

# CANNABIS BUSINESS AND EMPLOYMENT OPPORTUNITY STUDY REPORT

Prepared for the Department of Excise and Licenses  
City and County of Denver  
June 2020



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## EXECUTIVE SUMMARY

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It is important to note that the survey and focus groups were conducted well before the effects of the novel coronavirus became widespread. Economic conditions have since changed dramatically, and the impact this will have on cannabis industry market conditions is unknown. Furthermore, revenue shortfalls are forcing state and local governments across the country to operate on reduced budgets, which may impact capacity to implement cannabis social equity programs. It is important to view the information in this report in this context.

### Sources of the Data Underlying This Report

This report is based on a mixed-methods approach that includes key informant interviews, three strategic planning sessions with industry insiders, a broadly distributed internet survey, and secondary data such as arrest and census data for the City and County of Denver. In addition, equity plans and related documents prepared for other jurisdictions were examined.

The online survey was designed to capture the opinions and experience of a broad range of cannabis industry stakeholders, including: the general public; employees and owners of cannabis-related businesses or those serving cannabis-related businesses (e.g. IT); social justice advocates; and others with an interest in the industry.

### Market Conditions

Due to the economic impacts of the global pandemic, market conditions have become much more uncertain across all industries, including cannabis. While cannabis businesses in Colorado have been allowed to remain open during the pandemic as essential businesses, they may be ineligible for federal small business relief dollars, and the steady rate of growth they have seen over the past few years may plateau as the economy retracts. Given this uncertainty, it is difficult to predict how the cannabis industry will be impacted long-term by the pandemic.

### Perceptions of Opportunity in the Cannabis Industry

Most key informants, survey respondents and strategic planning participants described opportunities in the cannabis industry as being limited. Only a little more than half of survey respondents described the employment opportunities in the Denver cannabis industry as good, and just one in ten said the opportunities for ownership were good.

Employees rate the employment opportunities, equity in hiring, ability to overcome the barrier of previous arrest or conviction and the opportunity for ownership significantly less favorably than those who own their own business in the cannabis industry.

### Perceived Barriers to Entry to the Cannabis Industry

The low pay of entry-level jobs was named as the biggest barrier to employment in the industry by the vast majority of respondents. About 40% of respondents cited lack of opportunities to get a foot in the door as a barrier to employment in the cannabis industry, and about one-third of respondents pointed to lack of training in required skills.

Access to start-up capital was named as one of the biggest barriers to ownership by almost eight out of ten respondents. Obtaining real estate or a physical location and the complexity of the regulations were each named by over half of respondents as a barrier.

Employment opportunities, the opportunity to expand or innovate, and the growth of the cannabis industry are each very important to most survey respondents. However, employees rate employment

opportunities as the most important item, whereas owners rate growth as an industry as most important.

Employment opportunities and growth as an industry along with opportunities for expansion or innovation, are strengths of the industry in both sponsoring a sense of satisfaction and the perception that these are important characteristics. They may be important considerations for public messaging about the industry.

### Challenges to Full Participation in the Cannabis Industry

Banking regulations were named as a challenge making it difficult for half of participants to participate in the industry. Other challenges, that arguably may be more readily addressed at the city level, include start-up costs, location or neighborhood restrictions, zoning, limited availability of licenses, and the licensing procedures.

Training in industry best practices, information on how to access capital, and business plan development or accounting help would benefit almost half of survey respondents in order to advance their careers in the industry.

### Social Justice Issues

The online survey asked respondents what social justice issues need most urgently to be addressed. Most comments focused on the following needs:

- Expungement of marijuana-related arrests and convictions;
- Empowering communities disproportionately impacted by the War on Drugs;
- Ensuring entry-level cannabis industry jobs pay a living wage and treat employees fairly;
- Addressing racism, as well as sexism and lack of inclusiveness in the Denver cannabis industry;
- Controlling regulation, opening the licensing process and lowering costs to entry.

### Importance of and Satisfaction with Industry Characteristics

The chart below (and described in detail on page 21 of this report) shows the satisfaction of online survey respondents with characteristics of the Denver cannabis industry relative to their rating of the importance of the same characteristics, on a scale of 1 to 3. The ratio of satisfaction to importance is presented as a measure of prioritization. The higher the ratio of satisfaction to importance, the more important an item is to respondents, given their level of satisfaction.

Opportunities for ownership is the highest priority item, with very low satisfaction relative to its importance rating.

Industry Characteristic	Satisfaction	Importance	Ratio
Opportunities for ownership	1.6	2.5	1.60
Removing barriers of previous arrests or convictions on employment or ownership	1.8	2.4	1.31
Equity in hiring	2.1	2.7	1.28

Opportunities for expansion or innovation (e.g. hemp, manufacturing, IT)	2.2	2.8	1.27
Opportunities for collaboration and partnerships	2.1	2.7	1.26
Growth as an industry	2.4	2.8	1.18
Employment opportunities	2.5	2.9	1.16

### Community Engagement Planning

Most respondents have a Community Engagement Plan (CEP) at their place of work, although a substantial percentage of respondents were not aware of whether their workplace has a CEP. The activities companies implement to fulfill their CEPs are varied, lack coordination and some, such as recycling, have little direct impact on underserved communities.

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## PART I: BACKGROUND

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This report presents the results of a study examining the need for a social equity program to help the Denver cannabis industry achieve equitable ownership and employment opportunities and to decrease disparities for marginalized communities and address the disproportionate impacts of the War on Drugs.

### OBJECTIVES OF THE STUDY

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The study is designed to address five primary research objectives:

1. A point-in-time snapshot of the characteristics of firms, including ownership and employees within the cannabis industry. This snapshot is intended to examine the current status of the industry and identify needs such as training and business technical assistance.
2. Examine business and employment outcomes and conditions to better understand how the city may be able to support and partner with these firms to increase their success and community outcomes.
3. Review any lasting challenges to equitable access and opportunity in ownership, management or employment within these businesses.
4. Identify existing challenges and changes as the cannabis industry matures and evolves; and
5. Analyze historical data of marijuana arrests and convictions to identify and understand possible carry-forward impacts of previous laws and policies, and how they may be impacting business and employments outcomes in the cannabis industry today.

This report is intended to provide a high-level overview of existing business and employment conditions in the Denver cannabis industry as well as a glimpse of cannabis social equity programs in other jurisdictions. The impacts of the coronavirus pandemic on economic conditions and the challenges of collecting data from a relatively small sample size should be considered in conjunction with the information presented in this report.

### The History of Legalization in Denver and the State of Colorado

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When Colorado became a state in 1876, hemp and cannabis were legal. In the Southwest United States however, cannabis was becoming increasingly controversial. The plant was associated with migrant workers and the substance became known as "marijuana." California became the first state to outlaw marijuana in 1913 and Wyoming and Utah followed in the next few years.

In March 1917, Colorado legislators made the use and cultivation of cannabis a misdemeanor; those who broke the law were subject to a fine of between \$10 and \$100 and up to a month in jail. The Colorado Legislature made the sale, possession and distribution of marijuana a felony in 1929, and minorities were the focus of this effort. Val Higgins, a Denver chaplain, told the Rocky Mountain News that the legislation was necessary to control the growing Mexican population. "The use of marijuana came into the state with the Mexicans migrating here for agricultural work," he said. "Its use is growing because of the increasing number of Mexicans and the ease with which most of them have been able to avoid penalties."

By 1970, legislators were arguing for lowering the penalties on cannabis possession and use, and recreational possession was downgraded from a felony to a misdemeanor in the state of Colorado. In contrast, in October 1970, the Federal government classified marijuana as a Schedule 1 controlled substance with no therapeutic value — a status it officially retains today.

Colorado's first medical marijuana bill was introduced in 1979 to enable cancer and glaucoma patients to use medical marijuana. The federal government did not grant approval and this bill was never implemented. After several additional efforts, Colorado approved Amendment 20 in 2000, which made Colorado the first state to legalize medical marijuana in its constitution<sup>1</sup>. However, the Colorado Medical Marijuana Code governing medical marijuana businesses was not adopted by the state legislature until May 2010.

In 2005, the City of Denver became the first major city to decriminalize possession of up to an ounce of marijuana by anyone over the age of twenty. In November 2012, Colorado voters approved Amendment 64, now codified in the Colorado Constitution as Article XVIII, Section 16, legalizing marijuana in the State of Colorado despite the substance's federal illegality.

In December 2012, the Governor created the Amendment 64 Implementation Task Force, whose mission was to “identify the legal, policy and procedural issues that need to be resolved, and to offer suggestions and proposals for legislative, regulatory and executive actions that need to be taken, for the effective and efficient implementation of Amendment 64.”<sup>2</sup> The Task Force issued its Task Force Report on the Implementation of Amendment 64 on March 13, 2013.

### **Efforts at Shaping a More Equitable Industry**

It is important to note that Amendment 64 did not include any social equity provisions, unlike other states that have followed Colorado with cannabis legalization. As a result, the Amendment 64 Implementation Task Force's mission and guiding principles did not include social equity, nor did the report contemplate the need for social equity provisions in licensing. The report did recommend that the Department of Public Safety begin collecting data on marijuana-related arrests and police contacts broken down by race and ethnicity, which has given state and local governments needed data to inform policy decisions.

Since Colorado was the first state to implement a regulatory framework for recreational cannabis—doing so under considerable scrutiny from the federal government—protecting public health and safety and preventing an increase in youth marijuana use were the key priorities at the time. However, Colorado and the City of Denver have begun taking steps to make social equity a priority of cannabis policy.

To incentivize more participation in the industry and to provide more opportunities, Colorado is developing an accelerator program that brings interested individuals from designated economic opportunity zones into the industry. Under the Marijuana Enforcement Division's working rules, “an existing marijuana grower or manufacturer would be paired with a new licensee to offer mentorship, as well as technical and capital support.” Eligibility for this program is limited by geography and limited to manufacturing and cultivation licenses. The state will solidify rules and is expected to begin accepting applications on July 1, 2020.

Another possible avenue into ownership is made possible through delivery and hospitality licenses. Colorado House Bill 19-1234, signed into law last year, allows customers of businesses to consume cannabis onsite, such as in a coffee shop or dispensary tasting room. Colorado House Bill 19-1230, also

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<sup>1</sup> “The History of Cannabis in Colorado...or how the state went to pot.” William Breathes, November 1, 2012 accessed at <https://www.westword.com/news/the-history-of-cannabis-in-colorado-or-how-the-state-went-to-pot-5118475>

<sup>2</sup> [https://www.colorado.gov/pacific/sites/default/files/A64TaskForceFinalReport%5B1%5D\\_1.pdf](https://www.colorado.gov/pacific/sites/default/files/A64TaskForceFinalReport%5B1%5D_1.pdf)

signed into law last year, allows marijuana stores and transporters to obtain delivery permits. However, individual cities have the choice to opt in to allow these hospitality or delivery licenses.

The Denver Department of Excise and Licenses, which issues marijuana business licenses, is also looking for ways to continue promoting social equity through implementing new license types, such as hospitality and delivery licenses. The Department is also exploring ways to remove barriers to market entry and create more equitable opportunities to participate in the industry.

In January 2019, the City of Denver announced a program called “Turn Over a New Leaf,” which provides guidance and technical assistance to individuals seeking to file motions to expunge from their records low-level cannabis offenses that occurred before the legalization of recreational marijuana. Absent a change in state law, the city cannot conduct automatic expungements of records. The city has conducted several Turn Over a New Leaf Clinics to help individuals expunge their records.

In addition, the city has directed marijuana tax dollars to affordable housing projects, youth programs in low-income neighborhoods, and upgrades to city recreation centers. Ashley Kilroy, Executive Director of the Denver Department of Excise and Licenses, pointed to \$9.3 million in cannabis tax revenue that has been used for affordable housing projects in the city, many of which affect communities disproportionately affected by the War on Drugs.

### **Impacts of Legalization on Marijuana Use**

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The Colorado Department of Public Safety Division of Criminal Justice released a Report Pursuant to Senate Bill 13-283 in October of 2018 that detailed the Impacts of Marijuana Legalization in Colorado. This report found that since 2012, marijuana legalization has not impacted graduation or dropout rates in Colorado and, in fact, graduation rates have steadily increased while dropout rates have decreased.<sup>3</sup>

The total number of suspensions, expulsions and law enforcement referrals have also remained consistent post-legalization. However, marijuana was cited as being the most common single reason for school expulsions, at approximately 22%, and law enforcement referrals, at approximately 24%, in the 2016-17 school year.<sup>4</sup>

The most recent available results from the 2017 administration of the Healthy Kids Colorado Survey found that youth marijuana use remains relatively unchanged since legalization.<sup>5</sup> According to the U.S. Centers for Disease Control and Prevention’s High School Youth Risk Behavior Survey (YRBS), teen marijuana use has decreased slightly since legalization. This data reported that 19.6% of Colorado students, at that time, reported currently using marijuana, compared to 19.8% nationally. Furthermore, according to this same study, the percentage of high school students that reported using marijuana in the 30 days prior, dropped 11% from 2011 to 2017. Updated reports from 2019 will be available mid-2020 and youth usage data will continue to be a critical data point in the future direction of cannabis policy.

