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# Marijuana Licensing Work Group (MLWG)

Meeting #3

June 11, 2020

1:00 – 3:30 p.m.

Topic: Marijuana Equity Program

# Agenda

- I. Introductions
- II. MLWG Purpose and Ground Rules
- III. MLWG Meeting Format
- IV. Goals for Implementation
- V. Introduce Topic #3: Marijuana Equity Program
- VI. Revisit Topic #2: Marijuana Hospitality Program
- VII. Public Comment
- VIII. Next Steps



# Marijuana Licensing Work Group Members

Ashley Kilroy	Co-Chair, Denver Excise and Licenses
Molly Duplechian	Co-Chair, Denver Excise and Licenses
Councilwoman Kendra Black	City Council District 4
Councilwoman Candi CdeBaca	City Council District 9
Councilman Chris Hinds	City Council District 10
Kenneth Allison	All About Hemp, LLC
Anshul Bagga	Denver City Attorney's Office
John Bailey	Black Cannabis Equity Initiative
Sarah Belstock	Denver Health and Hospital Authority
Truman Bradley	Marijuana Industry Group
Diane Cooks	Montbello Resident
Shawn Coleman	36 Solutions
Jaqueline Flug	Drizly, LLC

Michelle Garcia	Mayor's Office of Social Equity and Innovation
Michel Holien	Denver Public Schools
Andrew Howard	Denver Policy Department
Clarissa Kriek	National Cannabis Industry Association
Henny Lasley	Smart Colorado
Jason Moore	Denver City Attorney's Office
Dan Pabon	Medicine Man Technologies
Jessica Scardina	Vicente Sederberg LLP
Ean Seeb	Governor Polis' Office
Ryan Tatum	Cultivated Synergy
Art Way	Equitable Consulting
Sarah Woodson	The Color of Cannabis

**Viewers:** Please email [MarijuanaInfo@denvergov.org](mailto:MarijuanaInfo@denvergov.org) to confirm attendance and receive future updates, minutes, or other communications.

# MLWG Purpose and Ground Rules

- The **purpose** of the MLWG is to review, discuss, and make recommendations on policy direction and possible marijuana licensing laws, rules and regulations.
- The MLWG is **advisory in nature**. Work Group members will review and discuss options for specific regulatory topics, and provide comments and recommendations to the City. The City may then incorporate that input into a future proposal for adoption.
  - Any ordinance changes will require approval by the Denver City Council.
- Each member of the MLWG is an equal participant in the process and has equal opportunity to voice opinions and contribute ideas.
  - As with all other advisory work groups, the work group will not necessarily be working towards consensus, but rather **we will use everyone's input to develop a proposal to bring to the Mayor and City Council**.
- MLWG members accept the responsibility to come to the meetings prepared for the discussions.
- MLWG members must commit to treating each other with respect, civility, and courtesy, whether or not they agree with one another's interests and concerns.

