

August 8, 2022

MEMORANDUM

To: Finance and Housing Committee
From: Amy Gore, Analyst
Subject: CB 120391: Cannabis Equity Ordinance

On Thursday, August 11, the Finance and Housing Committee will discuss three pieces of legislation related to cannabis equity¹, including:

1. [Council Bill \(CB\) 120391](#), which would outline actions the City intends to take to improve racial disparities in the cannabis industry;
2. [CB 120392](#), which would revise several licensing provisions for cannabis retailers, producers, and processors doing business in or with the City of Seattle; and
3. [CB 120393](#), which would require cannabis business employers to take actions to reduce job insecurity caused by changes in business ownership.

The following memo provides background on this suite of legislation, an overview of the Racial Equity Toolkit (RET) performed by an interdepartmental team led by Facilities and Administrative Services (FAS), an overview of CB 120391, policy considerations, potential amendments, and next steps. For more information on proposed changes to licensing, see the Central Staff memo on CB 120392. For more information on cannabis business job security, see the Central Staff memo for CB 120393.

Background

In November of 2012, Washington voters approved Initiative 502, which removed state-law prohibitions against producing, processing, and selling cannabis, and allowed limited possession of cannabis by persons aged 21 and older. In addition, the initiative created a licensing and regulatory scheme for cannabis producers, processors, and retailers, imposed excise taxes on cannabis products, and established a dedicated fund for cannabis industry proceeds to support health care and substance abuse education and treatment.

Following these state changes, the City of Seattle took additional actions related to the cannabis industry, including establishing zoning and regulations related to the cannabis industry ([ORD 124326](#)), and requiring a business license and related fees ([ORD 124807](#), [ORD 125194](#), and [ORD 125703](#)).

¹ The following memo refers to “cannabis” rather than “marijuana,” consistent with current Washington State Law, unless referring to “medical marijuana”.

However, neither state nor local government used a racial equity framework in the legalization of the cannabis industry and the failure to account for equity considerations has both continued and exacerbated racial inequities caused by cannabis prohibition enforcement and policies such as the War on Drugs. Many jurisdictions are now working to address these racial disparities. For example, in 2020 the State of Washington passed [HB 2870](#) which created the Cannabis Social Equity Program to streamline retail licenses to people in communities disproportionately impacted by cannabis prohibition, and allows the Liquor Control Board to prioritize social equity applicants for its remaining unawarded licenses. The bill also allowed for the creation of the Social Equity in Cannabis Task Force.

