Regulating Commercial Cannabis Activity within the City of Los Angeles: An Update on Cannabis Policy Development and Implementation

Cat Packer
Executive Director
Department of Cannabis Regulation

Medical Cannabis Legal In California for Over 20 Years – The Compassionate Use Act

Voters Passed Proposition 215 in November 1996. The measure made it legal for individuals to use cannabis in California for medical purposes with a recommendation from a licensed physician.

Proposition 215 did not create a statutory framework for regulating or taxing cannabis.

Under Proposition 215, medical cannabis has mainly been regulated by local governments, if at all –local governments throughout the state have imposed restrictions on the cultivation and sale of cannabis or in some cases banned it entirely.

Medical Cannabis Regulation & Safety Act "MCRSA"

Passed by Legislature in 2015.

Created a new regulatory structure for the licensing and enforcement of the medical cannabis industry, including cultivators, product manufacturers, distributors, testing laboratories and dispensaries (retailers).

Assigned regulatory authority to a new bureau within the Department of Consumer Affairs, the Bureau of Cannabis Control as well as the Department of Food & Agriculture and the Department of Public Health.

Adult Use of Marijuana Act “AUMA”

Passed by California voters in November 2016.

Greatly reduced, and in some cases completely eliminated penalties for certain marijuana activities.

Legalized the use of cannabis for nonmedical purposes by adults age 21 and older.

Created a regulatory structure for the licensing and enforcement of nonmedical cannabis, similar in many ways to the one created for medical cannabis under MCRSA.

Imposed new state excise taxes on the cultivation and retail sale of cannabis; also excludes medical cannabis from portions of the sales tax with a valid medical ID card.

Licensing begins Jan. 2, 2018.

Medicinal & Adult Use Cannabis Regulation & Safety Act --Budget Trailer Bill Legislation – SB 94

Intended to reconcile differences between MCRSA & AUMA

Merged the Medical and Adult Use Regulatory Framework

- Draft Medical Regulations Released in Early Spring 2017
- Draft Adult Use Regulations Expected Late Fall 2017

Cannabis Policy in the City of Los Angeles

September 2007 -- The City of Los Angeles made its first attempt to regulate the burgeoning industry, parts of which were operating in defiance of nonprofit rules, when the City Council enacted the Medical Marijuana Interim Control Ordinance (ICO). The ICO placed a temporary moratorium on new medical marijuana dispensaries.

Cannabis Policy in the City of Los Angeles

2010 to 2011 -- The City of Los Angeles passed and amended the Medical Marijuana Ordinance and a Temporary Urgency Ordinance intended to set up a regulatory framework to control the burgeoning industry. But the City's efforts became mired in extensive legal challenges, with some courts finding that medical marijuana sales were not permitted at all because they were illegal under federal law.

Cannabis Policy in the City of Los Angeles

June 2013 -- Los Angeles City officials, alarmed that unpermitted dispensaries were proliferating, tried again to set up an effective regulatory framework in the absence of statewide regulations. The City's strategy was to ban marijuana businesses, but grant limited immunity from prosecution to dispensaries operating in accordance with City rules. Those rules were codified when City voters approved Proposition D. It extended limited immunity from prosecution to those dispensaries that had been operating in accordance with City rules since the Interim Control Ordinance in 2007.

Cannabis Policy in the City of Los Angeles

March 2017 -- Los Angeles City voters passed Measure M which set up a new framework of City regulations in anticipation of legal recreational sales and set City business taxes for retailers at up to 5% of gross receipts for medical marijuana dispensaries and up to 10% for recreational sellers.

EFFECTIVE Jan. 1 2018
COUNCIL AUTHORITY
REPEAL OF PROP D
PROP M Priority
TAXATION
• 5% MEDICAL
• 10% ADULT-USE
• 2% CULTIVATION, MANUFACTURING, OTHER
• 1% DISTRIBUTION, TESTING, RESEARCH
ENFORCEMENT
• UNLICENSED COMMERCIAL CANNABIS ACTIVITY:$20,OOO PER VIOLATION, PER DAY FOR BUSINESS OWNER & PROPERTY OWNER
• UTILITIES DISCONNECTED
• MISDEMEANOR
• OTHER

Since the Passage of Measure M….

Cannabis Regulatory Policy Development

- Draft Commercial Cannabis Activity Regulations
- Draft Commercial Cannabis Activity Location Restriction
- Motion on Social Equity
- Department of Cannabis (Regulation) and Cannabis (Regulatory) Commission Created by Ordinance
- Executive Director and Commissioners Appointed & Confirmed
- Revised Draft Commercial Cannabis Activity Regulations

What's Next ….

