

Date: 10/30/17

Submitted in Rules Committee

Council File No: 17-0653, 14-0366-S15

Item No.: 1

~~By:~~ Communication from the  
Chief Legislative Analyst



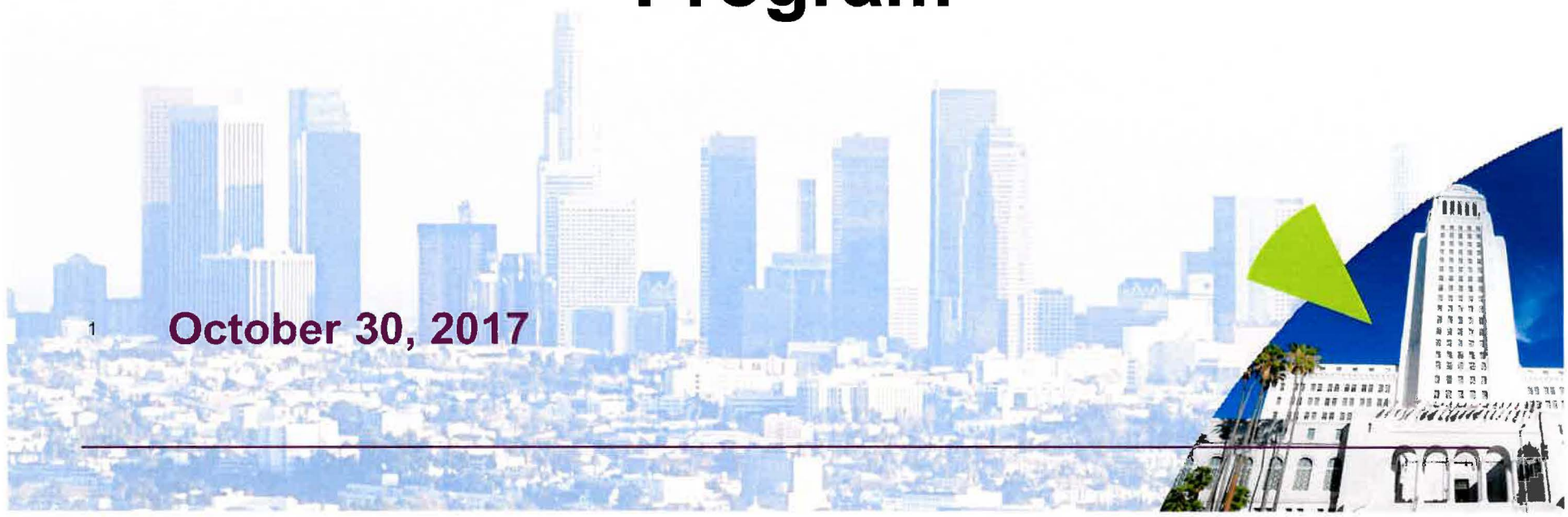
amec  
foster  
wheeler



# City of Los Angeles

## Proposed Cannabis Social Equity Program

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**October 30, 2017**



# Presentation Overview

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## **Introductions**

- ▶ Report Prepared by Amec Foster Wheeler, under direction of:
  - ▶ Office of City Legislative Analyst

## **Program Purpose and Intent**

- ▶ Direction provided by City Council

## **Approach and Methodology**

- ▶ Utilized standard planning and statistical analyses

## **Recommendations**

- ▶ Licensing
- ▶ Eligibility
- ▶ Program Components and City Functions

# Social Equity Program Purpose & Intent

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“Promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address the disproportionate impacts of the war on drugs in those communities.”



