

**WAC 314-55-570 Social equity in cannabis program. (1)**

**Definitions.**

(a) "**Disproportionately impacted area (DIA)**" means a census tract within Washington state where community members were more likely to be impacted by the war on drugs. The board will provide maps to identify disproportionately impacted areas. The maps will reflect Census tracts from different time periods to account for gentrification. These areas are determined using a standardized statistical equation to identify areas in the top 15<sup>th</sup> percentile in at least two of the following demographic indicators of populations most impacted by the war on drugs:

(i) The area has a high rate of people living under the federal poverty level;

(ii) The area has a high rate of people who did not graduate from high school;

(iii) The area has a high rate of unemployment; or

(iv) The area has a high rate of people receiving public assistance.

(b) "**Family member**" means:

(i) A biological, adopted, or foster child, a stepchild, a child's spouse, or a child to whom the social equity registrant, as defined in this subsection below, stands in loco parentis (in place of the parent), is a legal guardian, or is a de facto parent, regardless of age or dependency status;

(ii) Grandchild, grandparent, parent, or sibling of a child as defined in (b)(i) of this subsection;

(iii) Spouse or domestic partner;

(iv) Any individual who regularly resides in the registrant's home or where the relationship creates an expectation that the registrant care for the person and that individual depends on the registrant for care, or that the individual care for the registrant and that the registrant depends on the individual for care.

(c) "**Median household income**" means the most recent median household income within the state of Washington as calculated by the United States Census Bureau. "Household income" means the total pre-tax gross income for the previous calendar year and includes income of the householder and all other family members receiving taxable income in the household.

(d) "**Person**" means a real human being, distinguished from a corporation, company, or other business entity.

(e) "**Preliminary letter of approval**" means an approval letter issued to qualified registrants who were selected to proceed with the social equity license application process for the purposes of securing a grant and/or a location, along with information necessary to proceed with the social equity licensing application process.

(f) "**Social equity program applicant**" means a person(s) who, as determined by the social equity contractor or, if applicable, the third-party contractor conducting the double-blind lottery, is qualified for the social equity program and selected to proceed with the social equity license application process.

(g) "**Social equity contractor**" means a third party responsible for reviewing and scoring social equity program applications to identify which registrants qualify to proceed with the application process for a social equity license.

(h) "**Social equity license application**" means an application submitted through Business License Services (BLS) by

a social equity applicant who has been selected to proceed with the application process, as determined by the social equity contractor, or, if applicable, the third-party contractor responsible for conducting the double-blind lottery. (i) **"Social equity licensee"** means a person or entity that holds a social equity cannabis license or any person or entity who is a true party of interest in a social equity in cannabis license as described in WAC 314-55-035.

(j) **"Social equity program application and verification documents"** means an application submitted to the social equity contractor with supporting documentation to be evaluated for eligibility for the social equity program.

(k) **"Social equity registrant"** means a person(s) or entity that registers to be evaluated for the social equity program. Qualification is evaluated based on information in the registrant's application materials submitted to the social equity contractor. If a registrant is deemed qualified for the social equity program and selected to move forward, the registrant becomes a social equity applicant, as defined in this section.

(2) **Registering for the social equity program.** Before social equity program application materials can be sent to the social equity contractor for evaluation, registration through the designated portal is required. Upon successful registration, a confirmation notification will be sent, and the registrant will be forwarded to the social equity contractor who will reach out for application materials and verification documents. If two or more individuals are forming a business entity, only one individual may fill out the registration form on behalf of the entity.

(a) **Registration window.** The registration window will be open for an initial period of 30 calendar days. The board may reopen the registration window:

(i) After the initial evaluation of applications, if license allocations are still available; or

(ii) If additional licenses become available after the initial application window has closed pursuant to RCW 69.50.335.

(3) **Social equity program application.** After the registration window closes, the social equity contractor will

provide the registrant with directions for submitting social equity program application materials and verification documents.

(a) **Submission requirements.** Social equity program application materials must be submitted directly to the social equity contractor in the form, manner, and timeframe required by the social equity contractor. Application materials submitted after the specified timeframe will not be reviewed or scored. Registrants are responsible for ensuring the application is complete, accurate, and successfully submitted within the timeframe specified by the social equity contractor.