# MLWG Meeting Format

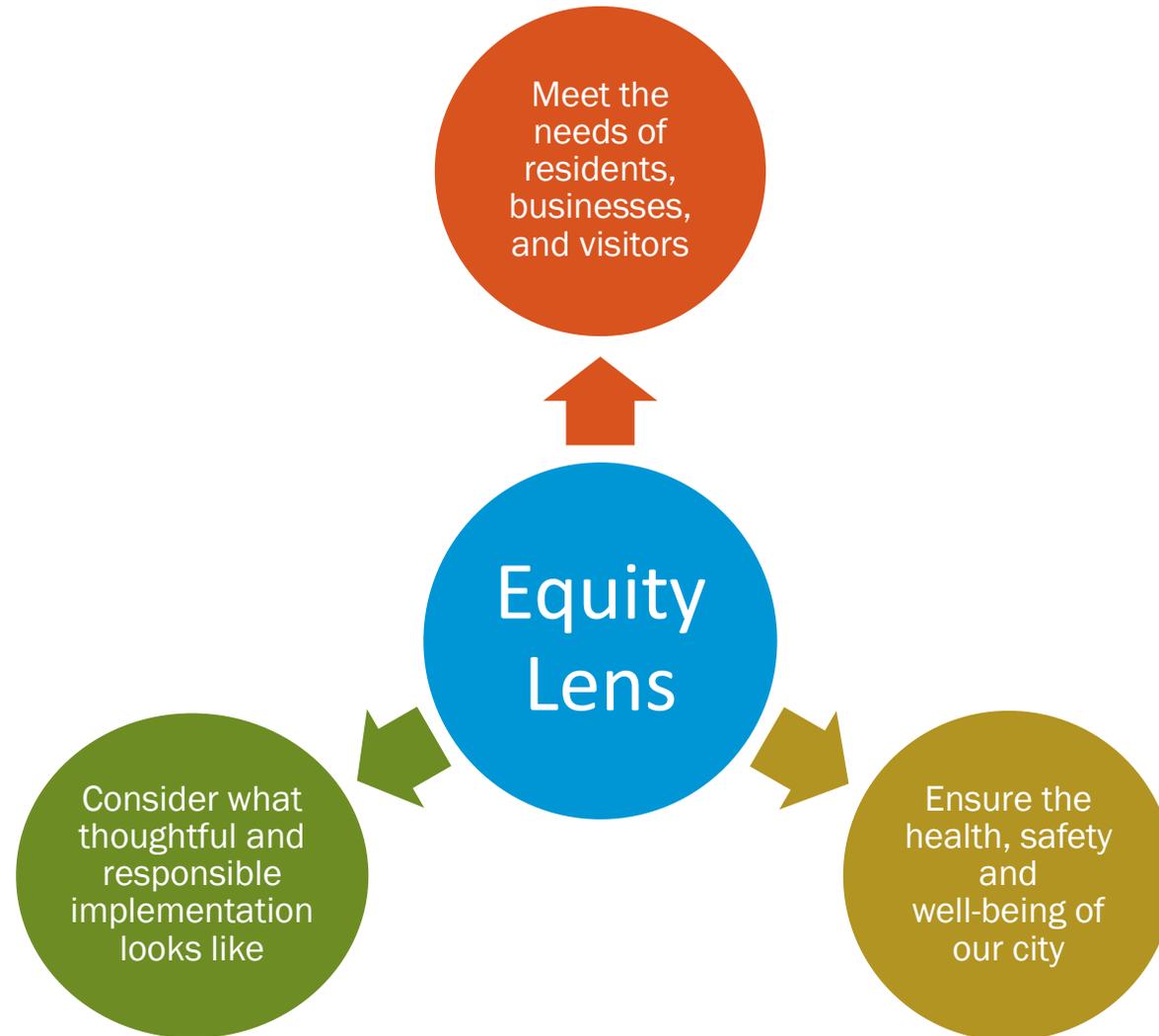
## Work Group Members

- The MLWG meetings will present information for background and pose questions for discussion (denoted in this presentation by  ).
  - Any suggestions provided by the City are for the purposes of initiating and guiding the discussion.
  - The MLWG members may make suggestions in addition to what is being provided.
- MLWG members will be provided with a list of topics to be discussed in advance of each meeting.
- MLWG members will also be able to submit additional comments in writing.
- Minutes from each meeting will be available within one week of the meeting date.
- If a Work Group member has a question or would like to make a comment relevant to the discussion occurring, they are welcome to speak up but should avoid interrupting the presenters or another Work Group member.
  - For the experience of the viewing audience, **please announce your name at the beginning of your statement/question.**
  - If you do not feel as though you are given an opportunity to speak, please send a message in the “chat” stating **“I have a question.”**
  - Please **do not use the chat** for any other purposes to avoid distraction of the presenters and Work Group members.

## Public Input

- MLWG meetings are open to the public and can be viewed via Microsoft Teams Live. The links for viewing the MLWG meetings will be posted at least one day prior to the meeting on the [Marijuana Laws, Rules and Regulations website](#).
- Attendees and members of the public viewing the Work Group meetings are able to send written comments to [MarijuanaInfo@denvergov.org](mailto:MarijuanaInfo@denvergov.org). All written comments will be shared with the Work Group members via email.
- A separate public process will also be a part of the legislative process with City Council.

# Goals for Implementation



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# Topic #3 – Marijuana Equity Program



# What is Equity?

## Definitions from the Government Alliance on Race and Equity

### Inequity

Race and other characteristics of identity can be used to predict life outcomes

Examples include disproportionality in education (high school graduation rates), jobs (unemployment rate), and criminal justice (arrest and incarceration rates), among others.

### Equity

Race and other characteristics of identity can no longer be used to predict life outcomes, and outcomes for all groups are improved.

# Creating an Equitable Marijuana Licensing Program

How can we implement provisions that are equitable, meaningful, and sustainable?

