

# Episode 28 West Coast States Podcast

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## SPEAKERS

Mercedes Woods, Emily Seelman, Marissa Cortes, Adam Kulbach

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### A Adam Kulbach 00:16

Hello and welcome to the Hiren Lightman podcast brought to you by higher yields cannabis consulting their seed to sale Business Solutions team. My name is Adam part of the creative team here at higher yields. And today's episode number 28 deals with the western state of California, Oregon, Washington, Nevada, Arizona and New Mexico. Our panel of experts today is Mercedes woods, Marisa Cortez and Emily seal now. So let's get on with the show. Well, let's start by having you guys introduce yourselves. Let's start with Emily, could you give us a little background on yourself?

### E Emily Seelman 00:58

Sure. My name is Emily Sillman. I'm the Senior Technical Writer here at higher yields. I have a background in law. So as a civil litigator in Pittsburgh, Pennsylvania, for a few years before I went headfirst into the cannabis industry and fully devoted my time to it. So I've been in here for just about six years and have really enjoyed the wild ride. That is the cannabis industry. But we largely me and my team of writers and editors support our clients on their applications on both the local and state level. So when it comes to regulations and requirements, special use permit zoning requirements, a state competitive licensing application processes, that's kind of what we handle. So we're very excited to be here today and to talk to you a little bit about the West Coast.

### A Adam Kulbach 01:49

Well, thanks for being here. And Marissa, could you give us a little background on yourself?

### M Marissa Cortes 01:55

Hi, my name is Marissa Cortez, I'm the director of compliance here at higher yields consulting. I have been in the cannabis industry for almost a decade now. My primary focus for almost that

entire decade, decade has been compliance. And that's literally just because of the fact that compliance is in every facet of this industry quite literally hold it up, or it'll come down. So that is where I've ended up but I do have experience operating and managing compliance in all facility types including retail manufacturing, cultivation, etc. And I have been with H yc. For about three years now. I am the director of startups services, as well as the director of compliance. So I handle a lot of the projects that are dealing with, you know, initial startups, applications, standard operating procedures, inventory tracking, definitely a big one. And pretty much anything you can think of as far as compliance goes in the cannabis industry. So excited to be on here today and talk a little bit about the west coast as well.

A Adam Kulbach 02:57

Thanks for being here. Mercedes, could you give us a little background on yourself?

M Mercedes Woods 03:02

Hi, my name is Mercedes, compliance specialist and project manager with higher yields. And my background, working in Colorado's cannabis industry as an operation manager for dispensary chains out here for the past six years. Similar to Marissa, I have a lot of experience in the compliance sector. And mostly my experience lies in retail, as well as sales and marketing for the manufacturing side of things. And yeah, excited to talk about the West Coast today. And that's all for me.

A Adam Kulbach 03:41

Well, thank you. Could we go through each state as far as legalization, starting with California.

M Marissa Cortes 03:50

So California has had legal cannabis that the medicinal capacity since 1996. I believe that is the longest out of any state in the entire country of the United States. And they actually took rather long in comparison to legalize for adult use that happened in November of 2016. And since then, it's been her laughter hurdle for the state of California. They've had a lot of issues, eradicating the black market or even eradicating a percentage of the black market. So it's made things pretty tough. And because the local municipalities are able to make their own ordinances surrounding cannabis as well. It's made things pretty tough in the fact that depending on where they're at, and it seems to be particularly in northern California, the most, a lot of these counties and municipalities are making it a bit difficult for these licensees to operate effectively. So California has had a little bit of a rough past but it seems like they are trying to go on the up and up here with the implementation of metric inventory tracking system and a lot of different social equity programs across the state and these same municipalities that I just mentioned.

A Adam Kulbach 05:08

And how about the legalization in Oregon and Washington

And now about the legalization in Oregon, and Washington.

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Marissa Cortes 05:12

So Washington State legalized for adult use at the same time as Colorado in 2012, becoming effective in 2014, which actually made them the very first state to legalize cannabis at the adult use capacity. Since then, it has been a little. It's been a little saturated in Washington State, but they still do have a decent market out there. And actually, in 2020, they did sign a bill into legalization to try to put for some social equity efforts. So we're definitely seeing some positive movement in that direction in Washington State. Oregon, passed the initiative to legalize adult use cannabis on November 4 2014. And since then, they've had a very interesting market. It is quite arguably one of the most saturated markets in the industry, because there are no caps on licensing or anything like that. So while it's still a viable market, and while Oregon has backtracked in the last couple of years and is really trying to actively correct that oversaturation, they do still have some some hurdles to face.

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Adam Kulbach 06:18

And how about the legalization in Nevada, Arizona and New Mexico.