(b) **Qualifying for the social equity program.** To qualify for the social equity program under this chapter and RCW 69.50.335, the following criteria must be met:

(i) **51 percent ownership.** An applicant must have 51% ownership and control by one or more person(s) and each person comprising the 51% majority must meet at least two of the four qualifications provided below:

(A) **Qualification 1:** Currently live or previously lived in a disproportionately impacted area (DIA) in Washington state for

a minimum of five years any time between 1980 and 2010. Time living in a DIA does not need to be consecutive;

(I) Proof of address documentation that demonstrates currently living or having lived in a DIA, include, but are not limited to documents such as: Mortgage statements or contracts, bank statements, lease agreement, residential property deed, home or auto insurance policy documents, Federal or state tax returns that show your address for each year, utility bills (e.g., gas, water, electricity, or internet services), employment records (e.g., pay stubs, employment contracts, or letters from your employer(s) verifying your address), school records (e.g., transcripts or enrollment records), voter registration, and any government or financial institution correspondence, such as IRS letters or bank notifications, or credit reports. Any combination of documents may be utilized to demonstrate the qualification.

(B) **Qualification 2:** Been arrested or convicted for a cannabis offense, or family member of the registrant has been arrested or convicted for a cannabis offense.

(I) To demonstrate having been arrested or convicted of a cannabis offense, documents containing the date of the arrest or conviction, date of the charge, and the law enforcement agency involved may be used, such as: arrest records from the agency that made the arrest, booking reports, bail papers, police reports or police logs, court documents (e.g., arrest warrants, charging documents, or minutes from the arraignment), criminal history records, news reports or social media posts to establish the event, witness testimonies, online inmate locator services for the family member, legal representation who can provide details about the arrest or conviction, court mandated community service paperwork, other paperwork demonstrating court mandates, or background checks. Any combination of documents may be utilized to demonstrate the qualification.

(C) **Qualification 3:** Had a household income less than the median household income within the state of Washington as calculated by the United States Census Bureau for the previous calendar year.

(I) Proof of household income documentation include, but are not limited to, documents such as: employer income



verification letter stating your salary and terms of employment, social security benefits statements or letter from the Social Security Administration confirming the amount you receive in benefits, unemployment benefits statements, pension distribution statements showing regular income from retirement funds, court-ordered agreements, such as alimony or child support documents, annuity statements from an insurance company showing regular annuity payments, workers' compensation letter from an employer or insurance company detailing workers' compensation payments, disability insurance award letter confirming disability insurance payments, profit or loss statements for self-employed individuals, a statement showing business income and expenses. Any combination of documents may be utilized to demonstrate the qualification.

(D) **Qualification 4:** Is both socially and economically disadvantaged as defined by the office of minority and women's business enterprises.

(I) Examples of documentation to demonstrate the qualification may include but are not limited to those identified by the office of minority and women's business

enterprises for certification. Any combination of documents may be utilized to demonstrate the qualification.

(4) **Social equity contractor review.** The social equity contractor will request application materials and verifying documents for review from the social equity registrant to evaluate eligibility for the program using the scoring criteria provide below. Social equity applicants with the highest scores will be prioritized by the social equity contractor to proceed with the social equity license application process. The social equity contractor will provide the board with a list of the selected applicants.

(a) **Who is eligible to be scored:** Scoring by the social equity contractor will be limited to applicants who meet two out of the four required social equity program qualifications. Points will not be doubled if multiple persons from the same group qualify using the same criteria. For example, if two applicants meet the same two qualifications, each can be considered a social equity applicant, yet the scoring will count only once per criterion towards the overall application score.

