

THE INNOVATORS: A violin teacher in your pocket? LinkedIn's CEO is among investors betting on it. **PAGE 4**

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HIGH STAKES

With recreational marijuana, Illinois promises to share the wealth and repair past harms. Can it succeed where all others stumbled? **PAGE 19**



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What will it take to fill the space at Trump?

Three local experts have ideas about what could live in the mostly vacant ground-level areas at the high-profile building | **BY ALBY GALLUN**

AS HE WRAPPED UP construction of his Chicago tower in 2008, developer Donald Trump was confident the building's commercial space wouldn't be empty for long. Talks were underway with seven potential tenants, including some "very fine" restaurants, he said at the time.

More than 11 years later, Trump occupies the Oval Office, and almost all of the 62,000 square feet of space at the bottom

of the 92-story skyscraper still sits vacant. Trump's company, the Trump Organization, is now on its third broker for the riverfront space, hiring Cushman & Wakefield last month to court tenants for it.

It's one of the toughest leasing assignments in downtown Chicago. Though the space in Trump International Hotel & Tower offers great views of the Chicago River, it's hard to get to, with no

street frontage, and has physical limitations, like low ceilings, brokers say.

Adding to the challenge is the Trump brand, which is so polarizing that many businesses automatically rule out moving there. Last year, the space's previous broker, A-R-C Real Estate Group, even put out a brochure with a photo that

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The Trump Organization has hired a new broker to lease the tower's long-vacant retail space.

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ANDREA LEVY

With recreational marijuana, Illinois promises to share the wealth and repair past harms. Can it succeed where all others stumbled? | **BY JOHN PLETZ**

Twenty strangers squeeze into a small conference room in a River North loft on a Wednesday afternoon, anxious for tips and insights about how they, too, can get a piece of a marijuana industry that's set to explode after recreational sales become legal in Illinois on Jan. 1.

The would-be entrepreneurs, such as Kyrie Kirkland, a 32-year-old teacher, hope to apply for licenses under a "social equity" provision of Illinois' new cannabis law, aimed at undoing harm from the war on drugs and spreading the industry's wealth beyond the handful of companies—mostly owned by white men—that dominate the blossoming marijuana business today.

"I wanted to go start something on my own," says Kirkland, a



Kyrie Kirkland and her husband applied for a cannabis license as "social equity" applicants.

recent MBA grad pursuing one of 75 Illinois dispensary licenses with her husband, Jose Marroquin, and three other educators.

They could qualify for extra credit as social equity applicants because Marroquin grew up in Pilsen and later lived in Archer Heights, areas designated as "disproportionately impacted" by poverty and the drug war's arrests and incarcerations. But applicants face a daunting array of challenges, primarily a lack of time, expertise and capital.

With the Jan. 2 application deadline quickly approaching, armies of consultants-for-hire have stepped forward to assist applicants in getting past the first step.

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FORUM CANNABIS

Across the U.S., good intentions burning out

Efforts to share marijuana proceeds are hampered by barriers for entrepreneurs, a lack of planning and diverted funds, despite promises

BY DAVID MENDELL

As recreational cannabis goes mainstream in parts of the United States, this much can be said about states trying to make sure the profits are shared with those who paid a price when it was prohibited: Not one has succeeded, at least so far.

From California to Colorado to Massachusetts, cannabis rollout programs have been fraught with controversy and criticism. In nearly every state and locale, activists and budding cannabis entrepreneurs complain that, despite altruistic intentions, the social equity ambitions of legalization have gone awry and the business remains mostly in the hands of wealthier, white businessmen.

Some states made a priority of making amends for decades of drug war enforcement that disproportionately harmed communities of color, including mass incarceration for simple possession. But nowhere are minorities and impoverished communities reaping financial benefits of legalized marijuana in the ways that were envisioned.

"We still have black and brown kids who are behind bars for simple marijuana possession, while you have rich white guys in Colorado getting even richer for selling marijuana. It's just crazy and wrong," says Matt Sutton, a spokesman for the Drug Policy Alliance, a New York City-based advocacy group that endeavors to level the playing field in cannabis legalization. "The people most harmed by prohibition have been left out of the industry."

Instead, social equity programs written into marijuana laws have been ineffective, at best, and a nightmare for wannabe entrepreneurs, at worst. Many activists hope Illinois' ambitious plans will produce better results, but their own states' experiences provide a road map for how things can go wrong.

In Los Angeles, for example, public meetings have been packed with disgruntled cannabis entrepreneurs alleging that the process not only has not gone their way but was rigged against them.

"I know it's a work in progress, but for all the good intentions, there has been very weak follow-through on social equity," says

Jazmin Aguiar, 34, who grew up in the South Central neighborhood and oversees a number of licenses for cannabis shops—not one open so far. "It was important to me that my community be involved, but there have been so many holes in the promises, and the execution is not what we expected."

In Los Angeles, the world's largest recreational cannabis market, social equity applicants complain that city and state officials did not adequately build the infrastructure to properly institute and regulate it. Because of this, applicants with more resources were given an unfair advantage, activists say.

Social equity applicants were not informed on a timely basis about some licensing requirements, such as securing retail space, forcing some to scurry with limited capital, Aguiar says. The Bureau of Cannabis Control suspended hundreds of licenses that didn't meet certain metrics without informing affected licensees, she adds.

The income level and other demographics of South Central qualified Aguiar to be a social equity applicant. She applied for her first license in August 2018, but it was hung up in red tape as regulators reworked zoning provisions. She now needs City Council approval to move several licenses to another zone.

If that doesn't happen?

"I'll lose everything I have put into this," she says, estimating her investment at roughly \$100,000.

Many of these problems stem from a lack of adequate planning and funding, says Armando Gudino, California policy manager for the Drug Policy Alliance. For example, the city department established to assist equity applicants initially had a staff of three, although, after an outcry from activists, it now has nearly 20.

Different California municipalities established different regulations for opening a cannabis business, Gudino notes, making it difficult for lesser-resourced entrepreneurs to pay for legal and technical assistance for each.