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Marissa Cortes 06:24

In 2016, voters approved an initiative to regulate adult use cannabis in Nevada. And since then they've had a very stable market, there's not been a ton of oversaturation or fluctuation, and their prices have actually their market rates or average market rates for their products have actually remained pretty high. Typically, you know, because it has been five years at this point, since the almost since they have legalized, we start to see sort of a decline in some of those market rates. You know, Colorado, for example, you see the beginning of legalization for adult use, were selling a pound of cannabis for or even an eighth of cannabis for \$60.08. Whereas now here we are in 2021, you're looking at anywhere from 15 to \$35, for top shelf for an eighth, whereas Las Vegas, you're still seeing that it remains strong with that \$60 per ace price point. So the market is definitely going well there. And in 2021, the governor of New Mexico signed a bill into law legalizing adult use cannabis sales will officially go into effect no later of April 2022. And we're hoping that the application process should be beginning in September of 2021. This year for producers and then January 1 2022, for all other license types, retail manufacturing and the like. So Arizona is one of the most recent states along with New Mexico to legalize cannabis for adult use. They did do that through voter approval in the 2020. election this past November.

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Adam Kulbach 08:00

So what are the social equity programs like in the States?

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Marissa Cortes 08:04

So, interestingly enough, you know, with, with Oregon, Washington, California, being the

pioneers here, in the western states will say, as far as adult use legalization goes, they actually took a little while to establish or even some, some of them are not established yet to even get a bill on the table to pass social equity requirements or social equity program, I should say, in their state. So for many of these states, it was non-existent, which is interesting, because then we see the states like Arizona and New Mexico, who wrote their cannabis programs into law, specifically already outlining a social equity program before sales even began. So we are starting to see states kind of catch up here, which is definitely nice. But overall, starting with California, they've done something interesting in the last couple of years where they've asked the state is actually handing out \$15 million in grant money to 10 different cities and counties that have chosen to adopt social equity programs across the state to try to get to try to help get both marginalized groups that were harmed by the war on drugs that are still being harmed by the war on drugs, actually involved in that legal cannabis market out there.

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Mercedes Woods 09:18

And to add to, you know, Marissa said about, you know, the states that are behind on social equity, that are just now getting things started, even though you know, they've had a legalization for quite some time is that, you know, it is a little unfair, even still, because you have these established markets, and these established, you know, dispensaries and cultivations and some of the big players, they're already really taking up large portions of that market share. And now you're starting to allow people that were disproportionately impacted by the war on drugs come in, and you know, start their businesses. But if they're not helping these people with continued help, and education, and training throughout this process, then they're most likely either one, the business will fail or two, they're going to just get bought out by the bigger players. And so I think that, you know, that's why it's so great for the states that are legalizing now and are including in their bill to legalize social equity already, because you're then putting, you know, you really are actually having equity that near you're making it equal, and letting people get in from the jump, just like everyone else. And also elevating them, you know, to reach that equity where, as with, you know, California and Washington, Oregon, you know, we're, when we didn't, they didn't do that. So I think that that's really important to know, is it's not, you know, too little too late, but the programs need to be even better than the people who are doing programs from the start.

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Emily Seelman 11:17

And I think that kind of shows also the picture of, of how this industry is starting to grow up a little bit, because you had these these states out west, the Washington, California, Colorado, that really the primary focus back at that time was just getting cannabis into a mainstream industry. And that was such a huge push, I think that was really the focus it was, let's make this a viable industry for people to actually enter. And let's get let's, let's shift the, the stereotype around this plant and really have everyone see it for what it is, which is it's just a plant. It's not the devil's lettuce or whatever everyone's saying back in those days in there, they really had the first push against destigmatizing the plant. And then after that, you kind of start to see these other states come in, and you have this initial push of states, it on in the Midwest and East coast, I would say we're the first ones to actually start to introduce the idea of providing licenses for minorities. And then you saw the introduction of states implementing social equity programs. And now you've got West Coast states picking up where the East Coast and Midwest states left off with the social equity programs. And everyone's either taking their

own kind of angle on it, or they're improving upon other social equity programs to try to make it better. So you'll see California really starting from a local level with these cities being funded to provide education and support for social equity applicants. And then you've got Arizona who's establishing a set aside amount of licenses, just for social equity applicants, that we could talk all day about the problems and all of these programs. But a really cool thing to see is how this industry has started to grow up to the point where we can now actually make some conscious decisions about including everybody in this industry. And that was all started by these West Coast states that just introduced the industry to begin with, and did that that heavy lifting, to allow all these other states to start to think of higher level issues. So it's a really cool thing that I really just came to mind because of what Mercedes just said.

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Adam Kulbach 13:46

So what are the biggest challenges that face applicants in each state? And where are the most significant opportunities for applicants?