(b) **Scoring rubric.** The social equity contractor will evaluate social equity program applications based on the following scoring rubric criteria:

<b>Social Equity Program Application Scoring Rubric</b>		
<b>Category</b>	<b>Eligibility Requirements</b>	<b>Point Scale</b>
	1. Time spent living in a DIA a. 1-5 years: 15 b. 6-10 years: 20 c. 11+ years: 40	15 20 40
	2. Applicant convicted of a drug offense.	60
	3. Family member convicted of a drug offense.	30
	4. If you were convicted of a cannabis offense, what type of sentence did you receive: Fine = 10 points Served probation = 30 points Served time in jail or prison = 80 points	10 30 80
	4. Is your household income less than the median household income within the state of Washington as calculated by the United States Census Bureau?	15
	5(a): Did you own a medical cannabis dispensary or collective garden, licensed as a business, prior to July 1, 2016? Or 5(b): Did you own a medical cannabis dispensary or collective garden licensed as a business in a DIA?	(a) Yes: 10 (b) No: 30
	9. Have you held or do you currently hold 51 percent majority/controlling interest of a state cannabis license?	No: 15 Yes: 0
	Did you apply and qualify under HB 2870, but were not selected to move forward?	No: 0 Yes: 15
	<b>Total Maximum Points</b>	<b>285 points</b>

(c) **Preliminary score.** Upon initial assessment of the social equity program application materials, the social equity contractor will provide the registrant with a preliminary score, along with a comprehensive explanation of the score detailing the points allocated for each criterion.

(i) The registrant may submit supplemental documentation that may support their social equity program application and potentially improve the final score.

(ii) Supplemental documentation must be provided to the social equity contractor in the form, manner, and timeframe required by the social equity contractor.

(d) **Final score.** Prior to issuing the final score, the social equity contractor may adjust the registrant's preliminary score based on a review of any additional documentation provided. The social equity contractor will notify registrants and qualified social equity applicants of the final score and include a detailed explanation of the scoring decision.

(e) **Prioritization.** Qualified applicants with highest scores will be prioritized by the social equity contractor to be included on the list of social equity applications who are selected to apply for a social equity license.

(f) **Double-blind lottery.** If a tie should occur among qualified registrants with identical scores, a double-blind lottery will be used to prioritize the social equity applicants who may proceed with applying for a social equity license. The

double-blind lottery will be conducted by a third-party contractor that is separate from the social equity contractor reviewing and scoring the application.

(g) **Conflict of interest.** It is a conflict of interest and violation of this chapter if the social equity contractor or its employees benefit from any social equity license granted under this section.

(5) **Board notification.**

(a) **Preliminary letter of approval.** Social equity applicants that are scored highest and prioritized by the social equity contractor will be processed by the board and provided with a preliminary letter of approval. Only qualified applicants who receive a preliminary letter of approval from the board may apply for a social equity license.

(b) **Withdrawal letter.** The board will issue a withdrawal letter notifying registrants that are not eligible to apply for a social equity license if:

(i) The social equity program application or additional materials are determined to be incomplete or incorrect by the social equity contractor;

(ii) The social equity program application materials are not received by the social equity contractor within the timeframe specified by the social equity contractor;

(iii) The social equity registrant is not selected by the social equity contractor to continue with the licensing application process; or

(iv) The social equity registrant makes a request to the social equity contractor to voluntarily withdrawal the social equity program application being reviewed and scored. The voluntary withdrawal request must be made in the form and manner specified by the social equity contractor. The voluntary withdrawal of a social equity program application does not result in a hearing right.

(6) **Changes to proposed ownership structure.** Registrants who qualify as social equity applicants selected to move forward with the licensing process may adjust only the 49% of the business interest specified in the application reviewed and scored by the social equity contractor. Submitting proposed changes to ownership structure to the board for review is required prior to the submission of the license application.

(7) **Social equity license application.** Once the board issues the preliminary letter of approval, selected applicants may submit social equity license application materials to the board. Qualifying as a social equity applicant does not guarantee the issuance of a social equity license.

(a) **Licensing requirements.** To be considered for a social equity license, applicants must meet the licensing requirements provided in this chapter and RCW 69.50.335 and meet the cannabis business licensing requirements described in this chapter and RCW 69.50.331.

(b) **Social equity license application window.** The initial application window to apply for a social equity license will be opened for 60 calendar days. Social equity applicants may only apply once per application window. If the applicant applies more than once, the board will only review the first application submitted.

