

Recommendations to Human Relations Commission of Long Beach

May 2021



Table of Contents

- Overall Summary of Recommendations to the City of Long Beach Social Equity Program Page 3
- Recommendation to Human Relations Commission for Vetting Processes Page 4
- Recommendation to Human Relations Commission for Complaint Line for Social Equity Applicants and Operators. Page 8
- Reference: Recommendations to the City of Long Beach Page 11

Summary of Recommendations

The Long Beach Collective Association Social Equity Subcommittee includes cannabis business owners, social-equity applicants, social-equity professionals.

The committee provided recommendations to the City of Long Beach in March 2021 to assist with developing a robust and successful Social Equity Program, in pursuit of a robust, sustainable social equity program that can potentially scale across municipalities in the State and Nation and to other industries both private and public.

While adding social-equity only cannabis licenses in Shared-License types, delivery, and store-front retail will create space for social-equity licenses, the additional licenses do not create a robust path for ownership.

Recommendations included solutions to create opportunities for Social Equity Applicants in areas of business development, city navigation, cannabis education, and/or buffers from predatory capital investments or professional navigation: Recommendations for Milestone & Grant Disbursement; Recommendations Community Reinvestment Points Plan Modernization; Vetting Process for Investors & Professionals; Social Equity Workforce Modernization; and additional recommendations found at the end of this presentation for reference.

This presentation is directed to the Human Relations Committee for the City of Long Beach with a recommendation to lead a Vetting Process for Investors & Professionals and creating a Social Equity reporting/complaint line process.

Vetting Recommendation

Recommendation of City-Led Vetting Process

- Recommend Social Equity Vetting Process for Investors and Professional processed by the Human Relations Commission
- Human Relations Commission undergoes vetting training led by the following slides with suggested due diligence.

Recommended Investor Vetting Process

CURRENT LONG BEACH SOCIAL EQUITY APPLICANT REQUIREMENTS	Social Equity Investor Application Requirements Application on Social Equity Page "Apply to be a Social Equity investment Firm or Company"	Due diligence questions for investors:
Apply as a person, not a company	Company facts: year established, employees, revenue; location of existing operations; current major clients; growth projections & strategies; ownership details, company credit rating; recent news	What does the investor team look like? What is their experience level with start-ups?
Family income was at or below 80% Los Angeles-Long Beach-Glendale (LA County) Area Median Income (AMI).	executive team's past performance	Entrepreneurial/cannabis experience
Have a net worth below \$250,000 Proof of income Satisfy at least 1 of the 3 criteria: census tract, cannabis conviction, unemployment benefits Proof of residency Proof of conviction Proof of unemployment	Any pending complaints or litigation Firm's fund performance What firms have they co-invested with; Financial structure; Bankruptcies, litigation and criminal records, non-payment of taxes; History of past incentives negotiations; financial performance and condition	What is their expected level of involvement in the company? Who is in their portfolio? Will they be decision-makers? How do they make decisions about who they will invest in?
		Provide references

Recommended Professional Vetting Process

CURRENT LONG BEACH SOCIAL EQUITY APPLICANT REQUIREMENTS	Social Equity Professional Application Requirements Application on Social Equity Page "Apply to be a Social Equity Professional or Organization navigation" (professionals, organizations, consultants)	Due Diligence Questions for Social Equity Professional or Organization navigation" (professionals, organizations, consultants)
Apply as a person, not a company	Company facts: year established, employees, revenue; Location of existing operations; current major clients; growth projections & strategies; ownership details, company credit rating; recent news	Cannabis industry experience? How long? Describe. List professional background Have they worked in social equity? Describe. Have they worked with any social equity applicants or operators? Describe.
Family income was at or below 80% Los Angeles-Long Beach-Glendale (LA County) Area Median Income (AMI).	Executive team's past performance	How much time can they dedicate to the Long Beach cannabis program?
Have a net worth below \$250,000 Proof of income	History of past programs	What type of cannabis-related services can they provide?
Satisfy at least 1 of the 3 criteria: census tract, cannabis conviction, unemployment benefits Proof of residency Proof of conviction Proof of unemployment	Any pending complaints or litigation	Provide 2 or 3 social equity operator references

Social Equity Program Comment/Complaint Line Recommendation

Recommendation of City-Led Social Equity Comment/Complaint Line

- Comment / complaint line for Social Equity Applicants & Operators can help curb nefarious predatory environment while at the same time help shape the future of Social Equity programming
- Anonymity provides a safe space to participate

End Presentation for
Human Relations
Committee

For Reference:

Social Equity
Recommendations to the
City of Long Beach

Milestone / Grant Recommendations to the City of Long Beach

Milestone Modernization Recommendation

Recommendations include restructuring the Social Equity Operator Applicant Milestone Grant Disbursement to reflect a navigation-led process based on funds on hand and next grant cycle.

For example, with a current \$3.6 million budget, approximately 14 social equity applicants could potentially receive the maximum of grant funds in this cycle. When the next cycle of grant funds are available, then the next social equity applicants will move through the process based on the date of application.

