




ADMINISTRATIVE POLICY

SUBJECT	CANNABIS INDUSTRY SOCIAL EQUITY COMPLIANCE	
NUMBER	22-01	DATE SIGNED: 11/3/22
ISSUED BY	Mark Washington, City Manager	
REVISED	NA	
ASSOCIATED POLICIES	City Commission Policies 900-58 and 900-59	
CITY VALUES	<input checked="" type="checkbox"/> Accountability <input checked="" type="checkbox"/> Customer Service <input type="checkbox"/> Innovation	<input type="checkbox"/> Collaboration <input checked="" type="checkbox"/> Equity <input type="checkbox"/> Sustainability

APPLICABILITY: All cannabis business operations that received land use approvals that are conditioned upon MIVEDA and/or CISEVA commitments.

PURPOSE: To provide supplemental criteria for achieving compliance with the social equity commitments made by the medical and recreational cannabis industry.

I. INTRODUCTION

Applicants for cannabis facilities voluntarily selected social equity commitments under City Commission Policies 900-58 “Marihuana Industry Voluntary Economic Development Agreement (MIVEDA)” and 900-59 “Cannabis Social Equity Policy” via the Cannabis Industry Social Equity Voluntary Agreement (CISEVA) form. This Administrative Policy serves as a tool to further articulate the process for achieving compliance with social equity commitments in the medical and recreational cannabis industries.

II. GENERAL PROCEDURES

- (a) Cannabis business applications accepted by the City can be accompanied by a MIVEDA and/or CISEVA form that is signed by the applicant and that has a declared number of points. Upon businesses receiving a zoning approval via a Special Land Use by the Planning Commission or Director Review, all of their MIVEDA and/or CISEVA commitments become conditions of approval and remain binding for as long as the cannabis use is active.
- (b) Except as otherwise provided herein, all medical cannabis licensees are bound by any MIVEDA commitments made at that location and all recreational cannabis licensees are bound by any MIVEDA and/or CISEVA commitments made at that location.

- (c) The City of Grand Rapids will verify adherence to MIVEDA commitments for a minimum of three (3) years, measured from the date of the cannabis facility license issuance by the State. Operators that are deemed fully compliant by the City, in accordance with MIVEDA Policy or this Administrative Policy, for a minimum of three (3) non-consecutive years shall not be required to show further compliance with MIVEDA commitments in future licensure years.
- (d) Following the issuance of a State license, a local license issued by the City will match the expiration date of that State license. No person shall operate a cannabis establishment without a local license. Failure to honor the conditions of a cannabis zoning approval may result in revocation or nonrenewal of local licenses.

III. SOCIAL EQUITY DOCUMENTATION

- (a) Cannabis business shall submit official business documentation, certified by a principal, CEO, or counsel of record and notarized, to report on social equity performance. All documentation shall be specific to that business location.
- (b) Documentation of MIVEDA performance shall be consistent with the following criteria:
 - 1. Local Residency (commitments 1-A, 1-B, 1-C, and 1-D)
 - Entire ownership structure of the cannabis business, indicating the percentage of ownership that meets the selected commitment(s)
 - Proof of residency of all members that comprise the selected commitment(s)
 - 2. Employment (commitments 2-A, 2-C)
 - Payroll journals and/or internal business records, deidentified when applicable, indicating the percentages that meet the selected commitment(s)
 - Photocopies of employee(s) drivers' license or state identification cards
 - 3. MLBE Participation (commitment 2-B)
 - Schedule of Values provided by a General Contractor, or the equivalent, indicating the percentage of participation by City-certified MLBEs in the buildout of the facility, or the period between the date of initial zoning approval and the date of beginning of operations
 - Vendor invoices, contracts, and/or proof of payment to City-certified MLBEs
- (c) Documentation of CISEVA performance shall be consistent with the following criteria and the Cannabis Social Equity Policy:
 - 1. Local Ownership
 - Entire ownership structure of the cannabis business or underlying real estate, indicating the percentage of Resident Owners that meet the selected commitment(s)
 - Proof of residency of all members that comprise the selected commitment(s)
 - 2. Workforce Diversity
 - Internal business records, deidentified when applicable, indicating the percentage of the workforce that meets the selected commitment(s)
 - Proof of employees meeting not less than one (1) of six (6) Equity Applicant criteria

- 3. Supplier Diversity
 - Entire operating budget or balance sheet of the business, or the equivalent, indicating the percentage of costs spent with City-certified MBEs, MLBEs, and WBEs. Costs under this commitment exclude the items listed below:
 - ✓ Utilities
 - ✓ Taxes, including federal, state, property, and cannabis excise taxes
 - ✓ Employee wages, including all W-2 full- and part-time employees
 - ✓ Employee benefits
 - Vendor invoices, contracts, and/or proof of payment to City-certified MBEs, MLBEs, and WBEs
 - 4. New Business Development
 - Internal business records of mentorship and/or incubator agreements
 - Records of program outcomes, if applicable
- (d) Under some circumstances, City staff may require more additional sets of social equity documentation.