Aguiar estimates it takes tens of thousands of dollars to obtain a single license, and that's before buying



Undoing decades of damage from the war on drugs has become a powerful force among advocates of legalizing marijuana. Many states are attempting to address it and coming up short.

equipment, hiring employees and investing in other expenses to prepare a shop.

Los Angeles Mayor Eric Garcetti's office did not respond to a request for comment. A spokesperson for Cat Packer, head of the Department of Cannabis Regulation, says the department has no comment.

'PLAYING THE GAME'

In Massachusetts, meanwhile, black activists have formed coalitions and led protests at the Statehouse and Cambridge City Hall in an attempt to raise the number of licenses given to minority entrepreneurs.

This came in response to reports in September that just a handful of 184 state cannabis licenses went to people of color—despite promises in the law that they would receive preference. To qualify, social equity applicants must have regularly lived in an area impacted by the drug war, be of low or modest income, have been convicted of a drug charge in the past year, or be married to someone with a drug conviction in the past year.

But as in California, a state program to help train and provide resources to these individuals has been slow to fully form. As a result, few minorities have cleared the hurdles of the licensing process in cities across Massachusetts.

"On a municipal level, this is not unlike the Jim Crow laws or civil rights struggles of the past, whereby higher-level mandates for equity are being intentionally or irresponsibly ignored on a local level," says Richard Harding, a Boston equity advocate who co-founded a group called Real Action for Cannabis Equity.

Harding and other activists say that, as elsewhere, bigger, established cannabis companies and medical marijuana dispensaries are monopolizing the Massachusetts market. Larger companies have the capital necessary to jump to the head of the line.

In addition, some larger firms

have bought out smaller entrepreneurs who won licenses but soon realized they didn't have the financial backing or business acumen to build a cannabis shop from the ground up.

"You're seeing this here in Massachusetts, and all across the country, where big companies—Big Cannabis—are just playing the game and buying the process, despite the good spirit and good intentions of the policymakers and legislators who've written the laws trying to help African American communities," Harding says.

Other promises to distribute industry revenues to individuals hurt by the drug war also have been broken.

In May, the auditor of Portland, Ore., found that tax revenues were not allocated to communities hit the hardest by the criminalization of marijuana—despite Oregon's 2014 law, approved by voters, calling for a state sales tax on cannabis to help these areas. A 2016 Portland law levied an additional 3 percent local tax on cannabis—but those funds also did not go to fund mechanisms in the law.

The city tax collections largely have funded transportation and law enforcement, rather than drug and alcohol treatment programs, public safety improvements and boosting minority- or women-owned businesses. City officials have since proposed a more public process for how the funds will be spent.

Equity advocates similarly criticize Colorado for disbursing its public money collected from cannabis revenues in the wrong direction.

"We keep hearing this tagline over and over in Denver that the first \$40 million in taxes are going to schools," says Kayvan Khalatbari, a Denver-based cannabis entrepreneur and board member of the Minority Cannabis Business Association. "Sounds like a great thing. But where did that money go? To build new schools primarily in suburban communities. That was a huge dis-

AROUND THE COUNTRY

As marijuana has gone legal in 11 states, there's been an effort to include people in the industry who have been disproportionately harmed by the war on drugs. Here's a sampling of issues in four of those states.

COLORADO

Only a handful of more than 700 cannabis operators are minorities. New state laws regulating marijuana licenses were passed in hopes of adding more diversity, but social equity advocates remain skeptical.

MASSACHUSETTS

Activists have led protests to push local governments to give more licenses to minority entrepreneurs.

OREGON

Portland's city auditor found that city tax revenues from marijuana were not allocated toward communities disproportionately affected by the war on drugs, as city law calls for.

CALIFORNIA

Few social equity applicants for cannabis licenses have gotten through the process in Oakland, Los Angeles or other communities, despite activism toward this goal. Source: Crain's reporting

appointment"

Denver officials point to more than \$36 million in cannabis tax revenue spent on building 6,000 new units of affordable housing, after-school programs for underprivileged youth and an urban recreation center serving a disadvantaged community.

Khalatbari, who ran a short-lived campaign for Denver mayor this year, deems these efforts "putting a Band-Aid over a shotgun wound," especially when Colorado has topped more than \$1 billion in overall marijuana tax revenues since legalization in 2014.

"You look all over, and there's just a lack of foresight and learning how other states have failed, and failed miserably, on this topic," he says.

IDEAS

► CAPITAL REQUIREMENTS AND TIMELINES

Illinois appears on path to other states' mistakes

I was naive to think the cannabis industry could be more equitable than industries that predated it.

Fifteen years ago, when I helped spearhead Denver's successful cannabis decriminalization effort, it seemed very possible that an industry born from criminal justice reform activism could usher in a different way of doing business.

I was fortunate to participate in Colorado's cannabis market as a novice entrepreneur, starting a medical cannabis delivery business in 2009 during the state's "Green Rush" with a mere \$4,000. That initial investment has morphed into owning a piece of cannabis enterprises that today span 14 states.

Referred to as the "model of Colorado" by state regulators, we became leaders of a nascent industry, guiding national business associations and educating federal, state and local lawmakers about industry realities, including the growing racial disparity in ownership.

As a person of color and three-term



Kayvan Khalatbari is a board member of the Minority Cannabis Business Association and holds an interest in cannabis businesses in 14 states.

board member at the Minority Cannabis Business Association, I've seen this education and pressure ramp up over the past couple of years, from our group and many others. Unfortunately, with little progress.

While people of color have borne the brunt of the prohibition of cannabis, today they have a stake in less than 20 percent of regulated cannabis businesses and even less in states east of Colorado.

It would not be possible for me to enter the cannabis space today under the circumstances I did in 2009. The capital requirements for starting a cannabis business can exceed \$250,000 for a dispensary and \$1 million for a cultivation facility, far more than my initial investment.

To competitively apply for a license in Illinois is going to cost upward of six figures. Tell me: Which victim of the failed war on drugs has that kind of money to spend without the promise of a license?

