RECOMMENDATIONS

1. REQUEST the City Attorney, with the assistance of the Department of Cannabis Regulation (DCR), the Chief Legislative Analyst (CLA), and the Chair of the Rules, Elections, and Intergovernmental Relations Committee, to prepare and present a draft ordinance addressing the procedural components of procuring licenses and rules and regulations for commercial cannabis activity for Social Equity Applicants based on the following:

    a. Adopt the Cannabis Social Equity Analysis Report dated October 18, 2017, and its addendums, as the findings for the Social Equity Program (SEP)

    b. Establish the following goals for the SEP:

        i. To acknolwdge and address the harms of individuals and communities who experienced disproportionate enforcement of past cannabis laws

        ii. To create sustainable economic opportunity among SEP Participants

    c. Establish the following definitions for the SEP:

        i. "Low Income" – 80 percent or below of Area Median Income for the City of Los Angeles based on the 2016 American Community Survey and updated with each decennial census

        ii. "Prior California Cannabis Conviction" – A cannabis-related conviction prior to November 8, 2016 that could be treated as a misdemeanor or citation under current State of California law

        iii. "Disproportionately Impacted Area" – Eligible zip codes based on the Cannabis Social Equity Analysis Report's "More Inclusive Option" as described on Page 23 of the report on file or as established in an analysis by an applicant in an area outside of the City of Los Angeles

        iv. "Social Equity Workers" - Low Income and 5 Year Cumulative Residency in Disproportionately Impacted Areas

        v. "Development Agreement" – An agreement between an applicant and DCR as a requirement for licensure that provides community benefits to communities and neighborhoods impacted by commercial cannabis activity or within a Disproportionately Impacted Area

    d. Establish the following criteria for Social Equity Program Participants and Partners:

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Submitted in Rules Committee

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Item No.: 3

[redacted] Communication from Chair - Rules, Elections & Intergovernmental Relations Committee

i. General

1. Applications will be priority processed within the SEP by Tier, with Tier 1 getting the highest priority, and Tier 4 getting the lowest priority

2. Social Equity Applicants and Non-Retail General Applicants will be processed at a 1:1 ratio. Social Equity Applicants and Retail General Applicants will be processed at a 2:1 ratio. The number of Retail General Applicants will include the number of businesses licensed under the Proposition M Priority Processing

3. Development Agreements, as described below, will be executed by the applicant and DCR and subject to approval by the Cannabis Regulation Commission in lieu of the City Council

4. A separate application review will be undertaken by DCR to prioritize quality applicants and determine if an applicant is an ideal program participant to ensure SEP resources are used effectively

5. Restrictions on Tier 1 through Tier 3

    a. Applicants may only transfer control or ownership to individuals who meet the same social equity ownership and local requirements as when the license was issued

    b. Applicants must provide their bylaws or operating agreements which specify the percentage of ownership and control by each partner

    c. Applicants are not permitted to borrow monies or take out a loan without first obtaining approval of DCR and disclosing the source of the loan and the terms of the loan

    d. Prior to approval of a License, the applicant must disclose any encumbrances or debt held by the entity and the conditions, responsibilities of the borrower and lender and liabilities of the debt held by the entity. If the DCR deems the debt to interfere with the applicant's ability to be successful, then the DCR may deny the applicant Social Equity status

    e. After issuance of a License, all future changes in ownership or control or intention to take on debt must be disclose and approved by DCR

f. Applicants must disclose any management or employee staffing agreements it has or will enter into during its licensure by DCR

g. Applicants must disclose any options to purchase equity or control in the entity which is applying for Tier status

ii. Tier 1 Social Equity Program Candidate

1. Criteria
   a. Low Income

   b. Prior California Cannabis Conviction

   c. 5 Year Cumulative Residency in Disproportionately Impacted Area

2. Ownership: 51 percent Ownership by Approved Social Equity Program Participant

3. Hiring Requirements: 50 percent local hire, inclusive of 20 percent social equity workers and 10 percent transitional workers

iii. Tier 2 Social Equity Program Participant

1. Criteria
   a. Low Income

   b. 5 Year Cumulative Residency in Disproportionately Impacted Area

2. Ownership: 51 percent Ownership by Approved Social Equity Program Participant

3. Hiring Requirements: 50 percent local hire, inclusive of 20 percent social equity workers and 10 percent transitional workers

iv. Tier 3 Social Equity Program Participant

1. Criteria
   a. Low Income and 5 Year Cumulative Residency in a Disproportionately Impacted Area OR 10 Year Cumulative Residency in a Disproportionately Impacted Area

b. Enters into a Development Agreement with DCR to provide Business, Licensing and Compliance Assistance to Tier 1 and Tier 2 Social Equity Program Participants and contribute 2.5 percent of annual gross receipts to the Community Reinvestment and Benefit Program Fund or any other program supporting the City's Social Equity Program goals as approved by DCR

