**PUBLIC** September 30, 2017 **WORKSHOP ON SOCIAL EQUITY &** COMMERCIAL CANNABIS **ACTIVITY** REGULATION Cat Packer **Executive Director Department of Cannabis Regulation** City of Los Angeles

# Development of Los Angeles Cannabis Law & Policy

August 2017: Executive Director and Commissioners appointed and confirmed

July 2017: Department of Cannabis Regulation and Cannabis Regulation Commission, established

June 2017: Draft Land Use Ordinance

+ Draft Regulations

March 2017: Measure M

May 2013: Proposition D

## Proposition D

- Passed in 2013, prohibiting the operation or establishment of Medical Marijuana Businesses, including renting to, working for, and using an vehicle in furtherance of such business.
- Provides limited immunity from its prohibitions for Medical Marijuana Businesses that comply with certain requirements.

**EFFECTIVE Jan. 1 2018** 

**COUNCIL AUTHORITY** 

#### **TAXATION**

- 5% MEDICAL
- 10% ADULT-USE
- 2% CULTIVATION,
  MANUFACTURING, OTHER
- 1% DISTRIBUTION, TESTING, RESEARCH

REPEAL OF PROP D

**PROP M Priority** 

#### **ENFORCEMENT**

- UNLICENSED COMMERCIAL
   CANNABIS ACTIVITY:\$20,000
   PER VIOLATION, PER DAY FOR
   BUSINESS OWNER & PROPERTY
   OWNER
- UTILITIES DISCONNECTED
- MISDEMEANOR
- OTHER

### Measure M

March 7, 2017



Cultivation Manufacturing Distribution Testing Retail Microbusiness

# Department of Cannabis Regulation

- Administer application process in conjunction with the Cannabis Regulation Commission for the issuance of licenses for cannabisrelated activity in the City
- Administer and coordinate audit processes for cannabis-related businesses in the City
- Enforce regulatory compliance of licensed commercial cannabis activity

# Cannabis Regulation Commission

- Monitor and review the State's effort to promulgate cannabis-related laws and regulations and make recommendations to the Mayor and City Council for the adoption of City laws and regulations pertaining to cannabis related activity in the City
- Implement the laws and regulations adopted by the City Council, consistent with the duties of the Department of Cannabis Regulation
- Hold public hearings related to issuing licenses for Commercial Cannabis Activity

## **Social Equity Program**

- City Council Motion
- Social Equity Analysis
  - "A social equity analysis of cannabis regulations aimed at promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts on the war on drugs on those communities".
- Options for Social Equity Program
  - "Options should be provided to ensure that communities identified in the social equity analysis have access to ownership training programs, employee training programs, technical assistance, capital and any other program necessary."

# Commercial Cannabis Activity Location Restriction Ordinance

- Allows certain defined commercial cannabis activity to take place in the City, so long as it is:
- Conducted by persons operating under a State license.
- Authorized by the City's Department of Cannabis Regulation.
- In compliance with the location restrictions specified in the ordinance, as well as with additional regulations.
- Identifies zones within which specified types of commercial cannabis activity are eligible to operate.
- Requires that cannabis retail activity with on-site sales observe a specified distance from sensitive sites, as well as from other cannabis retail activity with onsite sales.