Additionally, licenses in Illinois are strictly limited in number and availabil-

While people of color have borne the brunt of the prohibition of cannabis, today they have a stake in less than 20 percent of regulated cannabis businesses and even less in states east of Colorado.

ity via intensive merit-based application processes, which require a level of industry acumen and operational content that is only available by teaming up with current operators or to those hiring the services of an industry consultant.

Each of these options costs significant amounts of money and/or control in the business, with predatory practices by wealthy, white, male-led groups stripping control and future profits from prospective license owners of color across the country.

I've successfully led merit-based application processes for clients in 18 jurisdictions since 2011. I've seen it firsthand and am witnessing it once again in Illinois.

Further, Illinois' application process is driven by a timeline that is too short for newcomers to be competitive or local lawmakers to be properly educated. This gives an unfair advantage to existing white male-led operators whose ability to manipulate the politics and control the market moving forward will only benefit from the way Illinois' program is being implemented.

The state of Illinois is missing out on an incredible opportunity to do well where other states have failed miserably, which is to provide the time, technical assistance and money necessary to ensure equitable ownership and to meet the supposed intent of the law.

It's also missing out on the chance to develop leaders who have been directly impacted by prohibition and who can help guide this industry into a moral and ethical future.

ONLINE: Wanda James, the first black woman to hold a dispensary license, says proceeds must address drug war excesses.

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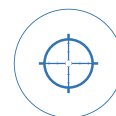
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FORUM IDEAS

► COMMUNITY AND CAREERS

Cannabis can demonstrate 'equity in action' in Illinois

Equity is a word that has become tres chic these days. Everyone seems to want to commit to implementing some sort of equity framework. At the core of the notion of equity is the fundamental fact that the United States created a system that primarily benefits those with resources and power.

Power and resources are reflected in the huge racial wealth gap. Some in power are not able to acknowledge—or, in fact, refuse to acknowledge—that we are still bound by old deeds and actions of the racial hierarchy system created to maintain white dominance in American culture. A reckoning of these facts is something our country continues to struggle to move beyond.

Enter the legalization of cannabis, which, at its core, is about tax revenue and creating open markets to develop a robust industry in this state—a state that desperately needs revenue and oversight against corruption.

The legalization of adult-use recreational cannabis in Illinois also serves as a beginning, acknowledging that the failed war on drugs was just that, a war that was waged and targeted in black and brown neighborhoods across the nation.

This war has laid bare all the disastrous data points we hear:

- An increasing racial wealth gap.
- Thirty-year life expectancy gaps between two neighborhoods in Chicago just 10



Anton Seals Jr. is co-founder of Grow Greater Englewood and chief executive and equity officer of Organic Urban Revitalization Solutions. He was co-chair of environmental issues for Mayor Lori Lightfoot's transition team.

miles apart.

- Increased chronic health conditions.
- Black people accounting for three-quarters of all cannabis arrests in Chicago, though they make up only 33 percent of the population.

And the list goes on and on.

I founded Organic Urban Revitalization Solutions, and we're applying for a recreational cannabis license, to further connect the work being done in food sovereignty and environmental justice in communities like Englewood.

We will be working to provide the latest wellness solutions being developed in the hemp and cannabis industry. The plan is to deliver these solutions to communities impacted by cannabis and hemp prohibition and to provide revitalization solutions to urban, periurban and rural centers.

We know very well that one or two black-owned companies existing and thriving is not enough. We must use this sector to bring others along, while also understanding that in business that doesn't always translate into success.

We view this as an opportunity to further collaborate, to define the culture and to move the sector beyond just selling "weed."

The vision for a brighter future? Finding and navigating business opportunities from a position of strength and understanding the value we can offer in the sector.

We see cannabis and hemp as tools to help provide new pathways for STEM-driv-



TODD WINTERS

en careers for both young and mature black folks in areas like agriculture, technology and science.

We want to see our community have a plethora of black entrepreneurs, growers, healers, biologists, chemists and narrative builders disrupting this sector. It is vital to the industry to begin demonstrating equity in action, connecting capital and deeply understanding racial equity in its business framework.

Yes, this is indeed a tall order, but we know with certainty that it won't happen if cannabis stays in a silo. This is why resources from

the state, cities and across the philanthropic space are going to be needed if we are to deliver the impact we have all imagined.

A plan like this also sounds good for the city of Chicago, a city that "makes no little plans" and was once the "promised land" for countless black folks. Without question, a reckoning in the USA is still needed in order to create a new narrative and a new American dream for all of her people.

2020 has been dubbed the year of clear vision. Let's lead Chicago, Illinois and the nation in a new vision.

► BETTER FINANCIAL ACCESS

Congress needs to remove cannabis hazards for banks

Many Illinois banks are exploring how to serve our state's legal cannabis industry next year and beyond. From a bank's perspective, cannabis-related businesses can be attractive customers—generally, they have positive cash flow, are tightly regulated and have strong demand for their products.

Unfortunately, federal law still conflicts with state law regarding cannabis.

Why does this matter to banks? Simply put, financial institutions—from small community banks to the largest national institutions—are among the most highly regulated businesses in the country. Banks are routinely examined for compliance with federal laws and regulations, and bank examiners have extensive powers to scrutinize a bank's risk profiles, loan concentrations, transactions and even its customers.

Additionally, banks act as an important partner with federal law enforcement agencies to identify fraud and illegal transac-



Ben Jackson is vice president of government relations for the Illinois Bankers Association, which represents state and national banks and savings banks in Illinois that employ more than 105,000 people.

tions. Banks are required to file suspicious activity reports, or SARs, with federal law enforcement officials when they suspect a transaction or pattern of transactions may constitute an illegal activity.

Despite the changes in Illinois law to allow cannabis production and distribution in our state, these federal requirements, coupled with the continuing classification of cannabis as an illegal drug under federal law, create a dilemma for banks.

Many banks have existing customers who have expanded into the cannabis business, and these banks want to help their customers in these new ventures. In other cases, banks have been approached by entrepreneurs looking for startup loans, cash management and other banking

services.

