

Building and Implementing a Successful Social Equity Program in the City of Long Beach

A High Level Policy Paper from the Long Beach Collective Association

Introduction

The war on drugs has been an abysmal failure which has disproportionately impacted communities of color. This disproportionate impact is realized through increased incidences of law enforcement contacts and higher rates of incarceration for black and brown communities. California's legalization of cannabis through Proposition 64 has presented an initial opportunity to address these disparities through so-called social equity programs which are implemented to varying degrees in municipalities across the state. Most, if not all, of these social equity programs focus on prioritizing applicants whom meet certain criteria for a local entitlement process. While laudable in their intent, these programs generally fail to benefit the larger communities which have historically been abused by cannabis prohibition. Below, we will discuss high level policy recommendations for the City of Long Beach to consider.

Summary of Policy Recommendations:

1. Streamline City's Process
2. Drive Benefits to Both Disadvantaged Communities and Applicants
3. Change Sequencing for Property Acquisition
4. Broaden Opportunities for Grant Funding
5. Enhance Vocational Training
6. Improve City Navigational Assistance
7. Develop Incubator and Accelerator Models
8. Develop Appellation of Origin
9. Align City Permitting with State Law by Allowing All Commercial Cannabis Uses
10. Implement Points System for Permittee Compliance with Social Equity Program

Discussion of Policy Recommendations:

1. Streamline City's Process

The City is currently implementing a well-intentioned, but deficient, social equity program. Existing, qualified social equity applicants, are faced with a confusing and unsupported process which creates little opportunity for success. However, fairly minimal changes to the program can potentially yield significant gains. Amongst the noted areas of improvement are funded, dedicated City positions for cannabis program coordinators. These coordinators can greatly improve the communication with social equity applicants and assist the applicants in navigating the City's permitting process. These coordinators can also help liaison social equity applicants to other departments and partner organizations.

2. Drive Benefits to Both Disadvantaged Communities and Applicants

Municipal social equity programs generally focus on providing the benefits of the program to the individual applicant. While inuring benefits to the individual applicant is important, the City should focus the benefits realized through cannabis legalization to disadvantaged communities. These benefits need to be directed towards addressing the root causes of poverty through education, nutrition, infrastructure, and wellness.

This "community benefit" model would rely upon dedicated funding streams being deployed to identified disadvantaged communities within the City. There are multiple potential mechanisms for directing these funds, all of which are somewhat dependent on the City's own internal political process. Ultimately, the City should identify: 1) Criteria for determining which communities qualify for these benefits, 2) which

programs within those communities should receive funding, and 3) which programs and which communities will have the maximum beneficial impact from cannabis industry revenue streams.

3. Change Sequencing for Property Acquisition

The City's current application process requires cannabis permitting applicants to secure the property for their cannabis business facility prior to initiating the application process. This causes significant financial hardship to all cannabis permit applicants; however, this is felt most acutely by the qualified social equity applicants. Commercial landlords often charge premium rents from cannabis businesses and exert significant leverage on cannabis business applicants through the mandate for landlord approval for cannabis use. Further, landlords typically require significant security deposits, and in the case of new businesses, personal guarantees. This means that qualified social equity applicants must often undertake overwhelming financial commitments as a pre-condition to the City's cannabis permit application.

The City can easily rectify this circumstance by reversing the sequence for property acquisition and place the acquisition at the conclusion of the local authorization process. This is a process amendment which is totally within the purview of the City and would be exempt from CEQA review. An example of another jurisdiction which has successfully sequenced the local authorization in this manner is the City of San Rafael.

4. Broaden Opportunities for Grant Funding

The City has been successful in obtaining grant funding for the social equity program. This nearly \$3m has been dedicated to entrepreneurship with the intention of \$200,000 in grant funds being dedicated to each social equity applicant. \$200,000 is a grossly inadequate amount with which to begin a cannabis business. This current structure is not a meaningful use of grant funds because the grant funds are not being deployed in meaningful amounts to each social equity applicant. Meanwhile, the City does not allow grant funds to be deployed to social equity applicants entering the workforce.

The City should consider 3 primary changes: 1) concentrate grant funds used for entrepreneurship in fewer social equity applicants with each getting larger amounts; and 2) allow social equity applicants to access grant funds for workforce and 3) allow social equity applicants to use the equity grant funds to buy equity in existing businesses.

5. Enhance Vocational Training

The City does not currently engage in meaningful vocational training with social equity applicants. However, Long Beach City College and the Long Beach Collective Association ("LBCA") are partnered in an 8-week cannabis program which can easily serve this purpose. Existing feedback from course participants, many of whom are also qualified social equity applicants, is that the content in the LBCC/LBCA course is enormously helpful and goes far beyond any assistance currently being offered by the City. This is also an easy and straight forward amendment to the social equity program that the City can undertake.