Cannabis Regulatory Policy Implementation

- Department Infrastructure & Interdepartmental Coordination
- Social Equity Program
- Regulation- Licensing & Compliance
- Education
- Enforcement

Proposed Social Equity Program

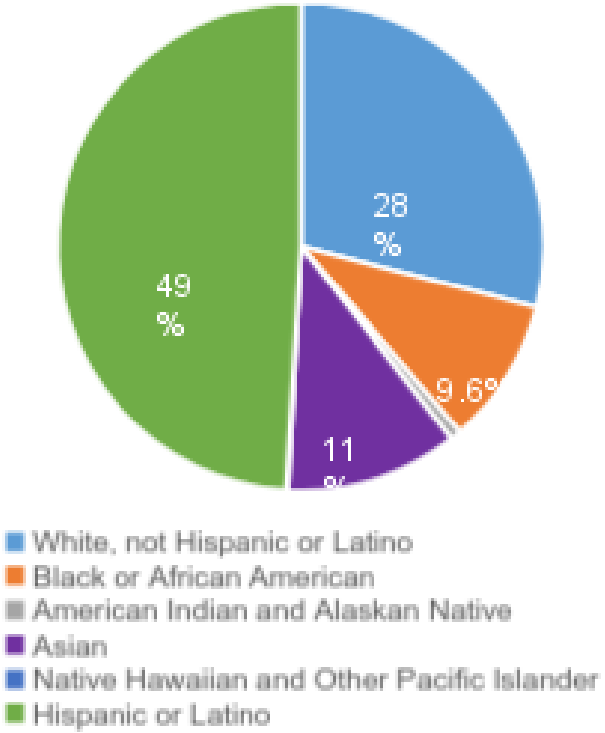
- City Council Motion
- Social Equity Analysis
  - “A social equity analysis of cannabis regulations aimed at promoting equitable ownership and employment opportunities in the cannabis industry in order to decrease disparities in life outcomes for marginalized communities and to address disproportionate impacts on the war on drugs on those communities”.
- Options for Social Equity Program
  - “Options should be provided to ensure that communities identified in the social equity analysis have access to ownership training programs, employee training programs, technical assistance, capital and any other program necessary.”

Proposed Social Equity Program

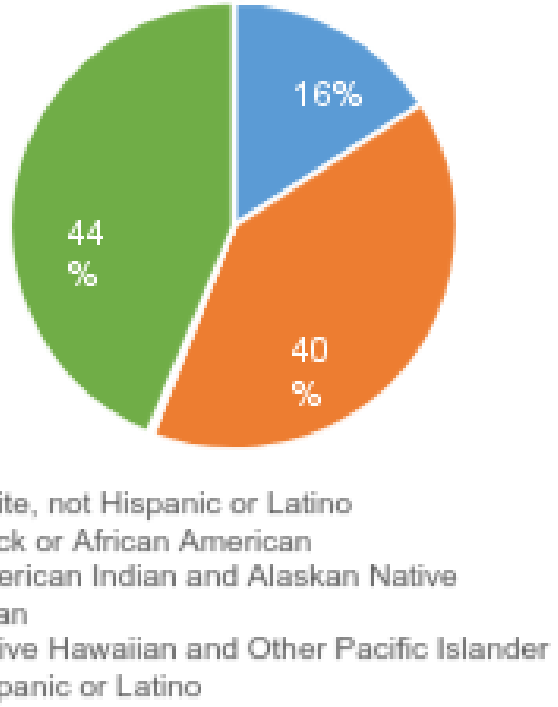
- Social Equity Analysis
  - Conducted by Consultants Amec Foster Wheeler
  - Community Outreach and Public Workshop Held
  - Data Analysis focused on Poverty & LAPD Statistics
  - Racial/Ethnic Disparities Identified but not used for Program Criteria or Recommendations
  - Identified Barriers to Cannabis Industry Access
    - Past Criminal Records
    - Location/Land
    - Capital – Licensing Fees & Start Up Costs
    - Technical Skills and Knowledge