# Approach to Analysis

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## Federal Guidance

- ▶ Disproportionate impacts to minority communities & low-income communities

## California Affirmative Action (Proposition 209)

- ▶ Government programs cannot consider race as eligibility criteria

## Consistency

- ▶ All applicable City & state laws
- ▶ Report employed income and arrest data as key criteria

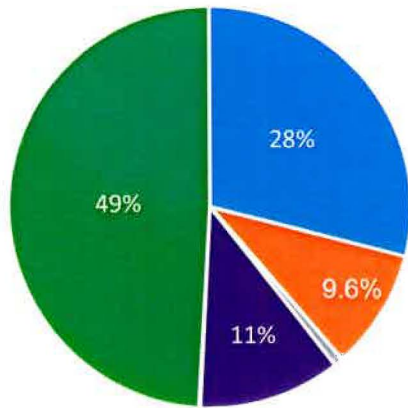
# Analysis Process

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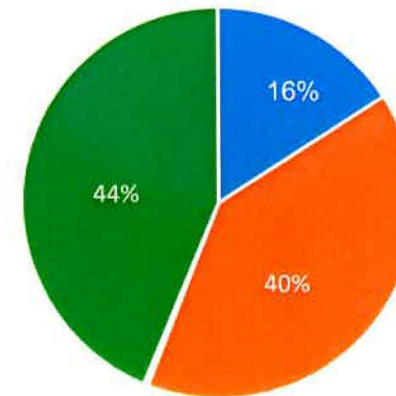
# Los Angeles Population and Cannabis Arrests

