



Los Angeles Cannabis Task Force: Social Equity Committee Social Equity Proposal to City Council

Who we are:

The LA Cannabis Task Force is dedicated to creating a fair and vibrant industry for every cannabis business in the City of Los Angeles. The Task Force is made up of people with diverse backgrounds, both inside and outside the cannabis industry in Los Angeles. We include advocates, existing business owners, entrepreneurs, investors, patients and activists. Our goal is the creation of an equitable, efficient and effective regulatory system that reflects the concerns and needs of all citizens of Los Angeles.

Defining Social Equity:

Social equity for Los Angeles' cannabis industry is fundamental to LACTF's mission. We define social equity as *fundamental insurance that the benefits of the cannabis industry are widely distributed, and that any disadvantages or costs do not unfairly burden communities, groups and bodies. Moreover, social equity means this industry should reflect society as a whole.*

Equity, in other words, is fairness.¹ But we have a long way to go. We know that businesses, cooperatives, workers and other individuals in, or hoping to be involved in the cannabis industry, do not start out on a level playing field. Whether involved in the industry or not, the decades long War on Drugs has exacted a heavy economic, social and political toll on some of Los Angeles' most vulnerable communities. This toll includes erecting barriers to capital access/wealth creation, job opportunities, affordable housing, education and political engagement, as well as worsened disparities in health and life outcomes. These targeted communities are often heavily comprised of marginalized low-income people of color. Moreover, many of those who helped build the industry and develop cannabis for medicinal and recreational purposes, such as women and small business owners, have been pushed furthest from the starting line.

Equity also requires an eye to future potential harms, including mitigation of the industry's environmental impacts, ensuring patients are not left behind as adult use gains footing and seeing measurable improvements in these hardest hit communities impacted by the War on Drugs.

To this end, we strongly support the City of Los Angeles' move to develop a Los Angeles Social Equity Program (LASEP) that:

¹ The National Association on Public Administration defines social equity as *the fair, just and equitable management of all institutions serving the public directly or by contract; the fair, just and equitable distribution of public services and implementation of public policy; and the commitment to promote fairness, justice, and equity in the formation of public policy.*" See: <http://www.napawash.org/fellows/standing->

- Promotes equitable ownership and employment in the cannabis industry;
- Decreases disparities in life outcomes for marginalized communities;
- Addresses the disproportionate effects of the War on Drugs on Los Angeles' most vulnerable communities; and
- Makes Los Angeles a continued model of urban innovation, entrepreneurship and social justice.

I. Equity from the Ground Up

Equity works best when it is firmly integrated into the local regulatory processes.² The LACTF recognizes the importance of the appointment of Cat Packer to the head the Department of Cannabis Regulation, as well as the diverse composition of the recently-appointed LA Cannabis Commission. Many Councilmembers such as Council President Herb Wesson and Councilmember Marqueece Harris-Dawson have championed the creation and implementation of a social equity program as an example for the state, country and world. As a next step, we recommend putting additional processes formally in-place to further community input and infuse social equity into decision-making.³

LACTF proposes:

1. Creating a director of social equity position within the Department of Cannabis Regulation, or designating a formal community-based partner to execute the social equity program that will include an equity cannabis commission.
2. Formalizing positions in the equity cannabis commission for community members affected by the War on Drugs, women, veterans and experts in equitable economic development and medical cannabis usage.
3. Requiring a community benefit plan for all applicants, which includes local hiring, environmental harm and displacement mitigation and any other active efforts to improve local resources within a defined local neighborhood and/or council district.
4. A streamlined public hearing process that allows input from communities affected. These hearings must have certain limits to prevent people with more substantial resources from dominating the proceedings.
5. Providing training to all programs that receive funds through the cannabis tax on how the War on Drugs and cannabis prohibition specifically harmed low-income communities and minority communities. This includes any taxation and accounting offices.
6. Specifically addressing racialized inequity in policing and enforcement of cannabis related offenses.
7. Providing education to law enforcement on standards under new laws and regulations (See below for more on policing).