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Mercedes Woods 13:55

I think the biggest issue facing applicants is one, their competition, making sure that you know, these programs are true social equity programs, and that the larger players aren't, you know, having token token social equity applicants that beat them out. I think that that's, you know, one issue that faces applicants. I think another issue in general is just raising the capital and finding the money and finding the support that that they need. If it's not being provided by the state. I think that that, you know, for any applicant is a challenge to make sure you find the funding and the capital that you need, but I think specifically for social equity applicants that that can be even more difficult. And then also, I think the laws around the requirements of who qualify And who doesn't for social equity can be hard to navigate. So if you don't have, you know, consulting team on your side, I think that just figuring out whether you qualify or not, and what all you need to prove that you qualify, can be very difficult. In some of the in the rules vary so differently, just because you're a minority in some States doesn't mean that you necessarily qualify as social equity. Some states require that you've had a past conviction, or that you live in an opportunity zone, or you know, there's there's so many different requirements that you have to meet. And navigating that I think is really difficult. And, you know, I've seen Emily, help some social equity applicants on the West Coast, and specifically in Arizona. And I think that's been the biggest challenge is figuring out like, they do qualify, but getting everything together to prove that you qualify, I think is really difficult. And it's not as easy as just applying.

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Marissa Cortes 16:10

Agreed. And one of the things too, that makes it even more challenging on top of it is something I'm sure you might have mentioned, but how unclear the states are, when they're when these applicants when these these social equity applicants are going through this process. They there's a lot of questions that come up. And many states have gotten so much better, as we see more and more legalized over the last couple of years, they have gotten better with creating specific pages for the application process, FAQs, things like that. But still, you know, and Emily can definitely speak to this a bit more than I can. When you're contacting

the state, you'll get an answer. And typically, it will look something like this, please visit this website URL to look at our FAQs. And it kind of almost indirectly answers the question but not quite. So it can be difficult from the applicant side of things, you know, how do you know which direction to go? If you're not someone like Emily Mercedes or myself that's been in the industry, interpreting these gray laws for almost a decade at this point, it can be confusing to know which direction to go how to interpret the regulation or the application requirements. So you know, that's another reason why we do you recommend working with a professional working with someone who's done this before. And knows to reach out to the state knows how to interpret some of those great answers that they're going to get in this process.

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Emily Seelman 17:36

As far as opportunities go, you know, what I've found to be very helpful for applicants just across the board is opening up the market. Because the challenge that I've seen time and time again, is the more regulations that are put around licensing, the more barriers are created for individuals who are trying to get in, and they may not have the financial resources to do it, or to compete in these hyper competitive states against a multi state operator who's going to pay for 10 or so lobbyists to lobby on their behalf. And so what I've found is when you have a place like a market like Oklahoma, that's open up more, it's less of a cash cow that a state like say New York is anticipated to be. But what you find is it's a lower cost of entry. It's a less competitive application round. And a lot of people can go into it into that state into the market in that in Oklahoma, as compared to a state like New York. And it's a shame that if someone lives in New York, they would have to look in Oklahoma to think if they could get into the industry or to consider they can get in the into the industry. But that's what I'm finding. And it's very, very frustrating. Because everyone wants an opportunity in whatever state they live in, or they see an opportunity and but the problem consistently is, how to get in and compete. And then how to prove that you're a social equity applicant, how to make sure that the state will actually differentiate between real social equity applicants and straw men that are used like Mercedes and mentioned that multistate operators coming in paying someone off to be their quote unquote, social equity applicant. And they're really not truly social equity applicants. So they're taking up a spot, and they're pulling a license away from people who actually deserve it. So what I found is there's great opportunities in the states that have a lower barrier of entry. And as long as you learn quickly how to operate a business well, and you minimize your compliance risks and you get with a consulting team to help with compliance and making sure you're good there. You can scale your business and then you immediately get On your branding and marketing, and get a qualified team to help you with that, I think you can still stand out in a marketplace that has a lot of applicants or a lot of licensees like Oklahoma. So, and that's my take on it just after quite a few years in this industry and seeing so many people just totally let down by these competitive application processes, because they see the word social equity, and they think, wow, I finally have a shot. And then they're just just trapped by all of these, all of this red tape and regulation around just even trying to prove that they are social equity applicants, and it's very disheartening for some people, but I do see an opportunity in that by looking and being open to looking at another states.

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Adam Kulbach 20:45

So which state would you prefer to be an applicant and which is the best for opportunities?