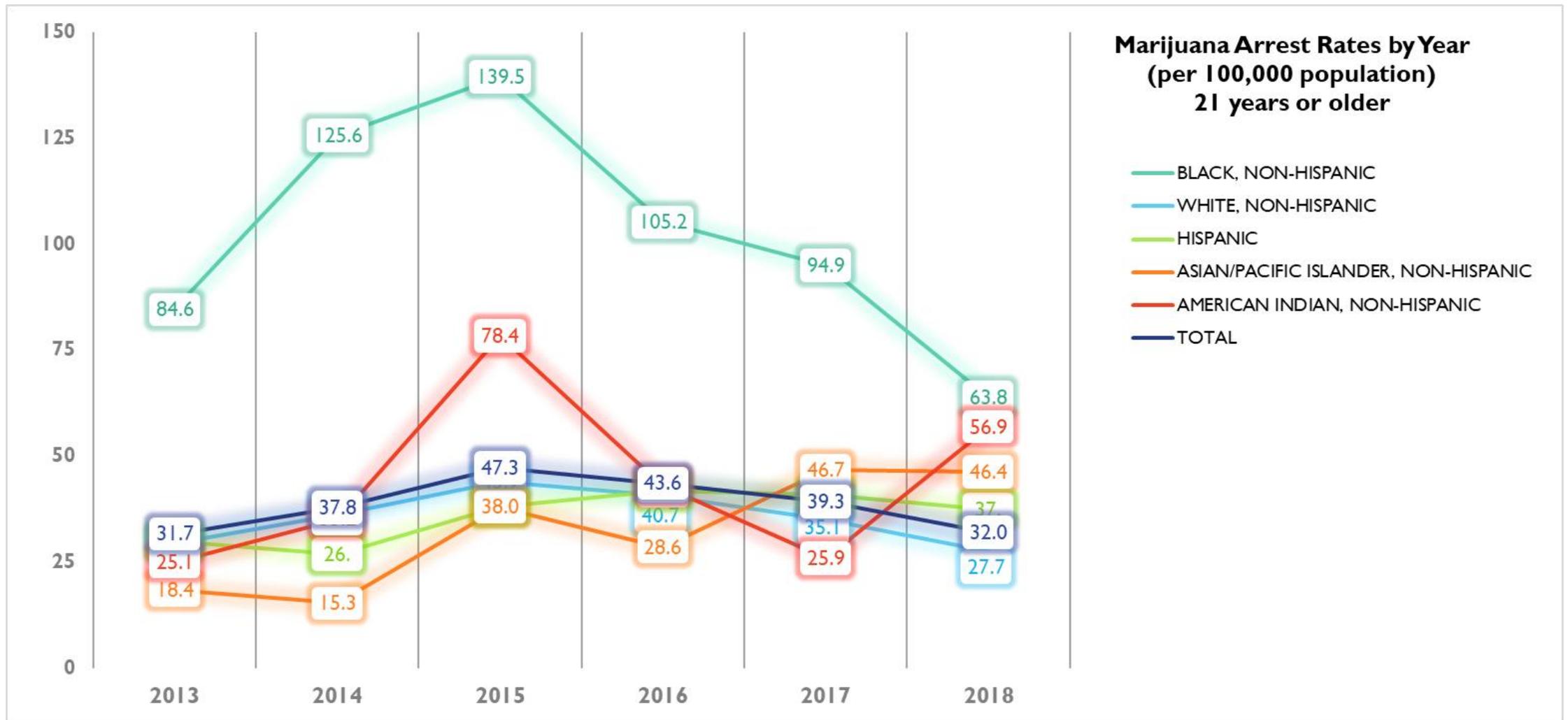
## Considerations

- Short-term and long-term objectives
- Legal challenges, which sometimes result in financial burdens or licensing delays for equity applicants
- Operational challenges

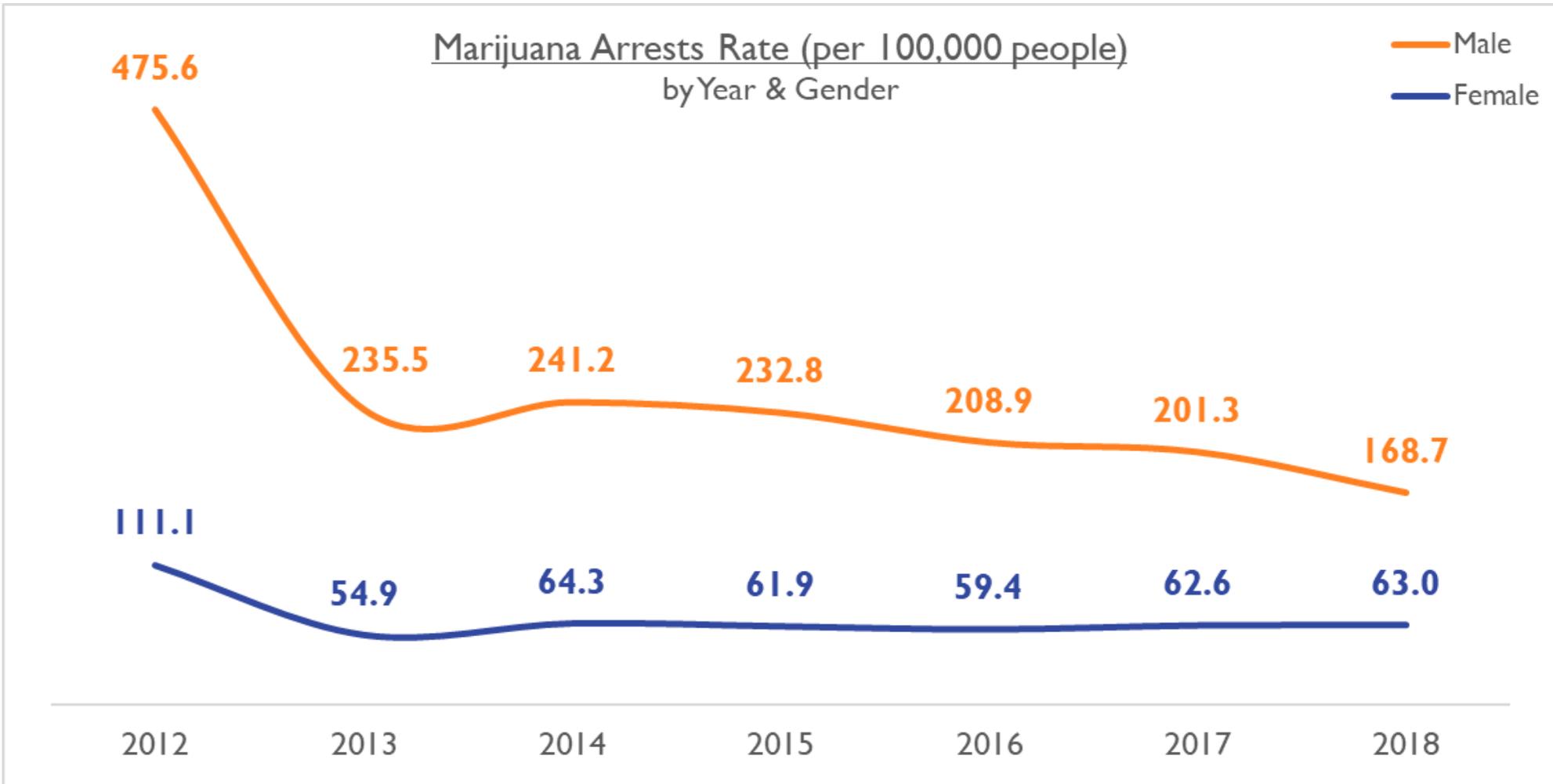
## Questions

- What can we learn from other cities and states?
- How can we engage state and industry partners in creating a successful, sustainable program?
- What does success look like in Denver? How will we measure it?

# Colorado Bureau of Investigation - Data



# Colorado Bureau of Investigation - Data



# What has Denver done so far?

## Turn Over a New Leaf Program

Denver created a program to provide free assistance to individuals seeking to clear and seal low-level marijuana convictions for offenses that are now legal.

Denver has held 5 clinics, received 508 applications, and identified 95 convictions eligible for expungement.

## Marijuana Tax Revenue

A portion of marijuana taxes helped Denver double the affordable housing fund from \$15 million to \$30 million to build more than 6,000 units.