Proposed Social Equity Program

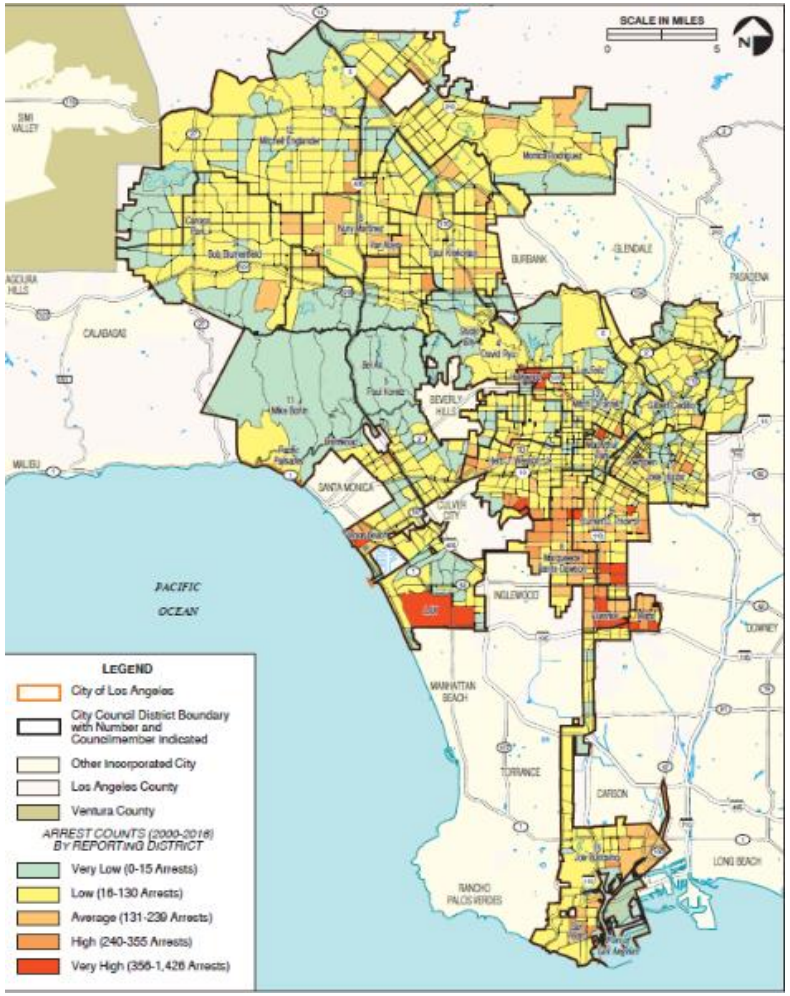
City of Los Angeles Population Composition
Source: 2010 U.S. Census

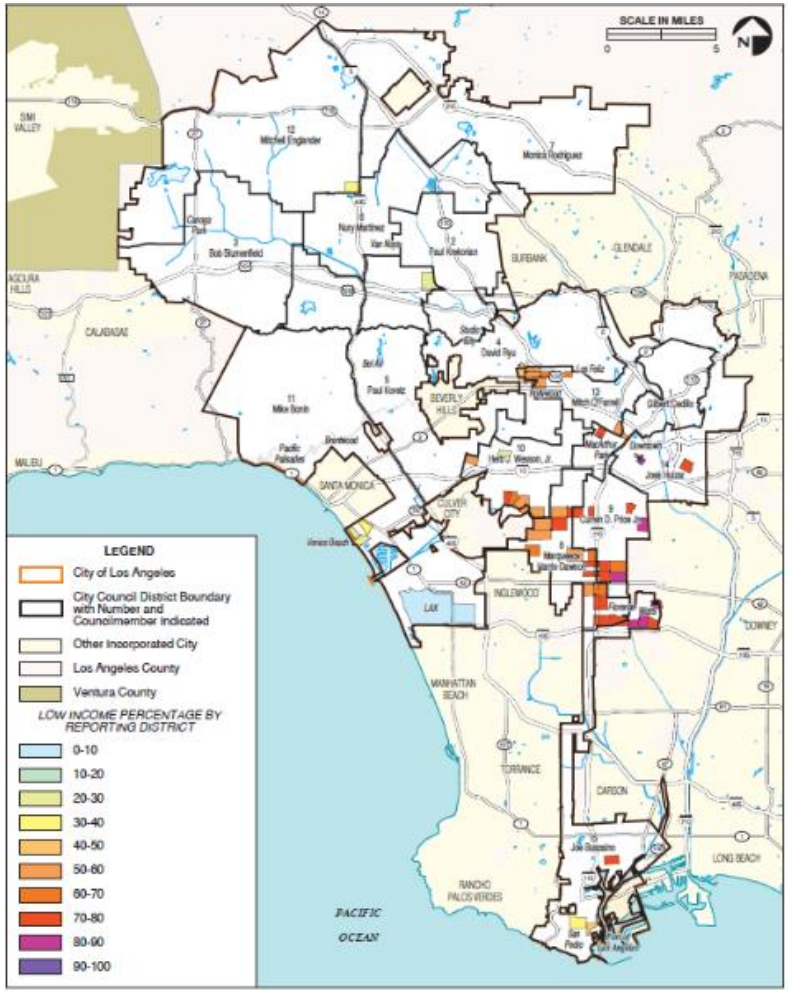


City of Los Angeles Cannabis-Related Arrests (2000-Present)
Source: LAPD



Social Equity Program





Proposed Social Equity Program

Proposed Social Equity Program

- Proposed Requirements for Program Participation
  - Tier 1: Individual Cannabis Arrest & Conviction + Low Income
  - Tier 2: Immediate Family Member w/ Cannabis Arrest & Conviction + Low Income
  - Tier 3: 5 Years In Eligible High Arrest District + Low Income
  - Tier 4: Social Equity Program Partner

