses. It has also created significant processing bottlenecks for local permit-seekers whose pace through the process has slowed down. Well-capitalized cultivation companies can afford to hire expensive permit consultants to facilitate transition through the process, crowding out smaller local cannabis cultivators who struggle to navigate the legal system. The influx of industrial scale cannabis cultivation also threatens the diversity of the county’s otherwise stagnant economy, but

this is not limited to other sectors. Lake County's permits are predominantly for cultivation at this time, with value added in other parts of the supply chain, such as manufacturing and distribution, in other counties. Microbusiness license permits would help, except that they are subject to rigorous commercial compliance requirements associated with commercial activity such as infrastructure modernization. The silver lining to this situation is that there is plenty of opportunity for potential equity stakeholders to go into licensed cannabis businesses that complement cultivation, should they be afforded the basic business education and training that is a key part of most existing equity programs.

The proposed equity program can support small businesses and traditional cultivators that are being left behind and vulnerable to remaining dangerous criminal elements; have been doing it so long there is no viable career alternative; cannot afford to infrastructure changes in order to become compliant; and need assistance in navigating the complex requirements associated with entering and thriving in the legal cannabis market.

4.3 Drug Arrest Rates in Lake County, California, and the United States

Lake County

Public data related to drug-related arrest rates was obtained from the California Department of Justice. Between 2010-2019, drug offenses made up 28% of all felony arrests in Lake County. This translates to an average of 313 drug-related arrests per year over a ten-year period. Felony arrests for drug offenses significantly decreased in 2015 and held at a consistent level through 2019, the last year for which data is available.

Lake County had the highest overall arrest rate of all 58 counties in the state in 2016, according to the Public Policy Institute of California. Of those arrests, a significant percentage were drug-related arrests. According to the *Lake County Record Bee*, with just under 7,906 arrests per 100,000 people, Lake County's arrest rate was about 13 percent higher than Siskiyou County's, which had the next highest rate of 6,862 per 100,000. Shasta, Trinity, Butte and Tuolumne counties followed. The PPIC report calculated its findings based on the latest available data from the state. In addition, according to PPIC, women are arrested at higher rates in small, rural counties. Arrest rates for men and women have both fallen since 1980, but because men's arrest rates have fallen more, the share of women among all arrestees has grown—from 13.4% in 1980 to 23.5% in 2016. The counties with the highest arrest rates for women in 2016 tended to be smaller, rural counties with high overall arrest rates, such as Tuolumne (4,210 female arrests per 100,000 female residents), Lake (4,130), and Siskiyou (3,824). These rates were roughly four times those in counties with the lowest arrest rates for women: San Francisco (982), Mono (1,046), and Santa Clara (1,142).

Figure 2 shows the comparison of California counties ranked in order of highest arrest rate to lowest.

California Counties ranked by Arrest Rates, 2016

Source: Calculations based on California Department of Justice's Monthly Arrest and Citation Register, 2016

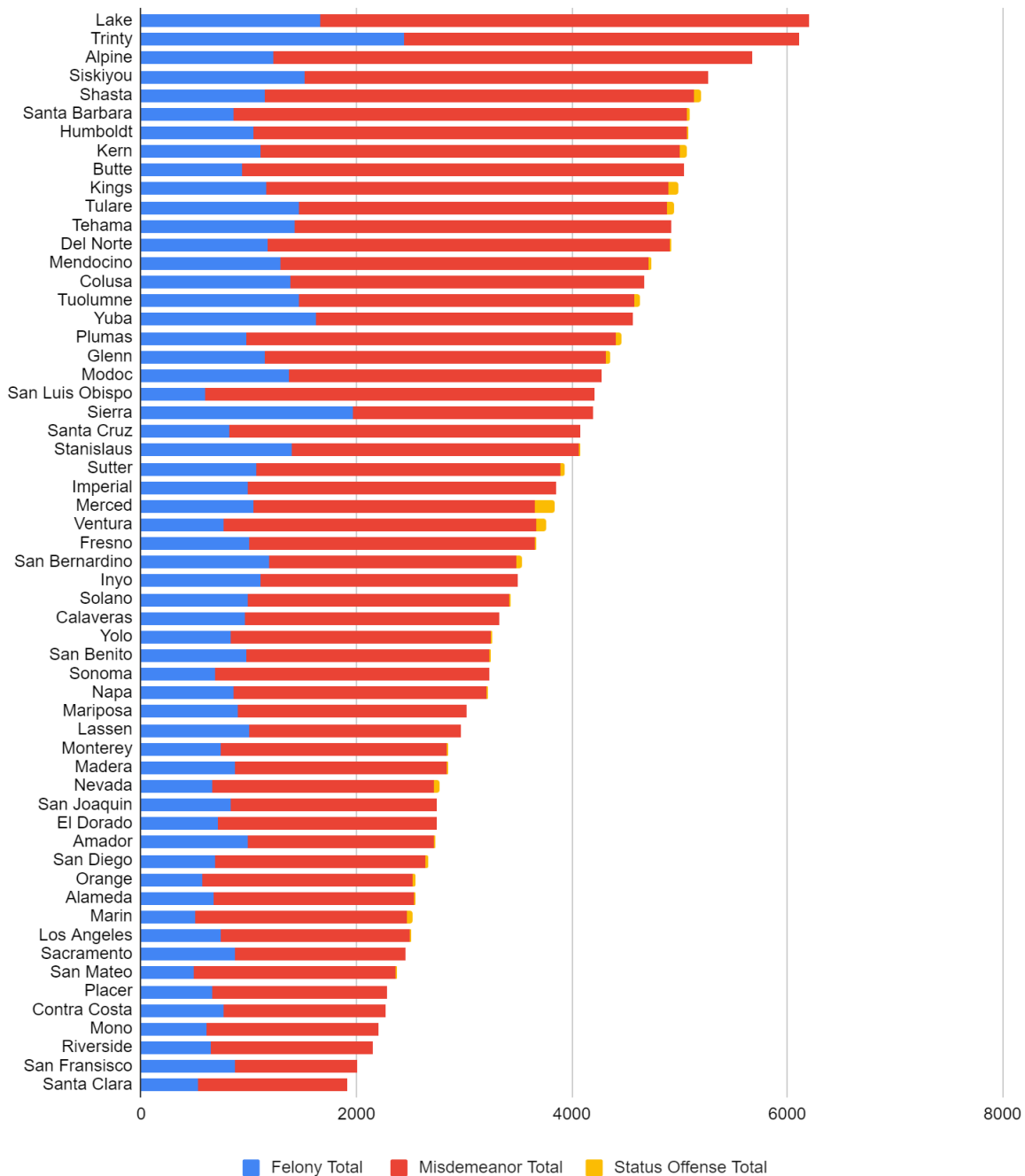


Figure 2. California Counties ranked from highest arrest rate to lowest, 2016

Felony Arrests for Drug Offenses per 100,000 people in Lake County and California, 2010-2019

Source: OpenJustice Crime Statistics: Arrests, 2010-2019

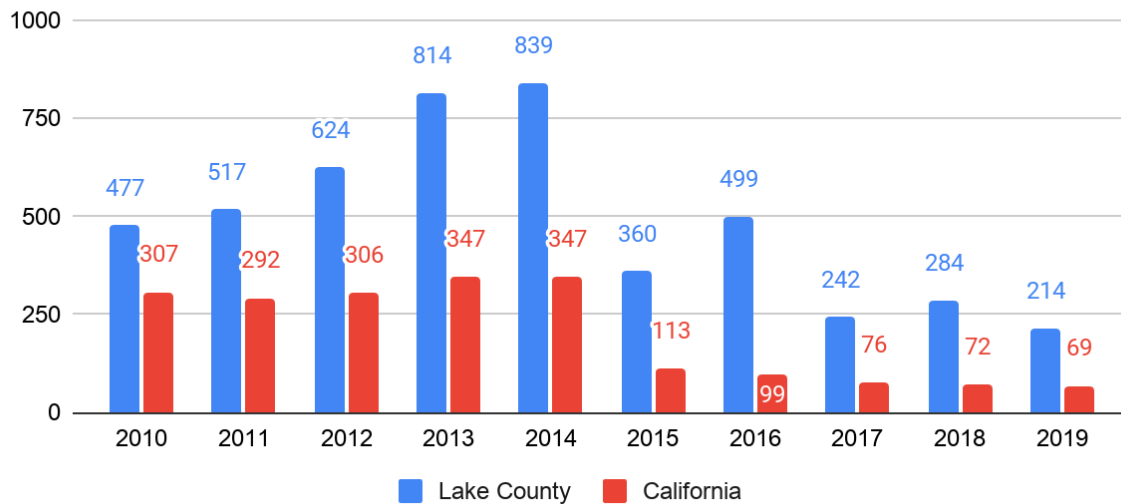


Figure 3. Number of Felony Arrests per 100,000 people for both the County of Lake and the State of California, 2010-2019

As shown in Figure 3, in the last decade Lake County has had a significantly higher proportion of drug related felony arrests than the state average. Both Lake County and California had their highest number of felony arrests during 2014, where it can be noted that Lake County's proportion doubled that of the state.