### Draft Land Use Ordinance

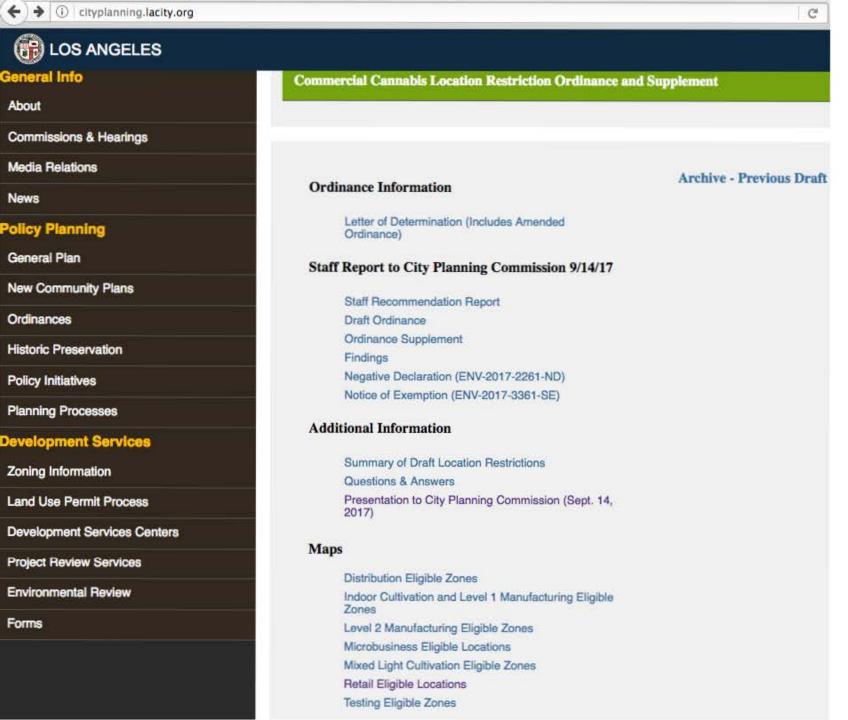
- Restricts the location of various types of commercial cannabis activity into eligible zones
- Requires businesses to observe specified distances from certain sensitive sites:
  - Retail/Microbusiness must be 800 feet from:
    - K-12 Schools
    - Alcoholism/Drug Rehabilitation or Treatment Facilities
    - Public Libraries
    - Public Parks
    - Other Retail/Microbusiness activity with on-site sales.
  - No distancing requirements-either from sensitive sites or from other cannabisrelated business sites are proposed for:
    - Cultivation, manufacturing, testing and distribution with no retail on the same site
    - Retail and Microbusiness activity with no on-site sales (delivery only).

# Eligible Zones

Retail	Microbusiness	Indoor Cultivation & Level 1 Manufacturing
C1 C1.5 C2 C4 C5 CM M1 M2 M3	M1 M2 M3	MR1 MR2 M2 M3

## Eligible Zones

Mixed Light Cultivation	Level 2 Manufacturing	Distribution	Testing
A1 A2 Accessory use only.	MR2 M2 M3	MR1 M1 MR2 M2 M3	CM MR1 M1 MR2 M2 M3



#### Cityplanning.lacity.org



#### Retail

# Businesses that sell cannabis products directly to the public

Existing Medical Marijuana Business

800-foot buffer from: Schools, Parks, Libraries, Drug/Alcohol Rehab & Recovery Facilities, EMMBs

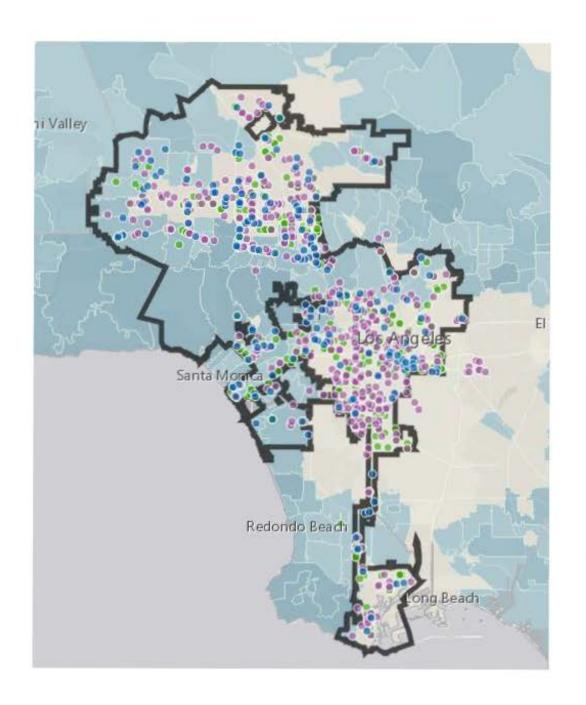
#### 7oning

Commercial zones that are eligible

Industrial zones that are eligible

Administrative Boundary

Council District



191 Marijuana businesses that are eligible to apply for a special 2017 Business Tax Registration Certificate

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756 Marijuana businesses that held Business Tax Registration Certificate in 2016

0

563 Marijuana businesses against which the Los Angeles City Attorney's Office filed criminal cases

.