Proposed Social Equity Program

- Social Equity Program Recommendations
  - Priority Processing: One to One
  - Fee Waivers & Deferrals
  - Low or Zero Interest Loans & Financial Assistance
  - Technical Business Assistance
  - Real Estate & Compliant Land Assistance
  - Job Training
  - Expungement Clinics
  - Community Reinvestment

Regulating Commercial Cannabis Activity in the City of Los Angeles

Department of Cannabis Regulation

- Administer application process in conjunction with the Cannabis Regulation Commission for the issuance of licenses for cannabis-related activity in the City
- Administer and coordinate audit processes for cannabis-related businesses in the City
- Enforce regulatory compliance of licensed commercial cannabis activity

Cannabis Regulatory Commission

- Monitor and review the State's effort to promulgate cannabis-related laws and regulations and make recommendations to the Mayor and City Council for the adoption of City laws and regulations pertaining to cannabis related activity in the City
- Implement the laws and regulations adopted by the City Council, consistent with the duties of the Department of Cannabis Regulation
- Hold public hearings related to issuing licenses for Commercial Cannabis Activity

PROPOSED BUSINESS REGULATIONS

- Application requirements & procedures
- Appeals
- Priority processing
- Operations requirements
  - General
  - Retail
  - Delivery
  - Manufacturing
  - Testing
  - Distribution
  - Transport
- Inspections
- Enforcement
- Renewals
- Cancellation of license/authorization

Commercial Cannabis Activity

Proposed Commercial Cannabis Activity Location Restriction Ordinance

- Allows certain defined commercial cannabis activity to take place in the City, so long as it is:
  - Conducted by persons operating under a State license.
  - Authorized by the City's Department of Cannabis Regulation.
  - In compliance with the location restrictions specified in the ordinance, as well as with additional regulations.
- Identifies **zones** within which specified types of commercial cannabis activity are eligible to operate.
- Requires that cannabis retail activity with on-site sales observe a specified distance from **sensitive uses**, as well as from other cannabis retail activity with onsite sales.

Proposed Commercial Cannabis Activity Location Restriction Ordinance – Sensitive Uses

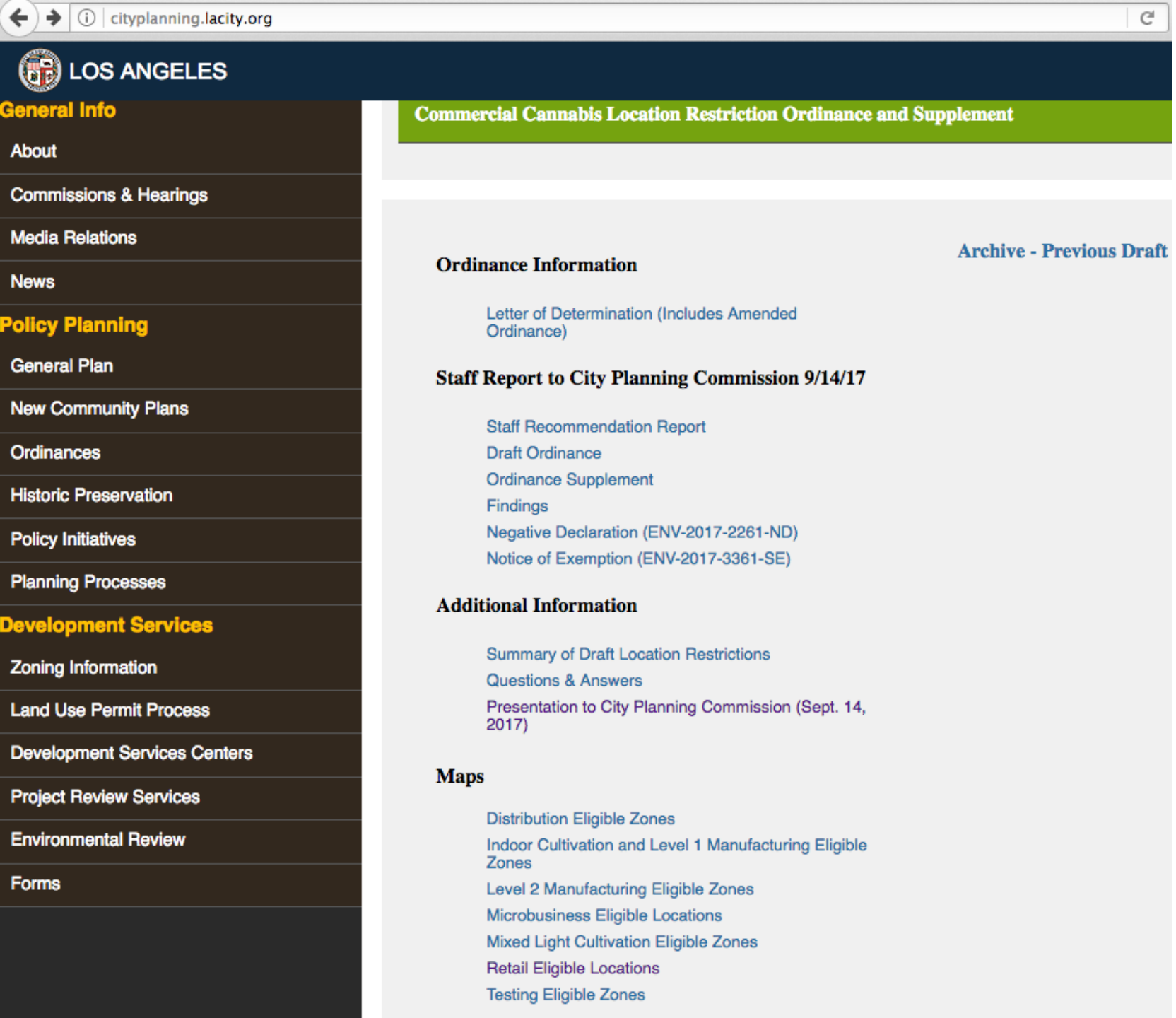
- Prop D businesses will be grandfathered into their original location
  - **1000 feet** from Schools
  - **600 feet** from Public Parks, Public Libraries, Religious Institutions, Child Care Facilities, Youth Centers, Alcoholism, Drug Abuse Recovery or Treatment Facilities, or other Medical Marijuana Business
- Retail/Microbusiness must be **800 feet** from:
  - **K-12 Schools**
  - **Alcoholism/Drug Rehabilitation or Treatment Facilities**
  - **Public Libraries**
  - **Public Parks**
  - **Other Retail/Microbusiness activity with on-site sales**.
- Non-Retail must be **600 feet** from:
  - **K-12 Schools**