In 2019, \$9.3 million from Denver's special retail marijuana tax were allocated to the affordable housing fund, which supports housing for many people including those who have been economically disadvantaged due to the war on drugs.

From 2015 to 2019, the City has dedicated more than \$10 million of marijuana tax revenue to fund free after-school and summer programs with a focus on underserved communities, and to support diversion programs, with a focus on high-need areas in Denver.

# Denver Cannabis Business & Employment Opportunity Study

In 2019, the City and County of Denver commissioned a Cannabis Business & Employment Opportunity assessment of the Cannabis Industry.

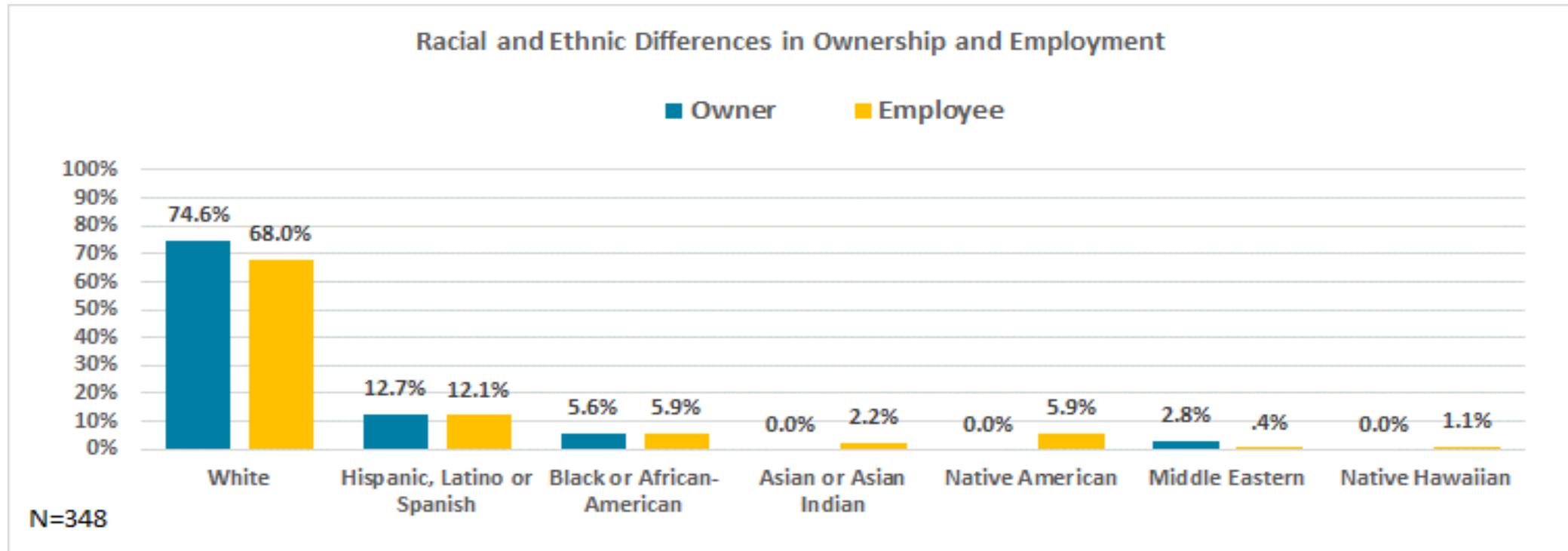
The goal of the report was to provide a high-level overview of existing business and employment conditions in the Denver cannabis industry, including a snapshot of the characteristics of the firms, business and employment outcomes and any existing challenges to equitable access and opportunity in ownership, management or employment within these businesses.

The study was conducted utilizing the following methods and approaches:

Data Source	Number or Type
Key Informant Interviews	23 with business leaders, industry employees and owners , social justice advocates, city and state staff, and related associations
Stakeholder Sessions	3 with approx. 35 participants
Public Forums	2 with approx. 100 participants
Online survey	316 respondents
Additional Research	Reviewed equity plans from other jurisdictions, analyzed cannabis market conditions, examined secondary datasets and related information.

The key findings and highlights of this study are reported on the following slides. The full study can be found [HERE](#).

# Denver Cannabis Business & Employment Opportunity Study



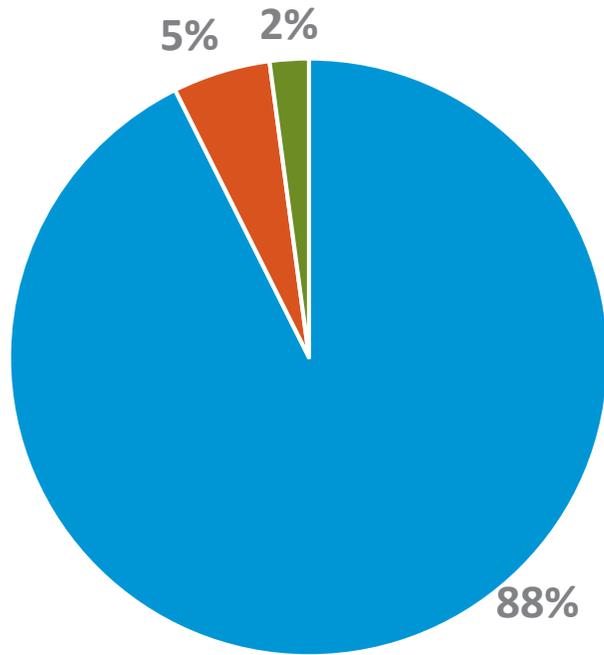
Among online survey respondents:

- 75% of owners are white, as compared with 68% of employees
- 6% are Black or African American respondents for both owners and employees
- 13% are Hispanic, Latino or Spanish for owners and 12% for employees
- This is in comparison to the 2017 Census that shows about 9.5% of the city's residents are Black or African American and 30.5% are Hispanic or Latino

