City of Los Angeles

Proposed Cannabis Social Equity Program

November 20, 2017
Presentation Overview

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

"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

- 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

- 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

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

- 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

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
  - 33⅓% ownership interest AND 33⅓% of Board of Directors for Tier 3 benefits
    - Analogous structure for non-profits & collectives
Recommendations: Eligibility

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

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

- Licensing & Compliance
- Business Assistance
- Workforce Development
- Expungement
- Community Reinvestment
Recommendations: Program Components

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

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

Social Equity Program Coordinator
Licensing & Compliance
Education & Outreach
Financial
Third Party Consultants
City of Los Angeles

Proposed Cannabis Social Equity Program
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
Approach to Analysis

**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

- 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: 49%
- Black or African American: 28%
- American Indian and Alaskan Native: 9.6%
- Asian: 11%
- Hispanic or Latino: 11%

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

- White, not Hispanic or Latino: 44%
- Black or African American: 16%
- American Indian and Alaskan Native: 40%
- Asian: 44%
- Hispanic or Latino: 40%
Possession of Marijuana

- Black/African American: 35%
- Hispanic/Latino: 49%
- White: 16%

Possession for Sale

- Black/African American: 31%
- Hispanic/Latino: 58%
- White: 11%

Cultivation/Processing of Marijuana

- Black/African American: 36%
- Hispanic/Latino: 19%
- White: 45%

Driving in Possession of Marijuana

- Black/African American: 39%
- Hispanic/Latino: 45%
- White: 16%

Transportation of Marijuana

- Black/African American: 51%
- Hispanic/Latino: 33%
- White: 16%
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

<table>
<thead>
<tr>
<th>Police Reporting District</th>
<th>Area Description</th>
<th>Individual Cannabis Related Arrests</th>
<th>Percent Low Income Households</th>
<th>Percent People of Color</th>
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</thead>
<tbody>
<tr>
<td>Citywide Mean Reporting District Values t</td>
<td></td>
<td>72</td>
<td>43</td>
<td>69</td>
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<tr>
<td>Council District 1</td>
<td>MacArthur Park</td>
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<td>Florence</td>
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<td>Downtown (Skid Row)</td>
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Public Workshop & Comments

- Technical assistance
- Community reinvestment
- Priority ranking
- Diversity
- Ability to operate during licensing process
Cannabis Program Licensing

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

- 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

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

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

LAX Master Plan

- Job training
  - $3 million/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

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<tr>
<th>Facility type</th>
<th>Cost 1,000 sf</th>
<th>5,000 sf</th>
<th>10,000 sf</th>
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<tr>
<td>Hoop house</td>
<td>$300</td>
<td>$1500</td>
<td>$3000</td>
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<tr>
<td>Greenhouse</td>
<td>$22,000-$60,000</td>
<td>$110,000-$300,000</td>
<td>$220,000-$600,000</td>
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<tr>
<td>Indoor</td>
<td>$100,000-$150,000</td>
<td>$500,000-$750,000</td>
<td>$1,000,000-$1,500,000</td>
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<tr>
<td>Processing</td>
<td>$5,000 for 10% of a 1,000 sf facility</td>
<td>$25,000 for 10% of a 5,000 sf facility</td>
<td>$50,000 for 10% of a 10,000 sf facility</td>
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<td>Manufacturing</td>
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<td>Distribution</td>
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<tr>
<td>Testing</td>
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