



Agenda Correspondence

May 25, 2021

TO: Economic Development and Technology Committee
FROM: Pasadena Cannabis Equity
SUBJECT: **FURTHER PUBLIC COMMENT ON THE CREATION OF EQUITY PERMITTING PROGRAM: Item 1, May 27 Committee Meeting**

Pasadena's cannabis program is one of the worst public policy failures in the history of Pasadena, costing the community more than a thousand jobs and City Hall millions of dollars in unnecessary administrative and legal expenses and foregone tax revenue.

However, our system of government allows us to fix these problems.

Pasadena can create 1,300 full-time jobs before the end of the year

According to the Leafly Jobs Report 2021 (a cannabis industry economic report), legal cannabis now supports 57,970 full-time jobs in California. Despite a year marked by a global pandemic, causing unemployment and recession, California's legal cannabis industry added 23,707 full-time jobs in 2020. That represents a 69% year-over-year job growth.

To put that in perspective: In California there are more legal cannabis workers than there are bank tellers. There are more than twice as many legal cannabis workers as electrical engineers. There are more than three times as many legal cannabis workers as EMTs and paramedics.

Cannabis sales in California in 2020 totaled \$3,774,700,000. One full-time cannabis job is created for every \$65,148 in legal cannabis sales.

Despite established reality, some in Pasadena continue to seek to make public policy based on their own uninformed knowledge and unreasonable fears of the cannabis industry.

There are 445 active on and off-site liquor licenses in Pasadena. Places like Trader Joe's, Ralphs or Von's sell whiskey and vodka without issue. Cannabis retail stores are monumentally more regulated and controlled. Under state law a customer is blocked by security doors from entering the sales area unless they show ID to a security guard that they are at least 21 years old. Unlike bars or restaurants, no consumption is allowed on premises. Cannabis retail locations are safer and more secure than any bar, restaurant or grocery store selling liquor.

A fully implemented retail cannabis model in Pasadena with just 30 retail locations (a tiny fraction of the number of active liquor locations) would generate \$90 million in sales and therefore create as many as 1,300 full-time jobs.

Given the explosive growth of the cannabis industry, if Pasadena fails to create these jobs and tax revenue Pasadena's municipal neighbors will.

Troubling racial disparities exist in the cannabis industry.

The life-shattering harms of the war on drugs largely fall on people of color, especially Black Americans. Unfortunately, Pasadena's cannabis legalization scheme failed to provide these communities with any degree of equity.

As an example, although Black Americans represent 13% of the national population, they represent only 1.2% to 1.7% of all cannabis company owners—a gap that is far too wide. These Pasadena opportunities should involve a laser focus on true social equity. Dollars generated by the cannabis industry in Pasadena should be funneled into community support and cannabis licenses should be fairly distributed to promote ownership by people of color.

The wealth generated by this new opportunity could help to uplift Pasadena's poorest communities. However, without a social equity program, we will continue to see these Pasadena communities struggle without a fair shot.

Historically Stacked Against People of Color

Opening avenues for local applicants to compete for city-issued cannabis business licenses is only part of the solution. Starting a business requires startup capital—and that's where federal law really impedes opportunities for minority entrepreneurs, especially Black Americans. Because cannabis remains federally illegal, government grants and bank loans are not available. As a result, personal savings, family wealth, and second mortgages are the most common sources of start-up capital in the cannabis industry. That is where Black Americans face a dramatic disadvantage. More than 150 years of economic terror—including generations of home mortgage redlining, Jim Crow laws, GI Bill exclusion, bank loan denials, and unpunished crimes like the 1921 Tulsa Race Massacre—have left the United States with a yawning racial wealth gap. The median family wealth for white Americans today is \$171,000, compared with \$17,150 for Black Americans. Family wealth is most commonly held and passed down through home ownership, a critical component of wealth-building that has been strictly denied to generations of Black Americans. The continued federal prohibition of marijuana is not just an inconvenience that state-legal companies must work around. Federal prohibition actively

represses the opportunities for minority entrepreneurs, and especially Black entrepreneurs, to enter the legal cannabis industry.

This is one reason why the pressure is on in Washington D.C. to make cannabis legal under federal law.

The Solution: Establish a Cannabis Equity Program

Pasadena has a huge opportunity to right the historic wrongs of Pasadena's "War on Drugs" (which was also a complete public policy failure) that harmed thousands of Pasadena residents, mostly people of color by immediately implementing a Cannabis Equity Permit Program using the following criteria for Equity Owners:

1. Is a Pasadena resident at the time the permit issued; and
2. Has lived in a combination of Council Districts 1, 3 or 5 for at least ten of the last twenty years or was arrested after November 5, 1996¹ and convicted of a cannabis crime or other cannabis related violation in Pasadena, California.
3. Owns a minimum of 51% of the operation and maintains operational control.
4. No assignment of operational control, economic benefits, or management contracts with otherwise unqualified third parties is permitted and shall require a revocation of the license.²
5. A minimum of fifty (50%) of all new permits collectively issued by the City of Pasadena shall be issued to Equity Applicants. This excludes permits issued to the initial three (3) dispensaries.
6. All dispensaries must maintain a staff comprised of at least fifty (50%) Pasadena residents and twenty-five percent (25%) Pasadena residents in census tracts identified by the City Manager as having high unemployment rates or low household incomes.
7. The application process for Equity Owners is bifurcated to relieve Equity Applicants from having to incur the expense of holding real estate prior to obtaining a license. Equity Owners can first obtain a license without procuring a specific real estate location in advance. After obtaining a license an Equity Owner can then submit a CUP for a qualified location.

¹ On November 5, 1996 Pasadena voters approved Proposition 215, the first voter-approved state ballot initiative for medical marijuana in the United States, with a 57.1% YES vote.

² Steve White, the owner of Harvest of Pasadena LLC was allowed to obtain a cannabis license for the benefit of Harvest, Health & Recreation, Inc. who is now attempting to sell this license for at least \$10 million. Harvest will reap this windfall having never even opened a store, paid any tax to Pasadena or provided any financial benefit to Pasadena residents.

Conclusion

Public policy should be based on fact, not the fear-based fantasies of people who hypocritically don't hesitate to host "wine parties". Pasadena must act now to aggressively divert this unprecedented wealth opportunity to Pasadena residents.

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