² For ex, see: Gibson, R. B. (2006). Beyond the pillars: sustainability assessment as a framework for effective integration of social, economic and ecological considerations in significant decision-making. *Journal of Environmental Assessment Policy and Management*, 8(03), 259-280.

³ For best practices, see Bovaird, T. (2007). Beyond engagement and participation: User and community coproduction of public services. *Public administration review*, 67(5), 846-860.

8. Fair application and licensing fees that promote social equity and small business participation in Los Angeles' local cannabis industry.
9. Expanding the definition of social equity to include women, veterans and those emancipated from the foster care system.⁴

II. Equity in Ownership

Small business ownership is a critical means to overcome the gaps in wealth creation and stability faced by communities of color, but the War on Drugs and other inequalities have made it nearly impossible for communities of color to capitalize, develop, sustain and grow successful enterprises.⁵ LACTF strongly supports the proposal to create a pilot/incubator program in the City to prioritize ownership.

To overcome the challenges posed by small business ownership for communities affected by the War on Drugs, women and veterans, and the risk that licenses will end up only in the hands of the most resourced players, LACTF proposes the following as part of, and alongside the incubator program:

1. Create an immediate provisional licensing program for social equity applicants for dispensary, manufacturing, cultivation, distribution, testing and delivery to provide equitable access pending submission of full application and priority application review. Allow equity applicants with a provisional license to operate immediately.
2. Create annual application windows where equity applicants will be given priority in the application process as well as priority review for new business permits.
3. Release an equal number of general and social equity licenses in fair-sized batches, to ensure not only the prioritization and success of the social equity program, but that it also balances the risks associated with operators who make up the robust industry in Los Angeles as we know it.
4. Prohibit background checks for license suitability that exclude applicants based on prior drug arrests and non-violent convictions, in line with the categories targeted in Proposition 47 & 64.

Eligibility criteria for a social equity license should be based on these factors:

1. One of the following qualifications that mark the fact that the applicant may have been disadvantaged by the War on Drugs or face significant social, political and economic disadvantages in participating as a small business in Los Angeles:
 - a. Residing in a zip code for at least 7 years, between 1994 and the date of application in the most negatively impacted police beats subject to disproportionate marijuana arrest rates (use or sales)⁶ and/or,

⁴ See Footnotes 9, 10 for more on the importance of addressing these populations in a social equity framework for the cannabis industry.

⁵ Turney, K., & Schneider, D. (2016). Incarceration and Household Asset Ownership. *Demography*, 53(6), 2075-2103.; Oliver, M. L., & Shapiro, T. M. (2006). *Black wealth, white wealth: A new perspective on racial inequality*. Taylor & Francis.

⁶ This year was selected as a moment where the war on drugs became fully entrenched in California; in 1994, the state assed the "Three Strikes" law dramatically enhancing minimum sentencing, which mainly captured non-violent, drug-related offenses including marijuana. See: Zimring, F. E., Hawkins, G., & Kamin, S. (2001). *Punishment and democracy: Three strikes and you're out in California*. London: Oxford University Press. The data on police beats should be provided by the LAPD and recent data analysis ordered by the City Council on social equity.

- b. Economically disadvantaged status, as marked by income below 200% Federal Poverty Level and net worth below \$250,000;⁷
 - c. Commitment to employ 51% transitional workers⁸;
 - d. Being a women-owned businesses;⁹
 - e. Being a veteran or formerly emancipated from the foster system.¹⁰
2. Require equity applicant, solely or cumulatively with other equity applicants, to have at least 51% ownership in proposed business (this can include a cooperative structure).¹¹

To support equity ownership, the LACTF recommends the City:

1. Waive application fees for social equity applicants, as well as reduce permit and inspection fees.
2. Provide grants to local community-based organizations in diverse neighborhoods (based on qualifying zip codes) to host free informational workshops or seminars to share information on licensing opportunities and assist with cannabis license application completion and compliance requirements.
3. Structure the pilot/incubator program to include:
 - Access to set-aside city-owned property, to be used as training and business incubation facilities, for the disadvantaged communities and other qualifying applicants.
 - Participation in mechanisms to pool and share particular hard capital, such as RFID machinery, and/or pooled consulting services (including legal, digital marketing and accounting).