City of Los Angeles Population Composition  
Source: 2010 U.S. Census

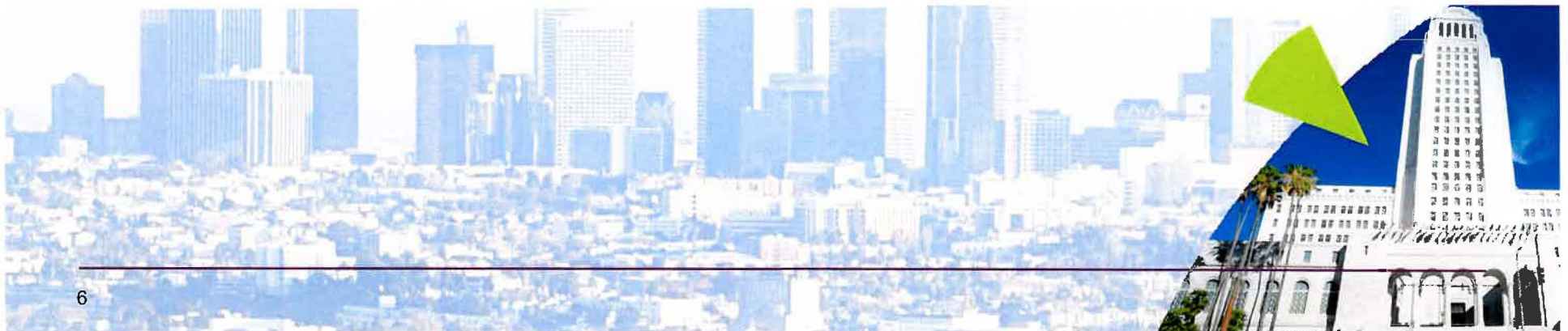


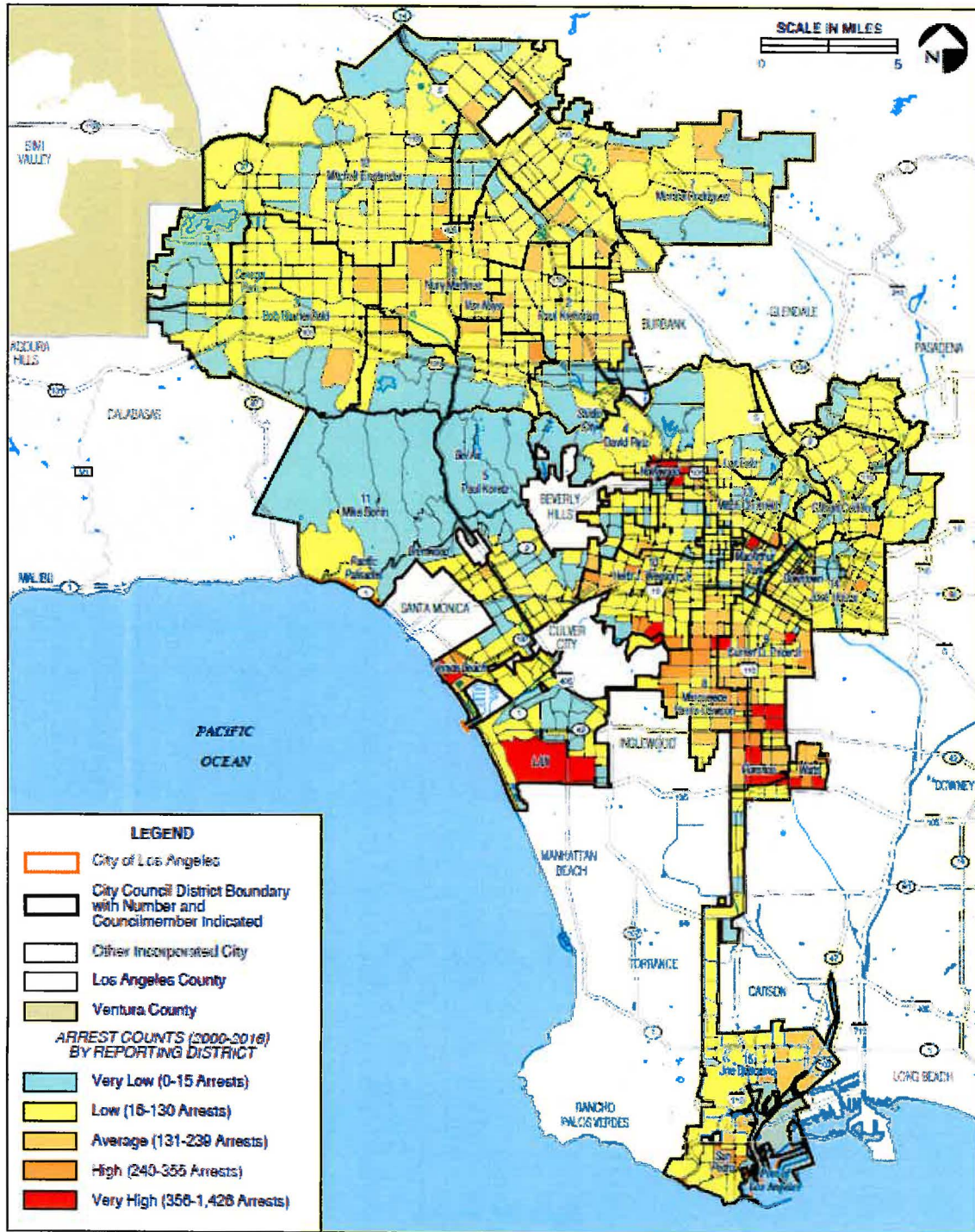
- White, not Hispanic or Latino
- Black or African American
- American Indian and Alaskan Native
- Asian
- Native Hawaiian and Other Pacific Islander
- Hispanic or Latino