Eligible Zones for Commercial Cannabis Activity

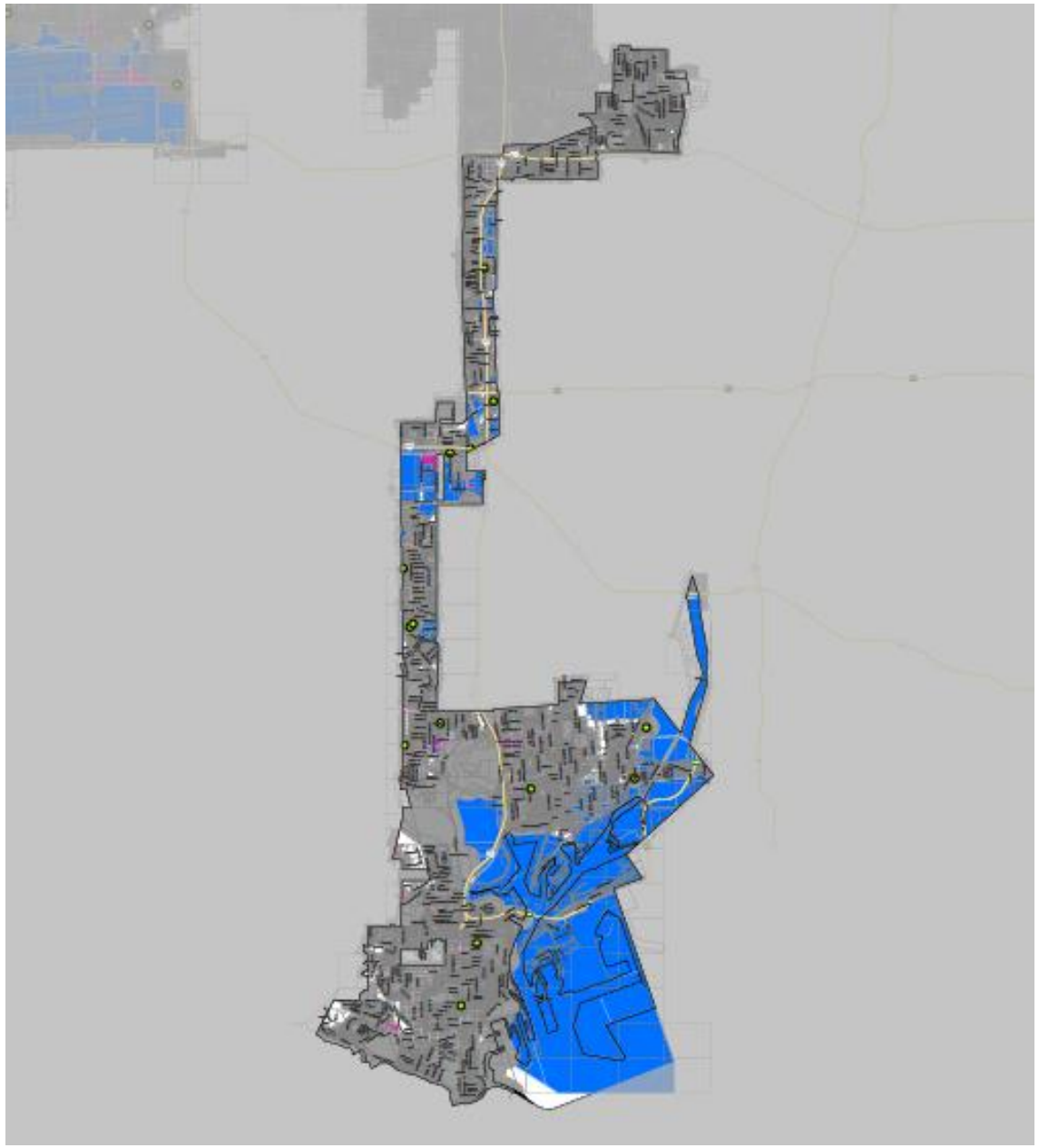
Retail	Microbusiness	Indoor Cultivation & Level 1 Manufacturing
C1	M1	MR1
C1.5	M2	M1
C2	M3	MR2
C4		M2
C5		M3
CM		
M1		
M2		
M3		