⁷ 200% FPL is widely considered a marker as low-income; inclusion of assets ensures the possibility of both screening for those who stopped working with investment assets, and also accounting for rectifying the significant wealth gap in Los Angeles that is linked to business ownership. Other potential metrics include severe rent-burden and zero-vehicle households. For more on potential metrics, see Bay Area MTC's "Community of Concern" model (<http://www.planbayarea.org/2040-plan/plan-details/equity-analysis>) and De La Cruz-Viesca et. Al (2016) *The Color of Wealth in Los Angeles*. Federal Reserve Bank of SF. (http://www.aasc.ucla.edu/besol/color_of_wealth_report.pdf)

⁸ See Footnote 13 for transitional worker criteria.

⁹ The inclusion of women goes beyond the interest of diversity but to address the fundamental roadblocks women face in fair and just access to the cannabis industry. Social equity programming is an opportunity to rectify the disadvantages of the War on Drugs disproportionately affecting women of color (including both immediate effects in policy, i.e. denial of benefits, housing and other key resources; family separation; etc), as well as historical exclusions of women from the cannabis industry (including high rates of sexual harassment and abuse in worksites) and from small business ownership in general. For more, see: Bloom, B., Owen, B., & Covington, S. (2004). Women offenders and the gendered effects of public policy. *Review of policy research*, 21(1), 31-48; Marlow, S., & McAdam, M. (2013). Gender and entrepreneurship: Advancing debate and challenging myths; exploring the mystery of the under-performing female entrepreneur. *International Journal of Entrepreneurial Behavior & Research*, 19(1), 114-124; Cantwell, Maria. 21st Century Barriers to Women's Entrepreneurship. Majority Report of the U.S. Senate Committee on Small Business & Entrepreneurship (<http://www.microbiz.org/wp-content/uploads/2014/07/21st-Century-Barriers-to-Womens-Entrepreneurship.pdf>).

¹⁰ Veterans in Los Angeles make up a significant portion of the homeless population and addressing veterans holds significant co-benefits in terms of the housing crisis in Los Angeles, as well as recognizing the barriers placed by the Veterans Administration on access to medical cannabis and involvement in the industry. Finally, research shows significant overlap between the foster care and mass incarceration system, and numerous children affected by the War on Drugs have been forced to enter the foster care system. Recognizing emancipated foster youth is a way to recognize the wide-reaching effects of the War on Drugs and the broader institutional challenges faced by the communities (predominantly of color) confronted by the rise of mass incarceration. For more, see Roberts, D. E. (2011). Prison, foster care, and the systemic punishment of black mothers. *UCLA L. Rev.*, 59, 1474.

¹¹ For medical marijuana non-profits, social equity applicants should compose the majority of the board of directors, cooperative leadership structure or executive leadership.

- Intensive cannabis specific business education and technical assistance training that includes individualized coaching, mentorship and apprenticeships.
- Access to low-interest revolving loans through the City banking system, specifically geared to participants in the incubator, to ensure their success and avoid further indebteding of applicants.
- Sponsoring supplier diversity and matchmaking events with broader industry, and creating stronger ties among social equity applicants and those outside incubator program.
- For relevant licensees, partnership with a cannabis lab to ensure access to affordable, quality testing. Access to CCOF and organic certification and training, and/or training to ensure environmentally sustainable water and waste management.
- Partnership with online resources to enhance digital marketing and networking.