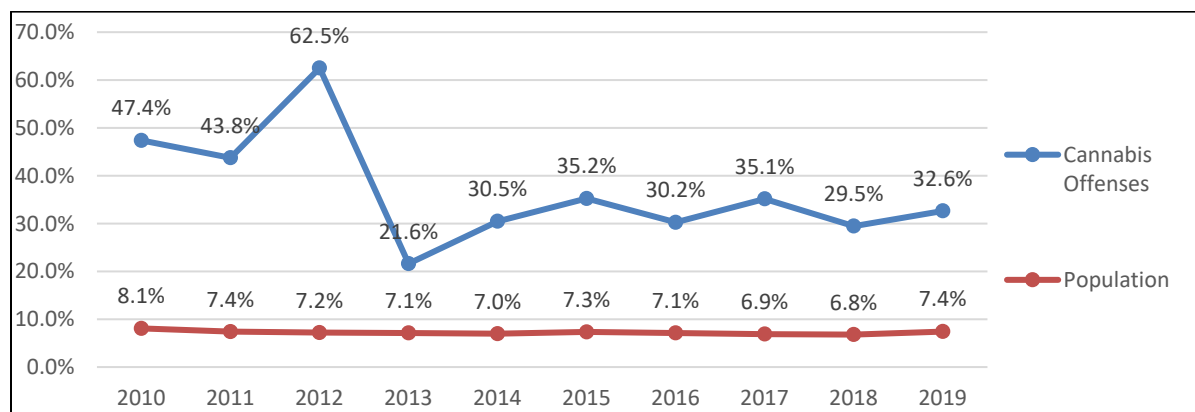
Cannabis Racial Equity Toolkit

FAS conducted an RET of the City’s cannabis policies, working with the Office of Economic Development (OED), Seattle Department of Construction and Inspections (SDCI), and the Seattle Office for Civil Rights (SOCR). Begun in 2018, the group initially focused on equity in cannabis business licensing and fees, but due to engagement feedback expanded their scope to include making systemic changes to the cannabis industry and centering Black communities.

In 2019, the team produced a detailed [Cannabis Equity Survey and Analysis](#). The report describes the harm done to Black residents through enforcement of cannabis policies both before and after legalization of cannabis. For example, in 2012 Black residents represented 62.5 percent of cannabis-related offenses while only 7.2 percent of the City’s population. The harms of these enforcement of cannabis-prohibition include:

- Financial burdens from pretrial detention, bail, and loss of work;
- Impacts of criminal record on eligibility for assistance programs and employment; and
- Incarceration, family separation, and enforcement activities creating emotional trauma on individuals, families, and entire communities.

Chart 1. Comparing Black individuals as a percentage of Seattle cannabis offenses and population



Data Source: Cannabis Equity Survey and Analysis and US Census American Community Survey (1-Year Estimates, Table B02001)

The report also showed that after legalization, none of Seattle’s existing Black-owned medical marijuana businesses were given new licenses by the State. The now-legal cannabis industry is dominated by white ownership, due in part to a lack of access to personal or private capital to invest in legal cannabis businesses and the impacts of prior enforcement action preventing access to legal cannabis licenses. In addition, Black residents are still disproportionately impacted by the enforcement of public consumption laws. For example, in 2019, Black people represented 32.6 percent of City cannabis offenses while only 7.4 percent of the population.

The RET team also conducted stakeholder outreach, reaching over 200 community members and City Departments through two dozen stakeholder engagements, including a cannabis community forum. Engagement highlighted themes including prioritizing communities most impacted by cannabis-prohibition enforcement, collecting accurate data collection, supporting access to banking, funding, and training support, incorporating the medical marijuana community in data and policy decisions, and ensuring the legal viability of social equity programs. Stakeholders recommended that the City:

- Dedicate \$1 million dollars per year for ten years to fund the Seattle Cannabis Equity Program;
- Align with the State’s Social Equity Task Force Program; (See staff memo on CB 120392)
- Partner with OED to develop a program to assist Black retail cannabis license holders;
- Support OED in implementing grants for those most impacted by the War on Drugs; and
- File a motion with King County Superior Court to vacate convictions and dismiss charges for felony cannabis possession.

As described during their March 2, 2022 [presentation](#) to Council, the FAS Leadership team recommended investing \$1 million per year on cannabis social equity and the following policies and programs:

- Increasing equity in business licensing such as lowering licensing fees (See staff memo on CB 120392);
- Reducing buffering and dispersion requirements;
- Providing grants or loans and technical assistance;
- Mentorship and business planning; and
- Investing in communities most impacted by cannabis prohibition enforcement.

CB 120391

CB 120391 would outline several actions that the City plans to take to address racial disparities in the cannabis industry:

- Include cannabis equity issues such as cooperative licensing, expungement of criminal records, social equity licensing for ancillary businesses, access to capital, and technical assistance on its 2023 State Legislative Agenda.

