



## **City of Santa Cruz Cannabis Equity Assessment V1 -- September 2021 (DRAFT)**

Abstract: The City of Santa Cruz Cannabis Equity Assessment provides a data-informed look at the history of impacts of poverty and the criminalization of cannabis on the community. The assessment includes policy recommendations to guide the creation of a local cannabis equity program. The program can 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 Santa Cruz.



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## **Section 1. Executive Summary**

The California Center for Rural Policy (CCRP) at Humboldt State University worked with the City of Santa Cruz 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 Santa Cruz stakeholders to create the CEA.

The City Council has authorized staff to update the City of Santa Cruz Cannabis Local Equity Program as needed, and staff will ensure the program is informed by the assessment. The City of Santa Cruz is committed to equity as a key consideration as the State of California navigates the transition of the cannabis industry to legal status. The City of Santa Cruz needs an equity program that makes sense for their residents and considers the unique needs and assets of their community.

The City of Santa Cruz intends to adopt the City of Santa Cruz Local Equity Program Manual to focus on inclusion and support of individuals and communities in the City of Santa Cruz's cannabis industry who are linked to populations or regions of the city that were negatively or disproportionately impacted by cannabis criminalization, the war on drugs, and poverty. The City of Santa Cruz seeks to focus its local cannabis equity program on assisting smaller scale cannabis entrepreneurs and compassionate medical use providers to overcome these barriers to entry, and to build support for long term economic vitality for the city. A Local Equity Program could provide significant assistance to communities impacted by cannabis criminalization and the war on drugs.

### 1.1 Key Takeaways from the Equity Analysis

- The City of Santa Cruz is historically known as a significant cannabis-consuming hub of countercultural and progressive political activity since the 1970s.
- The City is a globally significant center for cannabis breeding and horticultural innovation.

- The City’s noncommercial medical cannabis community has been adversely impacted by the State’s transition to a tightly regulated, commercially-oriented market.
- The City has a strong history of progressive politics that is highly sensitive to equity considerations in all policies and supportive of communitarian medical cannabis organizing.
- Particular neighborhoods in the City that are predominantly populated by socioeconomic and ethnic minorities have been disproportionately impacted by the war on drugs, inclusive of but not primarily characterized by cannabis criminalization.
- The City’s conservative approach to adult-use cannabis licensing indicates that there is plenty of room for equity-conditioned expansion, including the permitting of new license types.
- Equity-conditioned expansion would be consistent with the City’s “Health in all Policies” approach and increase cannabis revenue funds.

## 1.2 Key Findings/Recommendations

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

**Finding #1: The City of Santa Cruz should construct an Equity Program in accordance with the principles of diversity, equity and inclusion found in its Health in all Policies (HiaP) Program adopted in 2019.**

**Finding #2: The City should focus its equity program on licensing businesses that facilitate medical product innovation, patient access, data-gathering for patients, and community service.**

**Finding #3: The City should focus on assisting stakeholders from its Disproportionately Impacted Areas, known as the Beach Flats and Lower Ocean neighborhoods, regardless of medical cannabis facilitation.**

**Finding #4: The City should explore expanding its adult-use cannabis retail cap by at least one from its equity-eligible pool of applicants, since one of its retail permits will serve a niche, noncommercial population.**

**Finding #5: The City should explore allowing cannabis lounges to be attached to existing retail locations, to facilitate access to communal spaces and create safe, non-public spaces for residents to consume cannabis.**

**Finding#6: The City should explore allowing cannabis event licenses to create business opportunities for socioeconomically disadvantaged residents with limited access to capital.**

**Event licenses have the lowest capital barrier to entry for all State cannabis licenses, since they do not have to be attached to permanent real estate.**

**Finding #7: Equity program eligibility factors should be focused on specific targeted populations. Eligibility criteria should be supported by equity assessment data wherever possible.** Eligibility factors are outlined in further detail in **Section 8**. The City of Santa Cruz 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 the City of Santa Cruz for at least two years between 2008-2016
- Veteran status

**Finding #8: Ensure that applicants meeting equity program eligibility factors have adequate opportunity to take advantage of the program. Consider incentivizing ongoing support for equity applicants.**

**Finding #9: 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 #10: Create specific services/programs for equity applicants that address/mitigate barriers to entering the legal cannabis market.** Specific services/program recommendations can be found in **Section 8**.

**Finding #11: 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 #12: Update the City of Santa Cruz 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 Santa Cruz's strong transition to a legal cannabis industry.

## **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 Santa Cruz (incorporated 1866) has a population of 64,522, about a quarter of Santa Cruz County's population. Its population is significantly composed of relatively young, well-educated individuals (see section 5.2) and the city's housing stock is in relatively good condition<sup>1</sup> but in limited supply, which has driven housing prices up considerably in the last few years (see Figure 11 in Section 5.1). The City is known for its progressive left politics, vibrant arts scene, and world-renowned surfing culture, a reputation that emerged in the decade after the 1965 establishment of University of California-Santa Cruz (UCSC). All information provided in this section will be explored in greater detail throughout the rest of the assessment.

#### Race/Ethnicity

Its largest census ethnic categories are<sup>2</sup> white (61.6% compared with 36.6% in CA) and Hispanic or Latinx (21% compared with 39% in CA). Since 2000, the City of Santa Cruz has had a moderate increase with their Hispanic/Latino population with 17.4% of the population identifying as such in 2000 and 21% identifying as such in 2019<sup>3</sup>. Santa Cruz city's Black population is a third of the state average (2.1% compared with 6% in CA). The City of Santa Cruz has a similar proportion of their population that identifies as American Indian and Alaskan Native compared to the state (0.4% compared with 0.8% in CA). Approximately 15% (14.6) of the City of Santa Cruz's population is foreign-born.

#### Income, Poverty, and Housing

The City of Santa Cruz is a moderately affluent city with a median household income of \$90,855 and a per capita income rate of \$39,653<sup>4</sup>. However, the City of Santa Cruz also has a relatively high poverty rate of 20.9%, compared to that of California's average of 13.4%. The city's housing stock is in relatively good condition, although a lack of affordable housing, a lack of housing in general, and high cost of housing has made it very difficult for lower income residents to prosper.

#### Educational Attainment

The City of Santa Cruz is in a higher standing compared to the state of California when it comes to rates of higher educational attainment<sup>5</sup>. Twenty-eight percent (28%) of the residents of the

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<sup>1</sup> City of Santa Cruz Planning and Community Development Department (2016). *City of Santa Cruz Housing Element of the General Plan 2015-2023*. 20. Retrieved from <https://www.cityofsantacruz.com/home/showpublisheddocument/53522/636924960003000000>, accessed May 27, 2021.

<sup>2</sup> <https://www.census.gov/quickfacts/santacruzcitycalifornia>, accessed May 27, 2021.

<sup>3</sup> U.S. Census Bureau (2002). Summary Population and Housing Characteristics, *Santa Cruz city*. Retrieved from <https://www.census.gov/prod/cen2000/phc-1-6.pdf>, accessed May 27, 2021.

<sup>4</sup> <https://data.census.gov/cedsci/profile?g=1600000US0669112>, accessed May 27, 2021.

<sup>5</sup> U.S. Census Bureau (2019). American Community Survey. *Educational Attainment*. Retrieved from <https://data.census.gov/cedsci/table?t=Educational%20Attainment&g=1600000US0669112&tid=ACSST1Y2019.S1501&hidePreview=true>, accessed May 27, 2021.

City of Santa Cruz have their bachelor's degree, whereas 21.2% of Californians do. Comparing rates of graduate degrees shows a higher differentiation than above; a little over a quarter of Santa Cruz city residents (25.8%) have a graduate degree or higher, whereas 12.8% of Californians do. Twenty percent (20%) of Santa Cruz city's residents have completed some college education and 12.4% of residents only have a high school or equivalent degree.

### Veteran Status

The City of Santa Cruz is home to less military veterans, proportionately, than that of the state: 3.9% compared to 5.2%<sup>6</sup>. Of the city's veteran population, 46% of them are veterans of the Vietnam War, far surpassing the state rate of 35.6%. 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 cannabis<sup>7</sup>, 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.

### Health

Significantly higher proportions of youth from Santa Cruz City School District have used cannabis at least once compared to state averages. Santa Cruz City School District's average for eleventh grade students is 18.4% higher than that of the state average. Santa Cruz's average for ninth grade students is 16.8% higher than the state's. Regular youth cannabis use is also prevalent at higher proportions for the City of Santa Cruz. For Santa Cruz city's seventh, ninth, and eleventh graders, rates for regular cannabis use double that of California's.

### History of Cannabis

Santa Cruz has been a major cannabis-consuming jurisdiction since the 1970s, downhill from major domestic cannabis-producing areas in the Santa Cruz Mountains and as a major cannabis smuggling and distribution port for Mexican, Thai, Hawaiian and Colombian imports between the 1960s and 1996. Since the 1990s, Santa Cruz has been home to California's "gold standard" noncommercial medical cannabis collective, the Wo/men's Alliance for Medical Marijuana (WAMM), which operated as a community center for LGBTQIA+ health activists, sick and dying people, and other socioeconomically disadvantaged people.

Although well-known as a cannabis-friendly jurisdiction since the 1990s, the City's arrest rates for cannabis-related offenses from 2000-2018 were considerably above the state average, indicating a high volume of cannabis-related activity compared with the rest of the state (see Figure 2 in Section 4.3). This activity significantly impacted low-income neighborhoods.

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<sup>6</sup> U.S. Census Bureau (2019). American Community Survey. *Veteran Status*. Retrieved from <https://data.census.gov/cedsci/table?q=&t=Veterans&g=1600000US0669112&tid=ACSST5Y2019.S2101>, accessed August 23, 2021.

<sup>7</sup> <https://www.history.com/news/drug-use-in-vietnam>, accessed August 16, 2021.

Its adult-use cannabis ordinance was formally mandated to adopt an equity lens in the licensing process and it dedicates 12% of cannabis revenues for community investment in early childhood health programs. Since 2017, the City of Santa Cruz has received 1.68 million dollars for its general fund through cannabis business taxes. As in the rest of California, high capital barriers to entry present significant structural challenges for diversifying ownership in a legal cannabis industry dominated by wealthy white men<sup>8</sup>, often connected with financialized Multi-State Operators (MSOs). These conditions have been exacerbated since the end of the Great Recession by rapidly rising real estate prices connected by many of our interviewees with tech sector capital flowing from nearby Silicon Valley. Its lower-income population faces rising housing costs and its noncommercial medical cannabis stakeholders are finding it especially difficult to navigate transition to the regulated cannabis marketplace.

## Section 4. Equity Analysis

### 4.1 Methodology

The goals of the City of Santa Cruz 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 city to develop a Local Equity Plan and program components which will help former disenfranchised community members successfully enter the legal cannabis workforce.
- Make recommendations for future research that will help assure that there is equity and diversity in the 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 Santa Cruz. Stakeholders represented the following sectors:

- Current and former elected officials (3)
- Local government departments engaged in cannabis-related work (6)
- Cannabis business representatives (4)

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<sup>8</sup> See for example Jeremy Berke and Yeji Jessi Lee, 2021 (June 30), “Top executives at the 14 largest cannabis companies are overwhelmingly white men, an Insider analysis shows.” *Business Insider*. Electronic document accessed September 26, 2021, url: <https://www.businessinsider.com/cannabis-industry-diversity-executives-are-white-male-insider-inequity-analysis-shows-2021-6>. See also Chris Roberts, 2020 (June 29), “Legal Cannabis Is Almost Entirely White. Here’s How To Buy Weed From Black And Brown People (And Why It Matters).” *Forbes*. Electronic document accessed September 26, 2021, url: <https://www.forbes.com/sites/chrisroberts/2020/06/29/legal-cannabis-is-almost-entirely-white-heres-how-to-buy-weed-from-black-and-brown-people-and-why-it-matters/?sh=1d631fe776b2>.

- Local attorneys (1)
- Local stakeholders deeply embedded in Santa Cruz’s cannabis history (2)
- Local non-profit stakeholders (1)
- Law enforcement (1)

Other types of publicly available data were reviewed and analyzed, including data provided by the City of Santa Cruz and publicly available data related to population demographics, health indicators, and cannabis arrests. City-specific secondary data sources reviewed by CCRP included:

- Santa Cruz County Community Health Assessment, 2017.
- 2015-2023 Housing Element, City of Santa Cruz.
- City of Santa Cruz Strategic Plan, 2015.
- City of Santa Cruz Two-Year Work Plan, July 2017 - June 2019.
- City of Santa Cruz 2030 General Plan.
- City of Santa Cruz Police Department Arrest Data, 2000-2018.

We drew insights from historical ethnographic research and analysis about the history of medical cannabis in Santa Cruz and its relationship with broader Santa Cruz communities from the following academic book:

- Chapkis, Wendy and Richard Webb. 2008. *Dying to get High: Marijuana as Medicine*. New York and London: New York University Press.

Additionally, our stakeholder interviews were supplemented by reviewing oral history interviews conducted by current Santa Cruz Arts Commissioner Christopher Carr, from his radio show “The Cannabis Connection<sup>9</sup>.” Three interviews were of special historical significance and are referenced in the assessment: Pat Malo (2017) with whom we also conducted three primary interviews; Tim Blake (2017); and “Local Anonymous” (2019).

## 4.2 Impacts of Cannabis Criminalization

### *Introduction*

Communities in the City of Santa Cruz have been impacted by cannabis criminalization and the war on drugs in a manner unique to its historical significance in the politics, economics and culture of cannabis of California; and the concentration of drug-related gang enforcement in its poorest, most ethnically diverse neighborhood. Direct impacts from the war on drugs, inclusive

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<sup>9</sup> The streaming archive is available at url: <https://soundcloud.com/the-cannabis-connection>. Last accessed August 30, 2021.

but not limited to cannabis criminalization, have historically been felt in the neighborhood of Beach Flats/Lower Ocean, predominantly populated by ethnic minorities.

The City's progressive political culture pioneered cannabis decriminalization policies in California between 1992, when Santa Cruz approved Measure A, a medical cannabis decriminalization initiative with 77% of the vote; and 2006, when Santa Cruz adopted Measure K, making enforcement of adult-use cannabis laws the lowest police priority (see Section 4.4). The Wo/men's Alliance for Medical Marijuana (WAMM) garnered significant material and political support from the City to protect them from Federal enforcement in 2002, when the City Council arranged for them to distribute medical cannabis on the steps of City Hall while a Drug Enforcement Agency (DEA) helicopter hovered over, recording the scene.

WAMM, as a community health collective for sick and dying people, did not emerge in a cultural vacuum. Its founders, Board members, volunteers, patients and providers drew heavily from the local feminist health care movement and HIV/AIDS activism (Chapkis and Webb 2008: 50-56). The City's collaborative history with WAMM as a medical cannabis provider is connected to a longer history and broader geography of cannabis culture in the region that influenced state and global developments around cultivation, breeding, medicinal product development, and social movement organizing. These developments happened because communities in Santa Cruz accepted and integrated cannabis into the intellectual, political and material life of the City. From the mid-1980s to the 1990s, Federal enforcement significantly disrupted this integration.

This section of the assessment has two parts. One addresses the direct and indirect impacts of cannabis criminalization in the City of Santa Cruz, inclusive of its medical cannabis community and its overlapping cannabis stakeholders that have been connected for decades with Santa Cruz as a major cannabis consuming jurisdiction. The second addresses the impacts of the war on drugs in the City's small pockets of poverty, in particular the neighborhood of Beach Flats. The assessment concludes with a synthesis of both analyses and an evaluation of the potential for a Local Equity Program for the City of Santa Cruz.

#### *Pre-Proposition 215: Santa Cruz, Cannabis and Criminalization 1970s-1996*

The City of Santa Cruz was an urban consumption center associated with early cannabis cultivation communities that emerged in the wake of the 1960s, associated with the countercultural "back to the land movement." These rural communities developed closer to much larger population centers than their countercultural counterparts north of the Bay Area, and as a result developed more localized supply chains than those of the "Emerald Triangle" (early cannabis cultivation jurisdictions Humboldt, Mendocino, and Trinity Counties). Intensive early eradication efforts transformed the cultivation scene into smaller, more discrete, locally-oriented underground communities by the mid 1980s, and joint task force eradication of smaller gardens persisted into the 1990s. This supply chain proximity facilitated cultural and economic

integration in Santa Cruz, a city that nurtured progressive ideals associated with the social movements of the 1960s, often through the activism and intellectual influence of students and professors at the University of California Santa Cruz<sup>10</sup>.

Santa Cruz was a solidly conservative fishing town and retirement community until the founding of the university in 1965, according to former Mayor and City Councilmember Chris Krohn (1998-2002, 2016-2020). “They thought they were going to be [UC] Berkeley and get a football team,” he said. If so, they were half-right: Berkeley became famous as a nexus for the social movements of the 1960s, and Santa Cruz developed a similar reputation for left-wing politics and activism in the 1970s that extended well into the 1980s, a decade when the rest of the country headed in the opposite direction at the dawn of the Reagan era. Krohn, who graduated from UCSC with honors in Latin American Studies and Community Studies in 1987, was part of that transformation. The last Republican on the City Council was in 1981, he said, and “came from old money.”

The arrival to the City of a new university in the middle of a decade associated with campus-based social movements planted seeds of left-wing change. At around the same time, uphill from the City, countercultural, rural communities in the Santa Cruz Mountains and elsewhere on the Central Coast planted cannabis seeds from the Mexican imports they consumed.

The Santa Cruz Mountains uphill from the City were home to some of the earliest California cultivation networks, and most influential breeding efforts, that emerged in the 1970s. Home-grown cultivation became preferred by cannabis consumers for health reasons, and rural countercultural communities responded to that demand with cultivars they had begun growing from Mexican and Colombian “bag seed” the decade before. Domestic cannabis was grown sinsemilla-style, and was easily distinguishable from seeded Mexican imports. In Santa Cruz County, small-scale cultivators such as the “Haze Brothers” in Corralitos were especially adept at breeding locally recognizable high-end cultivars that became popular at UC Santa Cruz at the end of the 1970s and became major genetic building blocks of the modern cannabis genome.

Around the same time, UCSC undergraduate Robert Connel Clarke wrote an undergraduate senior research dissertation, “The Botany and Ecology of Cannabis,” which he self-published in 1977. Four years later, in 1981, he published *Marijuana Botany: The Propagation and Breeding of Distinctive Cannabis*, a cultivation and breeding guide that influenced many outlaw cannabis cultivators to apply principles rooted in botanical science to the breeding and cultivation of new cultivars.

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<sup>10</sup> Our understanding of this was particularly informed by interviews with former Mayor Chris Krohn; and an oral history interview of queer feminist activist Wendy Chapkis conducted for the Santa Cruz Region Oral History Project (url: <https://library.ucsc.edu/reg-hist/wendy-chapkis>, accessed August 30, 2021).