The figures below show drug arrest data comparing Lake County with California by race, gender and age group. The data is relevant from 1980-2019.

Drug Arrests by Race, comparing Lake County & California, 1980-2019

Source: OpenJustice Crime Statistics: Arrests, 1980-2019

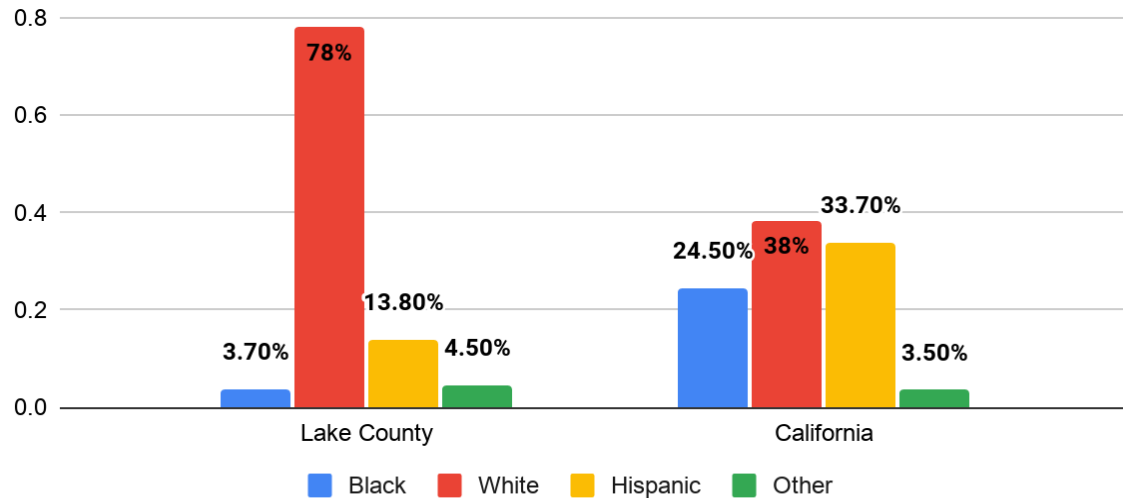


Figure 4. Comparison between County of Lake and State of California for percentage of drug arrests by race, 1980-2019

Information on racial inequities in regards to cannabis arrests was obtained from *When the Smoke Clears*, a report commissioned by Public Health Advocates and formed by the Center for Regional Change (CRC) at UC Davis (2020). In Lake County, which had less disproportionality than other counties in California, still had data showing that 30.7% of Hispanic individuals were arrested for marijuana-related offenses while they only comprised 18.9% of the overall population of the county.

Drug Arrests by Gender, comparing Lake County & California, 1980-2019

Source: OpenJustice Crime Statistics: Arrests, 1980-2019

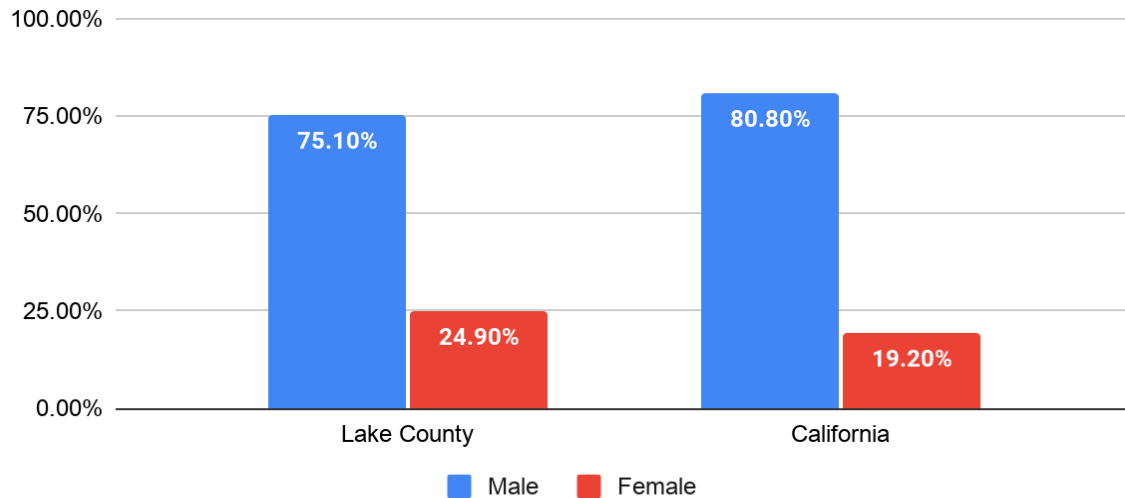


Figure 5. Comparison between County of Lake and State of California for number of drug arrests by gender, 1980-2019

As previously noted, small rural counties with already high arrest rates tend to have larger percentages of female arrests. Figure 5 illustrates this point as Lake County leads the state average of female arrests by 5.7%.

Drug Arrests by Age, comparing Lake County & California, 1980-2019

Source: OpenJustice Crime Statistics: Arrests, 1980-2019

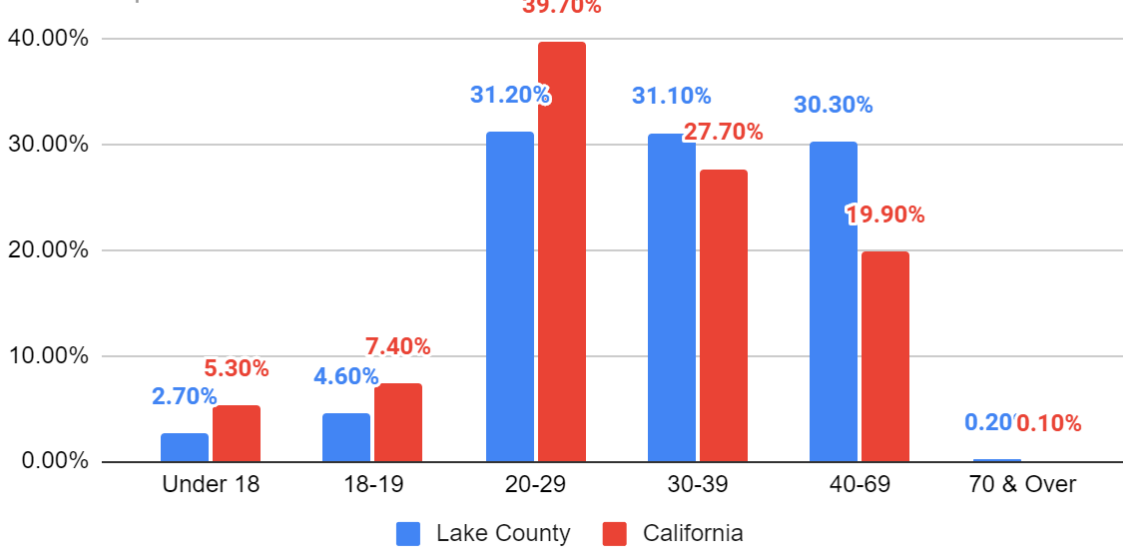


Figure 6. Comparison between County of Lake and State of California for number of drug arrests by age, 1980-2019

The data from Figure 6 reveals that Lake County has had a very stable percentage of drug arrests between the age ranges of 20-29, 30-39, and 40-69. California's data shows that drug arrests peak around the ages of 20-29, with a significant decline with the following age ranges. It can be postulated that the trend seen in Lake County's data is correlated with the County's history of legacy farmers continuing to cultivate cannabis for supplemental income.

Cannabis arrests by county for California were obtained from the Uniform Crime Reporting Program. Cannabis-related arrests during 2008 ranked Lake County as #26 highest of 58 counties for rates of cannabis arrests. During 2008, Lake County was just above the state of California as a whole in the rate of cannabis arrests.

