

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 17, 2017

CAO File No. 0220-05258-0008
Council File Nos. 17-0653
14-0366-S15

To: The Mayor
The Council

Attn: Rules, Elections, and Intergovernmental Relations Committee

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer 

Subject: **REPORT BACK REGARDING THE CANNABIS SOCIAL EQUITY ANALYSIS
REPORT DATED OCTOBER 2017**

RECOMMENDATIONS

That the Council:

1. Authorize by resolution, one Management Analyst, Class Code 9184, without funding within the Department of Cannabis Regulation (DCR) for a term of December 1, 2017 to June 30, 2018 to support the Social Equity Program, subject to the approval of the Mayor and to position allocation by the Board of Civil Service Commissioners;
2. Instruct the City Administrative Officer, with the assistance of the City Attorney, to report back on the feasibility of creating a program whereby Cannabis Social Equity applicants would receive deferrals on application and licensing fees which would be paid based on program guidelines to be established; and
3. Instruct the Department of Cannabis Regulation, with the assistance of the City Administrative Officer to Release a Request for Qualifications to establish benchmark contracts for firms that would provide services for the programs, such as the Industry Partner Program, Industry Ownership Investment Program, or the Social Equity Outreach Program within the Cannabis Social Equity Program, once adopted by the City Council.

SUMMARY

During its consideration of motions (C.F. 17-0653 and 14-0366-S15) on October 30, 2017, your Committee requested a report from the Offices of the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA), with the assistance of the Department of Cannabis Regulation

(DCR) and City Attorney, to provide a budget, staffing and legal analysis with respect to the recommendations of the “Cannabis Social Equity Analysis Report” (Report) presented by Amec Foster Wheeler. Your Committee further requested a review of the potential for utilizing Request for Qualifications (RFQ) or Request for Proposals (RFP) for the following proposed programs: Industry Ownership Investment Program and Fund, Incubator/Pilot or Industry Partner Program, Social Equity Program Outreach, and Expungement of Cannabis-Related Criminal Records.

This report address the budgetary and staffing issues related to the proposed Cannabis Social Equity Program (Program). The City Attorney will provide any legal analysis related to the various programs proposed in the Report.

Budget

The 2017-18 Adopted Budget includes \$16 million in cannabis-related revenue for City services. The Program, as proposed, is estimated to cost \$22 million per year. This Office does not anticipate sufficient additional cannabis-related revenue to fully fund this program in 2018-19, based on data extrapolated from tax revenue from the States of Washington and Colorado. Revenue projections may likely increase in future years as they have in Washington and Colorado, and may be programmed for the Program or other priorities as the Mayor and Council may determine.

The Community Reinvestment Program would provide resources and funding for communities that were disproportionately affected by cannabis enforcement. The Report recommends using 20 percent of cannabis tax revenue for this program. The report uses an estimate of \$50 million a year in cannabis-related revenue was used to derive the amount to fund the Community Reinvestment Program. It is unclear whether the City would receive sufficient cannabis-related revenue to cover the cost of the Program.

The Report also recommends that the City provide fee waivers for Tier 1 participants in the Program at a cost of \$5 million a year. This Office recommends that the City develop a program whereby application and license fees would be deferred for a set amount of time and would require payment at a future date. This Office, with the assistance of the City Attorney, can report back on the resources and requirements necessary to establish this Program.

Once a determination has been made on the feasibility of creating the various initiatives contained within the Program, the Department of Cannabis should release an RFQ to create benchmark contracts or pre-qualified on-call lists to connect Cannabis Social Equity applicants with investors and landlords interested in participating in the Incubator/Pilot or Industry Partner Program or Industry Ownership Investment Program. The RFQ would create an opportunity for the DCR to match interested parties with one another to further the goals of the Program. DCR may also opt to piggyback on existing City contracts to provide the outreach and training recommended in the Program.

Staffing

In addition to the various programs recommended within the Program, the Report recommends the creation of a Social Equity Program Coordinator (Coordinator) position to oversee the

development and implementation of the Program in the current fiscal year. The Coordinator would monitor and evaluate the program, as well as ensure that applicants entering the application and licensing process will receive timely assistance during this process. The breadth of the Program requires dedicated staff to ensure the success of the various initiatives. It is recommended that the Council and Mayor authorize a Management Analyst position by Resolution authority to serve as the Program Coordinator. It is anticipated that the position would be funded through savings in the DCR budget.

FISCAL IMPACT STATEMENT

There is no additional General Fund impact from the recommendations contained in this report. If necessary, gap funding will be addressed in a future Financial Status Report.

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