When the Federal crackdown on cannabis cultivation communities began in the 1980s, Clarke emigrated to Amsterdam to continue his life's work. While there, he partnered with Dave Watson, a former neighbor of the Haze brothers, on a breeding project that would later be incorporated as Hortapharm, a legal (in the Netherlands) botanical research business that, in search of distinctive THC-dominant cultivars, developed a library of low THC, high CBD cultivars that was licensed to a British company, GW Pharmaceuticals in 1998. The company would go on to develop the world's first pharmaceutical grade cannabis extracts, Sativex and Epidiolex, the latter of which was approved by the US Food and Drug Administration in 2018.

While Clarke and Watson's horticultural research laid the foundations for modern pharmaceutical cannabis drug development, the Santa Cruz expats also established the International Hemp Association, and co-authored "Hemp Diseases and Pests" with John McPartland (2000). Clarke later co-authored the authoritative book on cannabis ethnobotany *Cannabis: Evolution and Ethnobotany* with University of Hawaii botanist Mark Merlin, published in 2014<sup>11</sup>. Due to cannabis criminalization in the U.S., Clarke's Santa Cruz-formed cannabis horticultural expertise was exported to Amsterdam and, eventually, the U.K., rather than staying home and benefiting the City and the State.

Clarke's contributions to global cannabis and hemp history were forged in a productive synthesis between the 1970s cannabis culture in Santa Cruz and the intellectual avant-garde of UCSC. The university was a place where an undergraduate student could be supervised while writing about the ethnobotanical properties of a federally illegal drug with which he was in close contact, thanks to the rich variety of cannabis grown and bred around him. In a 2016 interview with Christopher Carr, a Santa Cruz radio host recently appointed to the City's Arts Commission, Clarke said:

Those were extraordinary times [the early 1970s]. The availability of really high quality imported cannabis back in those days was incredible ... certainly formative in my case. Being here on the West Coast the main thing was the Mexican varieties.

Mexican varieties literally seeded the earliest cannabis gardens cultivated uphill from the City of Santa Cruz. Zacatecas Purple, notably, was used to create the world-famous Haze cultivar that would later be used to develop Blue Dream, perhaps the most ubiquitous medical and then adult-use varietal on the market. The importation of Mexican cannabis, and with it the Mexican seeds that regional cultivators ran with, was disrupted between 1975-1978, when the U.S. government funded Mexican cannabis crop eradication via the herbicide Paraquat.

The impact of that eradication was both direct, in the reduction of supply, but also indirect, as it reduced demand for potentially health-damaging Mexican products. California consumers began to seek out domestically sourced cannabis, easily identified for its lack of seeds

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<sup>11</sup> Berkeley, New York and London: University of California Press.

(“sinsemilla”-style), and Santa Cruz cultivators quickly found that their small garden production was in great demand. Wholesale prices rose rapidly, and the diversification of cannabis supply chains away from Mexico accelerated.

In Santa Cruz, consumer demand was filled only partially by local producers uphill from the City. When local supply dried up at the beginning of every summer, cannabis from Colombia and Thailand arrived at the Port of Santa Cruz by the kilo. Tim Blake, who later founded the Emerald Cup<sup>12</sup>, began his career unloading the docks while a student at Santa Cruz’ Soquel High School. Blake recalled the local smuggling scene in a 2017 oral history interview with Carr.

When it was really blowing up [in the 1970s], I was a kid going to high school with some of the biggest dealers of the time, all the surfers and the Florida kids, they’d sell me kilos at a time ... It started out with the Florida boys bringing over the Colombian ... rough loose market at the time, blew up into a commercial business, you had an organized marketplace, people bringing in really large loads ... ten to fifteen 100-kilo loads being dropped offshore, brought in. I was raised in that, really a young one, all the way through the mid-80s when that really changed.

Blake remembered the Santa Cruz smuggling scene as nonviolent, characterized more by cooperation than competition, and integrating different ethnic and worker communities into an era of widely distributed gains.

You had basically, the Italians working the boats off Santa Cruz, you had the Jewish families that came in and they were doing their stuff, I really worked for a lot of them; you had the surfer kids, the Florida people and some of the people coming from that angle ... Everybody knew each other, nobody cut anybody’s connections out, it was all really clean ... no guns, no real hassles at that time ... It was a cooperative loving community, very little violence to it.

Everything changed in 1986, when Congress passed mandatory minimum sentencing laws and significantly intensified the war on drugs. The outlaw distributors who played a central role in these early developments fled the area when interdiction and eradication intensified in the 1980s.

You saw the DEA come in, the Justice Department, brought mandatory minimums in the mid 1980s. They took out 12 major loads up and down the West Coast, turned the industry upside down, you couldn’t get any cannabis but you could get crack. It changed our world, the mandatory minimums came in ... people doing serious time. After that,

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<sup>12</sup> The Emerald Cup is an annual cannabis cultivation, product competition and cannabis cultural event that started in Mendocino County in 2003 as an entirely underground event. Blake moved the competition first to Humboldt in 2012, and then to the Sonoma County Fairgrounds in 2013. Sonoma County’s experience with the Emerald Cup is widely credited as the catalyst for the creation of MAUCSRA’s temporary event license, which originally could only be held at any County Fairgrounds. In 2018, AB 2020 amended the Department of Cannabis Control’s event license to allow events to be located at local jurisdiction discretion.

everybody splintered off and all came up here like I did, to Mendocino and Humboldt, all over California, started growing it indoors and outdoors.

In another Carr interview with “Local Anonymous,” a local stakeholder’s recollections of how cannabis criminalization affected the City of Santa Cruz tracks with those of Blake.

I kind of decided I’d rather be on the distribution end. The 80s was a difficult time to be a grower ... they pretty much nearly eradicated, in Santa Cruz County, with the helicopters. That was super aggressive. I knew a guy ... he had a plant on his deck, and the helicopter landed to get it, and they hauled him away. He had to do 30 days. It was gonna be a five ounce or an eight ounce plant.

California’s Campaign Against Marijuana Planting, CAMP<sup>13</sup> published annual reports that show a startling difference between 1985, when two gardens were raided and 811 plants eradicated in the County; and 1987, when 5,069 plants were eradicated over a two week period, with two arrests. The number of plants eradicated each year remained above 5,000 until 1991, but over time arrests rose considerably. In the 1990s, CAMP programmatically targeted small gardens in Santa Cruz County, according to CAMP reports. The 1991 CAMP report described

[a] significant increase in the number of gardens eradicated particularly in Santa Cruz County. Most of these gardens were small, but due to the number of gardens it yielded a substantial number of marijuana plants (p.7-8).

The cumulative raid report recorded 26 days of action and 26 arrests, for 3,836 plants -- a decrease from each of the totals from the previous five years -- but a significant increase in arrests over the same time period.

Although CAMP enforcement pushed California production around the state and indoors, the City of Santa Cruz remained a significant consumption area from local and international sources, and prices rose seasonally to reflect that.

In ‘86, from February to about June, it went up to 32[00].” as a result of CAMP enforcement. It was great for the growers that made it ... by the early 90s in the summer, it was 5-6 thousand a pound ... In the 80s you had to import it here from Mendocino and Humboldt because Santa Cruz did not produce what it consumed ... around 87 or so, I started to see the first indoor.

By the end of the 1980s, the City’s cannabis consumption demand was partially met by local production but primarily supplied by local smugglers traveling north to the Emerald Triangle,

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<sup>13</sup> California’s joint Federal-state-local eradication taskforce, the Campaign Against Marijuana Planting. For historical context see Corva, Dominic (2014). “Requiem for a CAMP.” *Journal of International Drug Policy* 25(1): 71-80.

supplemented by “BC bud” from British Columbia in the mid-1990s and the resurgence of Mexican imports. Santa Cruz cultivators stayed small and flew under the radar as much as possible, but this didn’t prevent them from being impacted by annual CAMP eradication.

For one of the impacted cultivators, Valerie Corral, eradication and arrest launched a historic career as the founder of WAMM and co-author of Proposition 215. Corral and her husband Mike moved to Santa Cruz after a bad car accident in 1973 left her with chronic seizures for which cannabis provided more efficacy and fewer side effects than pharmaceutical medicines. The Corrals grew her medicine alongside their organic food garden, as Valerie, a bisexual eco-feminist, became involved in the City’s feminist health politics and organizing around AIDS in the 1980s.

*From Cultivation in the County to Social Movement in the City: WAMM 1991-2002*

In August 1992, a CAMP helicopter spotted five plants growing on a Santa Cruz County property where Mike and Valerie Corral lived (Chapkis and Webb 2008: 42). As they had in the past when visited by local law enforcement for growing cannabis, they explained that the five plants they had growing in their organic food garden were for Valerie’s medical condition, but unlike previous encounters they were arrested and charged by the District Attorney. They were offered diversion and probation by the District Attorney (DA), during which they would have to abstain from using cannabis. This was a nonstarter for Valerie, who needed cannabis to control her seizures. A County judge ruled against her medical necessity defense weeks before the County passed Measure A, a local medical cannabis initiative that passed with 77% of the vote. The timing of the trial meant that the Corrals became, overnight, prominent public faces for the campaign’s organizers (Mike Corral in *ibid*: 43). The Corrals appealed the conviction, but before that trial the DA announced he was dropping the charges.

Despite the passage of Measure A, the Sheriff’s Department announced their displeasure with the fact that the charges had been dropped and, six months later, arrested Valerie Corral again. This time, the DA refused to press charges. The couple’s quiet homestead life changed forever.

... within a couple of weeks, we started getting phone calls, mostly from terminal people with cancer ... There was this momentum happening. WAMM grew out of that necessity, out of the sheer number of people contacting us, and having to deal with law enforcement and politics (Mike Corral in *ibid*: 44).

Valerie and Mike Corral began providing free cannabis to local residents living with and dying from, mostly, cancer and HIV/AIDS. At the same time, Valerie was drawn into the state political process of co-authoring Proposition 215, the Compassionate Use Act, which passed in 1996. Shortly after the initiative passed, WAMM was incorporated as a research and education

nonprofit dedicated to “providing organically grown cannabis to patients struggling with a variety of chronic and life-threatening illnesses” (*ibid*).

### *2002-2008: Early Medical Cannabis Contexts*

Over the next six years, the organization grew considerably, counting up to 250 members at any given time. More than 200 died during this time period, making WAMM a place where sick and dying people could find not only medicinal relief but a hospice community. In 2001, WAMM secured space to operate what Chapkis and Webb called a “comprehensive social service organization ... on a shoestring budget” in the City of Santa Cruz (*ibid*: 47).

As Chapkis and Webb note, WAMM’s ability to survive and grow as a community institution that survived on grants and donations reflected the synergy of its values with progressive politics of the City that welcomed it. Health and social justice organizing in the City of Santa Cruz went back decades, in particular feminist health care organizing that embraced integrative medicine in the 1970s and the local legacy of AIDS activism. WAMM had a particularly close relationship with the City’s queer community<sup>14</sup> (53), many of whom brought decades of experience in social justice activism to WAMM as board members, leaders, and volunteers.

On September 4, 2002, Federal DEA agents in full SWAT gear raided WAMM’s garden in the County hills above the city. They knocked WAMM board member Suzanne Pfeil out of her wheelchair, pointed a gun to her head and handcuffed her to a bed. Suzanne, who was not named on the warrant, asked to be let go when she started having chest pains and signs of dangerously increased blood pressure. When the DEA refused to call an ambulance, Valerie convinced them to let her go to seek help. While Valerie and Mike were being transported to jail in San Jose, Suzanne’s phone tree brought a “battalion of outraged WAMM members” from the City, with local media right behind (176). Many collective members in wheelchairs or using canes and crutches barricaded the road, preventing the DEA force from leaving. Although the collective’s entire crop was destroyed, the Corrals were released in exchange for asking the crowd to stand aside so the DEA could leave.

The City, led by Mayor Chris Krohn, rallied behind WAMM, allowing them to hold their September 17 weekly meeting on the steps of City Hall, where they distributed free cannabis to collective members while a DEA helicopter hovered overhead, filming it all.

Television crews and reporters from around the country and around the world stood several rows deep, keeping cameras trained on the patients, physicians, attorneys, politicians, and activists who spoke to the crowd. Supporters -- including the current

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<sup>14</sup> Chapkis herself was one of those, having attended UCSC as an undergraduate 1973-1977 before becoming, while in graduate school, a prominent queer activist and women’s studies scholar 1985-1995. After becoming a sociology professor at the University of Southern Maine, she returned to Santa Cruz for the research published in the book extensively quoted here.

Santa Cruz mayor, several former mayors, and members of the City Council and County Board of Supervisors -- filled the courtyard of City Hall (187).

Krohn recalled the international coverage of the event as a watershed moment for medical cannabis and the drug war.

When the DEA helicopter was above the head, and patients were taking cannabis, CNN was surrounding city hall, September of 2002. It was a beautiful moment ... That became national and international. I was interviewed by the BBC and right wing media too.

Many of those local officials participated in a followup meeting that included Santa Clara University School of Law Professor Gerald Uehlmann, who suggested a lawsuit against the DEA. The Santa Cruz City Council and the County Board of Supervisors agreed to become co-plaintiff in a suit seeking an injunction against the further enforcement by the DEA and destruction of WAMM property. In August 2003, the injunction was denied, but shortly after, the Ninth Circuit Court of Appeals upheld an injunction for a similar case involving individual medical patients (“Raich v Ashcroft”). WAMM’s lawyers filed an appeal based on that ruling, and in June 2004 the US Attorney General and the DEA were barred from interfering with WAMM’s operations. For two years, WAMM was the only medical cannabis organization in the U.S. that was protected from federal prosecution. This lasted until the Raich case was denied in a historic Supreme Court decision involving the application of the commerce clause.

The political and legal successes that came after the WAMM raid were moral victories, but the turmoil took a toll on WAMM’s collective members. “We lost a lot of people right after the raid,” said “Maria” in Chapkis and Webb (2008: 184): “Some died; anxiety probably hurried their process of dying ... [s]ome people decided to just go to the buyers’s clubs instead.” Once the injunction was lifted, the collective no longer felt safe gathering and growing at the rural property that was raided. WAMM experimented with distributing plants that patients could grow at home, but this atomized method of cultivation was both practically and ideologically at odds with the collective expertise and therapeutic model, respectively, that helped the organization thrive as a community.

The Federal judge that issued the 2004 injunction against the DEA, Jeremy Fogel, called WAMM the “gold standard” medical cannabis organization that operated after the passage of Prop 215<sup>15</sup>. Former Sonoma State University professor Jonah Raskin called Valerie Corral one of the “real angels in the marijuana world” in his 2010 survey of the increasingly commercialized medical cannabis landscape<sup>16</sup>. But WAMM wasn’t just a medical cannabis organization: it was

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<sup>15</sup> Ibarra, Nicholas. 2018 (August 25). “Medical marijuana users left in limbo as co-op struggles to regroup, reopen.”

Santa Cruz Sentinel. Electronic document accessed August 30, 2020. Url: <https://www.santacruzsentinel.com/2018/08/25/medical-marijuana-users-left-in-limbo-as-co-op-struggles-to-regroup-reopen/>.

<sup>16</sup> Raskin, Jonah. 2011. *Marijuanaland: Dispatches from an American War*. New York: High Times Books.

embedded in the fabric of the City's progressive landscape, serving the most marginalized community members of a City that was beginning its transformation into a big-time tourist destination and satellite real estate market for Silicon Valley. Chapkis and Webb, again, are instructive:

WAMM members come together as patients attempting collectively to some measure of suffering and to challenge legal barriers to cannabis consumption. But the hardships they face as patients are often inseparable from the challenges of poverty and discrimination. Sometimes that poverty and discrimination are directly attributable to their illness, but often they are at least exacerbated by inequalities of sex, race, social status, or sexuality. This complex reality can create among members a more expansive sense of social activism, of what the relevant "social justice" really is, beyond a simple demand for access to medical marijuana ... a homeless WAMM member undergoing cancer chemotherapy and faced with the choice between federally subsidized housing -- which demands that residents be "drug free" -- and the need to use cannabis to control nausea, will have difficulty separating the issues of poverty and the medicinal use of marijuana (54).

*Santa Cruz 2008-present: commercialization and the conservative turn*

The integration of WAMM into the City's formal political landscape in the wake of the 2002 raid established the jurisdiction's reputation as a conscientious objector to the drug war as it pertained to the criminalization of cannabis. The City's medical cannabis landscape grew, including livelihood cultivators coping with rising housing prices and more commercial stakeholders that saw the City as a safe place to launch their business plans.

Pat Malo, a Santa Cruz native who served on the County's "C4 Commission" to make recommendations for its legalization ordinance in 2015-2016, and who is a current Board member of WAMM, provided a nuanced analysis of this context. Malo grew up poor in Santa Cruz, and referred to his generation as the "first generation of Santa Cruz people who first spent their career not going to jail or having their lives ruined by police encounters." He started growing for livelihood purposes when his father fell terminally ill with pancreatic cancer in 2000. In a 2017 oral history interview with Christopher Carr, he reflected on the rise of more commercialized medical cannabis in Santa Cruz as an outcome of the City's countercultural history, progressive politics, and the work done by communitarian medical cannabis collectives to make the City safer than other California jurisdictions for entrepreneurs wanting to get ahead of the curve in anticipation of a licensed industry.

Having access to the plant with a little less fear has been a big deal. It's been safer for the population of Santa Cruz to be able to have access to the healing plant but also to be safer from legal protection ... because we haven't been quite as gung ho about "let's fight this

drug war,” for good reasons. Santa Cruz was a leader in the sense of that we are pushing forward these more liberal policies about cannabis, how Prop 215 is interpreted locally is potentially more liberal that it might have been in other counties at the time ... a lot of people that just wanted the criminal protection of Prop 215 as it was in place here came here and started cannabis business. A lot of people came here because it was a safe place to try to grow cannabis to try to heal their family ... We’ve developed into quite a hub for innovation, people from SC Labs, people with unique brands and we also have innovation in the ability to apply this as a medicine.

For Malo, “medical marijuana paid the bills,” as it did for many City residents who came from socioeconomically disadvantaged backgrounds. Proposition 215, thanks in no small part to Valerie Corral, had generous provisions for decriminalizing cannabis cultivation, distribution and possession. And Senate Bill 420, passed in 2004, allowed jurisdictions wide latitude to decriminalize cannabis activities in compliance with Proposition 215’s open-ended criteria (see subsection 4.4). The fact that medical marijuana could pay the bills in Santa Cruz with less fear of enforcement not only allowed people like Malo to stay in his hometown rather than becoming displaced for economic reasons. It also made the City an informal sanctuary city for non-locals for both genuinely medical and much more commercial purposes. The City’s medical cannabis businesses were governed liberally through an administrative permit process, according to Mike Ferry, city planner and “cannabis czar” during this time period.

“Lots of folks came to this area to obey the rules,” Malo points out, rules that were progressive thanks to the City’s history of progressive activism and birthplace of WAMM. According to Malo, in 2008, when the financial crisis hit, medical cannabis became especially important as a means for community members to stay in their homes. Malo paraphrased Santa Cruz Attorney Ben Rice, whose son Ian Rice co-founded the pioneering testing laboratories SC Labs in 2010, commenting on the density of residential grow operations: “[in the early 2010s], you could throw a tennis ball in any direction in the city of Santa Cruz and hit a grow house.”

