Background

Cannabis industry in Grand Rapids

- 2018: Ordinance amendments for medical cannabis facilities
  - Including voluntary MIVEDA social equity program
- 2020: Ordinance amendments for recreational cannabis facilities
  - Including Cannabis Social Equity Policy and voluntary CISEVA program

Voluntary social equity commitments provided priority of consideration in the zoning review process

- MIVEDA: buffered out over 50 applications during the medical cannabis Special Land Use process
- CISEVA: determined order of consideration for Planning Commission Review or Director Review

Social equity commitments made under MIVEDA and/or CISEVA

- Became legally enforceable once processed with a complete application
  - Made conditions of approval of a cannabis land use
- Local licenses are issued following land use approval
  - State licenses are contingent on local licensing and zoning
Background

- Cannabis Justice Workgroup (CJWG)
  - Interdepartmental taskforce created by the City Manager in February 2020
  - Advancing positive social equity in communities most harmed by War on Drugs
  - CJWG made recommendations on zoning and licensing policy elements

- CJWG recommendations included the formation of a nonprofit in July 2020
  - Many social equity initiatives cannot be performed directly by the City
  - Provides additional flexibility needed to achieve some of the initiatives

- City Commission approved the formation of a Nonprofit in February 2022
  - Supporting the City Values of **Equity** and **Innovation**
Background

- City hired a Cannabis Manager in 2020
  - Liaison between the City, the local cannabis industry, and the community
  - Administers and enforces relevant City Ordinances and Policies
  - Collaborates, monitors, and oversees compliance with local and state agencies by coordinating regulatory and policy efforts
  - Coordinates interdepartmental workgroup meetings
  - Performs annual inspections of all licensed facilities to determine compliance with local ordinances

- Compliance monitoring of the voluntary social equity commitments includes:
  - Quarterly self-reporting
  - Annual inspections
    - Reporting on municipal compliance to the Marijuana Regulatory Agency after these inspections
Social Equity Compliance

- Annual city inspections have found violations
  - Traditional zoning elements
    - Building transparency
    - Product visibility
  - Social equity elements
    - Made conditions of zoning approval
    - MIVEDA enforcement has been in process based on one-year license anniversaries
    - CISEVA enforcement began in October 2021

- While performance varies, the City projects that most operators will not meet all of their voluntarily offered MIVEDA and/or CISEVA social equity commitments made with special land use applications.
Social Equity Compliance

CANNABIS INDUSTRY SOCIAL EQUITY ANALYSIS

MIVEDA

- City of GR GTA*: 14% Inspected, 86% Not Inspected
- City of Grand Rapids: 60% Inspected, 40% Not Inspected
- Kent County: 64% Inspected, 36% Not Inspected
- State of Michigan: 25% Inspected, 75% Not Inspected

CISEVA (Projected)

- Workforce Diversity: 100%
- Supplier Diversity: 100%

% of INSPECTED facilities that met the commitment
% of INSPECTED facilities that did not meet the commitment

- 15% GR Employees**: 100%
- 24% MLBE Participation†: 64%
- 30 Employee Minimum‡: 44%

* City of Grand Rapids Target Area as defined by HUD
** Commitment to hire 15% of employees or more who are City of Grand Rapids residents, working more than 30 hours/week
† Commitment to 24% or more of Micro LBE Participation
‡ Commitment to hire minimum of 30 employees, working more than 30 hours per week
What Now?

Based on the current and projected status of noncompliance, the following options should be considered:

1. Enforce current ordinances and policies
   - Ongoing noncompliance results in enforcement action beginning with Notices of Violation and would result in the revocation of operating license and land use if not corrected.

2. Amend policies to provide industry with alternative ways to achieve compliance with social equity commitments by:
   a. Allowing the transfer of commitments between social equity categories, including the Community Reinvestment Fund to be managed by the City-formed nonprofit
   OR
   b. Allowing the transfer of commitments between social equity categories, including the Community Reinvestment Fund to be managed by the City-formed nonprofit and/or existing local nonprofits

3. Adopt new policy to temporarily suspend the social equity enforcement process
   - Currently, the enforcement process is paused, other than reporting to the State. However, internal processes may be affected by this current pause.
CJWG Recommendation

- Option 2a: New City Commission and Administrative policies to provide industry with alternative ways to achieve compliance with social equity commitments by allowing the transfer of commitments between social equity categories, including the Community Reinvestment Fund to be managed by the City-formed nonprofit