III. Equity in Employment

The War on Drugs, as noted above, has shut thousands out of the traditional labor market and made them depend on underground opportunities or bottom-rung, contingent work.¹² At the same time, the underground nature of the cannabis industry, up until the last few years, has facilitated practices that can exploit and damage already vulnerable communities and workers, often women.

Cannabis operators must provide equitable employment opportunities to those communities most impacted by the War on Drugs and in economically depressed communities. The cannabis industry can draw from the precedents established in Los Angeles’ numerous community benefit agreements, new public sector local hiring programs and other projects that link worker certification, training and placement towards retention and measurable improvements in life outcomes.

The City must also ensure that its work to improve working conditions across industries – the minimum wage increase, wage theft protections and moves to improve scheduling – are applied to the cannabis industry.

LACTF supports the City’s motion to establish a transitional worker program and proposes the following:

1. Set aside cannabis regulation funds to enforce the worker protection and safety provisions in the industry. Make licensing for all applicants contingent upon adherence to these laws.
2. Partner with local community-based organizations (CBOs) in economically disadvantaged areas (see above) to hold informational sessions on job opportunities/invited job fairs. These can be coupled with information sessions regarding ownership opportunities and expungement/legal clinics.
3. Select a central community/labor organization to certify transitional workers that meet one of three qualifications:

¹² Pettit, B., & Western, B. (2004). Mass imprisonment and the life course: Race and class inequality in US incarceration. *American sociological review*, 69(2), 151-169.

- Be certified to belong to one of 8 categories of **transitional workers**,¹³ or
 - Having resided in a zip code for at least 5 years between 1994 and the date of application¹⁴ where (1) individuals who live or have lived long-term in the most negatively impacted police beats subject to disproportionate marijuana arrest rates, or (2) an economically disadvantaged area.¹⁵
4. Ensure that all certified transitional workers receive information on networked services to meet co-occurring needs, including mental & physical health, social services and/or continued education.
 5. Sponsor a cannabis worker certification and apprenticeship program through a community college-CBO partnership, modeled on existing workforce development in construction and trades.
 6. Work with LA City’s Public Defender office to provide LiveScan and expungement services for transitional workers.
 7. Track the success of workers using data available through the apprenticeship model and data from the main employment labor unions and agencies.
 8. Provide some type of credit, tax reduction and application priority for applicants committed to hiring a percentage of workers from groups affected by the War on Drugs and certain socio-economic groups.

IV. Equity at the Neighborhood Level

Unless the cannabis social equity program addresses the overall ways in which the War on Drugs has impoverished neighborhoods of human resources and infrastructure, the attempts to rectify these policies will remain slow and difficult.¹⁶ At the same time, certain loopholes may continue to impact people living in vulnerable communities, including the very high risk of eviction for cannabis use at a time when housing is scarce and expensive in Los Angeles. Investing in neighborhoods means investing in long-term solutions and equity, and moving to comprehensive approaches to public safety.

LACTF strongly supports the Los Angeles City Council’s move to create a Neighborhood Health Fund. LACTF also seeks to decriminalize the use of marijuana for 18-21 year olds and proposes the following:

1. Direct a significant portion of the 7% cannabis tax to the Neighborhood Health Fund. Target key areas affected by the War on Drugs, including legal services and expungement. Also, provide youth extracurricular education, civic engagement, mental health services and voter registration.

¹³ Following established city policies, including PLAs, transitional workers should include: (1) having a prior arrest and conviction for a misdemeanor or felony; (2) Being homeless; (3) being a custodial single parent; (4) receiving public assistance; (5) lacking a GED or high school diploma; (6) suffering from chronic unemployment; (7) having been emancipated from the foster care system; (8) being a veteran of the U.S. military.

¹⁴ See Footnote 6.

¹⁵ This can be defined as areas where the median income is below 200% Federal Poverty Level. For more on potential metrics, see Footnote 7.