6. Improve City Navigational Assistance

There are several areas of potential improvement in how the City assists social equity applicants in navigating the City's permitting process. One area of potential improvement is changing the existing workforce development mechanisms to make the process of hiring qualified social equity applicants into existing local cannabis businesses more effective. This can include the City's assistance in professional development, networking, and career assistance. This type of assistance is imperative in reducing barriers by creating a workforce of skilled workers whom are adequately trained for the positions they seek.

Another area of potential augmentation is that the City can assist social equity applicants in vetting investors who can be paired with social equity applicants. This process already exists in other municipalities such as the City and County of San Francisco.

Additionally, the City should fund at least a part time cannabis program coordinator who can assist the social equity applicants in navigating the City's internal processes, help social equity applicants stay informed in relevant regulatory and industry developments, and act as a liaison between social equity applicants, governmental agencies, and partner organizations. This can also include assistance to social equity applicants in navigating other necessary professional relationships such as real estate agents, engineers, contractors, accountants, attorneys, architects, and other service providers. This last item can help ensure that social equity applicants engage competent and ethical outside professionals for the various items needed to begin and operate a licensed commercial cannabis business.

7. Develop Incubator and Accelerator Models

The City should embrace the concepts of incubator and accelerator models. These are established pathways used in other industries and in academia (such as that in connection with CSULB), as well as to some extent in the cannabis industry, to help nascent businesses succeed.

The preferred model advocated herein is for the City to assist in the establishment of a licensed commercial cannabis facility dedicated to incubating/accelerating social equity applicants. This would entail the City identifying existing surplus City property and marshalling that property through the City's permitting process in order to ultimately obtain a micro license with the following elements: nursery, cultivation, manufacturing (with Type S), distribution, retail, and non-storefront retail delivery. The goal would be to use this facility for qualified social equity applicants to gain hands-on practical experience where they are able to develop essential practical skills in a supported environment.

As a part of this model, social equity applicants can also begin developing their own companies and brands which would ultimately be showcased and sold through the retail components of this facility. Further, qualified professionals can assist, at low or no cost, in the creation of entities, brand protection, and commercial agreements. This is a longer term strategy, but one which is the most likely to yield the most significant results.

8. Develop Appellation of Origin

The State of California allows for cities to be designated as an "appellation of origin". This appellation of origin is placed on advertising, labeling, marketing, and packaging of cannabis products. This designation is intended to provide additional value to program participants. This is a beneficial component of the City's cannabis program for the City to undertake generally, which can further improve the opportunity available to social equity applicants by increasing the visibility, and ostensibly value, of their brands. This is aligned with significant State policy efforts such as SB 67 (amending Business and Professions Code Sec. 26063).

9. Align City Permitting to State Law by Allowing All Commercial Cannabis Uses

The City currently does not allow for all commercial cannabis uses currently allowed under California State law. Delivery, Type "S" shared facilities, events, and on-site consumption should all be permitted uses by the City. Through permitting each of these additional uses, the City increases the opportunities available to social equity applicants while demonstrating the City's cannabis industry leadership.

10. Implement Points System for Permittee Compliance with Social Equity Program

The City's proposed Point System for non-social equity cannabis business owners Community Reinvestment Plan Evaluation Criteria combines both the need for cannabis businesses to engage in Community Support and Social Equity program. However, the Community Reinvestment Plan Evaluation Criteria does not entail meaningful content to make impacts needed in order to actually support the

communities in which the cannabis businesses reside nor to further social equity applicants in a meaningful path of either career or ownership. The Community Reinvestment Plan Evaluation Criteria needs re-evaluation and analysis to include meaningful and impactful points criteria including specific “asks” in the areas of mentorship hours, volunteering hours, monetary gives (LBCC tuition sponsor, donations to incubators/accelerator programs), participation in local trade organization (the “LBCA”) and other community organizations. Cannabis business should also receive an incentive for meeting all criteria seen in a tax credit or business-improvement fund.

Conclusion

Through implementing the above recommendations, the City can improve the efficacy of its social equity program thereby increasing the likelihood of overall success. Doing so will help ensure that the City’s Cannabis Social Equity Program adequately addresses the long-term impact that federal and state cannabis enforcement policies have had on low income communities in the City. It is our hope that the Equity Program meets its’ goal of supporting equal opportunity in the cannabis industry by making legal cannabis business ownership and employment more accessible to low income individuals and communities most impacted by the criminalization of cannabis. LBCA is available to assist the City with these endeavors.