Lake County Cannabis Arrests, 1985-2018

Source: Federal Bureau of Investigation, Crime Data Explorer

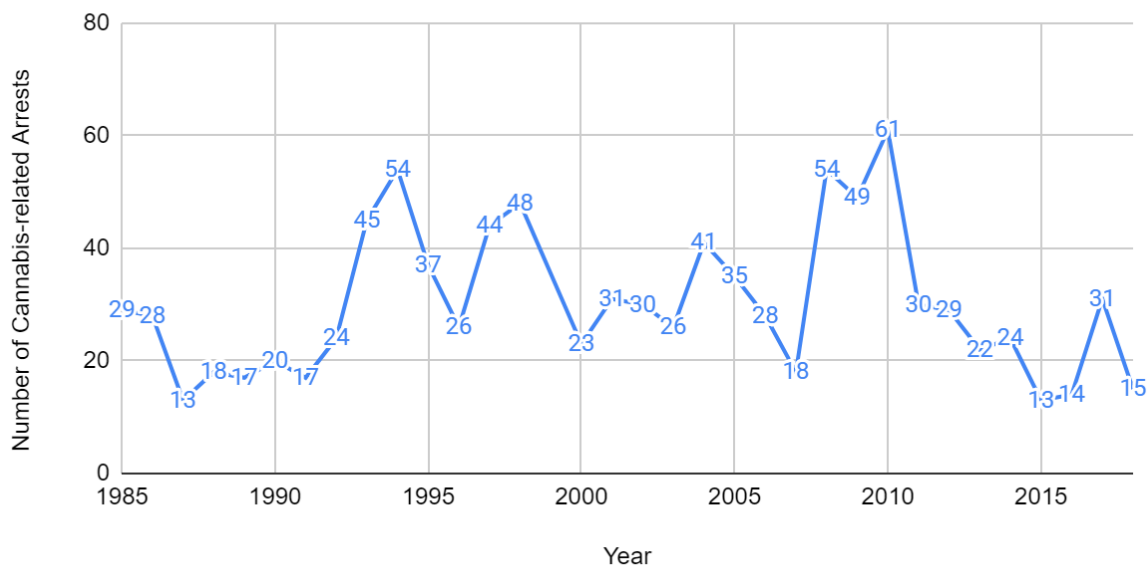


Figure 7. Number of cannabis arrests in Lake County by year from 1985-2018

California Cannabis Arrest Rates Ranked by County, 2008

Ranking	County
24	Los Angeles
25	Tehama
26	Lake
27	Siskiyou
28	Placer

Figure 8. California Counties ranked by arrest rates, 2008

Source: Marijuana Arrests and California's Drug War: A Report to the California Legislature, 2010 Update, p. 11

Lake's long history of cannabis cultivation and the nature of an underground cannabis economy has led to violent crime and victimization of vulnerable populations. For example, women in the cannabis industry who experienced violence or assault were unlikely to report those crimes. In 2013, federal drug and firearms charges were filed against two Lake County men in a case where there were allegations of human trafficking and sexual assault involving a female minor. Lake

County law enforcement were contacted by the Los Angeles Police Department regarding a missing teen that was believed to be on the property of the two men. Despite evidence of crimes related to sexual assault and human trafficking, only drug and gun-related charges were brought against the two men.

Paula Arrowsmith-Jones with the North Coast Rape Crisis Team 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” (*Lost Coast Outpost* online article by Emily Hobelmann, August 11, 2013).

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 Rampant Sexual Assault* by Gabby Bess in 2016, “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 (CJ CJ) has published several reports that demonstrate patterns in drug arrest rates in California that disproportionately affected people of color. 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 Data, 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* (7.1.2020), “there were more marijuana arrests in 2018 than in 2015, despite the fact that eight states legalized marijuana for recreational use or decriminalized

marijuana possession in that timeframe. Marijuana arrests made up 43% of all drug arrests in 2018, more than any other drug category. The overwhelming majority of marijuana arrests- 89.6%- are for possession only.” 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 Data (6.21.2020), “Drug offenses are often the pretext for seizing other cash or property.” For example, a report from the Justice Department Inspector General in 2017 found that ‘the DEA seized more than \$4 billion in cash from people suspected of drug activity over the previous decade, but \$3.2 billion of those seizures were never connected to any criminal charges.’ 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 & Lake County

California

In 1996, California passed Proposition 215, the Compassionate Use Act. Lake County also supported the measure. California was the first state in the United States to legalize cannabis for medical use.

State of California Prop 215 Election Results

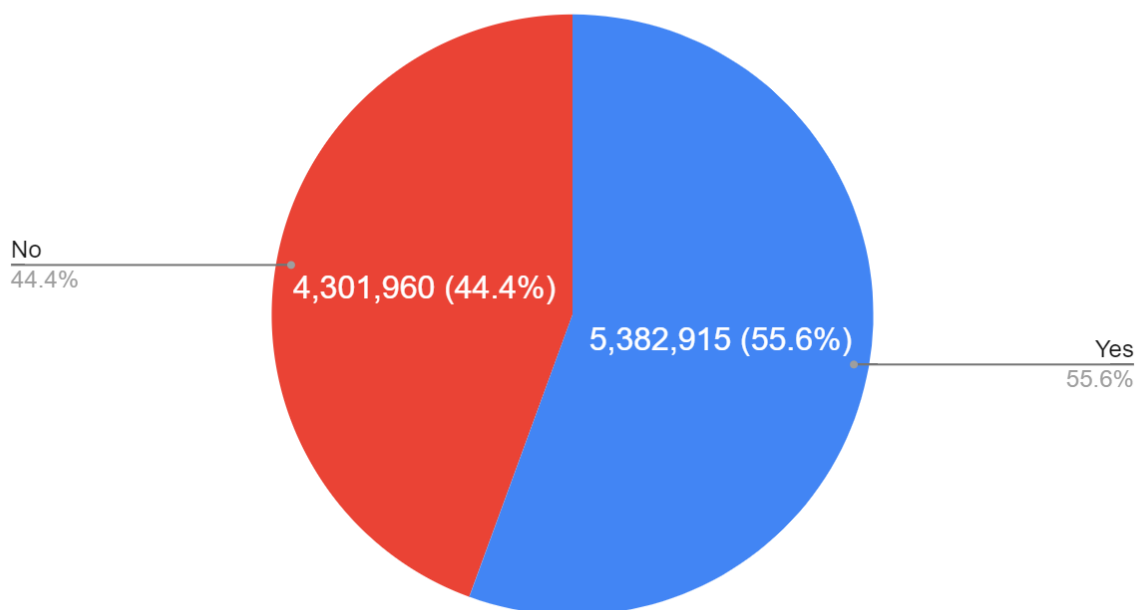


Figure 9. Proposition 215 Election Results for the State of California

Lake County Prop 215 Election Results

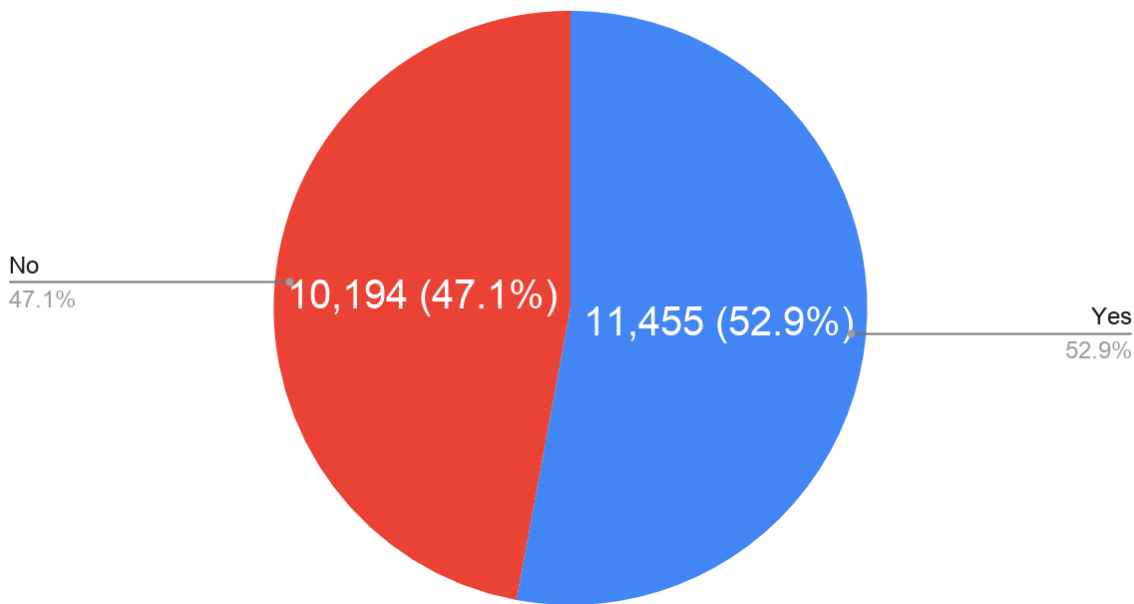


Figure 10. Proposition 215 Election Results for the County of Lake

The Compassionate Care Act made it possible for patients and qualified caregivers to cultivate and possess cannabis for personal use. No 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 2016, California established a legal framework to regulate and monitor cannabis dispensaries after the passage of the Medical Marijuana Regulation and Safety Act. On November 8, 2016, California voters passed Proposition 64, the Adult Use Marijuana Act. 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.