Furthermore, recommendations include expanding accessible funds in additional potential fees from Community Reinvestment Plan or city grants that are authorized from city cannabis taxes surplus.

With a recommendation for a city-led community group to budget potential funds to reinvest into social equity program, social equity census tracts, and the community.

Milestone Modernization Recommendation

BUSINESS DEVELOPMENT OPPORTUNITIES

Business Development Opportunities offered at Milestone interventions. Providing navigation, resources, and scholarship opportunities.	Vetting Process	Eligible to Apply for Community Reinvestment Grant
Mentorship / Incubation with a vetted Long Beach-city operator with approved Community Plan Program meeting minimums , for example: 12-week program with two-year follow up Mentorship /Incubation.	√	No
Incubation Organizations	√	√
Mentorship Organizations	√	√
Cannabis-led Business Education / Cannabis-led Education Programs	√	√ - scholarships
Business Development Organizations	√	√
Vetted Professionals/Organization Navigation (see pages 12-14)	√	No – data base from City
Vetted Investors Navigation (see pages 12-14)	√	No – data base from City

Milestone Modernization Recommendation

Current SE Milestone Grants

Current Business Licensing Direct Grant Milestones	Go-Biz Grant	BCC Grant
Pre-application Milestone A – Equity Status Verification Issued Before July 23, 2020	\$5,000	N/A
Pre-application Milestone B – Equity Workshop Scheduled or Attended before July 23, 2020	\$5,000	N/A
Milestone #1: Business License Review	\$20K	\$80K
Milestone #2: CUP or AUP	\$20K	N/A
Milestone #3: Architectural Plans	\$35K	N/A
Milestone #4: Building Permit	\$50K	N/A
Milestone #5: Final / COO	\$20K	N/A
Milestone #6: Business License	\$80K	N/A
Totals:	\$235K	\$80K

Recommended Business Licensing Direct Grant Milestones	Go-Biz Grant	BCC Grant	Proposed City-Led Grant
Pre-application Milestone A – Equity Status Verification Issued Before July 23, 2020 PLUS Business Development Opportunity		N/A	TBD
Pre-application Milestone B – Equity Workshop Scheduled or Attended before July 23, 2020 PLUS Business Development Opportunity		N/A	TBD
Milestone #1: Business License & Business Plan Review (move Property Acquisition to mitigate assistance)		\$80K	TBD
Milestone #2: Property Acquisition (Social Equity Applicants only; funds released within 7days from Landlord Agreement)	K	N/A	TBD
Milestone #3: CUP or AUP and Architectural Plans	K	N/A	TBD
Milestone #4: Building Permit	K	N/A	TBD
Milestone #5: Final / COO / Business License	K	N/A	TBD
Totals:	\$235K	\$80K	TBD

Community Reinvestment Points System Recommendations to the City of Long Beach

Community Reinvestment Plan Points Recommendation

AREA 1

Current Community Reinvestment Points	Recommendations for Current Community Reinvestment Points	New Points Calculations	City-led Community Points Tracking Recommendations
Identification of community priorities with in eligible social equity census tracts provided through eligible non-profit organization - 30 pts	Identification of community priorities with in eligible social equity census tracts and/or social equity applicants. A list of eligible organization will be provided	40 total	Businesses submit Community Plan to City Manager Office Program evaluations by city or authorized agents
	Hiring and maintaining 40% equity hire rate	20	Public Posts of Community Reinvestment Plan
	Community reinvestment or in-kind contributions in social equity census tracks. LB Health Dept. survey identified areas 1) Youth Development. 2) Violence Prevention 3) Re-entry 4) Economic Equity	10	
	Provide support for equity applicants by at least one of the following: 1)Mentorship and Business development assistance for equity applicants 2)Sponsor an equity applicant for a cannabis incubator or education program 3)Provide onsite training in real time for equity applicants (collaboration with vetted organizations permissible)	10	*Proof of contact with equity applicant is required if no equity applicant is available for points*

Community Reinvestment Plan Points Recommendation

AREA 2

Current Community Reinvestment Points	Recommendations	New Points Calculations	City-led Community Points Tracking Recommendations
Itemized list of how direct financial contributions volunteer hours and/or in-kind contributions will be used : including the monetary value of each item 30 pts	Identification of community priorities with in the city of Long Beach. A list of eligible community organization will be provided	Max 40 points	Community Reinvestment Plan Grades posted on city website as well on operator building visible to public & annual media report
	Participates in community cleaning and community beautification projects including linking operators to city RFPs and neighborhood associations Minimums: monthly 8hrs volunteering. 8 hours per business per month	20	
	Supporting Long Beach community programs or organizations through in-kind contributions or direct financial contributions, including but not limited to paid volunteer time or monetary.	10	
	Innovative methods to support community members or neighborhood organizations: for example, Cannabis Compassion Programs or Record-Changing Sponsorships	10	