### PROPOSED BUSINESS REGULATIONS

- Application requirements & procedures
- Appeals
- Priority processing
- Operations requirements
  - General
  - Retail
  - Delivery
  - Manufacturing
  - Testing
  - Distribution
  - Transport
- Inspections
- Enforcement
- Renewals
- Cancellation of license/authorization



- Name
- Activity & License Type
- Processing Category
- Date of Operations
- License(s) Held
- History of Denial
- Address & Contact
   Information
- Business Organizational
   Structure
- Fictitious Business Name
- Financial Information
- Personal Info Redacted
- Legal Occupancy & Use

- Premises Diagram
- Pre-Licensing Inspection
- Hiring Plan
- Staffing Plan
- Labor Peace Agreement
- Valid Seller's Permit (Board of Equalization)
- Proof of bond/insurance
- Limited Access Areas Plan
- Security Plan
- Detailed Descriptions

- CUPA Permit
- Terms of Transfer & Change of Ownership
- Indemnification Agreement
- Community Benefits
   Agreement
- Neighborhood Liaison
- Local Neighborhood Council
- Prohibition on Alcoholic
   Beverages & Tobacco Sales
   & Consumption
- Radius Map





Eligibility Determination

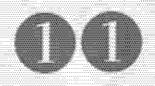


Local License:
Operational Conditional



Temporary State License

General Processing



Social Equity
Processing

General Processing



Department of Cannabis Regulation

Pre-Licensing Inspection

Department of Cannabis Regulation

Retail, Large Non-Retail

Commission Commission Social Equity Processing

Office of Finance
Dept. Cannabis Reg.
LAPD
LAFD
Dept. Building & Safety
LA County Dept.
of Public Health

Non-Retail

Department of Cannabis Regulation

of Public Health

Non-Retail

Retail, Large Non-Retail

Camabis Regulation

Commission



Local License:

No-Operations Conditional



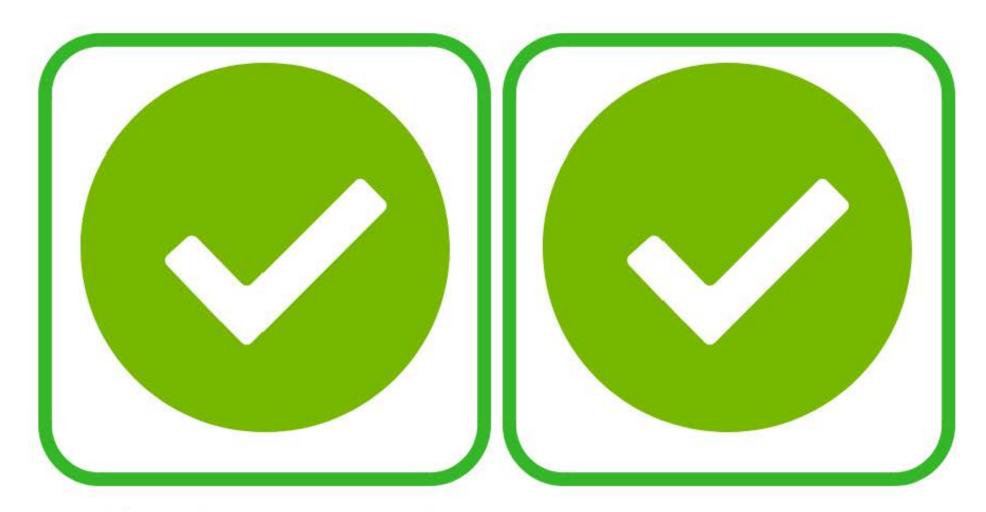
America Lincolnia



Local License:

1

Public Hearings **Neighborhood Councils** Notice & Notification Neighborhood Liason Community Benefit Agreement Local Hire Transitional Hire Diversity Plan Worker Safety Plan Labor Peace Agreement



California Commercial Los Angeles Commercial
Cannabis Activity
Cannabis Activity
License
License

# California Commercial Cannabis Activity Licensing



# California Commercial Cannabis Activity Licensing







Testing
Distribution
Retail, Delivery
Microbusiness

Manufacturing

Cultivation





Bcc.ca.gov

Cannabis.ca.gov

# State Temporary Licenses













All applicants will be required to provide the following:

Local jurisdiction authorization: A copy of a valid license, permit, or other authorization issued by the local jurisdiction where the business is operating that allows the applicant to conduct commercial cannabis activity at the location.

Local authorization may vary by local jurisdiction and must specify that the applicant is approved for commercial cannobis activity.

