

Social Equity Recommendation: The legislature should establish a policy goal that 50% of total licenses should be owned by social equity licensees by 2029.

Rationale for Recommendation:

A clear, definitive goal with an actionable timeline will create a metric to evaluate the effectiveness of Washington's social equity program. Urgency is required by the legislature to get licenses into the hands of social equity applicants ahead of changes to cannabis law at the national level. Federal legalization will cause significant disruption to our state market. An established business will fare better in a changing market.

Retail License Recommendations: The legislature should create additional retail licenses available across the state exclusive to social equity applicants until 2029. The Social Equity Task Force recommends at least twice as many stores be added between now and 2029.

Rationale for Recommendation:

Research and discussion with community and vested industry members has made clear that the current Washington cannabis economy would be able to support significantly more retail licenses. Adding these licenses and allocating them into the social equity program would be the most effective existing license type the program could utilize to make the industry more equitable.

At present, Washington state has very few stores per capita relative to other states. Adding more stores would improve competitiveness in the market and create a more equitable industry overall. The data show that there is capacity in the market for more stores, that they would be competitive upon opening, and combined with other recommendations would ensure social equity applicants would have high chance of success.

In the next few years, it will be important to ensure that the social equity program is able to support as many social equity licensees as is feasible. It is also important that social equity license holders are established for as long as possible prior to the coming paradigm shift that changes in national rules and laws will create.

Key Points to Consider:

- Evidence shows space in the market for at least twice as many stores. Washington has 6.6 retail stores per 100,000 residents, where Oregon and Colorado have 17.9 and 14.2, respectively.¹
- Current limits on the number of retail access points has created unhealthy market dynamics that would be improved by increasing the number of retail stores.
- The current approach of geographically assigning retail licenses limits their ability to be successful. All social equity licenses, including existing social equity licenses, should be given flexibility to locate in any jurisdiction that will permit them.
- Current buffers for siting cannabis businesses should be updated to more closely align with restrictions in place for alcohol licenses

¹ <https://www.politico.com/news/2021/10/23/california-legal-illicit-weed-market-516868>

Producer License Recommendations: The legislature should create additional producer licenses available across the state exclusive to social equity applicants until 2029.

Rationale for Recommendation:

The licensing workgroup wants to provide opportunity to social equity applicants who wish to become cannabis producers to do so. The workgroup also wants to see these applicants succeed in the market. Currently there is significantly more cannabis licensed production in Washington state than the market needs. Opening new production licenses without changes to the overall market would not be good policy in the short term. As other changes are in place (more paths to market, direct paths to market for small producers, export to other states) it would be important to create opportunities for new social equity applicants to get access to licenses for cultivating cannabis.

It is our recommendation that these licenses should be made available later in the implementation timeline, not at the outset.

Key Points to Consider:

- As new paths to market are opened the economic space for these licenses to be successful will increase as should the number of licenses being issued
- When a direct path to market for small producers is established more licenses should be made available to the social equity program
- In the allocation of these licenses over time, agencies should consider market conditions for existing producers in order to ensure that these licenses are being allocated at a time when they are able to be successful

New License Type Recommendations: The legislature should create a cannabis delivery license and cannabis social consumption licenses across the state exclusive to social equity applicants until 2029.

Washington is behind other legal states in creating a variety of paths to market for cannabis consumers and producers. This creates a unique opportunity for creating new license types for retailing cannabis under the social equity program.

Delivery License

Rationale for Recommendation:

New delivery license types have a low barrier to entry, making them ideal for social equity applicants. The task force has heard many stories of the extreme hurdles of finding a retail space to rent and the money it costs to hold that space while LCB processes their application. Not being required to have a consumer facing retail space will make the licensing process significantly less costly and more accessible to new entrants into the industry.