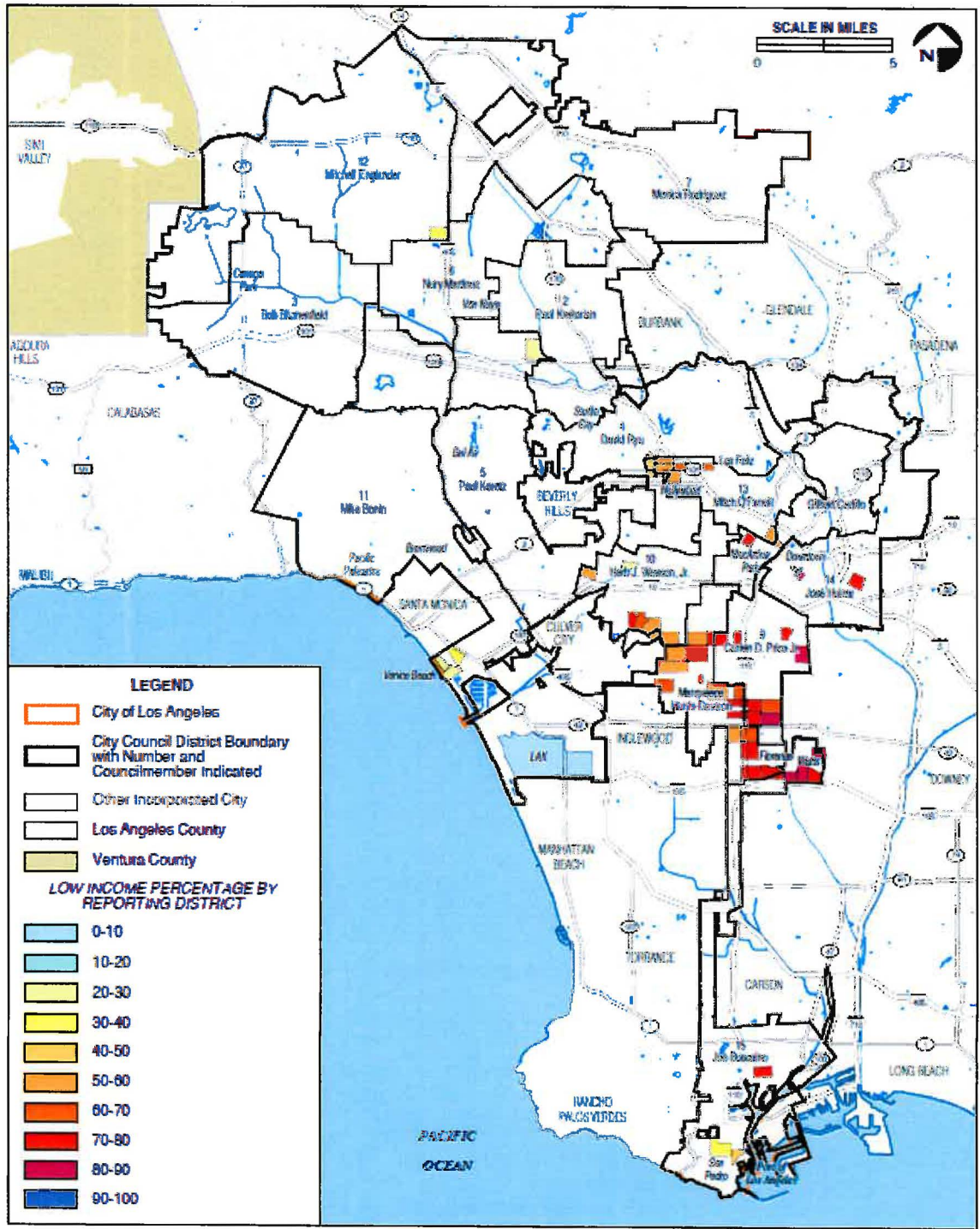
City of Los Angeles Cannabis-Related Arrests (2000-Present)  
Source: LAPD



- White, not Hispanic or Latino
- Black or African American
- American Indian and Alaskan Native
- Asian
- Native Hawaiian and Other Pacific Islander
- Hispanic or Latino









# Public Workshop & Comments

- ▶ Technical assistance
- ▶ Community reinvestment
- ▶ Priority ranking
- ▶ Diversity
- ▶ Ability to operate during licensing process



Watts Labor Community Action Committee – Phoenix Hall



# Cannabis Program Licensing

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## Licensing Windows

- ▶ Window 1: Proposition M Priority Processing (60 days)
- ▶ Window 2: Social Equity Program & General Processing

**12,000-14,000 commercial cannabis applications anticipated**

- ▶ All licenses currently require discretionary approval

# Recommendations: Licensing

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## Streamlined Permitting

- ▶ Cannabis permit approval is discretionary action
  - ▶ Development Standards Proposed

## Provisional Licensing

- ▶ Type 1: Conditional approval for equity applicants w/o real estate
- ▶ Type 2: Limited immunity to compliant business that are not Prop D dispensaries

# Recommendations: Licensing

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## Individual Business License Limit

- ▶ Allow multiple licenses, but limit total number
- ▶ Limit should be the same for all businesses

## Equity Applicant Participant Ratio

- ▶ One equity applicant to every one general applicant starting in Window 2

# Recommendations: Eligibility

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## Meet Ownership Requirement

- ▶ 51% ownership or majority of Board of Directors

## Meet Residency Requirement

- ▶ Resided in City for at least 5 accumulative years
  - ▶ 70% meet residency requirement

## Recommendations: Eligibility - Tiers

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- ▶ Tier 1: Low income residents of City & prior cannabis-related conviction in California
- ▶ Tier 2: Low income residents of City & immediate family member was convicted of a cannabis-related crime in California
- ▶ Tier 3: Low income residents of City & live or have lived in eligible districts for 5 accumulative years
- ▶ Tier 4: Social Equity Program Community Partner