Name: The name of the applicant requesting the license. This could be an individual or business entity.

License type requested: Distributor, Retailer, Microbusiness, or Testing Laboratory.

License designation requested: A-license, adult use or M-license, medicinal

**Contact information:** Designated primary contact including first and last name, title, address, phone number(s), and email address(es).

Owners: For each owner that meets the criteria of Business and Professions Code section 26001 (at), the owner's name, mailing address, and email address.

Physical address: Location of the proposed premises.

Authorization to use location: A copy of the title or deed to the land where the premises is proposed to be located. If the applicant does not own the land, a document from the landowner stating that the applicant has the right to occupy the property and may use the property for the commercial cannabis activity.

Premises diagram: A diagram of the business's layout at the proposed location.

No temporary license will be effective prior to January 1, 2018.

Social Equity Employment

Stigma

Housing

Cole Memo

Safe Neighorhoods

Patient Access

Education

Adults 21 & Up

Community Reinvestment

Impairment & Road Safety

Advertising Restrictions

Policing

Regulation

Youth Safety

Tax Revenue

### Enforcement

Addiction

Ownership

Drug Testing

Consumer Safety

Personal Cultivation

Health Services

Criminal Justice

Youth Prevention

Economic Opportunity

Cannabis Policy

Public Consumption





## City of Los Angeles

# Draft Cannabis Social Equity Program

September 30, 2017
Watts Labor Community Action Committee Center

#### Introductions



#### **City of Los Angeles:**

Herb Wesson, City Council President

Marqueece Harris-Dawson, City Council Member

Cat Packer, Executive Director of Department of Cannabis Regulation

#### **City of Oakland:**

Darlene Flynn, Director of Department of Race Equity

#### Social Equity Consultant - Amec Foster Wheeler

Rita Bright, Project Manager

Matthew Sauter, Lead Equity Analyst

Melaina Wright, Planning Analyst

Taylor Lane, Planning Analyst





#### **Public Input Welcome!**

- ► Learn about Cannabis Regulation Ordinance & Social Equity Program
- Identify who is interested
- Barriers to participating in legal cannabis industry
- Comments on draft social equity program components





#### Commercial Cannabis Regulation Ordinance

- Amending City Municipal Code
  - Los Angeles Cannabis Enforcement, Taxation, and Regulation Act (CETRA), or Proposition M
- Procedures for review & approval by Department of Cannabis Regulation & Cannabis Regulation Commission
- Operation regulations to protect public health & safety
- ► Location criteria for specific types of commercial cannabis activities



#### Commercial Cannabis Regulation Ordinance

- ▶ Licensing Windows
  - Window 1: Proposition M Priority Processing
  - Window 2: Social Equity Program Processing
  - Window 3: General Processing





#### Social Equity Program Purpose & Intent

"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."







## **Federal Guidance**

▶ Disproportionate impacts to minority communities & low-income communities

## **California Affirmative Action (Proposition 209)**

Government programs cannot consider race as eligibility criteria

# **LA Social Equity Program**

- Based on disproportionate economic impacts
- Race & ethnicity information provided
- State law prohibits eligibility based on race





## **Identify disparities in arrests**

## Map & identify arrest "hot spots"

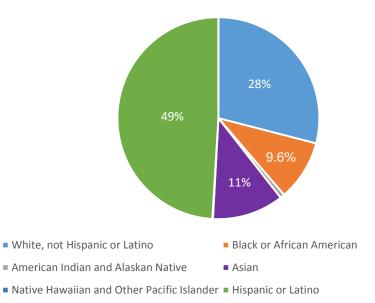
- Review 2000-2016 LAPD arrest data
- ► Identify communities disproportionate arrest rates

## Map demographic indicators

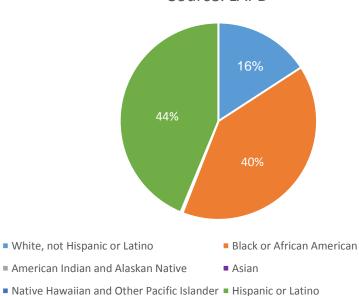
- ▶ 2010 US Census Bureau decennial race/ethnicity data
- ➤ 2015 American Community Survey poverty/income data

