

Date: 11/20/17  
Submitted in rules Committee  
Council File No: 17-0653 ; 14-0366-515  
Item No.: 3  
~~Report~~: Communication from the  
chief registrar



# City of Los Angeles

## Proposed Cannabis Social Equity Program



1 November 20, 2017

# Presentation Overview

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## **Purpose and Intent**

**Response to Rules, Elections, and Intergovernmental Relations**

**Committee Questions and Direction**

## **Revised Recommendations**

- ▶ Eligibility Tiers
- ▶ Ownership requirement & Board of Directors composition
- ▶ Residency requirement
- ▶ Community Reinvestment Program
- ▶ Interdepartmental Coordination

## **Additional Information**

- ▶ Implementation of Task Forces by Functions
- ▶ Overview of Recommendations

# 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.”



# Purpose & Intent: Cannabis Use & Arrest

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- ▶ Black/African Americans, Whites, and Latinos consume and sell cannabis at similar rates (Drug Policy Alliance 2016)
- ▶ Most citizens were arrested for cannabis-related offenses that are no longer illegal under MAUCRSA
  - ▶ 61% of all cannabis-related arrests were possession of <28.5g or 1 ounce (LAPD arrest statistics between 2000 - 2016)



# Purpose & Intent: Life Outcome

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- ▶ Government Accountability Office study of penalties & disadvantages of a nonviolent drug conviction
  - ▶ Identified 641 consequences that limit employment, business licensing, education, and government benefits
  - ▶ Conclusion that 78% of consequences last a lifetime
  - ▶ Finding that Only 20% of consequences can be removed using a legal relief mechanism



# Rules, Elections, and Intergovernmental Relations Committee Direction

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## **Additional Research for Proposed Ownership Requirements and Board of Directors Composition**

- ▶ Revised recommendations if deemed appropriate
  - ▶ Eligibility Tiers
  - ▶ Ownership requirement & Board of Directors composition
  - ▶ Residency requirement

## **Additional Analysis on Implementation of a Community Reinvestment Program**

### **Additional Information**

- ▶ Interdepartmental Coordination: Task Force



# 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

## Revised Eligibility Tiers

- ▶ Tier 3: Low income residents of City & live or have lived in eligible districts for 5 accumulative years
- ▶ **Tier 1 or Tier 2 Eligible with 33 $\frac{1}{3}$  percent ownership & 33 $\frac{1}{3}$  percent Board of Directors**
- ▶ Tier 4: Social Equity Program Community Partner
- ▶ **Non-residents**



# Recommendations: Eligibility

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## Revised Ownership Requirement

### ▶ Priority Benefit Ownership

- ▶ 51% ownership interest **AND** majority of Board of Directors for higher priority benefits (Tier 1 and 2)
  - ▶ Analogous structure for non-profits & collectives

### ▶ Reduced Ownership Requirement

- ▶ 33 $\frac{1}{3}$ % ownership interest AND 33 $\frac{1}{3}$ % of Board of Directors for Tier 3 benefits
  - ▶ Analogous structure for non-profits & collectives



# Recommendations: Eligibility

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## Revised Residency Requirement

- ▶ 5 accumulative years
  - ▶ 70% must meet this requirement
  - ▶ City Attorney review needed
  
- ▶ **Alternative: Prioritize residency**
  - ▶ Residents under Tier 1-3 would have priority in receiving available Program resources
  - ▶ Non-residents eligible for Tier 4 listing

# Recommendations: Program Components

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## Community Reinvestment Program & Fund

- ▶ Community beautification, health and wellness, community education, housing, employment, reentry
- ▶ Proposed at 20% of annual cannabis tax revenue
- ▶ **Alternative:**
  - ▶ Incremental increase to 20% of the initial Program start-up (e.g., 5% cannabis tax revenue at Program start-up, with 3% increase to 20% over next 5 years)

