

THESE ARE CONCEPTUAL DRAFT RULES FOR DISCUSSION
NOT FOR FILING OR PROPSAL

VERSION 1

NEW SECTION

WAC 314-55-570 - Social equity in cannabis program.

(1) **Purpose.** In the interest of remedying harms resulting from the enforcement of cannabis-related laws in disproportionately impacted areas, the Washington state legislature found that creating a Social Equity in Cannabis Program will further an equitable cannabis industry by promoting business ownership among individuals who have resided in areas of high poverty and high enforcement of cannabis-related laws. The Social Equity in Cannabis program is authorized by RCW 69.50.335 and RCW 69.50.336 and offers assistance to individuals most directly and adversely impacted by the enforcement of cannabis related laws who are interested in starting cannabis business enterprises.

(2) **Definitions.**

- (a) **"Average state income"** means the most recent median household income and the per capita income as calculated by the United States Census Bureau.
- (b) **"Disproportionately impacted area"** means a census tract within Washington state where community members were more likely to be impacted by the war on drugs. These areas are determined using a standardized statistical equation to identify areas of high unemployment, low income, and demographic indicators consistent with populations most impacted by the war on drugs, including areas with higher rates of arrest for drug charges. The board will provide maps to identify DIA.
- (c) **"Double blind lottery"** means a selection process conducted by an independent third party to determine the order in which applications will be processed in the event of a tie.
- (d) **"Family member"** means:
- (i) A biological, adopted, or foster child, a stepchild, a child's spouse, or a child to whom the applicant 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, sibling, or spouse;

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

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

(f) "**Preliminary letter of approval**" means an approval letter issued to a Social Equity Program applicant for purposes of securing a grant from the department of commerce and a location and other necessities to complete the licensing process.

(g) "**Social equity applicant**" means a person who is applying to participate in the Social Equity in Cannabis Program.

- (h) **“Social equity contractor”** means a third party responsible to review and score social equity applications and recommend social equity applicants.
- (i) **“Social equity licensee”** means a person who meets the qualifications for licensure as described in chapter 314-55 WAC.
- (j) **“Social equity plan”** means a plan that addresses at least some of the following elements:
- (i) A statement that the social equity applicant qualifies as a social equity applicant and intends to own at least fifty-one percent of the proposed cannabis retail business or applicants representing at least fifty-one percent of the ownership of the proposed business qualify as social equity applicants;
 - (ii) A description of how issuing a cannabis retail license to the social equity applicant will meet social equity goals;

- (iii) The social equity applicant's personal or family history with the criminal justice system, including any offenses involving cannabis; and
- (iv) Business plans involving partnerships or assistance to organizations or residents with connections to populations with a history of high rates of enforcement of cannabis prohibition.

(3) **Social equity applicant requirements.** To be considered for Social Equity Applicant under this chapter and RCW 69.50.335, the following requirements must be met by each applicant:

- (a) At least a fifty-one percent majority, or controlling interest, in the applicant, must be held by a person, or persons, who has or have resided in Washington state for six months prior to the application date, consistent with RCW 69.50.331, and meets at least two of the following qualifications:
 - (i) **Qualification 1:** The social equity applicant or applicants have lived in a disproportionately

impacted area in Washington state for a minimum of six months; or

(ii) **Qualification 2:** The social equity applicant or a family member of the applicant has been arrested or convicted of a cannabis offense; or

(iii) **Qualification 3:** The social equity applicant's household income is less than the average state income.

(4) **Social equity application process.**

(a) **Application window.** The board will open the application window for thirty calendar days.

(i) At its sole discretion, the board may reopen the application window:

(A) After initial evaluation of applications received; or

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

(b) **Initial application requirements.**

(i) The social equity applicant must apply to the department of business licensing services within the thirty-day application window. If the application is mailed to the department of licensing services, the application must be post-marked within the thirty-day application window.

(A) The social equity applicant, whether applying as a person, persons, or entity, may apply for a cannabis license once during the application window described subsection (4) (a).

(B) A location address is not required at the time of application.

(C) The social equity applicants may only apply for one jurisdiction during the application window described in subsection (4) (a).

(D) A social equity applicant may not change their selected jurisdiction after initial application.

(E) The board will provide a list of available jurisdictions on its website.

(c) **Social equity contractor review.** Once the application window is closed, the social equity contractor will evaluate and prioritize all applications.

(i) If additional materials are needed, the social equity applicant will receive a letter from the third party contractor directing the applicant to submit additional application materials directly to the third party contractor.

(ii) The social equity applicant must submit complete and accurate additional application materials directly to the third party contractor within fifteen business days of the date of the letter. It is the responsibility of the social equity applicant to comply with the application requirements in this section and ensure the application is complete, accurate, and successfully submitted to the third party contractor.

(iii) If the application is determined to be incomplete by the third party contractor, the social

equity applicant will be provided seven additional days to submit a complete application.

(iv) The third party contractor will review the application materials provided by the social equity applicant to determine if the applicant meets the requirements of a social equity applicant and submittal of a social equity plan.

(v) After the social equity contractor determines that the requirements have been met, the social equity contractor will score social equity applications using the scoring rubric (social equity plan) provided by the board.

(vi) The social equity contractor will provide the board with a list of eligible and scored social equity applicants.

(d) **Board review.** Social equity applicants that are scored highest by the social equity contractor within the jurisdiction selected by the social equity applicant will be processed by the board.

(e) **Double blind lottery.** In the event that the eligible social equity applicants share the highest score in a jurisdiction and exceed the number of available licenses in that jurisdiction, the board will use a double blind lottery conducted by an independent third party to identify the application(s) that will be processed.

(f) **Preliminary letter of approval.** Once the social equity applications that will be processed are identified as described in this section, eligible social equity applicants will be issued a preliminary letter of approval.

(5) **Additional provisions.**

(i) There are no time restrictions for a social equity applicant to select and secure a location.

(ii) Social equity applicants may not make ownership changes to an application after the application has been reviewed, scored, and prioritized by the third party contractor.

(iii) Social equity licenses that are currently designated to specific cities may be located anywhere within the county in which the city is located. However,

the license may not be transferred outside of that jurisdiction.

(iv) Qualifying for the Social Equity Program will not result in or guarantee cannabis business license approval. Social Equity applicants must meet all license qualifications in chapter 314-55 WAC to receive a license.

(v) Licenses awarded under this section may not be transferred within the first year of the license being issued and may only be transferred to individuals or groups of individuals who comply with the requirements for initial licensure as a social equity applicant for a period of five years from the date of the transfer.

(6) **Application withdrawal.** The board will withdraw a Social Equity application if:

(a) The Social Equity Program application or additional materials are determined to be incomplete or incorrect by the Social Equity Contractor;

- (b) The Social Equity Program application materials are not timely received by the Social Equity Contractor;
or
- (c) The social equity applicant(s) requests withdrawal of the Social Equity Program application at any time in the application process. The social equity applicant(s) must request withdrawal in writing. The voluntary withdrawal of a Social Equity Program application does not result in a hearing right.