Background

- City Commission approved the formation of a Nonprofit in February 2022
  - Supporting the City Values of *Equity* and *Innovation*
- City Commission issued a 90-day extension for enforcement of compliance with social equity commitments in May 2022
  - Assist with municipal framework and issuance of local renewals
  - Continued reporting on zoning compliance to the State
- City staff introduced the concept of a Transfer System
  - Provides a different vehicle to achieve the same equity goals
  - Path for operators to return to zoning and licensing compliance
Background

CANNABIS INDUSTRY SOCIAL EQUITY ANALYSIS

MIVEDA

- City of GR GTA*: 14% (14%) / 86% (86%)
  - % of INSPECTED facilities that met the commitment
- City of Grand Rapids: 40% (40%) / 60% (60%)
- Kent County: 36% (36%) / 64% (64%)
- State of Michigan: 25% (25%) / 75% (75%)

CISEVA (Projected)

- Workforce Diversity: 100% (100%)
- Supplier Diversity: 100% (100%)

Legend:
- % of INSPECTED facilities that met the commitment
- % of INSPECTED facilities that did not meet the commitment

* 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
CJWG Proposed Options

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

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
   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
   • City Commission already issued a Stay of Enforcement of MIVEDA and CISEVA policies through August 10, 2022
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?**
  - Achieves social equity outcomes originally offered by the industry.
  - 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.
City Social Equity Policies

What we heard from the Commission about the **intent** of the social equity policies

a. Desire to increase opportunities for local ownership and generational wealth creation
b. Desire to elevate communities of color within and outside the cannabis industry
c. Desire to hold the industry accountable for the promises they made, while recognizing their current and above-and-beyond efforts

What we heard from the Commission about the **issues** with social equity noncompliance

a. Desire to reach a conclusion and solution for an extensive noncompliance problem industry-wide, in partnership with the local industry and the community


**CJWG Recommendation**

How does the Transfer System address the City’s intent of the social equity policies?

1. **Opportunities for local ownership and generational wealth creation**
   - *Utilizing funds accrued through the Transfer System, the nonprofit could provide financial assistance for new ownership ventures that are targeted towards our local communities of color.*

2. **Elevating communities of color within and outside the cannabis industry**
   - *The nonprofit could directly benefit communities most marginalized by cannabis, by providing opportunities that directly serve the existing cannabis industry and increase the diversity of suppliers and other types of vendors.*

3. **Holding the industry accountable for the promises they made, while recognizing their current and above-and-beyond efforts**
   - *The Transfer System would provide an alternative path to achieving the original intent of the social equity commitments offered by the local industry. The proposed Transfer System has the potential to uplift the Fund to be managed by the nonprofit.*
CJWG Recommendation

How does the Transfer System address the issues from the social equity policies?

1. Reaching a conclusion and solution for an extensive noncompliance problem industry-wide, in partnership with the local industry and the community
   - The Transfer System could provide the industry with an opportunity to resolve the challenges created by their current noncompliance with local zoning and licensing, while leaving the original intent of the social equity policies intact.
   - The nonprofit board could further the work that is already being done in this space by existing community organizations, by providing financial support utilizing funds received through the Transfer System.
Nonprofit Formation Process

- **Phase I**
  1. Formation of the nonprofit by the City
  2. Electronically File Articles of Incorporation for Nonprofit at State level

- **Phase II**
  1. Electronically File for Employer Identification Number (EIN)
  2. Draft Bylaws
  3. Appointment of first board members by City Commission

- **Phase III**
  1. Electronically File 1023 IRS Application
  2. File Solicitation Application with State of Michigan
Nonprofit Formation Process

Why form a nonprofit?
- Flexibility in executing public facing initiatives

- Economic Prosperity
- Diversification of sector-related business ownership
- Wealth Creation
Nonprofit Community Impact

- Business incubators
- Entrepreneur training opportunities
- Job & wealth creation
- Support to Minority Business Enterprises
- Minority Contracting Opportunities

- Neighborhood programming & Improvement

- Expungement assistance
- Additional strategies to heal the harm caused by the War On Drugs
Summary of Proposed Action Items

1. Adopt MIVEDA policy amendment
   - Policy amendment recognizes creation of a new admin policy
2. Adopt CISEVA policy amendment
   - Policy amendment recognizes creation of a new admin policy
3. Adopt amended CC policy extended stay of enforcement of noncompliant equity commitments through 12/31/22
   - Provides the equal benefit to all operators
   - All current operators were able to receive a local license renewal in 2022
4. City Manager to adopt new Administrative policy effectuating the Transfer System
   - Following CC action, finalize Policy within 30 days, policy would become effective immediately, however the Transfer System would become effective January 1, 2023 (after stay is lifted)
   - Built in quarterly payment plan schedule
   - Engagement with industry before the start date of the Transfer
Next Steps

- Adopt MIVEDA policy amendment
- Adopt CISEVA policy amendment
- City Manager to adopt new Administrative policy effectuating the Transfer System