The local political reaction to limit the commercialization of medical cannabis coincided with the beginning of explosive growth in City real estate prices at the end of the Great Recession (see Figure 11). Santa Cruz properties that had been underwater due to the financial crisis were bought by nearby Silicon Valley tech sector money. Silicon Valley money also flooded the City’s medical cannabis space, intensifying its commercialization in advance of California legalization<sup>17</sup>.

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<sup>17</sup> California Proposition 64 was funded entirely by Silicon Valley tech sector profits, by the co-founder of Napster, Sean Parker.

As the City’s legal medical market grew rapidly, it shifted its approach. In 2009, the City Council enacted a moratorium on new medical cannabis dispensaries, but made sure there was room for WAMM and two other recognized medical operators.

Even with the expansion of commercially oriented medical cannabis businesses in the City, the community connected to WAMM and the City’s countercultural legacy thrived, incorporating new communitarian stakeholders. One of the people who came to Santa Cruz during this time was Christopher Carr, a musician, radio host, and community organizer who was recently appointed to the Santa Cruz Arts Commission. Carr grew up in rural California, in the county of El Dorado. He moved to Santa Cruz in 2013, seeking a cannabis-friendly “big city” where he could pursue his passion for music and performing arts. He was immediately “exposed to the Prop 215 era Santa Cruz community of artists, elders, families with end of life care.” He attended Cabrillo College and worked as an events coordinator for Santa Cruz Organics and Growing Unlimited, facilitating barbecues and catering events at different locations and grow shops in the County. After Cabrillo College, he enrolled as a Community Studies major at UCSC, where he fulfilled his 6 month service learning requirement with the Santa Cruz Veterans Alliance, a nonprofit medical cannabis collective serving veterans in the City and the County.

Carr started a local radio show in 2015 called “ The Cannabis Connection,” for which to date he has interviewed more than 200 historical and contemporary participants in the production of legacy cannabis culture as well as key figures involved in its transformation into a legal industry. His comments reflect the depth of his embeddedness not only in Santa Cruz cannabis politics and advocacy, but an immersive self-education in the history and trajectory of cannabis legalization as a social movement especially in the State of California’s legacy cannabis regions.

Carr also managed Kind Peoples Collective (KPC) from 2014-2017, a City of Santa Cruz dispensary that had 75 patients in its Compassion Program and only 9 employees when he started. He scaled the business up to 90 employees before leaving to pursue a cultivation license [unsuccessfully], when KPC terminated its compassion program as part of its transition to the adult-use market. KPC made a business decision to focus on the adult-use market<sup>18</sup> as one of the five permitted local adult-use retail licensees. He cited this as an example of the impact of adult-use cannabis on patient access in Santa Cruz, an impact common across the state but especially noticeable in Santa Cruz, a center of medical cannabis collectives by that time.

For Carr, the implementation of Proposition 64 “killed” the communitarian element of the City’s cannabis scene, turning Kind Peoples Collective “into a corporation overnight ... lots of people, patients and vets, didn’t feel comfortable transitioning [under regulatory conditions that required

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<sup>18</sup> That business decision paid off for WAMM in the short run, as Kind People’s Collective has been serving as WAMM’s cultivation license compassionate use program access point while it struggles to open the license the City has held for it since 2016.

high capital barriers to entry].” Many moved away, he said, to counties like Monterey and Mendocino. “International money came to Santa Cruz, came to Board of Supervisors meetings,” seeking entry into the emergent commercial adult-use market.

The arrival of international money to the Santa Cruz medical cannabis scene seems to have predated the implementation of Proposition 64. Mike Ferry provided a specific example of the changing landscape of permit-seekers between 2005 and 2013.

Lisa Molino, her company was Greenway, the first medical marijuana use permit [in 2005] ... she was very convincing and before it got to the City Council, she talked about her background with cancer. After that first one went through, we had two to three other applications, and some were hit and miss once it started to go through the formal permit process [in 2013]. One interesting applicant, that I thought was the applicant, was the applicant’s attorney. I worked with him for three months.

At the review hearing the council members asked who the applicants were, “five people dressed like mafiosos stood up, did not want to speak.” They were asked if anyone had a background in security, and one of them talked about his background with the Russian Army. Ferry spoke to us about the impact that realization had on his approach to licensing.

At that point, it was serious, many characters [were] coming into this [industry]. When the recreational rule was beginning, that was one of the reasons I wanted a licensing process. With a land use [process], the permit goes to the land, with the licensing we had control over who we would issue the licenses to. Before the recreational [rule], these guys were medical. That startled me.

The City’s growing awareness that the City’s medical landscape included stakeholders that were hard to group with noncommercial medical actors like WAMM meant that 2016-2018 Councilmembers like former Mayor Chris Krohn supported a more conservative approach to the implementation of adult-use licensing. Krohn acknowledged that the City’s approach, which he helped craft at the time, was grounded in a backlash against the commercialization of medical cannabis. But, speaking five years later, he suggested that the abundance of caution may have limited the City’s ability to help transition its local medical cannabis innovators.

Santa Cruz has gone conservative with commercialization of marijuana at the County and City level. I endorsed it at the beginning because I didn’t want it to get out of control. I went to Eugene Oregon, they had 55 dispensaries in a small city. The council members agreed with that ... I was pushing for the city to embrace this and carve out a brand. It would be local and something that people everywhere would know would be a safe product. The people on the city council don’t know what they have until it’s gone. That

train might have left the station. We have impacts now from Canadian companies buying up licenses and stuff.

The shift to a conservative adult-use licensing primarily affected retail, although it also meant that consumption lounges, event licenses, and outdoor cultivation were off the table. Retail licenses were limited to five with restrictions on transfer of ownership in order to keep business local. The City retained its longstanding programmatic support for WAMM, according to Donovan.

When we saw Prop 64 was going to pass, we knew that the City, being liberal, was going to want to approve this. I was assigned this field and kept watching as the legislation changed. It was a moving target. Council basically had no problem with other business types but limited the retailers. The City is largely developed so there isn't acreage at all [for cultivation]. The county has tons of open space. Illegal cultivation was always a thing in the County. The city has had backyard cultivation or turning a garage into a greenhouse historically. One of the concerns was odor. We said indoor cultivation only since you can control that ... Originally, it was also decided that if we are going to limit the number of licenses, we want to make sure the initial license holders won't make money off of the selling of those licenses. We had restrictions on transferring licenses. We would have a new application process if anyone left.

The City considered permitting consumption lounges with regulations similar to alcohol with controls for nuisance impacts, but, according to Donovan, existing retailers resisted allowing new businesses to obtain such permits. Council members discussed it but, unable to come to a consensus, no action was taken.

Since 2017, Donovan pointed out, the only liberalization of the licensing program happened in 2019 when existing license holders wanted the ability to transfer licenses but not increase the number of licenses and were successful in receiving those changes.

The absence of opportunities for social consumption licenses -- cannabis lounges and event licenses -- creates a special challenge for WAMM Phytotherapies<sup>19</sup> (WAMM-P), which continued to operate as a safe space for community connection and healing as much as a dispenser of medical cannabis between 2008 and 2016, when state regulations made local variances that had allowed it to operate impossible. David Bienenstock, nationally recognized cannabis journalist and the former editor of *High Times* magazine, moved to Santa Cruz in 2010 and became part of WAMM's inner circle as a volunteer in between writing and editing stories about cannabis until moving away in 2020.

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<sup>19</sup> WAMM incorporated as WAMM Phytotherapies, or "WAMM-P," in order to apply for state cannabis licenses and local permits.

The thing that made WAMM so special was the depth and interconnectivity of WAMM. The people that would sit at your bedside while you died were not being paid. The trimming, I'd be the youngest by 40 years. I used to tell my wife I loved trimming up there [at the legacy cultivation site that also was unable to transition] ... When you look at Mike and Val, they put themselves out there, there were a lot more marginalized people that were active in the collective who were part of running it and foundational to it. From Black and Brown communities, gay communities ... People who were in the garden, in the meetings, peer to peer healthcare ... They were simultaneously trying to be public facing to bring in as many people as possible, while also creating a space that didn't feel they could be as outward facing about what they were doing but played key roles in the organization.

WAMM's struggle to transition to the adult-use landscape as WAMM-P since 2017 is paradigmatic of the struggle of noncommercial medical cannabis collective stakeholders across the State, but even more pronounced given that the organization was protected, for years, not just by the communities in Santa Cruz but by a city that could make and bend the rules around them -- until Proposition 64 established State rules that were far less flexible and significantly raised the financial capital necessary to start and run a business. WAMM, as discussed here, was never really a business. It was a community- and City-supported vehicle for providing social services, especially hospice care, to highly vulnerable members of the community. Valerie told us:

We never thought the laws would change and get harder for us. We were not ready for a big shift. However, the City was willing to allow WAMM to continue, however it was not possible to find a place that we could afford, then be able to absorb the costs associated with licensing and funding a buildout – at least not without “investors.”

After a difficult search for zoning-compliant real estate, for which landlords wanted a premium above market rates, WAMM-P found a property on the Santa Cruz Historical Registry. The age of the structure added considerable costs to upgrade in order to be compliant with the City's Building Code, and the City has been working on extending her use permit while WAMM figures out how to pay for it.

Valerie Corral hopes that if they do figure it out, profits from the retail store can support the buildout of a Community Wellbeing Center at the location, and fund WAMM-P's “sister nonprofit,” a hospice program called Radha Kudo, Design for Dying.

*Disproportionately Impacted Areas: Beach Flats and Lower Ocean*

Data from the Santa Cruz Police Department indicate a history of cannabis arrests considerably higher than the state average between 2000-2018, despite the City's historical ordinances making medical and then adult-use cannabis offenses a low priority for enforcement (see Figure 2). The

data, which did not include geographic information, conflicted with a consensus among our interviewees that Santa Cruz was a relative sanctuary from cannabis-related enforcement. We reached out to Pat Malo again for feedback from a stakeholder who was on the front lines during this time period. “Both of these things can be true,” he said, if the sheer volume of cannabis-related activity in the City was high enough and disproportionately targeted populations that were involved in other drug activities.

Absent geographic data related to cannabis and other drug arrests, we asked public sector stakeholders their impressions of where in the City did impacts from cannabis criminalization and the drug war historically cluster. All of them mentioned the low-income, high-minority neighborhoods of Beach Flats and Lower Ocean (see Figure 12). Additionally, our interviewees emphasized that these communities are impacted by the war on drugs, broadly, rather than simply the criminalization of cannabis.

City Council Member Shebreh Kalantari-Johnson responded to our question about which communities are impacted from drug-related enforcement by describing them as “lower income, predominantly Latinx ... meth and heroin are predominant. I don’t know what it looks like in terms of cannabis.” In areas where Latinx populations are concentrated, she said, arrests involve narcotics offenses in general, not just cannabis. Kalantari-Johnson said that in the “ bigger picture [of the] war on drugs, we do have higher percentages of incidents and arrests with those [non-cannabis narcotics] arrests. That is where vulnerable populations are. They are absolutely targeted.”

Heather Rogers, a public defender with the Clean Slate program, described Beach Flats as a node of drug trafficking connected to Los Angeles and subject to many Federal drug cases. She also noted the clustering of minority populations due to high housing costs elsewhere in the County, notably observing its socioeconomic disconnection from the rest of the City:

An area of Santa Cruz that clusters a large number of people of color, is the Beach Flats, behind the Boardwalk. Clustered there is a definite Latinx community, mostly Salvadoran. We get a lot of cases that go federal out of the area, heavy drug trade from LA to here, Santa Cruz is really expensive, second to Manhattan in the US. Happening to communities of color, they get pushed into small areas. That is where Latinx are, the rest of Santa Cruz is white as white can get which is uncomfortable. Beach Flats, you could call it affordable, expensive apartments with 20 families living in one room. Not affordable and ridiculous, makes dense living situations. It’s mostly Salvadoran ... But it’s a whole different scene, very little connection between Downtown and Beach Flats, as well as Harvey West [a less densely populated industrial area to the north].

Santa Cruz Police Deputy Chief of Police Bernie Escalante, who has served in the City's Police Department for more than 25 years, said that the impacts of the drug war in these areas was intense but declined starting in about 2011:

Beach Flats was more cocaine, heroin, and meth. You found geographically the drugs were different [from cannabis]. Historically, it's really nice now, when I first started there was a ton of narcotics being sold and used in that neighborhood. High Hispanic, lower income ... Lower Ocean Street area, right on the other side of the river across from beach flats. Lower economic status Hispanic families, some gang stuff, a little more territory in that area. It's definitely not as much as it used to be. I remember working on patrol and working a lot of narcotics whether use or sales. I'd say about 10 years ago is when it stopped.

City of Santa Cruz Senior Planner Katherine Donovan described the long-term factors shaping the areas' housing stock and structural resistance to development:

It's the lowest income area, it's these tiny 400 square foot cottages that were built in the turn of the 20<sup>th</sup> century to house non wealthy people who would come to Santa Cruz for the week. They were never rebuilt to be permanent housing but that's what they become.

City Council Member Martine Watkins also reviewed the housing stock condition and environmental factors that could lead to community displacement in the future. She said that "gentrification is a real issue and over time could be an issue with Beach Flats. There is a desire to get out of the flood zone."

Our interviews with public sector stakeholders in the City of Santa Cruz consistently identified Beach Flats and Lower Ocean as low-income neighborhoods that were disproportionately impacted by the drug war beyond cannabis criminalization, inclusive of Federal policing and gang-related activities. While there is some indication that the intensity of the drug war has decreased in the last ten years, absent better quantitative data, we are confident that a record of residency in these communities should be eligible as part of a range of qualifications for the City of Santa Cruz Local Equity Program.

*Conclusion: challenges and opportunities for an Equity Program in the City of Santa Cruz*

In the City of Santa Cruz, a particular variation of a state-wide pattern is clear. After Prop 215 in 1996, legal medical cannabis markets grew carefully due to risk of enforcement through about 2008, when the City established a moratorium on dispensaries. In Santa Cruz, this risk was primarily from Federal enforcement although local law enforcement priorities on larger-scale operations also contributed to keep the cannabis scene more low-key, favoring smaller

stakeholders. After 2008, as more jurisdictions adopted SB 420-related regulatory ordinances, the legible medical cannabis market grew, becoming more commercial even as stakeholders such as WAMM remained focused on medically and socioeconomically vulnerable patient access. The City's history of progressive attitudes towards medical cannabis stakeholders as well as the onset of the 2008 financial crisis stimulated this process. By 2015, in anticipation of California medical cannabis regulations, commercially-oriented actors emerged visibly in the landscape, prompting a conservative approach to legalization as Proposition 64 opened up the regulatory space for purely commercial cannabis actors, sometimes with Silicon Valley tech sector and out-of-state money.

The City's political reaction to commercial, non-local participation in its medical cannabis sector evolved into a "keep it small and local" approach to regulating its commercial sector, according to City Councilmember Kalantari-Johnson. It approved five retail permits, with one of them reserved for WAMM-Phytotherapies (WAMM-P), the business entity through which WAMM hopes to transition its non commercial, communitarian ecology of social services and patient access. The City placed few other barriers to new licenses other than the ones posed by zoning, and the high capital barriers to entry that are characteristic of the State licensing system rather than City policy. Two State cannabis licenses are not permitted in the City of Santa Cruz: consumption lounges, and event licenses. One or both of these would be necessary for WAMM-P to open its retail location with some semblance of its former nature as a communitarian, therapeutic space.

The City's "keep it small and local" approach extended to how it approved local permits, applying an "equity lens" in the application process. This is consistent with the City Council's November, 2019, adoption of a "Health in all Policies" (HiaP) approach to policy making and implementation in the City. According to documents provided to us by the City, "Health in all policies" means a collaborative approach to improving the well-being of all people by incorporating health, sustainability, and equity considerations into decision-making across sectors and policy areas."

The City has taken an exemplary approach to HiaP, relative to the rest of California, in its approach to distributing cannabis tax revenue, allocating 12% to early childhood education programs. A 2020 Partners in Health report that was critical of how local cannabis tax revenues tend to go towards law enforcement far more than community investment cited this as one of only four positive examples of local policies directing cannabis tax revenues towards community investment across the state<sup>20</sup>.

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<sup>20</sup> Partners in Health. 2020. "California Tax Revenues: a Windfall for Law Enforcement or an Opportunity for Healing Communities?" Online document accessed August 30, 2021, url: [https://phadvocates.org/wp-content/uploads/2020/06/YouthForward\\_CannabisTaxReport2020\\_REV060820.pdf](https://phadvocates.org/wp-content/uploads/2020/06/YouthForward_CannabisTaxReport2020_REV060820.pdf)

The City's efforts to keep its licensees small and local have been challenged recently, as some existing licensed cannabis businesses successfully lobbied the City Council to allow transfer of ownership in 2019. The City is concerned that this opens the door for Multi-State Operators (MSOs) to take over its limited retail landscape, in particular. Meanwhile, WAMM-P remains unable to open in the building for which they have been approved. It meets the City's zoning requirements, but requires considerable capital to make code compliant as an old, historical building, according to Steve Adams. Adams is a contractor who has worked with WAMM (now WAMM-P) since about 2014, when the organization successfully helped his son treat tumors that chemotherapy and surgery could not. Ironically, he said, the building lacks Americans with Disabilities Act (ADA)-compliant accessibility and will require about \$90,000 to upgrade. The City has remained supportive of WAMM-P, extending their permit repeatedly to give the organization time to figure it out. It does, however, mean that only four of the City's five retail spots have been open: the "small" the City wants is smaller than they wanted, by 20%.