State of California Prop 64 Election Results

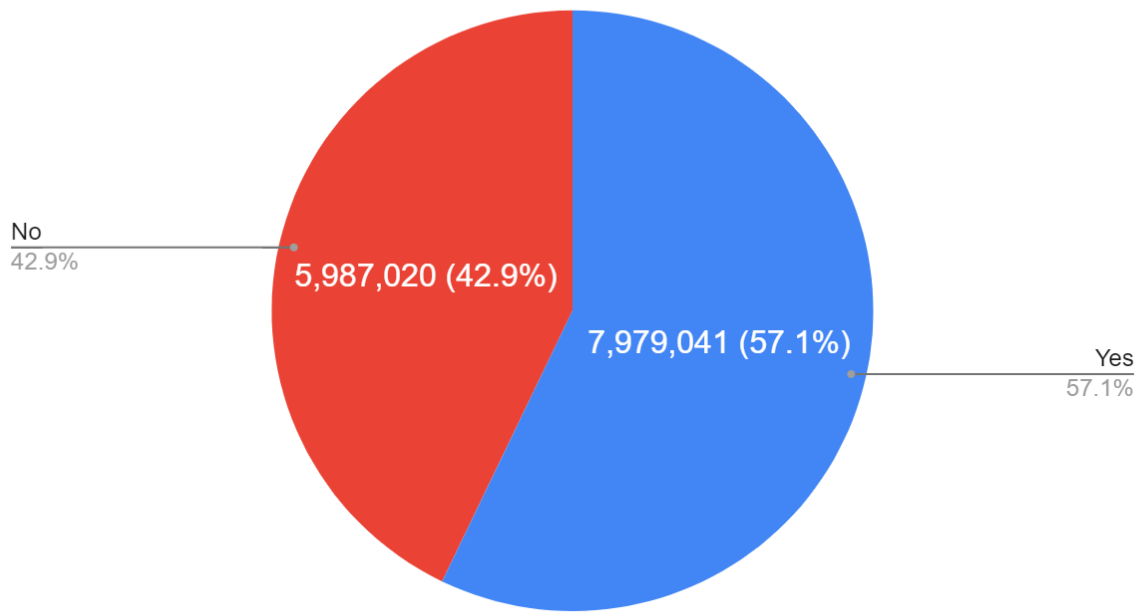


Figure 11. Proposition 64 Election Results for the State of California

Lake County Prop 64 Election Results

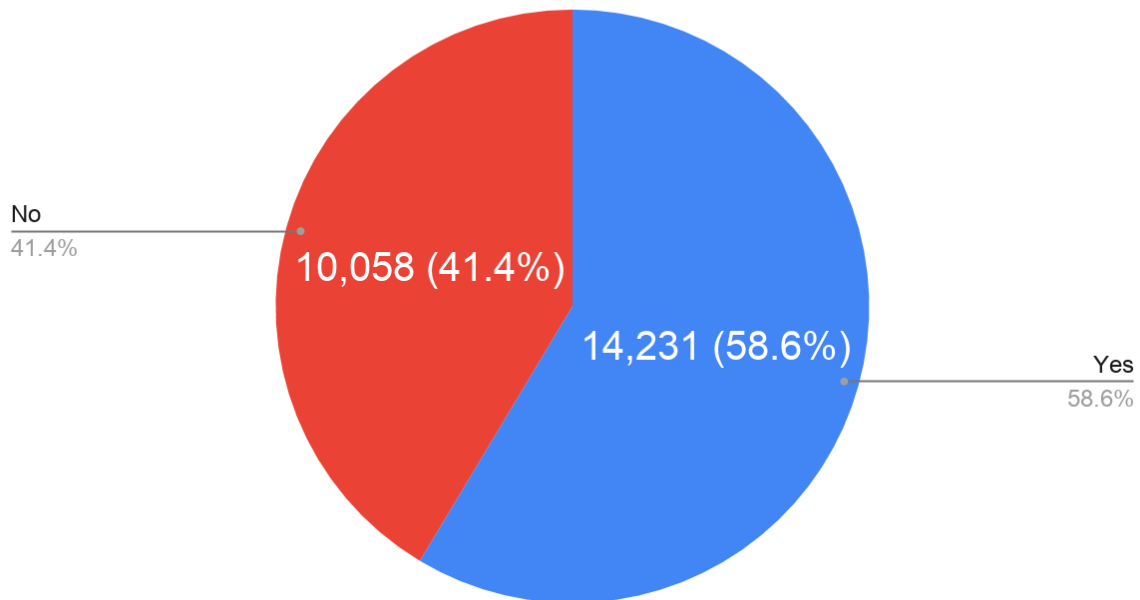


Figure 12. Proposition 64 Election Results for the County of Lake

Lake County- History of Cannabis Regulation

According to *Lake County's Commercial Cannabis Cultivation application package*, "Lake County's regulations regarding the commercial cultivation of cannabis are found in Chapter 21 of the Lake County Code (the Zoning Ordinance). Article 72 was adopted on December 17, 2013 addressing the regulation of cannabis cultivation for qualifying patients, primary caregivers, and collectives.

Through Article 72, it is the intent of the Board of Supervisors to prohibit the large scale cultivation of marijuana used for non-medical purposes, while regulating the noncommercial cultivation of limited amounts of marijuana for medical purposes to accommodate the needs of qualified patients and/or their caregivers, in order to protect Lake County's unique and sensitive environment, and to preserve the public peace, health, safety and general welfare of the citizens of, and visitors to the County. It is also the intent of the Board of Supervisors that nothing in the Article be construed to allow persons to engage in conduct that endangers others or causes a public nuisance or to allow the use or diversion of marijuana for non-medical purposes. Article 72 established regulations for medical cannabis cultivation but did not create a permitting system.

In 2017, the Board of Supervisors amended the Article and created a self-certification program whereby an individual could self-certify that they were in compliance with Article 72. Upon confirmation through a compliance monitoring site visit, either a Certificate of Recognition of Compliance or Good Standing for those in operation prior to September 1, 2016 or Conditional Certificate of Recognition of Compliance for those operating after September 1, 2016 would be issued. Both certificates were good for a one-year period and could be renewed upon confirmation of the certification through a compliance monitoring.

The self-certification program expired March 31, 2018. On March 20, 2018, the Board of Supervisors adopted an amendment to Article 27 of the Zoning Ordinance, creating a regulatory program for adult use, qualifying patient, and primary caregiver cannabis cultivation and commercial cannabis cultivation. The commercial cannabis cultivation regulatory program consists of three different types of permits and a procedure for the early activation of a minor or major use permit for cannabis cultivation."

The below section provides a high-level summary of Lake County's cannabis-related measures and programs from 2011 to the present.

Date: 10/4/2011

Title: Ordinance No. 2960

Summary: An ordinance amending Chapter 21 of the ordinance code of the County of Lake adding Article 72A: Regulations for the cultivation of medical marijuana. Included in the amendment allows for cultivation of no more than 36 mature or 72 immature plants by Collective or Cooperative Medical Marijuana cultivation sites.

Date: 7/9/2012

Title: Ordinance No. 2977

Summary: An urgency measure adopting an interim ordinance prohibiting commercial medical marijuana cultivation and cultivation on vacant properties, and limiting outdoor cultivation amounts in the County of Lake. Outdoor cultivation is prohibited as follows: (1) cultivation of more than 6 plants on any parcel smaller than ½ acre (2) cultivation of more than 12 plants on any parcel between ½ acre but less than 1-acre (3) cultivation of more than 18 plants on any parcel between 1 and 5 acres (4) cultivation of more than 36 plants on any parcel between 5 and 40 acres (5) cultivation of more than 48 plants on parcels 40-acres or larger.

Date: 12/17/2013

Title: Ordinance No. 2997

Summary: An ordinance amending Chapter 21 of the ordinance code of the County of Lake adding Article 72: regulations for the cultivation of medical marijuana. Ordinance 2997 imposed an outdoor cultivation ban on any parcel that is located within a Community Growth Boundary. 2997 also imposed limitations on the plant count that is allowed to be cultivated outdoors by medical marijuana collectives. This distinction allows the cultivation of no more than 48 mature plants or 72 immature plants, provided that the cultivation is conducted on a parcel that is a minimum of 20 acres and located within the “A”, Agriculture and “RL” Rural Lands zoning districts.

Date: 8/9/2016

Title: Ordinance No. 3047

Summary: An ordinance establishing a cannabis cultivation tax in the unincorporated areas of the County of Lake. The revenue from this tax will help fund law enforcement, environmental protection, and water quality resources in the County as well as establishing additional educational programs for County youth relating to drug and alcohol use.