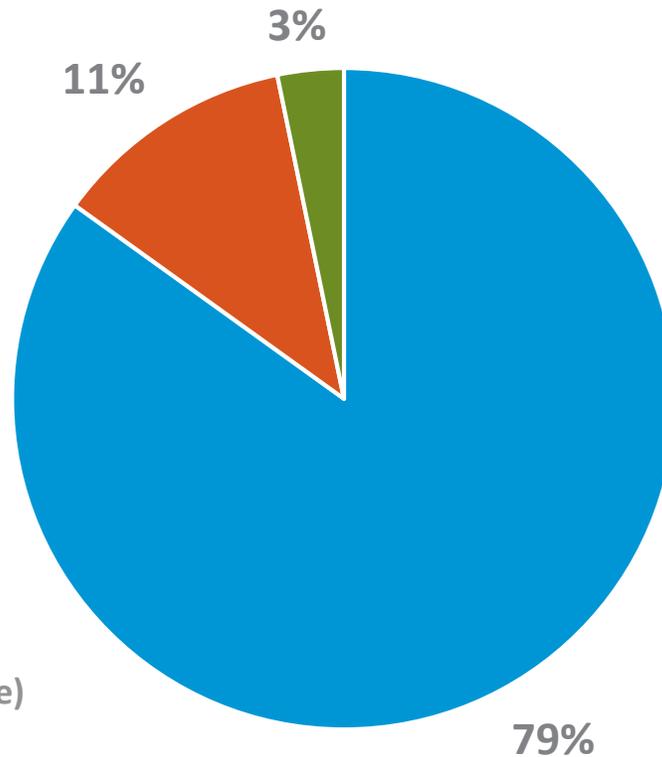
# Colorado Occupational Licenses 2018 Demographic Data

74% Response Rate

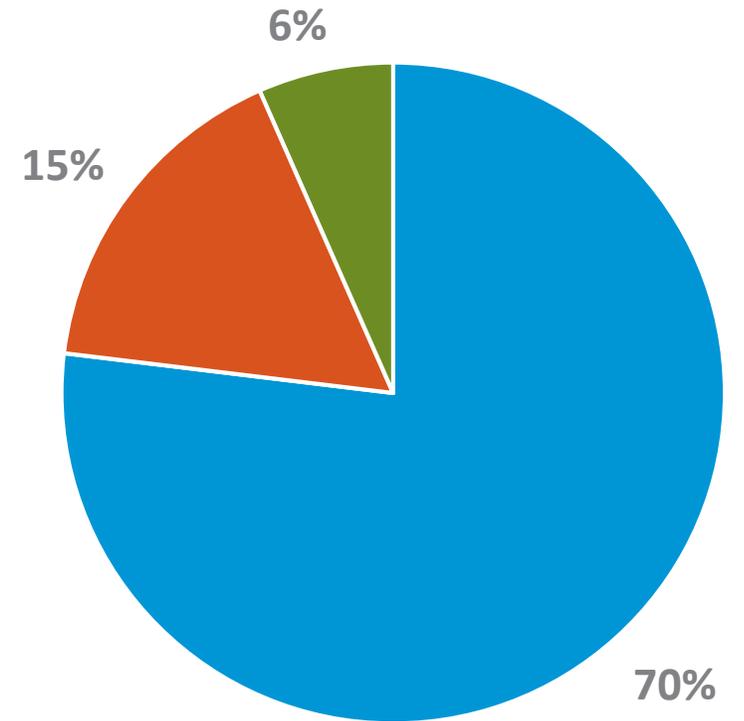
Associated Key (Owner) Licenses



Key Licenses (Management)