The number of adults reporting marijuana use has increased between 2014 and 2017, with men reporting getting high more often than women. Young adults ages 18 to 25 were reported as being the most frequent users.<sup>6</sup>

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<sup>3</sup> [http://cdpsdocs.state.co.us/ors/docs/reports/2018-SB13-283\\_Rpt.pdf](http://cdpsdocs.state.co.us/ors/docs/reports/2018-SB13-283_Rpt.pdf)

<sup>4</sup> <https://www.denverpost.com/2018/10/26/colorado-marijuana-impact-report/>

<sup>5</sup> [https://drive.google.com/file/d/1AX\\_2RWWgygGXtGpAGoOMTe84Crzsv62T/view](https://drive.google.com/file/d/1AX_2RWWgygGXtGpAGoOMTe84Crzsv62T/view)

<sup>6</sup> <https://www.denverpost.com/2018/10/26/colorado-marijuana-impact-report/>



## **Impact of Legalization on the Medical Marijuana Industry**

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The number of registered medical marijuana patients in Colorado dropped from 111,030 in 2014 to 81,610 in 2019. This indicates that the legalization of recreational marijuana has had an impact on the medical marijuana market. This is likely because consumers who access cannabis through the recreational market face fewer regulatory hurdles than medical marijuana patients, who are required to visit a physician every year to renew their recommendation and who are required to pay a \$25 application-processing fee<sup>7</sup>.

## **Impact of Legalization on Tax Revenue**

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The 2018 Colorado Department of Public Safety Impacts of Marijuana Legalization report also evaluated tax revenue, stating that the amount generated in taxes and fees for Colorado in 2018, on marijuana sales of \$1.5 billion, was equivalent to roughly 1% of the state budget. Colorado has three main cannabis taxes, which include a 2.9% sales tax on medical marijuana, a 15% special sales tax on retail marijuana and a 15% excise tax on retail marijuana. The sales tax on medical marijuana goes entirely toward Colorado's marijuana tax fund and is then distributed to government functions, including education, public health, construction, law enforcement and others. The special sales tax is divided between the general fund and a silo for local governments. From the excise tax, the first \$40 million goes to school construction and the remaining amount goes toward the Public School Permanent Fund. Furthermore, local municipalities can also place their own taxes on marijuana. The City of Denver, for example, places the standard sales tax of 4.31% on medical marijuana and 9.81% on retail marijuana, including the 4.31% standard sales tax and a 5.5% special sales tax on retail marijuana. The City of Denver has allocated \$12.8 million of this sales tax revenue towards education between 2014 and 2018. This money went toward funding eight different youth diversion programs and substance prevention programs at 15 different schools. Furthermore, in 2019 Denver also put \$3.1 million from marijuana sales tax revenue toward opioid intervention programming, approximately \$11.2 million for the affordable housing fund and \$8.9 million for deferred capital maintenance<sup>8</sup>.

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<sup>7</sup> <https://www.medicalmarijuanainc.com/news/colorado-after-legalization-statistics-what-they-mean/>

<sup>8</sup> <https://www.medicalmarijuanainc.com/news/colorado-after-legalization-statistics-what-they-mean/>

## PART II: DATA SOURCES UNDERLYING THIS REPORT

This report is based on a mixed-methods approach that includes key informant interviews, three strategic planning sessions with industry insiders, a broadly distributed internet survey and secondary data such as arrest and census data for the City and County of Denver. In addition, equity plans and related documents prepared for other jurisdictions were examined.

Data Source	Number or Type
Key Informant Interviews	23 interviews with business leaders, employees of the industry, social justice advocates, city and state staff, staff at associations and businesses serving the industry
Stakeholder Sessions	3 Sessions with approximately 35 participants
Public Forums	2 Forums with approximately 100 participants
Online Survey	316 respondents
Equity Plans from other communities	Approximately 14 plans or plan evaluations <b>State plans</b> including CA, CT, FL, MD, MA, IL, OH and PA; <b>City plans</b> including Cambridge, MA; Long Beach, CA; Los Angeles, Oakland, Sacramento and San Francisco, CA; Somerville, MA; <b>Other plans</b> including Minority Cannabis Business Association’s Model Municipal Social Equity Ordinances (July 1, 2019)
Secondary Datasets	U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates for the County of Denver; City and County of Denver, Denver Police Department Crime Data, Marijuana Enforcement Division Occupational Badge Data

### INDIVIDUAL KEY INFORMANT INTERVIEWS

From October 11-22, 2019, the city’s Department of Excise and Licenses provided Analytic Insight with the names and contact information including 43 phone numbers of 48 people who agreed to be contacted for key informant interviews. The key informants had expertise in cannabis regulation, business, and equity or social justice. On February 14, 2020, the city again provided a list with names and contact information of 37 people, many who were included in the previous communications. A total of 23 interviews were conducted based on these lists.

### STAKEHOLDER SESSIONS

The City held three stakeholder sessions in October and November of 2019:

- a. 10/25/2019 with approximately 10 people
- b. 10/28/2019 with approximately 10 people
- c. 11/13/2019 with approximately 15 people

Stakeholder sessions were announced in a public Marijuana Informational Bulletin on June 19, 2019, which was delivered to 1,084 email addresses and had a 46.5% open rate. Members of the industry were encouraged to contact Excise and Licenses to participate. Approximately 25 people responded and were invited to attend. An additional (approximately) 35 people were invited to participate based on recent interactions with the department of Excise and Licenses and the Cannabis Process Navigator.

## **PUBLIC FORUM**

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In order to collect additional feedback from the Denver community, the City held two public forums in October 2019, with approximately 25 people attending on October 26 and approximately 75 people attending on October 28. The invitation for those public forums was sent through an Excise and Licenses bulletin on October 18, 2019 and through individual emails. The City estimates that it invited over 1,300 people (email addresses) to participate. The bulletin had a 47% open rate (585 opened emails).

### **Facebook & Eventbrite**

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The City created events on Facebook and Eventbrite for the public forums. On Eventbrite, 43 people confirmed their attendance for the first forum and 66 confirmed their attendance for the second. On Facebook, 10 people indicated they were interested in the first event and three people confirmed attendance; five people indicated they were interested in the second event and six people confirmed attendance.

The Facebook invitations can be viewed here:

<https://www.facebook.com/events/1412808682221704/>

<https://www.facebook.com/events/2485678791695573/>

The Eventbrite invitations can be viewed here:

[RSVP to this event](#)

[RSVP to this event](#)

## **ONLINE SURVEY**

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On November 13, and December 6, 2019, the City sent two Marijuana Informational Bulletins to 1,246 email addresses asking cannabis industry members to participate in the online survey. Respectively, the open rate was 42.2% and 41.2%, which amounts to more than 500 people, with a combined click rate of 12% (approximately 149 clicks) on the survey link.

On February 18, 2020, to increase participation in the survey, the City sent out another bulletin asking for industry participation. This bulletin was sent to 1,248 email addresses, had an open rate of 43.5% and a 9% click rate. In addition, on February 18, the City emailed 539 email addresses associated with active marijuana licenses in the City's licensing database. Through all these efforts, the online survey gathered 316 completed surveys.

## **SECONDARY DATA SETS**

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In addition to data collected, this report makes use of data from several sources. The Marijuana Enforcement Division (MED) issues MED Occupational Licenses to employees within medical and retail marijuana facilities. The Colorado Marijuana Enforcement Division: 2019 Mid-year Update provides information on the number of marijuana business licenses, occupational badges and ownership applications, as well as figures on production and consumption.

Up until January 1, 2020, there were two types of MED Occupational Licenses. A Support Employee license cost was \$75 and enabled the holder to work in the industry without making operational decisions. Most occupational license holders are in this category. A Key Employee was qualified to make operational or management decisions that directly impacted the business but does not have an ownership interest (e.g. a supervisor or manager). The cost of a Key Employee occupational license was \$250. Beginning January 1, 2020, Support and Key occupational licenses were collapsed into one license type, called an Employee License, which costs \$100. There is no longer any distinction between Support and Key employees.

Up until November 1, 2019, all owners were required to obtain an Associated Key License through the Marijuana Enforcement Division (MED). In order to qualify, owners were required to meet a series of statutory requirements that include age, residency and criminal and other background requirements. Beginning November 1, 2019, the state changed its definition of ownership such that only individuals with control over the business or beneficial ownership of more than 10% of the business are required to obtain an Owner License.

In 2018, the MED collected demographic information on the occupational license applications. The option to respond to the information was entirely voluntary. The information collected through this process can be found on page 18 of this report.

Other data sets used in this report include the Colorado Department of Revenue's Marijuana Sales Reports, the Denver Police Department Arrest Data and Census data. Reports from Marijuana Business Daily and other published sources are also cited.

## LIMITATIONS OF THE DATA

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Each of the original data collection methods relied on the relationships between individuals and the City of Denver. Participants in the illicit market may have been more difficult to reach or more reluctant to participate in research activities.

Although race and ethnicity are issues that are the foundation of equity planning, the online survey offered ambiguous results regarding the race or ethnicity of respondents. In order to maintain comparability with U.S. Census Bureau methodology and accurately represent the full spectrum of people's backgrounds, the question regarding race and ethnicity offered each respondent the opportunity to select multiple races and ethnicities. Over half of respondents chose multiple races and about 15% chose more than three. This means that each racial category is comprised of individuals that identify with multiple races. Therefore, findings from the collection of original data regarding race are subject to interpretation.

About half of the key informants we contacted either did not receive or chose not to respond to an email and/or phone request for an interview. Response rates to online surveys are often difficult to assess. Because survey invitations were distributed widely through list serves and a printed card with the link and QR code leading to the survey, an unknown number of persons received the invitation and declined to participate.

## OVERVIEW OF THE LANDSCAPE OF THE CANNABIS INDUSTRY

### CANNABIS SALES REVENUE

There are distinct policies in Colorado regulating medicinal cannabis, recreational cannabis, and hemp. In 2014, combined recreational and medical sales totaled \$683.5 million, and in 2019 combined revenue from sales tax, license and fee revenue reached \$1.02 billion. Over the 5-year period, recreational sales generated 78% of cannabis sales revenue. The most recently published sales data shows that 2019 sales totaled \$1.74 billion<sup>9</sup>.

The table below shows sales from medical and retail marijuana stores by calendar year starting in January 2014. Although sales of medical marijuana began prior to 2014, the Colorado Department of Revenue (CDOR) could not systematically track sales until January 2014.

#### Marijuana Sales in Colorado

Calendar Year	Marijuana Sales by Calendar Year	Total Marijuana Sales Since Jan 2014
2014	\$683,523,739	\$683,523,739
2015	\$995,591,255	\$1,679,114,994
2016	\$1,307,203,473	\$2,986,318,467
2017	\$1,507,702,219	\$4,494,020,686
2018	\$1,545,691,080	\$6,039,711,766
2019	\$1,747,990,628	\$7,787,702,393
2020 (Jan – Mar)	\$438,805,319	\$8,226,507,713

### ARREST AND PAROLE RECORDS

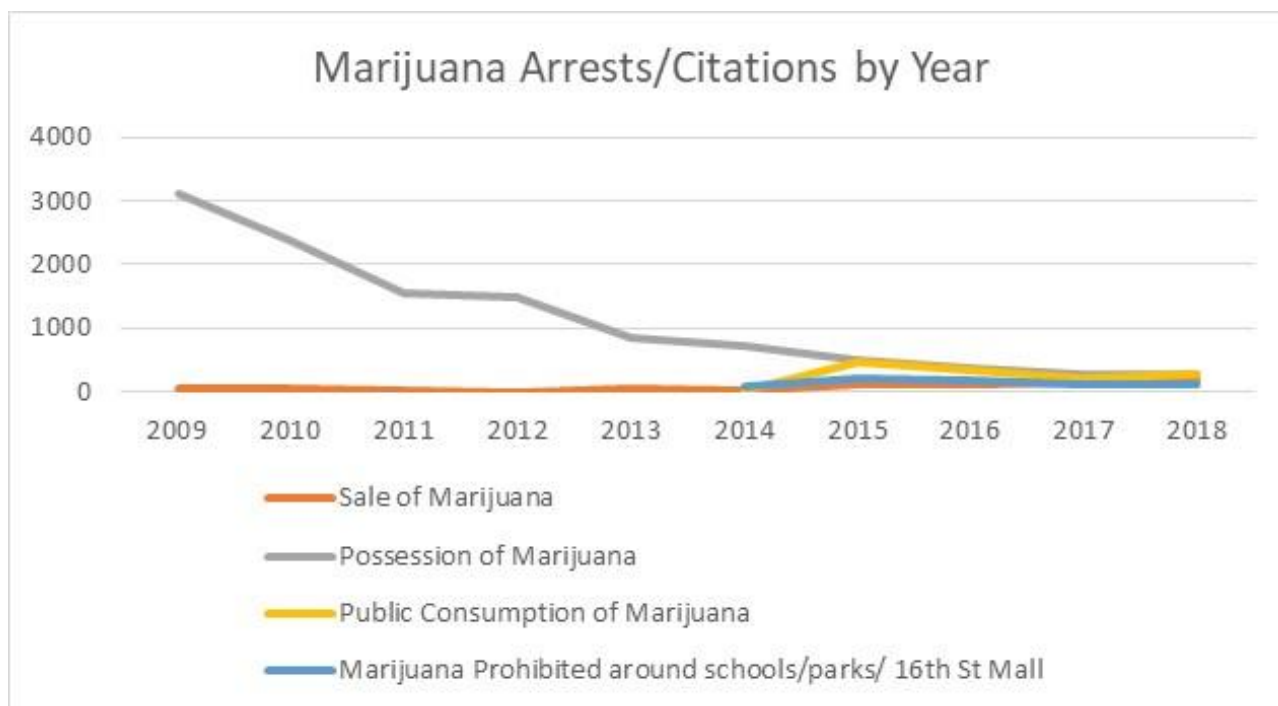
The differential impact of drug policy on racial minorities is an ongoing problem. The report “Impacts on Marijuana Legalization in Colorado” provides a comprehensive analysis using data collected and provided by various local, state and national sources. Former Governor of Colorado, John Hickenlooper, stated “this is exactly the kind of data collection we need to inform our regulatory and law enforcement framework... we now have that ever-critical baseline from which we can spot trends so Colorado’s leaders understand where our efforts are succeeding and identify areas where we need to focus additional research, resources or even new policy.” The full study can be found online at [https://cdpsdocs.state.co.us/ors/docs/reports/2018-SB13-283\\_Rpt.pdf](https://cdpsdocs.state.co.us/ors/docs/reports/2018-SB13-283_Rpt.pdf)

<sup>9</sup> Colorado Department of Revenue, Marijuana Sales Reports Accessed at <https://www.colorado.gov/pacific/revenue/colorado-marijuana-sales-reports>

The report found racial disparities in the arrests of adolescents aged 10-17. Juvenile marijuana arrests decreased for white adolescents by 8% between 2012 and 2014, while arrests for African American and Latino adolescents increased by 58% and 29% respectively.