# Recommendations: Implementation of Task Forces

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**Licensing & Compliance**

**Business Assistance**

**Workforce Development**

**Expungement**

**Community Reinvestment**



# Recommendations: Program Components

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**Incubator/Pilot Program**

**Workforce requirement**

**Technical Assistance Program**

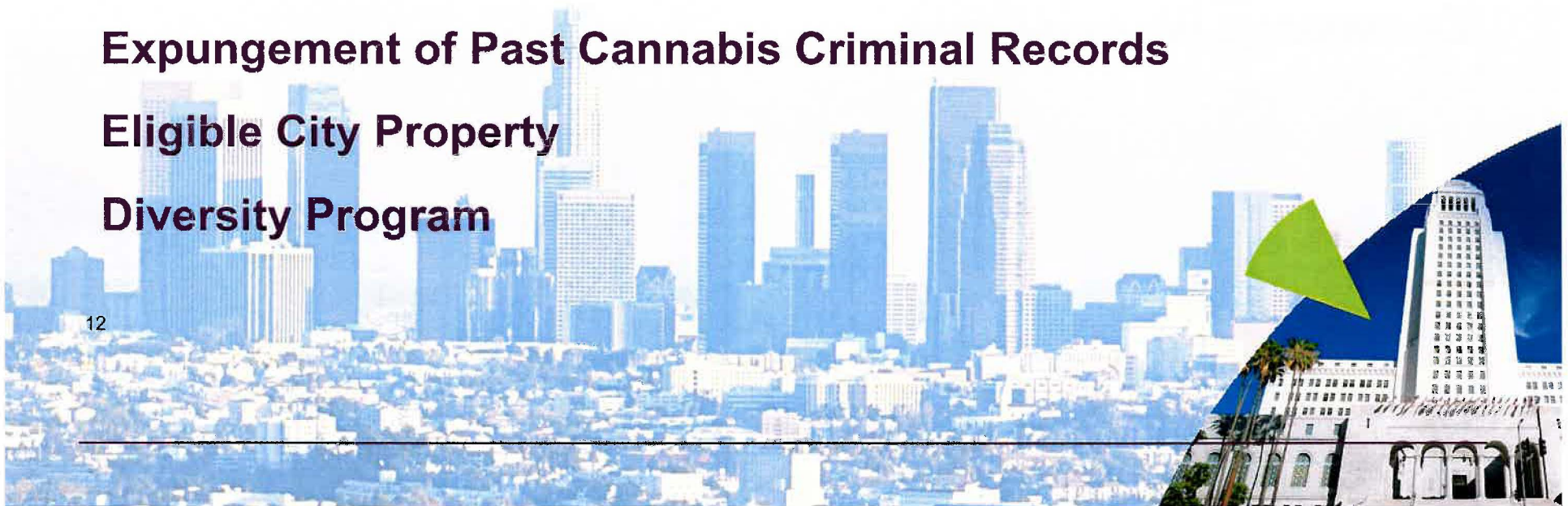
**Social Equity Investment Program and Fund**

**Waived/Deferred Fees**

**Expungement of Past Cannabis Criminal Records**

**Eligible City Property**

**Diversity Program**



# Recommendations: Licensing

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**Streamlined Permitting**

**Provisional Licensing**

**Individual Business License Limit**

**Equity Applicant Participant Ratio**

**Criminal Record (Prop 64)**

- ▶ No more restrictive than state requirements

# Recommendations: City Functions

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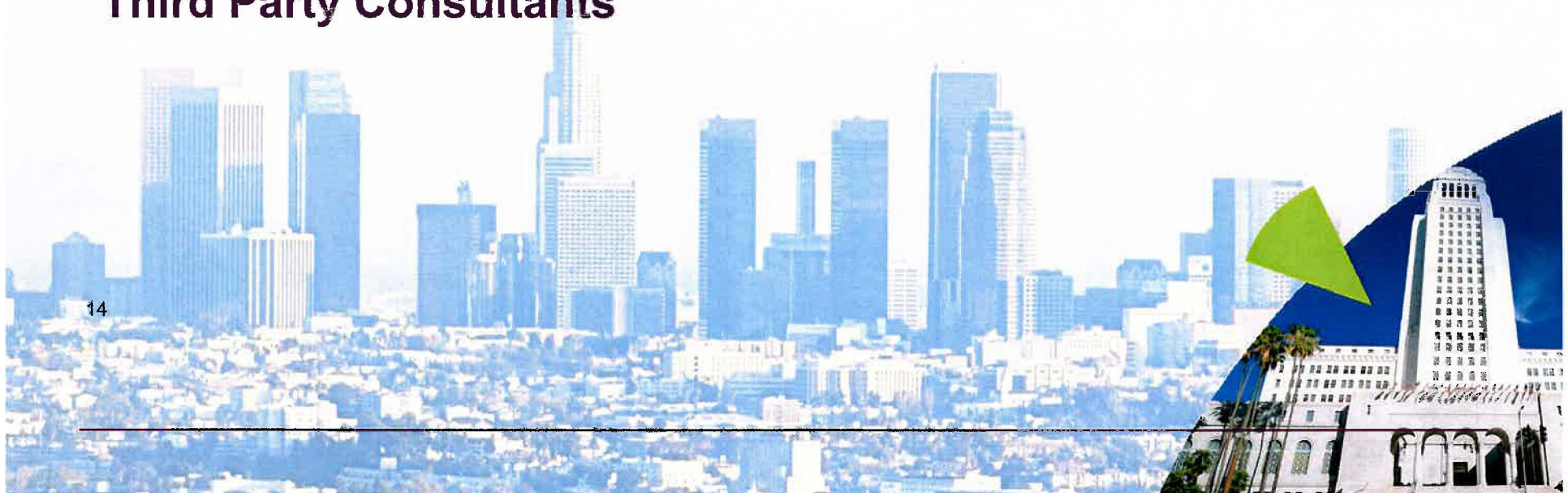
**Social Equity Program Coordinator**