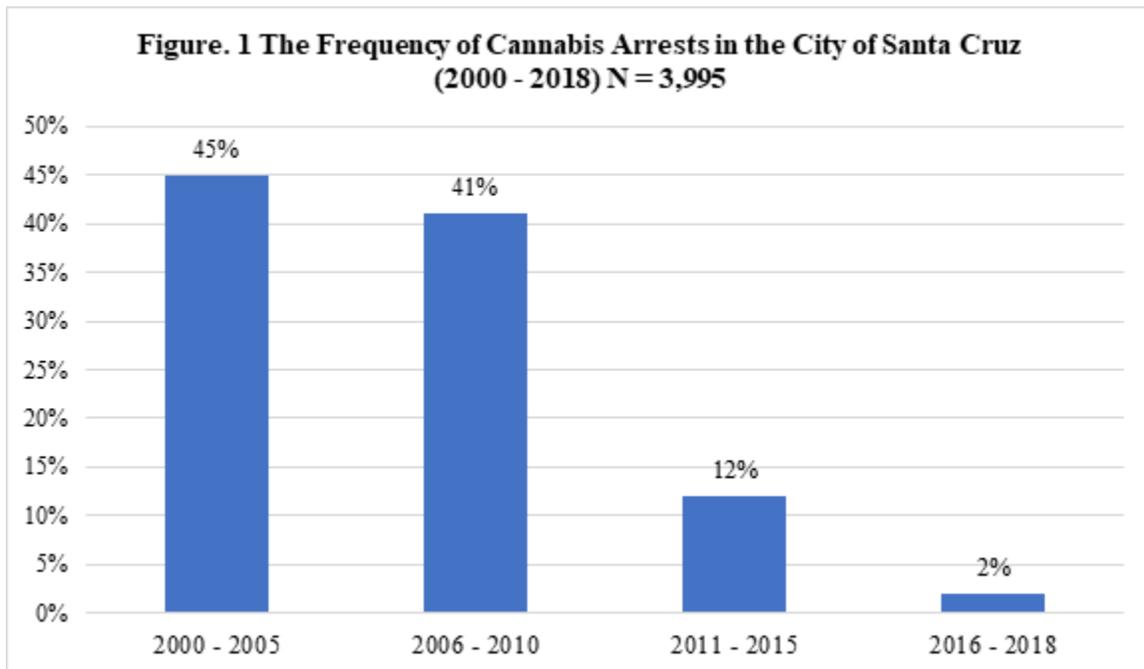
If it is eventually able to open, the noncommercial, patient-oriented business model proposed by WAMM-P will mean something different, economically, to a City with a history of prodigious cannabis consumption. WAMM-P refuses to take on outside investors and even formal business partners. They would be providing as much cannabis for free or reduced prices to patients and socioeconomically disadvantaged persons as possible, and would like to network with and incubate other patient-focused licenses, according to our interview with Valerie Corral. Should WAMM-P get off the ground, Santa Cruz will once again be at the center of medical cannabis innovation, this time in a market designed for recreational use, highly commercial business models. The implications for the City's efforts to keep it "small and local" are ambivalent. On the one hand, its cannabis industry will be populated by small businesses with communitarian practices. On the other, businesses like WAMM-P will leave plenty of space for commercial cannabis licenses that contribute more substantively to the City's tax revenues, which support equitable community investment through the aforementioned 12% dedicated revenue for early childhood health programs.

This ambivalence, combined with the City's HiaP policy, its conservative approach to licensing to date, and a population with considerable cannabis history and expertise, creates rich potential for an equity program. There is plenty of room in the City's market to accommodate more licenses of all types. Whether WAMM-P opens or not, the city will have just four commercial retail points, one per 15,000 residents, generating local tax revenue that feeds community investment. Santa Cruz is home to many small and local medical and legacy cannabis industry stakeholders, as well as DIA populations, that have been unable to transition. License expansion makes sense, but especially through an equity program rather than an open market in keeping with the City's desire to keep it "small and local." An equity program would create a virtuous cycle, expanding cannabis tax revenue which can be dedicated to community reinvestment.

### 4.3 Cannabis, Drug Arrest Rates and Racial Disproportionality in the City of Santa Cruz, California, and the United States

#### *City of Santa Cruz - Cannabis Arrest Rates*

Public data related to cannabis-related arrest rates was obtained from the Uniform Crime Reporting Program<sup>21</sup>. City-level cannabis-related arrest data was obtained from the City of Santa Cruz. Data obtained from the city included arrests during the years between 2000 and 2018<sup>22</sup>. From 2000 - 2018 there were 3,996 cannabis arrests in the City of Santa Cruz. Figure 1 demonstrates the trend of cannabis arrests from 2000 - 2018.

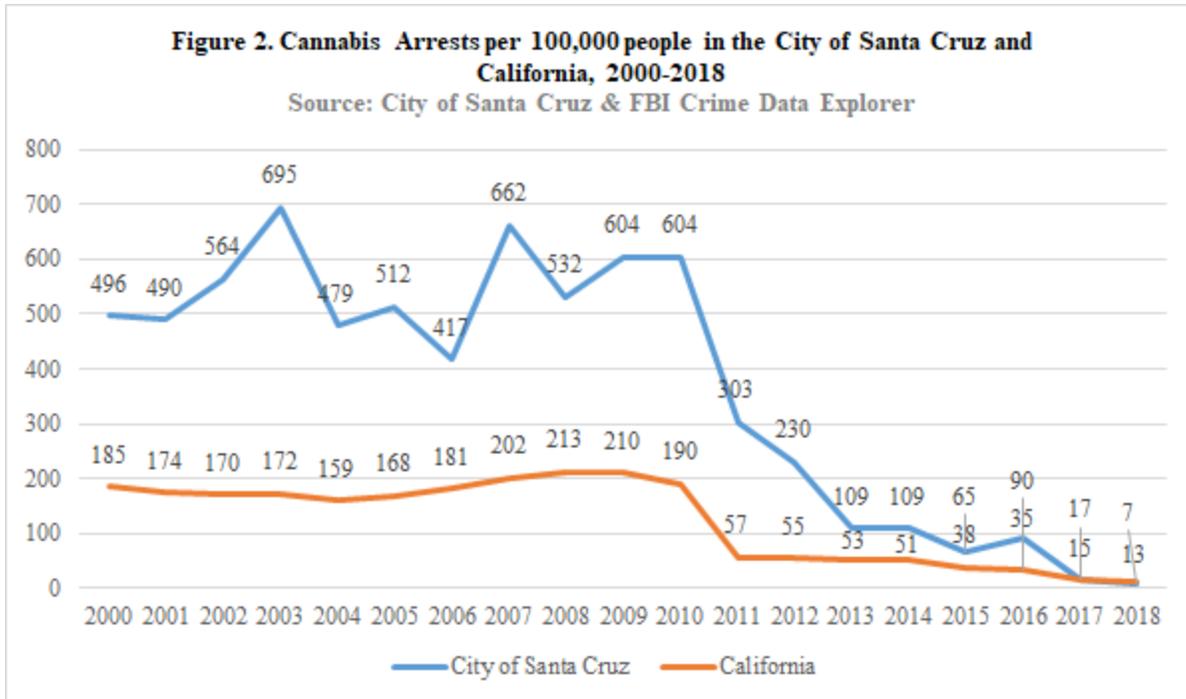


The majority (85%) of cannabis arrests occurred between 2000 to 2010. Figure 2 demonstrates the cannabis arrests per capita for 100,000 people in the City of Santa Cruz and the state of California, 2010-2018<sup>23</sup>.

<sup>21</sup> Uniform Crime Reporting Program (2019). Retrieved from <https://www.fbi.gov/services/cjis/ucr>, accessed May 28, 2021.

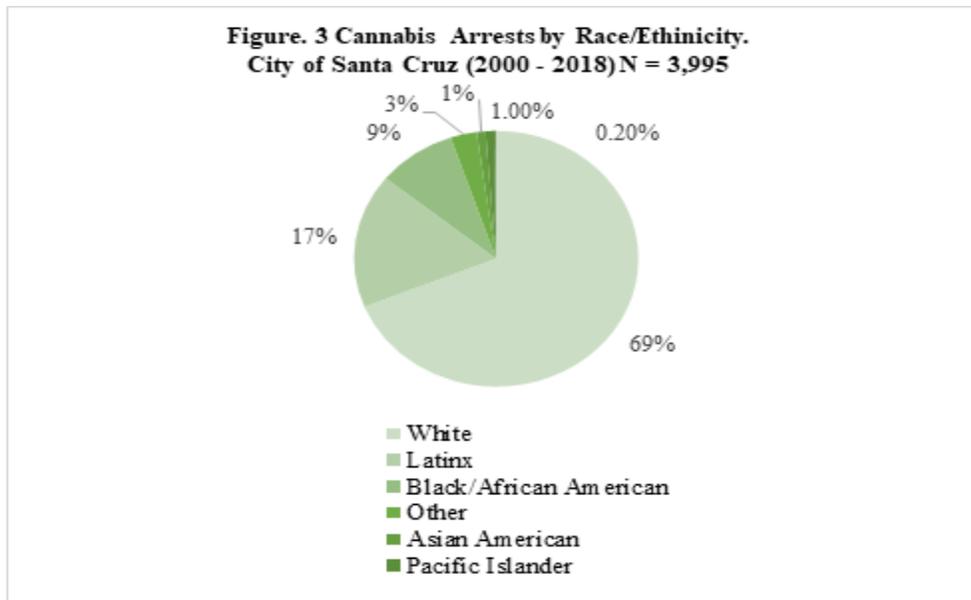
<sup>22</sup> any data past 2018 is not present for the City of Santa Cruz.

<sup>23</sup> City of Santa Cruz (2010-2018); Federal Bureau of Investigation Crime Data Explorer (2019). *City of Santa Cruz Police Department*. Retrieved from <https://crime-data-explorer.fr.cloud.gov/pages/explorer/crime/arrest>, accessed May 28, 2021.

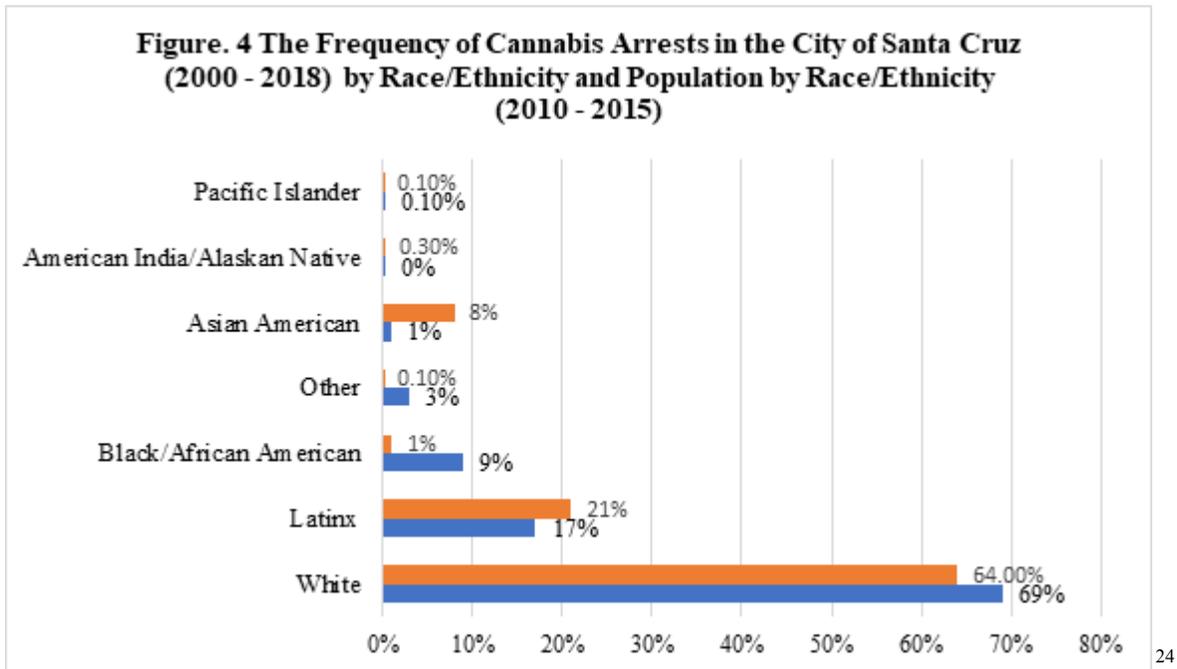


The City of Santa Cruz had a significantly higher number of cannabis sales and possession arrests per capita than the State of California between 2000-2010. The passage of Measure K, which made cannabis arrests the lowest law enforcement priority in 2006, appears to have done little to affect this phenomenon, until 2011, when arrests dropped by 50%. It was not until 2017 that Santa Cruz cannabis arrest rates per capita declined to State levels.

Figure 3 demonstrates the frequency of cannabis arrests by race and ethnicity.

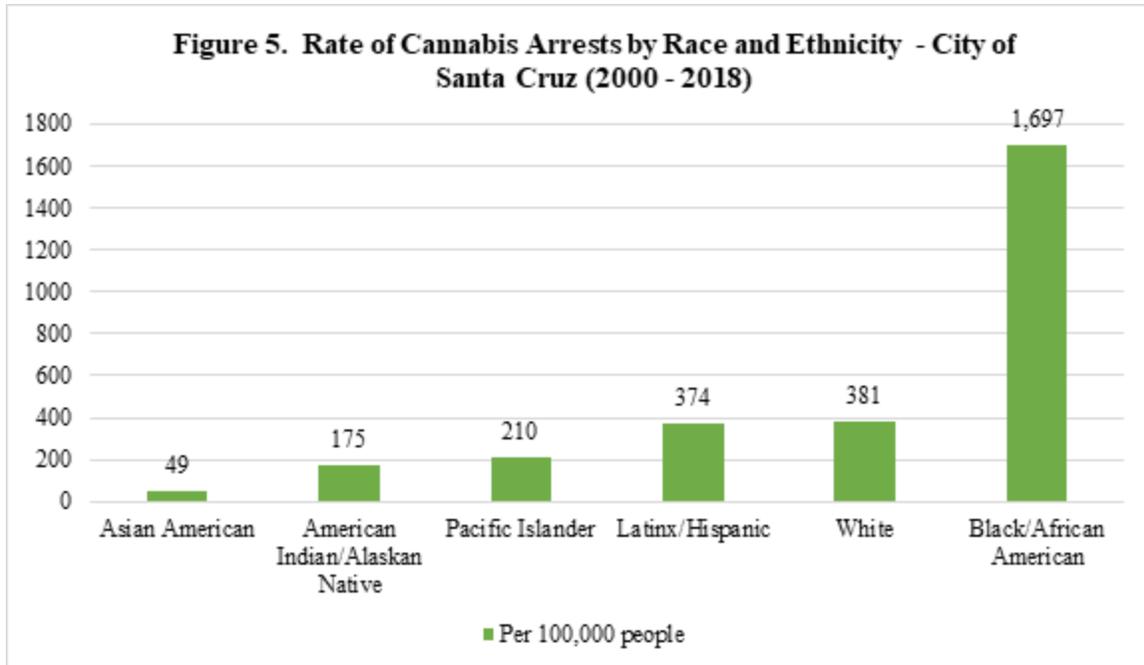


The majority (69%) of cannabis arrests were residents who identify as white. Figure 4 demonstrates the cannabis arrests and the total population by race and ethnicity.



From 2000 - 2018, Santa Cruz city residents who identify as Black or African American were disproportionately arrested for the use or possession of cannabis compared to any other racial category. Figure 5 demonstrates the rate of cannabis arrests by race and ethnicity.

<sup>24</sup> Figure 4. Source: U.S Census 5 Year Estimates (2010 - 2015)



The arrest rates by race and ethnicity within Santa Cruz were calculated by combining arrests made by the Santa Cruz PD with population data for the city.

Figure 5 demonstrates that residents who identify as Black or African American had the highest rate of cannabis arrests compared to any other race or ethnicity from 2000 to 2018. In other words, from 2000 to 2018, Santa Cruz residents who identify as Black or African American were 4.5 times more likely to be arrested for cannabis compared to residents who are white. This result is consistent with city, county, state and national trends of racial disparity in cannabis arrests.

In every state and in over 95% of counties with more than 30,000 people in which at least 1% of residents are Black, Black people are arrested at higher rates than White people for marijuana possession.<sup>25</sup> From 2000 to 2018, county residents who identify as Black or African American were 5.6 times more likely to be arrested for cannabis compared to white people.<sup>26</sup>

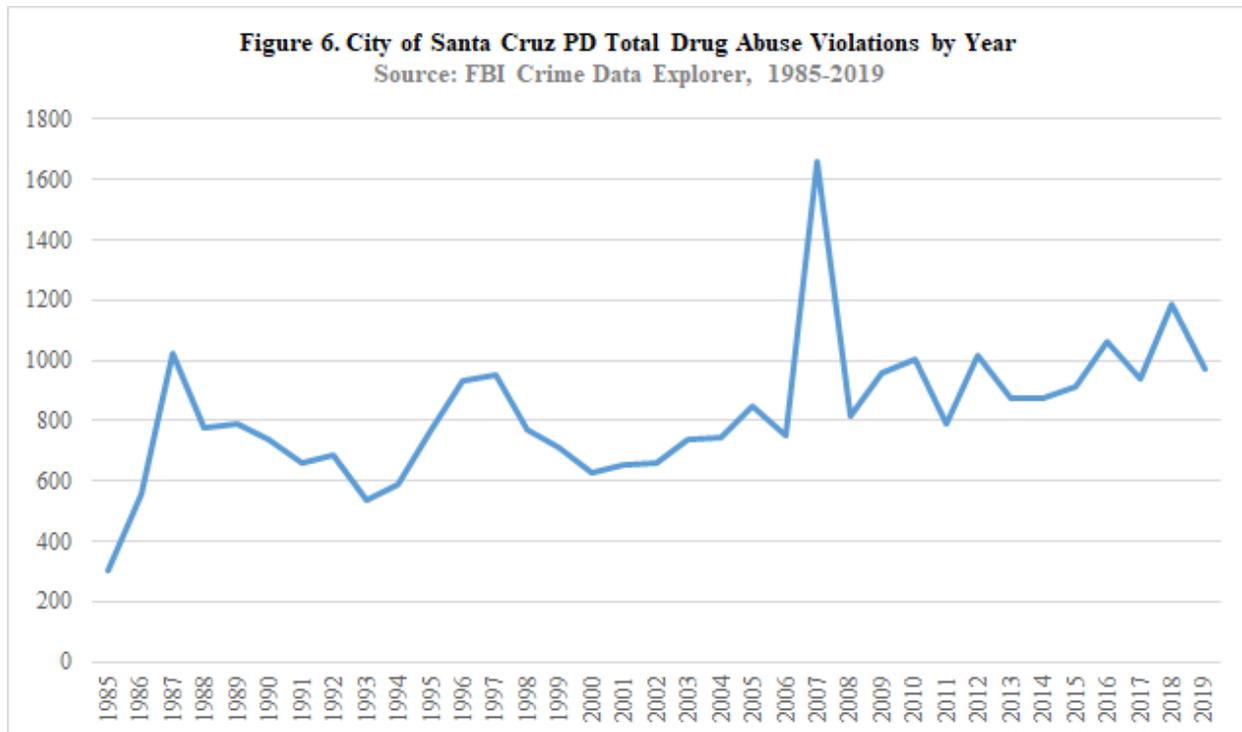
<sup>25</sup> American Civil Liberties Union (2020). *A Tale of Two Countries: Racially Targeted Arrests in the Era of Marijuana Reform*. Retrieved from <https://www.aclu.org/report/tale-two-countries-racially-targeted-arrests-era-marijuana-reform>, accessed February 15, 2021.

<sup>26</sup> 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.