Key Points to Consider:

- A delivery license should be a non-store front retail license and should be treated as another retail license type. They would purchase product wholesale from processors and resell it to consumers
- We recommend against creating a delivery fulfillment model that would deliver product for existing licensed retailers

- All sales would be online only, no physical presence for selling would be allowed
- Delivery to private establishments only where there is an address, e.g., homes and hotels

Common rules and regulations from other states:

- Delivery hours are common among other states. Delivery hours are between 8:00am and 12:00am.²
- Limit on one delivery per address per day.
- \$10,000 max on product in a delivery vehicle³
- States have a wide variety of delivery safety measures:
 - Vehicle GPS tracking devices
 - Unmarked vehicles
 - Lock boxes
 - Video surveillance
- Every state has rules on type of vehicle, licensed drivers, and insurance requirements
- Delivery person training and permit (similar to alcohol server permit)- training on youth prevention, and not delivering to intoxicated clients
- Delivery to private residences only
- Signature of someone over 21 upon delivery
- Delivery information including name and address to be retained for 1 year⁴
- Package compliance

Social Consumption License

Rationale for Recommendation:

Social consumption licenses create a safe and social way of consuming cannabis that would be great for tourist and locals alike, most renters have no legal space to consume cannabis. These license types could be standalone businesses or paired with already established businesses like coffee shops and restaurants to widen customer base and bring in more revenue. A wide variety of social consumption models would give applicants a variety of access points into the cannabis industry and provide an important educational tool for the industry to help consumer better understand products in a safe setting and knowledgeable manner.

Viable Social Consumption Models:

- Membership Model, similar to a gym membership. This would allow private spaces to host indoor or outdoor consumption while not violating public clean air laws.
- Commercial sales model, similar to a bar. Without changes to clean air laws this would not allow indoor consumption of smoked or vaped products. However, outdoor patio spaces would be an option.
- Special Event license, similar to alcohol. This could allow for outdoor events to have a licensed cannabis operation to sell products on site and create an outdoor consumption

² Colorado legislation, https://leg.colorado.gov/sites/default/files/2019a_1234_signed.pdf

³ Lesson from California: the initial limit was \$3,000-\$5,000 but that was too low to compete with the illicit market and the legislature had to pass a new law allowing \$10,000 in product in vehicles. California legislation, https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB1014

⁴ Oregon legislation, <https://secure.sos.state.or.us/oard/viewSingleRule.action?ruleVrsnRsn=287870>, https://www.oregon.gov/olcc/marijuana/Documents/Licensing_Forms/mj_ref_delivery_guide.pdf

space, similar to a beer garden, that would comply with clean air laws. This is a strong, viable, and useful model to allow.

- Consumption license paired with an established business, like an existing coffee shop or restaurant. In this scenario an endorsement on an existing business license could allow a variety of flexible social consumption business models to be created and have the existing business provide resilience and flexibility in trying new things with cannabis as a part of their business.

Common rules and regulations from other states:

- No dual consumption of alcohol or tobacco⁵
- License holders can apply for food server license
- Indoor or outdoor structures⁶
- Civil liability laws similar to alcohol servers⁷
- Nevada has reserved the first half of the social consumption licenses for social equity applicants
- 500ft buffer zones from schools⁸
- May only have a controlling interest in three social consumption lounges⁹
- May not hold any other cannabis license type¹⁰
- Smoking in Public Places (and workplace) RCW 70.160¹¹ /Vapor Products RCW 70.345¹²

⁵ Colorado legislation, https://leg.colorado.gov/sites/default/files/2019a_1230_signed.pdf

⁶ New Jersey legislation, https://www.njleg.state.nj.us/Bills/2020/PL21/16_.PDF

⁷ Nevada legislation, <https://www.leg.state.nv.us/App/NELIS/REL/81st2021/Bill/7877/Text>

⁸ New York legislation, https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=A01248&term=2021&Summary=Y&Actions=Y&Text=Y

⁹ Id.

¹⁰ Id.

¹¹ <https://app.leg.wa.gov/rcw/default.aspx?cite=70.160>

¹² <https://app.leg.wa.gov/RCW/default.aspx?cite=70.345>