Eligible Zones for Commercial Cannabis Activity

Mixed Light Cultivation	Level 2 Manufacturing	Distribution	Testing
A1 A2 Accessory use only.	MR2 M2 M3	MR1 M1 MR2 M2 M3	CM MR1 M1 MR2 M2 M3



Cityplanning.lacity.org



Retail

Businesses that sell cannabis products directly to the public

Existing Medical Marijuana Business

800-foot buffer from: *Schools, Parks, Libraries, Drug/Alcohol Rehab & Recovery Facilities, EMMBs*

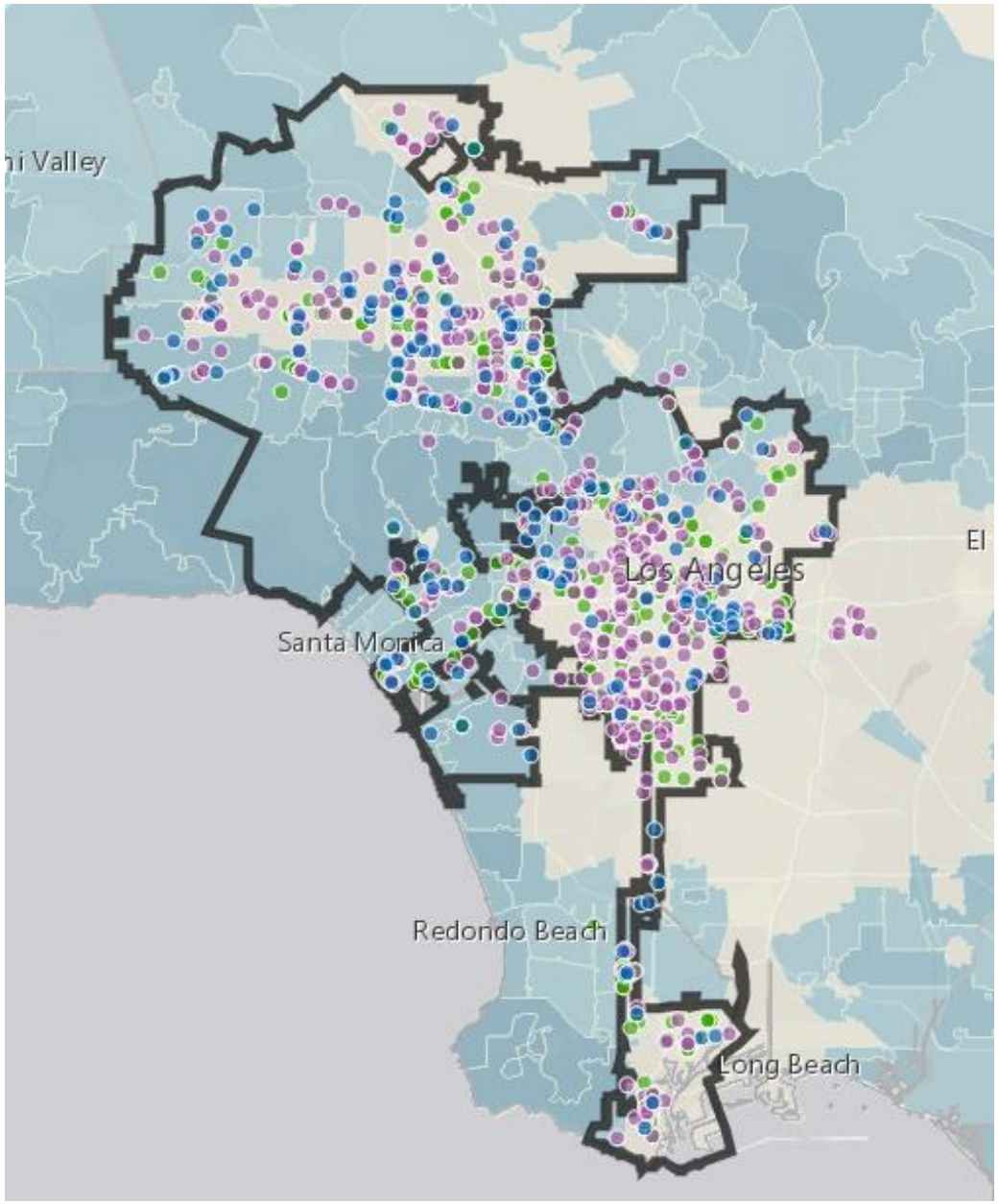