Date: 8/7/2018

Title: Ordinance No. 3074

Summary: An ordinance of the County of Lake, State of California, adding Article VII (Cannabis Business Tax) to Chapter 18 of the Lake County code. The tax is to be imposed on the privilege of conducting certain cannabis businesses in the County, which includes but not is limited to, dispensing, producing, processing, preparing, storing, providing, donating, selling, or distributing medical cannabis or products by commercial cannabis businesses in the unincorporated area of the County. The Cannabis Business Tax is a general tax that is established for the general governmental purpose of the County. The proceeds from the tax imposed by this Article shall be placed in the County’s general fund.

Date: 5/21/2019

Title: Ordinance No. 3084

Summary: An ordinance amending Chapter 21, Article 27 of the Lake County code to allow amendments to Article 27 pertaining to adult personal use, qualified patient and primary caregiver cultivation, commercial cannabis cultivation, type 6 non-volatile cannabis manufacturing and to establish a permit process for microbusiness and amendments to Article 18 and 19 to establish a permit process for retail sales of cannabis.

Lake County Cannabis-Related Measures

Measure C

The Lake County Board of Supervisors placed Measure C on the November 8, 2016 ballot. Measure C is an annual general-purpose tax imposed on legally authorized cannabis cultivation occurring in unincorporated areas of the County of Lake. The rates are \$1.00 per square foot for outdoor cultivation, \$2.00 per square foot for mixed-light cultivation, and \$3.00 per square foot for indoor cultivation. Measure C was passed by voters with 62.7% of the vote in favor.

Measure K

The Lake County Board of Supervisors placed Measure K on the November 6, 2018 ballot. Measure K is a cannabis business tax that taxes businesses at the rate of \$1.00 per square foot for nurseries and cultivators and between 2.5% and 4% for other businesses. Other businesses include, but are not limited to, dispensaries, micro-businesses, and delivery businesses. Measure K was passed by voters with 68.55% of the vote in favor.

Measures C & K are referred to as the Cannabis Cultivation and Business Taxes. They are both general purpose taxes not designated for specific uses. The Board of Supervisors did indicate that impacts to law enforcement, environmental protection, and water quality protection resources have been noted as particular potential needs, along with the establishment of additional education programs for youth relating to drug and alcohol use. The Cannabis Tax allocation is regularly reviewed during the county budget cycle.

Section 5. Current Conditions in Lake County

According to the *2019 Community Health Needs Assessment for Lake County*, conducted by Hope Rising Lake County (the Lake County, California Collaborative of hospitals, provider groups, community-based organizations and County of Lake government), a review of primary and secondary data revealed the following top health needs:

- Access to health services
- Alcoholism
- Drug use
- Housing stability and homelessness
- Mental health
- Poverty
- Unemployment

According to *Lake County's Community Health Needs Assessment*, educational attainment can influence key factors such as employment, income, health behaviors, and ease of health system

access. Currently, over half of the population in Lake County has either a high school degree or some college education with no degree. Comparing Lake County's high school graduation rates with the state average puts Lake County above California, with a 27.2% rate for Lake to a 20.6% rate for the state. A similar trend can be seen regarding the rates of individuals with some college education but no degree. 30.1% of individuals in Lake County have experienced some college education, whereas only 21.4% of individuals in the State of California have experienced college. Lake also has a higher rate of individuals getting their associates degree at 11.4% to California's average of 7.7%.

When it comes to rates of Bachelor's degree attainment, this is where Lake County falls short. California's rate is double that of Lake's. One key interviewee outlined Lake's condition regarding access to higher education, stating that there are no educational institutions that offer a 4-year degree. It can be speculated that Lake County's rate of educational attainment is significantly impacted by its access, or lack thereof, to education.

In terms of other current conditions in Lake County, the *Lake County Economic Development* report (2018) identified a number of infrastructure needs, including the following:

- Broadband or wireless expansion
- Commercial space and parcels
- Water and sewage projects
- Expansion of roadways to allow larger vehicles
- Airport to support tourism and business needs

Lake County residents also speak of the characteristics that make their county a desirable place to live, including a close-knit community, small-town feel, no traffic, low cost housing and commercial property relative to the region, and the natural beauty of the hills and the lake, and proximity to the mountains and ocean. Lake County traditionally and currently relies heavily on the agriculture and tourism industry.

5.1 Youth Cannabis Use in Lake County

Youth use of cannabis use starts earlier in Lake County relative to the California average. There is also an unusual workforce issue since technically Prop 64 allows adults aged 21 years or older to possess and use marijuana for recreational purposes, but most people in Lake County enter the workforce by the time they are 18. Youth cannabis use is still illegal and therefore they still may be adversely impacted.

Lake County School Age Cannabis Use, by Gender and Grade Level, 2015-2017

Source: Kidsdata.org, Alcohol/Drug Use in the Past Month, by Gender and Grade Level

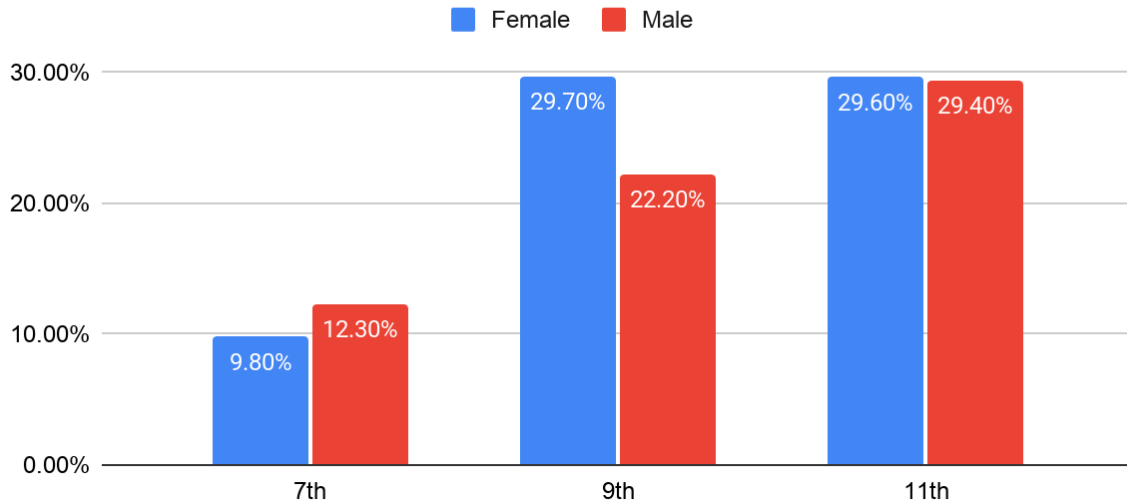


Figure 13. School age cannabis use in Lake County by gender and grade level, 2015-2017

Percentage of Marijuana Use by 11th Graders, 2015-2017

Source: Kidsdata.org, Marijuana use in lifetime by gender and grade level, 2015-2017

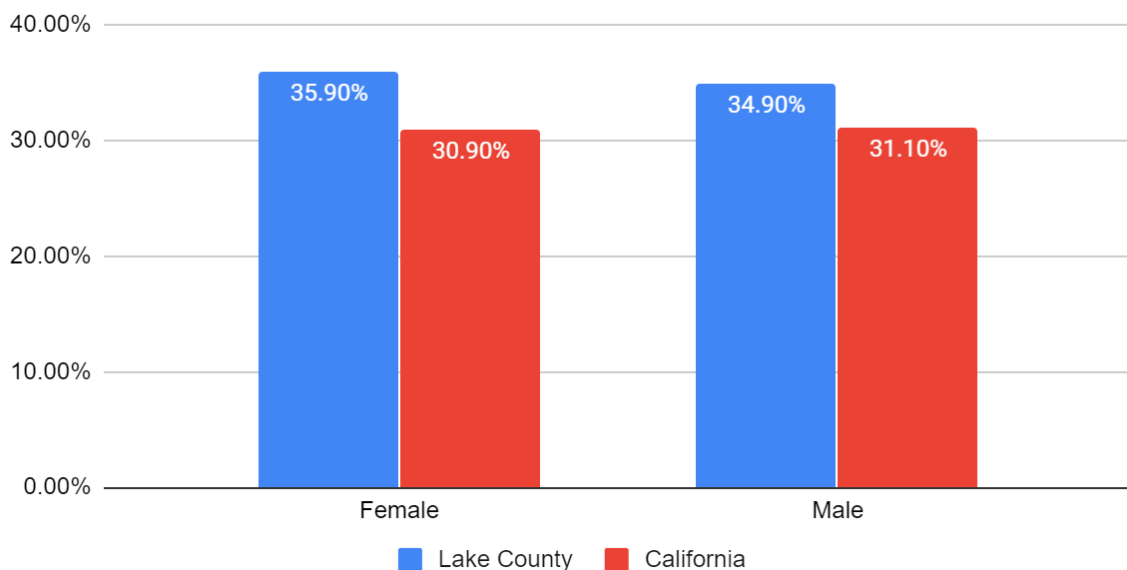


Figure 14. Comparison between percentage of 11th graders in Lake County and California who have used marijuana, 2015-2017

Lake County’s percentage of 11th graders that have used cannabis is relatively higher than that of the state average, as can be seen in Figure 13. An interesting interaction between the data shows that men have a higher likelihood of using cannabis by grade 11 than women in the state of California. Contrarily in Lake County, women have a higher likelihood of using cannabis by grade 11 than men.