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**Emily Seelman 20:53**

I think some of these West Coast states are good, because you've got some long standing industries like in California, the fact that they are providing a lot of money for municipalities to support social equity applicants, now individuals probably feel like they have the opportunity to get in and run a business well, and get the resources that they need to do that. So a note that Marissa had made. And I just want to convey here because I think it should be noted that \$40 million was awarded to 26 municipalities in California back in 2018. And they're doing another round for \$15 million for 10. More municipalities, that money doesn't go to operators, but it goes goes to the municipalities who are operating it building up and operating social equity programs for individuals to come into their backyard and start start their companies. So I think that's a really cool way of being able to provide education and resources to individuals who may not know how to run a business, or who may not have the financial ability to pay for consultants, or lobbyists or lawyers to work on their behalf in some other states. So it could be a good opportunity. You know, Colorado, I think, still it just because it's been around the industry, there has been around for a while the barrier to entry is lowered. So, you know, I just kind of see it from, from a macro lens, you've got this, these states that have been around for a while that are less competitive states that have rolling application bases, rolling application windows, which means they don't have a window that's open for like 30 days or 50 days, and then it's closed, and you can't get in for another five years. And then the ones that may not have a cap on their licenses. So those can be some good opportunities for individuals.

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**Marissa Cortes 22:45**

Agreed. And just kind of piggybacking off of something you said earlier, Emily, and it's, you know, it's always the elephant in the room when it comes to these social equity programs. And it's finding that that token social equity applicant, which is not what we want to see, we don't want to see tokenism going on. That's that's literally exactly what we're trying to get away from. So I have found that New Mexico is interesting in that they did put social and racial justice language into their bill that passed for adult use legalization. And with that, they did also include a caveat that we haven't necessarily seen in a lot of these other states that could help to avoid some of this tokenism that's going on. And that is that you can't actually immediately transfer a license after it's awarded to you, which we're seeing happen very often when it comes to tokenism with social equity applicants, where we have these larger conglomerates coming in and just using these people to try to get the license and then dumping them off once it's awarded. So I like the fact that New Mexico did put that provision in there that says they cannot do that they can't just sell off the license once it's awarded. So things have to stay as they stand with that organizational structure and that ownership percentage that that social equity applicant gets.

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**Mercedes Woods 24:07**

And I think the go off of that, too. I agree. I think New Mexico is one of the best areas for it, that I think they'll have some progressive regulation and really thought out a lot of things even for the future. That the social equity applicant, I think everyone thinks of, oh, I need to add a dispensary or cultivation or manufacturing. But I think that there's other areas you can you can get into such as delivery. And in their bill. They have very interesting language that says if you get a delivery or Distribution License in New Mexico, that when the federal government puts

any provision in place, or legalization in place for interstate commerce, that you will be allowed with that license to travel both state and internationally for shipping of cannabis, and delivering a cannabis product. So I think that that's really interesting to note, if you're thinking more on the future side of things. I think that there's a really great opportunity in New Mexico to get that kind of license and already have that provision in place. For when that does happen federally.

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Adam Kulbach 25:36

Well, I think that's all the questions we have for now. But Would anybody like to add anything?

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Marissa Cortes 25:42

I did want to add, just because I mentioned in the beginning of the podcast that California right now, has just handed out \$50 million in grants to 10 more municipalities in the state, I did not give them enough credit, because they did actually hand out \$40 million in grants back in 2018, to 26 different cities and municipalities. So that's really positive in the fact that we can see, you know, just a couple years after they had first passed this, this law where they were able to generate this \$40 million dollar grant for different municipalities in the state, we're seeing that they're doing it again, you know, just two years later, they pass another one for \$15 million. So that momentum is what we want to see. And it's what we would like to see in all of the states, particularly the ones like Oregon, California, Washington that are you know, the the oh geez if you will the veterans in the industry, and have been a little slow to get their social equity programs up and running.

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Adam Kulbach 26:38

I think we already touched on this a little bit. But how can a company like higher yields consulting help an applicant,

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Mercedes Woods 26:46

I was just saying about how you know, higher yields, or companies like higher yields can help because of navigating all of the requirements for social equity applicants, because I think that's the hardest part. It's not just as easy as submitting an application, you have to provide a lot of proof that you meet the social equity requirements. And it can be get really confusing with the language. And it's just a lot of work. And I think having someone on your team who really understands that and can help you navigate that and can, you know, make sure that you provide all the documents plus more that are needed. I think that's really important because I think we've seen time and time again in other states that social equity applicants will get denied because the people claim that they didn't prove their social equity applicants enough. And so I think that that is that is where higher yields consulting kind of expertise would lie, and helping social equity applicants is is truly the application portion, and really navigating, make sure that they get qualified as true social equity applicants.

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Adam Kulbach 28:02



Adam Kulbach 28:02

Well, I think that's all the time we have for today. I'd like to thank you guys very much for being on the podcast. And hope to talk to you again really soon.

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Marissa Cortes 28:12

Yeah, thank you.

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Adam Kulbach 28:28

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