**Licensing & Compliance**

**Education & Outreach**

**Financial**

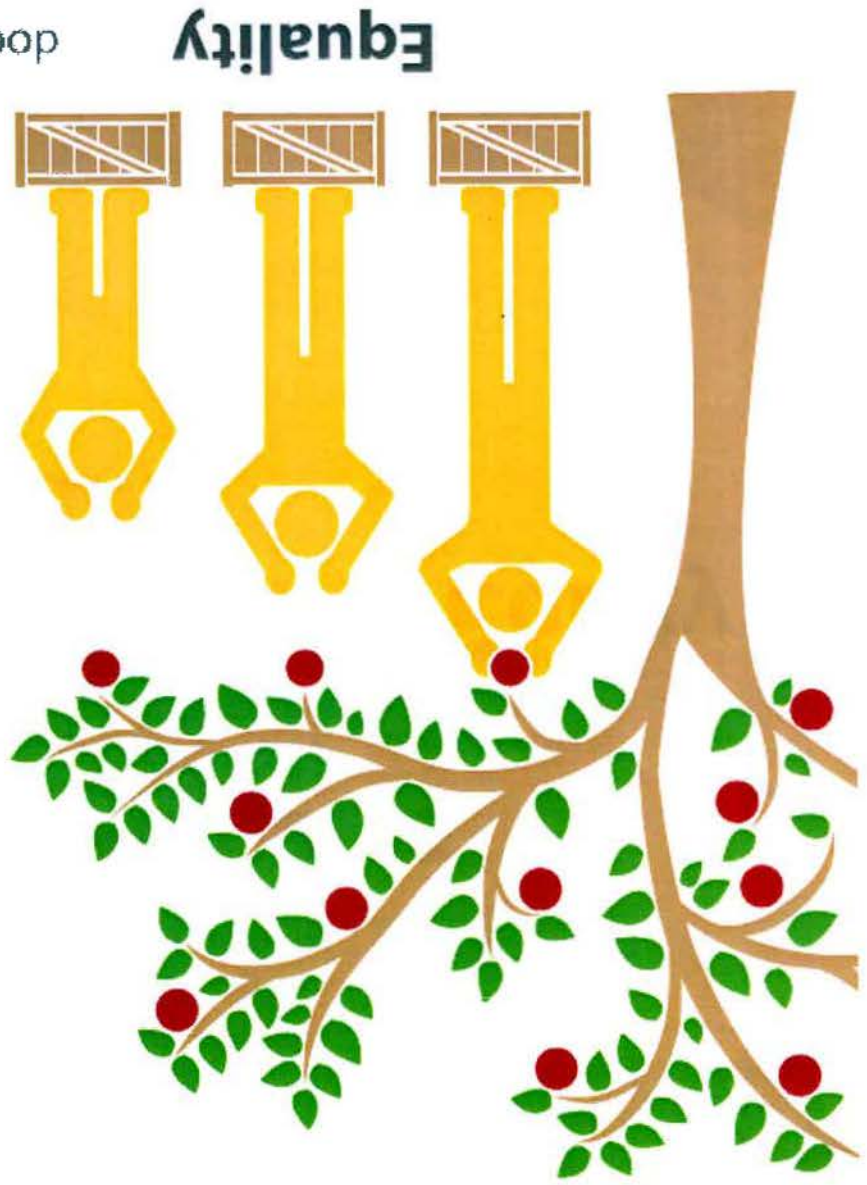
**Third Party Consultants**



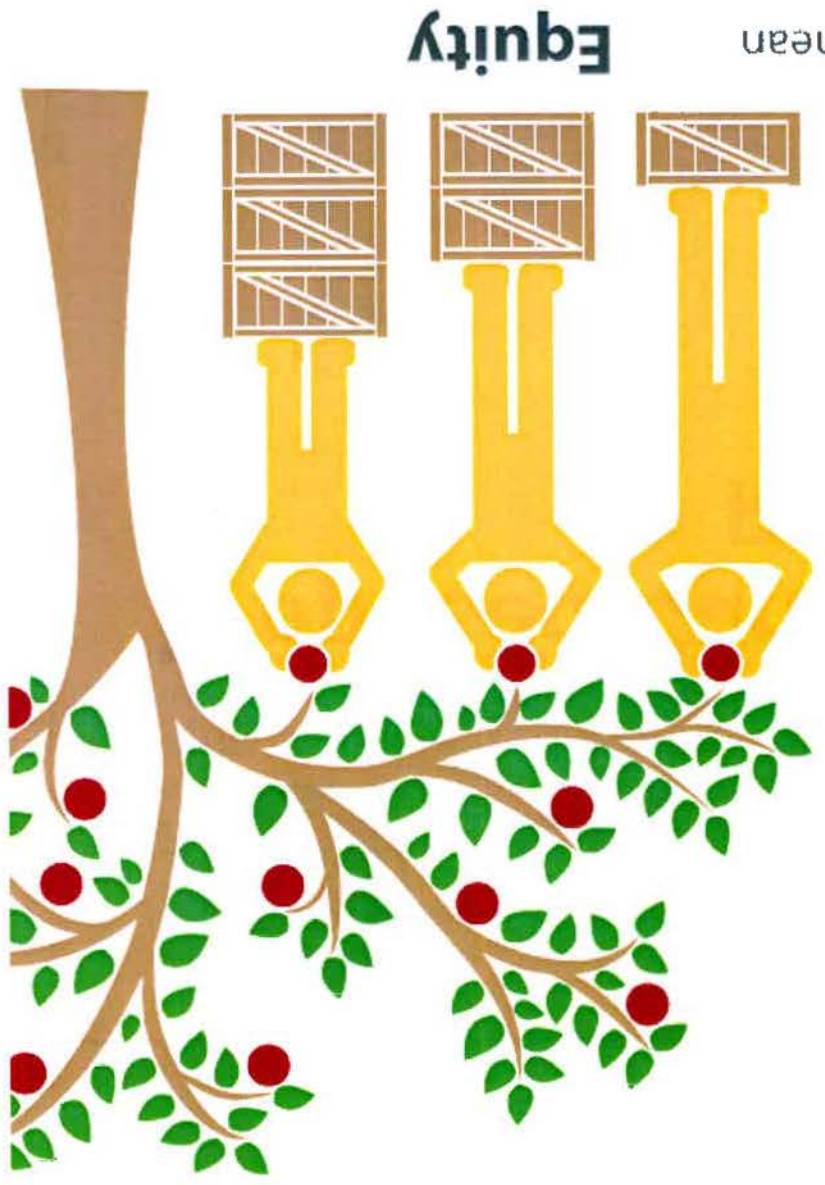


# City of Los Angeles

## Proposed Cannabis Social Equity Program



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# Estimated Budget

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**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

# 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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Identify  
disparities

