Access to Economic Opportunities: Lessons from WA State

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Overview

- Present study
- Structuring opportunities
- Equity programs
- Moving forward
Background

- Social justice foundation
- Federal guidelines & limitations
- Access to economic opportunities
## Washington Point System

<table>
<thead>
<tr>
<th>Description</th>
<th>Time period during which points will be assigned</th>
<th>Points assigned</th>
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</thead>
<tbody>
<tr>
<td>Felony conviction</td>
<td>Ten years</td>
<td>12 points</td>
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<tr>
<td>Gross misdemeanor conviction</td>
<td>Three years</td>
<td>5 points</td>
</tr>
<tr>
<td>Misdemeanor conviction</td>
<td>Three years</td>
<td>4 points</td>
</tr>
<tr>
<td>Currently under federal or state supervision for a felony conviction</td>
<td>n/a</td>
<td>8 points</td>
</tr>
<tr>
<td>Nondisclosure of any of the above</td>
<td>n/a</td>
<td>4 points each</td>
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</table>

See WAC 314-55-040 for more information
…if you are a felon you can’t own or be on as ownership in the industry in any of these businesses. So a lot of those people then had to go to a friend or family member and be like, listen, can I put my business in your name just so that I can have this business? And I’ve seen some of those people get f***ed by their so-called friends and family, and selling it out from under them because they don’t wanna be in it anymore. I’ve seen that firsthand. I’ve seen it happen twice.

… you can’t be a felon and a lot of these medical spots were felons. I mean, they were essentially people that were selling weed illegally, were now selling weed legally. And so, a lot of them had felony possession charges or whatever it may be. And being in the medical, they weren’t doing background checks like that and so, that was one of the reasons we waited as long as we could [to apply for an I-502 license]…One of our owners had a felony, and so it was like ‘oh shit.’

- Dianne, Store Manager at Garden Grove Greenery
Criminal Records

You have to be paying taxes and show where your money is coming from, is it from a legit business? No major felonies? If you’re not a gangster, then you should have no problem getting a license. The bar is not really set that high. People that came out of prison, murders, sex offenders, they aren’t going to get a job so what are they going to do? They open up pot shops under the old medical bill. If 90% of the people in the medical couldn’t get a license, what does that tell you about the type of people that were in that industry? They weren’t no boy scouts.

- Steve, Owner of Wonderment
There's clearly social justice implications to legalizing cannabis. People of color are disproportionally convicted even though use rates are for petty drug crimes across races is about constant. So historically cannabis has been a kind of like catch all tactic where if law enforcement wants to bust you for something, they'll bust you for holding a gram of weed.

…but at the same time, the legalization was, is in some places, controversial. So it's important to have people that are upstanding, law abiding professionals [that] will run safe establishments kind of be the model for this so that it ultimately succeeds.

- Mark, Co-owner of Dr. Teeth’s Pot Shop
**Interviewer:** How much did it take you set up your medical shop before I-502?

**Jim:** Oh, uh, probably like a $1000.

**Interviewer:** Did you already have a lot of product or people lined up to help?

**Jim:** Well, it's $600 a month for rent, so [the landlord] just let us move in with first and last [month’s rent], and I had $1000 bucks, and then uh, after that, that was it.

**Interviewer:** Oh great, and for the recreational, how much was that process?

**Jim:** Oh, that was a lot. That was like at least $20 or $30,000, because the cash register by itself is like $4,000, and then the safe is $3000 and it’s required to have one. Cameras were like $2000.

**Interviewer:** So like the cameras and the safe, they’re all required?

**Jim:** Yea. Part of it’s for the insurance, the million dollar insurance we’re required to have, … The money had to be in my account for like 8 months ahead of time too when they checked it out when I applied for it. It can’t be “drug money”.

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Jim, Co-Owner of Home Grown Grass
Financing Canna-Businesses

Eddie: When I didn’t win the lottery, I spent a week trying to contact everybody that won, the 21 people, via the phone book, via Facebook, via LinkedIn, knocking on people's doors, showing up at their house, and finally found somebody I could work out a deal to buy his company that won the right to apply for a license. … I paid a million bucks for the license. Built that building. $3-400,000. Probably two and a half million to open the first store.

Interviewer: Oh wow. What about the subsequent stores?

Eddie: I had bought the property in both cases so two, two and a half [million] for each store.

- Eddie, Owner of Eddie’s Pot Shops
Financing Canna-Businesses

…if you look at a map, 80-90% of the map of Seattle, you can’t have a pot shop. So I look at it like a real estate investment, leveraging the real estate value of the shop. I bought the property that the store is currently located on, taking a 20 year lease with really low payments. I’m not interested in making a ton of money off of this, so just to have a small place, make enough over the 20 years and build the store up to something sustainable, like your neighborhood wine shop.

If it starts becoming unprofitable, I am done with it. I can sell the business and license and then just increase the rent. I mean, because the property qualifies for the license requirement, you can increase the value of rent for the space. I-502 provides a little boost. So I’m really in it for the real estate value, not so much the business.

- Steve, Owner of Wonderment
Financing Canna-Businesses

- Race to the bottom & purchasing power
- Tax structure
Often times [job candidates] had experience but it wasn't the type of experience you really want in a customer service role. ...They were content experts. They weren't customer service experts....they knew a lot about weed. Yeah, they worked in grows and trimmed so-and-so. But they had no idea how to work with people. So often times, they came with a lot of baggage and their own trust issues.