# Recommendations: Eligibility

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## Definition of Eligible District

- ▶ Police reporting districts with high number of cannabis-related arrests & percentage of low income households

## Definition of Low Income

- ▶ At or below 80% of County's 2017 average median income

## Criminal Record (Prop 64)

- ▶ No more restrictive than state requirements

# Recommendations: Program Components

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## Incubator/Pilot Program – Component 1

- ▶ 1,000 square feet or 10% of space
- ▶ Business mentoring, technical assistance, hard capital, & sponsor workshops
- ▶ Tax rebate after 3 years
  - ▶ Must identify new equity partner if go out of business

## Incubator/Pilot Program – Component 2

- ▶ City will waive fines if landlord partners with City to provide space to Social Equity Program participants



# Recommendations: Program Components

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## **Workforce requirement**

- ▶ Living wage
- ▶ Workforce composition
- ▶ Diversity plan

## **Technical Assistance Program**

- ▶ Application, compliance & business assistance
- ▶ Direct to existing City programs & incentives

## **Eligible City Property**

## **Waived/Deferred Fees**



# Recommendations: Program Components

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## **Social Equity Investment Program and Fund**

- ▶ City provides zero (or low) interest startup loans

## **Community Reinvestment Program & Fund**

- ▶ Community beautification, youth prevention, drug treatment, education, housing, employment & reentry

## **Expungement of Past Cannabis Criminal Records**

# Recommendations: City functions

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**Social Equity Program Coordinator**

**Licensing & Compliance**

**Education & Outreach**

**Financial**

**Third Party Consultants**

# Recommendations: Diversity Program

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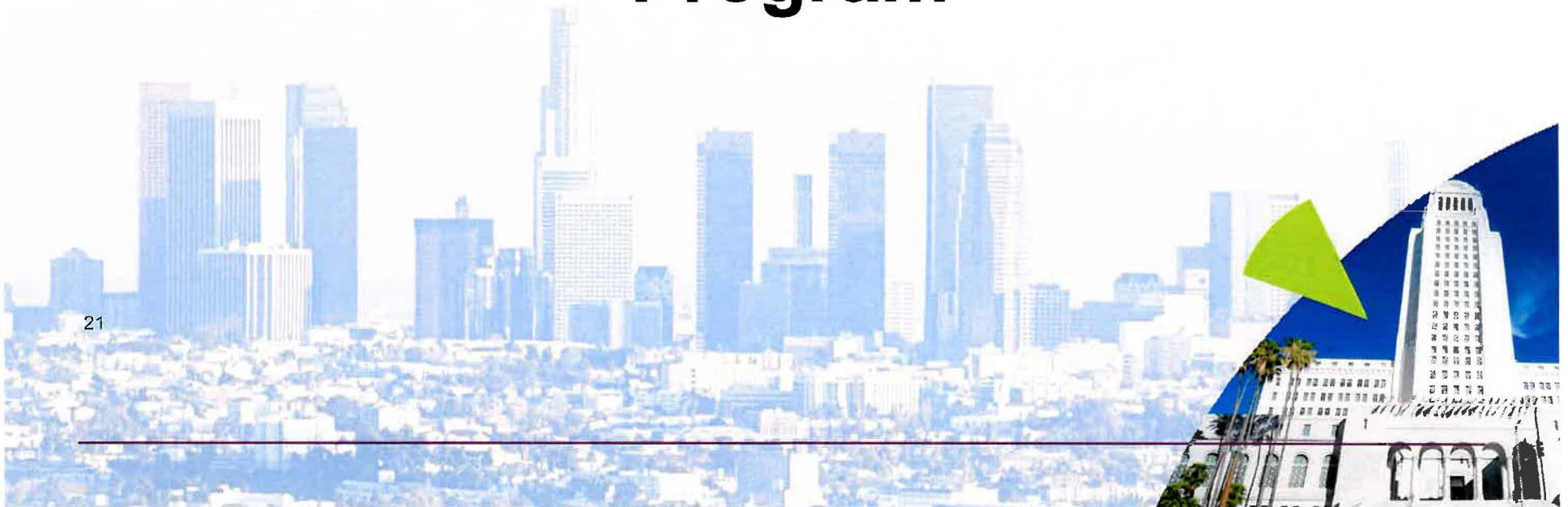
## **Diversity Program in addition to social equity program**