Map arrests  
hotspots

Map low  
income  
populations

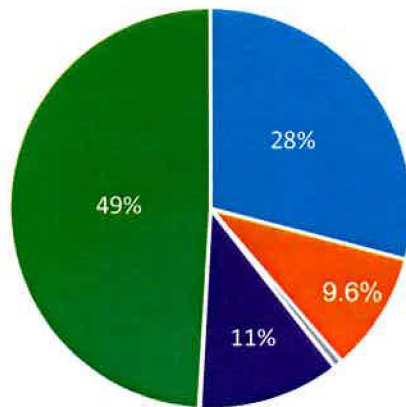
Map overlap of  
poverty/arrests  
data

Identify  
potentially  
eligible  
districts



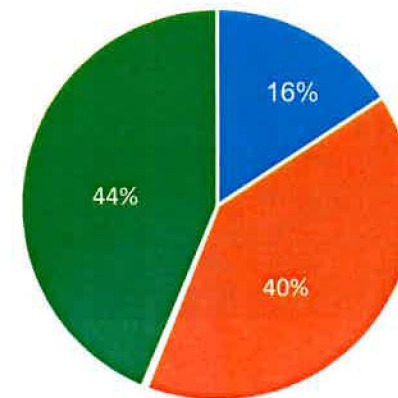
# Los Angeles Population and Cannabis Arrests

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

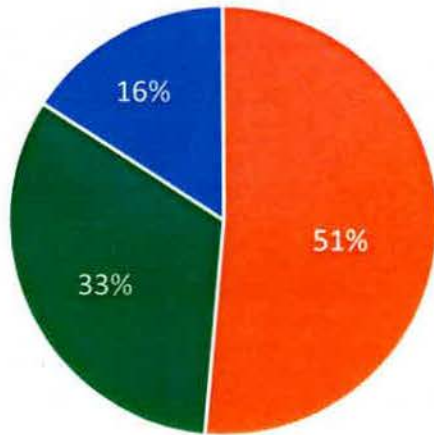
City of Los Angeles Cannabis-Related Arrests (2000-Present)  
Source: LAPD