Zoning

Commercial zones that are eligible

Industrial zones that are eligible

Administrative Boundary

Council District



191 Marijuana businesses that are eligible to apply for a special 2017 Business Tax Registration Certificate

756 Marijuana businesses that held Business Tax Registration Certificate in 2016

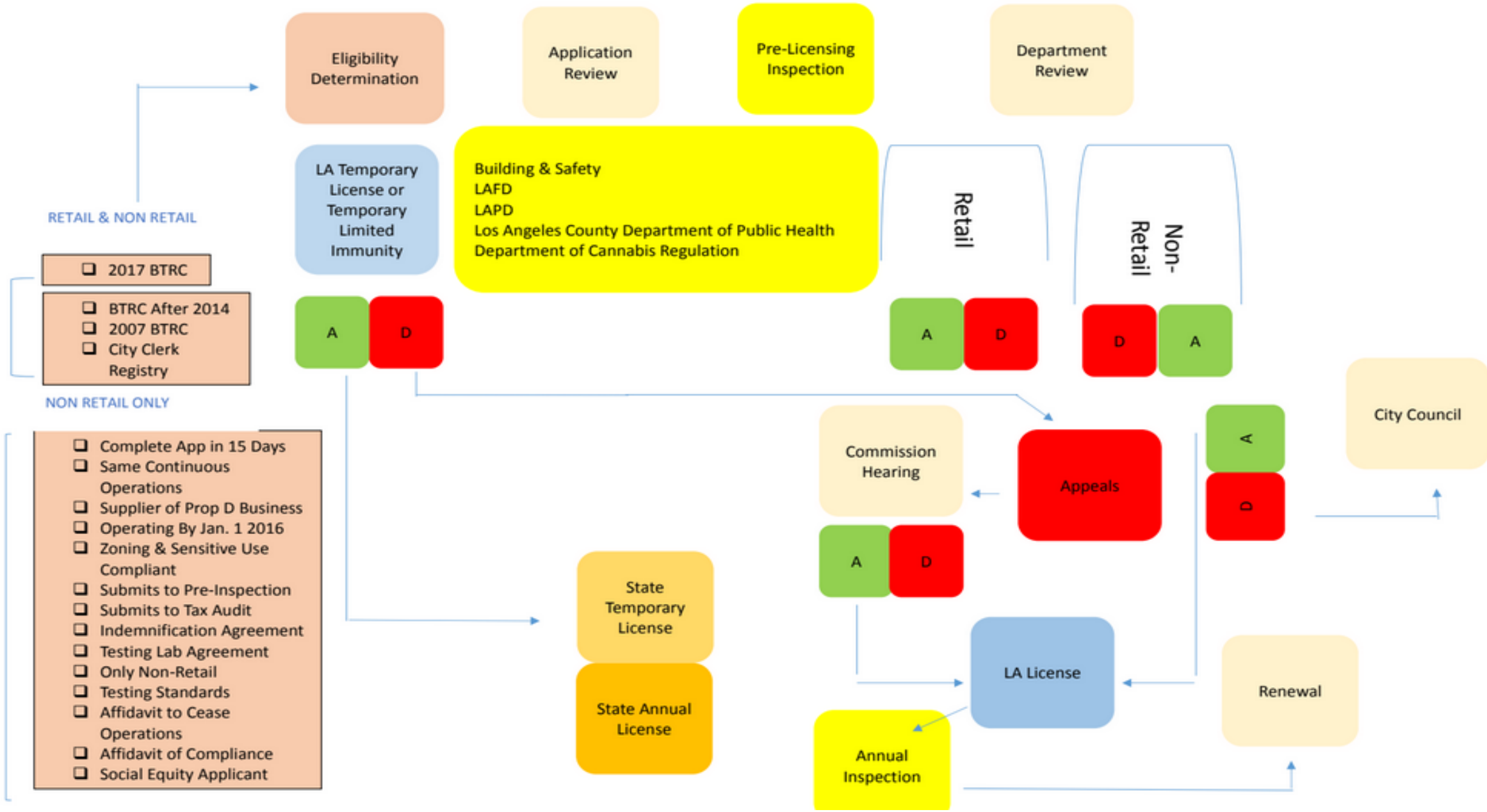
563 Marijuana businesses against which the Los Angeles City Attorney's Office filed criminal cases