There is a regulatory path to serve these customers, in part by filing specialized cannabis-related SARs. But this path is fraught with hazards, as it requires additional collaboration with regulators, more regulatory

paperwork, and heightened regulatory and legal risk for a bank and its executives and directors.

To summarize, most banks want to serve legal cannabis-related businesses, but the regulatory requirements and legal risks associated with taking on these customers to date have been too much to handle for many.

Yet the banking industry certainly wants to become trusted partners with this new and growing business sector.

As an industry, we support a federal legislative solution that is intended to ease the conflict between federal banking regulations and state cannabis laws. The Secure And Fair Enforcement Banking Act of 2019 would provide criminal and regulatory protections for the financial services industry when providing banking products and services to lawfully operating cannabis-related businesses.

After several years of supporting this legislation, we are finally seeing movement on it.

Should the SAFE Banking Act pass, the banking industry will have a higher level of regulatory certainty when serving the cannabis industry.

Recently, the SAFE Banking Act passed the U.S. House with broad bipartisan support. The legislation is now pending in the Senate, and we are encouraging leadership to call the bill for a vote or integrate its language into a year-end appropriation package or other legislative vehicle. We are encouraged that both Sen. Richard Durbin and Sen. Tammy Duckworth are co-sponsors of the legislation.

We realize that banking services will be particularly critical for cannabis entrepreneurs applying for social equity licenses, as these businesses may not have access to the same financial and industry resources

as more established cannabis companies. Should the SAFE Banking Act pass, the banking industry will have a higher level of regulatory certainty when serving the cannabis industry, which will greatly increase access to banking services for social equity license applicants, as well as for all cannabis-related businesses.

WELCOMING MORE REGULATION

For employers, new twists come with pot in the workplace

Employers have critical decisions to make when Illinois residents no longer face criminal or civil penalties from the state for using marijuana on Jan. 1.

The same day, most Illinois employers will be prohibited from taking adverse employment actions, such as termination, suspension or discipline, for marijuana use, against employees—unless the employer can establish a good-faith belief the worker was under the influence of marijuana while at work.

The sky is not falling. Businesses will adjust. But based on conversations with employers seeking clarification on their new reality—including at presentations to more than 400 Illinois employers—many are contemplating some unexpected twists in how to respond.

In a paradox created by the new Illinois law: Some employers are even looking for more regulation, not less.

No more drug testing. Many Illinois employers with predominantly office or remote workers plan to stop drug testing altogether. Among them are consulting companies, financial service providers, technology companies, professional service providers, marketing and public relations companies, and nonprofits.

There is some logic to that decision. These employers will focus on performance. If the performance is poor or erratic, they will address the problem without concern for whether the underlying cause is drug use.

Not ready to go this far? Some Illinois employers will continue to drug test without any change to their policies, but will remove, or already have removed, marijuana from the list of drugs to be tested. Still others will forgo pre-employment and random drug testing in favor of testing only in the event of conduct causing reasonable suspicion.

Safety-sensitive positions. For every employer willing to avoid testing for marijuana, there are two worried about safety



Brian Paul is an employment attorney in Chicago at law firm Michael Best & Friedrich.

risks posed by employees under the influence of marijuana at work. These employers are found in manufacturing, health care, public services (emergency responders, police, etc.), logistics and transportation, and construction.

These employers are shocked to learn that, unlike other states, Illinois' law does not have an exception for safety-sensitive positions.

Employers with employees in safety-sensitive positions are requiring the most stringent drug

testing possible, while staying in compliance with the law by revising drug testing policies to address marijuana use, changing when they conduct drug testing for marijuana only, revising codes of conduct and training managers on the new "reasonable suspicion" requirements.

Regulate me, please. The Illinois law does not restrict an employer's ability to drug test or take adverse actions where drug testing is required by state or federal law or regulation, such as Department of Transportation requirements.

In a rather odd twist, employers with safety concerns who previously have taken steps to avoid being subject to federal regulation are now welcoming it if it means drug testing requirements do not have to change.

Federal contractors and recipients of federal grants are reviewing their contracts and grant requirements to identify, perhaps for the first time, the drug testing requirements imposed on them.

Some federal contractors are seeking more definitive language in their contracts clearly requiring drug testing.

Employees know recreational marijuana is coming. Employers already are reporting job applicants who have received job offers contingent on passing a drug test are requesting to delay the start date, and consequently the drug test, until the new year.

Employers must decide soon how they will respond.



WHERE STILL PROHIBITED

'Legal' weed won't eliminate risks for people of color

The NAACP fought hard against the legalization of marijuana in Illinois. Now that it's becoming legal on Jan. 1, we really need to think about the impact it's going to have, especially for black and brown communities.

People need to understand the real consequences for breaking the rules in the workplace, on the road or on federal property, where marijuana is still prohibited. These are concerns I hear widely—in Cairo, East St. Louis and other forgotten areas of the state.

We believe people of color still are going to be disproportionately targeted and lose their jobs or places to live. In response, we believe that there need to be training programs about social resources available and housing assistance.

We realize people have been smoking weed for years, and they're not going to stop. However, we need to plant the seed and say no to weed before we see an increase in usage. People are going to think it's OK to smoke weed all weekend long and go to work on Monday, only to be surprised by a random drug test and lose their jobs.

People should not say, "I didn't see it coming."

Marijuana usage and testing should be the same as alcohol usage and testing. People need to know the differences. Someone who drinks a keg of beer over the weekend can pretty much get it out of their system by Monday morning. Someone who smokes several joints over the weekend can't get rid of marijuana that quickly.

There needs to be a test to show how impaired a person is after smoking weed all



Teresa Haley is president of the Illinois NAACP State Conference and the NAACP branch in Springfield.

weekend. A person may not be impaired after six to 10 hours but could lose their job anyway. The consequence should be the same as for alcohol.

The public needs to understand the following:

People need to be better educated on the do's and don'ts of the law and what still constitutes breaking the law. For instance, there still is misunderstanding about the number of plants people can grow in their own house.

People need to know that you cannot smoke weed while driving down the street in your car, similar to how you can't have open alcohol while driving down the street.