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

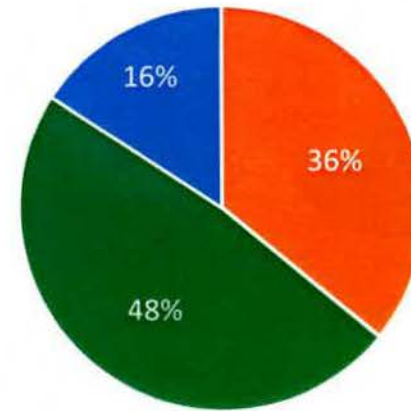


Felony



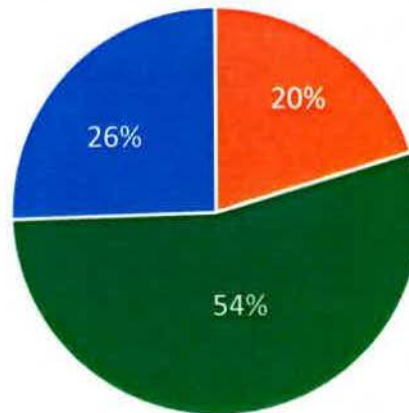
Black/African American Hispanic/Latino White

Misdemeanor



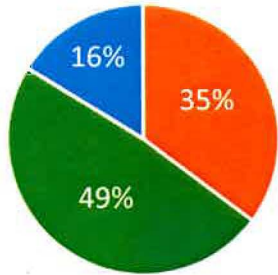
Black/African American Hispanic/Latino White

Infraction



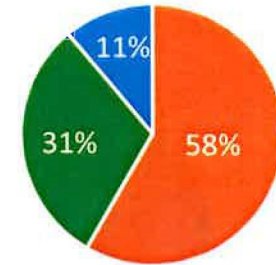
Black/African American Hispanic/Latino White

### Possession of Marijuana



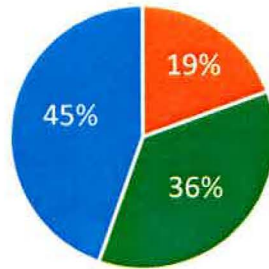
Black/African American Hispanic/Latino White

### Possession for Sale



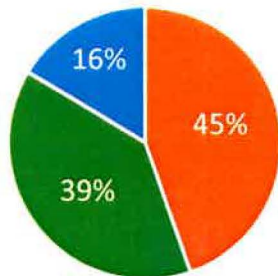
Black/African American Hispanic/Latino White

### Cultivation/Processing of Marijuana



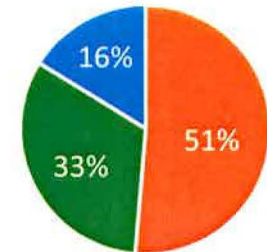
Black/African American Hispanic/Latino White