<b>Table 1. Comparative Cannabis Arrests Statistics for California Cities 2000 - 2016</b>	
<b>City/Jurisdiction</b>	<b>Black to White Arrest Ratio</b>
<b>San Diego</b>	4.3
<b>City of Santa Cruz</b>	4.5
<b>Chico</b>	5.17
<b>Redding</b>	5.99
<b>San Bernardino</b>	6.99
<b>Richmond</b>	10.87
<b>South San Francisco</b>	21.73
<b>Berkeley</b>	24.56
<b>Oakland</b>	25.45
<b>Sacramento</b>	28.57

*City of Santa Cruz - Drug Arrest Rates*

Rates of total drug abuse violations in the City of Santa Cruz have notably oscillated over the years of 1985 and 2019. Steady declines of rates can be viewed from 1987 to 1994 as well as from 1997 to 2002, while sharp surges of rates can be viewed from 1985 to 1987 and most notably from 2006 to 2007. Between 06 and 07, the total number of drug abuse violations increased by 121%. Post 2007, the City's rates have been fairly consistent with a common trend of rising and falling per two years (see Figure 6 below)



**Table 2. Comparative Drug Arrests Statistics for California Cities (2019)<sup>27</sup>**

City/Jurisdiction	Number of Drug Arrests (#)	Population	Arrests per 100,000 people
Madera City	1,038	64,833	1,601
Redding	1,461	91,580	1,595
City of Santa Cruz	972	64,522	1,506
Compton	1,076	96,803	1,111
Modesto	1,325	212,616	623
San Bernardino	1,197	216,089	554
Vallejo	198	121,267	163
Stockton	436	309,228	141
Oakland	590	425,097	139
Richmond	221	226,622	98

<sup>27</sup> FBI Crime Data Explorer (2019). Total Drug Abuse Violation Arrests. Retrieved from <https://crime-data-explorer.fr.cloud.gov/pages/explorer/crime/arrest>, accessed August 31, 2021.

The City of Santa Cruz has a high per capita drug arrest rate relative to California (553 per 100,000 people) and in comparison with other cities associated with high drug crime activity. 2019 data from the FBI Crime Data Explorer<sup>28</sup> puts the City of Santa Cruz at 1,506 drug arrests per 100,000 people, significantly higher than the per capita rates of the cities of Compton, Modesto, San Bernardino, Vallejo, Stockton, Oakland, and Richmond. The city with the highest per capita rate out of the aforementioned cities is Compton, with 1,111 drug arrests per 100,000 people. The City of Santa Cruz's per capita rate is approximately 36% higher than that of Compton's.

### *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<sup>29</sup>. 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 Americans, Hispanics, those under the age of 21 and White people over the age of 40.

Though a majority of states allow medical cannabis use, cannabis leads drug-related prosecutions in the United States. According to New Frontier Data,<sup>30</sup> 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*,<sup>31</sup> "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."

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<sup>28</sup> FBI Crime Data Explorer (2019). *Santa Cruz Police Department, Compton Police Department, California*. Retrieved from <https://crime-data-explorer.fr.cloud.gov/>, accessed August 17, 2021.

<sup>29</sup> Center on Juvenile and Criminal Justice. *Publications*. Retrieved from <http://www.cjcj.org/news/category/510>, accessed February 15, 2021.

<sup>30</sup> 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.

<sup>31</sup> 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.

According to an article by Josh Adams for New Frontier Data<sup>32</sup>, “Drug offenses are often the pretext for seizing other cash or property.” For example, a report from the Justice Department Inspector General in 2017<sup>33</sup> 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 and the City of Santa Cruz

In 1996, California passed Proposition 215, the Compassionate Care Act. The Compassionate Care Act created an affirmative defense for patients and qualified caregivers to cultivate and possess cannabis for personal use. No state regulatory structure was put in place. California voters continued to push for policies to decriminalize drug use, as evidenced by the voter-approved Substance Abuse and Crime Prevention Action in 2000, which allowed the state to offer eligible offenders convicted of drug use and/or possession treatment instead of jail time. California was the first state in the United States to legalize cannabis for medical use. Considering that there are no election results for Proposition 215 and 64 for the City of Santa Cruz, Santa Cruz County’s election results will suffice. A higher proportion of Santa Cruz County residents voted to pass Proposition 215 than the state. See Figures 7 & 8 below for Santa Cruz County’s Proposition 215 election results compared with the election results for California as a whole<sup>34</sup>.

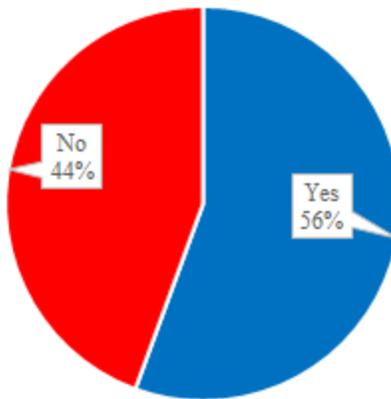
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<sup>32</sup> Josh Adams (2020). New Frontier Data. *Catching Cannabis Coming and Going: How Law Enforcement Profits from Illicit and Legalized Marijuana Businesses Alike*. Retrieved from <https://newfrontierdata.com/cannabis-insights/catching-cannabis-coming-and-going-how-law-enforcement-profits-from-illicit-and-legalized-marijuana-businesses-alike/>, accessed February 15, 2021.

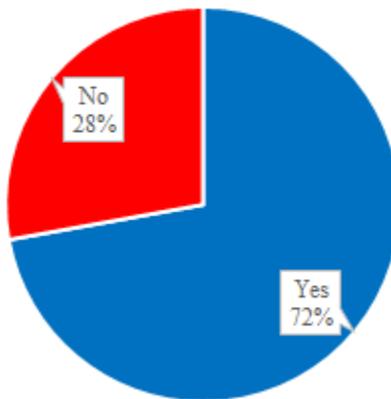
<sup>33</sup> Ingraham, Christopher (2017). The Washington Post. *Since 2007, the DEA has taken \$3.2 billion in cash from people not charged with a crime*. Retrieved from <https://www.washingtonpost.com/news/wonk/wp/2017/03/29/since-2007-the-dea-has-taken-3-2-billion-in-cash-from-people-not-charged-with-a-crime/>, accessed February 15, 2021.

<sup>34</sup> California Secretary of State (1996). General Election, November 5 1996. *Statewide Summary by County*. Retrieved from <https://elections.cdn.sos.ca.gov/sov/1996-general/ssov/measures-statewide.pdf>, accessed August 16, 2021.

**Figure 7. State of California Prop 215 Election Results**



**Figure 8. Santa Cruz County Prop 215 Election Results**

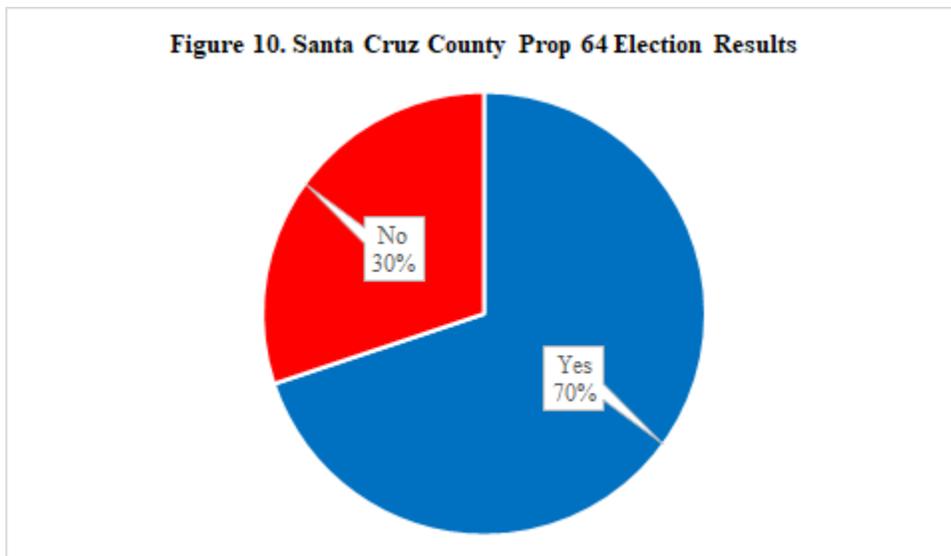
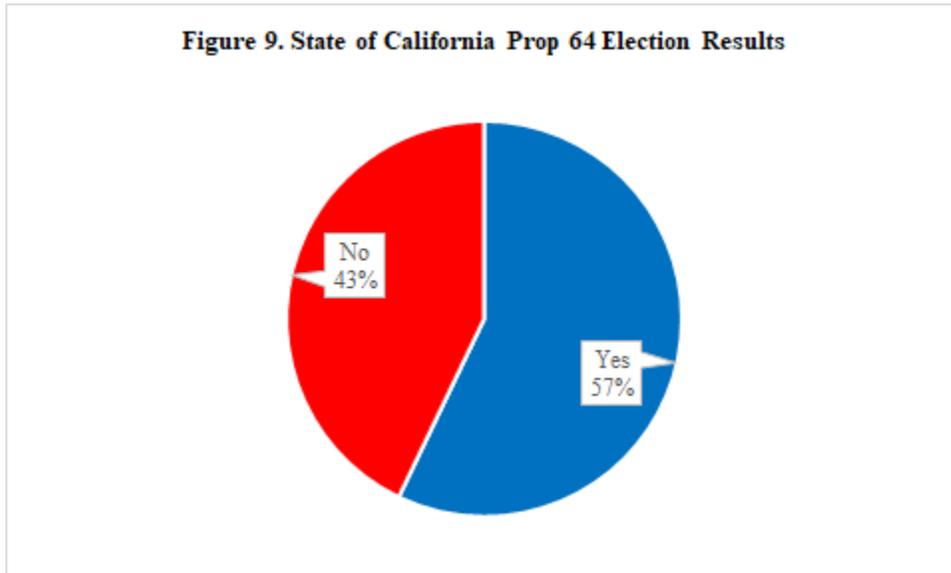


In 2004, the California Legislature passed Senate Bill 420, clarifying that jurisdictions were allowed to regulate medical cannabis.

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 and

decriminalized the possession, use, cultivation and sale of adult-use cannabis. It also provided for the expungement of low-level drug offenses and authorized training for cannabis careers, grants and loans. It passed with 57% of the vote statewide and 70% in Santa Cruz County. MRCSA and AUMA were integrated as MAUCRSA (Medicinal and Adult-Use Cannabis Regulation and Safety Act) in 2018.



The Santa Cruz City Council adopted Commercial Cannabis Regulations on November 28, 2017, with a retail license application period for the five allotted retail spots that was open until December 14, 2017. In accordance with regulations, all commercial cannabis uses require the

approval of an administrative use permit at a public hearing. Cannabis retail outlets additionally require a cannabis retailer license.

### *City of Santa Cruz Cannabis-Related Ordinances*

**Title:** Ordinance 2000-06

**Date:** May 11, 2000

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

**Title:** Ordinance 2000-12

**Date:** June 27, 2000

**Summary:** An emergency ordinance pertaining to creation of a new use category to provide for medical marijuana provider association dispensaries. Added sections 24.12.1300 and 24.22.1300, relating to and defining medical marijuana provider association dispensaries and amending sections 24.10.730, 24.10.930, 24.10.1210, 24.10.1510, and 24.10.1830.

**Title:** Ordinance 2005-28

**Date:** December 7, 2005

**Summary:** An ordinance of the City Council of the City of Santa Cruz establishing Chapter 6.92, Medical marijuana, Office of Compassionate Use. The Office of Compassionate Use (OCU) was the governing body that provided legally sourced medical marijuana to patients, given they had identification from the state in the form of a compassionate-use identification card. This Chapter was established in light of the passing of SB420 during 2004, encouraging governments to implement plans for distribution of marijuana to patients with medical needs.

**Title:** Ordinance 2005-32

**Date:** January 13, 2006

**Summary:** An ordinance of the City Council of the City of Santa Cruz amending sections 6.90.010 and 6.92.010 pertaining to medical marijuana and primary caregivers.

**Title:** Ordinance 2006-27

**Date:** November 7, 2006

**Summary:** An ordinance of the City Council of the City of Santa Cruz establishing Chapter 9.84, Lowest Law Enforcement Priority Policy Ordinance, pertaining to marijuana offenses. (Adopted by electorate at Special City Election, repealed by initiative in the Primary Election of June 5, 2018.)

**Title:** Ordinance 2009-17

**Date:** June 23, 2009

**Summary:** An uncodified interim ordinance of the City of Santa Cruz imposing a temporary moratorium on the establishment of medical marijuana dispensaries and production houses in the City of Santa Cruz and declaring the urgency thereof.

**Title:** Ordinance 2009-21

**Date:** August 7, 2009

**Summary:** An uncodified interim ordinance of the City of Santa Cruz extending the temporary moratorium on the establishment of medical marijuana dispensaries and production houses in the City of Santa Cruz and declaring the urgency thereof.

**Title:** Ordinance 2010-03

**Date:** February 25, 2010

**Summary:** An uncodified interim ordinance of the City of Santa Cruz extending the temporary moratorium on the establishment of medical marijuana dispensaries and production houses in the City of Santa Cruz and declaring the urgency thereof.

**Title:** Ordinance 2010-08

**Date:** April 22, 2010

**Summary:** An ordinance of the City Council of the City of Santa Cruz amending sections 24.10.1510, 24.10.1830, 24.12.1300 and 24.22.539 pertaining to medical marijuana dispensaries. This ordinance explicitly laid out the regulations allowing medical marijuana provider association dispensaries in certain zoning districts. Dispensaries require a special use permit and are allowed in C-C (Community Commercial), C-T (Thoroughfare Commercial), and I-G (General Industrial) districts.

**Title:** Ordinance 2010-10

**Date:** June 10, 2010

**Summary:** An ordinance of the City Council of the City of Santa Cruz amending section 6.90.020 of, and adding section 6.90.085 to, the Santa Cruz Municipal Code pertaining to medical marijuana provider associations. Section 6.90.020, Recognized Status of Medical Marijuana Provider Associations, Qualified Patients and Primary Caregivers, specifies that qualified patients will be recognized when they are in possession of a licensed physician's written recommendation, recognized medical dispensaries may issue identification cards to patients, and that the city shall recognize "growing certificates" issued by medical marijuana provider associations. Section 6.90.085, Annual Reports, outline the requirements of yearly reports by each medical marijuana provider association dispensary operating in the city. Information provided in the report includes, but is not limited to, number of sales, number of discounted sales, listings of products, and number of plants and clones cultivated.

**Title:** Ordinance 2014-15

**Date:** November 5, 2014

**Summary:** An ordinance of the City Council of the City of Santa Cruz establishing Chapter 5.07, cannabis business tax. The amount of business tax owed was set at a rate of up to ten percent of gross receipts. At the discretion of the City Council, lower business tax rates may be implemented or differing tax rates for different cannabis business categories may be defined.

**Title:** Ordinance 2016-20

**Date:** November 8, 2016

**Summary:** An ordinance of the City Council of the City of Santa Cruz amending sections 5.07.030(F) and (G), further defining “Cannabis” and “Cannabis business” or “medical marijuana business”. Also an amendment to section 5.07.130, outlining that an administrator may waive first and second penalties if (a) the person provides evidence that the failure to pay timely was due to unforeseen circumstances beyond their control, (b) waiver provisions will not apply to interest accrued on delinquent tax, and (c) requests for relief must be filed within 30 days. Lastly, section 5.07.260 was amended outlining that an operator which sells, assigns, or otherwise transfers the business will also be transferring any tax liability associated with the business.

**Title:** Ordinance 2017-21

**Date:** December 28, 2017

**Summary:** In light of Proposition 64 passing in 2016, legalizing the distribution, sales, and possession of cannabis, the City of Santa Cruz began to establish their commercial cannabis licensing structure. This ordinance of the City of Santa Cruz repealed Chapter 6.90: personal medical marijuana use and added Chapter 6.91: cannabis retailer licenses, and amending parts 8, 10, 16, and 16B of Chapter 24.10 and part 14 of Chapter 24.12 of the City of Santa Cruz Municipal Code and the local coastal program to comply with state law related to cannabis.

**Title:** Ordinance 2017-22

**Date:** December 28, 2017

**Summary:** An ordinance of the City Council of the City of Santa Cruz adding section 5.07.070(D) pertaining to the City of Santa Cruz cannabis business tax. Subsection (D) altered the cannabis business tax owed from ten percent (10%) to eight percent (8%) of gross receipts.

**Title:** Ordinance 2018-15

**Date:** December 13, 2018

**Summary:** An ordinance of the City Council of the City of Santa Cruz amending Part 14 of Chapter 24.12 of the City of Santa Cruz Municipal Code to revise the signage and advertising standards for cannabis. More specifically, any form of advertisement or signage that includes pricing of cannabis and cannabis products, details related to specific cannabis products, or

photography or graphics of the cannabis plant or cannabis products was prohibited except on a dedicated business website accessible only through an age portal.

**Title:** Ordinance 2018-16

**Date:** December 13, 2018

**Summary:** An ordinance of the City Council of the City of Santa Cruz amending Chapter 5.07 of the City of Santa Cruz Municipal Code to amend cannabis business tax rates for specific industry sectors. The business tax for testing laboratories is set to one (1) percent of gross receipts and the cannabis business for cannabis distribution businesses is set at two (2) percent of gross receipts. Combined cannabis businesses that include distribution with other cannabis business types shall pay the normal rate of eight (8) percent except on those gross business receipts that are derived from the distribution of cannabis or cannabis products that are purchased from another business not owned by the same proprietor(s) and resold to a retail business or to a manufacturer in the same form as they were purchased, which shall be taxed at a rate of two (2) percent of gross receipts.

**Title:** Ordinance 2019-07

**Date:** June 13, 2019

**Summary:** An ordinance of the City Council of the City of Santa Cruz amending Part 14: Commercial medical and adult use cannabis regulations to address changes in state law regarding cannabis delivery. This amendment outlines delivery services as not being allowed as separate businesses but only being able to be performed by a state licensed retailer, microbusiness, or nonprofit.

**Title:** Ordinance 2019-08

**Date:** June 27, 2019

**Summary:** An ordinance of the City Council of the City of Santa Cruz adding the definition of “Cannabis Retail Business” and revising the definition of “proprietor” in Chapter 6.91 - Cannabis Retailer Licenses of the City of Santa Cruz Municipal Code.

**Title:** Ordinance 2019-10

**Date:** July 11, 2019

**Summary:** An ordinance of the City Council of the City of Santa Cruz adding the definitions of “cannabis cultivation” and “cannabis manufacturing” and revising the definition of “cannabis business” and revising “amount of business tax owed” in Chapter 5.07 - Cannabis Business Tax of the City of Santa Cruz Municipal Code. Chapter 5.07 was revised to include a specified business tax rate for cannabis cultivation and manufacturing at a rate of five percent (5%) of gross receipts, ending December 31, 2019. Starting January 1, 2020, this business tax rate of cannabis cultivation and manufacturing would increase to six percent (6%) of gross receipts,

ending December 31, 2021. Lastly, the rate would change to seven percent (7%) of gross receipts moving forward after January 1, 2022.

**Title:** Ordinance 2019-17

**Date:** November 7, 2019

**Summary:** An ordinance of the City Council of the City of Santa Cruz revising the cannabis retailer license provisions to allow the change of an on-site manager, director, or officer without requiring a new cannabis retailer license.

**Title:** Ordinance 2020-13

**Date:** September 10, 2020

**Summary:** An ordinance of the City Council of the City of Santa Cruz amending Chapter 6.91 - Cannabis Retailer Licenses of the City of Santa Cruz Municipal Code to allow cannabis retailer license transfers and to update other portions of the Chapter.