IV. QUARTERLY SELF-REPORTING

- (a) Cannabis businesses shall self-report compliance with MIVEDA and/or CISEVA commitments on a quarterly basis using a form provided by the City. A self-reporting form shall only include documentation of MIVEDA and/or CISEVA performance within that period.
- (b) A self-reporting form shall be submitted to the City prior to the end of the following quarterly periods:
 - 1. January 1-March 31
 - 2. April 1-June 30
 - 3. July 1-September 30
 - 4. October 1-December 31
- (c) Failure to submit a quarterly self-reporting form within the allowed periods may result in all social equity performance from that period not being considered for the social equity report accompanying an annual City inspection in accordance with this Policy.

V. ANNUAL CITY INSPECTION

- (a) Prior to the expiration of a local and/or State license, the City shall conduct an inspection of the cannabis business. The inspection shall be scheduled close to thirty (30) days from the license expiration date and shall cover the most recent licensure period at that location, not to exceed one (1) year. Facilities holding multiple licenses at the same location, including medical and/or recreational local and/or State licenses, shall be scheduled for an inspection based on the license with the earliest expiration date in a calendar year.
- (b) An annual City inspection will include an evaluation of social equity compliance. Prior to the inspection, the business shall submit a report of social equity compliance in the most recent year of licensure. The report shall remain consistent with the quarterly self-reporting forms previously submitted to the City in the same period. A quarterly

self-reporting form shall not replace a social equity evaluation from an annual inspection.

- (c) Upon conclusion of the annual inspection, the City will determine whether the business has complied with all commitments made under MIVEDA and/or CISEVA. Compliance with CISEVA shall not apply to businesses within their first year of recreational operation. Otherwise, the City may begin local enforcement action in accordance with this Policy.

VI. PARTIAL SOCIAL EQUITY PERFORMANCE

- (a) Cannabis businesses that anticipate an ability to partially comply with social equity commitments by the date of an annual City inspection may be awarded partial compliance credit for the following social equity categories:
 - MIVEDA Local Residency
 - MIVEDA Employment
 - MIVEDA MLBE Participation
 - CISEVA Local Ownership
 - CISEVA Workforce Diversity
 - CISEVA Supplier Diversity
- (b) Partial credit shall equate to a level of performance of not less than fifty percent (50%) of the original category. Facilities shall submit all documentation demonstrating partial compliance with the commitment(s) within that year of licensure, along with a notarized statement by the CEO, principal, or counsel of record attesting to the level of partial compliance, with the social equity report to be submitted prior to an annual City inspection.
- (c) The City shall make a determination on partial credit in advance of an annual inspection. The City may consider partial credit documented in quarterly self-reporting forms submitted within the same year of licensure. Social equity performance that remains incomplete shall return to compliance using a transfer request in accordance with this Policy.

VII. SOCIAL EQUITY TRANSFER OPTION

- (a) Cannabis businesses that anticipate an inability to comply with social equity commitments, including performance deemed incomplete following an approval of partial credit, by the date of an annual City inspection shall attach a thorough description of the reason(s) for noncompliance, using exact performance indicators when applicable, to a quarterly self-reporting form.
- (b) Beginning on January 1, 2023, cannabis operators may submit one (1) annual request to transfer social equity points using a form provided by the City. Transfer request forms shall be signed by the principal, CEO, and/or counsel of record and notarized and attached to a quarterly self-reporting form. No transfer requests shall be accepted at an annual City inspection.
- (c) The City shall make a determination on a transfer request in advance of an annual inspection. Once approved by the City, a transfer shall become binding for the

performance period requested to the City. A transfer request expires on the first day of operations under a renewed State and/or local license. Cannabis operators shall return to their original MIVEDA and/or CISEVA commitments at the end of the performance period.