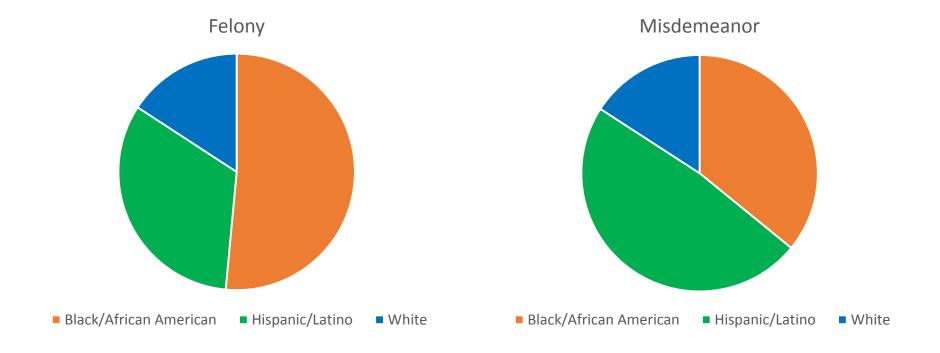
# **Determine areas of overlap**

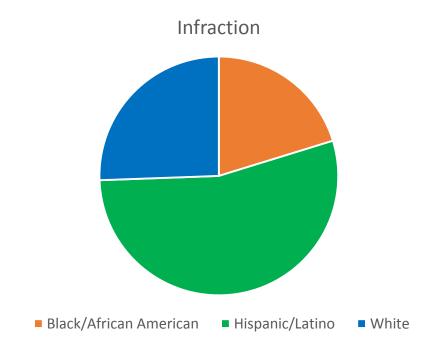
#### City of Los Angeles Population Composition Source: 2010 U.S. Census



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







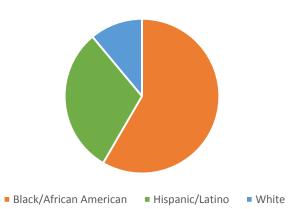
# Possession of Marijuana

Hispanic/Latino

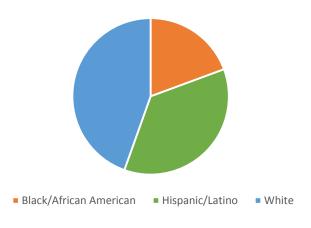
White

■ Black/African American

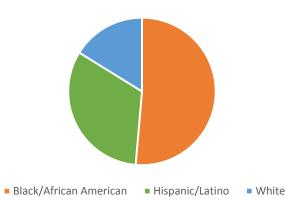
#### Possession for Sale



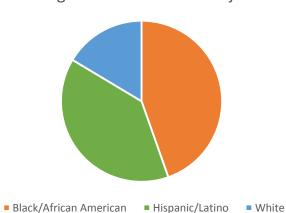
Cultivation/Processing of Marijuana



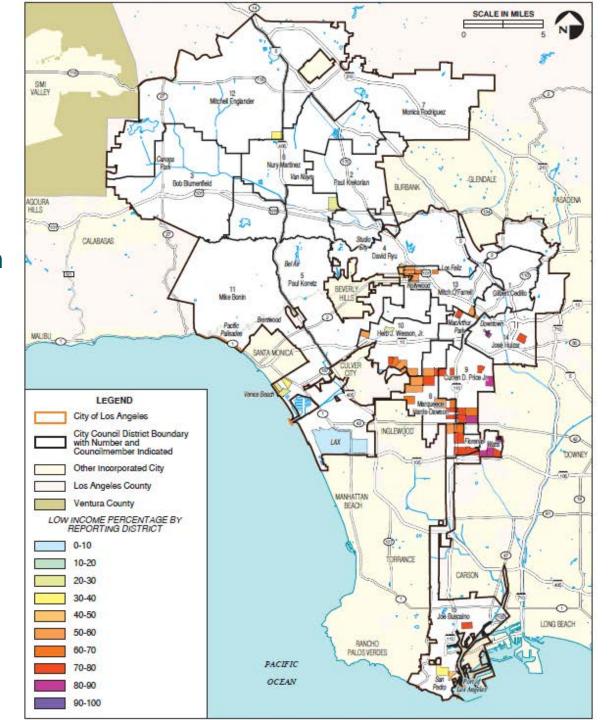
Transportation of Marijuana



Driving in Possession of Marijuana



Percentage
of Low
Income
Households
in Police
Reporting
Districts with
High
Cannabis
Arrests