(i) The board may reopen the 60-calendar day application window:

(A) After the initial evaluation of applications is received and locations are still available; or

(B) If additional licenses become available after the initial application window has closed pursuant to RCW 69.50.335.

(8) **Location and financing.** There are no time restrictions for when a social equity applicant must select and secure a location and/or financing.

(a) **County threshold.** The board will establish license thresholds for each county to ensure there is an adequate amount of access to licensed sources of cannabis, cannabis concentrates, usable cannabis, and cannabis-infused products to discourage purchases from the illegal market. The Board shall conduct a license threshold determination every five years, beginning July 2029. In making its determination, the Board shall consider market conditions, economic trends, demographics, and other relevant factors.

(b) **License mobility.**

(i) Social equity licensees who hold a license issued under chapter 236, Laws of 2020 that are designated to specific cities may be located or relocated anywhere within the county in which the city is located. However, the license may not be transferred outside of that county.



(ii) Social equity licensees who applied for a license under chapter 220, Laws of 2023 that qualify based on the requirements in this section, may be located in any city, county or town in the state that allows cannabis business license activities at the proposed location, including those licenses that were originally allocated to or issued in another city, town, or county that were subject to forfeiture, revocation, cancellation, or those licenses which were not previously issued by the board. Additionally, maximum limits on the number of retail licenses that may be in each county established by the board under RCW 69.50.345 are not applicable to social equity licenses who applied under (10) (a) (ii) of this section. Once the social equity license has been issued for a specific location, the location of the licensed business may not be moved to a county different from the county for which it was initially licensed.

(c) **Local ordinance.** An incorporated city or town, or county, may enact an ordinance limiting retail outlet density.

(i) The board will not consider an incorporated city or town, or county ordinance limiting retail outlet density for any

application submitted to the board prior to the effective date of the ordinance.

(ii) The board will not consider an incorporated city or town, or county ordinance limiting retail outlet density as the sole basis for any license non-renewal request for licensees holding an active license that was initially issued prior to the effective date of the ordinance.

(iii) The LCB will give substantial weight to any objection from an incorporated city or town, or county when the objection relates to an ordinance limiting retail outlet density that was enacted prior to the date a license application was received by the board.

(e) **License transfer and assumption.** Social equity licenses may not be transferred or assumed within the first year of the license being issued by the board. Once permitted, social equity licenses may only be transferred to or assumed by person(s) who qualify for the social equity program based on the qualification requirements in place at the time of the initial licensure, and for a period of at least 5 years from the date the license was initially issued.

(9) **Social Equity Title Certificate Holders.** A "Social Equity Title Certificate Holder" means a Title Certificate Holder who qualifies as a social equity applicant.

(a) A Social Equity Title Certificate Holders may reinstate the existing cannabis retail license and relocate it anywhere in the county to which it was originally issued.

(i) Prior to submitting application materials to the board to reinstate the license under the social equity program, the Social Equity Title Certificate Holder must have an established business entity structure that has been approved by the board.

(ii) Neither a new location for the retail license in the county or financing are required at the time of the application.

(b) A Social Equity Title Certificate Holder may not reinstate and relocate an existing retail license outside of the county to which it was issued. To operate a social equity license outside of the county, a Title Certificate Holder must submit a new application for a license and be qualified as a social equity applicant under the requirements in this section.

(10) **Social equity plan reimbursement.** All cannabis licensees with an active license may submit a social equity

plan, as defined in RCW 69.50.101, to the board for a one-time reimbursement that equals the cost of the licensee's annual cannabis license renewal fee.

(a) Any licensed entity holding more than one cannabis license is eligible for reimbursement of the license renewal fee on only one license.

(b) The board will reimburse the licensee no later than 30 calendar days after it has been received and verified.

(c) Social equity applicants or those who hold a social equity license may not submit a social equity plan for a reimbursement.

[Statutory Authority: RCW 69.50.335, 69.50.336, 69.50.342, and 2022 c 16. WSR 22-21-058, § 314-55-570, filed 10/12/22, effective 11/12/22.]