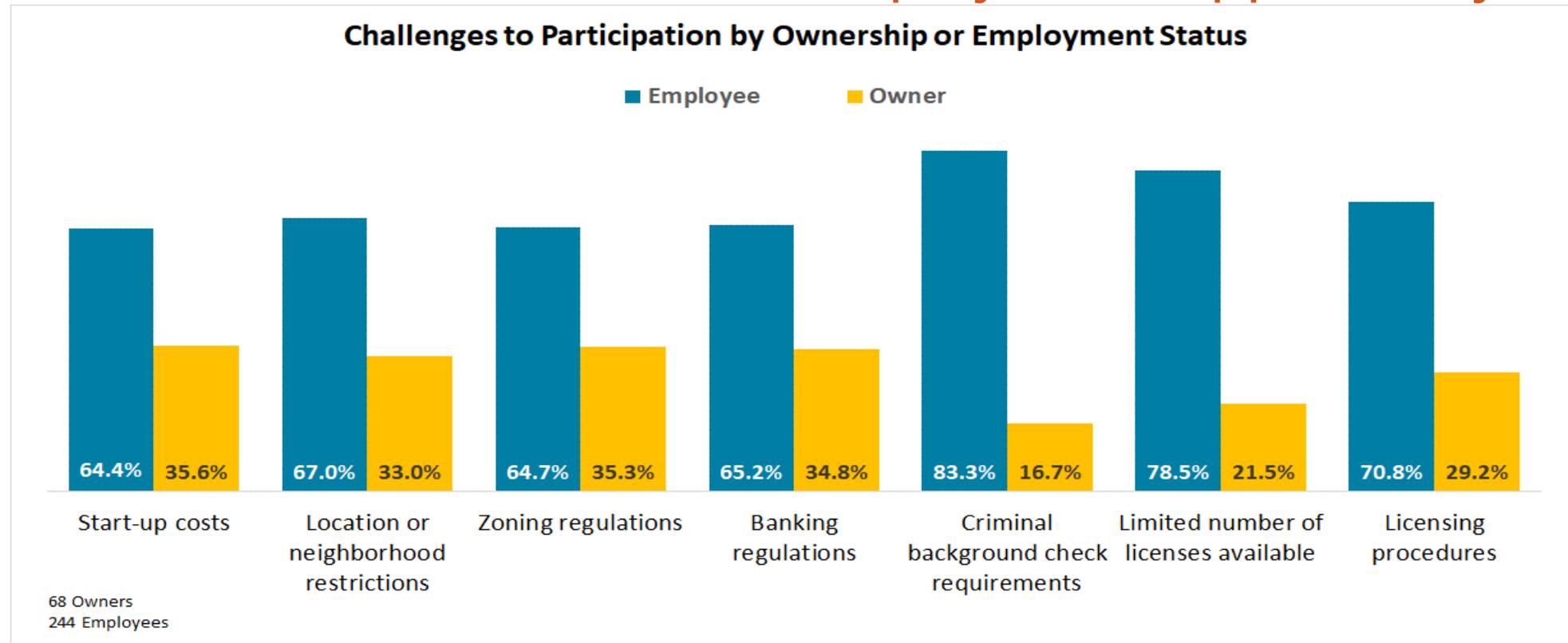


Support Licenses (Non-Manager Employees)



- Caucasian (White)
- Hispanic/Latino
- Black/ African American

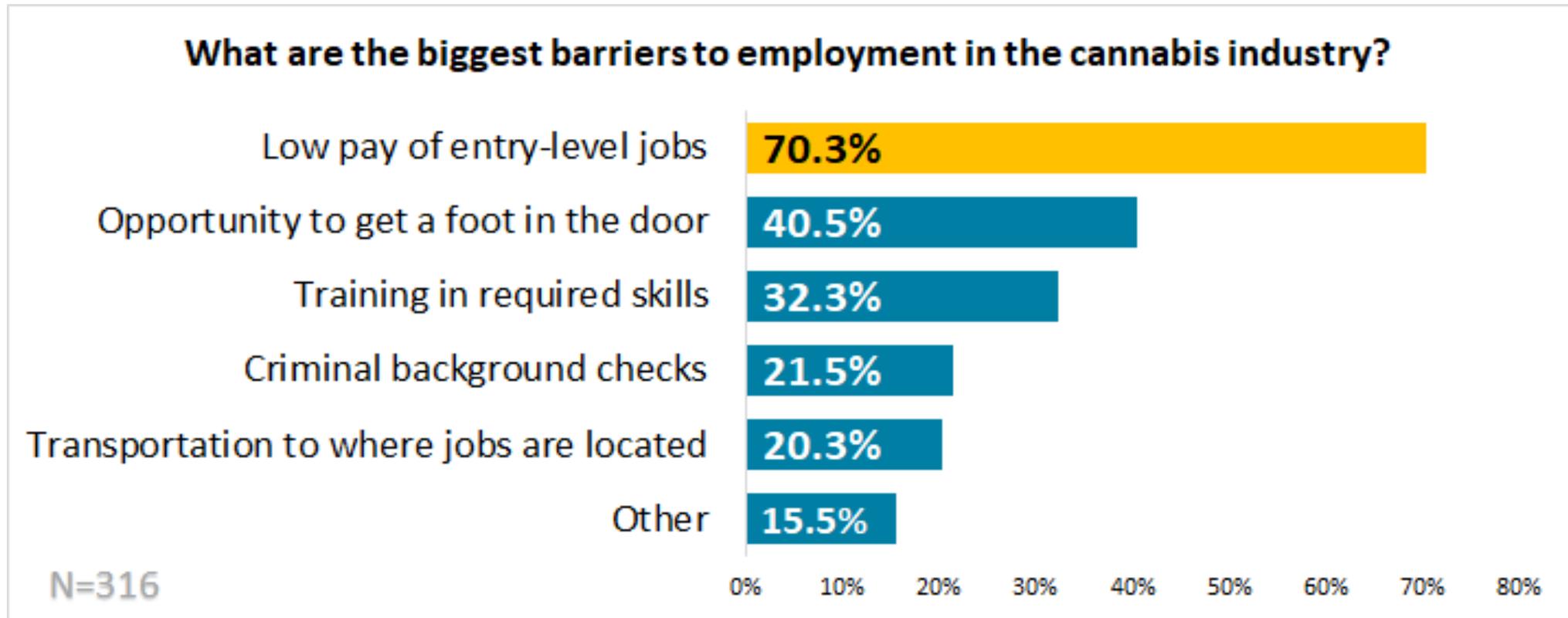
# Denver Cannabis Business & Employment Opportunity Study



Differing Challenges by Owners and Employees:

- Opportunities in the cannabis industry, especially opportunities for ownership, are perceived as limited.
- Employees are far more likely to see barriers to industry participation. The greatest discrepancies are regarding criminal background check requirements, the limited number of licenses available, and licensing procedure.

