FOR IMMEDIATE RELEASE:

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SOUTHERN CALIFORNIA COALITION ISSUES COMMENTARY & PROPOSED SOLUTIONS REGARDING THE CITY OF LOS ANGELES’ SOCIAL EQUITY PROGRAM MANDATED UNDER PROPOSITION M

Program to Help Ensure Persons and Communities Disproportionately Impacted by Cannabis Enforcement Can Participate in and Benefit from California’s State-Legal Cannabis Industry

LOS ANGELES—Southern California Coalition (SCC), the largest, most inclusive cannabis industry trade organization in Southern California, issued the following commentary and proposed solutions regarding the City of Los Angeles’s social equity program and its implementation under Proposition M, the world’s most comprehensive legalization regulatory framework.

Southern California Coalition’s Proposition M’s Social Equity Program Commentary and Proposed Solutions:

From day one, Southern California Coalition and its partners have advocated to create a Social Equity Program in the City of Los Angeles as mandated under Proposition M, which passed last March with more than 80 percent of Angelenos’ support. Southern California Coalition has been diligently working with the City of Los Angeles, City Councilmembers, and others to drive forward the implementation of the world's most comprehensive legalization regulations. Its work has been to legitimize and ensure responsible and inclusive licensing, taxation, and regulatory and enforcement processes for not only the cannabis industry’s entire supply chain—dispensaries, manufacturing, lab testing, delivery, distribution, cultivation—but also for those most impacted by the failed war on drugs. This holistic approach is something that has been sorely lacking in the City of Los Angeles and is material to Proposition M’s full implementation.
Southern California Coalition believes the City Council of Los Angeles must continue to work with the Office of Mayor Garcetti, its city departments, the Office of the City Attorney, and the cannabis industry as its partners in order to inclusively and responsibly create more equal opportunities in the city. This will not only to ensure a healthy legitimate cannabis industry, but is for the betterment of the city, our communities, and Los Angeles City Councilmembers’ constituents, many of whom have been negatively impacted by our country’s racially biased and outdated cannabis prohibition laws.

The purpose of Los Angeles’ Social Equity Program is to ensure the persons and communities, who have been and are disproportionately impacted by cannabis enforcement, can participate in and benefit from California’s state-legal cannabis industry and to ensure that persons of all genders, races, and socio-economic statuses are able engage in cannabis-industry opportunities in the City of Los Angeles.

Moreover, the cannabis industry is finally in a position to take meaningful, proactive anti-discrimination measures at a time when the legally permissible reach of affirmative action continues to dwindle in response to Supreme Court cases, such as applying “reverse affirmative action” principles to strike down programs intended to integrate schools or support minorities over non-minorities, for example.

In recent years, Maryland and other states have attempted to address racial inequality in the cannabis industry with local measures only to see their efforts severely restricted by controversy and legal limitations. The City of Oakland was the first locality in California and nationally to introduce a program aimed at repairing the disproportionate harms of cannabis law enforcement on low-income communities of color. The Oakland program has already undergone substantial revision to correct potentially unlawful provisions, but remains subject to likely legal challenge in its current form.

In Southern California Coalition’s opinion, Los Angeles’ Social Equity Program has the strongest likelihood of success if it is both race-neutral on its face and in application, and works towards increasing responsible inclusiveness and access to the cannabis industry, rather than restricting access to only minority applicants.
After thorough review of programs such as the above, Southern California Coalition recommends the City of Los Angeles implement a multifaceted program to be funded by city revenues and cannabis industry contributions that offer cannabis business financial incentives, business assistance and professional development resources for communities most impacted by cannabis prohibition, and encourages Los Angeles cannabis businesses and Southern California Coalition partners to adopt responsible and inclusive business practices to help further benefit these disadvantaged communities in Los Angeles.

The primary intent of the Social Equity Program is to facilitate the emergence of cannabis entrepreneurship and community improvement from systematically disadvantaged populations. Southern California Coalition recommends that the City of Los Angeles consider the following options:

• Provisionally licensing any cultivators, manufacturers, delivery, distribution, and laboratory testing companies that have compliant property, landlord acknowledgement, and sworn affidavits that they will operate under city compliance and submit their full application to the City of Los Angeles by January 1, 2018 through an interim registry program before the priority application process begins.

• The City of Los Angeles should also open up an interim registry program to all pre-ICO Prop-D compliant dispensaries and social-equity eligible dispensaries, cultivators, manufacturers, delivery, distribution, and laboratory testing under the same criteria of compliant property, landlord acknowledgement, and sworn affidavit that they will operate under city compliance and submit their full application to the City of Los Angeles by January 1, 2018.