If you live in a housing project or any place that's federally funded, you can't smoke weed in your home. You are putting yourself and your children in jeopardy by doing that.

Federal law says you can't smoke weed and drive a truck with a commercial driver's license, so you would be putting yourself at risk of losing that great-paying job just to get high.

There have been many promises about

money coming back to communities most impacted by the use of marijuana and enforcement of drug laws. But that is still to be seen.

We also need to think about youth and what impact weed has on their brain development and school performance. Young people need to think about whether they're jeopardizing their future by smoking marijuana.

Just because using weed will be legal doesn't mean using weed will be without consequences.

People need to understand the real consequences for breaking the rules in the workplace, on the road or on federal property, where marijuana is still prohibited.



FORUM CANNABIS

HIGH STAKES *Continued from Page 19*

But Kirkland says the prices she was quoted—from \$40,000 to \$275,000—were beyond unaffordable. “As a social equity applicant, I don’t have it,” she says. “How do you expect any of us as social equity applicants to have that kind of money?”

And that, she says, is nothing compared to how much they’ll need from investors or lenders as part of the \$750,000 she figures it will take to open a dispensary, should they win.

As the 11th state to approve recreational marijuana, Illinois has taken the concept of social equity to a new level. While other states scrambled to implement legal weed after it was approved in voter referendums, Illinois was the first to design legislation with the social equity goals in mind, something advocates promised in order to win enough votes for passage last spring after months of intense negotiations.

“I want to create millionaires in communities that have been left out and left behind,” says Gov. J.B. Pritzker, an early advocate.

Social equity efforts have come up short in Colorado, Washington, California and other states that have tried before Illinois. And the state’s own record of diversity with marijuana entrepreneurship has not been promising: None of the first 55 medical dispensary licenses awarded by Illinois is held by a minority-owned applicant. The same is true for cultivation licenses.

GETTING IT RIGHT

Illinois’ social experiment is now being monitored closely across the nation as a chance to finally get it right. But skepticism abounds, and the early stages have faced the same criticisms as other states’ efforts. The sponsors acknowledge the difficulties and posit that the new law ultimately will be judged on whether it changes the ownership equation, starting in May, when the state awards the first round of new recreational dispensary licenses.

“We’re not going to know until the licenses are issued whether it worked and we really get the diversity we were hoping for,” says Sen. Heather Steans, who spent two years working on the bill with Rep. Kelly Cassidy.

Says Pritzker: “There have been 10 states that legalized before we did. None of them did it in a way that was aimed at social equity. Our job is to try to get that right. Are we going to be perfect at it? No.”

Even without the social equity component, marijuana has been a controversial issue from Seattle to Boston. In places like Chicago—as in Los Angeles, Baltimore and New York—it’s shrouded in decades-old tensions around race and inequality, which now are bubbling to the surface as licenses are being granted at a time when those issues dom-

inate political conversations.

Marijuana Business Daily, a trade publication, found in a 2017 survey that African Americans account for just 4 percent of cannabis business owners and founders, though they make up more than 13 percent of the population.

Even before there was talk of a social equity plan, a state license to grow or sell marijuana was seen as a golden ticket. With the recreational market estimated to generate \$2 billion in annual sales, a single dispensary could bring in \$5 million to \$10 million a year in revenue, potentially making a license worth \$5 million to \$15 million.

“How is this not rigged? It doesn’t make sense.”

Jonathan Smith,
Chicago resident

“We’re in an unprecedented era of trying to fuse the policy of reparative justice into an economic model,” says Justin Strelak, national political director at NORML in Washington, D.C. “The biggest risk in Illinois is a mismanagement of expectations when it comes to ownership and employment numbers because so much of the program was sold on the equity component.”

Meanwhile, there is no shortage of people who want to take the governor up on his making-millionaires offer. In an industry where knowledge and experience are key, there’s been a frenzy of mentoring and how-to sessions, from community centers in Englewood and Bronzeville to convention centers in Rosemont and Schaumburg.

Since September, Green Thumb Industries, one of the largest growers and sellers in the marijuana industry, has been holding free information sessions to walk potential applicants such as Kirkland through the byzantine, tedious application that could take hundreds of pages to complete. And the pressure is on from communities that took the promises seriously.

“Members of the Black Caucus in the city and suburbs knew there was no participation from minority communities before, and they were not going to let that happen again,” says Edie Moore, executive director of the Chicago chapter of NORML, the National Organization for the Reform of Marijuana Laws.

EQUITABLE OR ‘RIGGED’?

During negotiations, advocates came up with a novel approach that says applicants who qualify for social equity status will get 50 points toward the possible 250 points available for a dispensary application, based on where the majority owners lived or a prior marijuana arrest record. But it doesn’t set out a quota of how many of the 75 licenses they will receive.

Social equity applicants also will be charged an application fee of only \$2,500, half of what the state will charge others.

Convincing community leaders that the formula will work has been



Winning a license is just the start. Opening a store requires capital, which isn’t readily available from traditional sources.



PHOTOS BY JOHN R. BOEHM

a tough sell, given Chicago’s fraught history when it comes to racial and economic equality.

One compromise in the 600-page marijuana law has been a particular flashpoint, especially in Chicago: It gave current medical marijuana license holders—companies largely led by white men—automatic recreational licenses for existing medical dispensaries plus a recreational dispensary. It was felt they were best positioned to get the lucrative Illinois weed business running quickly.

The first new dispensary licenses won’t be issued until May, and it could be a full year after recreational sales begin before they’re operational. That gives incumbents a head start, especially when it comes to locations in the city, which are limited by zoning.