# Areas Potentially Eligible under Draft Program

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



# Areas Potentially Eligible under Draft Program

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

# **Barriers**



## **Technical**

- Business ownership
- City regulatory requirements

#### **Criminal record**

- Background checks
- Employment barriers

## Licensing

Discretionary review

#### **Financial**

- Access to real estate
- Access to capital
- Licensing fees
- Cost of utilities

## **Perception**

Trust in government

**Equity Program Awareness** 

# **Opportunities**



#### **Technical**

- Technical assistance program
- Designated staff to direct applicants to City resources

#### **Criminal record**

- Restricted background checks
- Expungement
- Workforce requirement

## Licensing

Streamline discretionary review

#### **Financial**

- Incubator program
- Eligible City property
- No (or low) interest startup loans
- Waived fees
- City programs & incentives
- Community reinvestment program

## **Perception**

Civilian building inspections

## **Equity Program Awareness**

Outreach program



# Recommendations: Eligibility

## **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
  - At discretion of Department of Cannabis Regulation







- ► Tier 1: Low income & prior cannabis-related conviction in California
  - Access to all Program resources
- ► Tier 2: Low income & immediate family member was convicted of a cannabis-related crime in California
  - Access select Program resources
    - Priority processing, licensing assistance, business training, fee waiver





- ➤ Tier 3: Low income & live or have lived in eligible districts for 5 accumulative years
  - Access to select Program resources
    - Priority licensing, licensing assistance, business training, fee deferral
- ➤ Tier 4: Social Equity Program Community Partner (with Department and Local Neighborhood Council approval)
  - Access to select Program resources
    - Priority licensing, licensing assistance, business training





## **Definition of Eligible District**

- Police reporting districts with high number of cannabis-related arrests & percentage of low income households
- ► Potentially eligible neighborhoods include:
  - Baldwin Hills
  - Boyle Heights
  - Broadway-Manchester
  - Central-Alameda
  - Crenshaw
  - Downtown (San Julian Park, Skid Row)
  - Florence
  - Green Meadows
  - Hyde Park
  - MacArthur Park
  - Vermont Knolls
  - Vermont Square
  - Vermont-Slauson
  - Watts



# Recommendations: Eligibility

## **Definition of Low Income**

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

## **Criminal Record**

- Cannabis-related crime excluded from background checks
- Violent & serious felony, drug trafficking with enhancements, & selling to a minor
  - Not eligible for Program
  - This provision shall be no more restrictive than state requirements.



## **Workforce requirement**

- ▶ 50% workforce comprised of:
  - Residents of eligible districts
  - Individuals convicted of cannabis crime & their immediate family members
- Diversity plan
  - Diverse racial, ethnic & cultural backgrounds
  - Women, veterans, individuals with disabilities, members of LGBTQ+ community
- ► Failure to meet requirements = license revoked





## **Incubator/Pilot Program – Component 1**

- General applicant with ample space
  - ▶ 1,000 square feet or 10% of space given to equity applicant
- General applicant without ample space
  - Business mentoring, technical assistance, hard capital, & sponsor workshops
- Incentive
  - Both parties eligible for tax rebate after 3 years
- ▶ If current equity partner goes out of business & do not find new equity partner





## **Incubator/Pilot Program – Component 2**

- ► Landlords with unlicensed cannabis businesses on their property
  - Subject to fines for illegal operation
- City will waive fines if landlord partners with City to provide space to Social Equity Program participants

# Social Equity Investment Program and Fund

► City provides zero (or low) interest startup loans





## **Waived Fees**

- Permitting & inspection fees waived
- Fees may also be deferred or payment plan provided

# **Eligible City property**

- City property may be available if:
  - Ineligible for affordable housing
  - Within eligible cannabis zoning districts





## **Technical Assistance Program**

- Assist with:
  - City regulatory compliance
  - Application completion
  - Business planning & financing
  - Job training for potential employees
- ▶ Direct to existing City programs & incentives





## **Expungement of Past Convictions**

Expungement of cannabis-related criminal records

# **Community Reinvestment Program & Fund**

- ► Education, treatment, intervention & prevention
- ► Anti-drugged driving & responsible patient and adult consumption campaigns