Community Reinvestment Plan Points Recommendation

AREA 3

Current Community Reinvestment Points	Recommendations	New Points Calculations	City-led Community Points Tracking Recommendations
Total Value of support is of equal or greater value to one-percent (1%) of total gross receipts generated by the adult use cannabis Business 30 pts	Total Value of combined support of in-kind contributions to social equity tracks and in-kind contributions to Long Beach organizations are of equal value or more than one-percent (1%) of total Long Beach City Cannabis Taxes paid in a Calendar Year.	Max 20 points	<p>A \$10,000 community Reinvestment fee will be applied upon non-participation in annual Community Reinvestment program and evaluation requirements. This fee will be assessed if no efforts or actions are taken.</p> <p>Code violation and penalties will apply to operators that have not participated and do not pay the community reinvestment fee of \$10,000.</p> <p>Upon assessment of Community Reinvestment fee, operator must pay within 6 months the previous year's Community Reinvestment fee before violation and revocation occurs.</p>
	Minimum \$3000 a year in community reinvestment or in-kind contributions in social equity census tracks	10	City-led community group forms or existing commission budgets potential funds to reinvest into social equity program, social equity census tracts, 1) Youth Development 2) Violence Prevention 3) Re-entry 4) Economic Equity and and community organizations.
	Supporting Long Beach community members or organizations through in-kind contribution or direct financial contributions, including but not limited to paid volunteer time.	5	
	Total Value of support is of equal value to one-percent (1%) of total Long Beach City Cannabis Taxes paid in a calendar year	5	
 LBCA LONG BEACH COLLECTIVE ASSOCIATION	NOTE: Operator Hardship – less contribution or waived with Proof of Tax Returns		19

Community Reinvestment Plan Points Recommendation

Current Community Reinvestment Points	Recommendations	New Points Calculations	City-led Community Points Tracking Recommendations
Adult-Use Cannabis Max Points with at least two individuals - 10 points	DELETE THIS SECTION – No impact	NONE	N/A

GRADING SYSTEM & OPERATOR INCENTIVES

SECTIONS FOR POINTS POSSIBLE	POINTS POSSIBLE	GRADES	OPERATOR INCENTIVE / FEES
Area 1 A B C	40 1A- 20 1B- 10 1C- 10	A = 40 B = 35 C = 30 D = 25 F = 20	
Area 2 A B C	40 2A- 20 2B- 10 2C- 10	A = 40 B = 35 C = 30 D = 25 F = 20	
Area 3 A B C	20 3A- 10 3B- 5 3C- 5	A = 20 B = 15 C = 10 D = 5 F = 0	Additional recommendations: Community Reinvestment Plan Grades posted on city website; on operator building visible to public; and in an annual media-release report Public Posts of Community Reinvestment Plan
Totals	100 total points possible	A = 100-90 B = 89-80 C = 79-70 D = 69-60 F = 59 or below	A = 100-90 = Tax incentive or license fee reduction B = 89-80 = Partial Tax incentive or license fee reduction C = 79-70 = Partial Tax incentive or license fee reduction D = 69-60 = No incentive/need to submit new plan F = 59 or below = No incentive/need to submit new plan

Additional Social Equity

Program

Recommendations to the

City of Long Beach

Key of Reference & Additional Recommendations

1) Business Development Opportunity offered at Milestones navigates social equity applicants to meet with city departments, help navigate to vetted development/education/mentor/incubation/ investor/affiliate opportunities.

2) Establish program in submitted Community Plan to include the area of Mentorship, Incubation, or On-site training and Social Equity Applicant Evaluation of Experience with operator for the following areas for social equity applicants establishing minimum requirements:

- Mentorship/Business Development
- Sponsor workshops/classes
- On-Site training

3) Create a Complaint system or use the existing cannabis hotline that social equity applicants can utilize to submit with the option of anonymity.

4) Allow for multiple Social Equity partners under one license; allow to applicants to stack their collective equity with small or no percentage of outside investors.

5.) Create LOI templates

Example of Professional Organizations	Services offered
LBCCC	Mentorship/Incubator/ Accelerator
4Leaf Consulting	Business Education / Law
LBCC/LBCA course	Cannabis Education
Ronnie's House	Mentorship/Incubator/ Accelerator
City-supported industry workshops	Mentorship/Incubator/ Accelerator
Program Evaluators / enforcement	Community Plan/Points
Business start-ups	Mentorship/Incubator
Community Reinvestment Plans from Existing Operators	Mentorship/Training/

Social Equity Workforce Modernization Recommendations to the City of Long Beach

Social Equity Workforce Modernization

Career Growth and Educational Opportunities	Vetting Process	Eligible to Apply for Community Reinvestment Grant
Career Mentorship or Paid Internships with a vetted Long Beach-city operator with approved Community Plan Program meeting minimums, for example: 12-week program with up to a two-year follow up	√	No
Internship Programs – Navigate to vetted organizations and programs	√	√
Mentorship Programs - Navigate to vetted organizations and programs	√	√
Cannabis-led Business Education / Cannabis-led Education Programs - Navigate to vetted organizations and programs	√	√
Degree-led Scholarships - Navigate to vetted organizations and programs	√	√