...Content knowledge is, to me, the least important aspect of working in the cannabis industry. Cannabis can be learned. Science can be learned. Languages can be learned. You don't have to be an expert at it to begin with. It's hard to teach someone work ethic.

- Stanley, Store Manager at Dr. Teeth’s Pot Shop
There was a guy once. I liked him when we met, but when I ran his criminal background, I found out that he had been to prison for a couple years for assault. You don’t get to prison for just a slap to the face, so I called him up and asked him about this. He started giving me this explanation; he beat up his girlfriend pretty bad and served his time. He said he has been sober now for 2 years and only got violent when he drank, but that he doesn’t do that anymore, that’s he turned over a new leaf. I’m like, most of my store employees are female, so that just would not work.

You can’t discriminate against someone because of their criminal history, however, I can’t say that wasn’t a factor. I mean he was in prison, I think, longer than he has been sober!

- Steve, Owner of Wonderment
Framing Worthiness

- Legitimate, tax paying business owners are most worthy
- Cannabis industry experience devalued
- Lack of investment in community
- Resource extraction
These guys [pot shop owners], their organization [cannabis advocacy/lobbyist group] is all very, very, very, very, very rich, white guys. …we go to these legislatures that they're trying to convince to pass this law for them. And the legislature’s ringing in every single time. They'd hear them out. And then the one rebuttal that they would have is, "We're less interested in passing these kind of cushy financial laws for you guys, you rich white guys. What we're more interested in," and this is something that at least five of the legislators said that day is, developing some sort of mentorship program for minorities, which, I don't agree with.

I don't think that minorities need a mentorship program. I think it's a bit of an insult to say that minorities don't have business sense. The issue is that the capital to get into this industry has been inflated so much, because people have been making their own prices. If I was able to buy a license from the state, I would have my own pot shop right now. I have the know how to run one inside out. I do not have anywhere near the capital to start my own business again. The Otherside Grass Co., we started that with like $5,000. Two pounds of weed, $1,000 for like the business license and everything. Packaging, labels.

- Darius, Store Manager of Wonderment
Equity Programs

- Public conversations about equity programs
- Positive community impact
- Incubator programs with accountability and legal help
- Real estate incentives
- Hiring plans to promote equity
Industry – Nonprofit Partnerships

- Cage-Free Cannabis
- Marley Natural
Moving Forward

- Financial contexts and ongoing support
- Purposeful spending of local and state tax revenue
- Multi-level structures of opportunities
- Expungement of cannabis-related convictions and clear all associated court debts
Thank You

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Washington Market

Medicinal Market

Illicit Market

Recreational Market with Medicinal Products
<table>
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<tr>
<th>State</th>
<th>Application Fee for State Retail License</th>
<th>Annual State Fee for Retailor</th>
<th>Felony Role in Review Process for License</th>
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<tbody>
<tr>
<td>AK</td>
<td>$250</td>
<td>$5,000</td>
<td>No felony in past 5 years, No violent misdemeanor or misdemeanor in past 2 years related to selling or distribution MJ</td>
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<tr>
<td>CA</td>
<td>$1,000</td>
<td>$4,000-$72,000</td>
<td>Bars convictions of controlled substance, serious or violent felonies, fraud. These limitations are jurisdiction specific e.g., Los Angeles &amp; Oakland County’s “Equity applicant process” for those “most victimized by war on drugs” (must show “proof of conviction” and 80% of median income), qualify for fee waivers.</td>
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<td>CO</td>
<td>$4,500 (state) $2,500 (local)</td>
<td>$1,800</td>
<td>No felony in past 10 years, “good moral character,” exception for MJ possession or conviction</td>
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<tr>
<td>MA</td>
<td>$1,500</td>
<td>$30,000</td>
<td>Felony drug weapons violence theft fraud, less than 5 years from conviction or jail/prison release for narcotics possession charge, non-felony weapons violation involving narcotics, Dec 2017 Statewide equity initiative. (March 2018 in response to Cole memo) people convicted of trafficking “hard” drugs barred from industry</td>
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<tr>
<td>ME</td>
<td>$250</td>
<td>$2,500</td>
<td>A person who has been convicted of a disqualifying drug offense may not be a licensee (crime punishable by imprisonment for 5 years or more). MRS Ch 417, 2447</td>
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<tr>
<td>NV</td>
<td>$5,000</td>
<td>Workers pay $75 yr agent card</td>
<td>No “excluded felony offense” within 10 years of application</td>
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<td>OR</td>
<td>$250</td>
<td>$4,750</td>
<td>Prohibited permanently from growing w/ 2 felony convictions after 2006, Oregon FAQ accessed Jan 14, 2018 “We are unable to confirm if an application will be approved or denied as each application is considered on a case by case basis.”</td>
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<td>WA</td>
<td>$250</td>
<td>$1480</td>
<td>Point system. Felony conviction or on supervision will not “generally” be issued a license.</td>
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<tr>
<td>AK</td>
<td>2014</td>
<td>Feb 24, 2015</td>
<td>AS 17.38 3 AAC 306</td>
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<tr>
<td>CA</td>
<td>2016</td>
<td>Jan 1 2018</td>
<td>RTC Section 34011, Sec.17</td>
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<td>Jan 1 2014</td>
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<td>Exp Jan 2019</td>
<td>IB 2015, c. 5, 7 MRS, Chapter 417, 36 MRS § 1817 Moratorium until Feb 2018</td>
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<td>Dec 6 2012</td>
<td>RCW 69.50.360</td>
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