### Driving in Possession of Marijuana



Black/African American Hispanic/Latino White

### Transportation of Marijuana



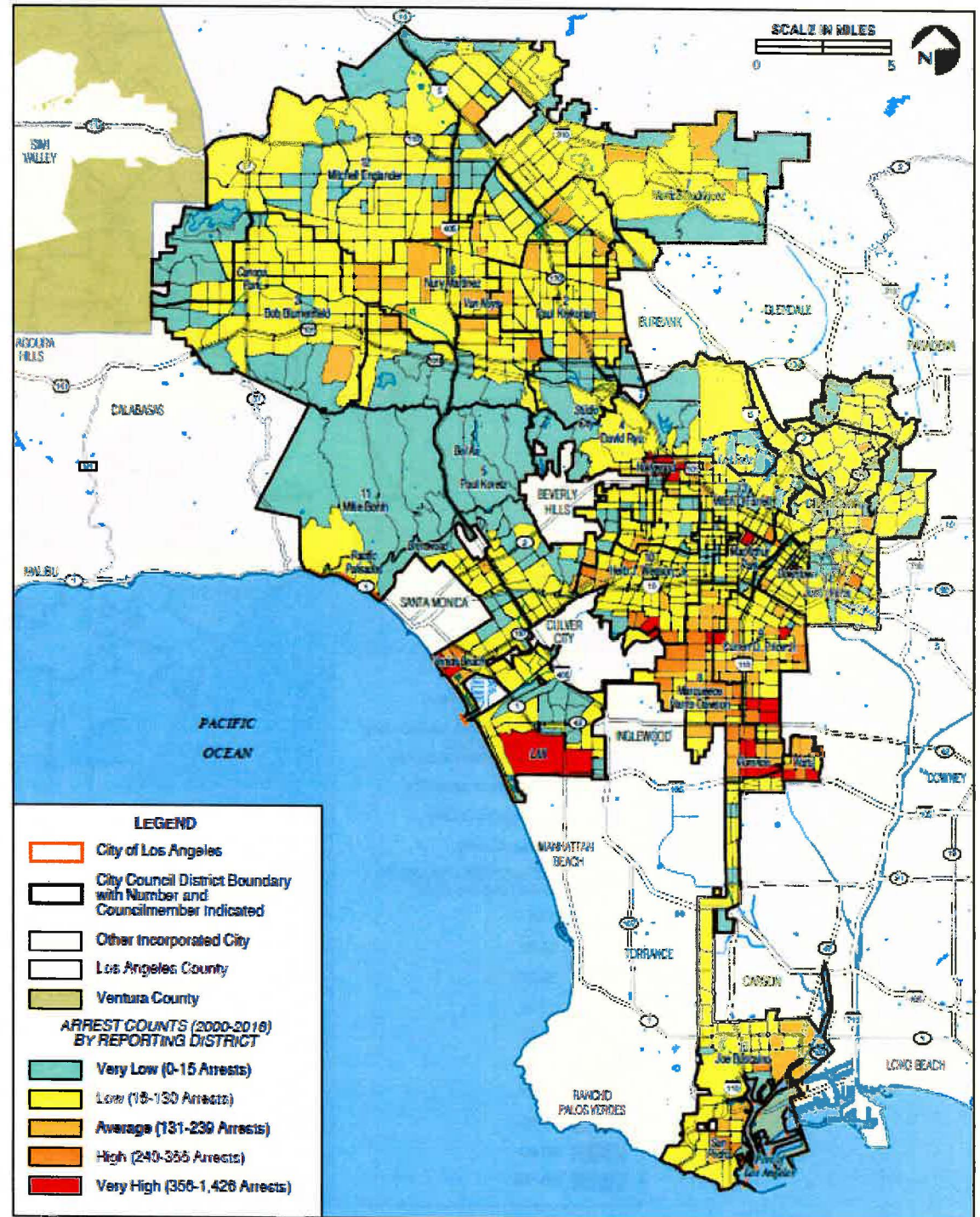