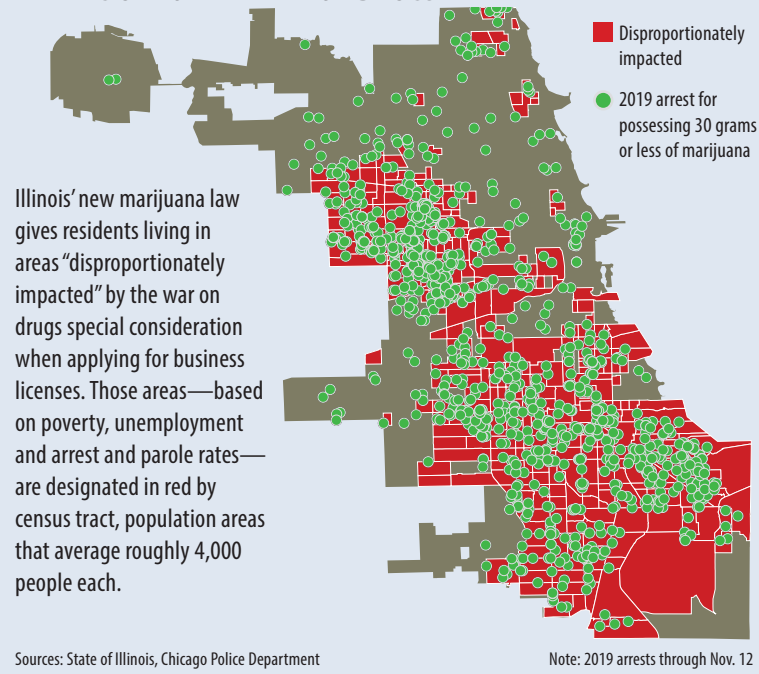
“How is this not rigged? It doesn’t make sense,” Jonathan Smith, a Chicago resident, said during a public hearing in October at Kennedy-King College in Englewood. “If it’s just for some people, just say so.”

Existing cannabis firms say they also understand the need for the law to work and are helping scores of social equity applicants. Like GTI, Chicago-based Cresco Labs, another major cannabis player, launched an incubator program to assist them.

“We want and need social equity to succeed,” says Rich Park, a consultant who has advised several cannabis companies on retail strategy and is mentoring social equity applicants pro bono. “It’s too important to the industry. We’re not competing with each other. We’re competing with illegal product.”

There are several ways applicants

MAKING UP FOR THE WAR ON DRUGS



can qualify for social equity status.

One is for principal owners to have resided for five of the past 10 years in an area that has high rates of poverty and unemployment and that was “disproportionately affected” by the drug war, in which for decades law enforcement targeted people of color for arrest and incarceration despite research showing that marijuana use is fairly equal among racial groups.

Such areas include vast swaths of the South and West sides of Chicago, along with cities such as Peoria and Rockford.

Another avenue to ownership includes those who have been arrested or convicted of a marijuana offense, or who have a family mem-

ber who was.

The most controversial provision allows an applicant to qualify for social equity status if the business has more than 10 employees and more than half live in disproportionately impacted areas; have been arrested, convicted or incarcerated for marijuana charges; or have relatives who were. Critics see it as a loophole giving access to investors with no real disadvantage.

STARTING BEHIND

By definition, the people the law is designed to help, who come from poor communities or have previous drug arrests, are least likely to have the resources to win a license or

Q&A

New pot czar: Illinois can be 'the state that actually figured it out'

Former Sen. Toi Hutchinson of Chicago helped write the new marijuana law and will oversee the state's rollout

CRAIN'S: Where did the idea come from to make social equity the centerpiece of recreational legalization?

HUTCHINSON: We saw lots of people making straight-up revenue arguments. But we said, "This is so much bigger than that." This is about drug policy reform and criminal justice reform and undoing some acknowledged harm.

Three years prior (to passing the law), we started traveling to other states. The thing that stood out is that no one combined justice reform or equity in the industry, which was all white, all male. They were giving some people the privilege to do the exact same thing (selling marijuana) that had destroyed generations of communities. They could make millions and billions of dollars while people in the communities were still feeling the effects of overtargeting, overpolicing and the failed war on drugs. It was fundamentally unfair.



Toi Hutchinson

What's your vision for social equity in practice?

My vision for this is when we look back in five years, Illinois will be the state that actually figured it out. Is (our cannabis industry) full of people who look like the state of Illinois? Have we changed neighborhoods and lives by giving people second chances?

Success isn't a day or a month. This is a journey. I know there are going to be hiccups along the way, and I know it's big, and I know it's complicated. This is the first time we've ever attempted anything like this. But we have to try.

What are the primary challenges to delivering on that?

There's an inherent tension between policy and industry. It's not just about an individual who chooses to consume the product. The biggest challenge is blending the voices of law enforcement, community activists and regular everyday people and industry forces.

Is the obstacle getting enough participation, or something else?

Part of it is not having access to capital. Part of it is being undercapitalized in the first place. Part of it is not knowing how to access expungement. There's a web of barriers that are hard to break through. We looked at: How do you license, who gets licensed, and how do you change lives and communities so that never again will this be the cause of so much pain?

By definition, applicants whom the legislation is designed to include are least likely to have the experience and wherewithal to show they can be successful. How do you balance that?

Under the knowledge and experience portion of the application, we give room for experience in other industries. So if you have experience in retail, it's transferable.

One piece of legislation is not going to be able to fix 80 years of prohibition. This is our first shot. But as far as I'm concerned, it's a hell of a shot.

What will success look like when the first round of licenses is awarded May 1?

We are all praying for the most diverse group of applicants. This is just the first round. We know we're not letting enough licenses out (at the beginning).

Every other state that did this opened the barn door as wide as possible to start. And only the people with the money, resources—and who didn't have to rely on banking tools—got to participate. Once the barn doors are flung wide open, then the market share is sucked up and everything is monopolized; it's really hard to compete.

I am praying the things we put in place change that, knowing that, if it doesn't, we have time to put a lid on it and reassess and make corrections. That's the piece that nobody else did. We built in a "slow" mechanism. If it doesn't work, we have the time and ability to reassess.

Are you worried about social equity applicants winning licenses but selling them rather than operating a dispensary long term?

We hope there will be people who choose to stay in the business. We also understand the volatility in this business.

What we hope is that we will see a diverse industry with operators who are in this to stay in it. That's the only thing we can concentrate on: We can open doors of opportunity as wide as possible, but we've got to have folks ready and able to walk through it. This is us trying.