2. Ownership: 33 1/3 percent Ownership by Approved Social Equity Participant

3. Hiring Requirements: 50 percent local hire, inclusive of 20 percent social equity workers and 10 percent transitional workers

4. Must find new equity partner if equity partner goes out of business within six months or license is suspended and potentially revoked

v. Tier 4 Social Equity Program Partner

1. Criteria
   a. General Applicant who enters into a Development Agreement with DCR to provide capital, leased space, Business, Licensing and Compliance Assistance to Tier 1 and Tier 2 Social Equity Program Participants and contributes 3 percent of annual gross receipts to Community Reinvestment and Benefit Program Fund or any other program supporting the City's Social Equity Program goals as authorized by DCR

2. Ownership: N/A

3. Hiring Requirements: 50 percent local hire, inclusive of 20 percent social equity workers and 10 percent transitional workers

4. Must find new equity partner if equity partner goes out of business within six months or license is suspended and potentially revoked

e. Establish the following access to programs and incentives for Social Equity Program Participants :

i. Tier 1

1. Business, Licensing and Compliance Assistance
2. Priority Processing
3. Priority Renewal
4. SEP Site Specific Conditions

5. Fee Deferrals
6. Access to Industry Investment Fund When Available

ii. Tier 2

1. Business, Licensing and Compliance Assistance
2. Non-Retail Priority Processing
3. Priority Renewal
4. SEP Site Specific Conditions
5. Fee Deferrals
6. Access to Industry Investment Fund When Available

iii. Tier 3

1. Business, Licensing and Compliance Assistance
2. Non-Retail Priority Processing
3. Priority Renewal
4. SEP Site Specific Conditions

iv. Tier 4

1. Non-Retail Priority Processing
2. Priority Renewal
3. SEP Site Specific Conditions

f. Establish the following programs and incentives:

i. SEP Recruitment and Outreach

ii. Business, Licensing and Compliance Assistance

1. General Business Assistance

2. Commercial Cannabis Activity Licensing Assistance

3. Standardized Commercial Cannabis Business Training

iii. Social Equity Program Partnership Program

1. As approved by DCR, Tier 4 applicants should provide Tier 1 and Tier 2 SEP Applicants leased space, free of charge to the incubator/ pilot program and prorate utilities

a. Minimum Requirements:

i. Cultivation – minimum 500 square feet

ii. Manufacturing – minimum 500 square feet

iii. Testing – minimum 1,000 square feet or 10 percent of General Applicant's space

iv. Distributor – minimum 1,000 square feet or 10 percent of General Applicant's space

v. Non-Store Front Retail – minimum 1,000 square feet or 10 percent of General Applicant's space

vi. Microbusiness – minimum 500 square feet or 10 percent of General Applicants space in all commercial cannabis activities conducted by the business

2. Tier 4 applicants without sufficient space should provide Business, Licensing and Compliance Assistance to Tier 1 and Tier 2 Social Equity Program Participants and enter into a Development Agreement to contribute an additional two percent of annual gross receipts to Community Reinvestment and Benefit Program Fund or any other program supporting the City's Social Equity Program goals as authorized by DCR

iv. Community Reinvestment and Benefit Program Fund

1. DCR managed fund to further the City's social equity goals as determined by Development Agreements with every business eligible and approved for a License

a. Tier 3 Businesses shall contribute 2.5 percent ofgross receipts annually to the Community Reinvestment and Benefit Program Fund

b. Tier 4 Businesses shall contribute 3 percent of gross receipts annually to the Community Reinvestment and Benefit Program Fund, with an additional 2 percent of gross receipts contribution if space is unavailable

c. General Applicants shall contribute 1 percent of gross receipts annually to the Community Reinvestment and Benefit Program Fund

d. Prop M Priority Processing Applicants shall contribute 1 percent of gross receipts annually to the Community Reinvestment and Benefit Program Fund

v. Social Equity Business Investment Fund

1. Maintain an approved list based on a Request for Qualifications (RFQ) for private investors to fund start up costs for approved Tier 1 and Tier 2 Social Equity Program Participants

g. AUTHORIZE the City Attorney, with the assistance of the Department of Cannabis Regulation and the Chair of Rules, Elections, and Intergovernmental Relations Committee, to make any technical modifications and/or legal corrections to the draft ordinances, draft resolutions, draft ordinance requests, and any other related actions listed above in order to further the objectives as described in these recommendations.

2. 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.

3. INSTRUCT the DCR, 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.

4. REQUEST the City Attorney, with the assistance of DCR and the CAO, to prepare and present a draft ordinance establishing a Community Reinvestment and Benefit Program Fund. This fund will be administered by DCR and funding allocations will be approved by the Cannabis Regulation Commission, with annual reporting during the budget process to the City Council.