Keith Humphreys, a psychologist and professor who studies drug policy at Stanford University, theorizes that the marijuana businesses themselves may play a role in who gets arrested, stating “the emerging legal marijuana industry is overwhelmingly white-owned and white-dominated, and provides good access to white customers... so one possibility is that that leaves the illegal market disproportionately composed of people of color, both the buyers and the sellers.”

As shown below marijuana arrests and citations, where marijuana is identified as the primary charge at the time of arrest, have declined sharply for possession during the period post-legalization; however arrests for public consumption of marijuana began in 2014, rose sharply in 2015 and have shown a small, but significant decline in subsequent years<sup>10</sup>.



### Changes in Marijuana-Related Arrests

Marijuana arrests in Denver, mostly for sales and possession, dropped by half from 2012 to 2017, decreasing to 6,153 from 12,709. Arrests for growing the plant, however, increased approximately 73% with 80,926 plants seized in 2017. The total number of marijuana industry-related crimes stayed approximately the same, making up a small portion of overall crime. The most common industry-related crime was burglary which accounted for 59%percent of all industry-related crime in 2017.

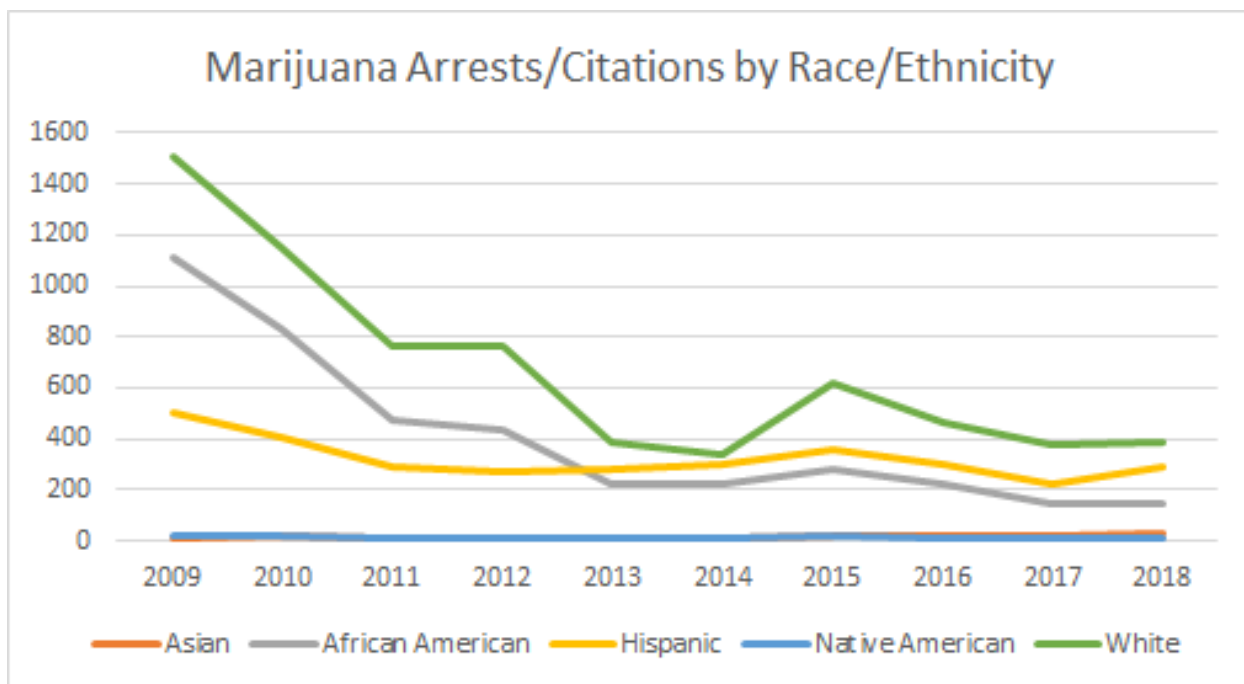
According to the Colorado Bureau of Investigations’ report, all forms of violent crime in Colorado steadily increased from 2012 to 2017, with violent crimes increased by 25% from 2013 to 2017 and

<sup>10</sup> Denver Police Department Arrest Data

property crimes also rising during this time<sup>11</sup>. Filings for juveniles under the age of 18 remained the same as pre-legalization<sup>12</sup>.

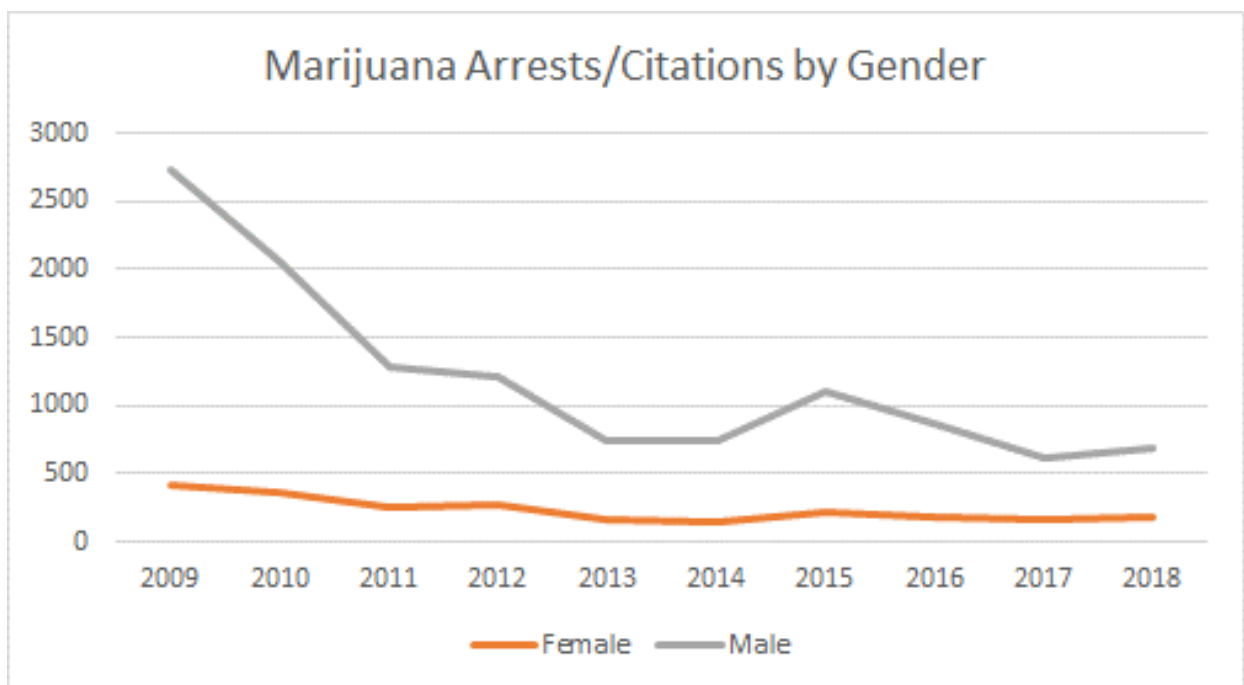
### Changes in Marijuana Arrests and Citations by Race and Ethnicity

Marijuana-related arrests and citations declined sharply for both white and African American Denver residents but remained relatively consistent for Hispanics.



### Gender

Arrests and citations declined more sharply for males, resulting in a narrower gender gap.



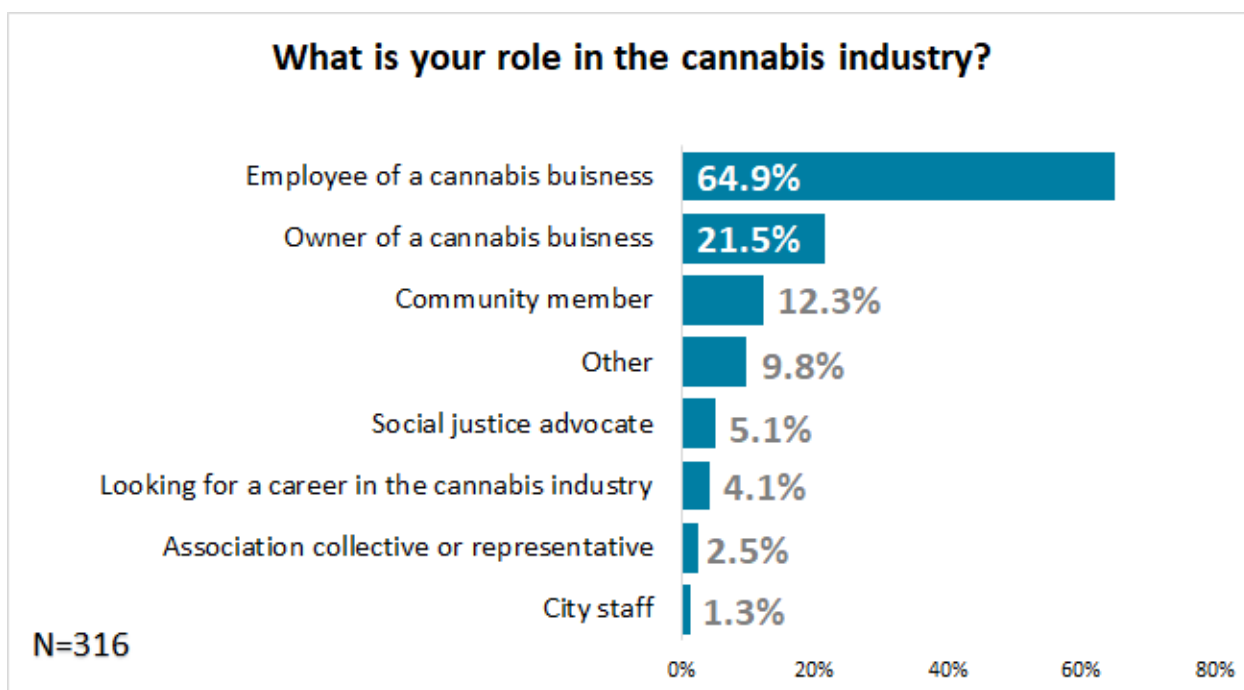
## ONLINE SURVEY RESULTS

The online survey was designed to capture the opinions and experience of a broad range of cannabis industry stakeholders, including the general public, employees and owners of cannabis-related businesses or those serving cannabis-related businesses (e.g. IT), social justice advocates, and others with an interest in the industry.

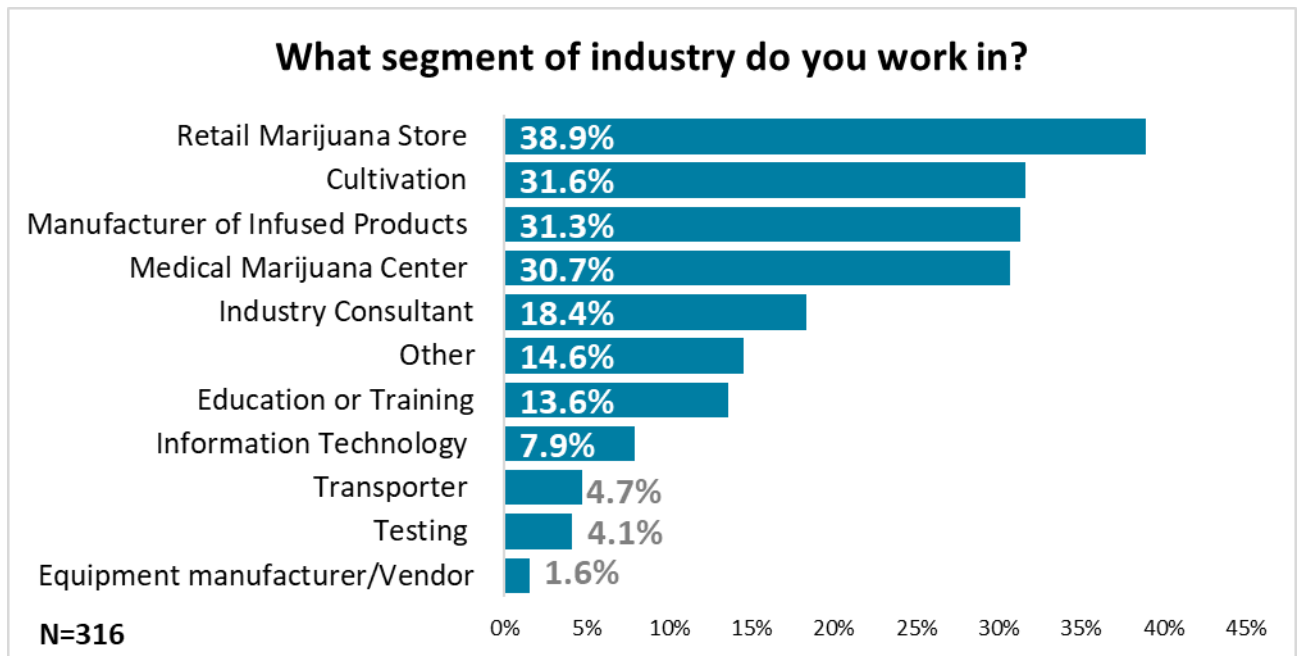
### Industry Characteristics

#### FIRMS AND OWNER INFORMATION

Most survey respondents were employees (64.9%) or owners (21.5%) of cannabis businesses and about 10% said they were community members. Respondents who work in the industry represented a wide range of segments. Note that percentages do not add to 100% because respondents were invited to choose all that apply.