5.2 Poverty in Lake County

In Lake County, 21% of the total population lives below the federal poverty level (FPL*). Compared with the state average of 11.8%, Lake County has a significantly higher level of the population under the FPL. The race/ethnicity with the highest percentage of poverty is the Native Hawaiian and Other Pacific Islander population (46.70%). The white population has the lowest percentage of poverty (17.20%). Conversely, the total number of people in poverty is highest in the white population (7,727) and lowest in the Native Hawaiian and Other Pacific Islander population (14), thus it is important to look at both the percentage and the actual numbers.

Lake County: Percent Population below Federal Poverty Level within each Race/Ethnicity, 2018

Source: 2018 ACS 5-Year Estimates Subject Tables

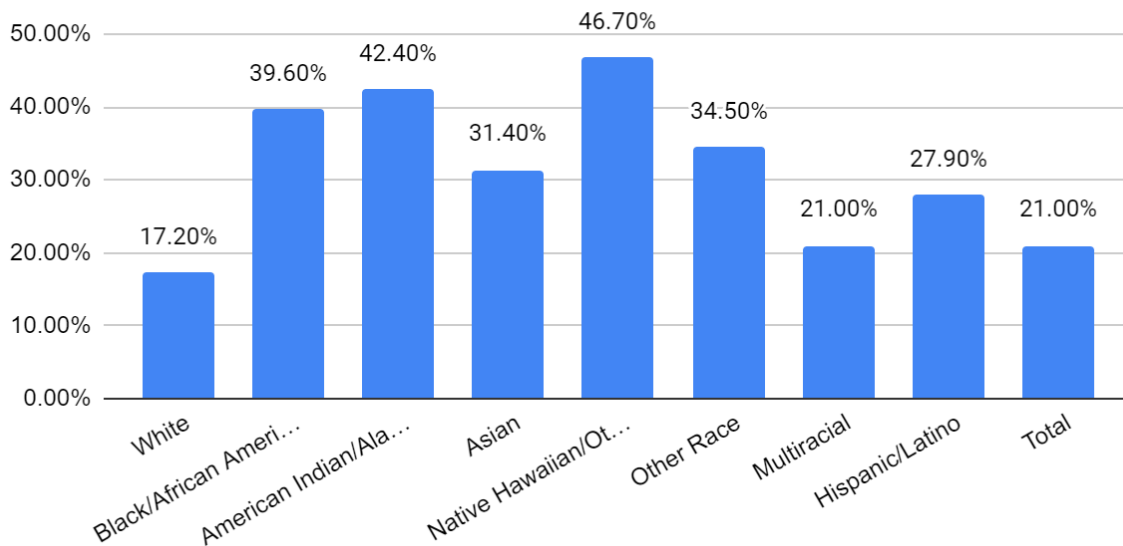


Figure 15. Percentage of the population below the FPL between each race/ethnicity in Lake County, 2018

According to the *Lake County Economic Development Strategy* report, in 2018, average weekly pay was \$748 in Lake County, compared to \$1,020 in Sonoma County and \$1,029 in Napa County. Lake County has an estimated median household income of approximately \$40,446,

which is significantly less than \$80,440, the median household income in the state of California. It is also approximately \$17,000 less than the national median household income of \$57,652. According to the *2019 Community Health Needs Assessment*, approximately 38% of households have median incomes below \$49,999.

In Lake County 48.6% of the population over 16 years of age is employed, compared to 63.5% in California and 63% in the United States. According to the U.S Bureau of Labor Statistics, in October 2018 4.7% of workers were unemployed, compared to 4.0% in the state of California and 3.5% in the United States as a whole.

In 2013-2017, 31% of children under the age of 18 in Lake County were living below the federal poverty level. This is higher than the proportion of children living below the poverty level in California (20.8%) and the United States (20.3) (Source: American Community Survey). In addition, according to the California Department of Education, 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%.

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%

Figure 16. Lake County school district students by number and percent who qualify for free and reduced price meals

*Source: 2019-20 Student Poverty FRPM Eligibility, California Department of Education

Another source of data that speaks to the poverty in Lake County is the percentage of persons with public health insurance only. According to the American Community Survey (2017), 41.5%

of people in Lake County had public insurance only, as compared to 29.3% for the state of California and 23.6% for the United States as a whole.

In October of 2019, the county released a document titled *County of Lake: 10 Disasters Overlaying Long-Term Economic Hardship*. 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 includes:

- 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

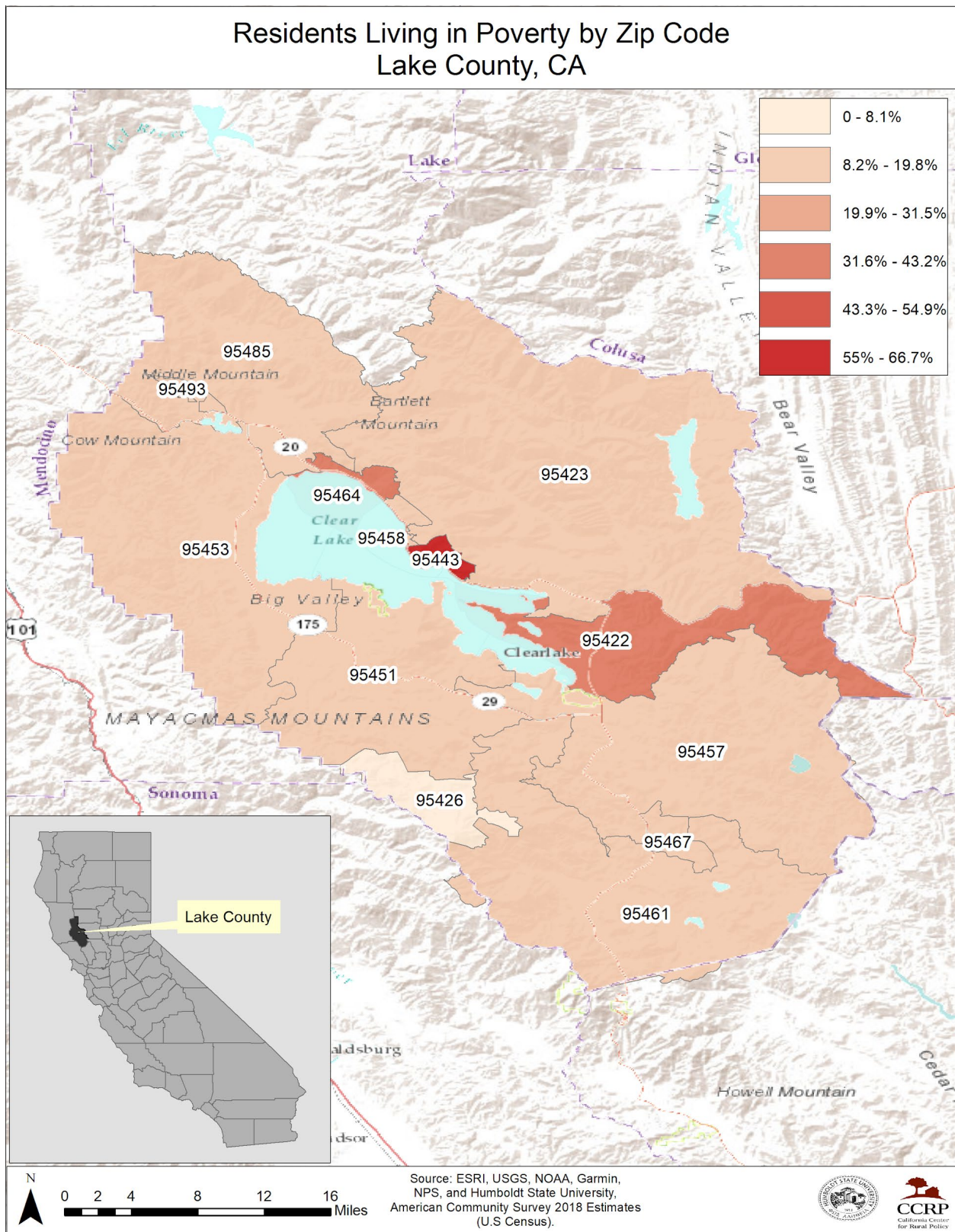


Figure 17. Percent of Lake County residents living in poverty by zip code

5.3 Overview of Lake County 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 Times (4.27.2019), “California gives cities wide latitude to regulate cannabis, resulting in a confusing patchwork of regulation.”