- Why Option 2a?
  - Promotes a collective effort by the industry to advance social equity rather than relying on individual operator efforts
  - Community driven and more likely to produce equitable outcomes
  - Will produce unified equitable outcomes to be decided by a Board
  - Community decides where investments are made
  - Reduces potential risks from receiving cannabis dollars directly
CJWG Recommendation:

- Option 2a: a balanced strategy
  - Helps the industry return to compliance
  - Achieves social equity outcomes originally offered by the industry
  - Accounts for an industry that is still maturing
  - Takes into consideration the impacts of the COVID pandemic on the industry
  - Respects the effects of utilizing social equity commitments that buffered out other applications
CJWG Recommendation

The Transfer System Approach

Key elements of the proposed policy changes:

- Provides compliance extension period (a minimum of 9 months)
- Utilizes a Community Reinvestment Fund
- Allows the transfer of eligible MIVEDA/CISEVA points between eligible categories
- Recognizes current performance with a partial credit system
- Redefines “operational costs” to better align with the needs of the industry
- Adds provision to fulfill MIVEDA 24% MLBE requirement in the initial buildout
- Sets multipliers to MLBE expenditures to assist with Supplier Diversity
How It Works
The Transfer System Approach - CISEVA

- Facilities may transfer points between CISEVA categories
  - Categories with original commitments must keep a minimum of 1 point (except as noted below)
  - Categories cannot go over 3 points, except for the Community Reinvestment Fund
  - The New Business Development category is the only category where an operator must adhere to or improve upon their original commitment

- The City will issue partial credit based on the level of compliance
  - Remaining noncompliance to be prorated into the Fund

- Facilities may transfer points to the Community Reinvestment Fund
  - No points limit in this category
  - 0.5% yearly gross sales for every point transferred to the Fund
  - Except for the New Business Development Category, facilities may fully transfer their commitments (points), but the last point transfer will equate to 1.0% yearly gross sales transferred to the Fund.
How It Works
The Transfer System Approach - MIVEDA

MIVEDA points transferrable to the Community Reinvestment Fund

- Operators that document 24% MLBE participation in the initial buildout of the facility will meet this commitment
- The City will issue partial credit based on the level of compliance
- Remaining noncompliance to be prorated into the Fund

<table>
<thead>
<tr>
<th>MIVEDA Category</th>
<th>FROM MIVEDA Points</th>
<th>TO CISEVA Community Reinvestment Fund (as yearly gross sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) A. City of Grand Rapids General Target Area as defined by HUD</td>
<td>1</td>
<td>0.25%</td>
</tr>
<tr>
<td>B. City of Grand Rapids</td>
<td>1</td>
<td>0.25%</td>
</tr>
<tr>
<td>C. Kent County</td>
<td>1</td>
<td>0.25%</td>
</tr>
<tr>
<td>D. State of Michigan</td>
<td>1</td>
<td>0.25%</td>
</tr>
<tr>
<td>(2) A. Commitment to hire 15% of employees or more who are City of Grand Rapids residents, working more than 30 hours per week</td>
<td>1</td>
<td>0.50%</td>
</tr>
<tr>
<td>B. Commitment to hire 24% or more of Micro LBE Participation</td>
<td>1</td>
<td>1.00%</td>
</tr>
<tr>
<td>C. Commitment to hire minimum of 30 employees, working more than 30 hours per week</td>
<td>1</td>
<td>0.50%</td>
</tr>
<tr>
<td>(3) A. No sensitive use separation distance waivers required</td>
<td>Not Eligible</td>
<td>Not Eligible</td>
</tr>
</tbody>
</table>
How It Works
The Transfer System Approach

<table>
<thead>
<tr>
<th>ORIGINAL COMMITMENTS</th>
<th>COMPLIANCE WITH COMMITMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIVEDA: 5 points</td>
<td>MIVEDA: 3 out of 5 points</td>
</tr>
<tr>
<td>CISEVA: 27 points</td>
<td>CISEVA: 21 out of 27 points</td>
</tr>
</tbody>
</table>

TRANSFER REQUEST TO RETURN TO COMPLIANCE

MIVEDA: 2 points from full compliance
2 commitments transferred to the fund

CISEVA: 6 points from full compliance
2 points transferred to a different category
2 points issued partial credit
2 points transferred to the fund
Industry Engagement