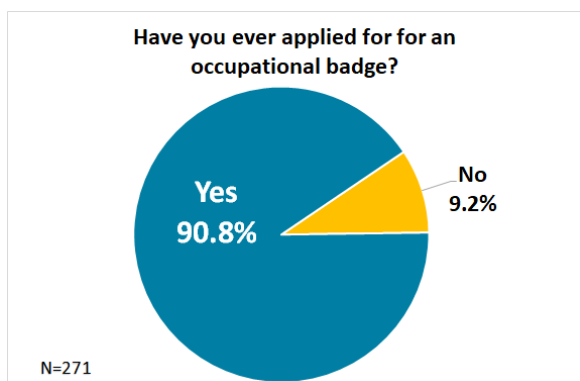
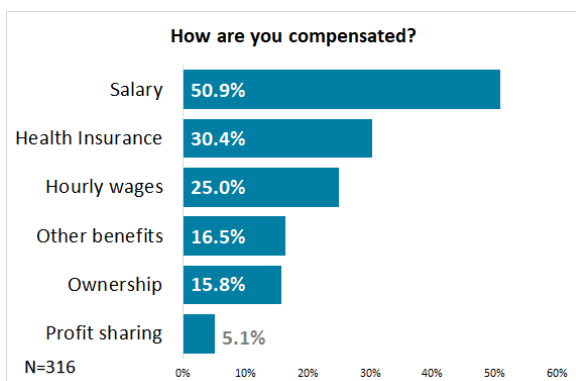
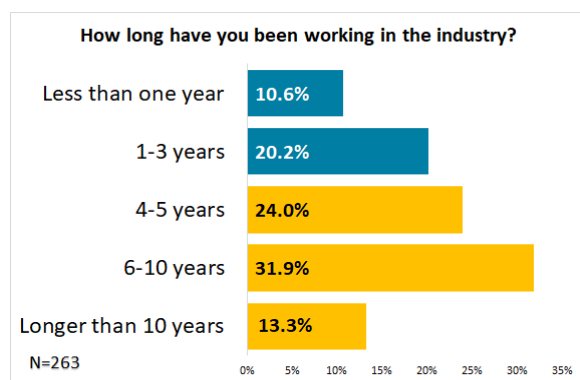
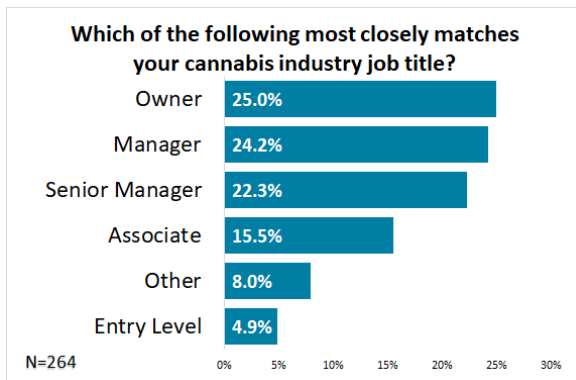






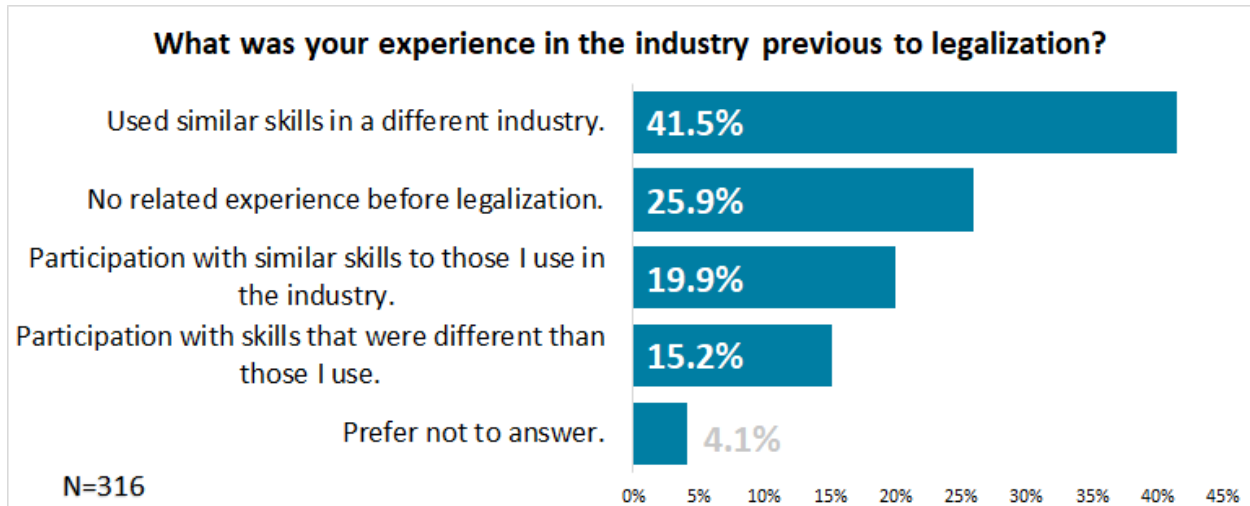
#### ROLE IN THE INDUSTRY

Respondents represent a variety of job titles. About one in four respondents are paid by hourly wages and about half receives health insurance as part of their compensation package. Over two-thirds of respondents (69.2%) have worked in the industry for four years or longer.



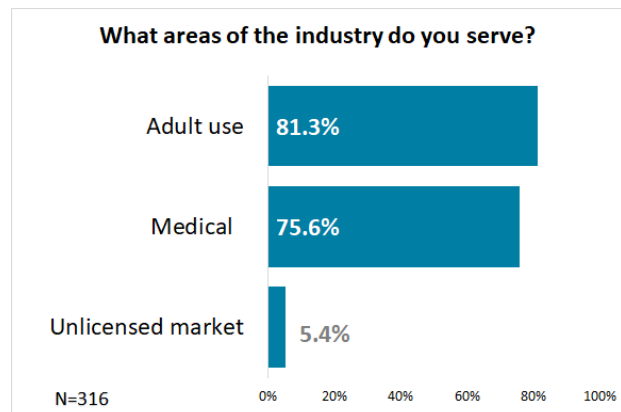
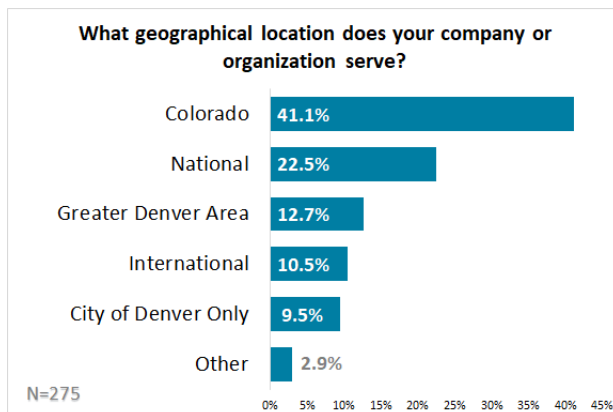
**EXPERIENCE PRIOR TO LEGALIZATION**

Almost half of participants bring skills from other industries to their work in cannabis. Almost half (41.5%) used similar skills in a different industry and just one in four (25.9%) had no related experience before legalization.



**INDUSTRY SPECIALIZATIONS**

Respondents brought a broad perspective to the survey. Most respondents are active in other parts of the state, and many in national and international markets. The “other” category included a city other than Denver and other Northern Colorado locations. Many respondents serve both adult-use and medical marijuana, and about 5% serve the unlicensed market.

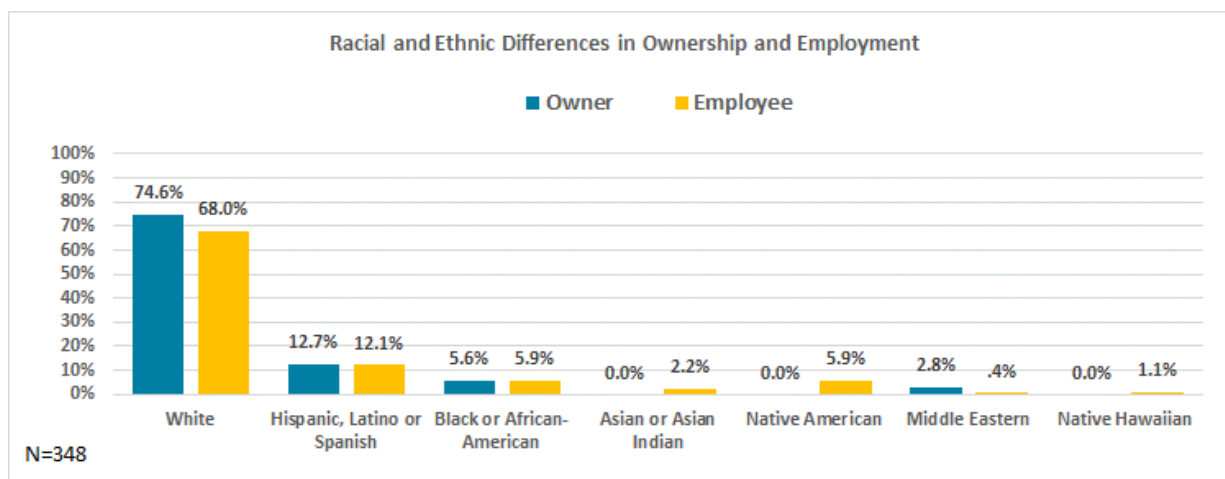


**OWNERSHIP DIVERSITY**

Among online survey respondents, 75% of owners are white, as compared with 68% of employees. Black or African American respondents represented about 6% of both owners and employees. Hispanic, Latino or Spanish respondents represented about 13% of owners and 12% of employees. This is in comparison to the 2017 Census that shows about 9.5% of the city’s residents are Black or African American and 30.5% are Hispanic or Latino. In comparison, the Colorado Marijuana Enforcement Division’s (MED) 2018

demographic licensee information shows that Caucasians held 70% of support licenses, compared to almost 6% for African Americans and 15% for Hispanic/Latino license holders; 79% of key licenses, compared to a little over 3% for African Americans and 11% for Hispanic/Latino license holders; and 88% of associated key licenses, compared to slightly over 2% for African Americans and 5% for Hispanic/Latino license holders. An explanation of the difference between the different types of occupational licenses can be found starting on page 10.

It should be noted that the small sample size obtained through the survey for most racial and ethnic minorities means that these percentages should be interpreted with caution. There was a total of 20 Black or African American respondents in the sample who answered this question. Additionally, the data collected through the Colorado MED was through a voluntary process. Over 26% of applicants chose to not disclose their race/ethnicity.



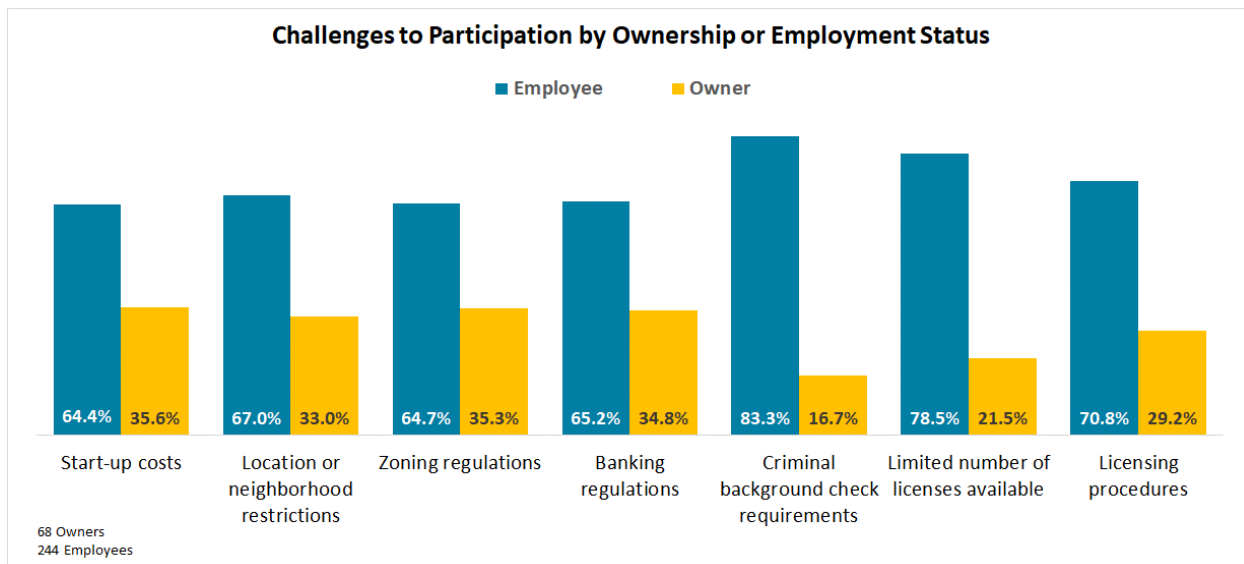
When a small sample size makes results difficult to interpret, other research helps to provide confirmation. A 2017 *Marijuana Business Daily* survey, which included responses from 389 marijuana business owners and founders, found that 19% of respondents who launched a cannabis business and/or have an ownership stake in a marijuana company are racial minorities. (It is important to note that this includes any ownership interest. For example, 20% of a business may be controlled by a racial minority, meaning the business has a minority owner but is not minority-owned.<sup>13</sup>) The online survey results show that in Denver roughly 25% of respondents who consider themselves owners are ethnic minorities. These results align with the MED’s demographic data and *Marijuana Business Daily’s* survey.