JOHN R. BOEHM

To apply for a marijuana license, Ambrose Jackson, a hospital administrator, assembled a team of eight with experience in security, horticulture and business.

build a successful dispensary.

"The reality is there are folks I talked with before Oct. 1 who were on the fence, saw the application and decided not to do it," says Ron Holmes, who lobbied on the legalization bill for the cannabis industry and formed a consulting firm, Majority-Minority Group, to help social equity applicants.

Most applicants who are pushing ahead, like those who pursued medical marijuana licenses, have been forming teams with the best mix of needed skills.

Ambrose Jackson, a hospital administrator, formed 4BC Cannabis with two friends he met at the University of Illinois at Chicago nearly two decades ago. Their team now totals eight, including people with experience in security, horticulture and the cannabis business. Jackson figures the application process will cost \$100,000 by the time it's done.

"People realize if we don't step up so there's minority ownership in this business, it won't happen," says the 37-year-old, who participated in Cresco's incubator.

But the biggest financial challenge for those who want to break into the cannabis business will come after they win a license. It costs \$1 million to \$1.5 million, on average, to build out a dispensary, which requires elaborate security systems, and to purchase inventory.

"I'm worried that people may not have the ability, with money and expertise, to follow through," says NORML's Moore, who was part of the lone minority team that won a medical license in Illinois six years ago, only to be forced to sell it.

"We started with \$2.5 million, and we were out of money and weren't open," she says. "We spent too much on the front end. We spent so much money on attorneys and consultants. It was a mess."

The state has set up a fund to

make loans and grants to social equity applicants, seeded with \$12 million from medical marijuana tax revenue and future licensing fees. But it has yet to set out exactly how those funds will be distributed.

Existing medical license holders have the option to pay into the state fund or provide mentoring and \$100,000 loans to individual applicants in exchange for getting early approval to begin growing and selling recreational marijuana.

Cresco and GTI plan to offer \$100,000 loans to teams in their incubators that win licenses, but they

"I want to create millionaires in communities that have been left out and left behind."

Gov. J.B. Pritzker

have no plans to acquire ownership stakes in them. Cresco and GTI each will have 10 dispensaries, the maximum allowed in Illinois, when the state grants the recreational licenses that the companies are entitled to under the law.

"We intend to go beyond what the law requires," says Cresco CEO Charlie Bachtell.

Normally businesses would borrow from banks or the Small Business Administration. But the SBA and most banks won't lend to marijuana companies because marijuana is still illegal under federal law. That pushes applicants into a murky world of alternative financing.

INVESTORS OR 'SNAKE OIL'?

There is no shortage of investors coming forward to provide money to social equity applicants, says Dominique Coronel, a 23-year-old student at DePaul University who is part of a team of five participating in the Cresco incubator.

Coronel seems to be exactly the kind of applicant lawmakers had

in mind. When he was a child, his family's Elgin home was raided by the Drug Enforcement Administration, and his father was sent to prison. Coronel also was convicted of a drug offense, as were two of his co-founders, qualifying them as social equity applicants.

He and his team already have been contacted by investors, including people who have licenses in other states and are looking to buy their way into Illinois.

"The question is the terms. We don't want to give up too much ownership," Coronel says.

Joshua Jacobs, 27, a tech marketer in River North who was convicted of marijuana possession as a teen a decade ago, says he recently pitched 14 investors he'd assembled by word of mouth. He's looking to raise \$1.5 million.

There's cause to be wary of risky deals. Consultants say they've seen investors offering to cover the fees and buildout costs in exchange for 49 percent ownership. Others offer to also run the dispensary in exchange for a management fee taken out before any profits go to the license holder.

The worst deals allow a lender to take the license if the borrower falls behind on loan payments, says NORML's Strelak.

"In my experience, there's lots of snake oil salesmen," says Scott Lowry, CEO of New Leaf Cannabis Consulting in Rochester Hills, Mich., which charges \$42,000 to prepare an application and has three clients seeking dispensary licenses in Illinois, one of whom is a social equity applicant. "There's a lot of room for people getting screwed."

Despite the unknowns and potential pitfalls, the opportunity is too enticing to pass up, says Jacobs.

"I don't know when in my lifetime I'll ever get the chance to be in an industry this new," he says. "This is like the dot-com boom."

FORUM CANNABIS

Even when 'automatic,' clearing of marijuana records not so easy

Expungement is crucial to helping people get jobs and rebuild lives, but first there's a patchwork of paperwork, public agencies | **BY KARI LYDERSEN**

Darius Ballinger was working in 2015 with at-risk youth at a drop-in center connected to Chicago Public Schools. He felt he'd turned his life around after some troubled years and was focused on helping kids do the same.

That ended with a routine background check. It turned up Ballinger's 2011 conviction for possession with intent to sell marijuana, for which he had been incarcerated, and he lost his job.

"I had completed probation, completed everything, gotten out of jail, pretty much did everything a citizen should do in terms of returning—going to college, reinserting myself into society, I had checked all the boxes," Ballinger says. "But it was written into policy, one of those things 'we can't do anything about.'"

Times have changed. Entrepreneurs soon will be profiting handsomely from legally doing what Ballinger was imprisoned for, and state officials are trying to help hundreds of thousands of people like him wipe their convictions off the books.

Illinois' cannabis legalization law, passed in June, contains the most ambitious provisions in the country to automatically expunge pot convictions, with more than 600,000 Illinois residents eligible. Per capita, that's more sweeping than similar measures in California and Washington, where relatively few people have actually received expungements.

Colorado, which made recreational pot legal in 2012, has no statewide expungement policy, though it can be sought through local jurisdictions. The state law does allow for the sealing of misdemeanor marijuana-related criminal records.

Expunging prior marijuana records is crucial to helping people get jobs and housing, restoring productive lives and, as advocates describe it, offsetting years of unfair enforcement of the war on drugs in communities of color. It was a key selling point to gain public support and votes for legalizing an industry that could bring the state billions of dollars in revenue.