- ▶ Prop 209: women & people of color cannot be included
- ▶ Further analysis needed to determine program components

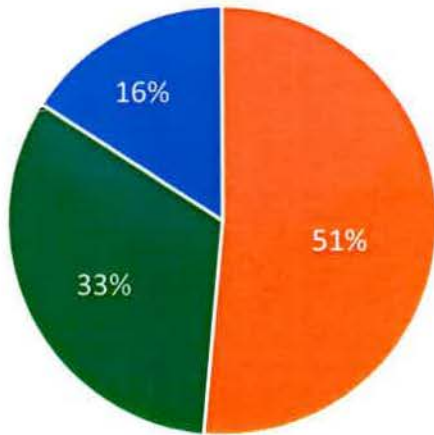


# City of Los Angeles

## Proposed Cannabis Social Equity Program

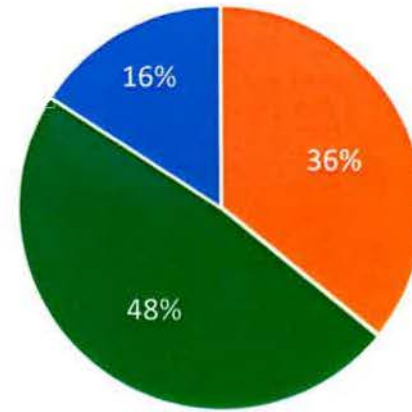


Felony



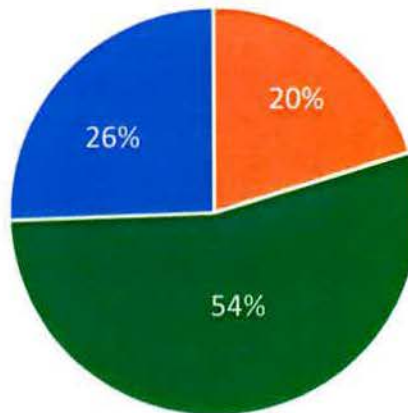
Black/African American Hispanic/Latino White

Misdemeanor



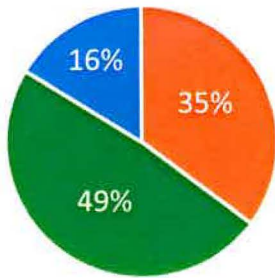
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Infraction



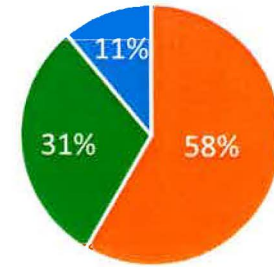
Black/African American Hispanic/Latino White

### Possession of Marijuana



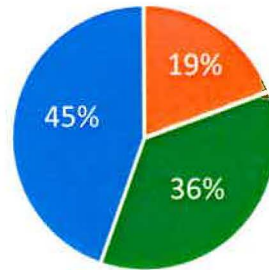
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### Possession for Sale



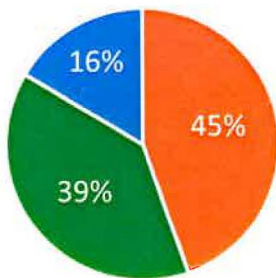
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### Cultivation/Processing of Marijuana



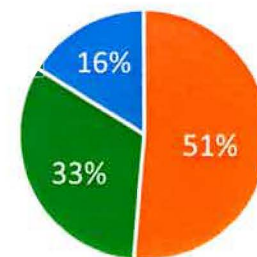
Black/African American Hispanic/Latino White