The *Marijuana Business Daily* study also noted that the percentage of minority-owned cannabis companies varied significantly by industry sector and business stage. Over half of respondents had ownership stakes in ancillary marijuana businesses such as marketing firms or law offices, businesses which require less capital than most cannabis businesses and which do not require an occupational badge or license. Furthermore, the income generated by the businesses varied from zero to over \$100,000.

<sup>13</sup> “Percentage of cannabis business owners and founders by race,” *Marijuana Business Daily*, September 11, 2017. Accessed at <https://mjbizdaily.com/chart-19-cannabis-businesses-owned-founded-racial-minorities/>

**DIFFERING CHALLENGES FACED BY OWNERS AND EMPLOYEES**

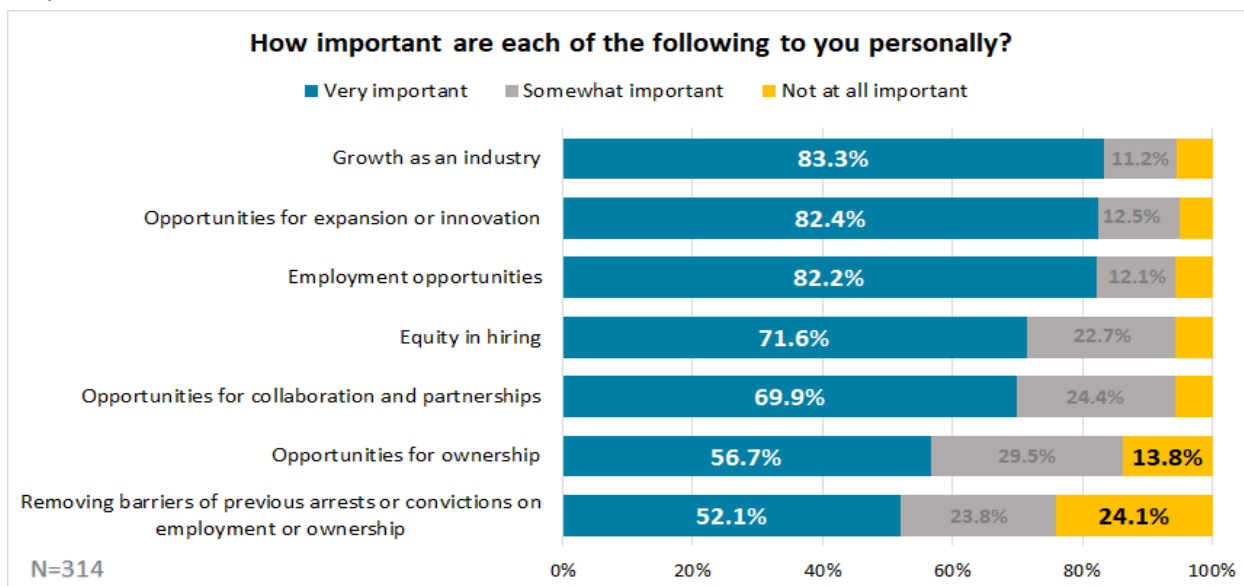
Employees are far more likely to see barriers to industry participation. The greatest discrepancies are regarding criminal background check requirements, the limited number of licenses available, and licensing procedure.



**Personal Importance of Industry Ideals**

Growth of the cannabis industry, opportunities for expansion or innovation, and employment opportunities are each very important to over 80% of survey respondents. All the elements shown below were rated as very important by more than half of all respondents.

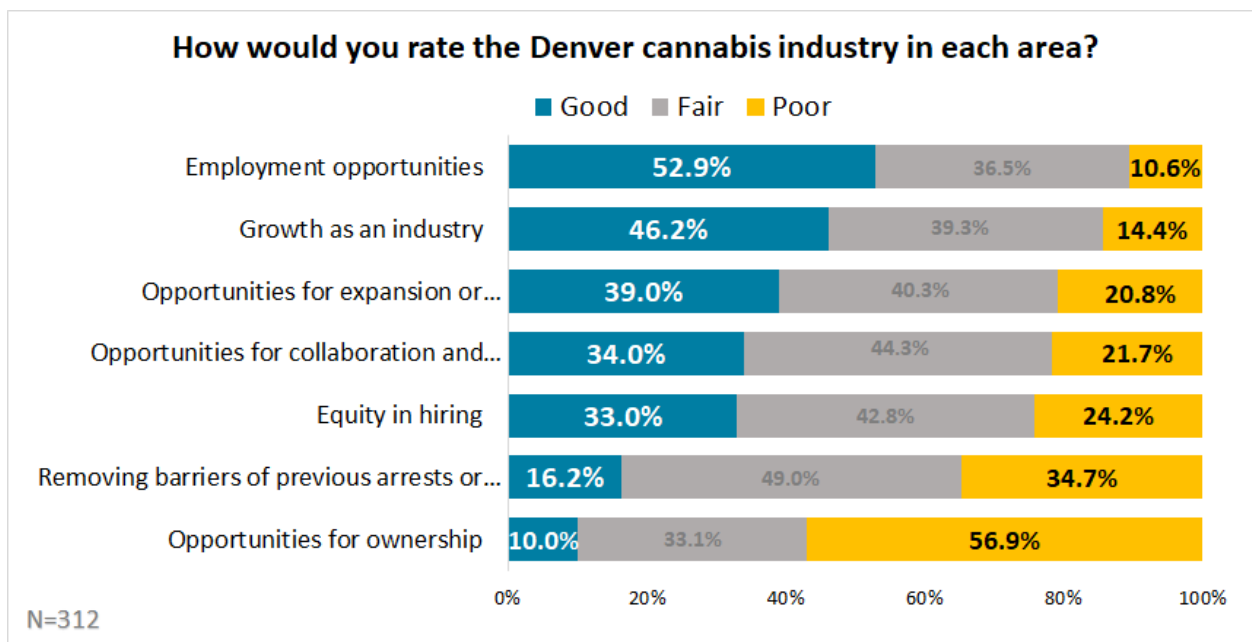
Removing arrest and conviction barriers was unimportant to almost one in four respondents. These respondents were more likely to be owners and more likely to describe their racial identity as white only.



## THE DENVER CANNABIS MARKET

### Perceptions of Opportunity in the Denver Cannabis Industry

Most key informants described the opportunities in the industry as being limited. A little more than half of online survey respondents described the employment opportunities in the Denver cannabis industry as good, and just one in ten (10%) said the opportunities for ownership were good.



Key:

- Employment Opportunities
- Grow as an industry
- Opportunities for expansion or innovation (e.g., hemp, manufacturing, IT)
- Opportunities for collaboration and partnerships
- Equity in hiring
- Removing barriers of previous arrest or convictions on employment or ownership
- Opportunities for ownership

### Satisfaction with the Most Important Characteristics

The chart below shows the satisfaction of online survey respondents with characteristics of the Denver cannabis industry relative to their rating of the importance of the same characteristics. This type of matrix is often used to prioritize survey findings.

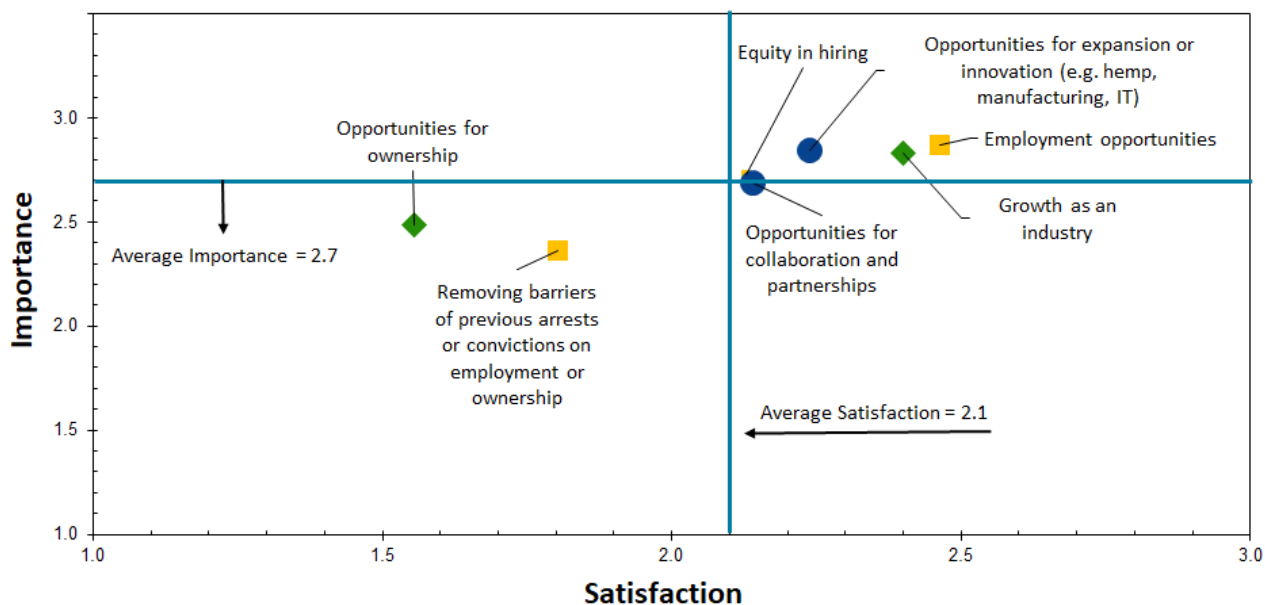
Two blue lines divide the box into four quadrants. The horizontal line is placed at the level of the average importance rating (2.7), with 3 being the most important. All the markers below this line are below average in their importance rating, and those that are above the line are rated as being of higher than average importance. The blue vertical line marks the average satisfaction rating of 2.1, with 3 being most satisfied. The markers that are to the right of the line elicited higher than average ratings in terms of the quality of that characteristic in the Denver cannabis market.

The characteristics shown on the chart form a linear pattern, with the trend that the higher in importance, the higher in satisfaction. The two items rated lowest in satisfaction (opportunities for ownership and removing barriers of arrests) are also rated lowest in importance. These items may be rated lowest due to the nature of the average – many people may perceive that they are not personally impacted by ownership opportunities in the current cannabis industry, and many may not have a previous arrest. However, it is encouraging to see that the characteristics that are of the greatest import are also rated as being most satisfactory.

Equity in hiring and opportunities for collaboration are each of similar importance and satisfaction. Relative to the items that are similar in importance, they are rated to be of low current satisfaction and may be items to prioritize.

Employment opportunities and growth as an industry, along with opportunities for expansion or innovation, are strengths of the industry in both sponsoring a sense of satisfaction and the perception that these are important characteristics. They may be important considerations for public messaging about the industry.

**Importance-Satisfaction Matrix for Industry Characteristics**



The table below shows the same data as presented in the previous chart. The ratio of satisfaction to importance is presented as a measure of prioritization. The higher the ratio of satisfaction to importance, the more important an item is to respondents, given their level of satisfaction.

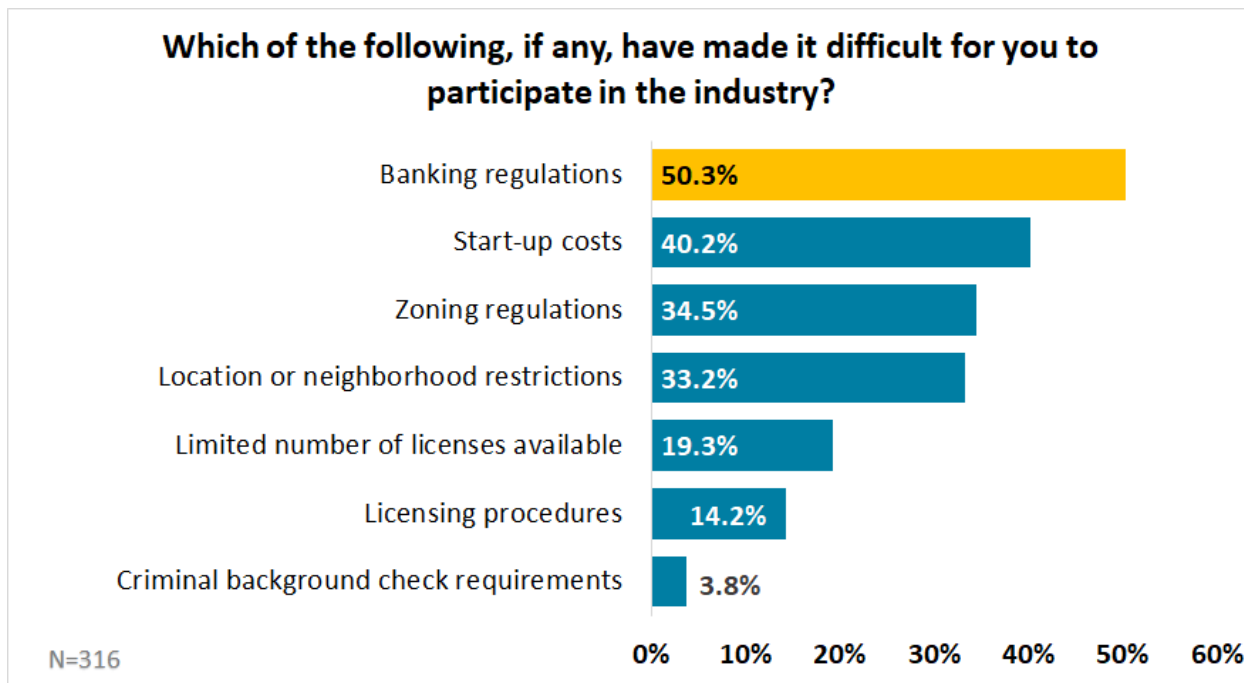
Opportunities for ownership is the highest priority item, with very low satisfaction relative to its importance rating.