Many California counties continue to update and amend local policy related to the regulation and taxation of cannabis. Lake County has approved cultivation, manufacturing, and retail cannabis for the county. A detailed description of the ordinances and measures in Lake County is included in this report.

Lake County’s commercial cannabis licensing process is located with the Community Development Department. The Department provides guidance and coordination for all land planning and development activities throughout the unincorporated portions of Lake County. The Department has three divisions: Building and Safety, Code Enforcement, and Planning. The Community Development Department estimated that 90% of permits coming in right now are related to cannabis. Additionally, county staff estimated that 70% of permits are from local residents while approximately 30% are from out of the area. Please note these are current estimates as of fall 2020.

Interviews with Lake County staff indicate that there are an estimated 300 permits in the backlog and that many applicants are stuck in the initial study part of the process. The permit backlog was mentioned by multiple interviewees. Many permits are incomplete when submitted which is creating a lot of back and forth between the county and applicants. This is not a unique situation for Lake; other counties are struggling with permit backlogs and incomplete permit applications. The permitting process for cultivation is extensive and is likely a barrier to entry for many applicants. This is discussed in more detail in the recommendations section of the report. It is also important to note that applicants may also be stuck in meeting state licensing requirements that are necessary prior to seeking approval from the county.

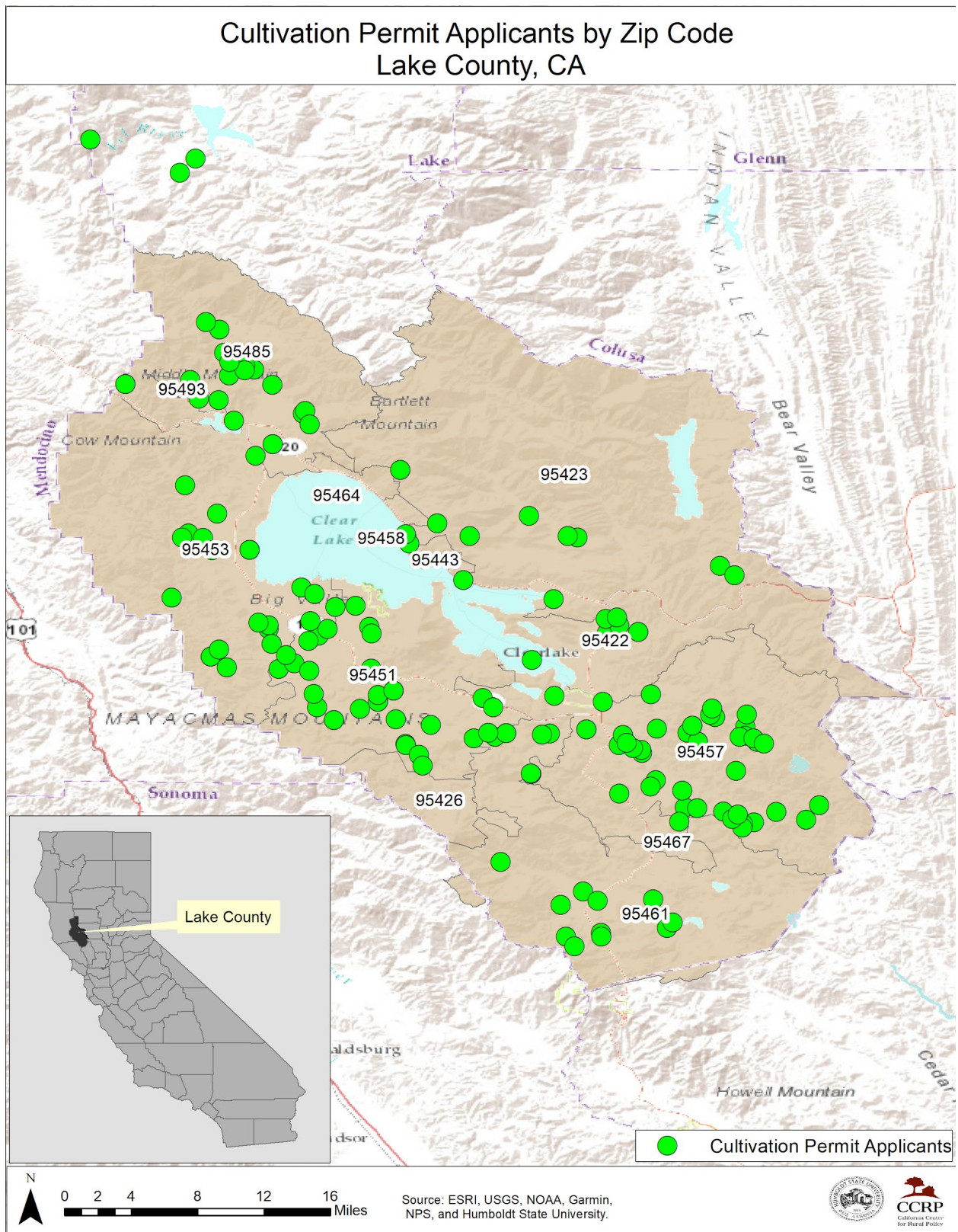


Figure 18. Cultivation permit applicants in Lake County by zip code

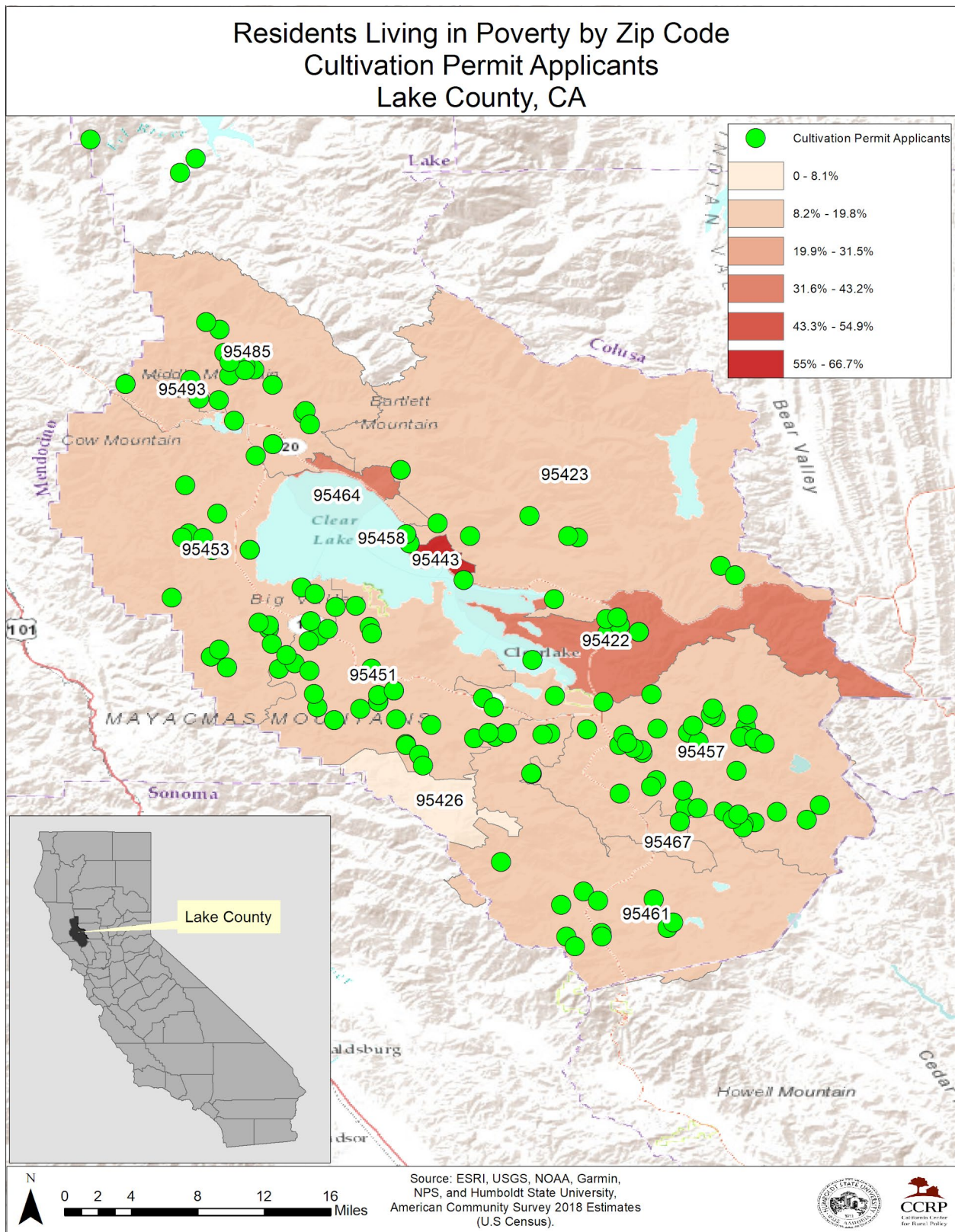


Figure 19. Lake County residents living in poverty by zip code with cannabis cultivation applicants

Section 6. Barriers to Entry

This section includes an overview of barriers that can make it difficult to enter the cannabis market. Lake County's equity program should have components designed to mitigate these barriers.