¹⁶ Chandler, A. (2014). A Life Course Framework for Improving the Lives of Boys and Men of Color. *San Francisco: Forward Change Consulting*; Dumont, D. M., Allen, S. A., Brockmann, B. W., Alexander, N. E., & Rich, J. D. (2013). Incarceration, community health, and racial disparities. *Journal of Health Care for the Poor and Underserved, 24*(1), 78-88.; Morenoff, J. D., & Harding, D. J. (2014). Incarceration, prisoner reentry, and communities. *Annual review of sociology, 40*, 411-429.

2. Require law enforcement to provide annual statistics on marijuana-related arrests. Establish a civilian law enforcement liaison in each police district specifically to address cannabis-related questions and liaise among community, industry and police forces. Instruct the LAPD to deprioritize any 18-to-21-year-old arrests, while awaiting statewide legislation, and request regular reports on this demographic.
3. Fund regular legal clinics at community-based sites in the top five most affected police districts to assist with expungements and resolution of other matters that are barriers to licensing.
4. Decriminalize the use of cannabis for 18 to 21 year olds.
5. Create a diversion program in partnership with the state that does not impose fines, but instead focuses on comprehensive drug education and service.
6. Remove prior marijuana conviction from eligibility for any affordable housing unit in the City of Los Angeles.
7. Provide training and information for local eviction court judges on the status of cannabis in California.
8. Consider a motion stopping evictions on the basis of cannabis use.

V. Health Equity

A desire for health equity has helped define the cannabis industry since the 1970s. The City, recognizing the importance of medical cannabis to the health of thousands of patients, and the fact that cannabis has also been targeted for intervention by public health officials, must protect health equity.¹⁷ It is important to take steps to make sure a broader vision of health equity -- one that creates community-rooted approaches to health and protects the rights and safety of patients -- prevails.

1. Devote resources to a youth and safety curriculum on cannabis (for eventual use in diversion purposes) that include a diversity of approaches to addiction, cannabis use and health. Provide for the establishment of a youth committee for education to address age restrictions, legal penalties, prevention and risks. This youth committee (ages 16 to 25) should consist of representatives from communities affected by the War on Drugs.
2. For high school aged youth, suggest that the LAUSD bring cannabis-related issues under the innovative restorative justice program and away from suspension/expulsion and youth criminalization. Integrate responsible cannabis education into high school health education programs.
3. Medical cannabis outreach, education and counseling for special needs populations including veterans, seniors and recipients of Medicaid.
4. Create a medical cannabis working group within the Cannabis Regulation Department to understand potential strategies to protect patient access and research. This should include CBO partners involved in HIV/AIDS advocacy, and/or small dispensaries/delivery services who have been active in medical marijuana advocacy.

¹⁷ For more on the history of medical marijuana advocacy, see Lee, M. A. (2012). *Smoke signals: A social history of Marijuana-Medical, Recreational and Scientific*. Simon and Schuster. On health disparities, see Moore, L. D., & Elkavich, A. (2008). Who's using and who's doing time: incarceration, the war on drugs, and public health. *American Journal of Public Health*, 98(5), 782-786.

Social Equity in Cannabis: Making the Path While Walking It

The City of Los Angeles has already recognized the importance of social equity, establishing critical precedents for community benefits, equitable development, small business incubation, restorative justice, and health promotion and access in sectors such as mobile and street vending and green/clean tech. But nowhere is social equity more important than in the cannabis industry, primarily because our communities have been devastated – shamefully and disproportionately -- by the War on Drugs.

While it is too late to revisit the past, the infusion of social equity into the decision-making structures that are shaping the regulation of the cannabis industry is essential if we are to move into a more just and vibrant future as a city. LACTF is committed to supporting the City on the path to social equity, and to providing the grassroots energy and innovation necessary to bringing these policies to life. Investing in social equity models and creating an infrastructure that encourages urban innovation, economic growth and social justice will ensure a brighter future for Los Angeles' most vulnerable communities, communities who were on the front lines of a vicious, unjust, long lasting war. It is not just the smart thing to do. It is the right thing.