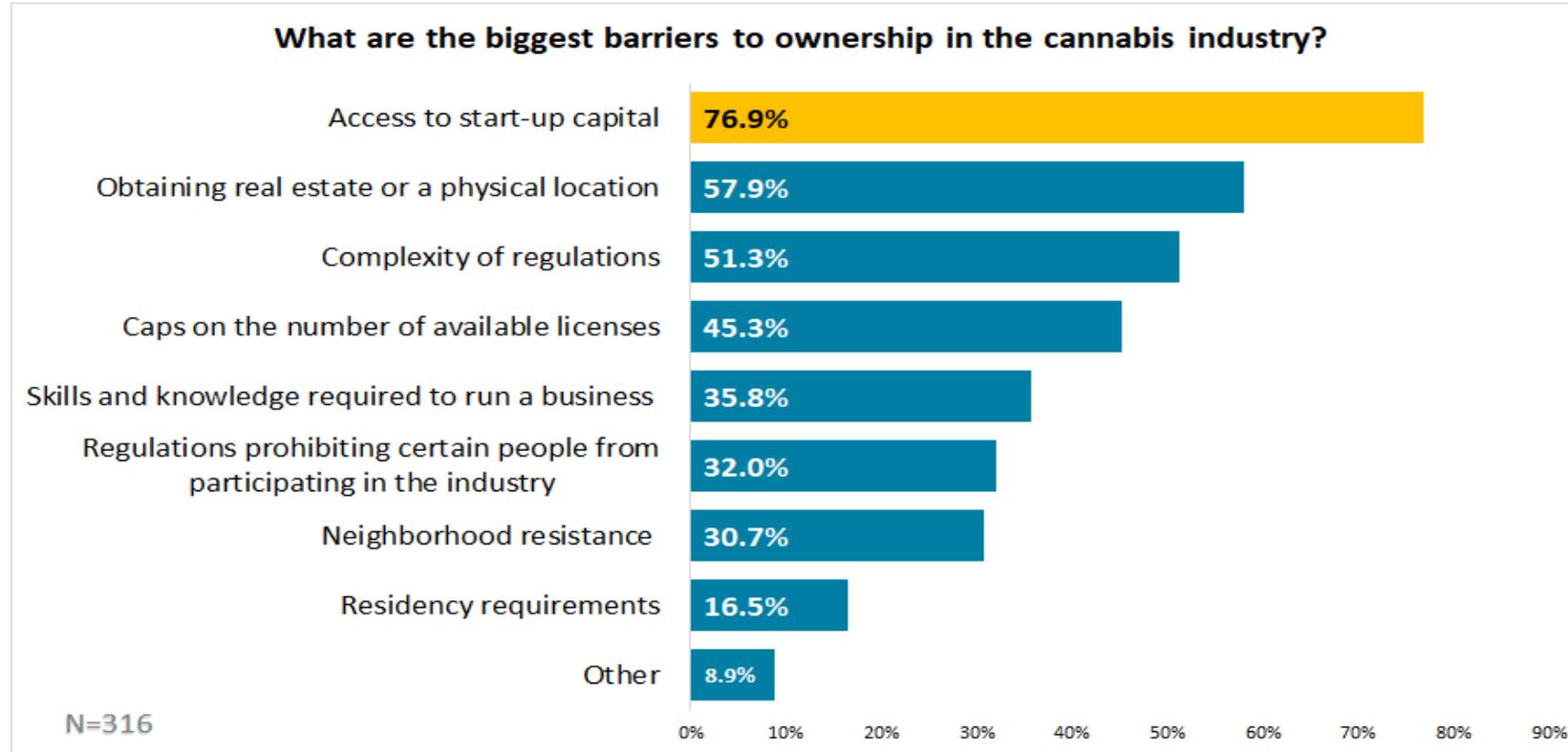
# Denver Cannabis Business & Employment Opportunity Study



Perceived barriers to employment in the cannabis industry:

- Low pay of entry-level jobs was named as the biggest barrier to employment in the industry by almost three out of four respondents
- About 40% of respondents cited lack of opportunities to get a foot in the door as a barrier to employment in the cannabis industry
- About one-third of respondents pointed to lack of training in required skills

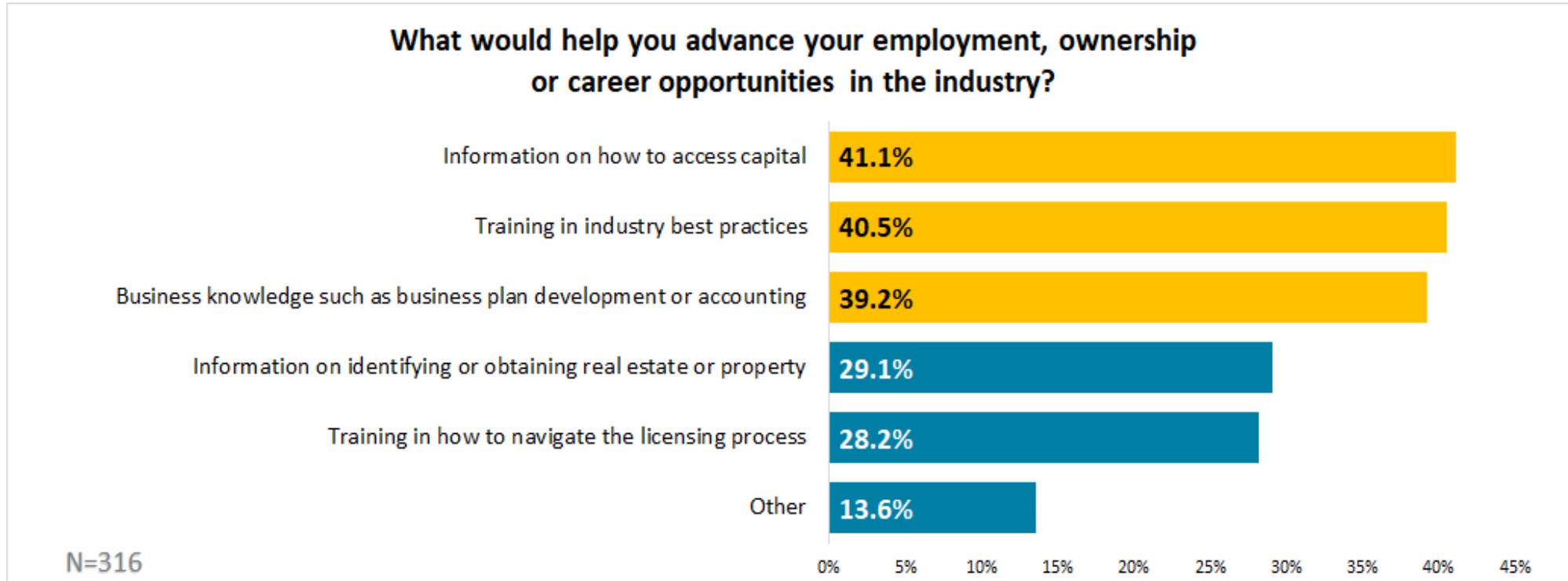
# Denver Cannabis Business & Employment Opportunity Study