According to an article in *The Madera Tribune* on July 10, 2019, UC Berkeley conducted research to understand why cannabis farmers are not joining the legal market. According to the article, "the majority of cannabis farmers are not joining the legal market." Cannabis growers were asked to participate in a survey about their experiences with the regulated market. The survey closed on August 1, 2019.

Preliminary survey results showed the following:

1. Small farmers have a hard time getting permits.
2. Nearly half of people who have applied still have their permits pending with CDFA.
3. Everyone (those with permits, those without, those who did not apply) was confused by the process.
4. Many of those who did not apply for permits were on land zoned such that they could not apply.
5. Many of those who did not apply for permits had other income sources; cannabis was used to supplement income.

According to UC Berkeley's research article titled *Growers say cannabis legalization excludes small growers, supports illicit markets, undermines local economies* (2019), "The CalCannabis Division of the California Department of Food and Agriculture (CDFA) issues cannabis cultivation licenses. To cultivate for legal markets for recreational (or medical) use, cannabis growers are required to get a CDFA cultivation license and comply with State Water Resources Control Board (SWRCB), California Department of Fish and Wildlife (CDFW) and Department of Pesticide Regulation (DPR) requirements; all county and local regulations, including land use ordinances; and any additional mitigation stipulations necessary to obtain California Environmental Quality Act (CEQA) approval" (CDFA 2019). Depending on farm location and cultivation practices, growers may also require road development permits, water diversion permits, wastewater discharge permits and CDFW lake and streambed alteration agreements."

These findings are particularly relevant in counties where a majority of the cannabis permits are cultivation permits, as is the case in Lake County.

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, 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 Data (6.21.2020), “Since cannabis remains federally prohibited, access to dependable and consistent banking services is limited, resulting in cannabis businesses being cash-intensive.” The American Bar Association (*Cannabis Banking: Proceed with Caution*, James J. Black, Marc-Alain Galeazzi, 2.6.2020) 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 rural counties where cultivation comprises a bulk of cannabis permits, there are considerable administrative/technical barriers to entry. These are time-consuming, resource-intensive, and require significant technical knowledge and/or skill.

For example, cultivators must navigate CEQA (California Environmental Quality Act), a process that requires evaluation to understand environmental impacts and the development of measures to reduce these impacts. According to CEQA, if an individual wants to obtain a permit to engage in any activity that may impact the environment (such as participating in commercial cannabis cultivation), the permitting agency must follow the CEQA process. These processes are especially daunting for the smaller, family-based, cultivators. Cannabis cultivation applicants also need to secure a water board permit from the State of California before pursuing a county license.

The UC Berkeley article referenced above included a quote from a grower in a rural California county that stated, “Often, one agency will approve a project, and the other agency involved doesn’t. Then, you are in violation with the approving agency if you don’t do the work, and in violation with the other agency if you do the work.”

Infrastructure

In rural counties such as Lake, cultivation is happening in remote areas with little to no existing infrastructure that meets permitting requirements. An example of this is the roads leading to

more remote areas are not up to the necessary standards. They are in many cases unpaved and lack proper drainage. Individuals navigating legalization may require extensive mitigation and/or infrastructure to meet regulatory codes, and for those who have experienced criminalization and/or poverty, these are significant barriers to entry in the legal market.

The UC Berkeley article included a quote from a small grower in rural California stating that ‘my situation is totally standard: well-fenced area, no environmental impact. I grow tomatoes, etc. in hoop houses, and now, because I applied for a license, I suddenly must get a permit for hoop houses that have been here for 15 years.’

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 Lake County 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

As was mentioned above, CAMP raids and the experience of cannabis growers during the era of criminalization of cannabis have left many individuals in the industry with a deeply engrained sense of distrust and fear of government. One interviewee stated that many of their cannabis applicants had never walked into a government office before they applied for their cannabis license. There is not just distrust of government but also a genuine lack of familiarity with government processes and protocols.

Section 7. Cannabis Equity Program Recommendations

7.1 Review of Other Jurisdiction's 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.

7.2 Findings & Recommendations

Finding #1: Equity program eligibility factors should focus on specific targeted populations. Eligibility criteria should link to equity assessment data wherever possible.

Lake County 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
- Residency consideration
- Ownership consideration
- Experience of small-scale eradication

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 1971 and 2015 Have a parent, sibling or child who was arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis between 1971 and 2015
Low income status	Household income at or below 80% of Lake area's median income
Residency consideration	Give additional consideration to those who have resided in Lake County for at least five years between 1971-2016
Ownership consideration	Give additional consideration to those who own at least 40-51% of the business
Experience of small scale eradication	Have experienced eradication for under 50 plants

Figure 20. Description of individual eligibility criterion

Finding #2: Ensure that applicants who meet eligibility criteria 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.
- Amnesty Program: Consider developing pathways such as an amnesty program to encourage existing nonconforming businesses (such as small operators who qualify as equity applicants) to transition to the legal market.

Finding #3: All peer jurisdictions who have implemented adult-use cannabis require data collection to understand the impact of the industry. Consider tracking data on general and equity applicants on an ongoing basis to measure the success of the equity program. Collect demographic data from equity program participants in accordance with guidance from the State of California. Demographic data requested by the state includes Race/Ethnicity, Gender, Sexual Orientation, Income Level, Prior Convictions, Military Service, Age, and Disability Status.

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

Recommended Metrics:

- Number of equity applicants 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 #4: 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 trainings 2. Deferral of or assistance with payment of application fees for zoning and special use permits 3. Waive or defer fees for trainings and certifications required by law 4. Loans or grants to incentivize businesses that mitigate adverse environmental effects of cannabis cultivation
Administrative/Technical	<ol style="list-style-type: none"> 1. Technical assistance for formation of cannabis cooperative associations 2. Technical assistance to ensure public and private road access to cannabis operations 3. Provide training and/or technical assistance to assist those with past cannabis convictions to get their records

	<p>expunged</p> <p>4. Work with banking institutions and provide technical assistance to support equity applicants in accessing banking services</p>
Business Acumen	<p>1. Employment skill training for equity participants employed or seeking employment in licensed cannabis operations</p> <p>2. Training/support for business owners to understand workforce rules and regulations. See recommendations below*</p>
Distrust of Government	<p>1. Conduct outreach and education efforts in areas that were focused on by law enforcement for cannabis eradication and cannabis arrests; encourage those individuals to apply for licenses and enter the legal industry</p> <p>2. Create outreach materials that are clear, concise, and accessible to those with low literacy. Consider creating materials in multiple languages such as Spanish and Hmong.</p>

Figure 21. Recommendations on services focused on specific barriers to entry into the legal market

The June 2018 *Workforce Report: Humboldt County's New Cannabis Landscape* authored by Deborah Claesgens & Michael Kraft on behalf of the Humboldt County Workforce Development Board made a series of recommendations* to support cannabis businesses. While this report was produced in Humboldt County, the issues are similar enough in Lake that some of these can be considered.

Agriculture/Cultivation:

- Access to business planning, low cost loans or investment sources that can assist smaller, often multi-generational family farmers with the costs of legalization, 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.

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).

Finding #5: Lake County 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. County 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.

Finding #6: Lake County staff should explore and promote a diversity of permit types in addition to cultivation. Lake County has a history strongly linked with cannabis cultivation. Currently 97% of permits in Lake County are for cultivation. However, the legal industry offers many other permit types in addition to cultivation. Other successful business opportunities with less barriers could be easier for disadvantaged populations to create. A local equity program that helps legacy cultivation participants should address cultivation but may add much more local ownership opportunities for equity stakeholders that can diversify the County's legal cannabis license landscape.

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 county 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 county 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 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 Lake County 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 Lake County's strong transition to a legal cannabis industry.

Finding #10: Create a program for expungement-eligible residents identified by AB 1793.

Lake County should host community expungement events for individuals impacted by the war on drugs in coordination with the Probation Office, the Courts and other relevant partners. Equity funding should be available to equity applicants who need assistance with the costs associated to expunge arrest records.

Finding #11: Lake County should explore how to connect local equity applicants with equity applicants in surrounding counties, such as Sonoma and Mendocino.

With so much cultivation happening in the county there should be opportunities to connect with equity applicants in neighboring counties. One interviewee suggested that the county look at linking up equity supply chains between rural and urban California.