"There's an immediate and profound impact for people," says Cook County State's Attorney Kim Foxx, one of those advocates. "For the broader community, it helps all of us when people are able to engage in the economy, get jobs. It impacts everyone around them."

But none of it will be easy, nor quick. Illinois' provisions include an assortment of pathways, paperwork and public agencies, depending on the amount of drugs one had. A number of those eligible for "automatic" expungement will be difficult to find and alert that their records were cleared.

Meanwhile, prosecutors worry about cases where simple marijuana offenses got

mixed up with more serious crimes, and other law enforcement officials are lobbying lawmakers for liability assurances if cases get missed or messed up.

Ed Wojcicki, executive director of the Illinois Association of Chiefs of Police, says police departments might find it logistically impossible to destroy all records of marijuana cases after an expungement, especially if marijuana is mentioned on documents along with other charges.

"At this point we feel like we need to figure out the best way to comply with the law. It is what it is," says Wojcicki, whose association opposed legalization.

HOW IT WORKS

The provision divides marijuana offenders into three categories:

- ▶ Any cases involving up to and including 30 grams of cannabis, an amount roughly the size of a cup of tea leaves, are eligible for automatic expungement.

- ▶ Anyone guilty of felony offenses involving between 30 and 500 grams can petition to have the conviction vacated and expunged, though prosecutors can review the petitions and object.

- ▶ The law offers no relief for offenses involving more than 500 grams, a more serious trafficking crime.

"We started from a place of 'I want to help the kid on the corner and make sure his record is clear, make sure he has a future,'" says state Rep. Kelly Cassidy, D-Chicago, lead sponsor of the legalization law. "The (larger dealer) who put him on the corner can kick rocks."

Some marijuana cases never actually result in convictions. If someone pleads guilty and is sentenced to supervision or special probation for a first-time offense, the case may not be considered a conviction but is still on their record.

Under the new law, the Illinois State Police are responsible for expunging all cases involving up to 30 grams of cannabis that didn't result in convictions, as long as they weren't connected to additional violent crimes. The law requires such expungement by January 2021 for eligible cases since 2013, and by 2025 for the oldest cases.

For cases involving convictions, the law calls on the Prisoner Review Board, a body appointed by the governor, to initiate a process for pardons that can then lead to expungements. But with multiple government entities involved and no mandate that they ensure expungement, advocates worry that the process may become more involved.

If the board recommends a pardon and the governor grants it, the Illinois attorney general will file a petition with the courts to expunge the record.

Other routes: State's attorneys can file



Social equity includes expungement. "It's about restoring rights and removing barriers," says Darius Ballinger.

motions to vacate and expunge convictions, though the new law does not require them to do so. If a state's attorney does not initiate the proceedings, individuals can file their own petitions.

"You've got a lot of manual work involved, a lot of hand-offs," says Cynthia Cornelius, an attorney at Cabrini Green Legal Aid, a Chicago nonprofit. "The key will be in the implementation."

DIGITAL HELP

Gov. J.B. Pritzker, a vocal proponent of legalization, says he will pursue the expungements enthusiastically. "A lot of people are walking around with convictions on their records who haven't been able to get jobs," he says. "One of the proudest things I get to do as a result of the legalization effort is to expunge those records."

In Cook County, home to three-quarters of the eligible cases, Foxx is partnering with a California-based nonprofit called Code for America, which will develop code to automatically sift through digitized court records and potentially find thousands of eligible cases.

Foxx says the biggest challenge will be notifying people that their conviction has been expunged, since some convictions are decades old and people may have moved multiple times.

Robert Berlin, DuPage County state's attorney and head of the state prosecutors' association, says state's attorneys dropped their opposition to expungements after it was agreed they would not have to initiate them. He says his office will decide on a case-by-case basis whether to object to any petitions, which could include individuals who were involved in bigger crimes.

"Some of these convictions may have been reduced from more serious offenses, some may have involved deals where we reduce a charge for someone if they testify in a case," Berlin says.

The pursuit and success of expungement programs has been spotty across the country.

Washington, which legalized recreational marijuana in 2012, passed an expungement law last summer that could affect 60,000 people. Previously, only about 3,500 people were eligible through a governmental pardon. "We're still kind of working through things," says Taylor Wonhoff, deputy general counsel for Gov. Jay Inslee.

California's marijuana legalization law,

passed in 2016, included expungement but initially required people to file petitions, and only about 6,000 out of up to a million eligible had done so by spring 2018. A follow-up bill passed last year made expungement automatic in California, and with Code for America's help, up to a quarter of a million cases are expected to be expunged this year.

"We can't expect people who have been victims of the war on drugs—victims of a prosecutorial system, victims of an incarceration system—to fill out all these papers" and voluntarily visit courtrooms, says Armando Gudino, California policy manager at the national Drug Policy Alliance.

In Colorado, municipalities including Boulder and Denver offer expungement for local charges, but only 47 people out of about 17,000 eligible have successfully taken advantage of that process, according to Rep. Cassidy's office. Oregon, Massachusetts and Vermont also have marijuana expungement programs, but relatively few records have actually been expunged, according to her research.

Chris Lindsey, director of government relations at the Marijuana Policy Project, says that marijuana expungement initiatives started on the municipal level in various states and have only recently gained wider public support.

"For many years voters were generally not very supportive of looking backwards. The idea (was) if you broke the law back in the day, you broke the law," he says.

'REMOVING BARRIERS'

Ballinger, the Chicago youth worker, is among those who will have to petition for an expungement of his eight-year-old conviction (he declines to say how much marijuana he was arrested for selling). He was a bit daunted by the complexity of the process so is seeking help from Cabrini Green Legal Aid.

After losing his job, he founded a nonprofit called Chasing 23—an homage to Michael Jordan—to mentor young men whose families have been caught up in criminal justice issues. He's hoping the state's efforts pave the way back for many in the community where he works.

"It's about restoring rights and removing barriers that might come up 10 years down the line," he says. "It's how do you make space for the folks that maybe slipped up but want to do good in the community, who really need an opportunity and need a shot."