## **Section 5. Current Conditions in the City of Santa Cruz**

Structural conditions within a jurisdiction are linked to direct impacts of cannabis criminalization and impact community health outcomes. Some conditions that are relevant to the City of Santa Cruz include the City's overall goals and objectives, housing availability and affordability, educational attainment, infrastructure, poverty, and youth cannabis use. Another important element outlined is the City of Santa Cruz's cannabis license process and applicants.

According to the City of Santa Cruz Strategic Plan<sup>35</sup>, formally adopted and published by Santa Cruz City Council in 2015, seven goals were outlined to provide policy direction regarding broad issues related to the City. A review of primary and secondary data revealed the following goals and strategies in meeting the short and long-term objectives. The following is intended to be a snapshot of the strategic plan, and thus does not include the full scope of the plan:

1. Environmental Sustainability and Well-Managed Resources
  - a. Preserve, protect and maintain natural resources and public space by proactively managing the City's greenbelt, beaches, parks and waterways.
2. Community Safety and Well-Being
  - a. Foster a community of safe, attractive, and well-maintained neighborhoods and business districts through the resolution of property crimes and nuisance issues.
3. Economic Vitality
  - a. Facilitate and encourage the growth and development of existing and newly emerging, high potential business sectors in our community.

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<sup>35</sup> City of Santa Cruz, City Council (2015). *City of Santa Cruz Strategic Plan*. Retrieved from <https://www.cityofsantacruz.com/home/showpublisheddocument/77146/637009415339730000>, accessed August 16, 2021.

4. Organizational Health
  - a. Maintain an organizational culture of excellent customer service that builds trust, inspires confidence and promotes accountability.
5. Fiscal Sustainability
  - a. Explore new revenue opportunities to fund City priorities.
6. Reliable and Forward-Looking Infrastructure and Facilities
  - a. Strategically develop new infrastructure to meet future needs and desires of the community.
7. Engaged and Informed Community
  - a. Build an informed and engaged community by providing accurate and useful information about City priorities, functions and services.

As strategic plans adapt to the ever changing needs of a jurisdiction's community, the Santa Cruz City Council decided to update the strategic plan two years after its adoption (2017) and to continue to update the plan every two years. The City of Santa Cruz's Two-Year Work Plan<sup>36</sup>, with input from the community, City staff, and the City Council, identified three growing areas of highest critical need within the City. These areas were adapted from the aforementioned strategic plan goals and are listed below:

1. Housing
2. Public Safety and Well-Being
3. Infrastructure

Core city services account for about 83% of staff capacity and organizational services. These services are indicated as critical for the City and are outlined and updated with every new iteration of the plan. Subsequent services include, but are not limited to, Youth Programs, Homelessness Response, Sanitation and Illegal Campsites, and Beach Flats Garden and Other Beach Flats Initiatives.

After the initial biennial strategic work plan came the COVID-19 pandemic, forcing governmental jurisdictions to pivot into recovering from the economic and social impacts. In Santa Cruz City's case, the City Council launched Re-Envision Santa Cruz<sup>37</sup>, an interim recovery plan to guide the City's financial recovery. The three key focus areas included were (1) Fiscal Sustainability, (2) Downtown and Business Revitalization, (3) and Infrastructure.

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<sup>36</sup> City of Santa Cruz, City Council (2017). *City of Santa Cruz Two-Year Work Plan*. Retrieved from <https://www.cityofsantacruz.com/home/showpublisheddocument/63199/636434903561170000>, accessed August 16, 2021.

<sup>37</sup> City of Santa Cruz, City Council (2020). *Re-Envision Santa Cruz*. Retrieved from <https://www.cityofsantacruz.com/home/showpublisheddocument/84010/637557556220530000>, accessed August 16, 2021.

## 5.1 Housing in the City of Santa Cruz

The City of Santa Cruz is well known as a popular tourist destination; the City houses cultural amenities, has connections with Silicon Valley, and is adjacent to the University of California Santa Cruz<sup>38</sup>. These qualities, among others, have led to a high demand for housing in the City. The COVID-19 pandemic has exacerbated this demand. High paid tech workers, notably from Silicon Valley, have had their work shift from in-person to virtual. Real estate markets have boomed significantly as workers migrate to desirable areas to live. This migration significantly impacted the housing market in Santa Cruz, as the City does not have enough housing inventory to accommodate the demand. Housing was the most common answer from key interviewees when asked what communities in the City of Santa Cruz are struggling with. Key interviewees outlined difficulties related to housing such as high cost of housing, low inventory of housing units, lack of affordable housing, and high population density associated with affordable housing.

The City of Santa Cruz's housing stock is in relatively good condition, according to the City's Planning and Community Development Department<sup>39</sup>. Roughly two-thirds of the housing stock is more than 40 years old and will eventually require restoration. As of 2021, the City of Santa Cruz has 24,169 housing units<sup>40</sup>. Close to 16,000 (15,899) of the total housing units are single family homes, while 2,636 are two to four unit properties, and 5,285 are five or more unit properties. Approximately 349 mobile homes are in the City and the City's vacancy rate is 5.6%, lower than the state vacancy rate (7.6%).

A higher percentage of individuals in the City of Santa Cruz rent rather than own. The homeownership rate in 2019 was 47%, meaning that 53% of the population rent where they occupy<sup>41</sup>. Compared to California's homeownership rate (54.8%), the City has a higher proportion of renters and a lower proportion of owners.

In the context of ownership, median home values have been on a consistent rise since 2014 (see Figure 11 below). Prior to then, in 2010, median home values in the City of Santa Cruz were 60% higher than the California median (\$277,100 difference). Median home values for the City started to decline shortly after that, until 2014, eventually surpassing the median value of 2010 in 2017. Available data ends in 2019, with the City of Santa Cruz's median home value was roughly 16% higher than it was in 2010.

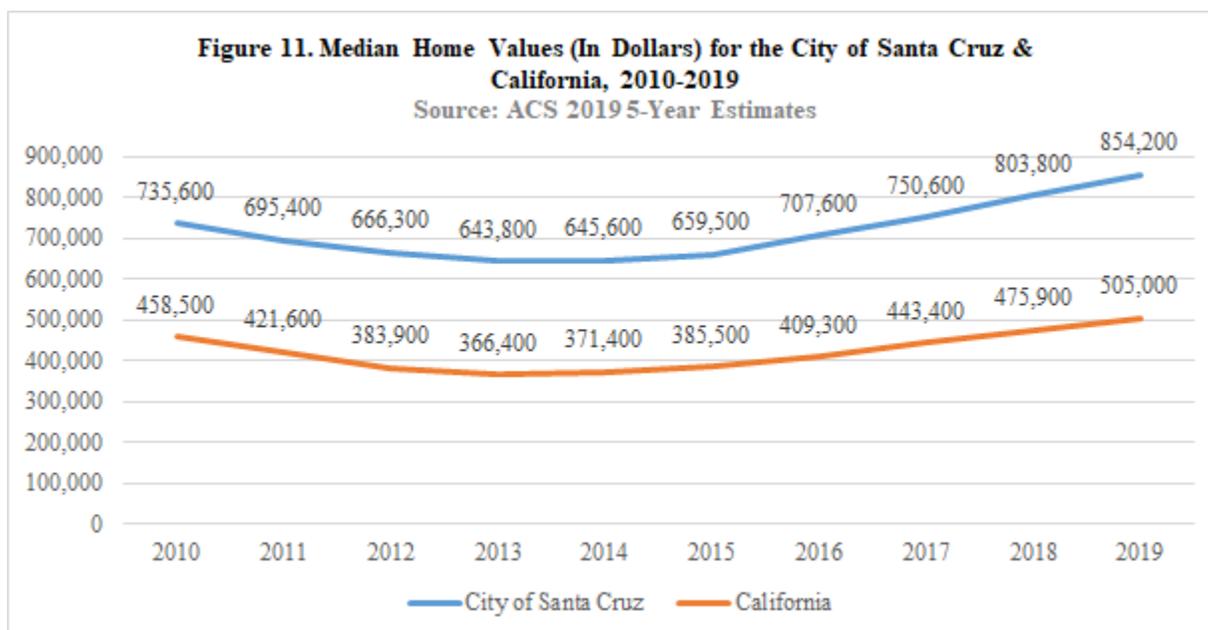
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<sup>38</sup> City of Santa Cruz Planning and Community Development Department (2015). *2015-2023 Housing Element*. Retrieved from <https://www.cityofsantacruz.com/home/showpublisheddocument/53264/636038354721300000>, accessed August 19, 2021.

<sup>39</sup> Ibid.

<sup>40</sup> U.S Department of Finance (2021). *Table 2: E-5 City/County Population and Housing Estimates, 1/1/2021*. Retrieved from <https://www.dof.ca.gov/forecasting/demographics/estimates/>, accessed August 19, 2021.

<sup>41</sup> U.S. Census Bureau (2019). *American Community Survey 5-Year Estimates. Selected Housing Characteristics, Santa Cruz city*. Retrieved from <https://data.census.gov/cedsci/table?q=&t=Homeownership%20Rate&g=1600000US0669112&tid=ACSDP5Y2019.DP04>, accessed August 19, 2021.



The U.S Department of Housing and Urban Development posits that housing problems related to a jurisdiction refer to the extremity of rates of overcrowding and overpayment. Overcrowding is a problem commonly associated with low housing inventory and high housing costs. It is defined as more than one person living in the same room, with severe cases of overcrowding involving more than two people in the same room. Currently, 2% of owner occupied housing units are defined as overcrowded and approximately .5% of housing units under this category are severely overcrowded<sup>42</sup>. Rates of overcrowding are higher for renter occupied housing units, as 5.6% of the City’s renters live in rooms that would be defined as overcrowded. 0.7% of renters live in severely overcrowded rooms.

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, designated by the U.S. Department of Housing and Urban Development, is used by many to determine whether housing is affordable or whether communities overpay for housing. Approximately forty-six percent (45.5%) of all households in the City of Santa Cruz spend 30% or more of their household income for housing<sup>43</sup>. A majority of these households are renter-occupied at a rate of 58.2%, while only 31.2% of owner-occupied households overpay. Almost half of the households in the City overpay for housing.

<sup>42</sup> U.S. Census Bureau (2019). American Community Survey 5-Year Estimates. *Tenure by occupants per room, Santa Cruz city*. Retrieved from <https://data.census.gov/cedsci/table?q=&t=Occupants%20Per%20Room&g=1600000US0669112&tid=ACSDT5Y2019.B25014>, accessed August 20, 2021.

<sup>43</sup> U.S. Census Bureau (2019). American Community Survey 5-Year Estimates Subject Tables. *Financial Characteristics*. Retrieved from <https://data.census.gov/cedsci/table?q=&t=Financial%20Characteristics&g=1600000US0669112&tid=ACSST5Y2019.S2503>, accessed August 20, 2021.

## 5.2 Educational Attainment in the City of Santa Cruz

*Santa Cruz County's Community Health Assessment*<sup>44</sup> outlines education as strongly correlated with health as an inverse relationship between level of education and a multitude of risk behaviors exist. Educational attainment is also positively correlated with income level, auspicious childhood development, and economic security. The City of Santa Cruz has much higher rates of educational attainment when compared to the state<sup>45</sup>. Currently, 93.9% of individuals in the City of Santa Cruz over the age of 25 have a high school diploma, much higher than the state rate of 83.3%. The same tendency is present when individuals over the age of 25 with their bachelor's degree are compared. The proportion of people in the City of Santa Cruz with a bachelor's degree is 53.8% compared to California's rate of 33.9%. The City's rate of residents with a graduate or professional degree (25.8%) more than doubles the rate for the state (12.8%).

The City of Santa Cruz's high rates of educational attainment are as one would expect, especially in the context of the area's K-12 schools and UCSC; substantial contributors to the local and state economy<sup>46</sup>. The University of California Santa Cruz, according to a 2017 annual impact report<sup>47</sup>, has an annual economic impact of 1.29 billion dollars in Santa Cruz County. Economic impact is defined as the University's spending on goods and services through a variety of vendors, spending of UCSC's faculty, staff, students, and visitors, and the business volume generated by organizations within the region and state. The University in addition has created 15,627 jobs in the County as well as indirectly contributing 89.3 million dollars to state and local taxes.

## 5.3 Poverty in the City of Santa Cruz

In the City of Santa Cruz, 20.9% of the total population lives below the federal poverty level (FPL\*)<sup>48</sup>. Compared with the state average of 13.4%, the City of Santa Cruz has a significantly higher proportion (7.5%) of the population under the FPL.

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<sup>44</sup> Public Health, Santa Cruz County (2017). *Community Health Assessment-2017*. Retrieved from <http://www.santacruzhealth.org/Portals/7/Pdfs/2017PHCHA.pdf>, accessed August 18, 2021.

<sup>45</sup> U.S. Census Bureau (2019). American Community Survey. *Educational Attainment, Santa Cruz city*. Retrieved from <https://data.census.gov/cedsci/table?q=&t=Educational%20Attainment&g=1600000US0669112&tid=ACSST1Y2019.S1501>, accessed August 18, 2021.

<sup>46</sup> City of Santa Cruz Planning and Community Development Department (2019). *City of Santa Cruz 2030 General Plan*. Retrieved from <https://www.cityofsantacruz.com/Home/ShowDocument?id=33418>, accessed August 18, 2021.

<sup>47</sup> Tripp Umbach (2017). *The Annual Impacts of University of California Santa Cruz in 2017 and over the last 50 years*. Retrieved from [https://planning.ucsc.edu/budget/reports-overviews/ucsc\\_economic\\_impact\\_2019.pdf](https://planning.ucsc.edu/budget/reports-overviews/ucsc_economic_impact_2019.pdf), accessed August 18, 2021.

<sup>48</sup> 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?q=&t=Poverty&g=1600000US0669112&tid=ACSST5Y2019.S1701>, accessed August 18, 2021.

The census tracts in the City of Santa Cruz with the highest proportions of population living in poverty are tracts 1005, 1010, and 1012 (see Figure 13 below). Census tract 1005 and 1012 are located on the west side of the city, while census tract 1010 is in the Santa Cruz Wharf and Boardwalk areas. The communities of Beach Flats and Lower Ocean St. are located within census tract 1010. Figure 12 below demonstrates the percent of Santa Cruz living in poverty.

# Percent of Residents Living in Poverty by Census Tract The City of Santa Cruz, CA 2019

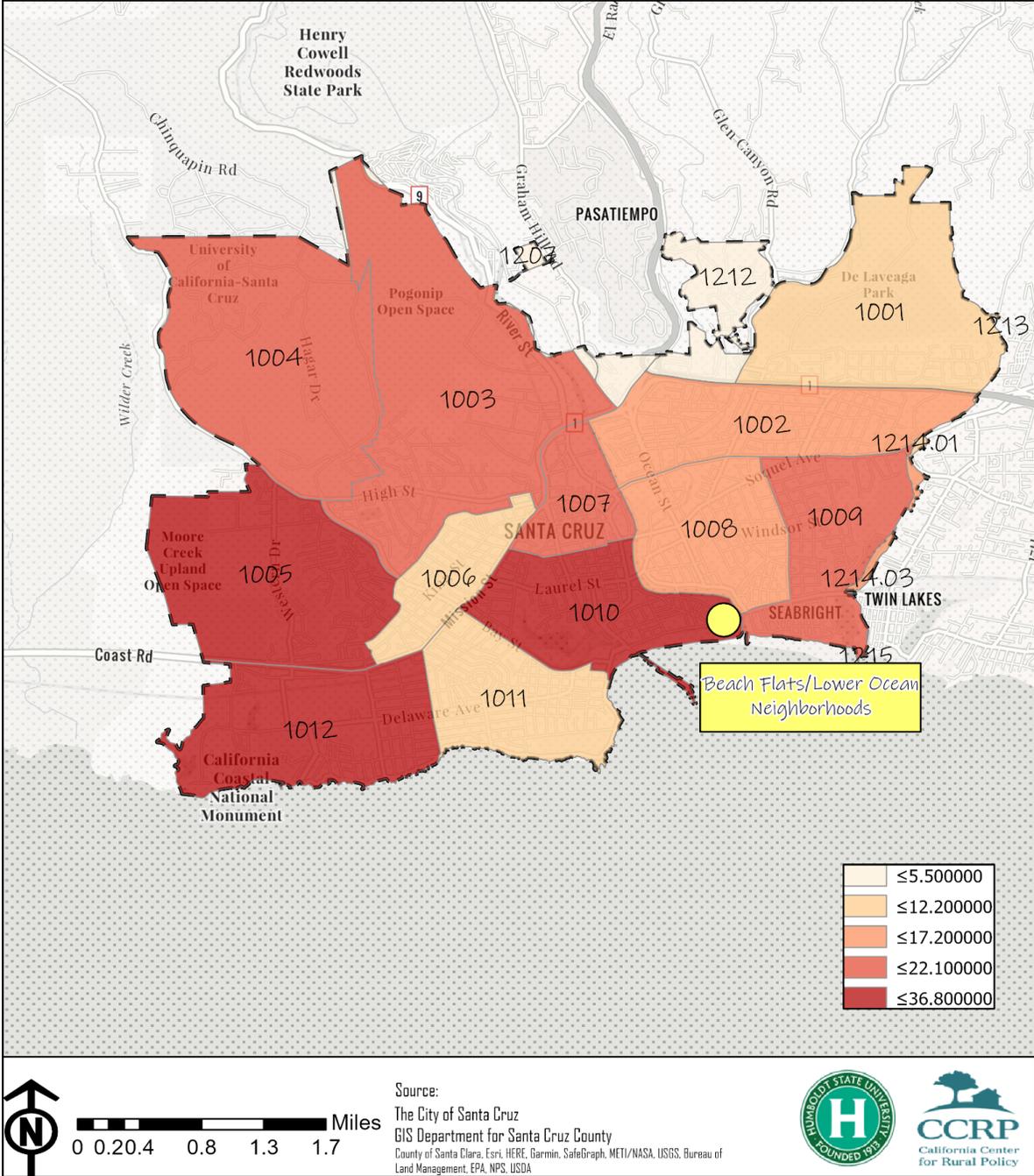
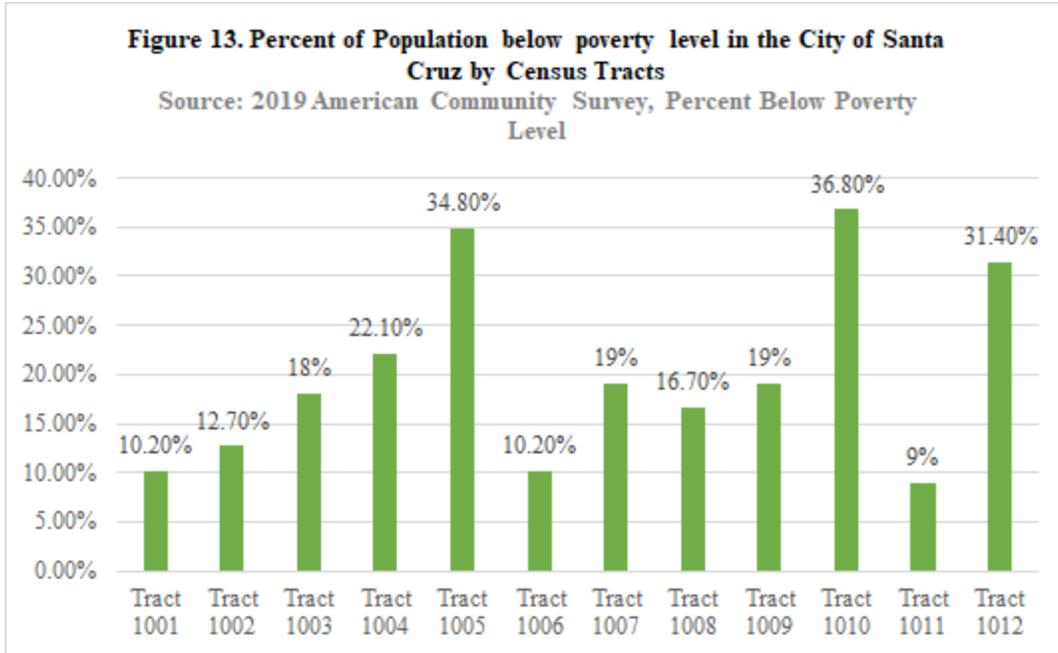
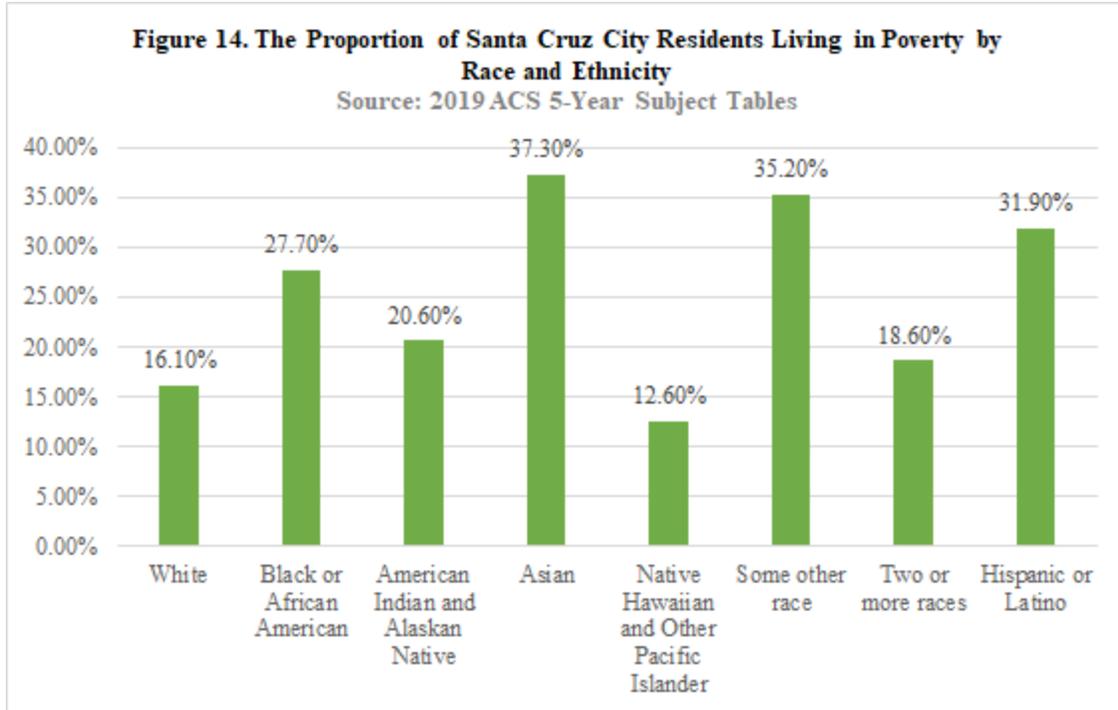