- Include cannabis equity issues on its 2023 Federal Legislative Agenda.
- Advocate for the expungement of cannabis convictions with King County and use summer legal interns to supporting ongoing regional efforts to work on expungement of cannabis convictions.
- Partner with organizations that represent negatively impacted communities to mitigate the damage of the federal War on Drugs, including cannabis-related business ownership and partner with organizations advocating for the advancement, safety, and retention of cannabis workers.
- Pursue funds from the State and Federal government for cannabis equity work.
- Fund a Cannabis Needs Assessment to:
 - clarify investments and improvements that could be supported by the City;
 - provide demographic information about cannabis industry workers;
 - evaluate and determine the training needs of workers to advance beyond entry-level positions and those seeking to become new owners; and
 - make recommendations on whether to fund training and, if so, how.
- Appoint an advisory committee comprised of workers, industry members, and community members to support the Cannabis Needs Assessment, review it, and provide recommendations to the Mayor and Council no later than 60 days after its completion. CB 120391 specifies that the advisory committee will work during the first and second quarters of 2023 to scope the Needs Assessment and that it will be dissolved after completion of this work.

Policy Issues

1. Additional Recommended Actions – As noted above, the City’s cannabis equity RET identified several actions the City could take to address past harm and current racial disparities in the cannabis industry; however not all of these recommendations are included in CB 120391. For example, the RET team recommended reducing buffering and dispersion requirements for cannabis businesses, providing grants or loans and technical assistance, providing mentorship and business planning to support Black-owned cannabis businesses, and investing in communities most impacted by the enforcement of prohibition. All of these remaining RET recommendations would have fiscal impacts, depending on the scale of the program. The recommendation of the RET was to spend \$1 million per year.

Options:

- A. Amend CB 120391 to include some or all of the RET recommendations; or
- B. Take no action.

2. Needs Assessment Funding – CB 120391 would commit to funding a Cannabis Needs Assessment. The Assessment is anticipated to cost approximately \$250,000. There is currently no funding identified to support this work.

Options:

- A. Amend CB 120391 to identify a funding source;
 - B. Amend CB 120391 to remove the Needs Assessment until a funding source is identified;
or
 - C. Take no action.
3. Advisory Committee – CB 120391 states that the City will appoint an advisory committee to be comprised of “workers, industry members, and community members impacted by the federal War on Drugs...” but gives no additional guidance on eligibility or selection of advisory committee members.

Options:

- A. Amend CB 120391 to give additional guidance on the process of selecting advisory committee members;
- B. Amend CB 120391 to give additional guidance on the eligibility criteria for advisory committee members; or
- C. Take no action.

Potential Amendments

To date, there is one potential amendment identified for the Committee’s consideration during the August 17 committee meeting. Proposed Amendment 1, sponsored by Councilmember Mosqueda, would add a new Section 10 to CB 120391 to provide additional guidance on the preferred characteristics for the organization selected to conduct the Assessment. (See Attachment 1)

Next Steps

CB 120391, as well as CB 120392 and CB 120393, will be discussed during a special meeting of the Finance and Housing Committee on August 11. Councilmembers who would like to propose amendments should contact Central Staff no later than noon on August 12. The Committee will discuss and potentially vote on amendments and the bills during the regularly scheduled Finance and Housing Committee meeting on August 17.

Attachments

1. Proposed Amendment 1 – Cannabis Needs Assessment

cc: Esther Handy, Director
Aly Pennucci, Deputy Director
Asha Venkataraman, Lead Analyst

Amy Gore
Finance and Housing Committee
August 11, 2022
D1b
Attachment 1 – Amendment 1 to CB 120391

Amendment 1 Version 1 to CB 120391– Cannabis Equity ORD

Sponsor: Councilmember Mosqueda

Cannabis Needs Assessment

Effect: This amendment would add a new Section 10 to describe the type of organization that should conduct the Cannabis Needs Assessment, specifying that it shall be conducted by a non-profit, such as We Train Washington.

Add a new section to CB 120391 as follows:

Section 10. The Cannabis Needs Assessment shall be conducted by a non-profit organization, such as We Train Washington, with experience in curriculum development, administering retail training and apprenticeship programs in the State of Washington, expertise in the roles and functions of jobs within the cannabis industry, and that is not primarily funded by cannabis businesses or employer associations.

Section ~~11~~9. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.