Industry Characteristic	Satisfaction	Importance	Ratio
Opportunities for ownership	1.6	2.5	1.60
Removing barriers of previous arrests or convictions on employment or ownership	1.8	2.4	1.31
Equity in hiring	2.1	2.7	1.28
Opportunities for expansion or innovation (e.g. hemp, manufacturing, IT)	2.2	2.8	1.27
Opportunities for collaboration and partnerships	2.1	2.7	1.26
Growth as an industry	2.4	2.8	1.18
Employment opportunities	2.5	2.9	1.16

### Challenges to Full Participation in the Cannabis Industry

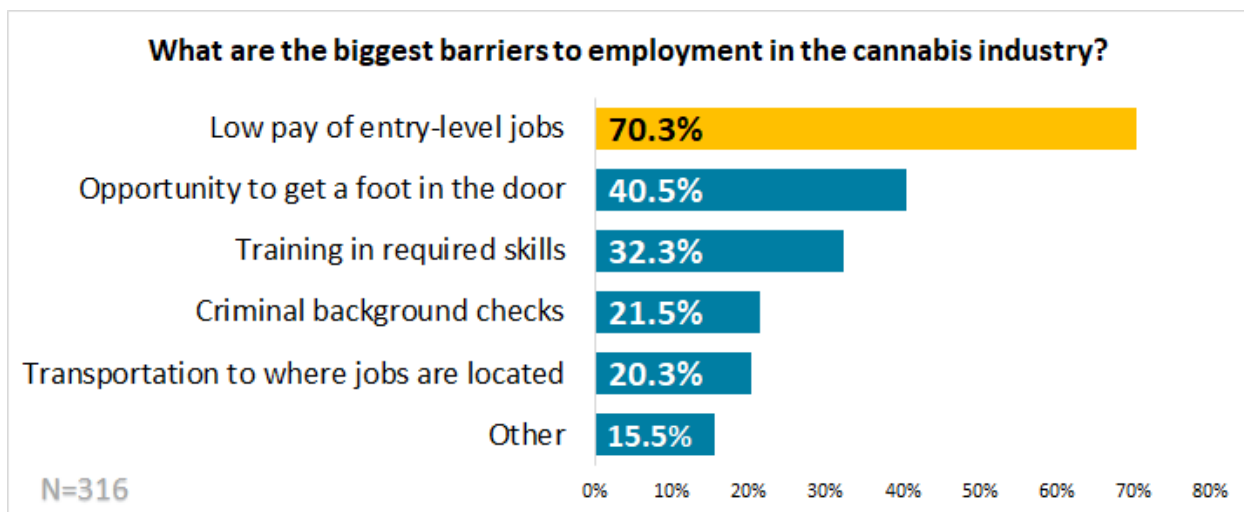
Banking regulations were named as a challenge, making it difficult for half of participants to participate in the industry. Other challenges include start-up costs, location or neighborhood restrictions, zoning, limited availability of licenses, and the licensing procedures.

Criminal background checks were a personal challenge for less than 5% of respondents.



### Perceived Barriers to Employment in the Cannabis Industry

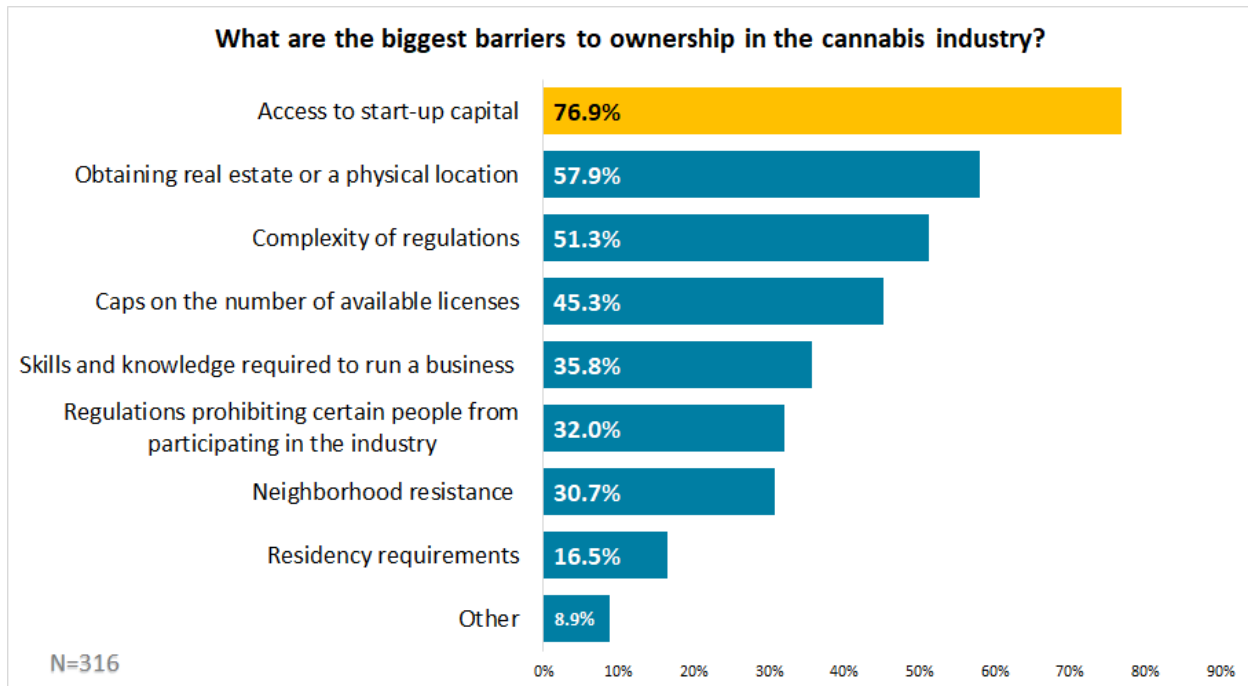
The low pay of entry-level jobs was named as among the biggest barriers to employment in the industry by almost three out of four respondents.





### Perceived Barriers to Business Ownership in the Cannabis Industry

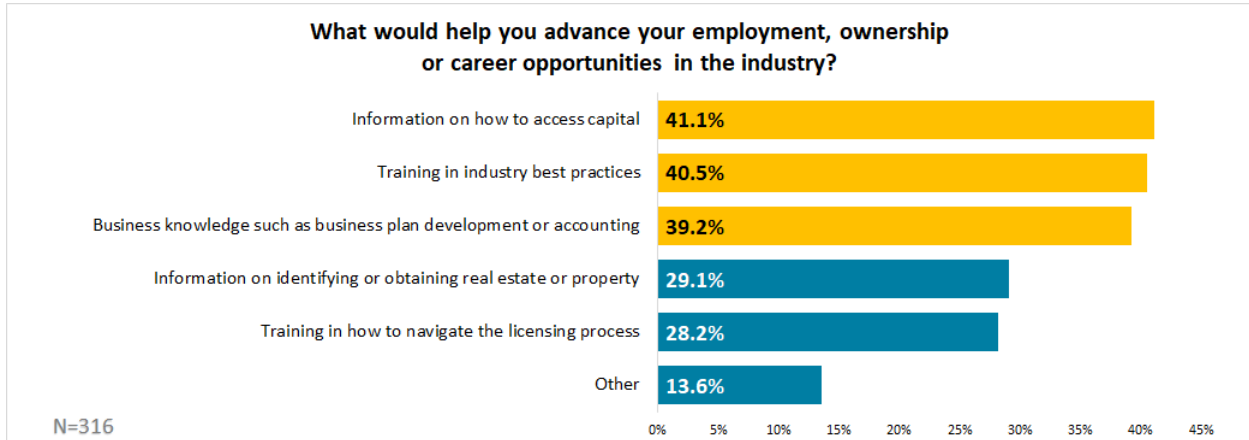
Access to start-up capital was named as one of the biggest barriers to ownership by about three out of four respondents. Obtaining a physical location and the complexity of the regulations were each named by over half of respondents as a barrier.



Comments on the barriers to ownership focused on start-up and operational costs, the challenges of competing with large, out-of-state corporations, and difficulties working with the City and government in general.

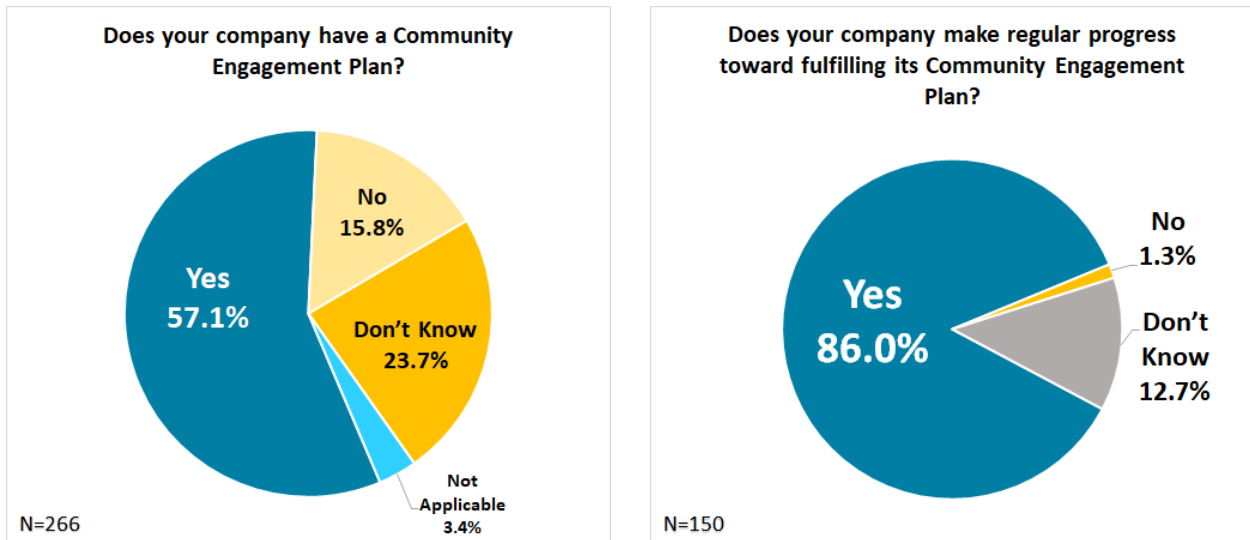
### Needed Services to Increase Industry Participation

Training in industry best practices, information on how to access capital and business plan development or accounting help would benefit almost half of survey respondents to advance their careers in the industry. Several key informants talked about the need for training. One person said, “We need technical training to help people thrive as business owners and employees.”



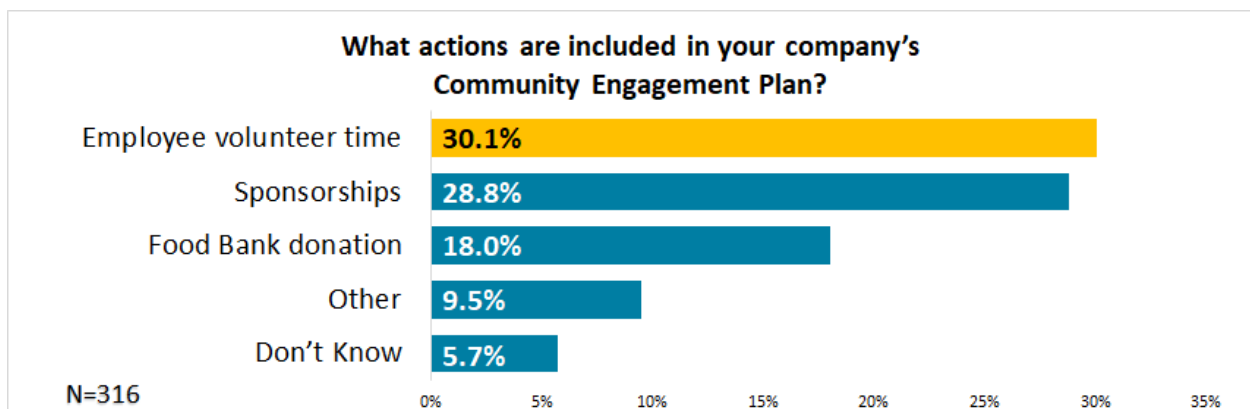
## COMMUNITY ENGAGEMENT PLANNING

Most respondents' workplaces have a Community Engagement Plan (CEP), although almost one in four respondents were not aware of whether their workplace has a CEP. Among those who do have a CEP in place, more than three-fourths make regular progress toward fulfilling their promise of community engagement activities.



### What Companies Do to Fulfill Community Engagement Plans

Employee volunteer time was the most frequently named action companies take to fulfill their CEP. The activities described in the "other" category reveal a wide range of activities. Many of the activities described benefit the communities disproportionately affected by the War on Drugs, although some may have little direct impact on those communities.



"Other" actions included a range of actions of varying effectiveness, including participation in registered neighborhood organizations, philanthropic donations, beautification projects and recycling.