Black/African American Hispanic/Latino White

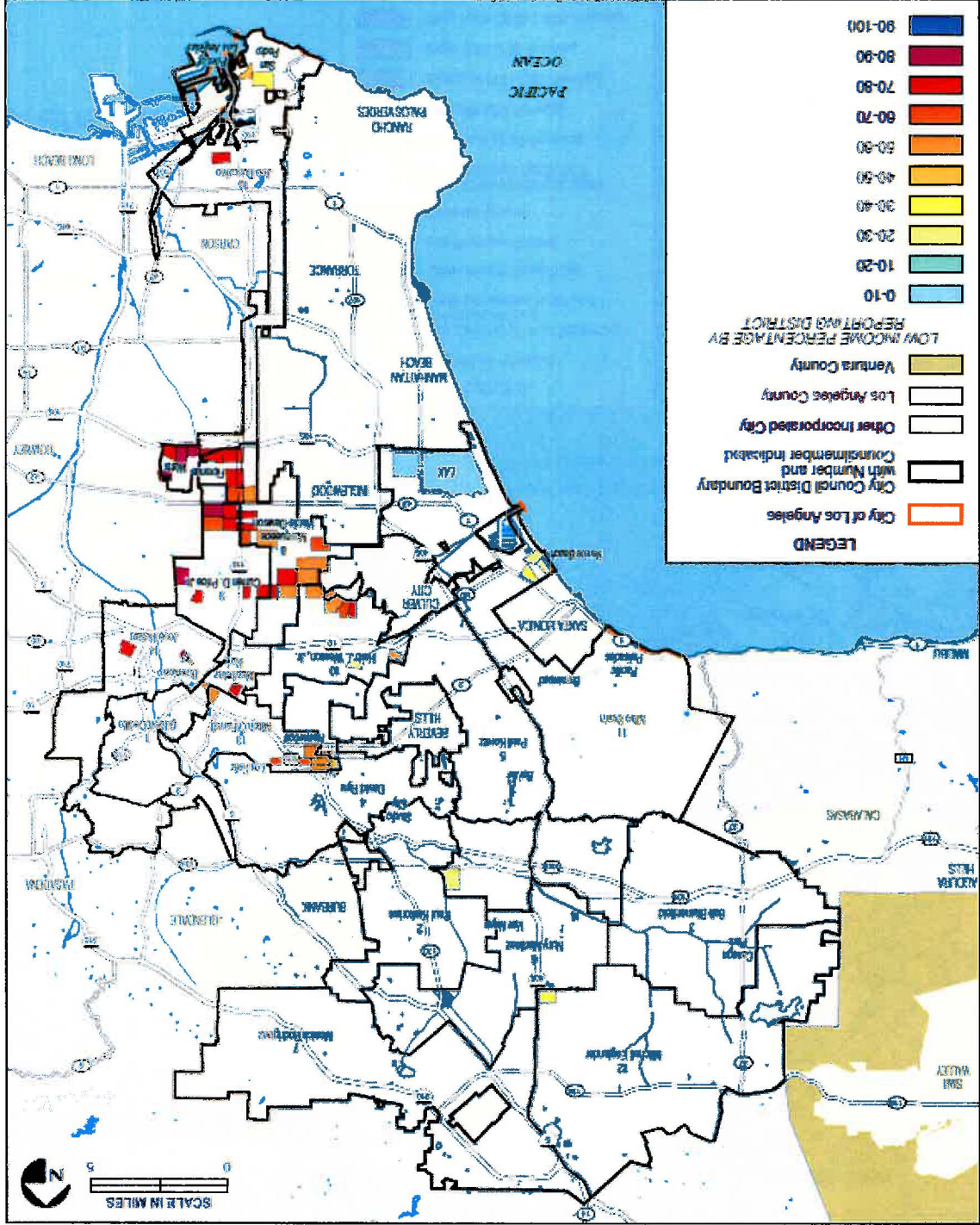
## Main Council Districts impacted:

- ▶ 8
- ▶ 9
- ▶ 10
- ▶ 14
- ▶ 15

## Main neighborhoods impacted:

- ▶ Downtown (San Julian Park)
- ▶ Florence
- ▶ Downtown (Skid Row)
- ▶ Vermont Square
- ▶ Broadway-Manchester
- ▶ Green Meadows
- ▶ Watts
- ▶ MacArthur Park
- ▶ Baldwin Hills/Crenshaw

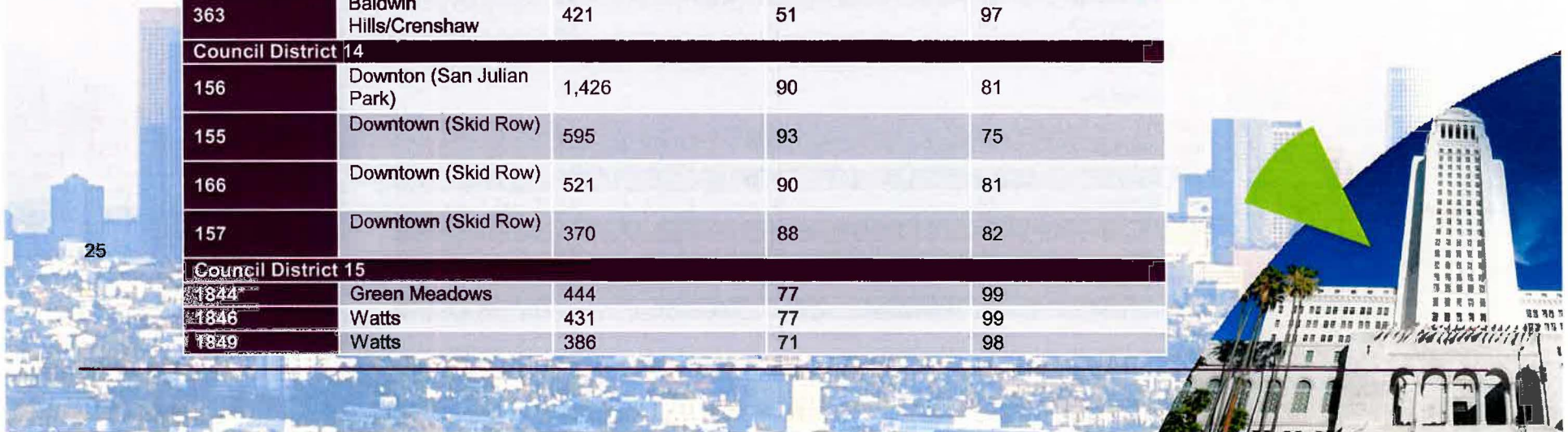






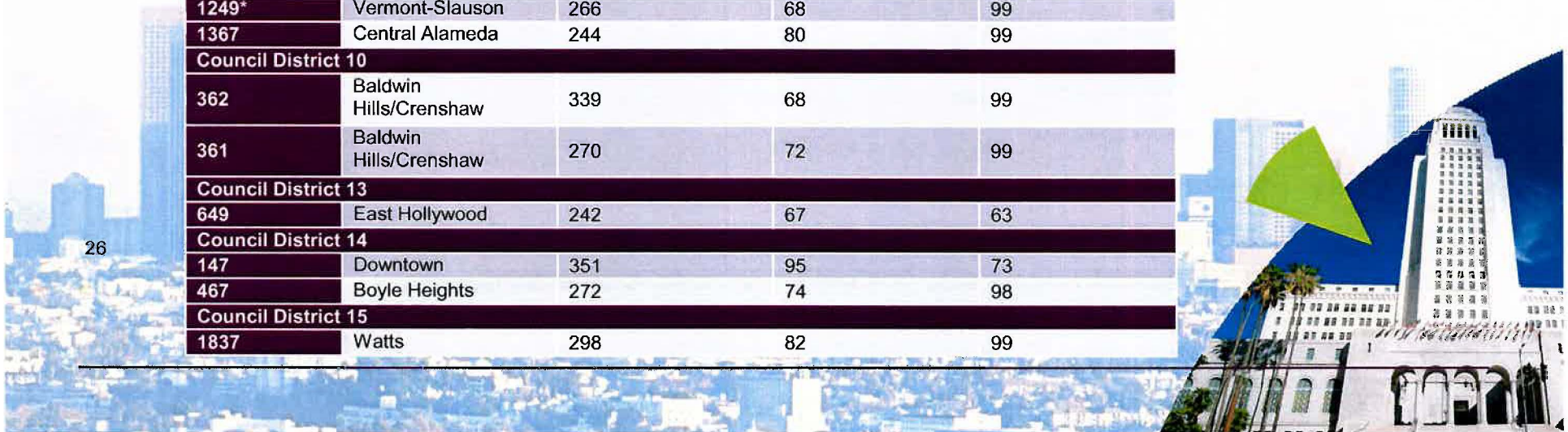
# Areas Potentially Eligible under Draft Program

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	Downtown (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>				
1344	Green Meadows	444	77	99
1346	Watts	431	77	99
1349	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



# 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



# Program Flexibility & Adaptability

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- ▶ Respond to indirect & unintended consequences should they arise
- ▶ Discretion of Department of Cannabis Regulation to adapt program as necessary
- ▶ Department provides regular briefings to City Council & incorporate their guidance on major program adaptations



# Ownership

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## **Federal Mentor-Protégé Program**

- ▶ Majority ownership & control

## **Disabled Veterans Business Enterprise**

- ▶ Majority ownership & control
- ▶ Entitled to 51% of annual distribution of profits

## **Oakland**

- ▶ Majority ownership for corporations, partnerships, limited liability companies
- ▶ Constitute majority BOD for non-profits
- ▶ Controlling interest for collective's governing body

# Community Reinvestment Program

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## Other Jurisdiction Programs

- ▶ Colorado Marijuana Tax Cash Fund
  - ▶ Sales taxes on medical & retail cannabis & state excise tax exceeding \$40,000,000
    - ▶ Prevention & education campaigns, cannabis research, State's Poison Control Center improvements
- ▶ Washington Marijuana revenue fund
  - ▶ \$25,625,000
    - ▶ Prevention & reduction of substance abuse, survey of cannabis attitudes
- ▶ Marijuana Justice Act
  - ▶ Appropriate \$500,000,000 for community reinvestment
  - ▶ Fund communities most affected by war on drugs
    - ▶ Job training, reentry services, expungement, public libraries, community centers, youth programs, health education programs

# Community Benefits Agreement

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## LAX Master Plan

- ▶ Job training
  - ▶ \$3million/yr for 5 years
  - ▶ Workforce Investment Board & Economic and Workforce Development Department
- ▶ Priority hiring
  - ▶ Residents impacted by Project
  - ▶ Low-income residents of City

## STAPLES Center

- ▶ \$1 million for creation/improvement of parks & recreation facilities
- ▶ 70% of Project jobs are living wage
- ▶ Local hiring & job training
  - ▶ \$100,000 to seed third party training organization



# Startup Costs of Cannabis Businesses

Facility type	Cost		
	1,000 sf	5,000 sf	10,000 sf
Hoop house	\$300	\$1500	\$3000
Greenhouse	\$22,000-\$60,000	\$110,000-\$300,000	\$220,000-\$600,000
Indoor	\$100,000-\$150,000	\$500,000-\$750,000	\$1,000,000-\$1,500,000
Processing	\$5,000 for 10% of a 1,000 sf facility	\$25,000 for 10% of a 5,000 sf facility	\$50,000 for 10% of a 10,000 sf facility
Manufacturing	NA	\$275,000-\$300,000	\$550,000-\$600,000
Distribution	\$35,000	\$175,000	\$350,000
Testing	NA	~\$4,000,000	