Perceived barriers to business ownership in the cannabis industry:

- Access to start-up capital was named as one of the biggest barriers to ownership by about three out of four respondents
- Obtaining a physical location and the complexity of the regulations were each named by over half of respondents as barriers
- Comments on the barriers to ownership focused on start-up and operational costs, the challenges of competing with large, out-of-state corporations, and difficulties working with the City and government in general.

# Denver Cannabis Business & Employment Opportunity Study



Needed services to increase industry participation:

- Almost half of survey responded stated their career advancement opportunities would improve from training in industry best practices, information on how to access capital and business plan development or accounting

# Denver Cannabis Business & Employment Opportunity Study

The survey and focus groups identified several priorities related to social justice and the cannabis industry overall.

## Priorities Identified\*

- Opportunities for ownership
- Removing barriers of previous arrests or convictions on employment or ownership
- Equity in hiring
- Opportunities for expansion or innovation
- Growth as an industry
- Employment opportunities

\* In order of highest importance compared to lowest satisfaction

## Social Justice Issues Identified

- Expungement of marijuana-related arrest and convictions
- Empowering communities disproportionately impacted by the War on Drugs
- Ensuring entry-level cannabis industry jobs pay a living wage and treat employees fairly
- Addressing racism, as well as sexism and lack of inclusiveness in the Denver cannabis industry
- Controlling regulation, opening the licensing process and lowering costs to entry

# Cannabis Equity Program-Current and Future State



## Current State

- What are the current inequities within the cannabis industry?



## Future State

- What does success look like?
- What should be the goals of a cannabis social equity program?

### Considerations

Inequitable barriers to entry

Lack of diversity and inclusion in the cannabis industry

Impacts from the War on Drugs

Other?

# Equity Applicant Criteria



What criteria should Denver use to determine eligibility of an equity applicant?

Statutory definition of Accelerator Licensee: “A person who has resided in a census tract designated by the Office of Economic Development and International Trade (OEDIT) as an Opportunity Zone for five of the 10 years prior to application and has not previously held a license.”

## Considerations

Possible state legislation to modify equity applicant definition

Other jurisdictions have used: income; residence in certain neighborhoods, police districts, zip codes; individual or family history of marijuana arrests/convictions.

Legal challenges, which can result in financial burdens or licensing delays for equity applicants

# Equity Program Services and Benefits



What tools, services, and benefits would be valuable to individuals who qualify for Denver's cannabis social equity program?

Ideas and possible strategies

Allocation of new license types and licenses released under lottery

Review of existing application requirements (possession of property, public hearing, proof of financial capability, location requirements, etc.)

Workforce development (e.g. training/mentorship programs)

Technical assistance (e.g. legal clinics, business plan development, accounting)

Low-interest loans

Business resources (e.g. B2B networking events, seminars)

Development of ancillary businesses

Others?

# Equity Applicant Criteria



What should be the ownership requirements of a social equity business entity?

## Considerations

State ownership laws and rules (HB 19-1090 and the subsequently adopted rules)

Percentage of ownership requirements

Percentage of employee ownership or profit-sharing

Cooperatives of individual equity applicants or combined cooperatives of both equity and non-equity applicants

# State Accelerator Program

In 2019, the Colorado General Assembly passed a bill creating an accelerator license program, which will allow a qualified new marijuana business (an Accelerator Licensee) to partner with an established marijuana business (an Endorsement Holder) for capital and technical support. MED will begin accepting applications July 1, 2020.

- **Endorsement Holder:** A retail cultivation or retail manufacturer who has been endorsed to host and offer technical and capital support to an accelerator licensee operating on its premises.
- **Accelerator Licensee:** A person who has resided in a census tract designated by the Office of Economic Development and International Trade (OEDIT) as an Opportunity Zone for five of the 10 years prior to application and has not previously held a license.



What challenges specific to Denver might exist for individuals seeking to participate in the state's accelerator program?

# Equity Applicant Criteria



Given the current economic climate, what are possible funding ideas for a cannabis social equity program in Denver?

## Considerations

\$226 million projected budget gap for 2020

Current cannabis-related revenue sources: licensing fees, sales tax (medical and retail), special sales tax (retail), state shareback

-Currently 2% of retail special sales tax is dedicated to affordable housing programs

Possible new revenue sources: Delivery surcharge

# Support from Established Businesses



What resources could established marijuana businesses provide to equity applicants to help them enter and be successful in the industry?



What incentives would make it worthwhile for established cannabis businesses to participate in an equity program established by the city? (e.g. through a mentorship program, as an endorsement/incubator licensee, etc.)

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# Revisit Topic #1 Delivery & Topic #2 Hospitality (if time is available)



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# Public Comment

Attendees and members of the public viewing the Work Group meetings are able to send written comments to [Marijuanainfo@denvergov.org](mailto:Marijuanainfo@denvergov.org). All written comments will be shared with the Work Group members via email.



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# Next Steps

Written comments can be submitted to [Marijuanainfo@denvergov.org](mailto:Marijuanainfo@denvergov.org).

Next meeting – June 25, 2020 at 1:00 – 3:30 p.m.