• The City of Los Angeles should begin setting aside certain city-owned properties, which could be leased or sold for incubation facilities for the disadvantaged communities and other qualifying applicants. These facilities would not only help the disadvantaged communities participate in the cannabis industry, but would also create programs such as job training grants so that more community members can acquire meaningful skill sets from cannabis industry experts as volunteer instructors and earn well-paying salaries, which on average pay more than $20.00/hour, or 65 percent above the minimum wage.
Southern California Coalition is encouraging its hundreds of members to commit dedicated time, training, and resources post-licensing issuance to ensuring the success of these incubation facilities as part of their Community Benefits Agreement. Southern California Coalition believes in order to systemically begin addressing these deeply broken issues and racially biased laws that continue to negatively impacting lower socioeconomic communities and the disadvantaged, we must play a role in also sharing knowledge, tools, and resources to fight these injustices, so a healthy state- and city-legal cannabis industry can thrive.

A Social Equity Program that offers some combination of small business scholarships, reduced fees, small business education and training programs, compliance assistance, priority application review, and/or application assistance for qualifying businesses as well as targeted outreach in the most impacted communities.

Social Equity Program eligibility criteria including economic disadvantage, arrest for non-violent drug offenses in the City of Los Angeles (or beyond) and/or long-term residency in the most negatively impacted census tracts, 14 police beats or neighborhoods. Southern California Coalition does not favor requiring qualifying businesses to locate in a particular tract or neighborhood.

Subject to the City of Los Angeles’ review and involvement, establishment of a new trust fund or other dedicated fund (referred to herein as the “Cannabis Community Reinvestment Trust Fund”) to ensure a dedicated funding source for the Social Equity Program and tracking of Social Equity Program revenues and expenditures, with administration of funds overseen by designated city officials and expenditures by cooperation of the Neighborhood Councils and Community Advisory Board.

The City of Los Angeles should open an interim registry program and immediately begin the important process of issuing provisional licenses to the cannabis industry’s supply chain, which impacts patients, consumers, businesses, city workers, communities and city resources.

Los Angeles Social Equity Program - Funding

• The Social Equity Program may be funded by a combination of the following:
• Establishing a new business improvement district that captures a high density of cannabis business operators and imposing a fee or assessment on cannabis permittees in this district.

• Voluntary contributions from locally permitted cannabis businesses, such as requiring applicants submit a Community Benefits Plan that meets established criteria and specifying that this requirement may be fulfilled by entering into an agreement with the city to donate some percentage of gross receipts to the Cannabis Community Reinvestment Trust Fund.

• The Social Equity Program should also include city-initiated outreach to inform all communities of cannabis business opportunities and provide relevant information, with additional resources dedicated to outreach in the most negatively impacted communities. Such outreach programs are constitutionally permissible and are considered forms of affirmative action, as minority- and woman-owned businesses are targeted for outreach, but permissible since outreach extends beyond those groups, resulting in targeted, yet non-discriminatory outreach. The City of Los Angeles’ Minority, Women, and Other Business Enterprise Program is held as a good example of using this type of program to increase participation by disadvantaged groups.¹

• Benefits provided for certain businesses under the Social Equity Program may include reduced fees, access to business funding, technical assistance in areas of securing licensure and capital, entrepreneurial training, and other educational services.

• A percentage of tax revenue generated from licensed cannabis businesses in the city shall be used to fund outreach and education efforts targeted at persons disproportionately impacted by prior cannabis enforcement and persons of low socio-economic status and/or provide start-up capital or business loans to businesses participating in the Social Equity Program.

• As part of the Social Equity Program, the city may assemble a Community Advisory Board consisting of a city official, a patient, a city resident and business owner who is/was disproportionately impacted by the drug war or of low- social economic status, a member of the local licensing authority and a representative of a neighborhood or business improvement district, to determine how to raise and allocate funds to provide lending programs to eligible businesses.

It is important that the City of Los Angeles begin to denounce the disproportionate number of cannabis arrests of people of color and allow for more diversity in its city planning, so that the city begins to address racially biased laws and massive socioeconomic disparities preventing more individuals and communities from reaping the positive benefits of what is expected to be a $21 billion cannabis industry by 2020. By beginning to implement the City of Los Angeles Social Equity Program framework now, the city will also be begin to gain a better sense of the qualifications needed to participate in the process, so that no one potentially eligible for California-state licensing is left out of the process or behind.

By taking this approach even before the priority application process is underway in late September, the City of Los Angeles will start gathering critical city-planning data on the number of applicants who wish to participate in the cannabis industry, including those who may qualify for its Social Equity Program.

Southern California Coalition is confident this approach will help ensure that no one is left out of the State of California’s licensing process and will provide the City of Los Angeles with a better sense of its potential future tax base, which could be allocated to help pay for critical city projects and services such as addressing a lack of parks and recreation, up-to-date sidewalks, homelessness, job training grants, funds for our first responders, along with after-school and community programs.
Finally, based off recent data and intelligence gathered from other municipalities that have licensed cannabis businesses, the City of Los Angeles should expect at least a 40 percent failure rate of the businesses that become licensed in Los Angeles under Proposition M within the next few years due to a variety of different reasons, including a failure to remain compliant with new regulations, competition, local and state taxation, insurance costs, and a lack of federally backed banking services that offer traditional lending. Southern California Coalition believes that when these licensed businesses do fail, the City of Los Angeles should have a policy in place that puts graduates of the proposed incubation facilities to the top of the line for consideration of any newly available opportunities for licenses.

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