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## PART III: MARKET CONDITIONS

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The impact of the global pandemic caused by the novel coronavirus has created uncertainty about market conditions in every industry, including cannabis. The State of Colorado can expect a budget shortfall of \$895.8 million by the end of fiscal year 2019-20, according to a forecast published by the state's Office of Legislative Council. In fiscal year 2020-21, a budget shortfall of \$3.3 billion is projected.<sup>14</sup> The City of Denver expects a \$226 million budget shortfall for 2020.<sup>15</sup>

Both retail and medical cannabis businesses were allowed by state and local stay-at-home orders to remain open as essential businesses. As of June, 2020, the Marijuana Enforcement Division has not yet published the monthly sales revenue for April, which would give an indication of whether the state and local stay-at-home orders (issued at the end of March) had an impact on sales. Nonetheless, cannabis businesses are unlikely to be eligible for federal small business relief dollars, and the steady rate of growth they have seen over the past few years may plateau as the economy retracts.

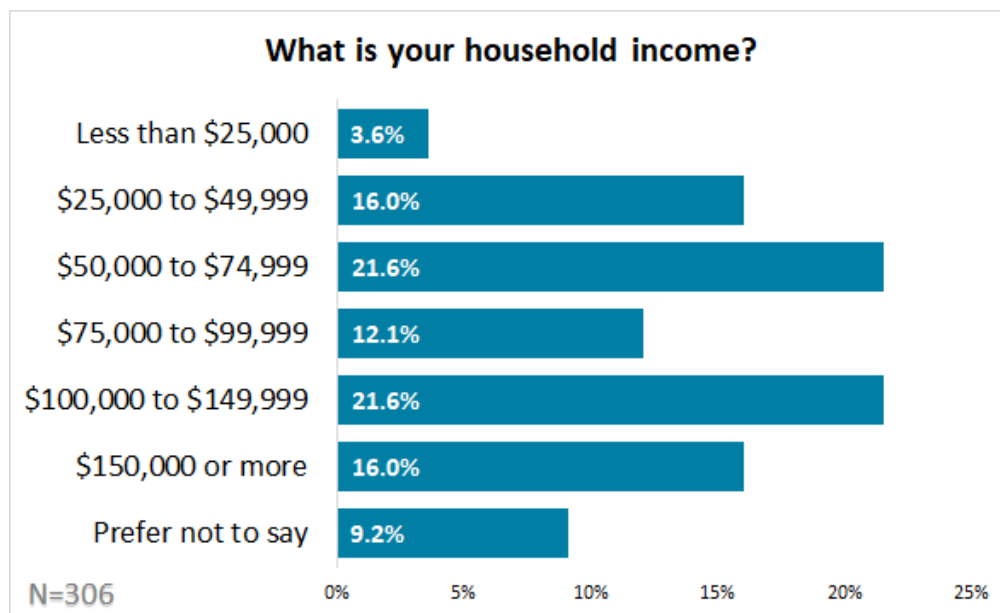
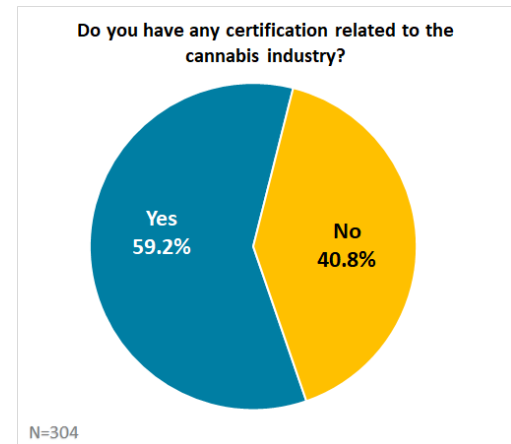
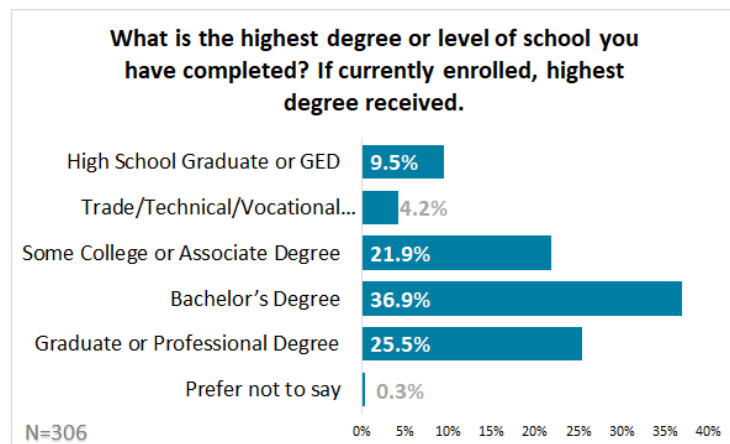
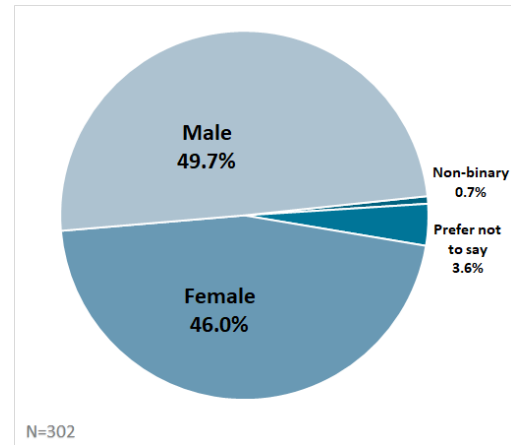
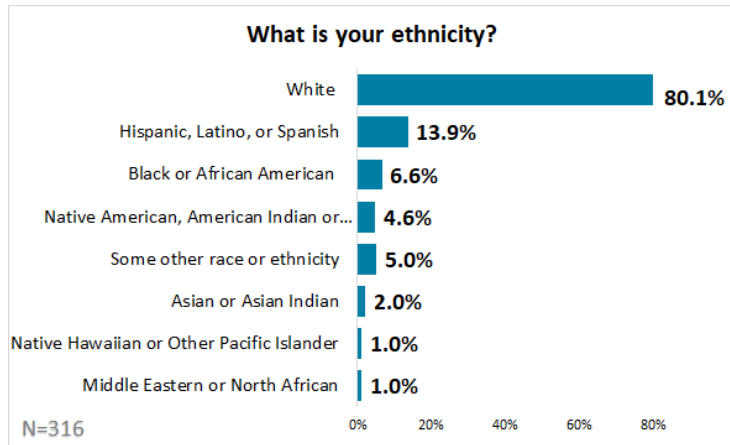
The pandemic has made it impossible to predict market conditions for the cannabis industry in the coming year; however, as Colorado and Denver transition to a "safer at home" phase with certain businesses reopening, the impacts of COVID-19 on the industry may become more clear in the coming months.

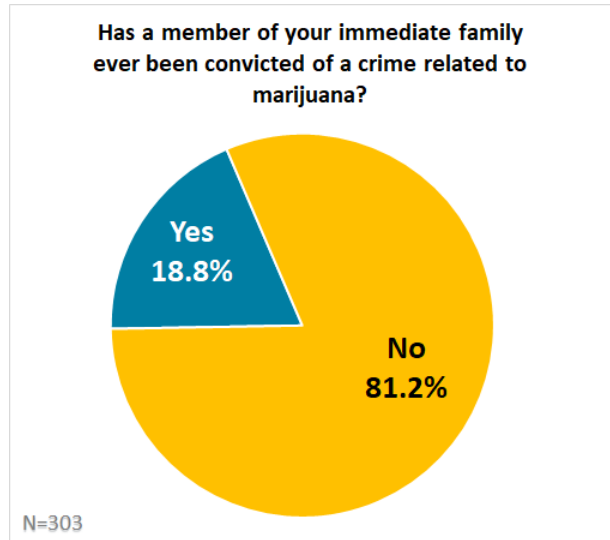
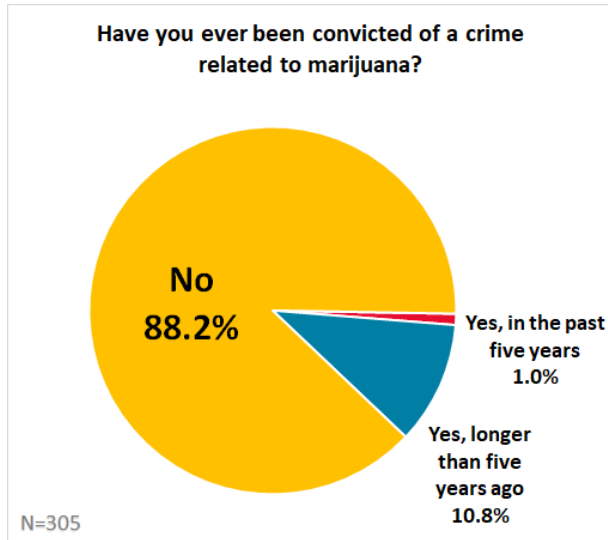
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<sup>14</sup> <http://leg.colorado.gov/sites/default/files/images/lcs/mayforecast.pdf>

<sup>15</sup> <https://www.denverpost.com/2020/05/13/denver-furloughs-mayor-hancock-coronavirus/>

**DEMOGRAPHICS OF THE ONLINE SURVEY RESPONDENTS**





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## PART IV: EQUITY STRATEGIES IN OTHER JURISDICTIONS

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A number of other jurisdictions have implemented equity strategies in their cannabis licensing programs. While most of these programs have not been in existence for long enough to lend themselves to an objective evaluation of outcomes, it is worth discussing the strategies these jurisdictions have implemented and noting the challenges they have faced in doing so.

### **Educational Benefits**

Many cities and jurisdictions include an educational component to their social equity plans, and key informant interviews stressed the importance of this element, particularly in addressing equity in cannabis business ownership. The skills required of a cannabis business owner require expertise in business plan development, financing, and other business and management skills. As one key informant said, “We may be setting some people up for failure if they get a license but don’t have the education or skills to be successful.”

The Los Angeles social equity program offers technical assistance throughout the application process. However, the educational services criteria are directed toward post-licensing success and there have been concerns expressed that applicants who do not have business knowledge will not succeed.

Education is the primary component of the State of Massachusetts’ Social Equity Program, which is described on their website as “a free, statewide, technical assistance, and training program that provides education, skill-based training, and tools for success in the cannabis industry.”<sup>16</sup> Completing the Social Equity Program does not guarantee licensure, but completing the Social Equity Program prepares applicants for the separate licensing process.

Some programs work cooperatively with local businesses, community colleges or others to provide community classes or seminars. Others offer trainings through incubator programs that pair new equity license recipients with established cannabis businesses. Some, like Massachusetts, hire outside vendors to provide technical assistance with licensing applications.

### **Fee Reduction or Deferral**

Some jurisdictions offer fee reductions or deferrals as part of their social equity programs. Los Angeles offers fee deferrals to qualified applicants, allowing them to pay their licensing fees in delayed installments. Massachusetts offers a 50% reduction in annual license fees and waives application fees for qualified applicants. The City of Portland offers a 15% license fee reduction and reimbursement of up to \$750 for equity applicants with one qualifying factor, and a 25% license fee reduction and reimbursement of up to \$1,500 for equity applicants with two or three qualifying factors. It is important to note that the impact of COVID-19 revenue shortfalls may put fee reduction or deferral programs in jeopardy as cities and states are forced to operate on severely reduced budgets.

### **Equity Funds**

Some jurisdictions have established social equity funds to provide equity applicants with low-interest loans they need to start their businesses. The State of Illinois did so by assessing significant fees on applicants for recreational marijuana licenses and directing those fees to the Cannabis Business Development Fund. For an Early Approval Adult Use Dispensing Organization License at the same site as an existing medical dispensary license, the state assessed a non-refundable fee of equal to 3% of the

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<sup>16</sup> <https://mass-cannabis-control.com/equityprograms/>

dispensing organization's total sales from June 1, 2018 to June 1, 2019 or \$100,000, whichever is less. For an Early Approval Adult Use Dispensing Organization License at a secondary site, the state assessed a non-refundable fee of \$200,000 to be directed to the Cannabis Business Development Fund.

Some states, such as California and Massachusetts, have established social equity grant programs, so that cities can apply for grants to implement their local social equity programs.

Again, it is important to note that budgetary constraints caused by COVID-19 could make it difficult for governments to create or maintain social equity funds or grant programs.

### **Priority or Exclusive Licensing**

Some jurisdictions offer priority license application review and/or exclusive access to certain license types. In Massachusetts, equity applicants can apply for Certified Economic Empowerment Priority Applicant status, which gives their license applications expedited review. Additionally, Massachusetts' Delivery and Social Consumption licenses will be exclusively available to participants in the Social Equity Program for a period of two years after the first license for each type is issued. Illinois adds points to scores for license applications submitted by equity applicants. Ohio attempted to reserve a portion of its marijuana licenses using race as a criteria, but this was eventually ruled unconstitutional by the Ohio Court of Common Pleas.<sup>17</sup>

### **Challenges**

The results of the online survey indicated a desire for transparency, consistency, and equity. The equity plans in other jurisdictions have often attracted criticism for a lack of transparency, particularly around the criteria for selection and the outcomes associated with the equity awards.

Indeed, because of the competitive nature of cannabis licensing programs in many jurisdictions and the perceived value of cannabis licenses, cannabis licensing programs are frequently subject to intense scrutiny and litigation. Challenges these programs face can result from lack of transparency, operational issues, eligibility criteria, and more. When these challenges result in lawsuits, they can hinder or even halt social equity licensing for months or years as the programs get tied up in legal proceedings.