### Driving in Possession of Marijuana



Black/African American Hispanic/Latino White

### Transportation of Marijuana



Black/African American Hispanic/Latino White

# Areas Potentially Eligible under Draft Program

Police Reporting District	Area Description	Individual Cannabis Related Arrests	Percent Low Income Households	Percent People of Color
<b>Citywide Mean Reporting District Values †</b>		72	43	69
<b>Council District 1</b>				
245	MacArthur Park	427	73	93
<b>Council District 8</b>				
397*	Vermont Square	525	74	98
1822	Broadway-Manchester	470	73	99
1842	Broadway-Manchester	468	73	99
1844*	Green Meadows	444	77	99
<b>Council District 9</b>				
1258	Florence	632	79	99
397*	Vermont Square	525	74	98
1269	Florence	424	81	99
1259	Florence	367	68	99
1345	Central-Alameda	366	70	99
<b>Council District 10</b>				
363	Baldwin Hills/Crenshaw	421	51	97
<b>Council District 14</b>				
156	Downton (San Julian Park)	1,426	90	81
155	Downtown (Skid Row)	595	93	75
166	Downtown (Skid Row)	521	90	81
157	Downtown (Skid Row)	370	88	82
<b>Council District 15</b>				
1844*	Green Meadows	444	77	99
1846	Watts	431	77	99
1849	Watts	386	71	98





# Areas Potentially Eligible under Draft Program

Police Reporting District	Area Description	Individual Cannabis-Related Arrests	Percent Low Income Households	Percent People of Color
<b>Citywide Mean Reporting District Values †</b>		72	43	69
<b>Council District 8</b>				
1266*	Vermont Knolls	346	78	99
1241	Hyde Park	286	68	99
392	Hyde Park/Crenshaw	283	71	97
1256*	Vermont Knolls	269	70	99
1249*	Vermont-Slauson	266	68	99
1203	Vermont Square	259	70	98
1802	Broadway-Manchester	253	67	99
<b>Council District 9</b>				
1266*	Vermont Knolls	346	78	99
398	Vermont Square	325	72	98
1268	Florence	282	78	99
1256*	Vermont Knolls	269	70	99
1249*	Vermont-Slauson	266	68	99
1367	Central Alameda	244	80	99
<b>Council District 10</b>				
362	Baldwin Hills/Crenshaw	339	68	99
361	Baldwin Hills/Crenshaw	270	72	99
<b>Council District 13</b>				
649	East Hollywood	242	67	63
<b>Council District 14</b>				
147	Downtown	351	95	73
467	Boyle Heights	272	74	98
<b>Council District 15</b>				
1837	Watts	298	82	99



# Estimated Budget

**Community Reinvestment Program:** Allocate 20% of City cannabis tax revenues based on economic impacts to Social Equity Program communities

- ▶ Estimated Cost: **\$10,000,000** per year (\$50,000,000 for first 5 years)

**Industry Ownership Investment Program and Fund:** This fund is anticipated to include City and private investment from non-Social Equity Program cannabis businesses that are seeking to assist Program-eligible cannabis businesses

- ▶ Estimated Cost: **\$6,000,000 per year** (\$30,000,000 for the first 5 years)

**Waived/Deferred Fees for Social Equity Businesses:** Fee waivers for initial application processing and compliance processing overtime

- ▶ Estimated Cost: **\$5,000,000** per year (\$25,000,000 for first 5 years) assuming 1,000 Social Equity Program businesses at a fee cost of \$25,000 per business

**Live Scan Processing Assistance:** Funds allocated to assist Social Equity Program-eligible businesses and employees with Live Scan process

- ▶ Estimated Cost: **\$300,000 per year** (\$1,500,000 for first 5 years) assuming \$75 per Live Scan for 20,000 individuals over 5 years

**Expungement Assistance:** In order to provide legal clinics and attorneys to assist community members in expunging cannabis convictions from their records

- ▶ Estimated Cost: **\$15,000 per year** (\$75,000 for first 5 years) assuming 10 legal clinics per year staffed by 10 attorneys per six-hour event

**Business and Compliance Training:** Initial development of training materials and training events to potentially be supplied by a third-party consultant

- ▶ Estimated Cost: **\$500,000** for first year of development and implementation

**Social Equity Program Outreach:** Develop and provide community outreach strategy to ensure sustainable involvement with and implementation of the Program to potentially be supplied by a third-party consultant

- ▶ Estimated Cost: **\$500,000** for first year of development and implementation