- City staff met with the industry on February 17, 2022
  - Over 90% participation by operators that made MIVEDA and/or CISEVA selections
  - Planning staff presented the CJWG recommendation on the Transfer System Approach to elicit feedback
  - Following the presentation attendees were invited to provide feedback and ask questions
  - Responses to industry questions will be provided after concluding the policy discussion

- Industry questions could be categorized into the following themes:
  - MLBEs and operational costs
  - Duration of the MIVEDA/CISEVA commitments
  - Elements of the transfer system
  - Reliance on the City-formed nonprofit
Industry Engagement

The topic of the nonprofit garnered the most attention at the meeting

- Formed by City Commission in February 2022
- The nonprofit will not be managed by the City. It will be made up of community members with the goal of improving equitable outcomes and will make the decision on how to invest in the community utilizing monies within the Community Reinvestment Fund
- Nonprofit was anticipated as part of the development of the CISEVA social equity as many of the desired outcomes cannot be performed directly by the City
- The primary focus of the City-formed nonprofit is to invest in the social equity work currently happening in our community and to fill any necessary gaps.
- The nonprofit can invest in initiatives aligned with its purpose to heal the harm caused by the War on Drugs. It is anticipated that these investments will directly benefit local groups currently doing this work.
Neighborhood Associations

Following the industry meeting, the City received additional questions/concerns about the impact of the Transfer System Approach to the financial contributions being made by the Cannabis Industry to Neighborhood Associations (NAs) and Corridor Improvement Authorities (CIAs)

- There is no direct correlation. The proposed Transfer System Approach does not encourage or discourage voluntary financial contributions to the NAs or CIAs. The proposed approach is solely focused on the social equity commitments that were made at the time of land use application.

- In most cases, land use applications included the submission of a Good Neighbor Plan (GNP). GNP requirements were developed in partnership with the NAs and did not include any requirement or incentive for financial contributions.

- Any financial contributions being made are private agreements (subject to reporting requirement for unrelated funding sources).

- Staff did a preliminary review of City records to assess the extent of any contributions and found one NA and one CIA have received direct financial contributions from the cannabis industry.
Neighborhood Associations

Neighborhood Associations
1  Cherry Run
2  Westside Connection
3  John Ball Park
4  South West Area Neighbors
5  Black Hills
6  Roosevelt Park
7  Heartside
8  West Grand
21 South East Community Association
28 Garfield Park

- Open retailers
- Not open retailers
  - Non-retailer cannabis facilities
- Neighborhoods of Focus
Neighborhood Associations

9  Belknap Lookout
10  Creston
11  Highland Park
12  North East Citizens Action
13  Heritage Hill
14  Midtown
15  Fulton Heights
16  Michigan Oaks
17  East Hills
18  Eastown
32  Auburn Hills

- Open retailers
- Not open retailers
  * Non-retailer cannabis facilities
Neighborhood Associations

19  South Hill
20  Baxter
22  Madison Area
23  South East End
24  Ottawa Hills
25  Oakdale
26  Fuller Avenue
29  Alger Heights
30  Ridgemoor
31  Millbrook

Open retailers
Not open retailers
Non-retailer cannabis facilities
Neighborhoods of Focus
Policy Questions

Which of the following 3 options does the City Commission support?

1. Enforce current ordinances and policies
2. Amend policies to provide industry with alternative ways to achieve compliance with social equity commitments by:
   a. Allowing the transfer of commitments between social equity categories, including the Community Reinvestment Fund to be managed by the City-formed nonprofit. *City staff recommendation*
   OR
   b. Allowing the transfer of commitments between social equity categories, including the Community Reinvestment Fund to be managed by the City-formed nonprofit and/or existing local nonprofits
3. Adopt new policy to temporarily suspend the social equity enforcement process
**Next Steps**

- **Timelines**
  - **Immediate**
    - Option 1 – Enforce current ordinances and policies.
      - Staff would begin enforcement
  - **Short Term (dates are tentative)**
    - Option 2a – Amend policies to effectuate transfer system with new nonprofit as sole recipient of transferred funds.
      - 05/10/22 City Commission meeting *City staff recommendation*
    - Option 2b – Amend policies to effectuate transfer system with new nonprofit and/or local nonprofits as possible recipients of transferred funds.
      - 05/24/22 City Commission meeting
    - Option 3 – Adopt new policy to temporarily suspend the social equity enforcement process.
      - 05/10/22 City Commission meeting