- (d) Businesses may move unweighted CISEVA points from one category to another, except for any points originally offered under the New Business Development and/or Community Reinvestment Fund categories. A CISEVA category that receives points shall not increase its unweighted points total to a number greater than three (3), except for the Community Reinvestment Fund category.
- (e) The CISEVA Community Reinvestment Fund may receive an unlimited number of unweighted points. Each CISEVA point transferred to the Community Reinvestment Fund shall equate to a donation of not less than one half of a percentage point (0.50%) of the business' annual gross sales.
- (f) Businesses may move MIVEDA points to the CISEVA Community Reinvestment Fund. Each MIVEDA point transferred to the Community Reinvestment Fund shall equate to a donation of not less than one fourth of a percentage point (0.25%) of the business' annual gross sales.
- (g) Facilities may request new transfers in subsequent years using the same process as provided herein. Businesses that fail to honor all transfer request commitments by the end of the performance period shall become ineligible to submit future transfer requests to the City.

VIII. COMMUNITY REINVESTMENT FUND CONSIDERATIONS

- (a) Annual gross sales are defined as the grand total of sales transactions by all licensed cannabis operations on a City-approved parcel, minus local and State taxes, within the most recent calendar year.
- (b) Following City approval of a MIVEDA points transfer to the Community Reinvestment Fund, the financial contribution shall be capped at one percentage point (1.0%). Operators deemed in compliance with MIVEDA by the City for a minimum of three (3) non-consecutive years shall not be required to make future contributions to the Community Reinvestment Fund.
- (c) Following City approval of a CISEVA points transfer to the Community Reinvestment Fund, the financial contribution shall be capped at two percentage points (2.0%). This cap is not applicable to commitments previously offered to the Community Reinvestment Fund in the initial zoning approval.
- (d) All contributions to the Community Reinvestment Fund shall be honored once a City-approved nonprofit in charge of managing the Fund is formed and eligible to receive funds. The nonprofit may establish a payment plan for operators, which may extend beyond the end of the performance period approved by the City. The nonprofit shall communicate to the City by the end of a business' performance period whether the operator is in good standing with their obligations, either from original commitments or transfer requests.

IX. CONSEQUENCES OF SOCIAL EQUITY NONCOMPLIANCE

- (a)** Failure to maintain voluntary commitments resulting in violations of social equity compliance observed during an annual City Inspection may result in the City issuing the cannabis business a Notice of Violation indicating noncompliance with social equity commitments. Absent extraordinary circumstances justifying an extension, the business will be expected to become fully compliant within the following quarterly period from the date of the Notice of Violation.
- (b)** The City may conduct supplemental inspections, during business hours, to verify adherence with social equity elements from the most recent annual inspection. Reports from these inspections shall be considered additional documentation for the next scheduled annual inspection at that location. A supplemental inspection shall not replace an annual City Inspection.
- (c)** Businesses that remain out of compliance following the time allotted to resolve the violation will be reported to the State, in line with State procedures for licensure and renewals, and subject to local enforcement action, including, but not limited to:
 - 1. Fines
 - 2. Denial of Certificate of Occupancy and/or final permit for future expansions of the cannabis facility
 - 3. Denial of local license renewals
 - 4. Revocation of current local licenses
 - 5. Any other penalties or remedies available via city ordinance, at law, or in equity.
- (d)** Operators who are facing enforcement or appeals proceedings may resolve their matter with an agreement to transfer their points in accordance with this Policy.

X. APPEALS PROCESS

- (a)** If a license issued by the City is under threat of suspension or revocation for cause by the City Clerk¹ (for reasons spelled out in Chapter 105 of the code related to Cannabis Business Licensure) a hearing shall be scheduled by the City Manager or the City Manager's designee or issuing authority.
- (b)** The holder of the license or permit shall be notified of the time, date and place of the hearing and shall be notified of the reason or reasons for the proposed suspension or revocation. The license or permit holder shall be entitled to be represented by counsel, to submit evidence, to cross-examine testifying witnesses, and to make arguments concerning the factual and legal issues. The hearing officer or body shall render a written decision stating the reasons for the decision.
- (c)** In any hearing held pursuant to the provisions of this Chapter, the rules of evidence shall be followed as far as practicable, but a hearing officer or body may admit and give probative effect to evidence of a type commonly relied upon by reasonably prudent people in the conduct of their affairs. Irrelevant, immaterial or unduly repetitious evidence may be excluded. Notice may be taken of facts within the general knowledge of the community.

¹ Title VII, Chapter 91, Sec. 7.14 – 7.16

(d) Any person dissatisfied with the decision of the City Manager or other appropriate hearing officer, or body may appeal to the City Commission, provided that a written request for such an appeal shall be filed within seven (7) days of the date of the decision to be appealed. The City Commission shall schedule a hearing on the appeal within eight (8) days of the receipt of the request for appeal by the City Clerk. Argument as to relevant factual and legal issues shall be permitted. The decision of the City Commission shall be by majority vote. The Commission may affirm, reverse or modify any action taken relative to a license. The decision of the City Commission shall be final.