For example, an ordinance passed in Cambridge, Massachusetts in September 2019 prohibited anyone not enrolled in the state's equity program, including existing medical marijuana dispensaries, from opening a recreational business in the city for two years. A medical marijuana dispensary sued the city, and the Middlesex Superior Court issued an injunction barring Cambridge from enforcing the moratorium. While that decision was vacated on appeal in late April 2020, litigation delayed equity licensing for over six months.<sup>18</sup>

Even operational issues can result in litigation. For example, Los Angeles's online licensing portal experienced technological issues that resulted in 226 applicants for 100 available social equity marijuana retail license being able to access the city's online application platform before the official 10:00 a.m. start time. This resulted in a lawsuit, in which complainants argued that the applicants who gained early access had a significant advantage over the applicants who did not, and requested that the city be required to review all 802 applications submitted and not award any permits to the 100 winners

<sup>17</sup> *Pharmacann Ohio, LLC v. Williams*, No. 17-CV-010962, 2018 WL 7500067 (Ohio Com.Pl. Nov. 15, 2018); *Pure Ohio Wellness, LLC v. Ohio Bd. Of Pharm.*, No. CVH 20190197 (Ohio Com. Pl. Nov. 1, 2019)

<sup>18</sup> <https://www.masslive.com/marijuana/2020/02/cambridge-halts-opening-of-all-new-marijuana-dispensaries-pending-lawsuit-over-equity-provision.html>



selected during the original application period. As of May 2020, the city has temporarily halted cannabis licensing due to the ongoing litigation.

These examples illustrate the importance of learning from other jurisdictions' experience and carefully considering all possible challenges to an equity licensing program in an effort to prevent equity licensing from being hindered by legal proceedings.

### **Community Engagement Plans**

Key informants described earnest efforts at fulfilling the Community Engagement Plans (CEPs) but many were concerned about lack of accountability and unknown outcomes of the actions taken to fulfill the CEPs. The online survey confirmed this observation by providing a list of activities of minimal impact. Some employees were unaware if their company had a plan or what actions were taken in fulfillment of that plan.

Several jurisdictions require a version of a Community Engagement Plan as part of their social equity programs. Massachusetts requires license applicants to submit a Positive Impact Plan, in which an applicant must describe how it will take action to positively impact areas that have been disproportionately impacted by drug enforcement. Pennsylvania and Massachusetts require applicants to submit a Diversity Plan for their businesses.

Some communities have established funds to apply tax revenue from cannabis sales to community reinvestment projects. This enables coordination and planning in the expenditures so that the impact of the fund is deliberate, impactful and visible to the community. The visibility of these social equity projects can also help improve public relations with the industry, as well as increase worker participation in outreach efforts to attract needed entry-level workers through the equity program.

Communities that were disproportionately affected by the War on Drugs have wide-ranging needs including educational services and programs, recreational facilities and infrastructure, access to health care, childcare, access to healthy food, jobs, transportation, affordable housing, and many additional critical issues. Open-ended efforts to address the disparities faced by communities present a piece-meal approach that has little measurable impact.

**CRITERIA FOR ELIGIBILITY**

All jurisdictions impose some form of criteria in order to qualify applicants into what is generally referred to as an “Equity Applicant.” Many use scoring systems to rate applicants according to the number of points scored through meeting several criteria. This enables them to use a broad range of criteria, and applicants may be very strong, based on meeting multiple criteria; or acceptable but less highly prioritized, or eligible for a smaller subset of benefits if they meet a smaller number of eligibility criteria.

**Characteristics of the Applicant as a Person**

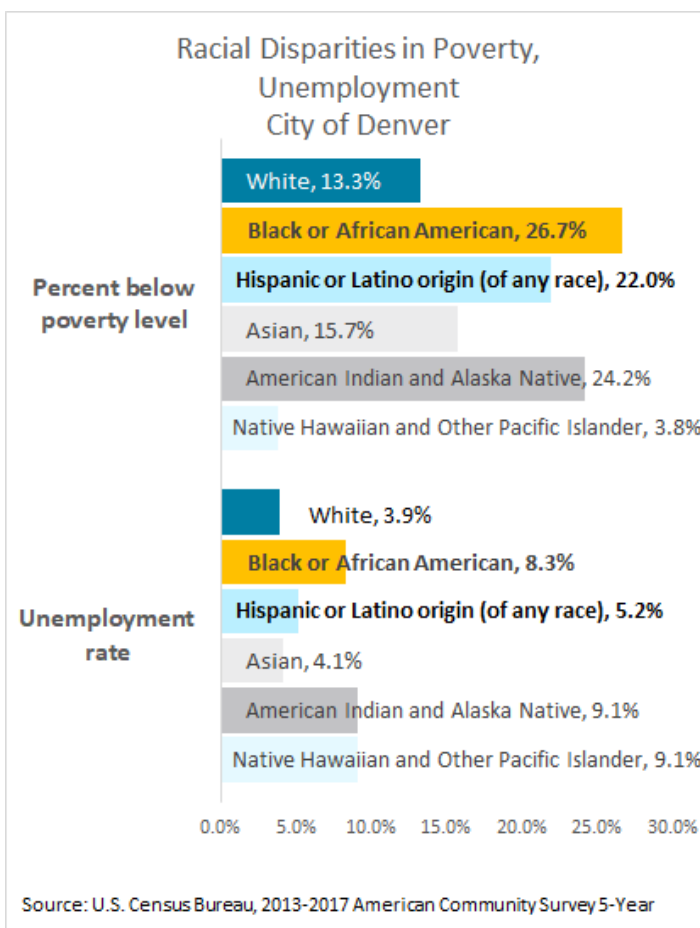
**RACE AND ETHNICITY**

Some jurisdictions award points to equity applicants based on race and ethnicity. Most often, preference is given to businesses where most of the ownership interests of the entity are Black or African American, Hispanic and Latino applicants. Ohio includes Asians and American Indians as included groups.

However, for some jurisdictions, using race as a criteria for eligibility has resulted in significant legal challenges. For example, Ohio attempted to use race as a criteria for a portion of its marijuana licenses, but this was eventually ruled unconstitutional by the Ohio Court of Common Pleas.<sup>19</sup>

African American Denver residents live below poverty at a rate twice that of white residents and have among the highest unemployment rates.

If including race or ethnicity as an equity criteria is impractical for legal reasons, including requirements based on having lived below poverty level, having lived in a neighborhood disproportionately targeted by the War on Drugs, and recognizing the impact of personal and familial arrest or convictions related to marijuana will likely result in a more racially diverse ownership composition.



<sup>19</sup> Pharmacann Ohio, LLC v. Williams, No. 17-CV-010962, 2018 WL 7500067 (Ohio Com.Pl. Nov. 15, 2018); Pure Ohio Wellness, LLC v. Ohio Bd. Of Pharm., No. CVH 20190197 (Ohio Com. Pl. Nov. 1, 2019)

## **LIVING IN A DISPROPORTIONATE AREA**

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Communities that have been disproportionately impacted by the War on Drugs are the intended recipients of equity programs, as well as the basis for any residency requirement. Some jurisdictions base the demarcation of the area on average income, higher arrest rates for marijuana-related crimes, racial or ethnic disparities, or other factors. Many use a combination of factors to create an algorithm and identify communities of interest. Some jurisdictions consider the historical effects of gentrification and its disproportionate impact as far back as the 1970s. Others limit their examination and the scope of their residency requirements to the past five or ten years. For many jurisdictions, the years during which the applicant lived in the designated area are not required to be consecutive.

## **INCOME REQUIREMENTS**

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Income is generally based on an amount relative to the Average Median Income (AMI). Some jurisdictions include a restriction on the maximum net-worth a social equity applicant can possess. Some account for other markers of lower socio-economic status, such as public-school attendance, foreclosure experience, or receipt or revocation of a housing subsidy.

As discussed in the strategic planning sessions, in order for an applicant to have the personal connections, education, and skills necessary to gain financing for a cannabis start-up, they may need to have had a history of substantial resources and assets, including education, property ownership experience, and access to banking institutions – in direct contrast to the markers of lower socio-economic status. Thus, income requirements may differ for entry-level applicants and those who seek assistance with ownership.

## **Characteristics of an Applicant Business**

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### **OWNERSHIP**

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The ownership of a cannabis business that is eligible for social equity preference is typically a 51% ownership share. In some jurisdictions, a minority ownership share suffices if the owner is personally eligible as a social equity applicant. Some jurisdictions require a percentage of local resident ownership, employee ownership or profit-sharing, or allow cooperatives of either individual equity applicants or combined cooperatives made up of both equity and non-equity applicants.

### **EMPLOYEES**

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Some jurisdictions include requirements that a certain percentage of employees are equity applicants, reside in areas of disproportionate impact or meet other equity criteria. The City of Sacramento, California provides credit to businesses that employ people with a prior arrest/conviction, who have recently experienced homelessness, are a single parent, are on public assistance, are chronically unemployed, were in foster care, or are a veteran.

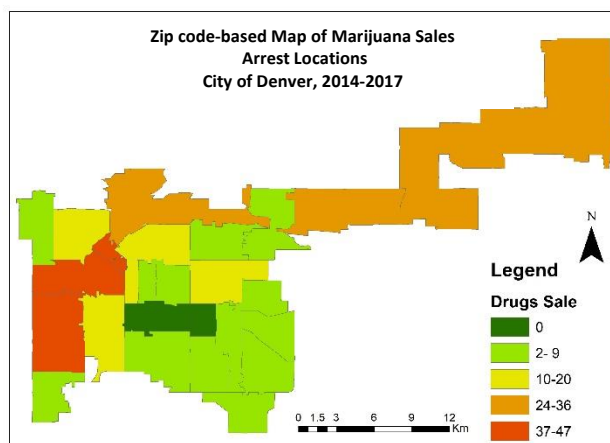
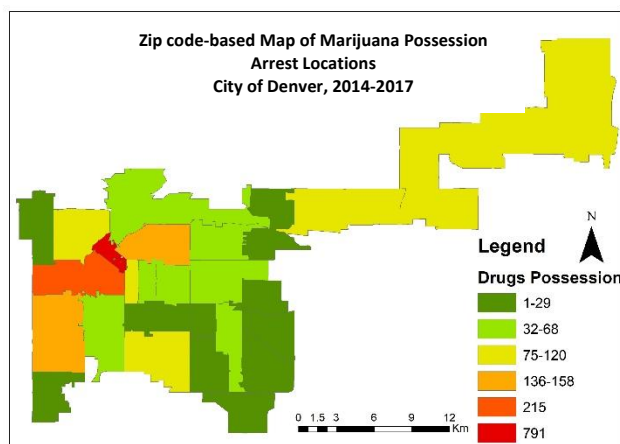
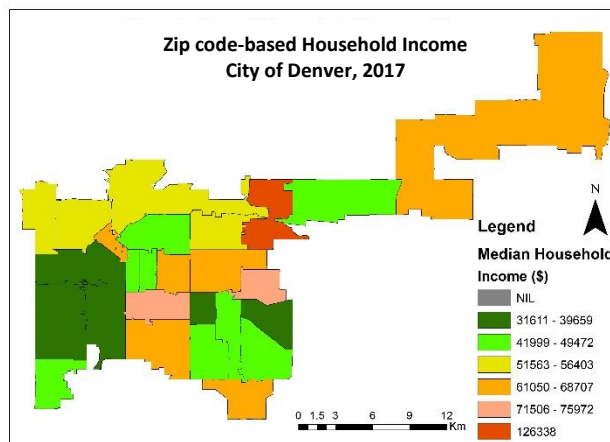
## Community Applicants

Equity applicants often receive preference based on a history of living in a community that has been disproportionately impacted by the War on Drugs. In addition, current CEPs focus on these disproportionately affected communities, and a community investment fund would also require defining the boundaries of the areas disproportionately affected.

The graphic to the right shows zip code-based household income for the City of Denver.<sup>20</sup> Zip code areas with the lowest median household income are shaded in dark and light green.

The other two graphics to the right show arrest data for marijuana-related arrests in the City of Denver (2014-2017). The areas of overlap, that are both low-income and have disproportionately high numbers of arrests for sales or possession, may be the most fruitful areas for both residency requirements related to equity applicant status and community engagement activities.

These maps were drawn using arrests made during 2014-2017. The City may wish to broaden the number of years examined, look retroactively at a past period of intense drug war activity, or consider other ways of identifying disproportionately targeted neighborhoods.



<sup>20</sup> U.S. Census, 2017 American Community Survey

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## PART V: CONCLUSIONS

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The survey and focus groups identified several priorities related to social justice and the cannabis industry overall. Opportunities in the cannabis industry, especially opportunities for ownership, are perceived as limited. Barriers to entry identified by the respondents are access to start-up capital, obtaining a physical location, location restrictions, limited availability of licenses, and complex regulations and licensing procedures. By comparing satisfaction with certain industry characteristics with the importance of those characteristics to respondents, clear priorities emerge. In order of highest importance compared to lowest satisfaction, those priorities are:

- Opportunities for ownership
- Removing barriers of previous arrests or convictions on employment or ownership
- Equity in hiring
- Opportunities for expansion or innovation
- Growth as an industry
- Employment opportunities

In addition, respondents identified several social justice issues that they feel are important to address:

- Expungement of marijuana-related arrest and convictions;
- Empowering communities disproportionately impacted by the War on Drugs;
- Ensuring entry-level cannabis industry jobs pay a living wage and treat employees fairly;
- Addressing racism, as well as sexism and lack of inclusiveness in the Denver cannabis industry;
- Controlling regulation, opening the licensing process and lowering costs to entry.

While there are limitations to the data obtained in this study, and mounting uncertainty due to the coronavirus pandemic, this information is intended to help the City of Denver determine how to implement a successful, impactful social equity program.