Figure 12. Map of Percent of Residents Living in Poverty by Census Tract in the City of Santa Cruz, 2019.

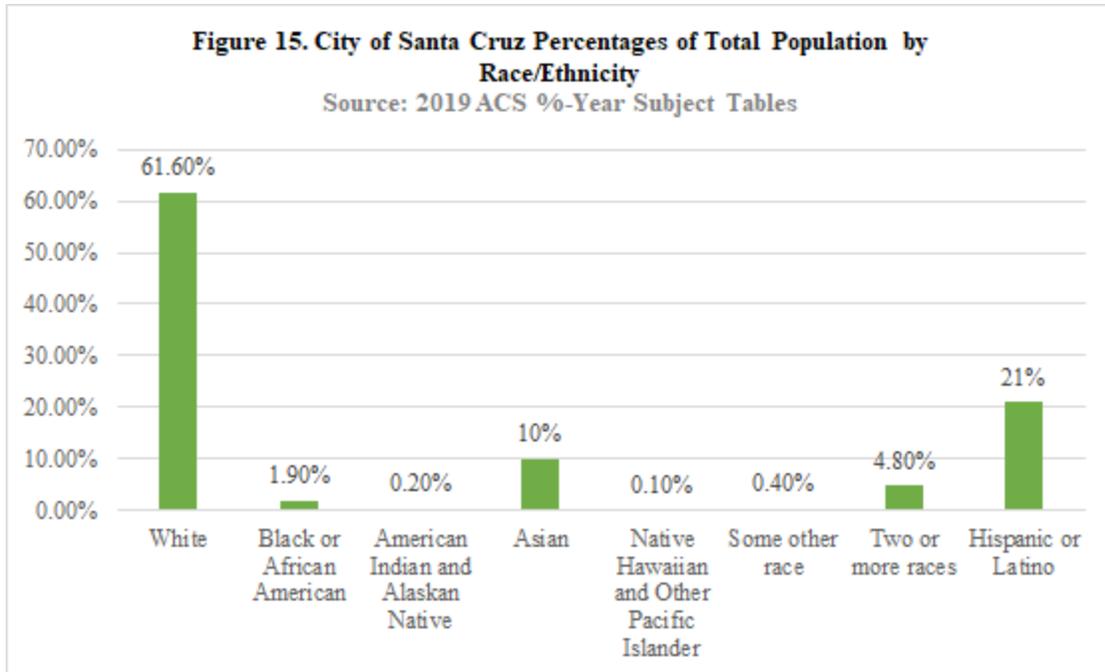


The City’s poverty rate clashes with its demographic tendencies as a highly educated, fairly affluent area. More insight into the demographics show that the age cohort with the largest proportion of individuals under the poverty level is 18-24 year olds. This age group comprised roughly 54%<sup>49</sup> of the total population under the poverty level in the City of Santa Cruz, presumably a cohort that consists of college students. The race/ethnicity with the highest percentage of poverty is the Asian population (37.3%). The population who identifies as white (16.1%) and Native Hawaiian and Pacific Islander (12.6%) have the lowest proportions of populations in poverty. Conversely, the total number of people in poverty is highest in the white population (5,913) and lowest in the Native Hawaiian and Pacific Islander population (13), thus it is important to look at both the percentage and the actual numbers (See Figure 14 below).

<sup>49</sup> <https://datausa.io/profile/geo/santa-cruz-ca>, accessed August 18, 2021.



When poverty rates by race and ethnicity are compared, levels of disparity are present for almost all races. City of Santa Cruz residents who identify as Asian are 2.31 times more likely to live in poverty than residents who identify as white. Comparatively, residents who identify as Some other race are 2.18 times more likely and those who identify as Hispanic or Latino are 1.97 times more likely. Residents who identify as Black or African American are 1.72 times more likely to live in poverty than their white counterparts. Lastly, the only race category that is statistically less likely to live in poverty compared to white individuals is the Native Hawaiian and Other Pacific Islander population, with a rate of 0.78. See Figure 15 below for a percentage breakdown of population in the City by race and ethnicity.



In 2019 the City of Santa Cruz’s estimated median household income was \$90,855. The City’s median household income is a little over ten thousand dollars higher than \$80,440, the median household income in the state of California. It is also approximately \$28,000 more than the national median household income of \$62,843.<sup>50</sup> Several key interviewees indicated that the high cost of living in the City of Santa Cruz pushes people out of the area; one key interviewee indicated an imbalance in the cost of living compared to income.

In the City of Santa Cruz, 60.7% 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 Statistics<sup>51</sup> in June of 2021, the City of Santa Cruz’s unemployment rate was 5.7%, compared to 8% in the state of California and 5.9% in the United States as a whole.

In 2019, 14.6% of children under the age of 18 in the City of Santa Cruz lived in poverty. This was lower than the proportion of children living below the poverty level in California (18.1%)

<sup>50</sup> U.S. Census Bureau (2019). American Community Survey 5-Year Estimates Subject Tables. *Poverty Status in the Past 12 Months of Families*. Retrieved from <https://data.census.gov/cedsci/table?q=&t=Poverty&g=1600000US0669112&tid=ACSS1Y2019.S1702>, accessed August 18, 2021.

<sup>51</sup> U.S. Bureau of Labor Statistics (2020). BLS Data Viewer. *Unemployment: Santa Cruz city, CA Micropolitan Statistical Area (U)*. Retrieved from <https://beta.bls.gov/dataViewer/view/timeseries/LAUCT066911200000003>, accessed August 18, 2021.

and the United States (18.5%)<sup>52</sup>. In addition, according to the California Department of Education<sup>53</sup>, 52.9% of children enrolled in K-12 schools in Santa Cruz County qualify for free and reduced price meals. This is slightly higher than the eligibility statewide which is 51.8%. The City of Santa Cruz is made up of the Santa Cruz City Elementary and High School Districts, which both have below average percentages (<39.1%) of eligible students for free and reduced price meals.

<b><u>District</u></b>	<b><u>Enrollment</u></b>	<b><u>Number Eligible for Free &amp; Reduced Price Meals</u></b>	<b><u>Percent Eligible for Free &amp; Reduced Price Meals</u></b>
<b>Santa Cruz City Elementary</b>	1,684	642	38.1%
<b>Santa Cruz City High</b>	4,644	1,571	33.8%

Table 3. Santa Cruz City 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 Santa Cruz, 25.5% of people had public health insurance exclusively. The rate for the City is significantly lower than that of the state rate, which is 38%, and the federal rate, 35.1%<sup>54</sup>.

#### 5.4 Youth Cannabis Use in the City of Santa Cruz

A significantly higher proportion of youth from Santa Cruz City School District, which encompasses the City of Santa Cruz, have used cannabis at least once compared to the state average<sup>55</sup>. Almost seven percent (6.5%) of seventh grade students from Santa Cruz City School District have used cannabis compared to 4.2%, the California’s average for seventh grade students. The difference between the aforementioned rates (2.3%) might appear small, however

<sup>52</sup> U.S. Census Bureau (2019). American Community Survey 5-Year Estimates Subject Tables. *Santa Cruz city, California, United States*. Retrieved from <https://data.census.gov/cedsci/table?q=&t=Poverty&g=1600000US0669112&tid=ACSSST5Y2019.S1701>, accessed August 18, 2021.

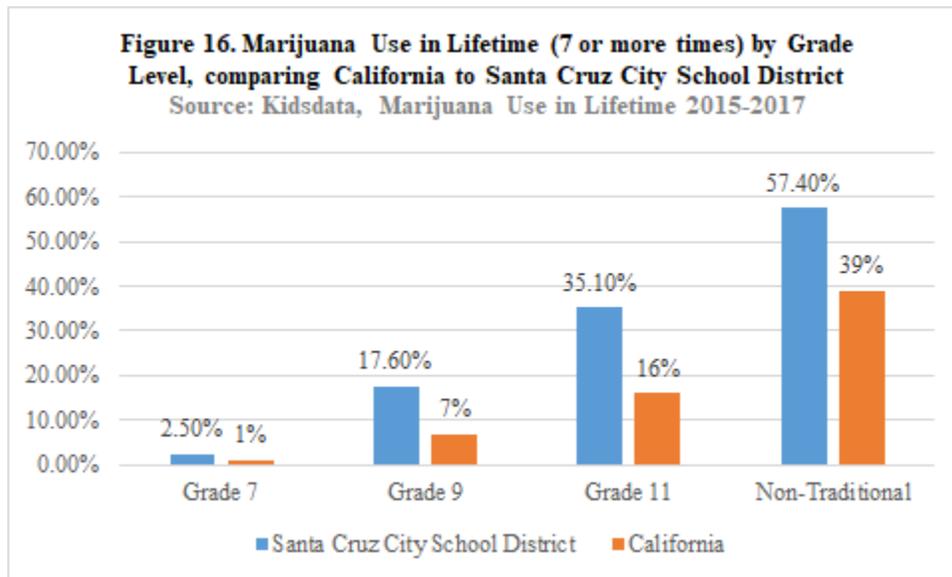
<sup>53</sup> California Department of Education (2019). Student Poverty FRPM Data. Retrieved from <https://www.cde.ca.gov/ds/sd/sd/filessp.asp>, accessed August 18, 2021.

<sup>54</sup> 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=1600000US0669112&tid=ACSSST5Y2019.S2704>, accessed August 20, 2021.

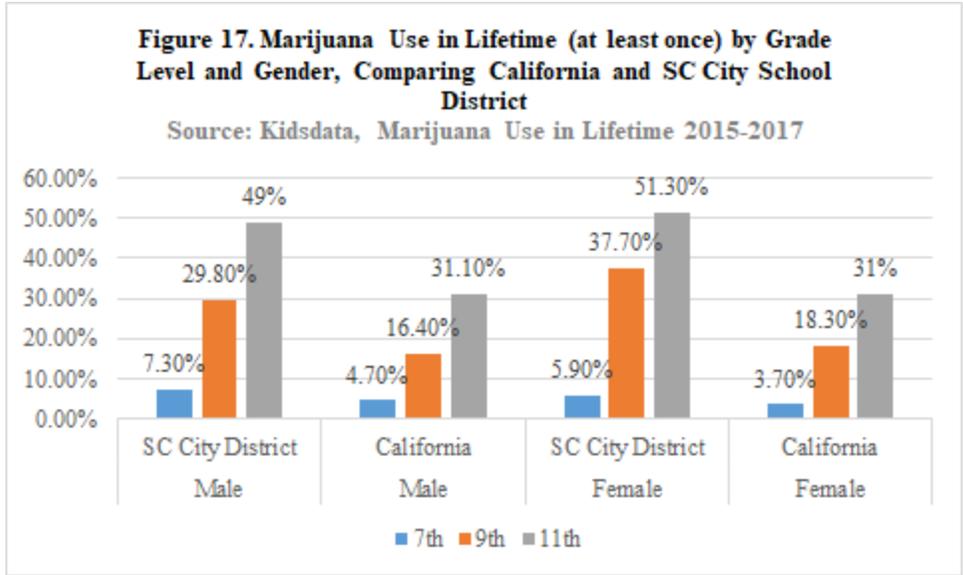
<sup>55</sup> Kidsdata.org (2017). *Marijuana Use in Lifetime, by Grade Level*. Retrieved from <https://www.kidsdata.org/topic/608/marijuana-lifetime-grade/table#fmt=826&loc=2,1317&tf=122&ch=69,305,306,431,748,616,617,618,1004,1005&sortColumnId=0&sortType=asc>, accessed August 20, 2021.

exponential trends in the same direction can be seen for both ninth (16.8% difference) and eleventh grade students (18.4% difference) as all three grade levels in Santa Cruz City School District have higher proportions of their student body that have used cannabis at least once.

Santa Cruz City 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 City of Santa Cruz area that are exposed to cannabis than that of the state (see Figure 16 below). Non-traditional students are defined as those enrolled in community day schools or continuation schools.



Youth cannabis use may be more common for female students than male students in the City of Santa Cruz. State level data for seventh, ninth, and eleventh grade students show little difference in rates of male and female adolescent cannabis use. Santa Cruz City High School Districts' trends are a bit different than that of the state. It's common to see slightly higher rates of ninth grade female marijuana use compared to their male counterparts. However, in the context of the City of Santa Cruz, data shows a significantly higher difference between the male and female rates of lifetime marijuana use during ninth grade, approximately an 8% difference. (see Figure 17 below).



**Section 6. Overview of the City of Santa Cruz Cannabis License Process & Applicants**

Currently, there are 15 active licenses for adult-use and medicinal cannabis in the City of Santa Cruz. These licenses are broken up between five distributor licenses, seven retailer licenses, two manufacturing licenses, and one testing license<sup>56</sup>. Figure 18 is a map of the approved cannabis businesses in the City of Santa Cruz. Figure 19 shows the concentration of approved cannabis businesses within lower income neighborhoods. Figure 20 demonstrates the approved cannabis businesses and the areas that are prohibited from having a cannabis dispensary/retail business and cultivation.

<sup>56</sup> Data provided by City of Santa Cruz (2021). *Cannabis businesses - approved*. Accessed August 23, 2021.

# Approved Cannabis Businesses City of Santa Cruz

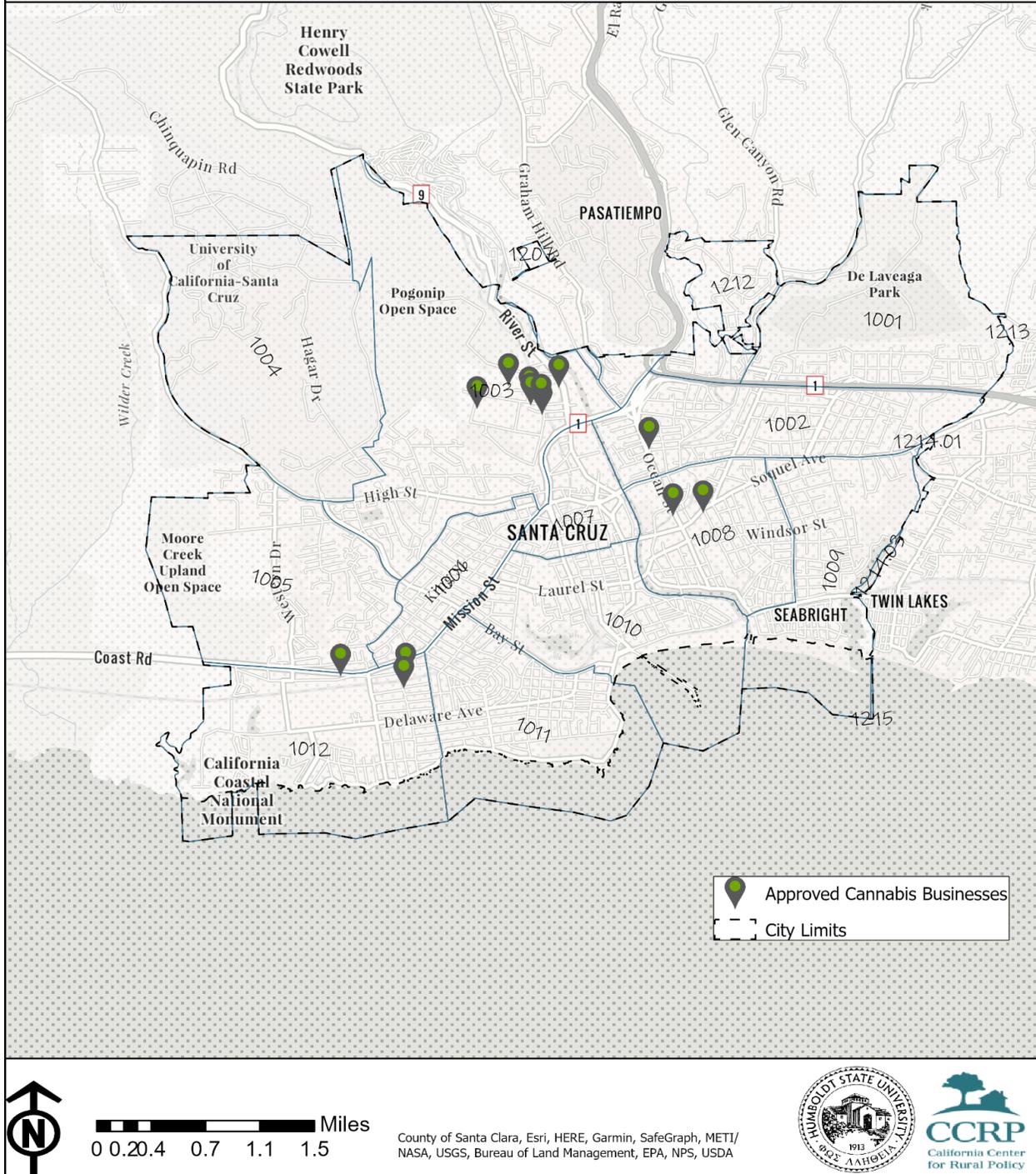


Figure 18. Approved Cannabis Businesses for the City of Santa Cruz.