Application Processing Windows

WINDOW I
PROP D

WINDOW II
CONTINUOUS OPERATIONS
WITH LIMITED IMMUNITY

WINDOW III
GENERAL & SOCIAL EQUITY


Eligibility Determination
Application Review
Pre-Licensing Inspection
Department Review
RETAIL & NON RETAIL
LA Temporary License or Temporary Limited Immunity
Building & Safety
LAFD
LAPD
Los Angeles County Department of Public Health
Department of Cannabis Regulation
Retail
Non-Retail
2017 BTRC
BTRC After 2014
2007 BTRC
City Clerk Registry
A
D
A
D
D
A
NON RETAIL ONLY
Complete App in 15 Days
Same Continuous Operations
Supplier of Prop D Business
Operating By Jan. 1 2016
Zoning & Sensitive Use Compliant
Submits to Pre-Inspection
Submits to Tax Audit
Indemnification Agreement
Testing Lab Agreement
Only Non-Retail
Testing Standards
Affidavit to Cease Operations
Affidavit of Compliance
Social Equity Applicant
Commission Hearing
Appeals
City Council
A
D
A
D
State Temporary License
State Annual License
LA License
Renewal
Annual Inspection

- Name
- Activity & License Type
- Processing Category
- Date of Operations
- License(s) Held
- History of Denial
- Address & Contact Information
- Business Organizational Structure
- Fictitious Business Name
- Financial Information
- Personal Info Redacted
- Legal Occupancy & Use
- Premises Diagram
- Pre-Licensing Inspection
- Hiring Plan
- Staffing Plan
- Labor Peace Agreement
- Valid Seller's Permit (Board of Equalization)
- Proof of bond/insurance
- Limited Access Areas Plan
- Security Plan
- Detailed Descriptions
- CUPA Permit
- Terms of Transfer & Change of Ownership
- Indemnification Agreement
- Community Benefits Agreement
- Neighborhood Liaison
- Local Neighborhood Council
- Prohibition on Alcoholic Beverages & Tobacco Sales & Consumption
- Radius Map

Public Hearings

Neighborhood Councils

Notice & Notification

Neighborhood Liason

Community Benefit Agreement

Local Hire

Transitional Hire

Diversity Plan

Worker Safety Plan

Labor Peace Agreement

California Commercial Cannabis Activity License

Los Angeles Commercial Cannabis Activity License

California Commercial Cannabis Activity Licensing

California Commercial Cannabis Activity Licensing

Testing
Distribution
Retail, Delivery
Microbusiness

Manufacturing

Cultivation

Bcc.ca.gov

Cannabis.ca.gov

State Temporary Licenses

All applicants will be required to provide the following:

Local jurisdiction authorization: A copy of a valid license, permit, or other authorization issued by the local jurisdiction where the business is operating that allows the applicant to conduct commercial cannabis activity at the location.

Local authorization may vary by local jurisdiction and must specify that the applicant is approved for commercial cannabis activity.

Name: The name of the applicant requesting the license. This could be an individual or business entity.

License type requested: Distributor, Retailer, Microbusiness, or Testing Laboratory.

License designation requested: A-license, adult use or M-license, medicinal.

Contact information: Designated primary contact including first and last name, title, address, phone number(s), and email address(es).

Owners: For each owner that meets the criteria of Business and Professions Code section 26001 (al), the owner's name, mailing address, and email address.

Physical address: Location of the proposed premises.

Authorization to use location: A copy of the title or deed to the land where the premises is proposed to be located. If the applicant does not own the land, a document from the landowner stating that the applicant has the right to occupy the property and may use the property for the commercial cannabis activity.

Premises diagram: A diagram of the business's layout at the proposed location.

No temporary license will be effective prior to January 1, 2018.

Social Equity
Employment
Stigma
Housing
Cole Memo
Safe Neighorhoods
Patient Access
Education
Adults 21 & Up
Community Reinvestment
Impairment & Road Safety
Ownership
Advertising Restrictions
Policing
Regulation
Youth Safety
Tax Revenue
Enforcement
Drug Testing
Consumer Safety
Addiction
Personal Cultivation
Health Services
Criminal Justice
Youth Prevention
Economic Opportunity
Cannabis Policy