## **Sign-In Sheet**

► Receive Program updates

## **Information Tables**

► Learn more about Social Equity Program & Cannabis Regulation Ordinance







## **Public Comment Box**

- ► Comments regarding:
  - Barriers to participating in legal cannabis industry
  - Financial & technical assistance needed

## **Anonymous Survey**

- ▶ Understand barriers & needs
- Understand backgrounds of those interested in Program



PUBLIC WORKSHOP SEPTEMBER 30, 2017

# CITY OF LOS ANGELES

DRAFT CANNABIS SOCIAL EQUITY PROGRAM

#### DRAFT PROGRAM HIGHLIGHTS

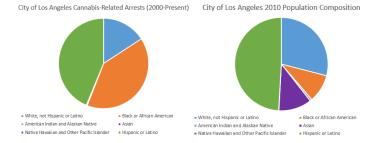


#### **PURPOSE & INTENT**

"Promote 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."

#### **EXISTING DISPARITES**

Black/African Americans, Latinos and low income residents consume and sell cannabis at approximately the same rate as other segments of the population, but experience substantially higher rates of cannabis-related enforcement.



#### DRAFT ELIGIBILITY STANDARDS

#### REQUIREMENTS

#### **OWNERSHIP**

• 51% ownership or majority of board of directors

#### **RESIDENCY**

- Resided in City of Los Angeles for at least 5 accumulative years
- There is flexibility in residency requirement

#### **CRITERIA**

#### ONE OF THE FOLLOWING IS MET:

- Tier 1: Low income & prior cannabis-related conviction in state of CA
- Tier 2: Low income & immediate family member was convicted of a cannabis-related crime in CA
- Tier 3:Low income & reside(d) in eligible districts for 5 accumulative years
- Tier 4: Social Equity Program
   Community Partner; Department approval and Local Neighborhood Council Support

#### **DEFINITIONS**

#### FLIGIBLE DISTRICTS

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

#### LOW INCOME

 At or below 80% of County's 2017 average median income PUBLIC WORKSHOP SEPTEMBER 30, 2017

#### DRAFT PROGRAM COMPONENTS

#### WORKFORCE REQUIREMENT

#### WORKFORCE COMPOSITION

• 50% of employees must be residents of eligible districts, individuals convicted of cannabis-related crimes & their immediate family members

#### **DIVERSITY PLAN**

- Diverse racial, ethnic & cultural backgrounds
- Women, veterans, individuals with disabilities, members of LGBTQ+ community

#### TECHNICAL ASSISTANCE PROGRAM

#### ASSISTANCE PROVIDED

- Application completion
- City regulatory compliance
- Business planning & financing
- Job training for potential cannabis industry employees

#### **ELIGIBLE DISTRICTS**

Police reporting districts were identified as potentially eligible for the program if they had a disproportionate number of cannabis-related arrests and percentage of low income households as compared to the City. Neighborhoods that may be included in the social equity program include the following:

- Baldwin Hills
- Boyle Heights
- Broadway-Manchester
- Central-Alameda
- Crenshaw
- Downtown (San Julian Park, Skid Row)
- Florence
- Green Meadows
- Hyde Park
- MacArthur Park
- Vermont Knolls
- Vermont Square
- Vermont-Slauson
- Watts

#### INCUBATOR PROGRAM

#### MARKET-RATE COMPONENT

- 1,000 square feet/10% of space provided to equity applicants OR business mentoring, technical assistance & hard capital
- Participating general applicants & social equity applicants receive tax rebate after 3 years of partnership

#### LANDLORD COMPONENT

- Landlords with unlicensed cannabis businesses are subject to fines for illegal operation
- City will waive fines if landlord enters partnership to provide affordable rent to Social Equity Program Participants
- Subject to Department Approval

#### OTHER COMPONENTS

#### WAIVED FEES

 Permitting & inspection fees waived or deferred or payment plan

#### SOCIAL EQUITY INVESTMENT FUND

• City provides zero (or low) interest startup loans

#### **ELIGIBLE CITY PROPERTY**

 City property ineligible for affordable housing & within eligible cannabis zoning districts may be made available for equity applicants

#### **EXPUNGEMENT OF PAST CONVICTIONS**

• City will coordinate expungement of cannabis-related crimes

#### COMMUNITY REINVESTMENT

- Education, treatment, intervention & intervention programs provided
- Educational anti-drugged driving & anti-irresponsible use campaigns