# Percent of Residents Living in Poverty by Census Tract and Approved Cannabis Businesses The City of Santa Cruz, CA 2019

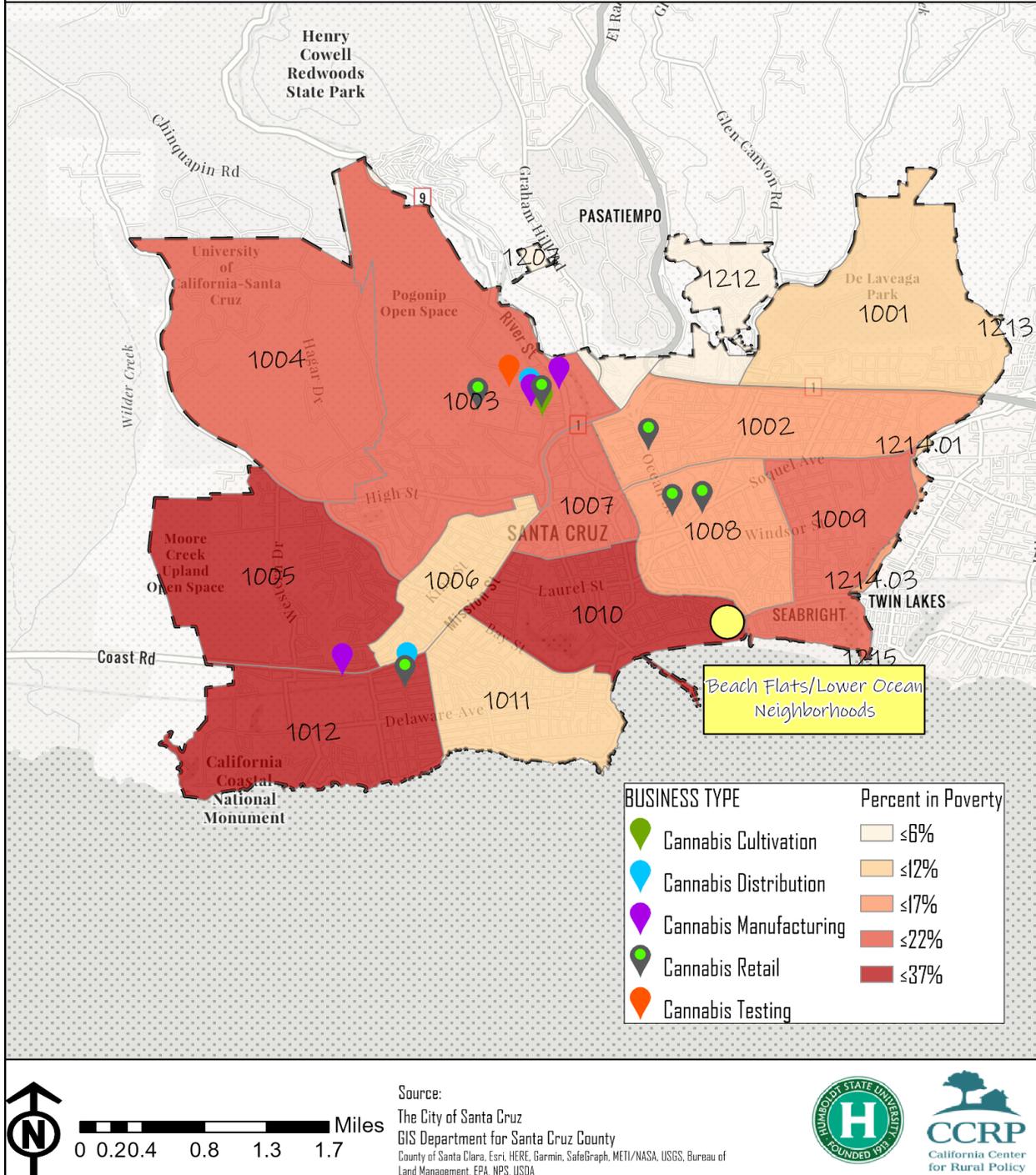


Figure 19. Approved Cannabis Businesses and Poverty Levels for the City of Santa Cruz.

# Cannabis Business Exclusion Areas and Approved Cannabis Businesses City of Santa Cruz, CA

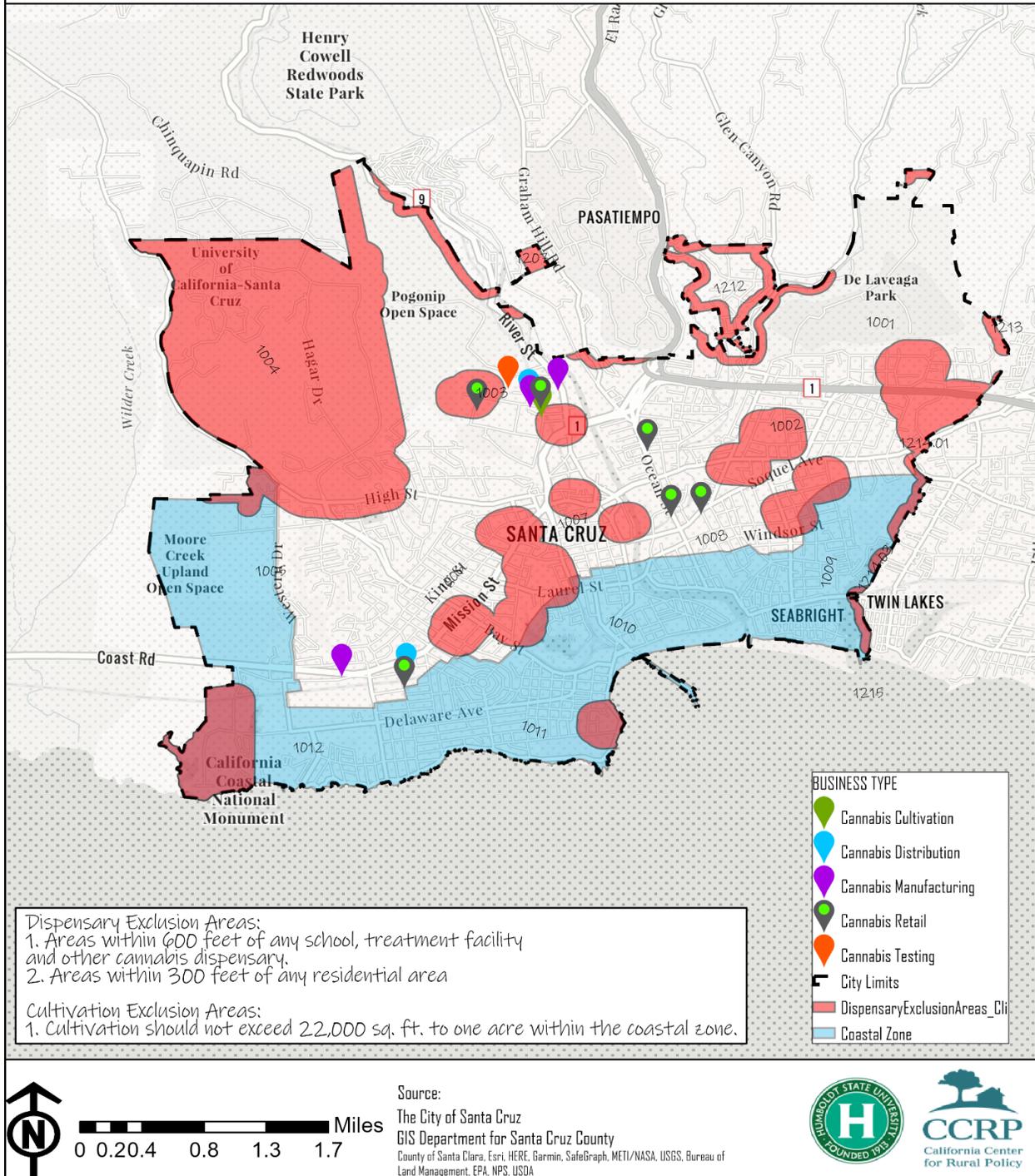


Figure 20. Cannabis Business Exclusion Areas and Approved Cannabis Businesses

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<sup>57</sup>, “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. The City of Santa Cruz’s commercial cannabis licensing process is located with the Planning Division in the Planning and Community Development Department. The City of Santa Cruz’s Planning Division is composed of eight individuals that are responsible for, but not limited to, issuing zoning clearances, reviewing development plans for zoning compliance, and reviewing land use applications. Currently, the City of Santa Cruz is accepting applications to obtain permits for cultivation, manufacturing, and warehouse/distribution activities with an approved Administrative Use Permit from a public hearing. These activities are only allowed in certain designated zoning districts such as I-G (General Industrial) and IG/PER-2 (General Industrial / Performance District).

The City of Santa Cruz also has a licensing structure for cannabis retail businesses, with a specific license process accompanying it. However, the City is not accepting applications for this as a cap on the number of retail licenses in the City is limited to five. As of August 2021, these five retail licenses are occupied. The application process for retail licenses ended on December 14, 2017 and required applicants to obtain both an Administrative Use Permit for the proposed retail location as well as a cannabis license from the state. As there were three medical cannabis retail businesses already operating in the City limits, the City Council decided to grandfather the existing businesses in through the commercial structure and increase the retail license cap to five total commercial cannabis businesses. The City’s Planning Division received approximately 30 applications from individuals interested in opening up a cannabis retail business. As this was expected, the City developed a set of review factors for the purpose of rating each applicant and then distributing the two remaining licenses to the top candidates.

According to Rebecca Unitt from the Economic Development Department and Mike Ferry from the Planning Division, these review factors were designed with an equity lens in mind. Receiving a cannabis retail license meant requiring that all cannabis retail businesses pay employees a living wage and not hinder or discourage employees from forming a labor union in support of

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<sup>57</sup> 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 August 24, 2021.

collective bargaining. Additionally, the applicant was required to demonstrate that they met a minimum of six of the following criteria<sup>58</sup>:

- A majority of the business is owned by individuals who have been local residents for the previous three years;
- The business owner(s), individually or collectively, have a business interest in no more than six other cannabis establishments, including those in other jurisdictions or states;
- A majority of the business is minority- or woman-owned;
- Provides employee benefits, in addition to the full living wage, not discounted for benefits;
- Provides medical cannabis;
- Green business certification through the City's program;
- Carries a minimum of 15% in total shelf space for products produced or grown within 100 miles of Santa Cruz County;
- A majority of the business is employee-owned;
- Maintains an active and transparent banking relationship with a financial institution;
- Other community benefits, described in detail and approved by the Planning Department.

A detailed description of the ordinances and measures specific to the City of Santa Cruz are included in this report (see Section 4.4).

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<sup>58</sup> City of Santa Cruz Planning Department (2017). *Chapter 6.91 CANNABIS RETAILER LICENSES*. Retrieved from <https://www.cityofsantacruz.com/home/showpublisheddocument/64801/637453684076000000>, accessed August 23, 2021.

## Section 7. Barriers to Entry

The section that follows outlines the barriers to entry that equity stakeholders in the City of Santa Cruz face when seeking to transition into the legal cannabis sector. Santa Cruz equity stakeholders face financial, banking, administrative/technical, and business acumen barriers.

### *Financial*

All new businesses face financial requirements to enter a new market. For individuals adversely affected by historical criminalization of cannabis and/or poverty, financial barriers can be difficult to overcome. The application fees, fees for professional studies, traffic impact fees, and the cost of compliance with mitigation measures are significant barriers for smaller scale operations and/or socio-economically disadvantaged populations. Additionally, in the City of Santa Cruz, financial barriers include the costs of making zoning-compliant real estate also compliant with its Building Code.

### *Banking*

According to an article by Josh Adams for New Frontier Data<sup>59</sup>, “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<sup>60</sup> 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. Accessing traditional sources of technical assistance, such as small business development centers, is unviable as they are federally funded. With cannabis still federally illegal, small business development centers cannot assist small cannabis businesses as they risk losing funding.

### *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

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<sup>59</sup> 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.

<sup>60</sup> 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.

barriers to entering a new market. Business education will be particularly important for Disproportionately Impacted Area (DIA) stakeholders because high rates of historical and current poverty indicate that such applicants will likely need and will benefit from education, training and skill-building on how to successfully enter and thrive in the legal cannabis market. Well-resourced and highly educated applicants will have a significant advantage 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.

### *Santa Cruz-Specific Context*

Today, communities impacted historically by cannabis criminalization and the war on drugs in Santa Cruz face two particular challenges in the transition to legal cannabis. Its highly regarded medical cannabis community, centered around the Wo/Man's Alliance for Medical Marijuana (WAMM) and likeminded medical cannabis community service organizations such as the Santa Cruz Veterans Alliance, has been displaced by high capital barriers to entry that accommodate commercially-oriented business plans more readily than compassionate use access networks. In addition, the community of Beach Flats/Lower Ocean, the center of Santa Cruz' Latinx population that has borne the brunt of drug war policing in a city that progressively decriminalized cannabis far earlier than most jurisdictions in California, is home to disproportionately impacted people and family members for whom capital barriers to entry are particularly challenging.

Both of these impacts are especially apparent against the backdrop of Santa Cruz' globally significant history of struggle with and against cannabis criminalization. The City was a significant smuggling port for cannabis imported from Southeast Asia, Mexico, the Santa Cruz Mountains stretching south from the Bay Area to Santa Cruz County, and later California's "Emerald Triangle" between the 1970s and 1996, when Prop 215 was passed. After intense aerial eradication and smuggling crackdowns in the 1980s, its local County cultivation scene became more clandestine relative to its far-Northern California peers in the Emerald Triangle. Small stakeholders remained, breeding innovative cultivars and providing significant care for sick and dying people in the City at the onset of the HIV/AIDs crisis in the 1980s and through the 1990s. The most famous of these, Valerie Corral, co-authored Proposition 215 and the organization she founded as a collective has been recognized as the "gold standard" of the Compassionate Use Act: a truly noncommercial, volunteer-powered provider not just of cannabis, but therapeutic community for medical cannabis patients from all walks of life in the City

## **Section 8. Cannabis Equity Program Recommendations**

### Findings & Recommendations

**Finding #1: The City of Santa Cruz should construct an Equity Program in accordance with the principles of diversity, equity and inclusion found in its Health in all Policies (HiAP) Program.**

The City of Santa Cruz outlines these principles in further detail in a document provided by the Economic Development Department:

The HiAP policy defines “Equity” as both an outcome and a means to an end. It is just and fair inclusion into a society in which all can participate, prosper, and reach their full potential regardless of race, ethnicity, gender identity, sexual orientation, age, disability or functional impairment, or geographic location, or the combination of any of these factors. “Inequities” are unfair, avoidable, and unjust differences that are created when systemic barriers prevent individuals and communities from reaching their full potential. In order to eliminate inequities in health and well-being and attain equity, it shall be the policy of the city of Santa Cruz to apply a “health in all policies” approach and equity practices to the city of Santa Cruz’s decision-making, including policy development and implementation, budgeting, and delivery of services.

**Finding #2: The City should focus its equity program on licensing businesses that facilitate medical product innovation, patient access, data-gathering for patients, and community service.**

**Finding #3: The City should focus on assisting stakeholders from its Disproportionately Impacted Areas, known as the Beach Flats and Lower Ocean neighborhoods, regardless of medical cannabis facilitation.**

**Finding #4: The City should explore expanding its adult-use cannabis retail cap by at least one from its equity-eligible pool of applicants, since one of its retail permits will serve a niche, noncommercial population.**

**Finding #5: The City should explore allowing cannabis lounges to be attached to existing retail locations, to facilitate access to communal spaces and create safe, non-public spaces for residents to consume cannabis.**

**Finding #6: The City should explore allowing cannabis event licenses to create business opportunities for socioeconomically disadvantaged residents with limited access to capital.**

**Event licenses have the lowest capital barrier to entry for all State cannabis licenses, since they do not have to be attached to permanent real estate.**

**Finding #7: 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 Santa Cruz should consider including the tiered combinations of the following eligibility criteria:

- Conviction history associated with nonviolent drug offenses, inclusive of cannabis.
- Immediate family member with a conviction history associated with any drug- or cannabis-related offenses
- Low income status
- Individuals who resided in the City of Santa Cruz for at least three years between 1970-2016
- Veteran status

<b>Criteria</b>	<b>Recommendation</b>
Conviction history	Have been arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis or any other drug (including as a juvenile), or been subject to asset forfeiture between 1985 and 2016.  Have a parent, sibling or child who was arrested for or convicted of the sale, possession, use, manufacture or cultivation of cannabis, or any other drug, between 1985 and the present.
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 Santa Cruz for at least three years between 1996-2016
Veteran status	Give additional consideration to those with veteran status

Table 4. Description of individual eligibility criterion

**Finding #7: 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 newly allowed licenses (retail, consumption lounges, and event licenses) to be distributed only to equity-eligible applicants.
- 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 #8: 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
  - Collection of wage data
  - 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 #9: 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"> <li>1. Waive fees for application assistance trainings</li> <li>2. Deferral of or assistance with payment of application fees for zoning and special use permits</li> <li>3. Waive or defer fees for trainings and certifications required by law</li> </ol>

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

Table 5. 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.

\*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 #10: 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 #11: Update the City of Santa Cruz 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 Santa Cruz's strong transition to a legal cannabis industry.